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Exploring the Practices of Solo Parents in Settling their Loans from Micro-Financial Institutions

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A B S T R A C T

This study examined the loan repayment practices of solo parents borrowing from micro-financial institutions, emphasizing the practices they employ to manage their loans. Solo parents assume the main responsibility for their children's well-being and have distinct challenges, such as restricted employment prospects, financial instability, and social stigmas. Micro-financial institutions provide adaptable lending conditions, making them appealing to low-income families, yet repayment remains a substantial challenge. The study used in-depth interviews to investigate how solo parents handle financial responsibilities. Results indicated that loans were predominantly allocated for paying health-related expenses, funding children's needs, covering basic consumption, financing personal business, and fulfilling immediate and long-term familial needs. The study emphasized that elements such as low interest rates and adaptable terms enhance the attractiveness of loans. At the same time, the practices of solo parents employed to settle their loans, including utilizing micro-entrepreneurial income, allocating cash for loan repayment, using monthly salary, and relying on social support, are crucial. Nevertheless, solo parents sometimes encounter difficulties adhering to payback deadlines, impeding financial stability. Despite these challenges, they exhibit ingenuity and resolve in administering their loans. The study provided recommendations for micro-financial institutions, including developing loan products specifically designed for solo parents, establishing flexible repayment plans, enhancing financial literacy, and collaborating with social service agencies. These insights seek to enhance support systems for single parents and further overarching socioeconomic development objectives. This study establishes a Basis for future research to improve microfinance programs to assist this vulnerable population more effetively.

Keywords: *Challenges, Loans, Micro-Financial Institutions, Repayment Practices, Solo Parents*

Introduction

Solo parents face the extra challenge of individually managing their financial obligations at a time when managing cash is particularly difficult. Many of these solo parents survive and actively strive to achieve financial success. This study explored the strategies, practices, and experiences of solo parents who are borrowers from micro-financial institutions in settling their loans. Understanding their path can improve the comprehension of policymakers, improve financial services, and support others in comparable situations to achieve financial well-being and stability.

The study utilized a qualitative research methodology to examine the experiences of solo parents in managing loans from micro-financial organizations. It seeks to comprehend the determinants influencing their financial well-being by examining their narratives. The case of this research study is the solo parents who take out loans from microfinance institutions. Due to the various factors of difficulties and opportunities experienced by solo parents, and having to balance both providing for their family's needs and their own, the purpose of the study is to investigate how these solo parents interact with micro-financial institutions to obtain primary financial services, how they handle their financial responsibilities, the challenges they experience and how these financial interactions affect their general and financial well-being.

Review of Literature

Solo parents refer to parents who are alone and responsible for the care of their children, facing unique challenges that can impact the well-being of both parents and children. Effective solo parenting has many challenges that require extensive support and engagement to ensure the emotional and mental well-being of both the parent and the children. By establishing extensive support services and community projects, society may strengthen its aid to single parents as they carry out their vital responsibility as providers for their families (Aloro et al., 2024).

Investigating the effects of financial difficulty on solo parents revealed that these individuals frequently endure considerable psychological discomfort due to their economic challenges. Issues of food, fuel poverty, and the necessity of making compromises to fulfill children's fundamental requirements. In several instances, individuals experienced food deprivation and faced difficulties in settling their expenses. Participants reported experiencing isolation, anxiety, sadness, paranoia, and suicidal ideation, intensified by the stress of independently managing their finances. There is a necessity for support systems to tackle the distinct issues encountered by single parents, especially with economic stressors and mental health treatments customized to their requirements (Stack & Meredith, 2018). Illuminated the socio-economic conditions of the solo parent's study in the homes in Catanduanes Province, Philippines. In 2018, 489 individuals were officially recognized as solo parents in Catanduanes. It examined the overall characteristics of single parents, including their financial circumstances, livelihoods, job skills, and intentions toward developing sustainable viewpoints. The findings indicated that 62% were either under low-income or jobless circumstances and experiencing financial difficulties. At the same time, the remainder were involved in very steady employment prospects, highlighting that the daily revenue was often little and irregular (Lopez & Juan, 2019).

Solo parents encounter several challenges, including employment, financial issues, raising children's responsibilities, social judgment, and limited access to government support. The difficulties above affect the level of living of solo-parent households. Consequently, the government enacted RA 8972 to enhance the living conditions of the 15 million Filipino single-parent homes. The policy included extensive services addressing the parent and child beneficiaries' health, education, and employment requirements. Multiple concerns regarding the enacted policy, including the difficulties encountered by single parents, insufficient knowledge, and time-intensive application procedures, as well as deficiencies in providing non-monetary benefits and excessively stringent criteria for eligibility for the policy program (Farnacio & Reyes, 2021). A case study on the lived experiences of solo parents indicated that the majority of respondents experienced mental and emotional discomfort owing to increased duties and a sense of betrayal. Furthermore, more information regarding the Solo Parents Association must be available, which might assist with their challenges. Most respondents have encountered financial hardship due to needing a consistent revenue source to meet their demands. The respondents employ various coping techniques, predominantly physical, spiritual, and social, to overcome solo parenting challenges. The majority occupied themselves with their hobbies or by engaging with their families. Faith and trust in God sustained them; some expressed problems to friends, while others found solace in surfing their social media accounts (Dagupon & Garin, 2022).

