



Negative Impacts of Frequent Loan Acquisition by Sari-Sari Store Owners in Ambuklao, Bokod, Benguet

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Abstract— Sari-sari stores, family-owned convenience stores, were a vital part of the Philippine economy, especially in the rural communities. However, a lot of sari-sari store owners in Ambuklao, Bokod, Benguet faced significant financial challenges because of frequent loan acquisition. This study explored the reasons behind frequent loan acquisition by sari-sari store owners in Ambuklao, the negative impacts of this practice on their business operations, and their coping mechanisms to manage their financial obligations. Quantitative descriptive research was used; a survey questionnaire was distributed to a sample of one hundred twenty-three sari-sari store owners. The findings showed that the primary reasons for frequent loan acquisition were to purchase additional stocks, maintain cash flow during periods of low sales, and to take advantage of bulk purchasing from suppliers. The study also found out that frequent loan acquisitions have negative impacts on business performance, like higher risk of bankruptcy, high interest rates affecting profitability, difficulties in repaying multiple loans on time, reduced availability of cash for expenses, and difficulty in maintaining stocks due to loan repayments. The study concluded that sari-sari store owners in Ambuklao relied on loans to sustain their business operations but faced challenges because of high interest rates and repayment difficulties. Despite these challenges, they have coping mechanisms, like seeking financial education, creating emergency funds, and managing cash flow, to mitigate the negative impacts of frequent loan acquisition.

Keywords— Business Operations, Coping Mechanisms, Financial Challenges, Loan Acquisition, Sari-sari Stores, Small Businesses.

I. INTRODUCTION

Small retail businesses are often categorized under Small and Medium Enterprises (SMEs) and are vital components of local economies across the world. The existence of small and medium enterprise comprised 99% of the global economy (Sieki et al., 2013, Reigner, 2000). In developing countries, these small retail businesses form the backbone of both rural and urban commerce which provide opportunities for employment, serve as a key drivers of poverty alleviation, and local economic development (World Bank, 2019). Their presence in markets ensure that the basic needs and services are always available to communities thus fostering economic growth.

Around the globe, different countries have their own versions of these small retail businesses. In India, Kirana stores are quite similar to sari-sari stores that sell essential products like food items, processed foods, grains, dry food, drinks, and household items (Maruyama & Trung 2007). Similarly, dukas in Kenya and other East African countries serve the same purpose, selling a variety of basic goods like toiletries, food and household products (TechnoServe 2020). In Indonesia, they call their small convenience shops as warungs where they sell household supplies, snacks, drinks and cooked meals (Mardhiyah, 2022). And also in South Africa, they have spaza shops that



are typically located in rural areas and sell essential goods to their local community (Willie,2024). These small businesses are very essential and play a vital role in sustaining the local economy particularly in areas where employment opportunities are limited.

Moreover, sari-sari stores are the local equivalent of these small retail businesses. Sari-sari stores are ubiquitous in every place, and are typically small and usually family owned that offer a wide variety of consumer goods ranging from snacks, toiletries and to wide variety of household needs. They are a vital part of the local economy especially in rural areas where access to larger retail chains is limited (Department of Trade and Industry, 2024). These sari-sari stores operate under conditions of financial uncertainty that rely on their daily cash flow to restock their inventories. The economic significance of these small businesses cannot be overstated as they provide essential goods to the community, also create jobs, and contribute to the economy locally.

However, despite their essential role still many sari-sari store owners face significant financial challenges. Previous studies have examined the challenges of the micro-entrepreneurs in the rural areas that focus on the vulnerability of small business owners in terms of financial aspects. Yoshino & Hesary (2018) found out that micro-enterprises in Southeast Asia often face liquidity problems because of their limited access to formal credit. The study emphasized also that informal lending practices place a burden on the borrowers especially in remote areas. Ochonogor (2018) argued that microloans are helpful in providing immediate liquidity but fail to contribute to long-term business growth due to high interest costs.

