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Strategies of lending companies and customer satisfaction in San Jose, Occidental Mindoro

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Abstract

Lending companies, also known as microfinance businesses, are considered one of the primary sources of external financing for small businesses and are key to helping small firms maintain cash flow, hire new employees, purchase new inventory or equipment, and grow their business, thereby contributing to the economic health of a certain nation. Using descriptive correlational design and 100 randomly selected customers, this study aimed to determine the relationship between the strategies of lending companies in terms of prices, services, and promotions and the customers' satisfaction in terms of tangibility, reliability, assurance, responsiveness, and empathy of 30 different lending companies in San Jose, Occidental Mindoro. The findings reveal that the ability of a business to establish trusting connections with its clients, satisfy their needs for high-quality service, and maintain their satisfaction with its goods or services is a significant factor in its success. Companies risk losing out on possible business prospects because unhappy customers will tell others about their bad experiences if they don't have strong customer responsiveness methods. Lastly, the results reveal no significant relationship between the extent of business strategies these lending companies utilize and the level of customer satisfaction they have garnered. This study recommends that lending companies strive to continually improve the physical features of their establishments and advance prompt, reliable, and personalized services for their customers to cater to their customers' satisfaction. Future research may explore other factors influencing customers' satisfaction with lending companies, such as the proximity of lending businesses to their target customers and gender and development concerns.

Keywords: lending companies, strategies, customer satisfaction, responsiveness, empathy, service quality

Strategies of lending companies and customer satisfaction in San Jose, Occidental Mindoro

1. Introduction

Lending companies, otherwise known as microfinance businesses, are considered one of the primary sources of external financing for small businesses and are key to helping small firms maintain cash flow, hire new employees, purchase new inventory or equipment, and grow their business, thus contributing to the economic health of a particular nation (Mills & McCarthy, 2016). Their support in micro, small, and medium enterprises (MSMEs) underscores the importance of their existence, which must be sustained for a certain economic landscape to thrive. For example, there are more than 4.8 million small and medium-sized businesses in the UK, which account for over 50% of employment and commercial revenue in the country. Small businesses have been characterized as essential and critical to the health of the economy overall due to their inventiveness, adaptability, and flexibility (Nowak et al., 2017). Meanwhile, in a developing nation like the Philippines, small and medium-sized businesses that depend on soft loans from microfinance organizations are the backbone of the economy. MSMEs are funded primarily by lending businesses and microfinance companies, which comprise around 99 percent of the firms in the country; thus, they play a key role in developing the Philippine economy. In addition, according to the Asian Institute of Management, through the assistance of lending businesses, most micro, small, and medium enterprises have the means and drive to promote their products and services to progress and pay their loans (Ronquillo, 2021).

Despite their importance to the Philippine business community, moneylenders are on the frontlines when economic crises arise. They are vulnerable to cash flow disruptions, inflation, and low capital gains. They are assisting people in escaping poverty, as they are now known as a way to outsource the means to start something that can be useful someday. Over the last few decades, microfinance has become increasingly popular worldwide. It is seen as a crucial tool for empowering and advancing the development of the impoverished as well as for reducing poverty. These individuals lack access to traditional financial service providers; thus, lending companies reach out to them while, in turn, making profits out of it. From these points, the performance of any small, medium, and large lending companies that could guarantee sustainability is an imperative task that needs to be given utmost and immediate attention. As previous literature has presented, two important elements that have a significant impact on an organization's performance and growth are its profitability and sustainability, whereas a high level of customer satisfaction promotes both of these factors (Mittal et al., 2023). Moreover, Singh et al. (2023) have outlined the importance of customer service in the modern business world and how it is closely related to customer satisfaction, which is a crucial success component for an enterprise to thrive in a vast market.

