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DIMENSIONS OF FINANCIAL WELLBEING: AN ALTERNATIVE SCALE FOR MICROFINANCE BORROWERS IN DIGOS CITY, PHILIPPINES

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Abstract:
The aim of this study is to establish the dimensions of financial wellbeing of microfinance borrowers in Digos City. A sequential-exploratory mixed methods research design was used as the approach of the study, and data were gathered from N=10 key informant interviews which then became the basis in the development of the preliminary 30-item financial wellbeing scale. A total of N=377 lenders of microfinance institutions in Digos City participated in the cross-sectional online and face-to-face survey. Descriptive statistics and multivariate analysis via exploratory factor analysis were used as statistical tools, all carried in IBM-SPSS 20. Results revealed that 26 of the 28 items were found to have passed the +0.40-coefficient requirement. These 26 items clustered in five extracted dimensions. Thematic analysis of the item loadings revealed three valid dimensions – freedom from debt, investment and financial discipline, and financial resilience – all with acceptable Cronbach's α and McDonald's ω values. Implications of the utility of this alternative scale of financial wellbeing are discussed.

JEL: D01; D31

Keywords: financial management, financial wellbeing, microfinance borrowers, scale development, Philippines

1. Introduction

Over the last few years, the notion of financial wellbeing has gained traction in study and policy. Financial wellbeing has become a hot concern for people, households, societies,

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and countries, with savings rates at historic lows and insufficient long-term financial planning for retirement (Muir, Hamilton, Noone, Marjolin, Salignac, Saunders and Australia, 2017; Chu, Wang, Xiao, and Zhang, 2017; Gerrans, Speelman and Campitelli, 2014). While it is easy to dismiss the concept as just another buzzword in the world of personal finance, it is really proven to be a valuable construct.

In theory, organizations that function by capitalizing on people's financial wellbeing should understand that the original stance is to close the income gap, boost economic growth, and encourage financial wellness. Microfinance institutions have succeeded in developing sustainable financial organizations that flourish in the face of adversity when regular banks have failed. In Malaysia, for example, microfinance institutions provide financial services to low-income consumers without charging interest (Ahmad, 2011). This speaks of a realistic business model: profit creation from customers who are expected to pay interest rates that are both high enough to secure profits and low enough to assist them in their needs (Morduch, 2013). After all, if microfinance institutions make a profit, they may grow on their own, creating a virtuous cycle that reaches many individuals who do not have access to basic financial services as they scale up.

Financial wellbeing has long been a notion of interest to economists, academics, educators, financial counsellors, and financial planners, as well as to any employee wanting to fulfil a financial institution's responsibilities. Initially, financial wellbeing was defined as happiness or overall satisfaction with one's financial status. Several studies (e.g., Raymond, 2010; Moein Addin, Nayebzadeh, and Kalantari-Taft, 2014; Veesar, Hassan, Ahmed, and Muzammil, 2020) have expanded on the concept of financial wellbeing to include individuals' satisfaction with income and savings, as well as perceptions of opportunities, ability to "make ends meet," sense of material security, and sense of fairness of the reward distribution system.

Furthermore, to have a deeper knowledge of financial wellbeing, it is necessary to drill down to its definition. However, academic research, business reports, and government regulations all utilize different definitions of financial well-being, all of which have very similar implications. Financial well-being is defined as the capacity to satisfy financial obligations, have resources to enjoy life, and the ability to cope with unforeseen financial shocks (Farrell, Fry and Risse, 2016; Western and Tomaszewski, 2016; Spence, 2015). Most definitions also include a focus on financial well-being over time. One should feel in control and content with one's current financial status, while also having optimistic ideas and goals for the future (Capic, Hutchinson, Fuller-Tyszkiewicz, Richardson, Khor, Olsson and Cummins, 2017).

