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## Equity financing decisions and financial sustainability of non-bank financial institutions

Carmela Gubgoban Delizo, Kerk Andrew Mijares Lalo, May Asa Quinzon, Reinaliza Miniano Rendon \* and Russell Villena Villarma

*Business Administration Department, School of Business Hospitality, and Tourism Management, Divine Word College of Calapan, Philippines.*

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### Abstract

Equity financing is a key factor in the operations and long-term stability of Non-Bank Financial Institutions (NBFIs). This study investigates the relationship between equity financing decisions and the financial sustainability of NBFIs in Calapan City, focusing on cash outflows, investments, and shareholding practices in relation to financial performance indicators such as Return on Investment (ROI), Return on Assets (ROA), and Return on Equity (ROE). Using a descriptive-correlational research design, data were collected from NBFI managers and analyzed to determine the strength of these relationships. The study covered 58 NBFIs, allowing for thorough institutional analysis and sufficient statistical basis to generalize the results to the full population. Results indicate that NBFIs actively employ equity financing to manage cash outflows prudently, enhance investment activities, and maintain transparent and well-governed ownership structures. Despite this, the study found a generally low correlation between equity financing decisions and financial sustainability, suggesting that management efficiency, operational strategies, and market conditions play a more significant role in sustaining performance. Based on these findings, a Capital Sustainability & Growth Framework (CSGF) is proposed, highlighting targeted equity allocation, strengthened governance, and performance-focused investment practices to promote accountability, institutional resilience, and long-term financial sustainability.

**Keywords:** Equity Financing; NBFIS; Financial Sustainability; Capital Sustainability & Growth Framework (CSGF)

### 1. Introduction

In a shifting global economy, the sustainability of Non-Bank Financial Institutions (NBFIs) depends heavily on their ability to fund operations through equity rather than costly debt, according to Santos et al. (2024) [1]. In the Philippines, equity financing offers a way to raise long-term capital without the risks of excessive leverage, yet NBFIs face significant problems such as ownership dilution and difficulty in accurately valuing their niche assets. These institutions also struggle with information asymmetry, where potential investors find it harder to assess risk compared to traditional, more strictly regulated banks. Consequently, if equity decisions are poorly structured, NBFIs become more vulnerable to the liquidity and governance risks that threaten their long-term financial stability according to Claessens et al. (2024) [2].

Financial sustainability is the essential foundation for Non-Bank Financial Institutions (NBFIs), such as credit cooperatives, pawnshops, and lending investors in Calapan City, ensuring they can continue to serve small-scale entrepreneurs and rural farmers without the need for constant external subsidies. Globally, the research of Sarawagi and Singh (2024) [3] highlights that digitizing operations is a key driver of this sustainability, as it streamlines credit access and significantly reduces non-performing assets by improving collection efficiency. For local institutions in

\* Corresponding author: Reinaliza Miniano Rendon

Calapan, adopting these digital tools and providing literacy training for staff is critical to overcoming the limitations of manual record-keeping and ensuring they can offer inclusive services to the underserved communities of Oriental Mindoro. However, NBFIs in Calapan City face significant hurdles, including high operational costs and a high vulnerability to local economic shocks, which can threaten their liquidity and long-term viability. According to Sha'ari, Hamzah, and Kamil (2023) [4], overcoming these local challenges depends on the implementation of robust Good Corporate Governance (GCG), which provides the internal controls necessary to minimize risk and stabilize operations.

While global financial discourse has traditionally prioritized the dynamics of large commercial banks, this study shifts the focus toward the unique relationship between equity financing and financial sustainability within Non-Bank Financial Institutions (NBFIs) in Calapan City. This specialized inquiry moves beyond the broad generalizations of large-scale financial literature, offering a localized baseline for development and addressing the specific needs of smaller institutions often bypassed in global studies.

This study looks at how local pawnshops and lending investors in Calapan City stay financially healthy by managing their own internal money like their investments, cash spending, and who owns their shares. This is significant because these small businesses are the "financial backbone" for many local residents. We believe that if they are stable, the local economy stays strong. This localized focus is directly significant to Sustainable Development Goal (SDG) 8, by promoting financial inclusion for small enterprises and SDG 9, by strengthening the infrastructure of community-level finance. While the scope was strictly limited to internal financial factors and excluded broader macroeconomic variables, the study faced a practical limitation in accessing sensitive, proprietary data from private NBFI.

The primary contribution of this research is the Capital Sustainability and Growth Framework, a specialized tool designed to synchronize institutional stability with regional economic prosperity. For managers of Non-Bank Financial Institutions (NBFIs), this output serves as a practical diagnostic guide, offering data-driven strategies for managing cash outflows and shareholding structures to ensure long-term solvency. Beyond institutional use, the framework provides policymakers with an empirical evidence base to refine local financial regulations, shifting the focus toward sustainable capital deployment that prioritizes community empowerment. By filling a critical void in Philippine financial literature, this study transforms abstract equity theories into an actionable roadmap, enabling institutions in Calapan City to strengthen their capital health and serve as resilient anchors for sustainable economic development.

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## 2. Review of Related Literature

### 2.1. Equity Financing Decisions

Equity financing decisions were defined as managerial choices involving the issuance of ownership claims, retention of earnings, restructuring of shareholdings, or acceptance of private equity investment, wherein investor returns were aligned with firm performance (2020) [5]. These decisions reflected a trade-off between risk sharing and control dilution and were central to capital structure theory. This framework allowed equity financing decisions to be operationalized into measurable dimensions such as cash outflows, investments, and shareholdings that are suitable for empirical testing among NBFIs in Calapan City. Mohamad and Murugesu (2020) [6] further emphasized that the effects of equity financing on sustainability varied by institutional context and measurement approach. Dirse and Japee (2024) [7] reinforced this view by demonstrating that equity-financed investment contributed positively to sustainability only when supported by sound governance structures. Similarly, Ammer and Salim (2024) [8] found that ownership structure conditioned the effects of equity injections, with positive outcomes occurring when equity improved monitoring and managerial discipline.

#### 2.1.1. Cash Outflows

Cash outflows referred to net cash disbursements arising from a firm's operating, investing, and financing activities, excluding cash inflows, and were widely recognized as fundamental indicators of liquidity management and operational efficiency. Laghari et al. (2023) [9] emphasized that systematic monitoring of cash outflows was essential for understanding how firms sustained day-to-day operations while simultaneously meeting long-term financial commitments. Their findings demonstrated that cash outflows functioned not merely as accounting records but as strategic indicators of operational discipline and liquidity control. Jain and Gupta (2025) [10] further argued that cash outflows reflected deliberate resource allocation decisions that directly influenced a firm's capacity to maintain solvency and financial stability. This conceptualization reinforced the view that cash outflows were shaped by managerial strategy rather than occurring as automatic consequences of operations. Huang and Ritter (2020) [11] found that firms experiencing high or accelerating cash outflows were significantly more likely to issue equity to preserve liquidity and avoid financial distress. Equity financing allowed firms to retain a larger proportion of raised funds for future cash

requirements without incurring mandatory interest or principal repayments. Yadav (2025) [12] highlighted the importance of robust cash flow modeling under conditions of uncertainty, demonstrating that accurate cash outflow projections enhanced long-term decision-making and supported sustainable financial performance.

