



## Influences of financial inclusion to the development of the municipality of Gainza

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### Abstract:

Financial inclusion is recognized as a catalyst for reducing poverty and promoting economic resilience. The research examines how financial inclusion impacts Gainza's economic growth, social factors, government projects, and overall quality of life. Utilizing a mixed-method approach, the study combines quantitative data, such as metrics on banking access, microfinance penetration, and digital payment adoption, with qualitative insights gathered from interviews with government officials to assess strategies that can be formulated considering their current situation. This study determines and evaluates the overall financial inclusion of the residents and the development of the municipality as of 2024. A development strategy was crafted: "USAD: A Strategic Plan towards Financial Inclusion in the Municipality of Gainza." It stands for the acronym U.S.A.D.—Understanding, Support, Accessibility, and Development. Using a descriptive research survey of 369 residents and in-person interviews with government officials, the findings reveal the Municipality of Gainza can also be considered a competitive municipality in the field of financial inclusion. Gainza has the means to offer different financial services to its residents, such as savings, insurance, loans, and investments. However, barriers like lack of financial literacy, lack of financial institutions, and limited options for available financial products limit them from reaching a wider range of residents in the area. This leads to the moderate development status of the Municipality because residents are unaware of and struggling to participate in different economic activities.

**Keywords:** Financial Inclusion, Economic, Social, Government Projects.

**How to cite:** Catoy, J. A., Job, T. H., Latagan, A. L., Moises, D., & Santiago, B. (2025). Influences of financial inclusion to the development of the municipality of Gainza. *GPH-International Journal of Business Management*, 8(01), 118-141. <https://doi.org/10.5281/zenodo.14628753>



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## INTRODUCTION

Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit, and insurance – delivered responsibly and sustainably (World Bank, 2015). About 62% of the global adult population owns a bank account, yet only 27% save in banks, 18% use them to receive wages or to pay bills, and just 11% borrow from banks (World Bank, 2015). From 2010 until March 2022, more than 55 countries have committed to financial inclusion, and more than 60 have launched or are developing a national strategy. By the World Bank's estimate, about 1.7 billion adults – roughly one-third of the world's adult population as of 2020 – are unbanked or underbanked (CFI Team, 2023).

The Philippines ranks second highest overall for financial inclusion, excelling in “stability and integrity” and “products and outlets.” However, the country has a weak performance in demographic outreach and the value of commercial bank loans and deposits relative to GDP. It is also behind its neighbors when it comes to access to debit cards, credit cards, and formal financial accounts (Economist Intelligence Unit, 2020). The Bicol Regional Development Plan 2023-2028, as outlined by the Regional Development Council Region V, emphasizes the promotion of financial inclusion in the region. Local Government Units (LGUs) in the province, including Gainza, signed a Memorandum of Agreement (MOA) together with the Central Bicol State University of Agriculture (CBSUA) and the Landbank Countryside Development Foundation, Inc. in response to the urgent need to mitigate the lack of banking services in the unbanked communities of Camarines Sur (Landagan, 2023).

Gainza is classified as a 5th-class municipality in the Philippines. This research is conducted to figure out the impact of financial inclusion on the development of small municipalities in the Philippines and to help small municipalities alleviate this classification and create a difference in their communities. By examining the degree of development in Gainza along with ESG (economic, social, and governance) projects, the researchers can identify specific barriers that these small municipalities face towards development, which can help government officials formulate strategies to promote financial inclusion. Lastly, to determine the relationship between financial inclusion and development, this study can provide strategies to help promote financial inclusivity in Gainza. This can also propose methods and frameworks for government officials to advance financial inclusion in small and remote municipalities in the country.

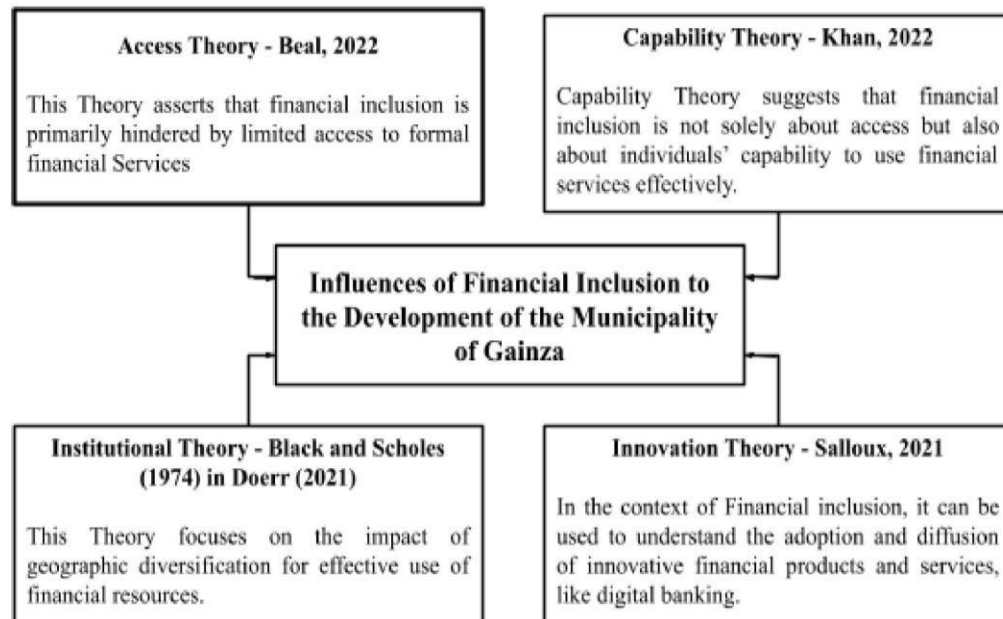
## Research Objectives

The study aims to assess the impact of financial inclusion on the development of municipalities, focusing on Gainza. Specifically, it seeks to achieve the following objectives:

1. To determine the profile of the residents of Gainza along with age, gender, employment, socio-economic class, and educational attainment.