While the importance of microfinance institutions in village-level marketing cannot be overstated, another challenge is how to analyze MIFs' capabilities with the goal of improving their operations and enabling them to contribute to customer value chain efficiency. The absence of research on scale development and contextualizing loan repayment performance in microfinance institutions as part of the financial services sector is the primary motivation for this research. The need to develop a scale that is in context with the Philippine setting lies with the basic premise that the level of financial wellbeing is assessed subjectively. Individual and family financial situations can be better understood through subjective financial wellbeing measurement, which can provide responses to individuals and families about their current and future financial situations (Agnew and Cameron-Agnew, 2015; Dickson-Swift, Fox, Marshall, Welch, and Willis, 2014; Vlaev and Elliott, 2014).

Even at a time when strategic collaborations between small and big firms are already in place, microfinance institutions continue to play a significant role in various places, including Digos City in Davao del Sur. With these stated pronouncements, this research aims to develop a contextualized scale that could measure the financial wellbeing of the borrowers to the microfinance institutions using standard processes and statistical instruments to establish its reliability, validity, and utility. Specifically, this study seeks to answer the following objectives: (1) explore the dimensions of the financial wellbeing of the borrowers; and (2) develop a framework that characterizes the financial wellbeing of borrowers of microfinance institutions in Digos City. These objectives are consistent with the prime assumption of the multidimensional nature of financial wellbeing, mathematically expressed as a function of factors 1, … n.

2. Literature Review

To ordinary people, practitioners, and scholars alike, the word 'financial wellness' is fundamentally intuitive and intelligible (Sharma, Mazar, Alter and Ariely, 2014). Financial wellbeing is a result of financial behaviors and is a product of individual attributes, financial actions, and financial stressor events (Kim, Garman and Sorhaindo, 2003). 'Financial health', 'financial wellness', and 'financial fitness' are other phrases that are increasingly used in the literature and in business that are equivalent (but not necessarily interchangeable) to financial wellbeing, and all reflect health-related notions. As a result, the term 'financial wellness' has a key advantage in that it openly emphasizes the inextricable relationship between finances and happiness (Bowman, Banks, Fela, Russell and de Silva, 2017; Ali, Rahman, and Bakar, 2015; Collard and Hayes, 2014). By merging the concepts (finance and wellness), it eliminates one of the most significant obstacles to individuals focusing on their finances: the tendency to view financial difficulties as distinct from or unconnected to other aspects of life (Kamakia, Mwangi and Mwangi, 2017).

Furthermore, the term "financial wellness" encompasses both personal money and the larger idea of "personal welfare". Both subjects have lengthy histories, have grown in tandem, and depend on a variety of disciplines in common, such as economics, psychology, and health (Haisken-DeNew, Ribar, Salamanca and Nicastro, 2018; Bowman, Banks, Fela, Russell, and de Silva, 2016; Subramaniam, Ali and Maniam, 2014). Financial well-being is a subset of personal well-being and should be understood in the context of an individual's existence within a home, community, and society (Benson-Egglenton, 2019). In many nations, improving personal well-being has become a top policy objective. Housing, income, education, security, connectedness, health, and life satisfaction (Capic, Li, and Cummins, 2017; Brüggen, Hogreve, Holmlund, Kabadayi, and Lofgren, 2017; Brounen, Koedijk, and Pownall, 2016), democratic or civic engagement, living standards, environment, leisure and culture, time use or work-life balance, and community vitality are all factors that go into wellbeing indices. Happiness was also considered to be linked to well-being (Hayes, Evans, and Finney, 2016).

