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IMPACT OF DIGITAL LOAN PLATFORM DESIGNON LOAN PERFORMACE AMONG MICRO, SMALL, AND MEDIUM-SIZED ENTERPRISES (MSMES)

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Abstract— **This study aimed to investigate the relationship between demographic factors of the Micro, Small, and Medium Enterprises to their loan performance and digital lending platforms in San Fernando, Pampanga. The research targeted 100 MSMEs with at least one loan on a digital loan platform within the last six months for a minimum of P 50,000. Data was collected through questionnaires, which were standardized and used for reliability and validity tests. The data was analyzed using descriptive methods, and correlation and regression analysis were applied to eexamine the relationship between demographic factors and loan performance and digital loan platforms. The study aimed to provide insights into the impact of remote processing, service automation, and instantaneous processing on loan performance. Digital loan platforms significantly impact MSMEs' loan performance by enabling borrowers to access multiple lenders, improve repayment time, and reduce default rates. However, demographic factors do not significantly impact these platforms. The researchers suggest that digital loan platforms should improve social media and client internet engagement, invest in advanced systems for efficient loan disbursement and repayment, respond quickly to grievances, and be mindful of borrowers' challenges. They should also provide reminders to prevent unnecessary default charges and integrate with all telecommunication companies to provide instant loans. The study concludes that demographic factors do not significantly impact loan performance. Digital lending platforms should improve customer engagement by responding quickly to grievances and inquiries. To lower default rates, digital lenders should educate consumers about loan terms and conditions and provide reminders to prevent unnecessary fees. The study recommends exploring factors influencing demographic factors and increasing the sample size of respondents to ascertain the impact of demographic factors on the loan performance of MSMEs. The researchers also suggest educating consumers about the difficulties faced by clients and encouraging them to provide reminders to prevent unnecessary default fees. This will lead to a larger market of digital borrowers and better emergency support.**

Keywords— **MSMEs, Loan Performance, Digital Loan Platforms, Digital Borrowers.**

I. INTRODUCTION

Micro, Small, and Medium-Sized Enterprises (MSMEs) have long been acknowledged as vital players in the Philippines' economic development and expansion. The MSME sector holds a prominent position in the economy of the nation, accounting for the vast majority of all business enterprises—99.58% of them [Department of Trade and Industry (DTI), n.d.]. In addition, MSMEs employ 64.67% of the labor force in the nation, demonstrating their critical role in creating jobs and advancing socio-economic development (Department of Trade and Industry, n.d.).

However, despite their importance, MSMEs continue to have difficulty obtaining the funding and capital required to support their expansion. One of the primary hurdles preventing the growth of this sector is the limited access to traditional finance, particularly for micro and small firms (Shinozaki & Rao, 2021). These businesses' lack of official registration and credit records are among the reasons they are unable to obtain traditional bank loans. As a result, individuals are forced to look for unofficial financial sources, such as loans from friends and relatives or even loan sharks (National Strategy for Financial Inclusion 2022-2028, NSFI).

There is a rising interest in investigating the possibilities of digital loans made possible by financial technology (fintech) to close the funding gap that MSMEs confront. Digital loans provide a viable substitute, allowing MSMEs to surmount the obstacles linked to conventional lending methodologies. An excellent illustration of the advantages of fintech loans for MSMEs is provided by Indonesia. Small and medium-sized businesses in Indonesia used fintech technologies, such as digital loans and payments, during the COVID-19 epidemic. Due to these companies' preference for digital services over traditional banks when seeking funding, Indonesia became the frontrunner in ASEAN for FinTech growth, particularly during the epidemic (Karim et al., 2022).

The context of MSMEs in the Philippines will be discussed in the parts that follow, along with an analysis of the current fintech landscape, with a focus on digital lending.

1.1 Conceptual Framework

It is the Input Process Output (IPO) model that the researchers structured. The I-P-O (Input-Process-Output) model of team interaction process integration was developed by McGrath in 1964, and it provided a solid framework for the studies that followed. This covers every material that is utilized and those that are needed for the procedure. The IPO model is valuable for examining and understanding how systems function, how they produce outcomes, and for identifying potential areas for improvement.