As an important success component, keeping satisfied customers availing themselves of one’s products and services repeatedly while encouraging new and curious ones to utilize them is not an easy task due to a variety of customers’ preferences. A level of customer satisfaction that encourages loyalty spending and the tendency to return and stay due to positive service quality experienced by the customers is the baseline for services to grow and sustain their competitive advantage, particularly in the banking or lending industry (Asnawi et al., 2020). However, lending companies tend to concentrate mainly on acquiring new customers while lacking adequate strategies and research on retaining current customers and enhancing their satisfaction, resulting in lost opportunities for sustained loyalty and growth (Simanjuntak et al., 2020). Thus, the inquiry lies in understanding how personalized services, technology, customer experience, relationship management, loan terms, and external factors impact customer satisfaction and retention. Achieving the optimum service quality value is a tool to survive in a competitive business world. One of the main priorities of any financial institution is to maximize revenue, and to do so, it is important to acquire an adequate number of clients or borrowers who can remain with

them for a long time. In a highly competitive market, a competitive edge through quality services is undoubtedly essential for it to survive. By proactively tracing borrowers' satisfaction and their tendency to uphold retention, local lending businesses in San Jose and even national lending companies in the Philippines can have access to vital information that will provide them a better understanding of their areas of weakness and improve their existing practices to encourage more Filipinos of any class to access their products and services.

Statement of the Problem - The main purpose of the study was to ascertain which among the lending companies' strategies significantly influence the customer satisfaction of selected lending companies in San Jose, Occidental Mindoro. Specifically, this study will answer the following questions: (1) What is the extent of lending companies' strategies implemented in San Jose, Occidental Mindoro, in terms of price, service, and promotion? (2) What is the level of customer satisfaction of selected lending companies in San Jose, Occidental Mindoro, in terms of tangibility, reliability, assurance, responsiveness, and empathy? (3) Is there a significant relationship between the extent of strategies and customer satisfaction of selected lending companies in San Jose, Occidental Mindoro?

Significance of the Study - This study focused on providing various strategies, valuable perceptions, and practical strategies for lending companies regarding customer satisfaction in the selected lending businesses in San Jose, Occidental Mindoro. These identified practices directly impact the provision of quality services, which can be crucial to improving the company's business strategies and customer satisfaction. In the selected local lending companies in San Jose, Occidental Mindoro, the study can improve customer experience, leading to higher satisfaction levels in the competitive lending business industry. To future researchers, the study will be a valuable stepping stone for investigating the clear relationship between lending firms' business strategy and client retention and satisfaction.

Scope and Delimitation of the Study - This study focused on the selected lending company in San Jose, Occidental Mindoro, consisting of 30 lending companies. The scope explored the extent of the lending business's strategies implemented by the selected lending companies in terms of price, service, and promotion. Moreover, it also focuses on lending companies' level of customer satisfaction regarding tangibility, reliability, assurance, responsiveness, and empathy in selected lending companies in San Jose, Occidental Mindoro. The study did not include other San Jose, Occidental Mindoro lending companies.

2. Methodology

Research Design - This study used a descriptive-correlational research design. It is descriptive because it describes the level of lending companies' strategies and customer satisfaction in San Jose, Occidental Mindoro. Moreover, the correlational research design was used to find a significant relationship between the respondents' extent of strategies and customer satisfaction in selected lending companies in the said locale.

Respondents of the Study - The respondents of the study were individuals engaging in lending businesses and patrons availing of their products. The researchers have gathered 100 customers served by these lending businesses in San Jose, Occidental Mindoro, as the respondents of this study. The researchers chose a lending business in San Jose, Occidental Mindoro, because it is a first-class municipality highly favorable to the study. According to the Municipal Treasurer's Office - Business Permits and Licensing Office, 30 lending businesses operate in this municipality. Thus, 3-4 customers of each lending company are randomly selected to take the survey.

Research Instrument - An adapted questionnaire was used as an instrument for data collection. The questionnaire consisted of two (2) parts. The first part contains the three factors of customers' expectations: price, customer service, and promotions based on Vettivel and Selvi (2019). The second part included five factors according to the service quality dimensions of the SERVQUAL system: tangibility, reliability, assurance, responsiveness, and empathy, based on Parasuraman et al. (1988), as it was utilized and mentioned by Nguyen et al. (2024). The researchers explored the customers' extent of strategies and satisfaction levels towards lending businesses in San Jose, Occidental Mindoro. According to SERVQUAL theory, a study on the Gongbei Lingnan

community's tourism service quality evaluation found that the entire scale's reliability coefficient was 0.747, higher than the typical 0.7. This suggests the data had excellent stability, internal consistency, and reliability. The dimensional scales' reliability coefficients further supported the trustworthiness variable, surpassing the accepted standard of 0.7 (Nguyen et al., 2024).