The terms "financial wellbeing" and "financial contentment" were used interchangeably (Latif, Ly, Chetty and Soman, 2015). It was also mentioned that financial contentment and financial wellness can be used as indicators of financial wellbeing. Financial wellbeing also considers the requirement for information (financial literacy), actions (capabilities), and is significantly impacted by attitudes and psychological characteristics. They also consider the present and the future (Calcagno and Monticone, 2015). Everyone's financial wellbeing will be different, but a successful index will incorporate both objective and subjective criteria (Blue, Grootenboer and Brimble, 2014). Low financial literacy, poor financial management, financial stress, financial issue, and money attitude are all variables that impact financial wellness (Delafrooz and Paim, 2013; Dowling, Corney and Hoiles, 2009; Delafrooz and Paim, 2011; Sabri and Falahati, 2003). As a result, these circumstances have a negative influence on their lives, lowering their productivity at work (Delafrooz, Paim, Sabri, and Masud, 2010) and compromising their health (Kim, Garman, and Sorhaindo, 2003; O'Neill, Sorhaindo, Prawitz, Kim, and Garman, 2006). Employees may be forced to learn about this phenomenon of financial health as financial circumstances deteriorate from time to time, either via decreased purchasing power, income volatility, or job loss (Delafrooz and Paim, 2011).

There is empirical evidence that poor financial wellbeing influences employee productivity. In fact, it was stated that one out of every ten persons would face financial difficulties and become preoccupied (Haisken-DeNew, Ribar, Salamanca, Nicastro and Ross, 2019; Russell, Bowman, Banks, and de Silva, 2017; Al-Shami, Majid, Rashid and Hamid, 2014). Employees and organizations pay a high price for reduced productivity owing to financial stress (Bruggen, Hogreve, Holmlund, Kabadayi and Lofgren, 2017; Durodola, Fusch and Tippins, 2017; Potrich, Vieira and Mendes-Da-Silva, 2016). Per estimates, over half of the workers are concerned about their financial condition, spending about 10% of their paid work hours worrying about financial difficulties, and 24% feel financially worried.

In keeping with this, a review of the wage structure for Malaysian public employees in recent years resulted in a salary boost. Based on the study, there is an increase in the standard of life, as well as numerous responsibilities, which may cause employees to struggle to make ends meet while also putting them under financial strain. As a result, one's job productivity may be harmed (Thapa, 2015; Guiso and Viviano, 2014; Trevisan, Curl, Kearns and Ellaway, 2014). This is confirmed by Zaimah, Masud, Haron, Othman, Awang, and Sarmila's (2013) study, which demonstrated a substantial link between employee financial well-being and productivity. For instance, according to the Employee Financial Wellbeing Report (Allison, 2015), 87% of employees want financial education to assist them to improve their personal financial knowledge and to ease their financial wellbeing.

Even with the plethora of research conducted on financial being in varying geographical environments, there is a consensus on financial stress is a significant influence in altering financial wellness and financial wellbeing. Aside from that, financial wellbeing is linked to financial stress (Louth and Goodwin-Smith, 2018; Jansen van Vuren, 2015). In fact, financial hardship was revealed to be an excellent predictor of financial wellbeing, according to the findings. Concerns about not being able to pay medical costs and feeling depressed due to a lack of money (Efendi, Mu'at, Arisandi, and Samsudin, 2019; Nor, Hasan, Omar, Vellymalay, and Omar, 2018; Davie and Lilley, 2017) have also been raised. It was also mentioned that the amount of financially stressful situations that an individual has gone through has an impact on his or her financial well-being (Abonyi, 2019). Financial stress was also recognized as the most important driver of financial wellbeing (Porto and Xiao, 2016).

The effects of financial well-being have piqued the interest of researchers, financial educators, policymakers, and practitioners. This is because employees' financial well-being has an influence on their life in general, especially in terms of psychological, social, physical, and emotional well-being. Despite studies in the past, financial wellbeing is still a researchable subject. It fills a need in the literature by including aspects that people understood were significant in explaining inequalities in people's financial situations but were not fully addressed before (Gençyürek, 2019; Xiao and Porto, 2017; Guardiola and Guillen-Royo, 2015). Succinctly put, financial stress, financial conduct, and financial knowledge have all been demonstrated to have an impact on financial well-being in previous research (Lusardi, Mitchell and Curto, 2014).