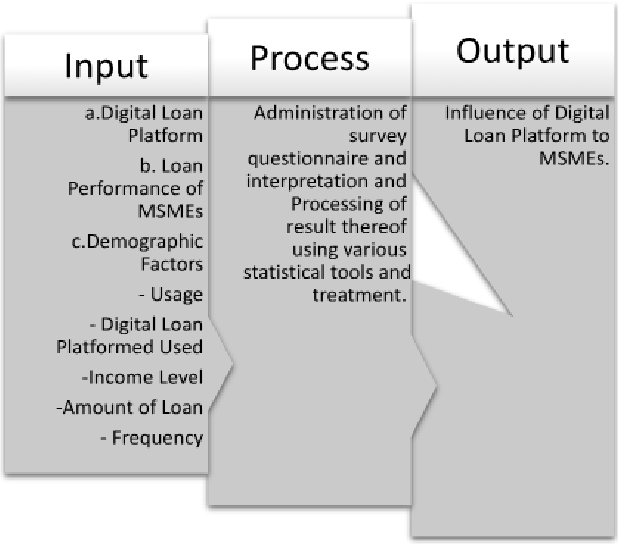

Figure 1: Conceptual Framework

1.2 Statement of the Problem

This study aims to understand the digital loan platform design on loan performance among Micro, Small, And Medium-Sized Enterprises (MSMEs).

It specifically sought responses to the following questions:

1. How may the respondents understand digital loan platforms?
2. How may the respondents' loan performance be assessed?
3. How do digital loan platforms influence the loan performance of the respondents?
4. Is there a significant relationship between the respondents' demographic factors and digital loan platforms?
5. Is there a significant relationship between the respondents' demographic factors and loan performance?

1.3 Hypothesis

The study sought to test the following research hypotheses;

- There is no significant relationship between the respondents' demographic factors and digital loan platforms.
- There is no significant relationship between the respondents and loan performance.

1.4 Significance of the Study

Micro, Small, and Medium-sized Enterprises. This study will be beneficial for the MSMEs so that a lot of struggling MSMEs can be aware of all the integral parts of the digital loan platforms that can provide finance for them.

Digital Loan Platforms provider. The study can help the Digital Loan Platforms so they can meet their service objectives of offering instant loans through integration of their platforms with all telecommunication firms. It will also provide practical solutions to providers in designing guidelines and policies to ensure and protect shareholders' interests within the firms. In addition, digital loan platforms can identify the key design components of their products that can be utilized in improving loan performance among small businesses.

Mainstream Financial Institutions. The study can help mainstream financial Institutions to be aware and be less stringent in requesting credit reference bureau clearance certificates for small ticket-size loans.

Future Researcher. The study will be helpful to future researchers in expanding the available literature on this study that has not been widely examined.

1.5 Scope and Delimitation

This study covers the influence of digital loan platforms on the loan performance of MSMEs. The research respondents are limited to MSMEs that, within the previous six months, utilized digital loan platforms and obtained at least one loan for a minimum sum of P50,000. The geographical scope of this study focused on an examination of MSMEs operating within the City of San Fernando, Pampanga.

Although not all digital loan platforms may be covered by the study, it is specifically focused on companies such as First Circle, SeekCap, Esquire Financing, Radiowealth Finance, CARD SME Bank, Welcome Finance Inc., Zenith Capital, and Right Choice Finance. Furthermore, this study aims to examine the influence on MSMEs' loan performance rather than covering the detailed procedure of obtaining a loan through digital platforms.

II. RESEARCH METHODOLOGY

2.1 Research Design

According to Cooper and Schindler (2014), a research design is a strategy and framework used to gather data on a specific topic of interest. The researchers expected to gain a fuller understanding of the connection between demographic factors and digital loan platforms by use of descriptive correlational design. By examining a sample of the population, a descriptive research design provides a quantitative or numerical account of the attitudes, trends, or opinions of that population. The researchers regarded this research design since it describes information and traits about the population or phenomenon being studied, which made it perfect for this particular study. In this study, the descriptive research design played a crucial role in guiding the choice of quantitative instruments for data collection and analysis. Descriptive research also makes it possible to estimate the relationship between research variables through statistical analysis.

2.2 Respondents

The convenience sampling approach will be utilized to appropriately acquire respondents to collect the necessary data for the study. According to Nikolakopoulou (2023), it is a non-probability sampling method where units chosen for the sample are included since they are the most accessible to the researcher. This particular type of sampling technique will enable the researchers to collect samples of people who will respond to the study's objective.

This research was conducted on 100 respondents based on the sample size calculated using a 5% margin of error and a population of 7,000. To fully utilize the study's significance, the researchers used parameters to concentrate on the necessary data while selecting respondents for the study. The researchers had chosen Micro, Small, and Medium - Enterprises. In addition, they had obtained at least one loan on a digital loan platform within the previous six months for a minimum sum of P50,000.

2.3 Instruments

The primary data source in this study has been gathered through questionnaires. In particular, the researchers used adopted questionnaires to gather information. In addition, this kind of questionnaire helped the researchers generate data through a set of standardized questions with a predetermined framework that sets the precise language and sequence of the questions. The adopted questionnaires are measured from the study of Zeituna, A. (2020) entitled Influence of Digital Loan Platforms Design on Loan Performance Among Small Business Owners in Gikoba Open-Market, Nairobi County.