2. To assess the level of financial inclusion in the municipality of Gainza in terms of insurance, investment, loans, and savings.
3. To evaluate the degree of development in the municipality of Gainza along with economic, social, and government factors.
4. To ascertain if there is a significant relationship between the level of financial inclusion and the degree of development in the municipality of Gainza.
5. To develop a strategy that will promote a financially inclusive municipality in Gainza

## Theoretical Framework



**Figure 1. Theoretical Paradigm**

The relationship between financial inclusion and the development of a municipality is correlated and can be explored through various theories and concepts. Access Theory highlights the importance of having financial institutions, like banks, in every community for people to have access to different financial services. Banks serve as fiduciary stewards, allocators, and distributors of capital across the global economy, directly impacting people's ability to manage their money and build wealth (Beal, 2022). In our world, where social issues are gaining urgency, banks should be seen as key actors in solving some of the biggest challenges facing society—rather than as a source of them.

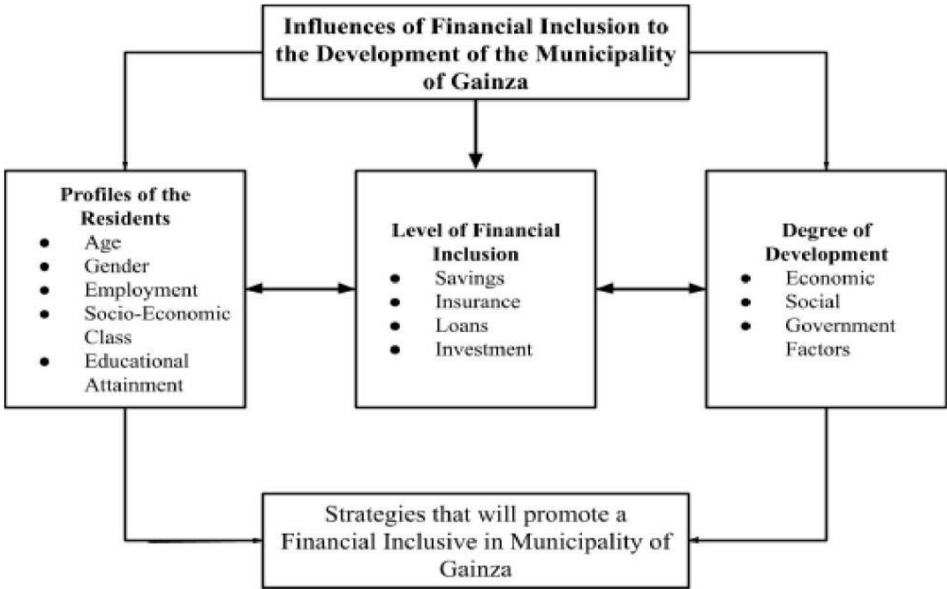
Institutional Theory focuses on the impact of geographic diversification on the effective use of financial resources. For an investor to identify if the investment is really earning, it is important to study the impact of dividend yield on stock returns (Black & Scholes, 1974). Diversified banks increase interbank borrowing on the syndicated loan market when hit by a local financial shock and increase overall wholesale deposits during banking crises in borrower countries. This also allows risk-sharing during local country-specific systemic banking crises (Doerr, 2021). The institutional theory suggests that

acquiring financial services in only one institution might limit people in utilizing their financial resources. However, diversifying their scope will lead to more opportunities to leverage their investments and raise their capital.

Capability Theory suggests that financial inclusion is not solely about access but also about individuals' capability to use financial services effectively. Financial inclusion is an international policy agenda and can be achieved through financially literate people, who can make informed financial decisions and improve individuals' well-being. Moreover, more than 1.7 billion adults are financially excluded globally, and the lack of financial literacy is one of the main causes (Khan, 2022). By facilitating greater access to credit, savings accounts, and investment opportunities, this expanded involvement promotes economic growth and stability and, in the end, lowers inequality and poverty. Therefore, achieving greater financial inclusion and socioeconomic growth requires boosting financial literacy.

Innovation Theory in the context of financial inclusion can be used to understand the adoption and diffusion of innovative financial products and services, like digital banking. Innovative payment platforms and services aim to provide safe and easy access to financial services, fostering financial inclusivity and creating seamless banking services. Digital banking platforms, smartphone banking apps, and point-of-sale (POS) payment systems are the fundamental elements of digital banking that promote financial inclusion for the unbanked (Salloux, 2021). Gaining access to financial services, less expensive transactions, individualized financial services, and increased security—particularly against loss and theft—are some advantages of digital financial inclusion for the unbanked. In addition to boosting people's economic involvement and empowering them financially, financial inclusion can help individuals start saving and making plans for their long-term financial security.

**Conceptual Framework**



**Figure 2. Conceptual Framework**

The figure shown above presents the conceptual framework of this study, entitled "Influences of Financial Inclusion on the Development of the Municipality of Gainza." Three variables are the focus of this study to help readers understand the cause-and-effect relationships between them:

1. **Profile of the residents in Gainza (Independent Variable)**
2. **The Level of Financial Inclusion (Dependent Variable)**
3. **The Degree of Development (Intervening Variable)**

In this study, the researchers interpreted how the residents' profiles (independent variable) affected the level of financial inclusion (dependent variable), which, in turn, directly influenced the development of the municipality of Gainza (intervening variable).

## **METHODS**

### **Research Methods**

To gather the required data, the researchers conducted a descriptive research survey and in-person interviews. Participants were provided with a permission letter and given one week to respond, complete the survey, and participate in the interview. The researchers personally conducted the surveys and interviews based on agreed-upon schedules.