Financial resilience, defined as the ability to maintain and support life events that influence one's income and/or assets, is one of the most important measures of financial wellbeing. Unemployment, divorce, disability, and health difficulties are just a few examples of financially stressful situations that affect people individually (Müller, Pforr, and Hochman, 2021). People are ill-equipped to make financial management decisions unless they have a fundamental grasp of financial resilience (Lusardi, Hasler, and Yakoboski, 2021). Studies have a consensus on being financially literate by making educated decisions about saving, investing, borrowing, and other financial matters (Andarsari and Ningtyas, 2019; Batsaikhan and Demertzis, 2018; Ergün, 2018; Kumari, 2020).

Financial knowledge may help people become more financially resilient and prevent dangers like taking on too much debt. Studies revealed that people with good financial abilities do a better job of retirement planning and saving (Behrman, Mitchell, Soo, and Bravo, 2012; Lusardi and Mitchell, 2014). Furthermore, those who have a better grasp of financial ideas are more inclined to participate in financial markets and invest in stocks (Almenberg and Dreber 2015; Christelis, Jappelli, and Padula, 2010; Van Rooij, Lusardi, and Alessie, 2011; Yoong, 2011). Furthermore, financially intelligent people are more likely to be knowledgeable about mutual funds and diversify their investments

(Hastings and Mitchell, 2011; Hastings, Mitchell, and Chyn, 2011; Hastings and Tejeda-Ashton, 2008). Financial literacy is also associated with financial fragility and the ability to deal with unanticipated shocks (Hasler, Lusardi, and Oggero, 2018). The repercussions of financial illiteracy are severe. In fact, adults with higher "debt literacy," such as a better comprehension of debt ideas and the ability to calculate future debt payments, are also more likely to pay off their credit cards in full and are less likely to be over-indebted (Lusardi and Tufano, 2015).

According to Widdowson and Hailwood (2007), financial literacy may have a significant impact on the soundness and efficiency of financial systems. For example, more financially educated consumers may be better suited to make investment and product decisions (Klapper and Lusardi, 2020; Panos and Wilson, 2020), which may encourage financial institutions to provide new and more innovative goods and services. Financially knowledgeable customers are also predicted to be more conscious of risk-reward trade-offs (Siriopoulos, 2021) since they may be more willing to ask questions and evaluate financial goods and the organizations with which they do business. With this, financial service providers are required to enhance service standards and manage investment risks in response to customer demand, resulting in better efficiency in the financial industry.

Freedom from debt is an essential notion in financial freedom. It indicates that a person does not feel compelled or bothered about making decisions regarding his or her requirements or meeting his or her basal costs (Cazzin 2011; Choudhury 2009). Financial freedom allows people to make life decisions without having to worry about money, and acquiring it improves a person's impression of financial well-being.

Most studies define financial well-being as more than just financial stress, and they consider not just present but also expected level of life and financial independence. Some research (e.g., O'Neill et al., 2005; Prawitz et al., 2006) define financial well-being as the absence of financial hardship or regard the two as different extremes of the same continuum. Several research, however, contends that financial well-being and financial suffering are two distinct but connected notions. Financial distress has a smaller scope because it primarily pertains to the (inability) to fulfill costs at a certain point in time (Kim and Garman, 2003). This is the key distinction between our suggested definition of financial well-being and how financial hardship is measured.

Financial well-being goes hand in hand with financial discipline. To determine the financial literacy levels, several studies (e.g., Maîtrot, 2019; Salleh, Kassim, and Kassim, 2019; Sangwan and Nayak, 2020; Sangwan, Nayak, and Samanta, 2020) performed surveys on financial planning behavior, investment behavior, bill payment behavior, savings behavior, credit card behavior, and budget behavior, with a common consensus that of ensuring discipline in personal fund management in all behavioral forms. However, some studies warned (e.g., Bonga and Mlambo, 2016) that improvement of financial literacy could still be a challenge, particularly in underdeveloped countries. The study discovered that enhancing financial literacy can result in long-term behavioral changes. Bhushan and Medury (2014) stated that to improve individual financial literacy, the government should focus on developing good financial behavior and attitude in addition to financial education. According to Atkinson and Messy (2012), good financial behavior, such as proper budgeting and financial stability, improves financial literacy, but bad financial behavior, such as relying heavily on credit and loans, deteriorates financial well-being. Additionally, Banerjee, Kumar, and Philip (2017) posited that the favorable influence of financial literacy on financial awareness improves financial inclusion behavior.