Data Gathering Procedure - After preparing the research questionnaires, the researchers sought permission from the graduate school dean to distribute the instrument to the respondents. Permission was also requested from the lending businesses' managers for their voluntary participation in the study, after orienting them about the nature of their involvement and the possible benefits of the study in their management. Data gathering was done based on the availability of the respondents. Standard administration and ethical procedures are considered. Also, the researchers strictly observed the required health protocols, such as wearing face masks and face shields and physical distancing. The data was gathered throughout five (5) to ten (10) working days. After the questionnaire was distributed personally, results were carefully consolidated and tabulated, and forwarded to the statistician for data treatment and analysis of results.

Statistical Treatment of the Data - After gathering the pertinent data, these were tabulated, analyzed, and interpreted using several statistical tools. Descriptive statistics, such as mean, were used to assess the lending business strategies and their impact on customer satisfaction. Finally, the relationships between and among the variables were analyzed using Pearson's r-moment correlation analysis.

Ethical Considerations - The researchers used quantitative data to determine the extent of lending business strategies and the level of customer satisfaction they have delivered. These were done through survey questionnaires validated by the research panelists. The researchers also indicated their utmost commitment to keeping the confidentiality of the data they gathered, especially the names and data of the local lending businesses in San Jose, according to existing data privacy and protection laws. To observe further ethical conduct, the researchers sent a letter to the lending businesses to ask for their permission to use their data to achieve the objectives of this study. Also, the identity of the customers of these lending businesses was treated with respectful confidentiality and will be solely utilized according to the specific problems set forth.

3. Results and Discussions.

Based on the data presented in Table 1, the overall composite mean is 3.51, indicating a very high extent of strategies being extended to the aspect of the prices of products offered by the lending companies. It supplies the understanding that the customers are satisfied with the interest rates offered, as they perceive them as realistic and practical for their capabilities. The findings support the study of Biger & Sher (2016). Still, certain factors must be considered, and these are the commitments to obligate these lending businesses to lend up to the agreed packages as long as the borrower meets the terms. They are consistent with the payment timeline. Additionally, the highest recorded mean among others is 3.53, which means there is a very high extent of interest in the lending businesses in San Jose, Occidental Mindoro, which gave each customer a decent and appropriate interest rate. This also correlates to the findings of Bhutta & Hizmo (2021) and Bartlett et al. (2021), where business lenders formulate offers and loan packages for borrowers that they may choose to pay "discount points," an up-front lump sum, to a lender to reduce the loan interest rate and be more realistic to the client's background and needs. On the other hand, even though interpreted as high, the lowest recorded mean is 3.20, which means that most lending companies in the town provide flexible interest rates based on the customers' budget. According to Omarini (2018), lending businesses utilize the capabilities of each borrower, thus adapting to their needs. Lenders should have greater incentives to assess the borrower's quality when lending to a poorly performing borrower.

In addition, the composite mean is 3.55, which is a very high extent, suggesting that the services implemented by the lending companies in San Jose, Occidental Mindoro, are substantial and sociable. Such findings further indicate the competency of lending businesses in the town of San Jose to deliver appropriate,

consumer-friendly, and empathetic services for their patrons. As a business strategy, it must be noted that the services of lending companies manifested here describe the extent to which clients are content with the services that a company offers, as reliable service is thought to be one of the most important aspects of lending business strategies, for it enhances operational accuracy and shows a dedication to providing the services that have been promised (Zhang et al., 2019). The findings are by Prihantoro et al. (2018), which state that the campaign's main objective is to modify consumer behavior by informing, influencing, persuading, and reminding consumers about the lending businesses' goals and the products or services they sell. Moreover, the highest recorded mean is 3.61, demonstrating that the lending companies provide informative structures with an approachable attitude. The findings relate to the claims of Pack et al. (2024) that when it comes to psychological safety, approachability becomes very important. People may find it challenging to share their thoughts, worries, queries, or errors with these lending companies without being approachable and well-informed. In contrast, despite being a very high extent, the lowest mean is 3.55, which means that the lending companies are considerate based on the clients' capacity. The findings were also evident in the study of Girma (2020), which found that other issues in the services in lending businesses signify that borrowers state that loan disbursement is late, loan maturity is short, installments are too frequent, and unfair rescheduling options for borrowers with difficulties. Loans with a long-term maturity, a grace period, and an increasing loan amount for each loan cycle can leverage the satisfaction of the lending businesses' borrowers.

