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Financial Wellness and Empowerment among Members of Non-Stock Savings and Loan Associations in the Philippine Public Safety Sector

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Abstract

This study investigates the financial wellness and degree of empowerment among members of Non-Stock Savings and Loan Associations (NSSLAs) in the Philippine public safety sector, particularly personnel of the Philippine National Police. Anchored on financial wellness theory (CFPB, 2017; Netemeyer et al., 2018) and empowerment theory (Zimmerman, 1995; Kabeer, 1999), the research examines how institutional credit influences both financial stability and household agency. A descriptive–correlational design was employed, with data collected from 398 randomly selected respondents in Metro Manila using a structured questionnaire. Financial wellness and empowerment were measured through weighted mean analysis, while relationships among income, loan utilization, and empowerment indicators were analyzed using Chi-square tests, Cramer's V, and the Wilcoxon signed-rank test. Findings reveal a normal level of financial wellness alongside a high degree of empowerment. Respondents demonstrated strong repayment discipline and improved access to essential services and asset ownership following loan utilization. However, savings adequacy remained limited, and loan deductions significantly constrained income, indicating moderate financial resilience. Significant relationships were found between income and loan frequency, as well as between household improvements and empowerment indicators, confirming the rejection of the null hypothesis. The study highlights a "structured credit paradox," where institutional credit enhances empowerment but may simultaneously constrain long-term financial stability. The study concludes that financial access, empowerment, and resilience do not necessarily progress simultaneously, particularly within payroll-deducted lending systems. It recommends strengthening debt monitoring, integrating financial capability programs (Lusardi & Mitchell, 2014), and designing loan products that promote savings alongside credit access. The study aligns with SDG 8 (Decent Work and Economic Growth) and SDG 1 (No Poverty) by addressing financial stability and vulnerability among salaried workers. It contributes to socio-economic and institutional sustainability by informing policies that balance financial inclusion with long-term financial resilience.

Keywords: Empowerment; Financial Wellness; Microfinance; Non-stock savings and loan associations; Philippines; public safety personnel

1. Introduction

Financial inclusion has become a central development priority, emphasizing access to formal financial services such as savings and credit to improve household welfare and economic participation (Demirgüç-Kunt et al., 2022). In the Philippines, increased account ownership and institutional lending reflect expanding inclusion (BSP, 2022). However, evidence suggests that access to credit does not guarantee long-term financial stability. Microcredit studies indicate improvements in short-term liquidity but limited effects on wealth accumulation (Banerjee et al., 2015), with outcomes depending on borrower conditions and debt exposure (Morduch, 2021; Karlan et al., 2010). Financial wellness extends beyond income and credit access, encompassing the ability to meet obligations, manage shocks, and sustain future security (CFPB, 2017; Netemeyer et al., 2018). Financial capability, including knowledge and behavior, is essential for long-term stability (Lusardi and Mitchell, 2014). In contrast, empowerment theory highlights how access to resources enhances agency, autonomy, and decision-making (Zimmerman, 1995; Kabeer, 1999). These perspectives suggest that credit may improve perceived control while potentially limiting savings and resilience.

Literature reveals a tension between financial access and long-term well-being. Microfinance research shows that credit enhances consumption smoothing and flexibility but does not consistently produce sustained income growth or resilience (Banerjee et al., 2015; Morduch, 2021; Karlan et al., 2010). Financial wellness studies emphasize savings adequacy and shock absorption as critical components of stability (CFPB, 2017; Netemeyer et al., 2018), while financial capability underscores disciplined financial behavior (Lusardi and Mitchell, 2014). Empowerment literature demonstrates that access to credit can improve quality of life, increase household decision-making, and strengthen agency (Zimmerman, 1995; Kabeer, 1999). However, integrating these perspectives reveals a paradox: credit may simultaneously enhance empowerment while constraining long-term financial wellness, particularly in systems that facilitate repeated borrowing.

Globally, financial inclusion initiatives have expanded significantly, yet their long-term welfare impacts remain debated (Demirgüç-Kunt et al., 2022). In the Philippines, institutional frameworks such as NSSLAs provide structured credit access to specific sectors, including public safety personnel, under BSP regulation (BSP, 2022). These systems rely on salary-based lending with automatic payroll deductions, reducing default risk but potentially encouraging recurring borrowing. Public safety personnel represent a unique demographic with stable but limited income sources and increasing financial pressures due to inflation and household expenses (World Bank, 2022; PSA, 2023). Rising household debt in the Philippines further highlights concerns about financial vulnerability when repayment consumes a significant portion of income (Orbeta and Paqueo, 2020). Unlike traditional microfinance borrowers, salaried employees primarily use credit for consumption smoothing rather than investment, shaping distinct financial outcomes.