The studies above highlighted the need to bridge the following gaps: the lack of Philippine context in terms of the financial wellbeing of microfinance institutions' customers, the need to redefine constructs of financial wellbeing in parallel with the studies conducted, and the need to evaluate salient items that can be approached by microfinance institutions in Digos City, Davao del Sur at the helm of development and customer care. However, the study is still guided by several theoretical underpinnings. For one, this research on financial wellbeing is primarily anchored on the Theory of Reasoned Behavior (Ajzen and Fishbein, 1980), the Theory of Planned Behavior (Ajzen, 1991), and Theory of Trying (Bagozzi and Warshaw, 1990). The TRA describes how purpose influences ultimate conduct (Ajzen and Fishbein, 1980). As a result, according to this idea, if a person intends to save money, they are more likely to do so. Subjective norms and a person's attitude toward the end conduct influence the intention. Subjective norm refers to how the individual believes other people will react to the final conduct. In addition, the TPB is an extension of TRA, with the inclusion of a perceived control effect (Ajzen, 1991). Both purpose and ultimate conduct are influenced by perceived control. It refers to a person's perception of the end behavior's difficulty level, or how easy they feel they can succeed.

3. Material and Methods

In this study, the exploratory research design was used to extract the factors and or indices relative to the financial wellbeing of the borrowers of the micro-financial institutions by conducting a focus group discussion (FGD) to form the items of the scale, followed by the gathering of quantitative data, and analyzing the same using exploratory factor analysis (EFA). This design is appropriate for scale or instrument development, to develop items for testing or to explore variables (Cameron, 2009).

On the other hand, the study followed a scale development approach with two main phases. The first phase is the qualitative aspect using focus group discussion (FGD) and the researcher identified ten (10) respondents who will participate in the said discussion. The interview guide consisted of 12 questions, which were checked for content and face validity before its administration. A few open-ended questions were included for the purpose of capturing the perceptions and parameters not listed in the provided options. The considered respondents will be all active customers of the MFIs. Where necessary, credit officers were consulted for context. Results from the FGD were then used in extracting unique statements that could characterize financial wellbeing. The questions were translated into vernacular to best fit the respondents Overall, the questionnaire that was being used in the conduct of the focus group discussion had a total of 12 questions. In addition, based on the conduct of the FGD, thirty (30) items were identified and were used to administer the pilot test to assess and measure its reliability and validity. The identification of the dimensions of financial wellbeing was initially formulated and supported through a literature review and FGD. The presence of these dimensions was further validated by the respondents after the conduct of the pilot testing which was administered by the researchers.

A total of 377 people took part in the study, all of them were chosen at random and gave their permission willingly. Based on the standard "*n* times the number of questions" of the survey questionnaire, the sample is sufficient (Velicer and Jackson, 1990). They were clients of any MFI in Digos City, independent of gender, who had borrowed money for four (4) cycles or equivalent to two (2) years of utilizing the products and services, and who were at least 18 years old at the time the study was conducted. After the survey, the responses were tabulated and processed using appropriate statistical tools. Exploratory factor analysis (EFA) enabled the researcher to determine the number of components of financial wellbeing and loan repayment performance. Item loadings were determined and items with similar themes were labeled with appropriate component names. Items that are did not reach the cut-off point or have double loadings were eliminated. Each of the dimensions were named using the related literature and common sense as to likeliness of the items that clustered to each of them. They were also tested for internal consistency using Cronbach's α and McDonald's ω. All statistical analyses were done in IBM-SPSS version 20. Finally, the results were then analyzed and interpreted based on the purpose of the study.