### *2.1.2. Investment*

Investment refers to the allocation of capital to projects or assets expected to generate future cash flows and enhance firm value over time [13]. Through investment decisions, firms transformed financial resources into productive assets that supported growth, competitiveness, and long-term financial sustainability. Drachal (2022) [13] conceptualized investment as a value-creating process through which firms allocated capital to productive uses, thereby establishing a foundational link between financing decisions and investment capacity. This perspective underscored the importance of equity financing in enabling firms to undertake strategic investments that supported long-term sustainability. Nishihara (2023) [14] found that firms with greater access to equity financing were better positioned to fund growth opportunities without incurring fixed repayment obligations. This flexibility allowed firms to make more timely and scalable investment decisions, particularly in uncertain market environments. Nishihara (2023) [14] also emphasized the trade-off between debt and equity in investment behavior, noting that while debt financing provided tax advantages, excessive reliance on debt discouraged sustainable investment. These findings highlighted the importance of equity financing in supporting stable and sustainable investment behavior, especially for financial institutions operating in environments with limited or costly debt markets. Rutanga et al. (2021) [15] found that a robust capital structure, particularly one supported by adequate equity, was positively associated with firms' ability to undertake sustainability-enhancing investments. Their study of Rwandan financial institutions demonstrated that equity-supported investment improved operational stability and long-term viability, reinforcing the role of equity financing in environments characterized by limited formal credit access and high information asymmetry.

### *2.1.3. Shareholdings*

Shareholdings referred to the distribution of a firm's equity among various owners, including institutional investors, family shareholders, managerial owners, and government entities. Ownership structure captured both the concentration and dispersion of these equity stakes according to Alshareef (2024) [16]. In the context of non-bank financial institutions (NBFIs) in Calapan City, where ownership structures ranged from family-controlled cooperatives to more dispersed lending investors, understanding shareholdings was essential in explaining variations in financial sustainability. Empirical evidence demonstrated that firms with higher levels of internal retention tended to rely less on external equity financing, while the presence of strong institutional or family ownership encouraged equity issuance by reducing agency conflicts according to Liang et al. (2025) [17]. These findings explained why NBFIs exhibited differing equity financing patterns based on their ownership configurations. Similarly, Akwaa-Sekyi et al. (2024) [18] found that managerial and institutional ownership positively influenced capital-structure choices, prompting firms to adopt financing mixes aligned with owners' monitoring incentives. This evidence indicated that shareholding patterns were not passive firm characteristics but actively shaped financing decisions. Consequently, shareholdings were treated as a core dimension of equity financing decisions rather than merely as a control variable.

## **2.2. Financial Sustainability**

Financial sustainability was defined as an institution's capacity to maintain long-term operations, absorb financial shocks, and continue delivering services without excessive dependence on external debt or financial support, according to Sha'ari et al. (2023) [19]. It encompassed not only profitability but also resilience, capital adequacy, and effective risk management. According to Gleißner et al. (2022) [20], financially sustainable institutions consistently generated returns, reinvested earnings, and preserved equity buffers to protect against liquidity and solvency risks. For NBFIs, particularly those operating in underserved areas, a key challenge involved sustaining operations without heavy dependence on external borrowing. Profitability indicators such as Return on Investment (ROI), Return on Assets (ROA), and Return on Equity (ROE) played a central role in assessing financial sustainability, as these measures reflected how efficiently institutions generated returns from invested capital, asset bases, and shareholders' equity. According to Akber and Barua (2021) [21], ROA and ROE were significant indicators of financial performance among NBFIs in Bangladesh, demonstrating that institutions with stronger profitability ratios exhibited higher operational efficiency and a greater capacity to sustain growth over time. These findings supported the use of profitability-based measures in assessing financial sustainability in developing-economy contexts comparable to Calapan City. Similarly, broader financial sustainability literature identified profitability measures, including ROI, ROA, and ROE, as core metrics for evaluating financial health and resilience, as higher returns enabled institutions to absorb financial shocks, support reinvestment, and maintain stakeholder confidence, according to Raza et al. (2020) [22].

### *2.2.1. Return on Investment*

Return on Investment (ROI) was defined as a key measure of how effectively a firm utilized its invested capital to generate profits. For non-bank financial institutions (NBFIs), ROI served as an important indicator of long-term financial sustainability, as it reflected the efficiency of capital deployment. Dirse and Japee (2024) [23], through a meta-analytic approach, found that prioritizing equity financing significantly improved both financial sustainability and return on investment among microfinance institutions across multiple contexts. Their findings provided strong empirical support for the relationship between equity financing, ROI, and long-term financial performance, reinforcing the role of ROI as a core indicator of sustainability. Rutanga et al. (2021) [15] reported that financial institutions in Rwanda with stronger capital structures that included substantial equity components exhibited higher ROI and improved financial sustainability. These findings demonstrated that the positive relationship between equity financing and ROI persisted in developing-economy settings where financial institutions faced resource constraints and market volatility.

### *2.2.2. Return on Asset*

Return on Assets (ROA) is a trusted financial metric that measures how well an organization turns its assets into profits, making it essential for evaluating long-term financial stability. For Non-Bank Financial Institutions (NBFIs), especially in developing markets like the Philippines, ROA serves as a benchmark for checking if they're using their resources efficiently to generate income without leaning too heavily on debt. Research by Ahmed M. A and Ahmed S. (2020) [24] shows that NBFIs with a well-balanced capital structure, which includes equity financing, typically achieve higher ROA than those burdened with debt. Almanaseer (2024) [25] highlighted that equity-financed institutions in Jordan enjoyed better ROA and increased investor confidence due to reduced financial stress. In Indonesia, Lestari and Nugroho (2021) [26] found that NBFIs that diversified their funding sources through equity achieved more efficient asset turnover and stronger ROA. When ROA rises, organizations not only see greater profitability but also enhance their ability to reinvest in service delivery and innovation. Moreover, equity contributes to greater transparency and better governance, positively affecting asset management and attracting investor interest. In underserved urban areas, robust ROA fueled by equity financing might foster increased community trust and growth for institutions.

### *2.2.3. Return on Equity*

Return on equity (ROE) reflects how efficiently non-financial firms use equity capital to generate profit and sustain operations. As a key indicator of internal efficiency, a high ROE confirms that management is effectively converting shareholder investment into net income, which is fundamental for long-term financial health and value creation according to Alarussi & Alhaderi (2020) [27]. Shilpa et al. (2022) [28] investigate the existence of an optimal capital structure. This research seeks to determine the point at which the benefits of the tax shield are outweighed by the increased financial risk and higher cost of debt. Excessive leverage leads to significantly higher interest obligations, increasing the likelihood of financial distress, which ultimately suppresses the Net Income (the numerator of ROE) and reduces the overall return to equity holders. Thus, the firm's ROE is highly sensitive to the decisions management makes regarding its debt-equity mix. Sunmonu et al. (2024) [29] emphasized that cost reduction strategies, such as outsourcing and technology adoption, can improve turnover and operational efficiency. These practices help control expenses and enhance overall firm performance. In nonbank financial institutions, equity financing that supports such initiatives may lead to stronger net income and improved Return on Equity (ROE), contributing to long-term financial sustainability.

## **2.3. Theoretical Framework**

### *2.3.1. Pecking Order Theory (Myers & Majluf, 1984)*

The Pecking Order Theory (POT), introduced by Myers & Majluf (1984) [30] and foundational to corporate finance, posits a clear hierarchy for how firms fund their investments, placing a strong preference on internal over external financing methods. At its core, the theory states that companies first draw upon retained earnings, followed by debt, and only reluctantly resort to issuing new equity as a final, last-resort option. This financing preference is driven by the principle of information asymmetry, where management, possessing superior knowledge about the firm's true value, worries that external equity issuance sends a negative signal to the market, potentially causing the stock price to drop. Consequently, the reluctance toward equity is rationalized by its perceived high cost in terms of market perception and future dilution of ownership control. The POT thus provides a powerful explanatory lens for observing and analyzing the observable financing behaviors and decisions made by management teams.