In conducting survey questionnaires, a five-Likert scale consisting of neither agree nor disagree, strongly disagree, disagree, agree, and strongly agree. It was created taking into account all of the operationalized research constructs and the variables of the study. The research instrument consists of two (2) parts.

The first part is about the demographic profile that includes how long have been the MSMEs using digital loan platforms, how many digital platforms MSMEs currently accessing, what is the monthly level of income of MSMEs from their business, how much MSMEs usually obtain from digital platforms, and how often do MSMEs make loans through digital loan platforms.

The second part of the instrument consists of twenty (20) questions and they have been divided into three (3) parts. There are three (3) questions about the respondent's knowledge of digital loan platforms, thirteen (13) questions about digital loan platforms, and four (4) questions relating to loan performance.

2.4 Data Collection

Data Collection Process

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1	2	3
SUBMIT PERMISSION LETTER	GET PERMISSION FROM THE RESPONDENTS TO CONDUCT A SURVEY	CONDUCT SURVEY PROPER

According to Cooper and Schindler (2014), primary data is the original data collected about a specific research objective. This research used questionnaires to collect primary data. These will be used, thus allowing for quantitative analysis. The researcher adopted a questionnaire with a five-level Likert scale. It was designed in line with the variables of the research, incorporating all the operationalized research constructs. The first section of the questionnaire comprised the background section, while the second section sought to capture information on the digital loan platform and the loan performance among Micro, Small, and Medium-sized enterprise owners in the City of San Fernando, Pampanga
The research procedures for this study included the questionnaire as the main data collection tool. Furthermore, the researchers also used Convenience Sampling Technique as their survey method. Prior to any data collection, the study made sure that participants gave their consent.

2.5 Ethical Considerations
The researcher examined ethical concerns to preserve moral principles during the study's conduction.
The following are the ethical considerations observed by the researchers:

- Abided by Republic Act No. 10173, also known as the Data Privacy Act of 2012, by maintaining confidentiality to all information that will only be accessed by him and other concerned parties
- Attested confidentiality by keeping the identities of the participants private
- Complied with the university's citation requirements.
- The survey questionnaires are validated

2.6 Statistical Treatment
In quantitative research, the statistical treatment of data plays a crucial role in analyzing and interpreting research findings. For a study on the "Influence of Digital Loan Platforms Design on Loan Performance Among Micro, Small, and Medium-Sized Enterprises (MSMEs)," several statistical methods and analyses could be applied to answer research questions and test hypotheses.
Descriptive statistics were used to provide an overview and showcase the fundamental characteristics of the data. The terms mean, median, mode, standard deviation, and range were examples of common descriptive statistics. The central tendency and dispersion of variables about the architecture of digital lending platforms and loan performance were better understood with the use of these statistics.

$$\acute{x} = \frac{\sum fx}{\sum f}$$

Where:

$\acute{x}$ = weighted mean

$\sum$ = summation

F = frequency of each option

x = weight of each option

The association between loan performance and digital lending platform design could be investigated using correlation and regression analysis. The Chi-Square Test was used to assess the strength and direction of the relationship between the variables.
Following data collection, the results were totaled and ranked. The subsequent formulas were selected as statistical techniques to manage the information gathered from the surveys. These techniques produced numerical values that addressed the study puzzle's solutions.

III. RESULTS AND DISCUSSION

1. **Respondents' Profile**

1.1. Years of using the digital loan platform

Presented in Table is the frequency and percent distribution of respondents' profiles in terms of their years of using the digital loan platform.

Years	N	%
1 – 2 years	45	45
3 – 6 years	45	45
7 – 9 years	10	10
Over 10 years	0	0
Total	**100**	**100%**

Table 1: Frequency and Percent Distribution of Respondents' Profile in terms of their years of using the digital loan platform.

Results show that both 45 percent of the respondents have 1 to 2 years and 3 to 6 years of using digital loan platforms. It can also be observed in the table that only 10 out of 100 respondents used digital loan platforms for 7 to 9 years. None of the respondents has more than 10 years of using digital loan platforms. This implies that the majority of the respondents used digital loan platforms from the range of 1 to 6 years. The findings also provide further evidence for Pathe (2023) that the users of digital loan platforms in the Philippines who have used the platforms and spent time on lending apps are continuously increasing in 2022.

1.2. Digital loan platforms that currently access

Presented in Table is the frequency and percent distribution of respondents' profiles in terms of their digital loan platforms that they currently access.