4. Results and Discussion

The study involved 377 respondents from Digos City. Data revealed that there were 125 male respondents while a greater number of respondents were females (n=252). The female comprises 66.8% of the total respondents of the study while 33.2% belonged to male. In terms of the respondent's marital status, 104 are married while 273 of them are single. When grouped according to age: 18-25 years old, 103 (27.3%), 26-30 years old, 126 (33.4%), 31-40 years old, 108 (28.6%), and 41-50 years and above, 40 (10.6%).

Table 1: Demographic profile of the respondents (n=377)

Variables		**f**	**%**
Sex	Male	125	33.2
	Female	252	66.8
Marital Status	Married	104	27.6
	Single	273	72.4
Age	18-25	103	27.3
	26-30	126	33.4
	31-40	108	28.6

	41-50	40	10.6
Educational Attainment	Elementary level	141	37.4
	Secondary level	128	34.0
	Senior high school level	12	3.2
	College level	96	25.5
Household Size	Less than 3 members	120	31.8
	3-6 members	223	59.2
	7-10 members	33	8.8
	More than 10 members	1	.3
Filed Loan	No	5	1.3
	Yes	372	98.7
Source of Loan	Bank	28	7.4
	Cooperative	48	12.7
	Microfinance	203	53.8
	Sharklenders/5’6	93	24.7

Also depicted in the table was the educational attainment of the respondents. The majority of them were elementary level, 141 (37.4%). 128 or 34% of them were in high school level, 12 or 3.2% finished senior high school and 96 or 25.5% of them were at college level. Regarding the household size of the respondents, 120 or 31.8% had less than 3 household members, 223 or 59. 2 has 3 to 6 household members, 33 or 8.8% has 7 to 10 household members, and 1 or 0.3% contained more than 10 household members.

As to the number of respondents who filed loan, out of 377 only 5 of them did not file any loan at the time. Furthermore, the majority of the respondents have chosen microfinance as their source of loan (203). 93 or 24.7% of them have chosen sharklenders (i.e., 5/6) as their source of loan, 28 or 7.4% for banks, and 48 or 12% for cooperatives.

Table 2 shows the results of the dimension reduction of the items of financial wellbeing. To distinguish the possibility of factorability of financial wellbeing, Kaiser-Meyer-Olkin (KMO) and Bartlett`s test of sphericity were employed. Based on the data analysis, the KMO measure was assessed to be more than adequate having a sampling adequacy measure of 0.887 and it is appropriate for the data. Furthermore, Bartlett’s Test of Sphericity is 2805.314 and Bartlett`s coefficient is determined to be significant (0.000). The results of the KMO and Bartlett`s test of sphericity specified that the factor analysis could be performed on the data. A significant value less than 0.05 indicates that factor analysis may be worthwhile for the data set.

The orthogonal VARIMAX method was also performed to explain the maximum likelihood method of estimation. The criteria for assessing the practical significance of standardized factor loadings were applied (Hair et al., 1998). For a sample size of exactly or more than 200 respondents, the factor loadings must be $\pm$0.5 or higher to consider the item significant. With this, items below these values and those with cross-loadings shall be dropped off in the final analysis.

Table 2: Rotated component matrix showing
the dimensions of financial wellbeing of borrowers