The descriptive survey focused on quantitative data and involved administering structured questionnaires to a representative sample of residents in the municipality of Gainza. In addition, in-depth interviews with municipal officials provided insights into the development of the municipality and its impact on residents. Follow-up questions were asked to deepen understanding and gather further insights into the influence of financial inclusion on the municipality's development.

The surveys assessed the level of financial inclusion among residents in Gainza. A Likert Scale was used to capture respondents' opinions and assess accessibility and development levels. The scale options included:

- **Accessibility:** 1 - Not Accessible, 2 - Slightly Accessible, 3 - Moderately Accessible, 4 - Accessible, 5 - Highly Accessible
- **Development:** 1 - Not Developed, 2 - Slightly Developed, 3 - Moderately Developed, 4 - Developed, 5 - Highly Developed

Respondents were instructed to select the option that best reflected their answers, with 5 being the highest and 1 being the lowest.

### **Sampling Procedures**

The respondents were divided into two main groups: residents and municipal/barangay officials of Gainza, Camarines Sur.

**1. Residents:**

- Criteria: At least six months of residence in Gainza and current employment.
- Provided information on variables such as age, gender, employment, socioeconomic class, and educational attainment.

**2. Municipal and Barangay Officials:**

- Positions: Mayor, council members, department heads, barangay captains, and kagawads.
- Provided insights into the relationship between financial inclusion levels and the degree of municipal development. They also discussed existing policies related to financial inclusion.

A **convenience-purposive sampling approach** was employed. Surveys were conducted among 369 residents of Gainza, with a 5% margin of error calculated using Yamane's sampling formula. Additionally, 10 municipal officials were interviewed.

## RESULTS AND DISCUSSIONS

### Profile of the Respondents

*Table 1.1 Respondents' Profile*

Gender	Frequency	Percentage	Rank
Female	223	60.43%	1
Male	146	39.57%	2
<b>Total</b>	<b>369</b>	<b>100%</b>	
Age			
18-23	59	15.99%	5
24-29	81	21.95%	2
30-35	94	25.47%	1
35-40	64	17.34%	4
40 and above	71	19.24%	3
<b>Total</b>	<b>369</b>	<b>100.00%</b>	
Address			
Cagbunga	62	16.80%	2.5
Dahilig	43	11.65%	5
District I (Pob)	16	4.34%	8
District II (Pob)	68	18.43%	1
Loob	52	14.09%	4
Malbong	38	10.30%	6

Sampaloc	28	7.59%	7
Namuat	62	16.80%	2.5
<b>Total</b>	<b>369</b>	<b>100.00%</b>	
<b>Employment Status</b>			
Full-time	215	58..27%	1
Part-time	82	22.22%	2
Retired	16	4.34%	4
Prefer not to say	56	15.18%	3
<b>Total</b>	<b>369</b>	<b>100.00%</b>	
<b>Socio-economic Status (Monthly Income)</b>			
₱219,141 and above	0	0.00%	7
₱131,484 to ₱219,140	2	0.54%	6
₱76,669 to ₱131,483	3	0.81%	5
₱43,828 to ₱76,668	24	6.50%	4
₱21,914 to ₱43,827	94	25.47%	3
₱10,957 to ₱21,913	113	30.62%	2
Below ₱10,957	133	36.04%	1
<b>Total</b>	<b>369</b>	<b>100.00%</b>	
<b>Educational Attainment</b>			
Elementary Graduate	16	4.34%	5
High School Graduate	137	37.13%	2
College Graduate	153	41.46%	1
Masters Graduate	9	2.44%	6
Vocational	29	7.86%	3
Prefer not to say	25	6.78%	4
<b>Total</b>	<b>369</b>	<b>100%</b>	

**Based on the estimated monthly income, the data reveals that a significant portion of respondents are in the lower-income brackets**, with 36.04% earning below ₱10,957 and 30.56% earning between ₱10,957 and ₱21,913 per month.

The **educational attainment** of respondents indicates that 41.46% are college graduates, 37.13% are high school graduates, and only a small percentage (2.44%) hold a master’s degree.

The data highlights that the **majority of respondents fall into lower-income brackets**, earning below the minimum wage. Limited availability of businesses offering higher-paying opportunities contributes to this trend. Furthermore, although many residents have completed high school or college, the lack of jobs matching their qualifications often forces them into low-wage roles. The region's **lower cost of living and infrastructure limitations** may also influence wage rates, with employers adjusting compensation based on local economic conditions.

A study by Susilowati and Leonnard (2019) supports these findings, noting that **individuals with small to medium incomes are more likely to apply for loans** from official banks, while those with higher incomes tend to borrow less. This is because people with smaller incomes generally have fewer savings compared to higher earners.

**Level of Financial Inclusion in the Municipality of Gainza**

The following details summarize data gathered from a survey assessing the **level of financial inclusion** in the Municipality of Gainza. The study focused on four key areas: **insurance, investments, loans, and savings**.

**Insurance**

**Table 2.1: Level of Financial Inclusion in the Municipality of Gainza in Terms of Insurance**  
Table 2.1 reveals that "**Application requirements**" **ranked highest** with a mean of 3.15, classified as "**Moderately Accessible**" among the parameters of financial inclusion in terms of insurance. In contrast, "**Affordable insurance products and services**" **ranked lowest**, with a mean of 3.04, also classified as "**Moderately Accessible**."

Parameters	Mean	Rank	Interpretation
Variety of options	3.09	2	MA
Insurance agencies offering	3.07	3	MA
Affordable insurance products and services	3.04	4	MA
Application requirements	3.15	1	MA
Overall Mean	3.09		MA
Notes: 4.50 - 5.00 - Highly Accessible (HA), 3.50 - 4.49 - Accessible (A), 2.50 - 3.49 - Moderately Accessible (MA), 1.50 - 2.49 - Slightly Accessible (SA), 1.00 - 1.50 - Not Accessible (NA)			

Overall, the **level of financial inclusion in terms of insurance** in the Municipality of Gainza was rated as "**Moderately Accessible**" with an average mean of **3.09**.