In the Philippines, a significant number of micro-entrepreneurs in the Philippines, particularly sari-sari store owners are financially vulnerable because many of them depend on frequent, short-terms loans to meet their operational needs Asian Development Bank (2023). Due to limited access to financial institutions, a lot of the store owners turn to informal credit sources that have higher interest rates thus placing significant pressure on the borrowers (Llanto, 2004). As a result, small business owners are forced to acquire another loan to pay off their previous loans which leads to financial exhaustion which reduces profitability, weakens the business operations and possibly leads to closure of the business (Ahiabor, 2019).

The issue of frequent loan acquisition is rampant in rural areas where informal lending practices like “five-six” schemes are common. According to Dizon (2020), it was found that many of the small business owners in rural areas in the Philippines resort to informal lenders with high interest rates which leads them to financial difficulty and strain in maintaining their businesses. The high cost of these loans makes the owners manage their business operations effectively due to constant pressure to meet repayment deadlines. The challenge that these small businesses are facing is the reliance on loans to sustain their operation. With low profit and unpredictable demand many of the business owners need to avail loans to maintain their inventory, to finance their operational expenses and to meet their personal financial needs.

Operating with limited capital makes it difficult for the store owners to maintain their inventories, compete with larger retailers and to keep the business running. To overcome these challenges, sari-sari store owners acquire loans to expand their business and supplement their income. Over the years, microloans have become a common financial help for store owners especially in remote areas of Ambuklao, Bokod, Benguet.



Ambuklao is a rural community that is situated in the municipality of Bokod, Benguet, it is also known for the Ambuklao Dam-one of the oldest hydroelectric power plants in the country, and agricultural landscape. Despite its natural resources and picturesque surroundings, Ambuklao still faces several challenges in economics like limited access to big retail outlets, infrastructure and broader economic opportunities. The local economy of Ambuklao relies on small-scale agriculture and the presence of small retail establishments like sari-sari stores that serve as lifelines for the everyday needs of the residents.

The geographical isolation of Ambuklao from the major urban center like Baguio City and the difficult terrain also limits the availability of larger retail business. As a result, sari-sari stores play a crucial role in supplying the basic goods and services to the local residents. However, the economic situations in Ambuklao are far from ideal for the small business owners. Sari-sari-store owners often struggle with limited financial resources, low profit margin, and unpredictable cash flow. Many of the store owners face the challenge of restocking their store weekly due to the fact that they rely solely on the income generated from their sales. Without enough capital to maintain a steady supply of basic goods, the owners turn to acquire loans in order to cover their operational expenses and to meet their personal financial needs.

The common form of borrowing in Ambuklao is through informal lending systems like five-six schemes where they charge high interest rates. Borrowers including the sari-sari store owners find these informal lenders more accessible and easier to apply because no requirements are needed unlike formal financial institutions where they impose stringent requirements. Although informal loans are easy and provide quick access to funds, they charge high interest rates that can burden the borrowers and can create a cycle of debt. The situation in Ambuklao is reflective of broader trends that were observed in the rural communities across Philippines. Studies by the "Department of Trade and Industry" (2020) and Asian Development Bank (2020), highlights the same issues with other rural areas where frequent loan acquisition from informal lenders has led to financial strain, reduced profitability and even closure to some cases.

For the sari-sari store operating in Ambuklao, acquiring loans has become a necessity and source of financial pressure. These small business owners are crucial in the community but face challenges especially in acquiring loans frequently. So, this research aims to assess the primary reasons for frequent loan acquisitions by the owners of sari-sari store, to assess the impact of frequent loan acquisition on the business operations of sari-sari stores and to know the coping mechanisms of sari-sari store owners in managing their business activities and operations amidst frequent loan obligations in Ambuklao, Bokod, Benguet.

The results of the study are expected to benefit various stakeholders by giving insights into the challenges faced by the sari-sari store owners in repaying loan and financial stability. For store owners, the result will identify the root causes of frequent loan acquisition and can offer practical recommendations to help them to avoid being trapped on debt and to enhance their business operations. The Local Government Unit of Ambuklao will also gain valuable information that will enable them to develop programs that will improve the access to credit, financial literacy and to create support systems for small business owners. Additionally, the microfinance institutions can use the findings to refine their lending policies and create sustainable solutions to help small business owners.



Then lastly, the research will serve as a foundation for future academic studies about loan dependency, financial literacy and small business sustainability.