	Item	Components				
		1	2	3	4	5
27	Being able to acquire less debts.	0.693				
22	I do not buy things which are not important.	0.655				
23	Being able to save if I have money	0.640				
26	Being debt-free.	0.613				
14	My financial situation is stable.	0.575				
25	Being cautious in acquiring debts	0.541			0.522	
5	Being free from financial obligations.	0.502				
4	You earn from selling.	0.482	0.401			
7	I have money to buy basic commodities.		0.571			
17	I shun away from borrowing money from shark lenders		0.569			
16	Being financially at ease in times of emergencies.		0.545			
2	Your children graduated from their studies.		0.527			
3	You have properties.		0.512			
20	If I am able to properly manage my finances.		0.497		0.444	
18	I find it easy in paying my obligations.		0.468			
9	I can pay my debts.		0.424			
12	My financial situation is above the average.		0.422			
8	I have money to use during emergency situations.			0.676		
13	My financial situation allows me to survive in my weekly needs.			0.657		
11	I have savings.			0.645		
15	My financial situation is enough to meet my basic needs.	0.424		0.434		
6	Being able to provide daily allowance to my children in their studies.	0.402		0.426		
28	Becoming independent from my husband/wife/parents.				0.744	
24	Being frugal in my spending.				0.524	
21	I have attended in any seminar on financial literacy.					-0.688
10	I use my own money to buy things.					0.518
	Eigenvalue	7.160	1.685	1.482	1.326	1.212
	% Variance Explained	25.571	6.019	5.293	4.736	4.328
	KMO measure of sampling adequacy = 0.887 Bartlett's test of sphericity χ^2 = 2805.314, p<0.05					

Note: Items in red are cross-loadings or did not meet the $\pm$0.50-coefficient threshold.

Heavily loaded indicators are determined to become the basis for naming the factors that are present in the developed financial wellbeing scale. To sum up, eigenvalues and % variance were considered in the data analysis to depict and describe the appropriateness of the items as indicators of the factor. Based on the analysis, the data for the generated five factors explain 45.947% cumulative variance of the financial wellbeing of the borrowers, while the remaining 54.053% is explained by other salient items that were not included in the scale. The first factor obtained an eigenvalue of 7.160 and explains

25.571% of the variance of the financial wellbeing of borrowers. This consists of items "*Being able to acquire less debts*", "*I do not buy things which are not important*", "*Being able to save if I have money*", "*Being debt-free*", "*My financial situation is stable*", "*Being cautious in acquiring debts*", and "*Being free from financial obligations*". These items are loaded in the first factor which we will name as "freedom from debt". The second factor obtained an eigenvalue of 1.685 and explains 6.019% of the variance of financial wellbeing. This factor includes items "*I have money to buy basic commodities*", "*I shun away from borrowing money from shark lenders*", "*Being financially at ease in times of emergencies*", "*Your children graduated from their studies*", and "*You have properties*". These items are loaded in the second factor which we will name as "investment and financial discipline". For the third factor, the obtained eigenvalue is 1.482 and explains 5.293% of the variance of financial wellbeing. Items include "*I have money to use during emergency situations*", "*My financial situation allows me to survive in my weekly needs*", and "*I have savings*". These items are loaded in the third factor which we will name as "financial resilience".

Meanwhile, the fourth factor was identified with two (2) items, "*Becoming independent from my husband/wife/parents*" and "*Being frugal in my spending*", which has an eigenvalue of 1.326 and a total variance explained of 4.736%. Lastly, the fifth factor obtained an eigenvalue of 1.212 with a total variance explained of 4.328%. This comprises of items such as "*I have attended in any seminar on financial literac*y" and "*I use my own money to buy things*". These two factors were dropped and were not named since at least three items should load to form a single factor. In addition, items with large loading values of less than +0.50 were also dropped.

First and foremost, the capacity to not owe money is defined as being debt-free. But is having debt an indication of poor financial wellbeing? The items that are clustered are a mixed bag. It might be a way of putting money aside for items and decreasing the amount of money squandered each month (Caldwell 2021). However, freedom from debt is also seen by providing and setting aside a budget for larger expenditures and debts to be applied for. Moreover, Lynch (2020) further suggested that freedom from debt can best be seen as not acquiring one, living modestly, creating solid money habits, and regulating spending. The presence of this dimension of financial wellbeing confirms its importance. The second factor extracted was named investment and financial discipline. Such finding is consistent with several studies (e.g., Al-Shami et al. 2014; Haisken-DeNew et al. 2019; Russell et al. 2017) highlighting the need to handle money properly so that they can be financially unfazed. The studies arrived at a consensus that investment and financial discipline means being able to control the irresponsible spending of money. While this was hard and unrealistic, Belle (2020) exemplified discipline in money as one that is being able to pay off debts in full every month, open a high yield of savings, and set your financial goals, among others. Lastly, financial resilience was found to be a crucial dimension of financial wellbeing. The presence of this indicator is confirmed by Kaufman (2017), who characterized financial resilience as the ability to withstand life situations that impact one's income. In fact, this dimension confirms that the respondents must be resilient to be financially literate (Lusardi, Hasler and Yakoboski 2020). Based on their sharing during focus group discussions, financial resilience is exemplified as setting the money for future needs and emergency cases and planning for what would happen before they would happen.