Several factors contribute to this moderate accessibility:

- **Limited availability of organizations or agencies** offering financial products, including insurance, hampers access to affordable services.
- The **age of applicants** may influence the affordability of insurance products, with older applicants potentially facing higher premiums.
- Easier access to application requirements could stem from the growing use of **digital platforms** by insurance providers to streamline processes.

These findings align with **Access Theory**, which underscores the critical role of financial institutions in ensuring access to financial services and equitable capital distribution. The theory argues that **limited access to formal financial services** is a significant barrier to financial inclusion. Banks and financial institutions should act as key drivers in addressing societal challenges rather than being perceived as obstacles (Beal, 2022).

## Investment

**Table 2.2:** Level of Financial Inclusion in the Municipality of Gainza in Terms of Investment

Parameters	Mean	Rank	Interpretation
Wide parameter of corresponding risk	2.80	4	MA
Educational resources about investing	2.85	2.5	MA
Investment risk and provider reputation disclosure	2.85	2.5	MA
Investment portfolio management tools	2.65	5	MA
Protection to avoid investment scams	2.87	1	MA
<b>Overall Mean</b>	<b>2.80</b>		<b>MA</b>
<i>Notes: 4.50 - 5.00 - Highly Accessible (HA), 3.50 - 4.49 - Accessible (A), 2.50 - 3.49 - Moderately Accessible (MA), 1.50 - 2.49 - Slightly Accessible (SA), 1.00 - 1.50 - Not Accessible (NA)</i>			

Table 2.2 highlights that "**Protection to avoid investment scams**" ranked **highest** with a mean of **2.87**, classified as "**Moderately Accessible**" among the parameters of financial inclusion in terms of investment. In contrast, "**Investment portfolio management tools**" ranked **lowest**, with a mean of **2.65**, also categorized as "**Moderately Accessible.**" Overall, the **level of financial inclusion in terms of investment** in the Municipality of Gainza was assessed as "**Moderately Accessible,**" with an average mean of **2.80**.

Several factors influence this accessibility:

- **Regulatory bodies** promote awareness of investment scams through free resources such as articles, checklists, and fraud alerts, enhancing accessibility in this area.
- However, **investment portfolio management tools** are less accessible due to:
  - Paywalls or restrictions tied to specific financial institutions.
  - The **complexity of these tools**, which often requires advanced financial literacy and training.

This limited accessibility underscores the connection between **financial literacy and financial inclusion**. Financial literacy equips individuals with the necessary knowledge and skills to access and utilize financial services effectively. However, a lack of financial literacy remains a barrier to financial inclusion, as highlighted by the global statistic that **over 1.7 billion adults** remain financially excluded (Khan, 2022).

### Loans

**Table 2.3:** Level of Financial Inclusion in the Municipality of Gainza in Terms of Loans

Parameters	Mean	Rank	Interpretation
Banks and financial institution offering	3.12	2	MA
Low interest rates	3.09	4	MA
Fixed Collateral Arrangements	3.15	1	MA
Loan products according to customer demands	3.08	5	MA
Repayment flexibility	3.11	3	MA
<b>Overall Mean</b>	<b>3.11</b>		<b>MA</b>
<i>Notes: 4.50 - 5.00 - Highly Accessible (HA), 3.50 - 4.49 - Accessible (A), 2.50 - 3.49 - Moderately Accessible (MA), 1.50 - 2.49 - Slightly Accessible (SA), 1.00 - 1.50 - Not Accessible (NA)</i>			

Table 2.3 shows that **"Fixed collateral arrangements"** ranked the **highest** with a mean of **3.15**, categorized as **"Moderately Accessible"** among the parameters of financial inclusion in terms of loans. Conversely, **"Loan products according to customer demands"** ranked the **lowest**, with a mean of **3.08**, also under **"Moderately Accessible."** Overall, the **level of financial inclusion in terms of loans** in the Municipality of Gainza was assessed as **"Moderately Accessible,"** with an average mean of **3.11**.

Several factors impact the accessibility of loans:

- **Rising interest rates** increase borrowing costs, potentially limiting economic growth. Conversely, **lower rates** encourage borrowing and stimulate economic activity.
- The **complexity of loan acquisition documents** may deter residents from applying for loans, particularly for products that seem too complex or risky.

### Recommendations and Insights:

- Accessible, affordable, and fair financial services are critical to integrating **unbanked individuals** into the financial system (World Remit, 2023).
- **Simplified processes** and **innovative systems**—such as mobile banking and online platforms—enhance access and customer satisfaction, reducing barriers created by complex procedures (Sharma & Pandey, 2022).
- Research suggests that promoting and expanding **mobile banking applications** can foster financial inclusion, **boosting economic growth** and reducing inequalities within local communities (Pandiella, 2022).

## Savings

**Table 2.4:** Level of Financial Inclusion in the Municipality of Gainza in Terms of Savings

Parameters	Mean	Rank	Interpretation
Physical banks or financial institutions for withdrawals	3.28	2	MA
Online options in saving	3.71	1	A
Banking products for savings and deposits	3.02	4	MA
Savings security measures	3.04	3	MA
Savings Literacy Programs	2.93	5	MA
<b>Overall Mean</b>	<b>3.20</b>		<b>MA</b>
<b>Notes:</b> 4.50 - 5.00 - Highly Accessible (HA), 3.50 - 4.49 - Accessible (A), 2.50 - 3.49 - Moderately Accessible (MA), 1.50 - 2.49 - Slightly Accessible (SA), 1.00 - 1.50 - Not Accessible (NA)			

Table 2.4 reveals that **"Online options in saving" ranked the highest** with a mean of **3.71**, categorized as **"Accessible"** among the various parameters of financial inclusion in terms of savings. In contrast, **"Savings Literacy Programs" ranked the lowest** with a mean of **2.93**, falling under **"Moderately Accessible."**

Overall, the **level of financial inclusion in terms of savings** in the Municipality of Gainza was categorized as **"Moderately Accessible"** with a mean of **3.20**.