Digital loan platforms	N	%
First Circle	39	39
Zenith Capital	5	5
Esquire Financing	5	5
Seek Cap	8	8
Card SME Bank	16	16
Radio wealth Finance	11	11
Welcome Finance Inc	11	11
Right Choice Finance	5	5
Others	0	0
Total	**100**	**100%**

Table 2: Frequency and Percent Distribution of Respondents' Profile in terms of their digital loan platforms that currently access

Data shows that there are a lot of digital loan platforms that the respondents currently access. The most used digital loan platform that they used is the First Circle with 39 percent distribution. This is followed by the Card SME Bank with a 16 percent distribution. In the 3rd rank, both Radio wealth Finance and Welcome Finance Inc. have an 11 percent distribution. Some of the digital platforms that the respondents currently accessing are SeekCap, Zenith Capital, Esquire Financing, and Right Choice Finance. Although fintech is still in its infancy in the Philippines, the use of digital financial services is growing. The Philippines' fintech sector has grown significantly in recent years. According to Quimba et al. (2023), the number of fintech companies in the country has risen since 2017.

1.3. Monthly level of income from business and the amount of loan they availed

Presented in the Table 3 the frequency and percent distribution of respondents' profiles in terms of their monthly level of income from their business and their amount of loan they available.

Monthly Level of Income		
RANGE	**N**	**%**
10,000 – 50,000	0	0
50,001 – 100,000	0	0
100,001 – 200,000	50	50
200,001 – 300,000	46	46
300,001 – 400,000	0	0
400,001- 500,000	0	0
Over 500,000	4	4
Total	**100**	**100%**

Table 3: Frequency and Percent Distribution of Respondents' Profile in terms of their monthly level of income from your business and amount of loan they availed.

It appears in the table above that 50 percent of the respondents earn monthly income from their business ranging from P 100,001 to P 200,000. Consequently, 46 percent of the respondents have a monthly income of P 200,001 to P 300,000. It is also shown that 4 percent of the respondents make monthly income over P 500,000. This shows that most of the respondents earn P 100,001 to 300,000 and some of them earn over P 500,000. According to Saffier (2023), in determining the likelihood of repaying a company loan on schedule and in full, lenders consider their revenue into account.

1.4 Amount of Loan Obtained

Presented in the Table 4 is the Frequency and Percent Distribution of Respondents' Profile in terms of the amount of loan they obtained in the digital loan platforms.

Amount of Loan Availed		
RANGE	**N**	**%**
10,000 – 50,000	0	0
50,001 – 100,000	10	10
100,001 – 200,000	42	42
200,001 – 300,000	32	32
300,001 – 400,000	10	10
400,001- 500,000	6	6
Over 500,000	0	0
Total	**100**	**100%**

Table 4: Frequency and Percent Distribution of Respondents' Profile in terms of the amount of loan they obtained in the digital loan platforms

The data is segmented into different ranges of loan amounts, and the corresponding number of respondents and their percentage distribution are provided. The frequency and percentage represent the distribution of respondents' profiles concerning the amount they usually obtain from a digital loan platform.

The importance of default options and choice architecture in influencing consumer decisions—and possibly influencing these preferences—is emphasized by Thaler and Sunstein (2008). The table shows a majority of 42% of respondents indicated a preference for loans in the range of 100,001 to 200,000, which is a strong demand for mid-range loan amounts. A percentage of 32% of respondents opted for loans ranging from 200,001 to 300,000, indicating a considerable tendency towards slightly higher loan values. Compared to the other two categories, 10% of respondents favored loans falling within the 50,001 to 100,000 range. 0% of the respondents answered loans exceeding 500,000.

1.5 Often make loans through digital loan platforms

Presented in the Table 5 is the Frequency and Percent Distribution of Respondents' Profile in terms of their often make loans through digital loan platforms.

Years	N	%
Once a year	68	68
Twice a year	32	32
Thrice a year	0	0
Four times a year	0	0
Five times a year	0	0
Over five times a year	0	0
Total	**100**	**100%**

Table 5: Frequency and Percent Distribution of Respondents' Profile in terms of their often make loans through digital loan platforms

The table presents a clear representation of respondents' borrowing behavior through digital loan platforms, showcasing a marked preference for occasional rather than frequent usage. With 68% of respondents making loans through these platforms just once a year and 32% doing so twice annually, it's evident that the majority engage infrequently in digital borrowing activities.
The results showed that most people only occasionally use digital borrowing services. Lyons, A. C., J. E. Grable, and T. Zeng. (2019) conducted research and showed that most of the vulnerable sectors are most likely to less benefit from financial literacy including borrowing patterns. The table shows that most of the SMEs are using digital lending platforms more for one-time financial needs or emergencies than as their main source of credit.

2. Respondents' Assessment of Digital Loan Platforms among Micro, Small, and Medium-sized Enterprises (MSMEs)

2.1. Instantaneous Processing

Presented in Table is the Descriptive Analysis of Respondents' Assessment of Digital Loan Platforms in terms of their Instantaneous Processing.