II. METHODOLOGY

A. Research Design

The study used quantitative descriptive research design, and focused on gathering the behaviors, characteristics and challenges faced by the sari-sari store owners in Ambuklao, Bokod, Benguet particularly regarding their frequent loan acquisition. In quantitative research, a descriptive research design is a process whereby researchers use a survey to describe the attitudes, opinions, behaviors, or features of a population, either by administering it to a sample or to the entire community. (Creswell & Creswell 2018). This approach is suitable to summarize and quantify data on the frequency of loans, financial impacts, and the coping mechanisms of the sari-sari store owners. It also provided detailed insights into the extent of the issue and focus on the variables without manipulation of the study environment (Creswell & Creswell, 2018).

B. Locale and Population of the Study

The participants of the study will be sari-sari store owners in Ambuklao, Bokod, Benguet, who frequently acquire loans to sustain the operations of their business. According to the Bokod Permit and Licensing office, there are 197 sari- sari store owners in Ambuklao but 123 store owners will be participating based on the inclusion and exclusion criteria. The focus is to understand how frequent loan acquisition can affect the financial stability and business sustainability of these small-scale entrepreneurs.

To guarantee that the information to be gathered is relevant, specific inclusion and exclusion criteria will be applied. The inclusion criteria will be sari-sari store owners who have acquired at least two loans within the past year for business-related purposes to ensure that the participants have experience acquiring loans. The exclusion criteria will eliminate store owners who are in the business for less than six months and those owners who have not taken any loans in the past years. These criteria are very important to focus the research on store owners with sustained experience in loan acquisition and business operations to ensure the data to be gathered is relevant.

In addition, the study will employ purposive sampling, an approach where participants are selected according to predetermined standards that are pertinent to the research objectives (Etikan et al., 2016). It is also ideal for this study as it allows the researcher to focus on store owners who have experience in loan acquisition to make sure the data that will be gathered will address the research questions effectively.

C. Data Gathering Tools

The researcher will be using a survey questionnaire to collect the information required for this research. A questionnaire is a research instrument that asks respondents a series of questions in order to gather information (McLeod, 2023). There will be three sections of the questionnaire of which, Part 1 is the common reasons for frequent loan acquisition of sari-sari store owners at Ambuklao, Bokod, Benguet, Part 2 is the impact of frequent loan acquisition on their business operations. Then Part 3, is the coping mechanisms of the sari-sari store owners in managing their business amidst frequent loan obligations.



D. Validity and reliability

To establish the validity of the questionnaire, it will undergo thorough content validation to make sure that it will accurately capture the key variables relevant to the research objectives. The content will be assessed by three experts in the field to review the questionnaire for relevance, clarity and comprehensiveness. Any suggestions for improvement will be incorporated before the final version will be administered.

To test and evaluate the reliability of the questionnaire, it will be pre-tested with twenty sari-sari store owners who are not included in the sample. The researcher will be using Cronbach's Alpha to ensure that the questionnaire will be reliable. The result is 0.82 which means that there is a good inter correlation of the questions.

E. Data gathering procedure

Upon receiving the research approval, the researcher will seek permission from the local authorities in Ambuklao, Bokod, Benguet to conduct a study. After that, the researcher will visit the sari-sari store owners and personally give the consent form explaining the purpose of the study and their rights. Store owners who meet the inclusion criteria and consent to participate will be provided with a copy of the questionnaire which will be administered personally. The researcher will explain how to answer the questionnaire and will assist the participants in filling out, if in case they need help. Then, after answering the questionnaire, research will reiterate that all the responses will be kept confidential and their identities will remain anonymous and the data will be securely stored and accessible only to the researcher.

F. Treatment of data

The data gathered were categorized, examined, and shown in a number of tables. The information gathered from the respondents' questionnaire responses will be analyzed using descriptive statistics such as frequency count, mean, and ranking.

G. Ethical Considerations

Ethical standards will be rigorously followed to protect the rights of the participants. The data collected during this study were kept confidential at all times in compliance with the Data Privacy Act of 2012. Furthermore, all the data gathered will be treated as confidential and will be stored securely and only the research team will have access to it. The researcher will ensure that participants are free of any coercion respecting the right of the participants and privacy throughout the study.