The findings suggest that:

- The **simplified processes** offered by banks and **fintech companies** through **online platforms** such as GCash, PayMaya, and other digital wallets make saving easier for the residents of Gainza.
- However, **financial literacy** remains a significant challenge. **Savings literacy programs** are limited, and there are **gaps** in the **reach** of these programs. Not all residents are aware of these resources, which may contribute to **insufficient knowledge** on properly managing savings.

As **Khan's Capability Theory** suggests, financial inclusion extends beyond simply having access to financial services like savings. **Financial literacy** is a fundamental component of creating an inclusive financial ecosystem (Khan, 2022).

## Degree of Development of the Municipality of Gainza

To assess the **degree of development** in the Municipality of Gainza, three key factors were examined: **Economic, Social, and Governmental Factors**

## Economic Factors

**Table 3.1** Degree of Development of Economic Factors in the Municipality of Gainza.

Parameters	Mean	Rank	Interpretation
Financial services	3.11	2	MD
Job opportunities	3.06	4	MD
Transportation	3.05	5	MD
Infrastructures	3.09	3	MD
Local Business or MSME's	3.40	1	MD
<b>Total</b>	<b>3.14</b>		<b>MD</b>
<b>Notes:</b> 4.50 - 5.00 - Highly Developed (HD), 3.50 - 4.49 - Developed, 2.50 - 3.49 - Moderately Developed (MD), 1.50 - 2.49 - Slightly Developed (SD), 1.00 - 1.50 - Not Developed (ND)			

**Table 3.1** highlights the development levels of each economic factor in the Municipality of Gainza. The data shows that “local businesses and MSMEs” received the highest mean of 3.40, while “transportation” ranked the lowest with a mean of 3.05. The overall mean score of 3.14 indicates that the economic development in Gainza is still at a moderate level.

Several factors contribute to this moderate development:

- **Limited access to capital** remains a significant barrier for entrepreneurs seeking the necessary funds to expand or sustain their businesses. The absence of local financial institutions and affordable loan options exacerbates this issue.
- The **inadequate maintenance** of transportation systems—such as roads and public vehicles—results in **poor road conditions, unreliable transportation systems, delays, safety risks, and increased repair costs.**

This data aligns with findings by **Ni & Van Wart**, who suggest that the activities of **local businesses** are key drivers of a strong economy. These businesses create demand for goods and services, generate employment, and improve income levels and living standards (Ni & Van Wart, 2022).

In the case of Gainza, the strength of the local **MSMEs** presents a promising avenue for economic development. However, **job creation** and **transportation infrastructure** must also be prioritized, with **government investment** in these areas potentially boosting economic growth (Sadeh et al., 2020).

## Social Factors

**Table 3.2** Degree of Development of Social Factors in the Municipality of Gainza

Parameters	Mean	Rank	Interpretation
Education (Alternative Learning Systems), Barangay Literacy and Livelihood Training Program)	3.33	4	MD
Healthcare	3.35	3	MD
Housing and living conditions	3.30	5	MD
Public safety and security	3.50	1	D
Governance and civic participation	3.44	2	MD
<b>Total</b>	<b>3.38</b>		<b>MD</b>
<b>Notes:</b> 4.50 - 5.00 - Highly Developed (HD), 3.50 - 4.49 - Developed, 2.50 - 3.49 - Moderately Developed (MD), 1.50 - 2.49 - Slightly Developed (SD), 1.00 - 1.50 - Not Developed (ND)			

**Table 3.2** shows the level of development of each social aspect in Gainza. After data gathering, it was revealed that it got an overall mean of 3.38, therefore interpreted as “moderately developed.” “Public Safety and Security” got a mean of 3.50, which was deemed as “developed” and was ranked 1st. “Housing and Living Condition,” with a mean of 3.30, got the lowest ranking among all social aspects given and fell under “moderately developed.”

The analysis of Gainza's social landscape highlights **public safety and security** as the strongest aspect, likely due to effective governance and community trust. **Housing and living conditions** rank lowest due to limited financial resources, hindering infrastructure improvements and access to basic amenities. This contrast can be attributed to prioritization and allocation of resources, with safety and security gaining immediate attention, while housing and living conditions require long-term investments and larger fund allocations.

**Cerf (2023)** states that, with programs that improve social aspects and economic opportunities in partnerships, communities will be empowered to overcome socio-economic barriers as part of forward-looking development. A focus on these factors in Gainza could thus empower its residents to become more active agents of economic growth, reducing their reliance on external aid.

# Governmental Factors

**Table 3.3** Degree of Development of Governmental Factors in the Municipality of Gainza

Parameters	Mean	Rank	Interpretation
Policies	3.23	2	MD
Fiscal management budget allocation	3.16	3	MD
Public-Private partnerships (PPP)	3.03	4	MD
Social services welfare programs	3.37	1	MD
Innovation and research support	2.85	5	SD
<b>Total</b>	<b>3.1</b>		<b>MD</b>
<b>Notes:</b> 4.50 - 5.00 - Highly Developed (HD), 3.50 - 4.49 - Developed, 2.50 - 3.49 - Moderately Developed (MD), 1.50 - 2.49 - Slightly Developed (SD), 1.00 - 1.50 - Not Developed (ND)			

**Based on Table 3.3**, “social services and welfare programs” got the highest mean of 3.37, and is the strongest governmental aspect. However, “innovation and research support,” with a mean of 2.85, is the weakest one. Overall, it reveals that Gainza’s government factors are still “moderately developed,” as a total mean of 3.1 was computed.