Indicators	M	SD	VD
I am able to access digital loans from any location at any time.	3.51	0.50	Agree
The loan approved is dispensed to my mobile wallet instantaneously.	3.50	0.50	Agree
There is an ease in access to digital loans.	3.82	0.39	Agree
I am able to access digital loans during emergency times.	3.67	0.47	Agree
I receive the exact amount of money offered by the lender without any hidden processing charges.	3.84	0.37	Agree
Grand Mean	**3.67**	**0.45**	**Agree**

Table 6:Descriptive Analysis of Respondents' Assessment ofDigital Loan Platforms in terms of their Instantaneous processing

The descriptive analysis of respondents' assessments of digital lending platforms according to their Instantaneous Processing is shown in the above table. With a mean score of 3.84, which is interpreted as Agree, the statement "I receive the exact amount of money offered by the lender without any hidden processing charges" received the highest score. This outcome shows that digital lending platforms are open and honest about the upfront fees they charge, and MSMEs receive their funds in exact amounts with no additional processing fees. According to Livevox, transparency extends to customer support globally are increasingly gravitating towards fintech for three key reasons: the extensive array of features and functionality it offers, with 66% citing this as a primary attraction; the convenience of round-the-clock service availability, a factor that resonates with 55% of customers; and the simplicity in setting up, configuring, and utilizing the service, as noted by 53% of users.
However, with a mean score of 3.82, which is interpreted as Agree, the statement "There is an ease of access to digital loans" came in second. Based on their experience, MSMEs reported that the digital loan platform is easy to use, which indicates that it is user-friendly. It demonstrates that using digital lending platforms has a significant impact. According to CGAP, estimates from the 2015 GSMA Global Adoption Survey of more than 400 million people are linked globally through basic mobile payment services, allowing them to send money, pay bills, or purchase prepaid electricity with greater ease, affordability, and access.

Nevertheless, with a mean score of 3.67, interpreted as Agree, the statement "I can access the digital loans during emergency times" came in third. This indicates that the digital loan platform can be extremely helpful when you need quick cash, particularly during financial crises or natural disasters. According to Q2 Software, the prioritization of digital engagement ramped up fast. At the same time, the economic effects of the pandemic and the rollout of Payroll Protection Program (PPP) loans for small businesses introduced an entirely new set of requirements for managing loan applications and approvals, as well as the rapid delivery of funds.

The grand mean, or "agree," obtained by the respondents was 3.67 overall. The findings showed that users can easily access digital lending platforms. Digital loans can be processed and disbursed in hours, sometimes even minutes, as opposed to traditional bank loans. The speed at which the funds are processed and disbursed is outstanding. According to Steve Williams, many banks that were adopting an incremental approach to digital were shocked into reality during 2020, and executives realized greater investment and faster transformation are needed to stay relevant.

2.2. Service Automation

Presented in Table is the Descriptive Analysis of Respondents' Assessment of Digital Loan Platforms in terms of their Service Automation

Indicators	M	SD	VD
I am satisfied with the efficiency offered by digital loan platforms.	3.78	0.42	Agree
I am well engaged with digital lenders through online platforms.	3.87	0.34	Agree
I am able to access digital saving wallets offered by the lending firms.	3.83	0.47	Agree
The automation of digital loan platform ensures there is convenience in make payments.	3.64	0.38	Agree
The automation of the digital loan platforms ensures I access loans without collateral.	3.76	0.48	Agree
Grand Mean	**3.76**	**0.42**	Agree

Table 7: Descriptive Analysis of Respondents' Assessment of Digital Loan Platforms in terms of their Service Automation

The statement “I am well engaged with the digital lenders through online platforms”, got the highest mean score of 3.87 interpreted as Agree. This result shows that digital loan platforms made MSMEs understand the significant importance of customer experience. A good example here is online consultations. Imagine that you want to book a demo with a bank assistant. So if a bank doesn’t offer online services, you’d rather switch to another company than decide to call. (HES FinTech, 2024).On the other hand, the statement “I am able to access digital saving wallets offered by the lending firms”, got second with a mean score of 3.83 interpreted as Agree. This result shows that the digital loan platform also provides saving wallets to the MSMEs that allow them to save grow and invest their money. Different factors in adopting mobile saving wallets were identified in this field of study, such as perceived risk, ease of use, rebates, and social influence. (Lazo & Casu, 2017; Abdullah, A. et al., 2021)

Nonetheless, the statement “I am satisfied with the efficiency offered by digital loan platforms, “got third with a mean score of 3.78 interpreted as Agree. This result shows that the digital loan platform According to Digido, when compared to December 2021 figures, an additional 3.7 million people utilize digital loan platforms and online lending apps in the country. In general, the respondents attained a grand mean of 3.76, interpreted as “agree”. The respondents agreed that they are satisfied with the efficiency offered by digital lending platforms. The study results also indicated agreement that the automation of the digital loan platforms ensures access to loans without any collateral. In their study Abbasi and Weigand (2017) acknowledged that automation of financial services had resulted in improved access to loans and expansion of the small business.