Table 1

Extent of lending companies' strategies implemented in San Jose, Occidental Mindoro in terms of Price, Service and Promotion

Indicators (Price)	Weighted Mean	Verbal Description
The lending company provides adjustable interest rates according to the client's affordability.	3.20	High
The lending company's various types of interest rates are practical.	3.35	Very High
The lending business offers low-interest promotions.	3.41	Very High
The lending company's interests are reasonable.	3.53	Very High
The lending company's rate of interest for different loans is reasonable.	3.44	Very High
Composite Mean	3.51	Very High
Indicators (Service)		
The borrower's capacity is considered by the lending company in credit policies.	3.55	Very High
The repayment period of the lending company is just and fair.	3.54	Very High
The credit facilities and schemes are well known to the beneficiaries.	3.61	Very High
The staff of the lending companies are approachable.	3.61	Very High
The staff's treatment shows no bias.	3.59	Very High
Composite Mean	3.55	Very High
Indicators (Promotion)		
The lending company features discounted loans for emergency purposes.	3.46	Very High
The lending company provides promotional materials that are easy to notice.	3.68	Very High
The lending company posts advertisements on social media.	3.48	Very High
The lending company's promotional information helps to make informed decisions.	3.60	Very High
The lending company features different kinds of packages.	3.61	Very High
Composite Mean	3.46	Very High

Legend: 1.00–1.74 = Very Low Level, 1.75–2.49 = Low Level, 2.50–3.24 = High Level, 3.25–4.00 = Very High Level

Lastly, the highest recorded mean that manifests a very high extent of behavior is 3.68; this suggests that the promotional materials of the lending companies are clear and enlightening. This correlates to De Franco et al. (2017), who found that effective management has ways of persuading their customers to borrow from their lending businesses, and one of those is having the potential to convey information more effectively, reducing information asymmetry and making technical explanations simpler between firms and lenders. On the other hand, the lowest mean is 3.46 and is interpreted very highly, indicating that emergency loan programs are the top priority of the lending companies. Based on the study of Goldrick-Rab et al. (2021), it is important that a modest sum of money is made available right away and paid back in a short amount of time. These "emergency" loans have many traits in common with consumer loans and can be utilized for several reasons. In other words, loans

not meant for emergencies could be used to pay for them. To summarize it all, the composite mean is 3.46, which demonstrates a very high extent of exercise, thus advocating that different promotional materials, loan interest rates, and profile raisers in selected lending companies in San Jose, Occidental Mindoro, are at the topmost level for their company and clients in particular. This reaffirms the importance of promoting products, especially in lending companies, for it amplifies the possibility of potential customers coming in, reinforces their branding, and attracts more investors and borrowers through effective persuasion and realistic endorsement of their products and services. This relates to a strategy in which business lenders formulate offers and loan packages for borrowers that they may choose to pay "discount points," an up-front lump sum, to a lender to reduce the loan interest rate (Bhutta and Hizmo, 2021).

Table 2

Mean Level of customer satisfaction of selected lending companies in terms of Tangibility, Reliability, Assurance, Responsiveness; and Empathy