The municipality of Gainza's social welfare programs are the strongest, addressing basic needs like health, education, and financial support. These programs improve the quality of life and build trust among residents. However, innovation and research support are weak due to the government's prioritization of urgent needs like poverty over long-term investments in research and innovation due to limited resources.

The result in innovation and research support perceives a need for an enhanced budget allocation and extensive support towards technology and research. This aligns with **Sadeh et al. (2020)** paper regarding the essential role of resource allocation in supporting technological growth.

# The Relationship between Financial Inclusion and Economic Development in the Municipality of Gainza

**Table 4** Relationship Between Financial Inclusion and Economic Development

Level of Financial Inclusion	Degree of Development					
	Economic		Social		Government	
	X2 – value	p- value	X2 - value	p- value	X2 - value	p- value
<b>Insurance</b>	r(368) = .853	p < .001***	r(368) = .75	p < .001***	r(368) = .792	p < .001***
	very strong		strong		strong	

<b>Investment</b>	$r(368) = .804$ $p < .001^{***}$ very strong	$r(368) = .702$ $p < .001^{***}$ strong	$r(368) = .772$ $p < .001^{***}$ strong
<b>Loans</b>	$r(368) = .858$ $p < .001^{***}$ very strong	$r(368) = .787$ $p < .001^{***}$ strong	$r(368) = .775$ $p < .001^{***}$ strong
<b>Savings</b>	$r(368) = .884$ $p < .001^{***}$ very strong	$r(368) = .796$ $p < .001^{***}$ strong	$r(368) = .793$ $p < .001^{***}$ strong

**Legend:** \*\*\* p is significant ( $p < 0.05$ ) r (degrees of freedom) = the r statistic, p = p value.

**Table 4** shows the significant relationship between Financial Inclusion and the Level of Development in the municipality of Gainza. The computed p-values of the parameters, which are less than 0.05, mean that development factors such as economic, social, and government factors are interrelated with the level of Financial Inclusion of the residents relating to Insurance, Investment, Savings, and Loans. The result shows a very strong relationship between Financial Inclusion Indicators and Economic Factors in Gainza. Meanwhile, it also shows that financial inclusion has a strong relationship with Social and Governmental Factors.

The study suggests that Gainza's overall development should focus on its residents' financial status, as it affects the municipality's overall growth. The findings suggest that financial inclusion is a significant challenge, despite its small population. The researchers suggest that the government and residents should collaborate to achieve common goals, and involving the people in financial inclusion policies can help create a pathway for overall development in Gainza.

It has been found that financial inclusion has a positive correlation with economic growth in developing countries (Ozili, P. K. 2023). There is a study that examines the factors that contribute to financial inclusion across the 17 regions of the Philippines between 2013 and 2017. The regions that are the least financially inclusive do not show significant progress. The study identifies a few factors that explain the variations in financial inclusion levels across these regions, including regional GDP per capita, population, availability of physical infrastructure, and mobile penetration (Burguillos & Cassimon, 2021).

### **Strategy to Promote Financial Inclusion in the Municipality of Gainza**

This section shows the strategic plan formulated by the researchers based on the results of the surveys and interviews conducted. Indicated in this section is the discussion of inputs, processes, and outputs.

## Inputs

1. **Primary Resources** - In developing the strategy, the researchers utilized the data gathered from the survey forms of the ten (369) residents of Gainza. Additionally, the researchers conducted interviews with government officials with a reasonable amount of knowledge about the barriers to attaining financial inclusion in their municipalities.
2. **Secondary Resources** - The related studies and literature were used to create the strategy towards financial literacy. The related literature was derived from sites like researchgate.com, doi.org, and government documents such as Banko Sentral ng Pilipinas.

## Process:

The formulation of a developmental plan for further sustainability of commercial banks is as follows:

- **Step 1:** Performed an onsite observation and pre-random interviews, research on facts about Gainza and related studies to identify parameters to utilize survey questionnaires.
- **Step 2:** Conducted a survey of the residents using a structured questionnaire that contained a Likert scale to measure their degree of opinion on the given parameters. The last part is supplementary questions to determine the barriers and challenges they are facing towards financial inclusion.
- **Step 3:** Conducted an interview with selected government officials to assess their view on the challenges and barriers they are facing towards economic, social, and government development. Their answers guided the formulation of the Strategic Plan.
- **Step 4:** Consolidated and summarized the responses from both the survey and interviews to present, analyze, and infer the data collected easily.
- **Step 5:** The strategic plan was created using the results acquired from the survey and interview. It was designed using Canva to present the desired output.

## Output:

This section shows the strategic plan formulated by the researchers based on the results of the surveys and interviews conducted. This strategy highlights ways to attain financial inclusion to further improve their economic, social, and government factors.

### U.S.A.D: A Strategic Plan towards Financial Inclusion to the Municipality of Gainza

- **U – Understanding:** Building a comprehensive understanding of financial needs and barriers among Gainza's residents, along with providing training and raising awareness about investment portfolio management tools.



- **S** – Support: Providing support and resources, such as financial education and access to services, to encourage inclusive financial practices.
- **A** – Accessibility: Ensuring financial services are accessible to everyone, particularly by addressing the limited number of ATMs and other financial facilities in Gainza.
- **D** – Development: Promoting economic and social development through financial inclusion, fostering growth in local businesses and individual financial stability.

By using a broad framework known as **U.S.A.D.**—Understanding, Support, Accessibility, and Development—a strategic plan undertaken within the municipality of Gainza critically probes the role that financial inclusion assumes when it comes to the promotion of socioeconomic development. This takes place by standing up the central role of understanding the needs and barriers of the residents toward support-focused training and financial education that allows them to function effectively within financial institutions. It further explains that mobilization of the support structures must involve community contributions towards funding literacy and building confidence among the locals in utilizing the financial services provided. Moreover, the problem statement further indicates how access is important, as it will involve strategic partnerships with financial institutions to enhance service provisions and investigates mobile banking options with an aim of increasing access to marginalized communities.