2.3. Remote Processing

Presented in Table is the Descriptive Analysis of Respondents' Assessment of Digital Loan Platforms in terms of their Remote Processing

Indicators	M	SD	VD
I have not faced any difficulties in accessing the digital loan platforms remotely.	3.71	0.46	Agree
I access regular digitalized reminders on the repayment process.	3.83	0.38	Agree
I understand the terms and conditions offered by the digital lenders.	3.95	0.22	Agree
I am able to service my digital loans from any location without problem.	3.55	0.50	Agree
I am satisfied with the loan limit offered by the digital loan platform.	3.96	0.51	Agree
Grand Mean	**3.80**	**0.41**	Agree

Table 8: Descriptive Analysis of Respondents' Assessment of Digital Loan Platforms in terms of their Remote Processing

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This table shows a descriptive analysis of the input provided by respondents about the remote processing of digital loan platforms. "I am satisfied with the loan limit offered by the digital loan platform" is the statement that the highest mean score of 3.96, which has been interpreted as agreed. This outcome demonstrates that the majority of them are satisfied with the loan amount that the online lending platform is offering. The amount of money that can be borrowed for a business loan depends on several factors, according to Sailful Islam. The amount that can be borrowed will mostly depend on the size of the company and the industry that it operates in. Lenders will also take into account the business's income and cash flow as a means of ensuring that the borrower has the capacity to repay the loan. Interestingly, with a mean score of 3.95, which has been interpreted as Agree, the statement "I understand the terms and conditions offered by the digital lenders" placed in second. It demonstrates that the terms and conditions are disclosed on the majority of digital lenders' platforms. Many online lenders only provide a web link for consumers to read the product T&Cs; they cannot be accessed directly through the channel that the borrower uses to obtain the loan—that is, on the borrower's phone, unless they have a smartphone and data plan.

On the other hand, the statement "I access regular digitized reminders on the repayment process" got third with a mean score of 3.83 interpreted as agree. This finding indicates that the digital loan platform provided borrowers with regular, digitized reminders on the loan repayment process. Lending platforms, according to MaksymPetruk, notify and remind borrowers about loan status, payback deadlines, and other important updates. The respondents had a grand mean of 3.80 overall, which is considered "agree." The respondents basically indicated that they are satisfied with digital lending platforms' remote processing. The results of the study also supported the notion that digital lending platforms provide better financial service delivery, faster transaction times, accessibility, and less time spent on transactions. MSMEs can react swiftly to market needs and make timely investments with more rapid loan processing. The inconveniences of physical documentation are reduced by less paperwork and increased transparency, which makes the loan procedure more comfortable for both lenders and borrowers. Digital lending platforms frequently provide MSMEs with adaptable repayment choices that help them efficiently manage their cash flows. (TyagiVineet, 2023).

2.4. Loan Performance

Presented in Table is the Descriptive Analysis of Respondents' Assessment of Digital Loan Platforms in terms of their Loan Performance

Indicators	M	SD	VD
I am able to service all my loans within the prescribed period	3.94	0.24	Agree
I am currently able to access loan from multiple lenders	3.38	0.74	Agree
I am less likely to default on the digital loans than the convention—loans offered	3.84	0.37	Agree
I have not been penalized previously by a digital lender due to a failure to pay on time	3.63	0.45	Agree
Grand Mean	**3.70**	**0.45**	**Agree**

Table 9: Descriptive Analysis of Respondents' Assessment of Digital Loan Platforms in terms of their Loan Performance

The statement "I am able to service all of my loans within the prescribed period" obtained the highest mean score of 3.94, implying that it is interpreted as Agree. This indicates that the majority of borrowers using digital lending platforms were able to pay back all of their loans within the allotted time frame. Alexandra Twin believes that loan repayment is a widespread financial responsibility that impacts everyone, regardless of income level. On the other hand, the statement "I am less likely to default on the digital loans than the convention—loans offered" appears in second, with a mean score of 3.84. This suggests that compared to the conventional loans given, they have a lower probability of defaulting on the digital loans. Digital lending platforms provide a strong substitute for conventional manual procedures for financial institutions looking to increase loan portfolio volume, lower default risks, and increase profit margins. (Biz2X 2023).