Sources of joy for solo parent-teachers were financial independence, meeting their child's needs, and taking time free from work, corresponding to security needs, self-worth demands, and fundamental needs. Their problems arise from inadequate money and resource management, stress and exhaustion, and child discipline, which are associated with security, safety, and self-worth demands. Conversely, solo parent-teachers aspire for work-life equilibrium, a flexible schedule, and enough education for their children, all about safety and security demands and love and belongingness (Ebora & Calimutan, 2020). The solo parent's investment decisions regarding parenting and financial management could be challenging. When a solo parent decides to invest their hard-earned earnings, there is no margin for mistake. Solo parents disregard long-term planning and prefer to invest with minimum or low associated risk. The risk-taking capacity of solo-parent investors is contingent upon their income level and revenue sources. While every individual is susceptible to biases, they often exhibit more rational thinking than ordinary investors since they understand their needs and the investments they undertake (Sendilvelu & Shah, 2021).

Solo parents consider familial values, academic values, and financial priorities as reasonably significant. Nonetheless, they see familial values as the most urgent of the three. Solo parents possess equitable and balanced experiences with child-rearing techniques, time management, money management, and self-worth perception. Money management and self-worth assessment are the most highly regarded challenges. Their typical coping strategy is engaging in quality time with their children and maintaining busyness at their jobs or home (Abing, 2018). The extensive implementation of the Solo Parents Welfare Act has greatly enhanced the socio-economic circumstances of households headed by single parents. It has enabled access to financial aid, educational prospects, and social welfare programs. Moreover, the Act has improved the well-being and resilience of single parents, enabling them to overcome obstacles and manage their obligations efficiently. Nevertheless, several aspects need to be focused on to optimize the desired influence of the Act (Legarde, 2023).

Microfinance offers financial assistance to sectors of society that have distinct limitations in access to traditional banking services. It is a financial system that provides modest loans to people in need to generate income and establish their small enterprises. This system can reduce poverty and promote entrepreneurship, contributing to impoverished individuals' social and economic development (Torban, 2020). Microfinance is a financial tool that promotes responsible finance by facilitating the financial inclusion of struggling families and small enterprises. Highly developed financial markets create an ideal atmosphere for microfinance institutions to thrive and enhance their effectiveness, boosting their ability to promote financial inclusion. Highly developed financial markets can potentially replace microfinance institutions, resulting in customers obtaining several loans and diluting efficiency (Hermes et al., 2017).

Before granting loans, microfinance thoroughly assesses the integrity of loan applicants, the qualities of collateral, and the borrowers' ability. Microfinance institutions use borrower performance monitoring, corrective measures, and credit risk monitoring tools to assess borrower performance following loan issuance (Leja & Ibrahim, 2022). Credit limitation of micro-enterprises is made worse by the unevenness of information. The relationships between lenders and borrowers facilitate the provision of this information, therefore enhancing the accessibility of loans. The resilience of lender-borrower connections had a considerable beneficial effect on credit availability, but it did not substantially affect the duration of the credit (Hidayati et al., 2021)).

The effectiveness of micro-financial institutions, which have significantly improved poverty reduction and economic empowerment in many areas, is determined by institutional efficiency, interest rates, and regulatory architecture. There is a need for a suitable policy framework and innovative financial solutions tailored to the requirements of underprivileged individuals, advocating for a comprehensive approach to microfinance that connects financial inclusion with broader socioeconomic development goals (Parihar et al., 2024). Currently, microfinance institutions (MFIs) assist hundreds of millions of at-risk borrowers, contributing significantly to poverty reduction in developing regions, particularly Africa and Asia-Pacific. Nonetheless, financial sustainability continues to be an issue for microfinance institutions, necessitating that they operate similarly to other enterprises that seek profitability or at least financial equilibrium for survival. The function of microfinance within global and local financial systems is to deliver financial services and significant funding to economically excluded groups sometimes overlooked by the mainstream banking sector. Microfinance provides an alternative to traditional financial services in both emerging and developed economies, significantly contributing to the financial inclusion of marginalized people (Le, 2021).

The foundation of developing countries' economies, such as the Philippines, consists of small and medium firms that depend on inexpensive loans from microfinance institutions. Evaluating the satisfaction levels of microfinance borrowers on the services provided by microfinance institutions, together with the influence on their business, personal, and financial circumstances, is essential for the sustained operation of this industry. The financial institution favorably influences its borrowers' commercial, personal, and financial position, as evidenced by a significant influence on these two factors. The role of consumers significantly correlates with satisfaction levels and affects borrowers' business (Fronda et al., 2021). Microfinance functions are very beneficial and suitable for low-income households, thereby alleviating their poverty through the services provided by microfinance institutions. The rising participation in microfinance signifies that this business delivers superior offers or services for microfinance consumers. Households utilize the services of microfinance institutions to augment family income, yet the least consensus was attributed to health-related difficulties or objectives. Households with incomes ranging from 1,000 to 5,000 predominantly constitute microfinance clients. Microfinance institutions offer extra money for families, enabling them to meet fundamental requirements such as health and education and reducing debts to specific individuals. Consequently, it was determined that both microfinance savings and loans significantly and undeniably transformed each household's circumstances after utilizing microfinance institutions' services (Almase, 2021).