The relevance of the Pecking Order Theory to this study on the equity financing and financial sustainability of Non-Bank Financial Institutions (NBFIs) in Calapan City is direct and critical. While NBFIs may not issue public stock, the concept of retaining versus issuing equity (member shares/contributions) directly affects their capital structure and sustainability goals. This framework allows the study to analyze if NBFIs follow the predicted hierarchy by prioritizing

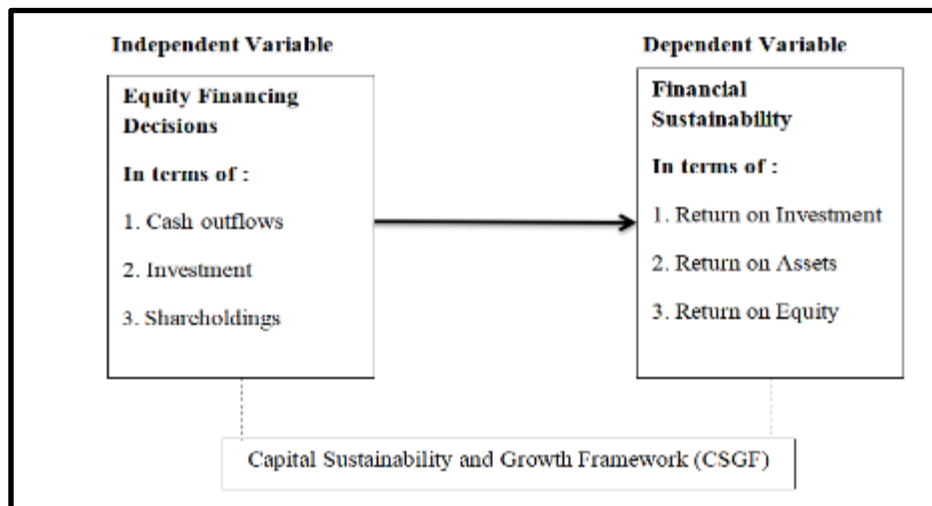
retained earnings to boost their equity base before seeking outside capital, which is crucial for meeting regulatory capital adequacy requirements. Furthermore, the theory helps interpret the strong management concerns found in your study regarding potential dilution and shareholder conflict when issuing new shares, providing a theoretical explanation for their preference for internal cash flow controls. Therefore, the POT serves as the foundational benchmark against which the NBFIs' actual equity financing strategies are measured, allowing for a nuanced discussion of how deviations or adherence impact their long-term institutional health and stability.

**2.3.2. Sustainable Growth Rate Theory, Higgins 1977**

The Sustainable Growth Theory (SGT), guided by Robert C. Higgins (1977) [31], provides a vital financial framework for measuring the optimal rate at which a company can expand its sales without jeopardizing its financial stability or requiring the issuance of new equity. The central tenet of the theory is the Sustainable Growth Rate (SGR), which is the maximum growth achievable while maintaining a constant debt-to-equity ratio and a stable dividend payout policy. The SGR is derived from key financial components, often simplified as the product of the Return on Equity (ROE) and the Retention Ratio (the portion of profit reinvested into the firm). This concept effectively links a firm's profitability and capital structure to its capacity for internal financing, representing a powerful planning tool for managers to ensure their growth targets remain grounded in financial realities.

The SGT holds significant relevance for this study by providing a theoretical context for analyzing the efficiency and effectiveness of equity financing decisions made by Non-Bank Financial Institutions (NBFIs) in Calapan City. Your study aims to examine whether equity financing is fostering growth in a stable, supportable manner, which directly addresses the core objective of the Sustainable Growth Theory SGT that achieves smart, self-sufficient growth. The theory helps frame the analysis by using the study's measured metrics (ROI, ROA, ROE) as proxies for the fundamental drivers of the SGR, allowing the research to assess whether the NBFIs' investment and cash flow practices support a healthy, long-term growth trajectory rather than risky, overleveraged expansion. In looking through the SGT lens, the research can conclusively determine if the NBFIs are using equity to facilitate genuinely sustainable financial performance or if they are risking potential over-growth and subsequent financial strain.

**2.4. Conceptual Framework**



**Figure 1** Conceptual Framework

Figure 1 draws from established literature that examines the relationship between equity financing decisions and financial sustainability. Notably, the research conducted by Korir and Kibati [32] emphasized the important role of equity financing in enhancing a firm's long-term financial stability. Their work serves as a foundation for exploring how similar equity financing practices may influence the financial sustainability of Non-Bank Financial Institutions in Calapan City.

In this study, Equity Financing Decisions serve as the independent variable. This includes institutional practices related to cash outflows, investments, and shareholdings, which reflect how equity resources are managed and allocated. These financing decisions are examined in relation to Financial Sustainability, the dependent variable, which is measured

through Return on Investment, Return on Assets, and Return on Equity. These indicators were selected because they show how effectively institutions generate sustainable financial performance from their available resources.

Previous studies further support the connection between these variables. Korir and Kibati (2019) [32] observed that firms with stronger equity positions tend to achieve better financial stability over time. Almanaseer (2024) [25] reported that equity financing improves key profitability measures such as return on equity and return on investment. Meanwhile, Sha'ari, Hamzah, and Kamil (2023) [4] found that equity based financing enhances organizational resilience and lowers financial risk, especially during uncertain economic periods. Together, these findings reinforce the view that well managed equity financing decisions contribute to improved financial sustainability among institutions.

## 2.5. Statement of the Problem

This study aimed to determine the influence of equity financing decisions on the financial sustainability of non-banks financial institutions in Calapan City. Specifically, this study aims to answer the following questions:

- To what extent do equity financing decisions manifest in terms of:
  - Cash outflows;
  - Investment; and
  - Shareholdings
- What is the level of Financial Sustainability in terms of ;
  - Return on Investment;
  - Return on Asset; and
  - Return on Equity
- Is there a relationship between Equity Financing decisions in terms of Cash Outflows, Investment and Shareholdings and Financial Sustainability in terms of Return on Investment, Return on Asset and Return on Equity of Non-Bank Financial Institution in Calapan City?
- Based on the results, what intervention can be proposed to enhance the utilization of equity financing and improve the financial sustainability of Non-Bank Financial Institutions in Calapan City?

## 2.6. Hypothesis

H1 : Equity Financing decisions do not significantly affect the overall financial sustainability of Non Bank Financial Institutions in Calapan City.

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## 3. Material and methods

### 3.1. Research Design

The study adopted a quantitative research design, utilizing descriptive correlational data to gather information required to obtain accurate predictions about the relationship between the variables. As noted by Bhandari (2020) [33], quantitative research is the process of collecting and analyzing numerical data, which is used to find patterns, make predictions, and generalize results. Bhat (2023) [34] highlighted that descriptive correlational research is a design that explains the relationship between two or more variables without making any claims about cause and effect. Through this descriptive approach, the researchers were able to describe the behaviors, attitudes, and factors that affected the Financial Sustainability of Non-Bank Financial Institutions when it came to equity financing decisions. Data were gathered through surveys in the form of questionnaires and were subsequently analyzed by the researchers.

### 3.2. Subject and Sampling

The study was conducted in Calapan City, Oriental Mindoro, employing a simple random sampling technique, which is a probability sampling method that ensures objectivity by giving every institution an equal chance of selection. The inclusion criteria focus on registered Non-Bank Financial Institutions (NBFIs) specifically operating within the geographical boundary of Calapan City. These institutions must be active and listed in the local sampling frame to ensure the randomized selection process remains statistically valid. The primary subject is the Branch Manager, chosen because their professional role provides unique access to high-level financial data and strategic equity insights. To maintain data integrity, subjects are excluded if they lack the required tenure or if the institution is currently undergoing liquidation or closure. In utilizing this randomized approach, the research ensures that the data is a credible and unbiased representation of the financial sector in Calapan City, allowing for more reliable conclusions regarding institutional sustainability.