Interestingly, with a mean score of 3.63, the statement "I have not been penalized previously by a digital lender due to a failure to pay on time" pertaining in third. This implies that borrowers which fail to make payments on time have not before faced penalties from a digital lender. In line with Atty. Aileen Amor - Baustista, a lot of lenders, such as banks, credit card companies, lending firms, and financing companies, are willing to work with borrowers who are having financial difficulties to adjust their payment plans. Very few nations imprison people for not being able to pay their debts. This is due to the fact that the Philippines is a signatory to the International Covenant on Civil and Political Rights, which prohibits violations of international human rights. Remarkably, the statement "I am currently able to access loans from multiple lenders" positioned last with a mean score of 3.38. It shows that borrowers can obtain loans from more than one of lenders at the same time. The amount of loans that can be taken out is unlimited. The maximum debt, however, is

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constrained by the amount that a lender is prepared to allow acquiring. (Marquit 2023). The respondents generally expressed their satisfaction with the Loan Performance of digital lending platforms, with a grand mean of 3.70 overall, indicating "agree." The study's results validated the idea that digital lending platforms determine the growth of the eligibility threshold, the loan's penetration into marginalized regions, the positive performance of digital borrowers, and the negative performance of default. A number of significant criteria, including credit score, income and employment stability, debt-to-income ratio, loan-to-value ratio, loan purpose, loan length, and economic conditions, are said to have an impact on loan performance, according to Faster Capital. By doing so, lenders are better equipped to manage their loan portfolios and make well-informed judgments by evaluating the creditworthiness and risk associated with each loan application.

3. Significant Influence of Digital Loan Platforms to Loan Performance

Presented in the Table is the regression analysis of the Influence of Digital Loan Platforms to Loan Performance.

Dependent Variable/s	R^2	Beta Coeff.	Std. Error	T	p-value	Significance
Loan Performance	0.344	0.587	0.105	7.175	0.000	Significant

Table 10: Independent Regression Analysis of the Influence of Digital Loan Platforms to Loan Performance.

Table 10 shows 34.4% of the variability in Loan Performance, as indicated by the R-squared value of 0.344. The variable, Digital Loan Platforms, shows a statistically significant positive correlation with Loan Performance. This is evidenced by a Beta Coefficient of 0.587, a Standard Error of 0.105, and a t-statistic of 7.175. The P-value of 0.000 strongly supports the relevance of this association. The results offer important information about how Digital Loan Platforms affect Loan Performance. The significant positive Beta Coefficient indicates that higher usage of Digital Loan Platforms is linked to a substantial enhancement in Loan Performance. This corresponds with the increasing influence of digital financial technologies in reforming conventional lending methods.

The R-squared value of 0.344 suggests that the table explains a significant amount of the variability but still allows for additional factors to influence Loan Performance.

The low P-value (0.000) emphasizes the strong nature of the relationship, indicating that the observed outcomes are highly unlikely to have occurred by chance. The practical importance of these results is significant for financial institutions seeking to enhance loan performance by strategically incorporating Digital Loan Platforms. The Standard Error of 0.105 indicate the accuracy of the predicted Beta Coefficient. A decreased Standard Error improves result dependability by suggesting a narrow confidence interval around the coefficient estimate.

The regression analysis results confirm that Digital Loan Platforms have a substantial impact on Loan Performance, supporting the initial premise. Considering Zeituna's (2020) findings, it becomes evident that the success of digital lending platforms is not only dependent on their design and functionality but is also influenced by the diverse demographic characteristics of the user base. Therefore, financial institutions should recognize the interconnected nature of these factors when implementing and optimizing digital lending platforms.

4. Significant Relationship of Respondents' Demographic Factors and Digital Loan Platforms

Presented in the Table is the Chi Square Test Analysis between the Respondents` Demographic Profile and their Assessment on Digital Loan Platforms

Variables	**Level of Loaning Performance**	
	Chi Square	3.210
Years of using the digital loan platform	p-value	0.201
	Decision	Do not Reject Ho
	Chi Square	3.032
Digital loan platforms that they currently used	p-value	0.882
	Decision	Do not Reject Ho

	Chi Square	2.143
Monthly level of income from business	p-value	0.543
	Decision	Do not Reject Ho
	Chi Square	3.390
Amount of loan they usually obtain from digital loan platform	p-value	0.495
	Decision	Do not Reject Ho
	Chi Square	1.654
How often they make loans through digital loan platforms	p-value	0.198
	Decision	Do not Reject Ho

Table11:Chi Square Test Analysis between the Respondents` Demographic Profile and their Assessment on Digital Loan Platforms

The result shows that all of the profiles of the respondents specifically their years of using the digital loan platform, digital loan platforms that they currently use, monthly level of income from business, amount of loan they usually obtain from digital loan platform, and how often they make loans through digital loan platforms have nothing to do with the assessment on digital loan platform. Having computed p-values which are all greater than .05 level of significance. This only implies that the assessment of the respondents on digital loan platforms cannot be associated with their profile. Moreover, regardless of the profile of the respondents. They have the same level of perception about digital loan platforms. This finding is situated with the research conducted by Sigei (2017), who explored various factors influencing loan performance. In Sigei's study, factors such as the business's age, experience, size, group dynamics, and specific loan-related factors emerged as predictors of loan repayment success. The contrast between our study's emphasis on demographic characteristics and Sigei's focus on business-related factors highlights the multifaceted nature of influences on loan-related outcomes.