Indicators (Tangibility)	Weighted Mean	Verbal Description
The lending company staff are well-groomed.	4.69	Very High
The lending company's physical features are visually appealing and enough to meet the client's needs.	4.52	Very High
The lending company uses up-to-date equipment (e.g., cleaning equipment) and instrument facilities.	4.55	Very High
The lending company has enough facilities for the customers' needs (Lounge area, Wifi area, pantry, bathroom, clinic, etc.)	4.48	High
The lending company has enough telephones in each room to communicate with the front desk and radios for their staff.	4.50	High
Composite Mean	4.55	Very High
Indicators (Reliability)		
The lending company provides me the services as promised.	4.45	High
The front desk and staff provide me accurate information, e.g., lending company facilities	4.54	Very High
The lending company performs the service right at the first time (for example, the staff has my correct record of my booking details and requests).	4.53	Very High
The lending company is sympathetic and reassuring whenever the customers have problems.	4.45	High
The lending company catered extra services in times that I needed the most.	4.49	Very High
Composite Mean	4.45	High
Indicators (Responsiveness)		
The lending company tells me exactly what services will be provided.	4.45	High
The lending company staff gives me prompt service.	4.47	High
The lending company staff are willing to help me.	4.48	High
The lending company responds to my complaints or raised issues in time.	4.44	High
The lending company is never too busy to respond to my requests.	4.44	High
Composite Mean	4.45	High
Indicators (Assurance)		
The lending company has product knowledge and signage to remind the client of safety measures that should be observed.	4.45	High
The lending company provides security protocols that can ensure the safety of incoming and staying guests.	4.46	High
The lending company staff are trustworthy.	4.47	High
The lending company has adequate equipment for emergencies to ensure the safety of their guests (fire extinguishers, sprinklers, first aid kits, etc.)	4.32	High
The lending company's remedying your complaints transparently and effectively	4.47	High
Composite Mean	4.45	High
Indicators (Empathy)		
The lending company staff shows personal attention to me.	4.46	High
The lending company staff knows my specific needs.	4.47	High
The lending company gives individual attention to the customers.	4.50	High
The lending company communicates effectively with me.	4.50	High
The lending company staff greets and addresses me properly.	4.48	High
Composite Mean	4.46	High

Legend: 1.00–1.74 = Very Low Level, 1.75–2.49 = Low Level, 2.50–3.24 = High Level, 3.25–4.00 = Very High Level

Table 2 shows the mean level of customer satisfaction of selected lending companies in terms of tangibility, reliability, assurance, responsiveness, and empathy. Tangibility has gathered a very high level of composite mean

posited at 4.55, which implies that the lending companies provide necessary instruments, appealing facilities, and perceptible needs. It only implies the level of satisfaction when it comes to the physical aspects of lending businesses in the locality. With these establishments offering safe and convenient facilities that customers are comfortable visiting, the tangibles of lending companies will contribute a lot to positive feedback, thus increasing the satisfaction that customers will experience. This is associated with the study of Selvakumar (2015), as an aspect of achieving customer satisfaction is defined by the appearance of physical facilities, equipment, personnel, and communication materials. It is also defined as the clear visibility of resources necessary for customer service, the appearance of the management team and professional employees, brochures, and booklets.

In addition, the composite mean is 4.45, indicating a high level of satisfaction regarding reliability, which recommends that the lending companies provide dependable and credible services to meet the clients' needs. As long as customers perceive a lending company's service to be reliable and consistent, they tend to provide their confidence and trust, which empowers the credibility of a lending company. As lending companies rely on mutual trust and rapport with their customers, they must maintain reliability and show that they are trustworthy in handling their customers and resources. It supports the findings of Hassan et al. (2013) that it is one of the most significant components of operation for customers. Reliability of past studies concurred that reliability is the ability to deliver the promised service reliably and accurately. Past studies have shown that customers want consistent and dependable results.

Moreover, a high level of responsiveness was demonstrated, as it has the overall composite mean of 4.45, indicating that lending companies, as perceived by their patrons, are generally responsive to their needs. This is an essential indicator of high self-efficacy and, therefore, a hallmark of a progressive direction in championing a quality service from lending companies. This indication follows the diversified needs of various customers to cater to their needs promptly and immediately. Many customers have different needs and issues that need to be addressed, so they find assurance and convenience if these are resolved and answered quickly. This positive outlook aligns with the findings of Korach (2024) that businesses need to continue to provide excellent customer service to thrive in today's cutthroat market. The ability of a business to establish trusting connections with its clients, satisfy their needs for high-quality service, and maintain their satisfaction with its goods or services is a significant factor in its success. Companies run the risk of losing out on possible business prospects because unhappy customers will tell others about their bad experiences if they do not have strong customer responsiveness methods in place. There is also a high level of customer satisfaction assurance, as signaled by its overall composite mean of 4.45. This implies that the ability of employees, with the help of the knowledge they possess, to inspire the trust and confidence that they can solicit from their customers is adequate and established.