The study targets Non-Bank Financial Institutions (NBFIs) in Calapan City, Oriental Mindoro, where the total population (N) is 67 as of December 2024, sourced from the Business Permits and Licensing Office. To establish the required sample size, the researcher utilized the Raosoft Sample Size Calculator, a standard tool for determining statistical adequacy. In adhering to the industry-standard requirements of a 95% confidence level and a 5% margin of error, the calculation yielded a minimum required sample size (n) of 58 respondents. This figure satisfies the essential statistical criteria necessary for our research to achieve a high degree of confidence, allowing the findings derived from the sample to be reliably generalized across the entire population of registered NBFIs in Calapan City. The final study target of 58 institutions ensures comprehensive profiling and high statistical precision.

**3.3. Data Gathering Procedures and Instrumentations**

The research instrument underwent a validation process to ensure its technical and structural integrity. Under the primary guidance of the Research Adviser, the survey was meticulously reviewed by a Registered Statistician to confirm the appropriateness of the data scales and a Psychometrician to evaluate the reliability of the behavioral measures. Further refinements were made by a Research Expert for content alignment and a Grammarian to ensure the clarity and professional tone of the language. This validation was supported by an official list of registered institutions sourced from the Calapan City Hall, ensuring the sampling frame was both current and authoritative. Securing approval from this panel of experts, the study ensures that the data collected from NBFIs Managers is accurate, objective, and scientifically sound. The survey was then conducted through personal one-on-one interviews, enabling the researchers to collect necessary data for the study.

The survey questionnaire had three main sections: debt financing, equity financing, and financial sustainability. The first part measured the equity financing decisions of NBFIs and included 15 items grouped into cash outflows, investments, and shareholdings. The second part focused on financial sustainability, with another set of 15 items covering return on investment, return on assets, and return on equity. Independent Variables used a 4 point Likert Scale, ranging from Strongly Agree to Strongly Disagree and for Dependent Variables used a 4 point Likert Scale, ranging from Always to Never.

After data collection, the researchers organized and interpreted the responses using the Likert scale. Jamieson (2004) [35] described this scale as a tool that captures people’s attitudes or opinions by letting them choose from fixed response options. The answers were placed in tables and analyzed using both manual and computer-based techniques. A statistician and one of the thesis advisors also checked and evaluated the survey tool to ensure that the results were reliable and accurate. The Likert scale interpretations guided the final analysis of the data.

**Table 1** Likert Scale Interpretation for Equity Financing Decisions

Options	Statistical Range	Description	Interpretation
4	3.50 - 4.00	Strongly Agree (SA)	Very High Extent
3	2.50 - 3.49	Agree (A)	High Extent
2	1.50 - 2.49	Disagree (D)	Low Extent
1	1.00 - 1.49	Strongly Disagree (SD)	Very Low Extent

**Table 2** Likert Scale Interpretation for Financial Sustainability

Options	Statistical Range	Description	Interpretation
4	3.50 - 4.00	Always (A)	Highly Financially Sustainable
3	2.50 - 3.49	Often (O)	Financially Sustainable
2	1.50 - 2.49	Sometimes (S)	Partially Financially S Sustainability
1	1.00 - 1.49	Never (N)	Not Financially Sustainable

### 3.4. Reliability

**Table 3** Reliability Analysis of Equity Financing Decisions and Financial Sustainability

<b>IV: Equity Financing Decisions</b>	<b>Cronbach's Alpha Value</b>	<b>Interpretation</b>
Cash outflows	0.89	Good
Investment	0.84	Good
Shareholdings	0.91	Excellent
<b>DV: Financial Sustainability</b>		
Return on Investment	0.86	Good
Return on Assets	0.90	Excellent
Return on Equity	0.92	Excellent

**Table 4** Interpretation of Reliability

<b>Coefficient of Cronbach's Alpha</b>	<b>Reliability Level</b>
More than 0.90	Excellent
0.80-0.89	Good
0.70-0.79	Acceptable
0.60-0.69	Questionable
0.50-0.59	Poor
Less than 0.50	Unacceptable

To ensure that the questionnaire used in this study was dependable and appropriate for assessing the concepts of equity financing and financial sustainability, the researchers examined its reliability using Cronbach's Alpha. This statistical measure determines whether the items under each variable are consistent with one another. By reviewing how respondents answered the related questions, the researchers were able to check if the instrument measured the intended concepts in a stable and coherent way.

The result showed a Cronbach's Alpha of 0.90, which is interpreted as Excellent Reliability. This means that the items designed to assess equity financing decisions, financial sustainability which includes return on assets, return on investment and return on equity and the moderating variable the Localized Financial Strategy Guide were highly consistent and worked together effectively. With an alpha above 0.90, the instrument demonstrates excellent internal consistency, giving the researchers confidence that the data gathered from nonbank financial institutions in Calapan City will be accurate and dependable for analysis.

### 3.5. Data Analysis

This study examines the data provided by 58 managers from non-bank financial institutions in Calapan City who answered a structured survey questionnaire. To interpret the responses, the researchers used several statistical tools, including frequency counts, percentages, mean scores, and Cronbach's alpha to check how consistent the answers were. A test-retest was also done to make sure the questionnaire produced stable and reliable results. Microsoft Excel and Google Sheets were used to organize and analyze all the data. The findings from these analyses became the basis for crafting the study's conclusions and recommendations, helping ensure that the results were accurate.

## 4. Results and discussion

### 4.1. To what extent do equity financing decisions manifest in terms of:

#### 4.1.1. Cash Outflows

**Table 5** Equity Financing Decisions in terms of Cash Flows

Cash Outflows	Mean	Rank	Description	Interpretation
1. Our institution allocates cash outflows based on its operational risk assessments	3.60	2	Strongly Agree	Very High Extent
2. Our institution manages cash flow to ensure sustainable financial performance.	3.53	3	Strongly Agree	Very High Extent
3. Our institution implements proper cash outflow controls to avoid liquidity problems.	3.62	1	Strongly Agree	Very High Extent
4. Our institution records all disbursements to prevent financial imbalance.	3.62	1	Strongly Agree	Very High Extent
5. Our institution manages cash flow risks to maintain financial stability and prevent excessive outflows.	3.46	4	Agree	High Extent
Overall Mean	3.57		Strongly Agree	Very High Extent

The results in Table 5 indicate that respondents strongly agree that their institution implements proper cash outflow controls (Mean = 3.62) and records all disbursements to prevent financial imbalance (Mean = 3.62), both reflecting a very high level of agreement and ranking highest among the measured items. These findings imply that robust control systems and accurate recording practices are central to internal financial governance. In corporate finance, effective cash flow monitoring and documentation have been shown to enhance transparency and reduce the likelihood of liquidity crises, particularly when firms maintain accurate reporting systems and internal controls. For example, Laghari et al. (2023) [9] found that disciplined cash flow management contributes significantly to firm performance by ensuring adequate liquidity and operational continuity.

Although the overall consensus is strongly positive, managing cash flow risks to maintain financial stability and prevent excessive outflows received the lowest mean (3.46), indicating a comparatively high but not very high level of agreement. This suggests that respondents may recognize cash flow risk management as important but possibly more challenging to execute consistently. Research supports this interpretation, showing that while strong cash flow practices benefit performance, the relationship between financing decisions and cash outflows can be complex, particularly where external financing and liquidity pressures interact. Chepkoech & Miroga (2025) [36] found that financing cash flows can negatively affect financial performance when they are inefficiently managed, underscoring the importance of carefully evaluating cash outflows and financing decisions to uphold liquidity and firm value.