The last assumption of the plan is that with increased access to financial services, local companies will be uplifted, job opportunities multiplied, contributing to personal financial stability and boosting community spending and economic growth.

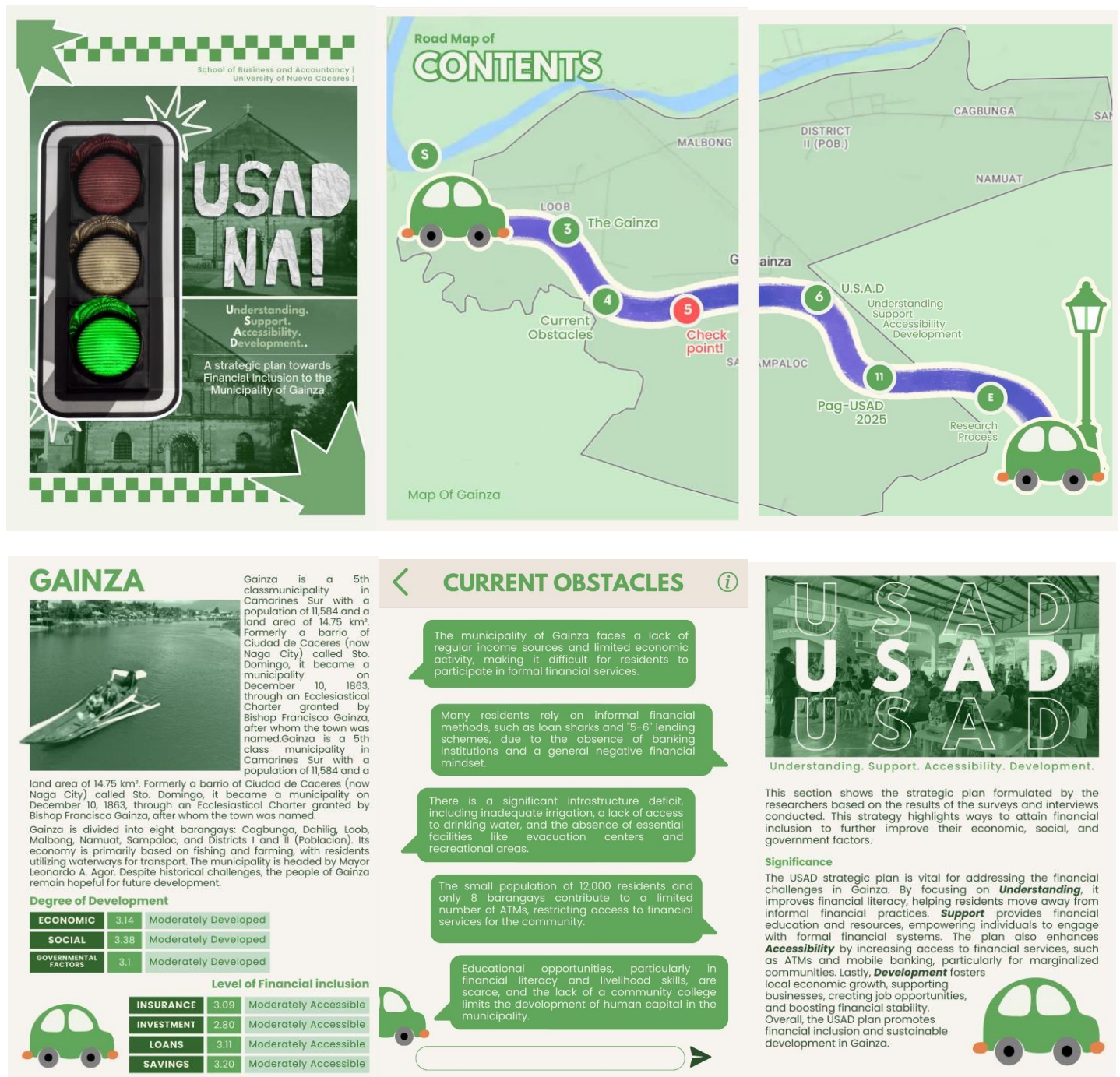
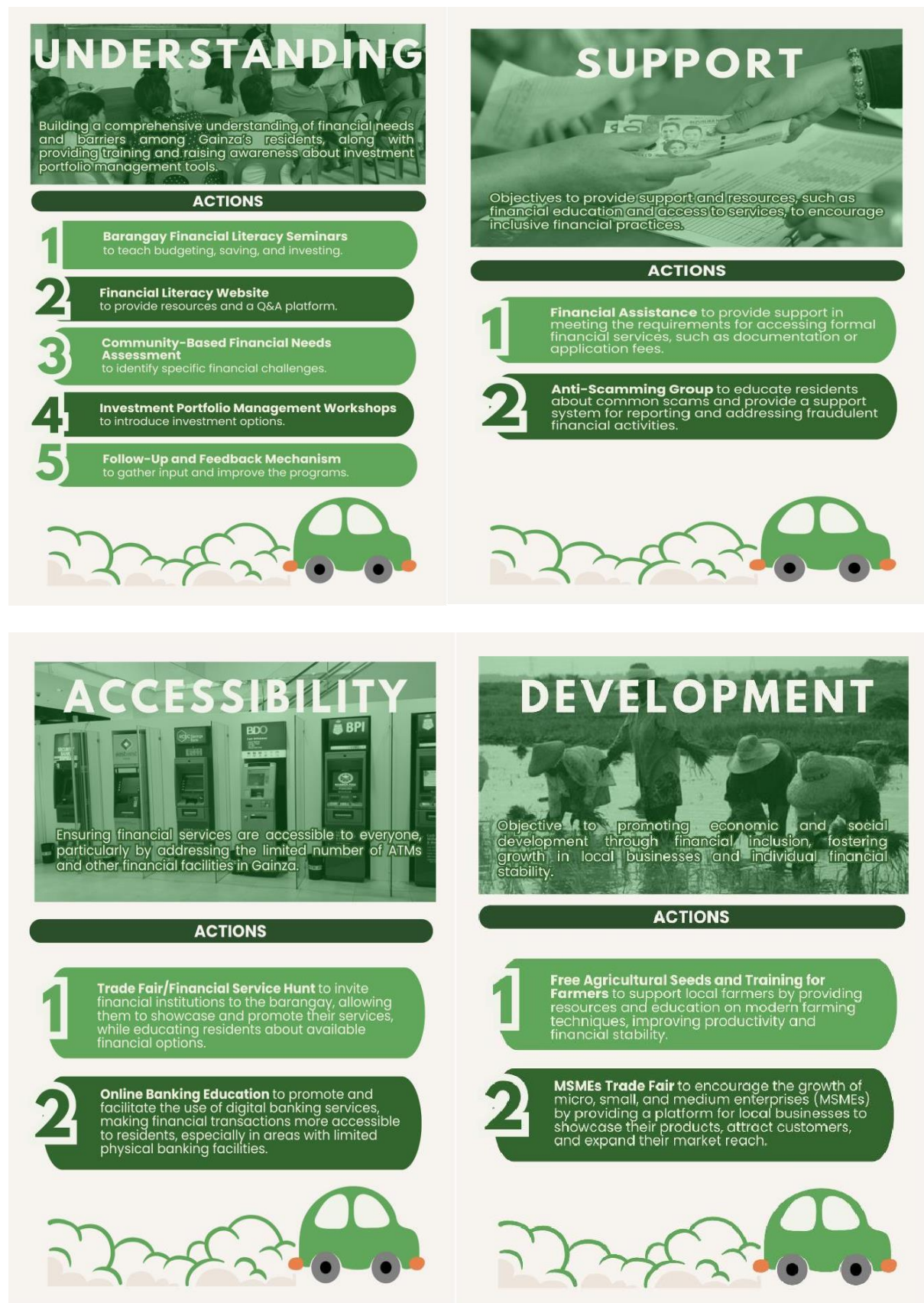