A sense of security and accountability must consistently be demonstrated to the customers of these lending companies, as they must be assured that their personal information and business with these companies remain confidential and safe with the ones they transact with. Kant et al. (2017) further elaborate that courtesy involves politeness, respect, consideration, and friendliness of lending companies' staff. Credibility involves trust, worthiness, believability, and honesty; it involves having the customer's best interest at heart. Contributing to credibility is the company's reputation, which is rooted in the personal characteristics of the contact staff. It was further reinforced by the findings of Rahman et al. (2021) in the Malaysian banking industry, which engages as well in lending businesses, in which they found out that assurance and empathy highly influence their customers' satisfaction (Vu, 2021). Regarding empathy, findings also show high levels of likelihood among customers, with an overall composite mean of 4.46. This resembles the level of empathy extended by the lending companies to their customers. As indicated in the findings, emphatic approaches toward customers yield positive impressions from the customers, as their customers feel that the lending companies they transact with are approachable, welcoming, and friendly. Such customer-staff relationships provide a personalized type of service for these lending companies' patrons, enabling them to nourish their business relationships with their customers for longevity and more business opportunities. Empathy in delivering services, according to Zeithaml (2019), is the ability of staff members to inspire confidence and trust. It includes friendliness, civility, client comfort, and convenient access to information about goods and services. This study further expounds that when customers

interact with courteous employees who inspire confidence in them, their actions give customers a sense of satisfaction when transacting. They also expect to interact with courteous employees and receive adequate information on service provision.

Table 3

Regression Analysis on the Level of Learning Experiences, the Teachers' Training, and Classroom Management

Variables	Correlation Coefficient	Effect Size (r^2)	Critical Value	t-value	p-value	Interpretation
Extent of Strategies → Customer Satisfaction	0.670	0.449	1.987	0.672	0.503	Not Significant

Legend: p-value < 0.05 Significant

As can be gleaned in Table 3, it shows the correlation analysis of the relationship between business strategies employed by the lending businesses and their customers' satisfaction in San Jose, Occidental Mindoro. The p-value of 0.503 implies that it is significantly above the typical significance level of 0.05, and the t-value of 0.672 did not reach the required value of at least 1.680, suggesting that the correlation is insignificant. This implies that the business strategies employed by the lending companies do not affect or influence the service quality. Furthermore, it can be inferred that, aside from these service dimensions that determine the level of satisfaction of the customers, factors other than their strategies can be explored to know if other variables significantly affect the level of satisfaction that themers have. Such findings align with research conducted by Shikumo & Mirie's (2020), in which the researchers examined the variables affecting Kenyan commercial banks' lending to SMEs. Some aspects of service quality did not significantly affect lending decisions, according to the study, but bank size and liquidity did. This may point to a complicated relationship between lending strategies of lending companies and service quality, as it implies that variables other than conventional lending strategies—like bank size and liquidity—have a greater influence on loan decisions.

Furthermore, studies done by Famiyeh et al. (2018) examined the relationship between the strategies at par with customer satisfaction and service quality in the banking industry in Vietnam. According to the study, assurance and responsiveness did not significantly improve consumer satisfaction, but only social ambiance and reliability did. This shows a complicated link between service quality and customer satisfaction, suggesting that some aspects of service quality may not significantly affect customer satisfaction.

4. Conclusions

The following conclusions were drawn as a result of the study's findings: There is a very high extent of lending companies' strategies implemented in San Jose, Occidental Mindoro, in terms of price, service, and promotion. There is a very high level of customer satisfaction with selected lending companies in San Jose, Occidental Mindoro, in terms of tangibility, while reliability, responsiveness, assurance, and empathy exemplify a high level of customer satisfaction. There is no significant relationship between the strategies employed by the lending companies and the level of customer satisfaction that they have delivered.

Recommendations **-** In light of the aforementioned findings and conclusions, the following recommendations are hereby presented: interest rates may be modified by lenders per their clients' financial capabilities, and their payback schedule ought to be reasonable and equitable. Lending businesses should also maximize the use of social media to promote their products. Prioritizing the facilities for the demands of its clients should also be taken into consideration. Lending companies may also strive to continually improve not only the physical features of their establishments but also advance prompt, reliable, and personalized services for their customers to further cater to their customers' satisfaction. Future research may explore other factors that may influence customers' satisfaction with lending companies, such as the proximity of lending businesses to their target customers and gender and development concerns.

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