Operational risk assessments have a high rank (Mean = 3.60), which indicates that the institution is proactively aligning its spending with its specific risk profile, as opposed to following a generic disbursement model. This optimum allocation about the entire mean of 3.57 further proves that the organization has a wealthy understanding of how cash outflows affect long run establishment solvency via exerting stress on future incomes which is why it's a complex concern. As a result, in mixing up hard controls with outflows based on risk, the institution cultivates a holistic financial system where both business continuity as well as systemic credibility are preserved whilst surprising liquidity effects are actively discouraged.

Overall, the result reflects a positive internal financial culture aligned with sound cash flow principles. The literature confirms that efficient cash flow practices such as forecasting, control, and risk assessment contribute to sustainable financial performance and reduced liquidity risk. Several studies emphasize the critical role of cash flow management in enhancing firm survival and encouraging prudent capital allocation.

## 4.1.2. Investment

**Table 6** Equity Financing Decisions in terms of Investment

Investment	Mean	Rank	Description	Interpretation
1. Our institution uses equity financing to expand investment capacity and drive long-term growth and innovation.	3.62	1	Strongly Agree	Very High Extent
2. Our institution expands access to business credit to stimulate investment activities across all operational sectors.	3.60	2	Strongly Agree	Very High Extent
3. Our institution practices Environmental, Social and Governance (ESG) reporting to enhance transparency, strengthen investor confidence, and improve financial performance.	3.43	5	Agree	High Extent
4. Our institution relies on the judgment of our management team to make bolder or riskier investment decisions.	3.53	4	Strongly Agree	Very High Extent
5. Our institution consistently diversifies its investment funds across different asset types, such as equity and money market funds to improve financial outcomes.	3.55	3	Strongly Agree	Very High Extent
Overall Mean	3.55		Strongly Agree	Very High Extent

Table 6 shows the investment practices of non-bank financial institutions (NBFIs) in terms of their use of equity financing, diversification, credit expansion, ESG reporting, and management-driven decision-making. The overall mean of 3.55, interpreted as *strongly agreed* and to a very *high extent*, indicates that respondents perceive their institutions as highly engaged in investment strategies that strengthen their financial performance and long-term sustainability. This suggests that NBFIs consistently implement investment-related activities that support growth, innovation, operational stability, and risk management. These findings are supported by Roffe and Gonzalez (2023) [37], indicating that sustainable practices benefit companies financially, providing a competitive advantage for those businesses that implement sustainable strategies.

The highest-rated item (Mean = 3.62) shows that respondents strongly agree that their institutions use equity financing to expand investment capacity and support long-term growth and innovation. This implies that equity plays a central role in enabling NBFIs to pursue new opportunities and strengthen their financial base. In this study, the high mean score suggests that NBFIs recognize equity financing as a strategic tool for expansion rather than merely a last-resort option. Although the item on Environmental, Social, and Governance (ESG) reporting received the lowest mean score (Mean = 3.43), it still falls within a high level of agreement. This suggests that while ESG practices are implemented, they are not as strongly prioritized as other investment activities. These findings are supported by Z Yu (2024) [38] stating that earnings-driven investments, particularly capital projects, with a high ESG focus could align financial objectives with sustainable practices, enhancing long-term viability and stakeholder trust. Nonetheless, respondents recognize their role in improving transparency, investor confidence, and overall financial performance.

The emphasis on diversification of investment funds across various forms of assets (Mean = 3.55) shows that NBFIs are no longer merely focused on capital accumulation; rather, they are moving towards sophisticated portfolio management to hedge market volatility. Moreover, the consensus on using management judgment for riskier decisions (Mean = 3.53) shows that there is a corporate culture that is focused on balancing data-driven equity financing with institutional expertise to cope with complex investment environments. This shows that NBFIs are successfully using traditional growth mechanisms combined with advanced forms of risk management to ensure corporate financial stability.

Overall, NBFIs prioritize equity-driven expansion to fuel immediate growth, the high overall engagement across all metrics suggests a maturing investment landscape where financial performance is increasingly linked to strategic diversification and sustainable practices.

### 4.1.3. Shareholdings

**Table 7** Equity Financing Decisions in terms of Shareholdings

Shareholdings	Mean	Rank	Description	Interpretation
1. Our institution is concerned that issuing new shares may dilute existing voting rights and potentially increase shareholder conflicts.	3.53	3	Strongly Agree	Very High Extent
2. Our institution's current level of equity capital is adequate to ensure long-term financial stability and resilience.	3.48	4	Agree	High Extent
3. Our institution's principal owners actively oversee management to prevent excessive financial risk-taking.	3.67	1	Strongly Agree	Very High Extent
4. Our institution maintains transparent ownership, which strengthens institutional trust and helps reduce the cost of external financing.	3.53	3	Strongly Agree	Very High Extent
5. Our institution's strong equity position enables the pursuit of strategic, high-return investments that might be constrained under debt financing.	3.62	2	Strongly Agree	Very High Extent
Overall Mean	3.57		Strongly Agree	Very High Extent

Table 7 shows the assessment of managers regarding their institution's shareholdings. The overall mean of 3.57 indicates a very high level, suggesting that respondents strongly agree that their institution's current shareholding structure significantly influences governance quality, financial stability, and investment capacity. This demonstrates a consistent recognition among managers that ownership dynamics are central to the institution's strategic and financial decision-making. This finding is supported by Ackah et al. (2024) [39] that governance reform efforts should consider diverse firm characteristics, particularly ownership structure, when formulating policies to improve governance in firms. The respondents strongly agreed at a very high extent (mean = 3.67) that their institution's principal owners actively oversee management to prevent excessive financial risk-taking. The study explores whether the other corporate governance attributes board size and board independence operate as mediators between institutional ownership and firm performance. According to Abedin et. Al [40] both board size and board independence have a significant positive impact on the relationship between institutional ownership and firm performance.

On the other hand, the lowest mean, though still at a high extent of agreement (mean = 3.48), indicates that respondents agree that their institution's current level of equity capital is adequate to ensure long-term stability and resilience. These findings are supported by Andersen and Juelsrud (2023) [41] stated that more equity capital in banks can contribute to financial stability by reducing the risk of costly banking crises, but lending may become more expensive if banks are required to finance their assets with more equity.

The salience of active ownership by principal owners (Mean = 3.67) reflects a robust internal monitoring environment that is able to effectively manage the alignment of management's risk appetite with long-term shareholder interests. Moreover, the high level of consensus regarding the ability to make strategic, high-returning investments (Mean = 3.62) reflects that a robust equity position is a vital mechanism for overcoming the restrictive nature of debt financing. This reflects that while there is a concern regarding the potential for voting power dilution (Mean = 3.53), the institution ultimately believes that its shareholding position is a strategic asset.

Overall, it suggests that strong institutional performance is rooted in an active ownership model where vigilant oversight and adequate equity capital serve as the primary safeguards against financial instability."