The study is grounded in financial wellness theory, which defines well-being as the capacity to manage financial obligations, absorb shocks, and secure future stability (CFPB, 2017; Netemeyer et al., 2018), and financial capability theory, which emphasizes knowledge and behavior (Lusardi and Mitchell, 2014). It also draws on empowerment theory, which conceptualizes empowerment as increased agency and control through access to resources (Zimmerman, 1995; Kabeer, 1999). The integration of these frameworks highlights a "structured credit paradox," where institutional credit enhances empowerment while potentially limiting financial resilience. Payroll-deducted lending systems further shape this dynamic by reducing borrowing friction and normalizing repeated credit use.

Existing research has largely focused on informal sector borrowers and micro-entrepreneurs, leaving formally employed public servants understudied. The interaction between financial wellness, empowerment, and payroll-based credit systems remains insufficiently examined. This study addresses this gap by analyzing NSSLA members in the Philippine public safety sector, where structured credit access and stable income coexist with potential financial vulnerability. By combining financial wellness and empowerment frameworks, the study challenges the assumption that financial access, empowerment, and resilience develop simultaneously, proposing instead that these outcomes may diverge depending on institutional and behavioral factors (CFPB, 2017; Netemeyer et al., 2018; Zimmerman, 1995; Kabeer, 1999).

This study aligns with several Sustainable Development Goals. It supports SDG 8 (Decent Work and Economic Growth) by examining financial stability among salaried public sector workers. It relates to SDG 1 (No Poverty) through its focus on financial vulnerability and debt dynamics. It also contributes to SDG 10 (Reduced Inequalities) by analyzing access to financial services within a specific occupational group, and SDG 9 (Industry, Innovation and Infrastructure) through its examination of institutional financial systems such as NSSLAs. Additionally, it connects to SDG 3 (Good Health and Well-Being) by linking financial conditions to overall household welfare and quality of life.

The study contributes to socio-economic sustainability by assessing how credit systems influence financial stability and household welfare. It informs financial and institutional sustainability by evaluating the long-term implications of payroll-deducted lending structures. It also supports policy and governance sustainability by providing evidence relevant to regulatory bodies such as the BSP in designing responsible lending frameworks. Furthermore, the research contributes to community and public sector sustainability by addressing the financial well-being of public safety personnel, whose stability is critical to institutional effectiveness. By highlighting the coexistence of empowerment and financial constraint, the study advances a more nuanced understanding of sustainable financial inclusion.

2. Material and methods

2.1 Research Design

The study utilized a descriptive–correlational research design to assess the relationships among financial wellness, empowerment, and credit utilization without manipulating any variables. This design enabled the examination of associations and patterns among key variables within a real-world setting.

2.2 Locale of the Study

The study was conducted in Metro Manila, Philippines, focusing on personnel assigned within this region. The setting was selected due to the concentration of Philippine National Police personnel and their accessibility as members of NSSLAs.

2.3 Respondents of the Study

The respondents consisted of active members of the Philippine National Police who were affiliated with NSSLAs. All participants had availed of at least one loan or savings service, ensuring their direct experience with institutional credit systems.

2.4 Sample and Sampling Procedure

A total of 398 respondents were included in the study. Participants were randomly selected to ensure representativeness and reduce sampling bias. Eligibility criteria required that respondents be active NSSLA members with prior use of loan or savings services.

2.5 Research Instrument

Data were gathered using a structured questionnaire composed of three main components: demographic and financial profile variables, financial wellness indicators, and empowerment indicators. Financial wellness was measured using a five-point Likert scale assessing aspects such as repayment behavior, savings adequacy, and perceived financial condition. Empowerment indicators included access to basic services, asset ownership, household decision-making authority, and perceived quality of life. The instrument underwent pilot testing to ensure clarity, reliability, and internal consistency.

2.6 Data Gathering Procedure

Data collection was conducted through survey administration among selected respondents. Participants were informed of the study's purpose and confirmed their eligibility as NSSLA members who had utilized financial services. Responses were collected systematically to ensure completeness and accuracy.

2.7 Data Analysis Techniques

Data were analyzed using IBM SPSS. Descriptive statistics were applied to summarize respondent characteristics and overall trends. Weighted mean analysis was used to determine the levels of financial wellness and empowerment. Inferential statistical techniques included Chi-square tests to examine associations between categorical variables, Cramer's V to assess the strength of relationships, and the Wilcoxon signed-rank test to compare conditions before and after loan utilization. Statistical significance was established at $p < .05$.2.1

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3. Results and Discussion

3.1 Financial Wellness and Empowerment Among NSSLA Members

3.1.1 Demographic and Financial Profile

The results show that most respondents belong to lower to middle income groups, with a majority earning below ₱30,000 monthly. Salary is the primary source of income for most respondents, indicating limited income diversification. A large proportion rely on salary-based loans, followed by emergency and calamity loans, reflecting frequent use of institutional credit for household needs. These findings suggest structural dependence on credit among public safety personnel. Limited income diversification increases vulnerability to financial shocks, while reliance on salary loans indicates that credit is used primarily for consumption smoothing rather than investment. This supports concerns about financial vulnerability in the Philippines, where rising household debt can strain income when repayment obligations are high (Orbeta and Paqueo, 2020).