The age and gender of borrowers, loan amount, loan misuse, loan monitoring, the efficacy of the settlement time, numerous loans, and disruptions are all important elements that significantly influence the loan settlement outcomes for borrowers. Furthermore, micro-financial institutions focus on relevant elements and provide an efficient lending strategy that emphasizes effective management, guidance, and approval of appropriate loan sizes to reduce the incidence of loan defaults. Furthermore, a focus on quality enhances its services by improving settlement performance (Bhat et al., 2020). The borrowers' insights into the micro financial institution's loan repayment policies and the group uniformity considerably mitigate the moral risk issue, resulting in a reduced default rate. As well as The socio-economic features of households also appear to have an important relationship with borrowers' loan delinquency (Harshita et al., 2021).

Methodology

This study was developed to explore the practices of solo parents in settling their loans from micro-financial institutions. The researchers interviewed ten (10) participants using the validated interview guide. The interviews were done in person, and the participants were requested to respond to the questions based on their experience with the topic. The study examines the practices of solo parents in settling their loans from micro-financial institutions, provided they have a minimum of two experiences, irrespective of the duration of the repayment period. The research aimed to better understand the diverse aspects of their financial practices, offering insights into the motivations, problems, and strategies they employ to overcome the challenges and distinctive qualities of their experiences. The study's sample comprised male and female solo parents in Pagadian City. These solo parents, who fulfill particular criteria to qualify as participants, provided a diverse yet cohesive representation of their practices in settling their loans from micro-financial institutions.

The researchers served as the primary instrument of the study, utilizing validated, verified, and accepted interview questions from the panelists in order to gather comprehensive, open-ended insights regarding financial behaviors and practices of solo parents in settling their loans from micro-financial institutions. The researchers' actual instrument used by the participants in the interview questions: What are the solo parents' intended purposes for the amount loaned from micro-financial institutions? What attracts solo parents to loan amounts from micro-financial institutions? What are the practices of solo parents in settling their loaned amount? What challenges do solo parents face in settling their loan amount from micro-financial institutions? How do solo parents overcome the challenges they encountered? The researchers recorded and documented the entire interview process in order to record the participants' responses and experiences. The researchers utilized thematic analysis to systematically categorize and aggregate data, grouping comparable responses to identify patterns and themes in participants' practices regarding loan settlement with micro-financial organizations.

Findings and Conclusion

The research findings from solo parents' responses reveal distinct intended purposes of loans, factors that attract them to avail a loan, practices they employed in settling their loaned amount, challenges they faced in settling their loans, and strategies they use to overcome loan settlement challenges from micro-financial institutions.

The intended purposes of the amount loaned by the solo parents from micro-financial institutions are to pay health-related expenses, finance personal business, fund children’s needs, cover basic consumption needs, and pay other liabilities. The factors that attract solo parents to loan amounts from micro-financial institutions are affordable interest rates, flexible loan conditions, ease of access, and trust and reputation. The practices employed by solo parents in the management and repayment of their loans from microfinance institutions were utilizing micro-entrepreneurial income, allocating cash for loan repayment, using their monthly salary, and relying on social support. The challenges solo parents encounter in settling their loan repayment amount from micro-financial institutions, because of loan conditions and repayment pressure, medical emergencies, educational burden, and financial instability in micro-business. The strategies employed by solo parents in overcoming the challenges they face in settling their loans are budgeting their income, prioritizing essential needs, monitoring their finances, having a resilient mindset, and securing additional funds.

The researchers concluded that the solo parents primarily borrow money to address essential needs. Understanding the experiences of different solo parents provides insights into their resilience. It fosters empathy and awareness of their unique challenges, intended purposes for survival, factors influencing their decisions, and their practices and strategies to overcome difficulties. The intended purposes describe how borrowed funds are used to meet the immediate and long-term needs of the family. Attracting factors make loans appealing, offering features that make borrowing more accessible and manageable. Loan repayment practices of solo parents highlight the importance of discipline in managing loans. Behind all these, solo parents face several challenges in repaying their loans, making it hard to keep up with repayments and maintain financial stability. Along with the challenges are the strategies that reflect their resourcefulness and determination in managing their loans and overcoming several financial challenges. Therefore, this study contributes to deepening our understanding of the loan repayment practices of solo parents, the challenges they face, and the strategies they employ to manage their finances, serving as a foundational reference for future academic research aimed at improving financial support systems for solo parents.

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