## 4.2. What is the level of Financial Sustainability in terms of:

### 4.2.1. Return on Investment

**Table 8** Financial Sustainability in terms of Return on Investment

Return on Investment	Mean	Rank	Description	Interpretation
1. Our institution uses Return On Investment (ROI) as the main scorecard to see if the money we invest is successfully turning into profit.	3.45	4	Often	Financially Sustainable
2. Our institution prioritizes equity financing to improve our Return on Investment (ROI) by avoiding fixed interest payments.	3.57	3	Always	Highly Financially Sustainable
3. Our institutions emphasize Environmental, Social and Governance (ESG) strategies because they deliver superior investment results and boost our corporate value.	3.60	2	Always	Highly Financially Sustainable
4. Our institution effectively utilizes assets and manages profit margins to support a high Return on Investment (ROI).	3.45	4	Often	Financially Sustainable
5. Our institution generates sufficient internal funds to finance necessary expansion projects without relying heavily on costly external financing.	3.64	1	Always	Highly Financially Sustainable
Overall Mean	3.54		Always	Highly Financially Sustainable

The results in Table 8 show that Non-Bank Financial Institutions (NBFIs) consistently demonstrate a Very High Extent of Practice in promoting financial sustainability, especially in terms of Return on Investment (ROI). With an overall mean of 3.54 (Always), these institutions prioritize strategies that maximize internal capital generation. The highest-ranked practice, generating sufficient internal funds for expansion projects (Mean = 3.64), highlights a deliberate effort to minimize reliance on external financing. By reducing dependence on debt, NBFIs protect their net income and lower financial risk, which directly supports sustainable ROI. According to Amareview and Fekon (2024) [42], sustainable finance strategies, including internal fund prioritization, enhance investment efficiency and strengthen long-term financial stability.

On the other hand, the lowest means, which are items 1 and 4, indicate that while NBFIs "often" utilize ROI as a performance scorecard and manage asset efficiency, these operational metrics are the least prioritized compared to other financial strategies. This suggests an "efficiency gap" where institutions are more focused on the accumulation of internal funds than on the rigorous, data-driven optimization of their existing asset base to maximize profit margins. The lower score in asset utilization implies a risk of "lazy capital," where assets are held on the balance sheet without contributing optimally to the bottom line. This is supported by Wu et al. (2024) [43], who demonstrate that investment efficiency and the scale of capital utilization are vital moderators of firm performance, emphasizing that a lack of rigorous internal control over these metrics can lead to suboptimal growth.

The top-ranking focus on generating internal funds (Mean = 3.64) suggests that these institutions prioritize financial autonomy to shield themselves from the volatility and high costs associated with external credit markets. Furthermore, the strong commitment to ESG strategies as a driver of corporate value (Mean = 3.60) indicates that NBFIs are successfully linking non-financial performance metrics to tangible improvements in their return on investment. This strategic alignment, reflected in the overall mean of 3.54, confirms a transition toward a more sustainable and self-reliant financial model where internal efficiency and social responsibility collectively fortify the institution's bottom line.

Overall, the results confirm that NBFIs adopt comprehensive practices that enhance ROI, support long-term growth, and align with modern sustainable finance principles.

#### 4.2.2. Return on Assets

**Table 9** Financial Sustainability in terms of Return on Assets

Return on Assets	Mean	Rank	Description	Interpretation
1. Our institution utilizes its total assets to generate returns that support financial sustainability efficiently.	3.64	1	Always	Highly Financially Sustainable
2. Our institution focuses on maximizing Return on Asset (ROA) to strengthen profitability and long-term financial stability.	3.64	1	Always	Highly Financially Sustainable
3. Our institution sustains our financial metrics, return on assets and operational self-sufficiency through equity financing.	3.52	3	Always	Highly Financially Sustainable
4. Our institution assesses the effect of equity and debt financing on our return on assets and financial performance.	3.41	4	Often	Financially Sustainable
5. Our institution's profitability, as demonstrated by higher Return on Asset (ROA) and Return on Equity (ROE), strengthens our ability to sustain long-term operations.	3.60	2	Always	Highly Financially Sustainable
Overall Mean	3.56		Always	Highly Financially Sustainable

The results in Table 9 indicate that Non-Bank Financial Institutions (NBFIs) in Calapan City maintain a Very High Extent of Practice in terms of Return on Assets (ROA) with an overall mean of 3.56 (Always). The highest values (Mean = 3.64) on items related to efficient utilization of total assets and focus on maximizing ROA (Rank 1) demonstrate that NBFIs strategically manage their assets to strengthen profitability and sustain long-term operations. For example, Chua and Byun (2024) [44] find that economic aspects of sustainability reporting are positively associated with ROA, demonstrating that transparent sustainability initiatives can encourage better financial performance. Although the assessment of both equity and debt financing's effects on ROA shows a slightly lower frequency (Mean = 3.41, Rank 4), it still reflects a strong integration of financing decisions into financial performance evaluation. The emphasis on equity aligns with sustainability reporting's role in risk management and efficient capital deployment, as organizations that practice transparent reporting attract investor confidence and facilitate financial stability. According to the study by Chua and Byun (2024) [44], economic sustainability reporting contributes to better financial performance indicators, including ROA, by providing stakeholders with reliable information that supports sound decision-making.

The equal weighting assigned to asset utilization and ROA/ROE maximization (Mean = 3.64) points to a highly advanced internal culture in which every unit of capital is being tightly leveraged to enhance the competitive position of the institution. Moreover, the robust relationship between high ROA/ROE and operational longevity (Mean = 3.60) points to a management that does not view profitability as merely an annual objective, but rather as a vital hedge against long-term institutional survival. This holistic approach, which generated an overall mean of 3.56, strongly confirms that these NBFIs have successfully graduated beyond basic solvency to a model of high-performance asset management that underpins their entire financial sustainability model.

Overall, the findings in Table 9 support the notion that NBFIs' practiced strategies contribute to enhancing financial sustainability through efficient asset utilization, balanced financing choices, and strong reporting culture. Collectively, these practices show a comprehensive approach that fosters both immediate performance and long-term institutional resilience.

## 4.2.3. Return on Equity

**Table 10** Financial Sustainability in terms of Return on Equity

Return on Equity	Mean	Rank	Description	Interpretation
1. Our institution's strong ethics and governance practices ensure financial sustainability of a high Return on Equity(ROE).	3.57	4	Always	Highly Financially Sustainable
2. Our institution's high Return on Equity(ROE) is a direct reflection of management's skill in effectively converting shareholder funds into net income.	3.62	2	Always	Highly Financially Sustainable
3. Our institution's capital structure is optimized to generate the maximum possible Return on Equity (ROE) for our shareholders.	3.67	1	Always	Highly Financially Sustainable
4. Our institution's strategic long-term commitment to community performance and good governance builds customer and investor confidence, ultimately enhancing Return on Equity (ROE).	3.60	3	Always	Highly Financially Sustainable
5. Our institution uses equity financing to support cost reduction strategies, leading to improved net income and Return on Equity (ROE).	3.62	2	Always	Highly Financially Sustainable
Overall Mean	3.62		Always	Highly Financially Sustainable

The results in Table 10 show that NBFIs in Calapan City maintain a Very High Extent of Practice in terms of Return on Equity (ROE), with an overall mean of 3.62 (Always). The highest values, particularly strong capital structure optimization (Mean = 3.67, Rank 3) and effective governance practices (Mean = 3.57–3.62, Ranks 1 and 2), indicate that these institutions prioritize strategic financial management that drives shareholder profitability. These findings are in line with broader research showing that corporate governance and capital structure interactions influence firm performance metrics including ROE, reaffirming the role of governance practices in shaping capital efficiency outcomes. For instance, Ria [45] finds that corporate governance factors significantly influence company performance and interact with capital structure decisions, which are linked to profitability outcomes like ROE.

The strong mean scores for strategic long-term community commitment and governance (Mean = 3.60, Rank 4) further suggest that NBFIs recognize the importance of stakeholder relations and ethical practices to sustaining investor confidence and profitability. Empirical evidence indicates that robust governance mechanisms often correlate with better financial outcomes by reducing agency costs and aligning management with shareholder interests. While individual governance components may vary in significance, studies like Ria (2023) [45] highlight the overall importance of governance frameworks in enhancing company performance through improved capital structure decisions.