III. RESULTS AND DISCUSSION

A. Common Reasons for Frequent Loan Acquisition

Table 1 presents the common reasons for frequent loan acquisition of sari-sari store owners at Ambuklao, Bokod, Benguet. It has been discovered that the respondents agree ($M=3.19$) with the identified reasons. The mean ratings show the different levels of agreement on the common motivations for frequent loan acquisition (Bryman & Bell, 2015).

The top-ranked reason with a mean of 3.67 (Strongly Agree) which is to purchase additional stocks. This result suggests that inventory replenishment among sari-sari stores at Ambuklao, Bokod, Benguet is their primary



reason for availing loans in order for them to meet customer demand and to ensure the steadiness of their business operations. These findings also align with the insights from Abor and Querty (2010) that emphasizes that access to credit is essential for small businesses to sustain their inventory and improve profitability. Secondly, the respondents agree (M=3.11) for store expansion or improvements. This signifies that some of the store owners are leveraging loans as investments for their business growth to extend their physical space to cater more customers. This strategy shows a commitment to business development and to achieve long term-profitability. According to Gannaban (2023), small business owners like sari- sari stores often avail loans to fund the improvement and expansion, recognizing the potential for higher returns in the future. Then, the third highest reason is to maintain cash flow during periods of low sales or income with a mean of 3.20 (Agree). This demonstrates that cash flow challenges many sari-sari store owners especially during off peak seasons or when demand of customers is low. Loans in these off-peak seasons act as a financial buffer to cover operational expenses without disrupting their business operations. This aligns with the findings of Fatoki & Asah. (2011) that highlighted the role of credit in stabilizing the cash flow of small business. Then the fourth reason with a mean of 3.06 (Agree), to take advantage of bulk purchasing from suppliers suggests that some of the sari-sari store owners use loans to avail bulk purchases, benefiting discounts from suppliers thus improving profit margins. According to Oppong (2016), the ability to purchase in bulk reduces costs and increases the competitive edge of small businesses in price sensitive markets. Then lastly, to cover daily operational expenses with a mean of 2.89 (Agree), appears to be a less significant motivator for sari-sari store owners for loan acquisition. This indicates that many of the sari-sari store owners viewed loans as a means to enhance business growth rather than merely meeting operational expenses.

These findings highlight the dependency of the sari-sari store owners in Ambuklao, Bokod, Benguet on external financing to support their business particularly in maintaining their stocks, ensuring cash flow stability and pursuing improvements and expansion opportunities.

Table 1: Common Reasons for Frequent Loan Acquisition (n=123)

Common Reasons for Frequent Loan Acquisition	4 (SA)	3 (A)	2 (D)	1 (SD)	Mean	Descriptive Equivalent	Rank
To purchase additional stocks.	83 (332)	39 (117)	1 (2)	0 (0)	3.67	Strongly Agree	1
To cover daily operational expenses including rent and utilities	36 (144)	41 (123)	42 (84)	4 (4)	2.89	Agree	5
To maintain cash flow during periods of low sales or income	37 (148)	76 (228)	7 (14)	3 (3)	3.20	Agree	3
To take advantage of bulk purchasing from suppliers	31 (124)	69 (207)	23 (46)	0 (0)	3.06	Agree	4
For Store Expansion or improvements	35 (140)	67 (201)	21 (42)	0 (0)	3.11	Agree	2
Grand Mean					3.19	Agree	



Legend:

Scale	Statistical Limits	Descriptive Equivalent	Symbol
4	3.51-4.00	Strongly Agree	SA
3	2.51-3.50	Agree	A
2	1.51-2.50	Disagree	D
1	1.00-1.50	Strongly Disagree	SD

B. Negative Impact of Frequent Loan Acquisition on Business Operation

Table 2 presents the negative impacts of frequent loan acquisition on business operations of sari-sari store owners at Ambuklao, Bokod Benguet. It has been found that the respondents agree (M=3.41) about the adverse effects of frequent loan acquisition on their business operations. The impact of these challenges can destabilize a business because loan repayment takes precedence over other financial needs, reducing both operational efficiency and profitability. These results highlight the necessity for owners of sari-sari stores to consider alternative funding methods in order to reduce the hazards associated with high-interest of loan and frequent borrowing.