Figure 3 Preliminary Pages of U.S.A.D Booklet





**Figure 4 U.S.A.D Booklet Plan of Actions**

## CONCLUSIONS

This section presents the findings derived after the data analysis and the conclusions made for the problems being solved.

### Profile of the Respondents

To address the lack of higher-paying businesses, the government can encourage investments by offering incentives like tax breaks or infrastructure grants. This would attract companies that provide better job opportunities. Additionally, skills training and vocational programs tailored to local industries can help workers match their qualifications with available jobs, improving their chances of securing higher-paying roles.

### Level of Financial Inclusion in the Municipality of Gainza

A lower supply than demand causes product prices to inflate, as higher prices incentivize suppliers to increase their supply. This is why agencies that market insurance to Gainza offer high-priced financial products to sustain their insurance offerings in the market. Additionally, the use of online portals and mobile apps streamlines the application process, enabling quick, remote access and reducing physical barriers. However, online applications would also come with application requirements, such as identification documents, financial information, and medical information, which vary depending on the type of insurance.

The availability of fraud awareness and public campaigns through online platforms helps individuals acquire the knowledge needed to protect themselves from scams and make informed investment decisions. Furthermore, the growing complexity of financial instruments and increased risks highlight the urgent need for financial literacy, enabling people to build resilience, make better decisions, and participate more actively in formal financial systems.

Rising interest rates make borrowing more expensive, potentially hampering economic growth, while falling rates encourage borrowing and may boost economic activity. However, the complexity of loan documentation often makes loan products inaccessible, causing residents to avoid borrowing altogether rather than risk using financial tools beyond their understanding.

Simplified processes offered by banks and fintech companies through online platforms, such as Gcash, PayMaya, and other digital wallets, encourage people to participate in saving. However, poor financial literacy programs and gaps in accessibility prevent many from acquiring the knowledge needed for proper financial management, as efforts often fail to reach those who need them most.

## **Degree of Development of the Municipality of Gainza**

Limited access to capital creates obstacles for entrepreneurs in Gainza, hindering the ability to secure funds for starting or expanding businesses due to lack of financial institutions or affordable loan options. This hinders them from achieving high development. On the other hand, inadequate maintenance of roads and public transport results in poor conditions, delays, safety risks, and higher repair costs, making the transport system unreliable.

"Public safety and security," as Gainza's strongest social aspect, is likely due to effective governance and community satisfaction with local leaders. In contrast, "housing and living conditions" rank the lowest, probably due to limited financial resources that prevent them from having significant improvements in infrastructure, housing, and other basic amenities. This disparity reflects the municipality's focus on immediate concerns like safety, which requires urgent attention, while housing needs long-term investments and larger funding.

Gainza's social welfare programs are considered the strongest governmental aspect because they probably provide immediate support for residents' basic needs, improving their well-being. However, innovation and research support is their weakest area in terms of governmental aspects, as the local government focuses on addressing urgent issues, diverting attention and resources away from long-term investments that R&D needs.

## **The Relationship between Financial Inclusion and Economic Development in the Municipality of Gainza**

The results suggest that to attain overall development in Gainza, attention should also be given to the financial status of their residents. The slightly to moderately accessible investment, in general, proves the necessity of improvement in financial inclusion in the municipality, which also affects the overall development of Gainza.

The researchers recommend that the municipality of Gainza focus on providing job opportunities and career training, collaborate with financial institutions to conduct financial literacy programs, provide accessible insurance, build residents' investment portfolios, and promote digital banking for savings and loans. Additionally, they should work on developing their infrastructures, especially transportation, which can boost the municipality's tourism. This could be a great avenue for investors and financial institutions to invest in the municipality.

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