The fact that capital structure optimization is ranked highest among the options (Mean = 3.67) reveals that these institutions are highly competent in balancing their equity and debt to realize the maximum potential for their shareholders. Moreover, the fact that both questions regarding management skill in generating income from funds and using equity to reduce costs were given identical high rankings (Mean = 3.62) reveals a two-pronged approach. This reveals that the NBFIs have successfully graduated from merely generating profit to a more advanced model where strategic management is the only driver of Return on Equity.

Overall, Table 10 confirms that strong governance practices and structural decisions support NBFIs' ability to generate high ROE and sustain long-term performance.

#### 4.3. Is there a relationship between Equity Financing decisions in terms of Cash Outflows, Investment and Shareholdings and Financial Sustainability in terms of Return on Investment, Return on Asset and Return on Equity of Non-Bank Financial Institution in Calapan City?

**Table 11** Relationship Between Equity Financing Decisions and Financial Sustainability of Non Bank Financial Institution in Calapan City

DV: Financial Sustainability	IV: Equity Financing Decisions					
	Cash Outflows		Investment		Shareholdings	
	R-value	Level of Significance	R-value	Level of Significance	R-value	Level of Significance
Return on Investment	0.10322	Very Low	0.3285	Low	0.3749	Low
Return on Asset	0.3898	Low	0.3098	Low	0.2910	Low
Return on Equity	0.3727	Low	0.1052	Very Low	0.0074	No Correlation

Critical/Tabular r-value=0.263, df=56

Using the critical r-value of 0.263 (df = 56), the analysis shows that investment decisions and shareholdings demonstrate significant positive correlations with Return on Investment (ROI) ( $r = 0.3285$  and  $r = 0.3749$ ), whereas cash outflows do not ( $r = 0.1032$ ). For Return on Assets (ROA), all three variables, such as cash outflows ( $r = 0.3898$ ), investment ( $r = 0.3098$ ), and shareholdings ( $r = 0.2910$ ) exceed the threshold for statistical significance. Regarding Return on Equity (ROE), only cash outflows show a significant positive relationship ( $r = 0.3727$ ), while investment ( $r = 0.1052$ ) and shareholdings ( $r = 0.0074$ ) do not. These patterns indicate small-to-moderate positive associations between equity financing decisions and financial sustainability metrics, consistent with the idea that financial performance is influenced by capital allocation and ownership structures.

These results support existing literature arguing that firms with stronger investment planning and more effective shareholding structures tend to realize better financial outcomes. For instance, Alshareef (2024) [16] found that ownership structures, specifically institutional and family shareholdings, significantly improve firm sustainability, aligning with the observed positive correlations between shareholdings and both ROI and ROA in this study. Likewise, research by Laghari et al. (2023) [9] shows that effective cash-flow management contributes meaningfully to superior financial performance, supporting the significant link between cash outflows and ROA and ROE in the present findings. Similar conclusions are stated by Khan et al. (2021) [46], who reported that equity-based relationships and investment choices directly enhance profitability, reinforcing the role of investment decisions in improving ROI and ROA in this study. The significant but modest correlations observed suggest that while equity-financing decisions contribute to financial sustainability, they function as part of a broader set of financial management levers. Consistent with Gleißner et al. (2022) [20], financial sustainability is multidimensional and sensitive to strategic decisions regarding equity, investment timing, and cash allocation.

Overall, the findings emphasize that equity financing decisions play a meaningful, though not singular, role in strengthening ROI, ROA, and ROE, and must be complemented by comprehensive financial strategies to achieve sustained organizational performance.

#### 4.4. Based on the results, what intervention can be proposed to enhance the utilization of equity financing and improve the financial sustainability of Non-Bank Financial Institutions in Calapan City?

This study concludes that a significant positive relationship exists between disciplined Equity Financing Decisions (regarding Investment, Cash Outflows, and Shareholdings) and the resulting Financial Sustainability of Non-Bank Financial Institutions (NBFIs) in Calapan City, as measured by ROE, ROA, and ROI. A primary finding indicates that while NBFIs possess the necessary equity, the decisions governing its allocation (Investment) and the control of its leakage (Cash Outflows) are inconsistent, resulting in suboptimal Return on Assets (ROA) and missed growth opportunities. Therefore, to translate these empirical findings into tangible benefit, this thesis proposes the Calapan NBFI Capital Sustainability & Growth Framework (CSGF), a strategic policy guide designed specifically for the local financial context.

The CSGF is an integrated policy tool focused on optimizing the three core equity financing decision areas. It mandates a Residual Payout Rule for dividends (Cash Outflows), ensuring a minimum of 60% of profit is automatically reinvested

to protect Retained Earnings, thus strengthening the base for consistent ROE. It implements an Equity-First Rule for high-return investments, demanding that equity capital only funds projects with a high minimum ROI to maximize asset productivity and ROA. Finally, the framework includes robust Shareholder Engagement Policies to ensure governance stability during capital raises, preventing unnecessary dilution and maintaining long-term stakeholder confidence. The Capital Sustainability and Growth Framework (CSGF) is designed as an internal policy document for the Boards and Senior Management of Non-Bank Financial Institutions (NBFIs) in Calapan City, founded on the guiding principle that "Equity is the Foundation, not just a Requirement." The core Policy Statement is that the primary objective of capital management is to maximize financial self-sufficiency by using equity strategically to drive profitable asset growth and provide a robust buffer against localized market risks in the MIMAROPA region.

The Capital Sustainability and Growth Framework (**CSGF**) is structured as a cyclical process where Input Strategies build the capital base, Process Strategies deploy that capital efficiently, and Performance Metrics provide the data needed for Governance and refinement.

First, the process begins with the optimization of the equity foundation, it is the framework that begins with the Equity Foundation, which serves as the primary engine for accumulating low-cost internal capital to ensure long-term institutional survival. To achieve this, NBFIs must adopt a Mandatory Reinvestment Policy that retains at least 60% of annual Net Income After Tax, effectively reducing the pressure of immediate dividend payouts while building a robust capital cushion. This is complemented by Active Member Equity Campaigns conducted quarterly to educate stakeholders on the benefits of voluntary capital top-ups, thereby diversifying the equity base and strengthening institutional commitment. Finally, management performs an annual Capital Efficiency Review to compare the cost of equity against the Return on Assets (ROA), ensuring that capital is not only present but is being utilized at a rate that justifies its cost to the owners.

Secondly, once the foundation is secure, the Strategic Equity Allocation phase ensures that capital is deployed in a manner that maximizes growth while shielding the institution from risk. This is governed by an Equity-First Rule, which mandates that core long-term assets and critical technology upgrades be funded through internal reserves before resorting to external debt, thereby maintaining a healthy debt-to-equity ratio. To protect against the specific economic volatility of the Calapan City market, the framework requires a 5% Non-Deployable Contingency Reserve to act as a buffer against unforeseen credit losses. Furthermore, Equity-Supported Liquidity strategies designate 5% to 10% of total capital to be held in high-quality liquid assets, ensuring that the institution can meet immediate withdrawal demands and maintain public trust.

Thirdly, management utilizes a financial sustainability target dashboard to monitor the real-world impact of these strategies, management utilizes a Sustainability Target Dashboard that tracks three core Key Performance Indicators (KPIs) on a quarterly basis. The primary metric is Return on Equity (ROE), with a strategic target of 12%, which measures how effectively the owners' investments are generating profit and justifies the reinvestment policies. This is supported by a Return on Assets (ROA) target of 3.0%, confirming that both equity and debt-funded assets are being managed efficiently to drive institutional health. Lastly, a Return on Investment (ROI) target of 15% is applied to all major projects and technology upgrades, ensuring that the "Equity-First" funding approach is only applied to initiatives with a verifiable and high expected return.