The “higher risk of bankruptcy,” which has the highest mean of 3.61 (Strongly Agree), ranked as the top concern. This result implies that frequent borrowing is often accompanied by high interest rates that can strain a business operation where it risks insolvency. Acquiring loans frequently can lead to an unsustainable financial structure. This is related with the findings of Sleight & Maracle (2023) that emphasizes that excessive reliance on loans can affect the financial health of small businesses, increasing also the risk of bankruptcy as repayments can burden business owners. Then, ranking second is the impact of high interest rates affecting the profitability of the business with a mean of 3.42 (Agree). When business owners are burdened to pay high interest rates, their profits decline, affecting the profitability of the business and limits the amount of money they can use for reinvestment and expansion. This is in line with the studies of Chinander (2024), who pointed out that high interest rates provide a considerable obstacle for small businesses, limiting their potential to expand and profitability. This means that even though loans are acquired to support the business operations, the cost associated with the repayment of loan can erode their profit which results in financial strain. Then, third in rank is experiencing difficulties in repaying multiple loans on time with a mean of 3.41 (Agree). Many of the sari-sari store owners experience cycles of borrowing and have multiple loans which can lead to delinquency if cash flow is not enough. This is also in line with the work of Kenton (2021) that small businesses when over-leveraged, they struggle to manage loan obligations. This situation can be problematic if new loans are taken to pay other loans, which creates a debt trap. Then, fourth in rank is due to loan repayment, it’s hard to maintain stocks with a mean of 3.37 (Agree). Loan repayment can consume a portion of the availability of cash which can cause limited funds to purchase inventory. According to Irfan & Ali (2017), small business owners who experience financial pressure due to loans often reduce stock levels to pay debt, which later can lead to decline of sales. Lastly, with a lowest mean of 3.23 (Agree) is reduced availability of cash for expenses. The need to set aside funds for the repayment of loan leaves store owners with less cash to cover their operational expenses. This can affect their daily operations like paying suppliers on time or managing unexpected expenses.

Table 2: Negative Impact of Frequent Loan Acquisition on Business Operation (n=123)

Negative Impact of Frequent Loan Acquisition on Business Operation	4 (SA)	3 (A)	2 (D)	1 (SD)	Mean	Descriptive Equivalent	Rank
Experience difficulties in repaying multiple loans on time	61 (244)	53 (159)	8 (16)	1 (1)	3.41	Agree	3
Due to loan repayment, it's hard to maintain stocks	63 (252)	47 (141)	8 (16)	5 (5)	3.37	Agree	4
High interest rates affect the profitability of the business	60 (240)	56 (168)	6 (12)	1 (1)	3.42	Agree	2
Reduced availability of cash for expenses	41 (164)	72 (216)	8 (16)	2 (2)	3.23	Agree	5
Higher risk of bankruptcy	75 (300)	42 (126)	8 (16)	2 (2)	3.61	Strongly Agree	1
Grand Mean					3.41	Agree	

Legend:

Scale	Statistical Limits	Descriptive Equivalent	Symbol
4	3.51-4.00	Strongly Agree	SA
3	2.51-3.50	Agree	A
2	1.51-2.50	Disagree	D
1	1.00-1.50	Strongly Disagree	SD

C. Coping Mechanisms in Managing Business amidst Frequent Loan Obligations

Table 3 presents the findings on the coping mechanisms in managing business amidst frequent loan obligations. It has been discovered that the responders agree (M=3.38) that these are their coping mechanisms in managing their business amidst frequent loan acquisition. These results highlight the importance of strategic financial management to sustain business operations.