Finally, Table 3 shows the result of the reliability of the items by Cronbach's alpha and McDonald's omega to determine if the generated item loadings per factor have acceptable internal consistency values. The internal consistency of the constructed factors is confirmed by calculating Cronbach's alpha to test the instrument's accuracy and reliability. The use of Cronbach's alpha is common in most scale development approaches, but the study also utilized McDonald's omega, as the former is not an optimal measure of reliability relative to the latter, which is the more general form (Hayes and Coutts, 2020). The tests were used for the three dimensions identified and thematically labeled in the previous analysis, as the last two factors were dropped in the analysis. The adequate threshold value for both reliability coefficients is that is it should be greater than 0.70.

Table 3: Reliability tests of the constructed factors

Factors	**Cronbach's α**	**McDonald's ω**
Factor 1. Freedom from Debt	0.814	0.815
Factor 2. Investment and Financial Discipline	0.733	0.737
Factor 3. Financial Resilience	0.727	0.730

In Table 3, the factors *freedom from debt* (Factor 1), *investment and financial discipline* (Factor 2), and *financial resilience* (Factor 3) have Cronbach's alpha values 0.814 (good), 0.733 (acceptable), and 0.727 (acceptable), respectively, while the same factors have McDonald's omega values of 0.815 (good), 0.737 (acceptable), and (good). Both tests confirmed the reliability of the scale. It shows that these factors exhibit a correlation with their grouping items and thus they are internally consistent.

5. Recommendations

As a matter of recommendation, microfinance institutions need strategic planning on how to attract more male and married individuals with a degree. In specific, the Board of Directors, officers and executives/the top management shall conduct a review on how to improve its systems, collection efficiency, and service effectiveness and, at the same time, study its clients' profiles by looking at their financial wellbeing. They can use their existing client database to create predictive models on loan approval based on financial wellbeing factors. Moreover, this study can also be presented to these people to be guided in their decision-making process. In addition, microfinance institutions are encouraged to strictly implement their existing policies to address the alarming problem of loan defaults that lead to customers bearing additional penalties and/or charges on top of the interest of their obligations towards the institution. They can do so by conducting financial literacy seminars as part of the pre-membership information sessions (PMES) as well as one-on-one financial counselling every time a loan is being filed.

Results from this study will provide foundation information for future researchers who will conduct a deeper study on the relationship of the identified factors related to financial wellbeing towards loan repayment performance of the borrowers. Other studies should be conducted specifically in determining how financial wellbeing of clients could stymie their late payments. The constructed factors related to the financial wellbeing of the borrowers will be a great avenue for future researchers as they can be used as a standardized questionnaire for future studies for scholarly purposes. This implies the need to validate the scale to a larger demographics, or to confirm the fitness of the established dimensions.

6. Conclusion

This study was conducted to establish the measures of the financial wellbeing of borrowers in the different microfinance institutions in Digos City. These measures constitute an alternative scale that represents how the financial wellbeing of Digos City microfinance clients can be contextualized and represented in the global academic community. Based on the analysis, five components or factors have been identified. However, using Cronbach alpha and McDonald's omega reliability coefficients, three (freedom from debt, investment and financial discipline, and financial resilience) are the only components or factors that passed the internal consistency that exhibit a correlation with their grouping items. These three factors, then, are the components of borrowers' financial wellbeing.

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