The final stage of the framework establishes a Governance and Review cycle to ensure the institution remains compliant and adaptive to changing market conditions. Every December (Q4), the Board of Directors is required to conduct a comprehensive review of all framework components, adjusting percentage targets and reinvestment rates based on the actual performance captured in the Sustainability Dashboard. Alongside this annual strategy session, management must provide Quarterly Regulatory Compliance Reports to the Board, certifying that the institution meets all minimum capital requirements set by national bodies such as the CDA or SEC. This rigorous oversight ensures that equity financing decisions remain transparent, data-driven, and aligned with the long-term goal of regional economic empowerment.

The successful adoption of the CSGF will empower NBFIs in Calapan City to transition from merely complying with minimum capital requirements to strategically using equity as a core driver for growth. It moves capital management beyond accounting compliance and into strategic decision-making, ensuring every decision related to investment, cash outflow, and shareholding directly contributes to achieving and maintaining high targets for ROE, ROA, and ROI. This framework serves as the definitive, research-backed recommendation for enhancing the long-term viability and competitive advantage of NBFIs in the region.



Figure 2 Capital Sustainability and Growth Framework (CSGF)

## 5. Conclusions

- Equity financing decisions were strongly practiced by non-bank financial institutions in Calapan City, as shown by the very high overall mean ratings across cash outflows, investment, and shareholdings. The results indicated that institutions consistently used equity to guide prudent cash-outflow management, strengthen investment activities, and maintain transparent and well-governed ownership structures. These practices helped them reduce liquidity risks, support long-term growth, and enhance institutional stability. Overall, the findings suggested that equity financing served as a vital tool that enabled these institutions to sustain their financial performance and remain resilient in their operations. Specifically, the high mean ratings demonstrated that the NBFs in Calapan City leveraged their equity base not merely as a regulatory requirement, but as a proactive strategic asset for achieving long-term sustainability and operational excellence.
- The findings revealed that non-bank financial institutions in Calapan City consistently demonstrated very high levels of financial sustainability, as shown by their strong performance in Return on Investment, Return on Assets, and Return on Equity. Their effective use of equity financing, efficient asset management, and sound governance practices significantly enhanced their profitability and operational stability. These strong financial outcomes enabled the institutions to strengthen their market position, maximize the value of their resources, and support long-term organizational sustainability. Specifically, the high scores in Return on Equity indicated that NBFs were highly effective at converting shareholder capital into profits, validating the positive impact of their equity financing decisions on overall institutional success. Furthermore, the consistent high performance across all profitability ratios suggested that these institutions were operating at or near their Sustainable Growth Rate, ensuring that their expansion was supported by strong internal financial foundations.
- Equity financing decisions and the financial sustainability of non-bank financial institutions in Calapan City showed a generally low relationship, as evidenced by the very low to low r-values across cash outflows, investments, and shareholdings. This indicated that equity financing alone was not a strong determinant of financial sustainability, as institutions may have relied on other internal and external factors such as management efficiency, operational strategies, and market conditions. While equity supported financial performance, the weak correlations suggested that sustainability was shaped more by how institutions managed their resources, responded to risks, and maintained operational stability rather than by equity financing decisions alone. Specifically, the low correlation values implied that the strong investment practices were driven more by managerial competence and internal governance than by the specific type or amount of equity used. This finding suggested that efforts to improve the NBFs' long-term stability should have focused less on mere capital injection and more on enhancing operational efficiency and risk management protocols.
- The Capital Sustainability & Growth Framework (CSGF) was proposed as the intervention to enhance the utilization of equity financing and strengthen the financial sustainability of non-bank financial institutions in Calapan City. The CSGF responded directly to the finding that while equity financing practices and financial sustainability levels were both very high, their relationship remained weak, indicating the need for a more strategic and structured approach to equity use rather than mere availability of equity capital. The framework emphasized positioning equity as a foundational and strategic resource by prioritizing retained earnings and stable shareholding structures, directing equity toward productive and income-generating assets instead of routine cash outflows, and establishing equity-

based buffers to manage liquidity and localized market risks. It further integrated clear financial sustainability benchmarks such as Return on Investment, Return on Assets, and Return on Equity into equity allocation and monitoring processes to ensure accountability and performance-driven capital use. Through strengthened governance oversight, regular performance reviews, and equity-first policies aligned with the operational realities of Calapan City, the CSGF enabled NBFIs to translate strong equity practices into sustainable profitability, resilience, and long-term institutional growth.

### *Recommendation*

- To address the lowest-rated area regarding the adequacy of current equity capital for long-term resilience, NBFIs should implement more robust capital-building strategies to transition from basic adequacy to a very high level of financial stability. For the local community and economy, maintaining these stronger equity buffers is critical to ensuring that NBFIs remain reliable sources of credit and stability during periods of market volatility. Institutions should prioritize long-term capital planning to ensure their financial foundation can withstand unforeseen shocks without compromising operational capacity. Future researchers should investigate the specific economic or regulatory pressures that lead managers to perceive their current equity levels as only "high" rather than "very high. In strengthening this capital base will reinforce institutional trust and protect the interests of all shareholding stakeholders.
- To improve financial sustainability, NBFIs should move beyond using ROI and ROA as periodic assessments and instead integrate them into real-time operational dashboards, addressing the lowest-rated items regarding consistent scorecard usage and the evaluation of financing effects on performance. For the local community and economy, institutions should maintain their high commitment to ethical governance and internal funding, as these practices stabilize the regional financial system and protect local investments from the volatility of external debt. Future researchers should conduct comparative studies to determine why NBFIs find it easier to optimize capital structures than to consistently evaluate the specific impact of debt-versus-equity mixes on their return metrics.
- To address the very low and non-significant correlations found in Table 11, NBFIs should move beyond viewing equity financing as a standalone solution and integrate it with broader operational and debt-management strategies. For the local community and economy, institutions must recognize that simply having strong shareholdings or investments does not automatically guarantee high returns on equity, requiring a more holistic approach to regional financial stability. Future researchers should investigate the "no correlation" between shareholdings and Return on Equity (ROE) to identify mediating factors, such as market conditions or management efficiency, that may be dampening this relationship. Strengthening the connection between cash outflow decisions and Return on Investment (ROI) is particularly necessary, as this was the weakest link in the sustainability framework. These recommendations aim to transform modest correlations into robust drivers of long-term institutional performance.
- To implement the proposed Capital Sustainability & Growth Framework (CSGF), NBFIs should institutionalize the Residual Payout Rule and Equity-First Rule to maximize reinvestment and improve ROA and ROI. Boards of Directors must enforce Shareholder Engagement Policies to move beyond basic compliance and transform equity into a proactive driver of consistent ROE. Government agencies should support this transition by integrating CSGF best practices into specialized training programs to elevate the financial sophistication of the local sector. Future researchers are encouraged to conduct longitudinal studies to validate the long-term impact of this framework across a broader geographical scope. In addition, future studies may expand the measurement of financial sustainability by incorporating variables such as the equity-to-assets ratio, liquidity or cash flow adequacy ratios, and non-performing loan ratios, as these indicators were identified based on the respondents' answers and reflect practical sustainability concerns within NBFIs. This research-backed blueprint serves to enhance the financial viability of NBFIs, fostering greater economic resilience for the Calapan City community.

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### **Compliance with ethical standards**

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#### *Disclosure of Conflict of interest*

There is no conflict of interest.

#### *Statement of informed consent*

Informed consent was obtained from all individual participants included in the study. All respondents, specifically the managers and representatives of the Non-Bank Financial Institutions (NBFIs) in Calapan City, were formally briefed on the research objectives, the voluntary nature of their participation, and the intended use of the data. The authors ensured that all participants understood their right to withdraw at any time and were provided with guarantees regarding the strict confidentiality and anonymity of their institutional and personal information throughout the data collection and analysis phases.

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