3.1.2 Level of Financial Wellness

The findings indicate that respondents exhibit an overall normal level of financial wellness. They demonstrate high loan repayment discipline and a relatively positive perception of their financial situation. However, savings adequacy remains limited, and loan deductions consume a considerable portion of income, indicating constrained financial flexibility. This pattern reflects a distinction emphasized in financial wellness literature, where the ability to meet current obligations does not necessarily equate to long-term financial resilience (CFPB, 2017; Netemeyer et al., 2018). While strong repayment behavior suggests financial discipline, limited savings capacity indicates reduced ability to absorb shocks. This supports the argument that access to credit may improve liquidity but does not automatically enhance long-term financial stability.

3.1.3 Degree of Empowerment

Respondents report a high level of empowerment, particularly in terms of access to electricity and water, as well as decision-making in education and healthcare. Perceived quality of life is also positive, resulting in an overall empowered status. These results align with empowerment theory, which posits that access to resources enhances agency, autonomy, and decision-making capacity (Zimmerman, 1995; Kabeer, 1999). The findings suggest that institutional credit through NSSLA participation contributes to improved living conditions and greater household control, supporting evidence that credit access can enhance welfare and participation in key life decisions (Banerjee et al., 2015).

3.2 Effects of Credit Utilization on Household Outcomes

The results show a statistically significant increase in asset ownership and access to essential services after loan utilization. Respondents also report improvements in household conditions, particularly in areas related to education and healthcare. These findings indicate that credit plays a positive role in enhancing short-term welfare and access to basic services. This supports evidence from microfinance research that credit improves consumption smoothing and enables investments in household needs (Banerjee et al., 2015). However, such improvements may not necessarily translate into long-term financial gains, as benefits depend on how credit is utilized and sustained over time (Morduch, 2021).

3.3 Relationship Between Financial Wellness, Income, and Empowerment

The results reveal a significant association between income level and loan frequency, with lower-income respondents more likely to engage in repeated borrowing. There are also significant relationships between perceived household improvement and empowerment indicators, including education and healthcare decision-making. These findings highlight a complex interaction between credit access, empowerment, and financial wellness. While increased borrowing is associated with improved household outcomes and empowerment, it may also indicate financial strain among lower-income groups. This reflects the "structured credit paradox," where access to credit enhances agency but may constrain long-term financial stability. The results are consistent with global evidence that financial inclusion improves participation but does not automatically strengthen resilience (Demirgüç-Kunt et al., 2022). Furthermore, without adequate financial capability, repeated borrowing may weaken long-term stability despite short-term benefits (Lusardi & Mitchell, 2014). Overall, the findings confirm a significant relationship between financial wellness and empowerment, leading to the rejection of the null hypothesis. However, the relationship is not uniformly positive, as empowerment gains may coexist with moderate financial wellness when credit use becomes sustained. This underscores the need to distinguish between financial access, empowerment, and long-term resilience in institutional lending systems.

4. Conclusion & Recommendations

The study concludes that members of Non-Stock Savings and Loan Associations (NSSLAs) in the Philippine public safety sector exhibit a normal level of financial wellness alongside a high degree of empowerment, indicating a complex relationship between credit access and financial outcomes. While institutional credit enhances access to essential services, asset acquisition, and household decision-making, financial wellness remains moderate due to limited savings capacity and the burden of loan repayments. Significant relationships between income, loan frequency, and empowerment indicators confirm that lower-income individuals are more likely to engage in repeated borrowing, reinforcing financial vulnerability. These findings support the rejection of the null hypothesis and demonstrate that empowerment derived from credit access may coexist with constrained long-term financial stability, reflecting a divergence between financial access, agency, and resilience.

It is recommended that Non-Stock Savings and Loan Associations (NSSLAs) and regulatory bodies such as the Bangko Sentral ng Pilipinas strengthen monitoring of debt-service-to-income ratios to prevent excessive borrowing and financial overexposure. Additionally, integrating structured financial literacy and financial capability programs within NSSLA systems is essential to improve savings behavior and long-term financial planning (Lusardi & Mitchell, 2014). Loan products should also be designed to encourage savings accumulation alongside credit access to better align empowerment outcomes with financial resilience. These measures aim to ensure that the benefits of institutional credit are sustained without compromising long-term financial stability

Compliance with ethical standards

This section must be presented as one narrative paragraph only and should integrate all matters related to ethical compliance and authorship responsibility, including adherence to institutional ethical standards, voluntary participation, informed consent, confidentiality of information, ethical approval, conflict of interest declaration, acknowledgement of contributions, copyright ownership, and any other relevant ethical considerations observed in the conduct of the research.

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