5. Test of Association between Respondents` Demographic Profile and their Loaning Performance

Presented in the Table is the Chi Square Test Analysis between the Respondents` Demographic Profile and their Loaning Performance.

Variables	**Level of Loaning Performance**	
	Chi Square	2.782
Years of using the digital loan platform	p-value	0.595
	Decision	Do not Reject Ho
	Chi Square	12.968
Digital loan platforms that they currently used	p-value	0.529
	Decision	Do not Reject Ho
Monthly level of income from business	Chi Square	6.807
	p-value	0.339

	Decision	Do not Reject Ho
	Chi Square	7.044
Amount of loan they usually obtain from digital loan platform	p-value	0.532
	Decision	Do not Reject Ho
	Chi Square	0.261
How often they make loans through digital loan platforms	p-value	0.878
	Decision	Do not Reject Ho

Table 12: Chi Square Test Analysis between the Respondents` Demographic Profile and their Loaning Performance.

Table 12 presents the test of association between respondents` demographic profile and their loaning performance. Result reveals that none of the profiles of the respondents is significantly related or associated to their loaning performance level considering the probability values which are greater than 0.05 level of significance. This only indicates that the respondents have the same level of loaning performance regardless of their demographic profile.

This finding is consistent with the research conducted by Ssekiziyivu et al. (2018), who studied the impact of borrowers' attributes, credit terms, and repayment performance among microfinance institution (MFI) customers. Their study discovered that credit terms, defined by policies and recovery methods, were crucial predictors of loan performance, while borrowers' characteristics or demographics did not have a significant influence.

IV. CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

In conclusion, the study has provided valuable insights into the influence of digital loan platforms on the loan performances of MSMEs. The analysis of respondents' assessment revealed several key binding:

1. The results showed that those who participated were well acquainted with digital platforms. A majority of the respondents claimed to have 1-6 years' experience, as few had between 7 and 9 years' experience. In addition, a large number of respondents recognized First Circle and Card SME Bank as one of the platforms.
2. The results reveal the possibility that borrowers' loan repayment abilities could rely on their income categories and the amount of loans. Most respondents had salaries falling in the range of one hundred thousand to two hundred thousand monthly, with a smaller percentage receiving between two hundred thousand and three hundred thousand pesos monthly. Similarly, the majority of respondents accessed loans ranging between one hundred thousand and two hundred thousand, while a few others took more than that.
3. The study concludes that MSME owners' loan performance is significantly impacted by the design of digital lending. The study concluded that borrowers could effectively service their loans and access multiple lenders with instantaneous processing (remote access and instantaneous disbursement). The study also found that loan performance factors like loan default, defaulter listing, and lender access are significantly impacted by service automation achieved through online customer interaction and effective service delivery.
4. There is no significant relationship between the Demographic Factors and Digital Loan Platforms.
5. There is no significant relationship between Demographic Factors and Loan Performance.

4.3. Recommendations

The study's results and findings are used to support recommendations that follow, which are listed below.

1. The researchers recommend that digital loan platforms should improve social media and client internet engagement. Digital lenders should be advised to make investments in more advanced systems that would provide clients with efficient services including loan disbursement and repayment.
2. Digital loan platforms should respond more quickly to grievances and other inquiries to improve consumer engagement. Digital lenders should be mindful of their borrowers' challenges, encouraging the provision of reminders to customers to prevent unnecessary default charges and potentially improve overall loan performance.
3. The researchers recommend the platforms make sure they integrate their platforms with all telecommunication companies to fulfill their service goal of providing instant loans. This will lead to a larger market of digital

borrowers having access to the service and their ability to provide emergency support. According to the report, digital lending platforms should improve customer engagement by responding more quickly to grievances and other inquiries. The researchers recommend digital lending platforms to make sure their applications are user-friendly for the general public, as many of them may lack technical expertise. To lower default rates, the study advises digital lenders to educate consumers about the different terms and conditions attached to their loan offers. The study also suggests that digital lenders should be aware of the difficulties faced by their clients and encourage them to provide reminders to prevent needless default fees, which could lead to subpar loan performance.

4. The researchers recommend exploring various factors that can influence the relationship between the demographic factors to further investigate the relationship between the two variables.
5. To ascertain the impact of demographic factors on the loan performance of MSMEs, the researchers recommend increasing the sample size of the respondents because as the sample size increases the level of confidence in knowing that the demographic factors do not have any impact on the loan performance of the MSMEs.
6. Recommendations for Future Research: The findings indicate that, on average, participants lacked awareness of essential aspects of the digital lending market. Therefore, it is suggested that additional research be undertaken to investigate and assess the public perception of digital lending service providers in the City of San Fernando, Pampanga.

V. REFERENCE

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