The highest rated coping mechanism with a mean of 3.49 (Agree) is seeking financial education to better understand debt management and budgeting strategies. The respondents acknowledged the importance of understanding debt management and financial education to make informed financial decisions. Financial education helps small business owners with the necessary skills to be able to assess their financial crisis, to evaluate repayment strategies and to help them avoid pitfalls associated with debt (Urefe, et al.,2024). This result aligns with the existing literature that suggests enhanced financial education will lead to better financial outcomes and can reduce stress related to debt management. Then, second in rank is building an emergency fund to manage unexpected expenses without relying on loans with a mean of 3.47 (Agree). This result indicates that the sari-sari store owners recognize the importance of managing their resources and make sure to set aside even a small fund for emergency purposes to avoid them taking another loan. An emergency fund serves as a financial buffer to provide stability in unseen circumstances that allow business owners to overcome challenges without



jeopardizing their business operations (George, 2024). This approach is very useful to help business owners to mitigate risks associated with financial uncertainties. Then, third in rank is focusing on improving cash flow by enhancing sales and reducing unnecessary expenses with a mean of 3.44 (Agree). This result implies that strategic emphasis on operational efficiency to meet loan repayments.

An effective cash flow management makes sure that business can be able to cover operational costs and can pay debts. By increasing revenue and identifying wasteful expenses, business owners can be able to maintain liquidity and achieve growth in their business. This finding underscores the necessity to balance income with cost control. Then, fourth in rank is creating a realistic budget to prioritize debt repayments with a mean of 3.37 (Agree).

The respondents also agreed on the importance of creating a realistic budget to prioritize their loan repayments. A well-structured budget allows business owners to allocate their resources and ensure that their debt obligations are met while still covering essential operational costs Foster (2017).

Then, lastly with a lowest mean of 3.11 (Agree) is negotiating with creditors for better payment terms. This coping mechanism received the lowest mean score but still indicates awareness among the sari-sari store owners.

A good negotiation can lead to more favorable repayment conditions like extended payment periods or reduce the interest rate which will help to reduce financial pressure.

These findings highlight the importance of financial literacy, strategic budgeting and cash flow management in helping the sari-sari store owners cope with frequent loan obligations.

Table 3: Coping Mechanisms in Managing Business amidst Frequent Loan Obligations (n=123)

Coping Mechanisms in Managing Business amidst Frequent Loan Obligations	4 (SA)	3 (A)	2 (D)	1 (SD)	Mean	Descriptive Equivalent	Rank
Create a realistic budget to prioritize debt repayments	53 (212)	64 (192)	4 (8)	2 (1)	3.37	Agree	4
Focus on improving cash flow by enhancing sales and reducing unnecessary expenses	62 (248)	54 (162)	6 (12)	1 (1)	3.44	Agree	3
Seek financial education to better understand debt management and budgeting strategies	64 (256)	56 (168)	2 (4)	1 (1)	3.49	Agree	1
Build an emergency fund to manage unexpected expenses without relying on loans	66 (264)	49 (147)	8 (16)	0 (0)	3.47	Agree	2
Negotiate with creditors for better payment terms	32 (128)	73 (219)	18 (36)	0 (0)	3.11	Agree	5
Grand Mean					3.38	Agree	



Legend:

Scale	Statistical Limits	Descriptive Equivalent	Symbol
4	3.51-4.00	Strongly Agree	SA
3	2.51-3.50	Agree	A
2	1.51-2.50	Disagree	D
1	1.00-1.50	Strongly Disagree	SD

IV. CONCLUSIONS AND RECOMMENDATIONS

Sari-sari store owners in Ambuklao, Bokod, Benguet rely on loans to purchase additional stocks, to pursue store improvements and to maintain cash flow. These results indicate that frequent loan acquisition is used primarily to support inventory and expansion needs that enable the small business to meet customer demand and to stabilize their operations. However, they also face challenges like high-interest rates, repayments difficulties and risks of financial instability that highlights the impact of external financing. Despite the challenges faced by the sari-sari store owners they employ coping mechanisms, including seeking financial education, creating emergency funds and managing cash flow. This contributes to their resilience and continuity in their business.

Based on these conclusions, it is recommended that sari-sari store owners should continue to attend financial literacy seminars to enable them to enhance their understanding of budgeting and debt management.

They should also consider or learn to consider diversifying their sources of funds, to negotiate more favourable loan terms in order to reduce the burden of high interest rates. To improve financial stability, store owners should develop a realistic budget plan that prioritizes debt payment and maintain stock levels, to ensure the stability and growth of the business and to reduce their dependence on frequent loan acquisition.

By having strategic financial management practices, sari-sari store owners can be able to improve the sustainability of the business and resilience against potential financial risks.

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