



DESPERATION IN DEBT: EXAMINING THE EFFECTS OF HIGH-INTEREST DEBT ON LOW-INCOME FAMILIES IN MATANAO DAVAO DEL SUR, PHILIPPINES

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Abstract:

High-interest debt had become a common yet burdensome financial strategy among low-income families in the Philippines, particularly in areas where formal lending is inaccessible. This study explored the socioeconomic factors that led low-income families in Matanao, Davao del Sur, to rely on high-interest debt, its impact on their financial stability and emotional well-being, and the coping mechanisms they used to manage their debt situation. Using a qualitative phenomenological approach, the study gathered data from 15 participants to gain a deeper understanding of their lived experiences. The results revealed five main socioeconomic factors contributing to debt: economic instability and financial challenges, barriers to formal financial systems, reliance on alternative lending and personal networks, investment-driven borrowing amidst limited resources, and limited financial literacy and management skills. The impacts of debt were reflected through three themes: emotional and mental distress, financial instability and debt pressure, and a vicious debt cycle and management. In response, participants adopted coping mechanisms reflected in three themes: financial management and planning, strengthening financial responsibility and resilience, and seeking government support and assistance. The study offered insights that could help policymakers, financial institutions, and social programs develop better financial education, create accessible credit options, and design targeted support systems to break the cycle of high-interest debt among vulnerable households.

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1. Introduction

“Debt is like any other trap, easy enough to get into, but hard enough to get out of.” (Josh Billings)

Low-income families utilize debt significantly in their financial and emotional schemas, leading to stress and eroding family harmony. Much as is understood of middle-class debts, such as mortgages and student loan debts, there is far less understanding of the debts common among low-income families, such as past-due bills and child support (Dwyer, 2024, pp. 237-261). Since low-income consumers are the most affected, the debt rate is troublesome today (D'Orazio, 2019, p. 308-331). This bad scenario worsens in emerging markets where consumer credit has high interest rates (Abrantes-Braga & Veludo-de-Oliviera, 2020, pp. 2223-2244). Low-income customers are households that lack the resources necessary to maintain a quality of living that is acceptable in society (Darley & Johnson, 1985). They are the most vulnerable to debt because of their financial instability (Hoffmann & McNair, 2019, pp. 1630-1673).

Internationally, the issue of high-interest debt has become increasingly prominent among low-income populations, who often resort to borrowing to meet basic needs. In Britain, for instance, there is a rise in high-interest borrowing among low-income households to cover essential expenses such as rent, food, and utilities (Dagdeviren et al., 2020, pp. 159-173). Similarly, in Indonesia, many individuals turn to high-interest lenders due to their accessibility and the immediate availability of cash. However, this borrowing pattern frequently exacerbates their families' socioeconomic vulnerability as debt burdens accumulate over time (Ilham, 2020, pp. 42-53). In Singapore, borrowers who engage with illegal loan sharks experience intensified financial hardship, as late repayments often trigger rapidly compounding interest, leading to more profound economic distress and limited recovery options (Lang et al., 2025, pp. 269-278).

Over 30% of families in the Philippines turn to high-interest loans to finance their children's education, further straining their fragile economic situation (Baclig, 2021, pp. 34-76). In Luzon, high-interest loans are commonly used to manage emergencies, yet many borrowers struggle to repay, leading to more profound financial insecurity and prolonged hardship (Ortiz and Hardoon, 2021, pp. 43-66). Similarly, in Hagonoy, Davao del Sur, indigent families depend on unregulated lenders due to their accessibility, despite the excessive interest rates that perpetuate debt dependency, financial stress, and emotional strain (Suetado et al., 2024, pp. 23-60). Legally, while the Bangko Sentral ng Pilipinas nullified interest rate ceilings through Circular No. 905-82, the Supreme Court

has clarified that interest rates must not become exploitative to the point of “*enslaving borrowers or hemorrhaging their assets*” (Philippine Supreme Court, 2023, pp. 1–3)

Locally, several reasons have been put forward for the pervasiveness of loan sharks, including people's habits and cultures, the accessibility of social networks, their close ties to the community, and their effectiveness. Due to their urgent needs, limited income, or bad credit, many people whom banks turn away find themselves using the services of moneylenders.

This study was anchored on the Social Cognitive Theory (SCT) by Bandura (1997, pp. 213–239), which suggests that individual behaviors, such as financial decision-making, are shaped by personal factors, social influences, and environmental conditions. Guided by this framework, the study examined the borrowing behaviors of low-income families in Matanao, Davao del Sur, who relied on high-interest debts. The findings revealed that economic instability, exclusion from formal financial institutions, limited financial literacy, and the need to support basic or investment-related needs contributed to their indebtedness. These conditions led to emotional distress, financial instability, and a cycle of repeated borrowing. Despite these challenges, families responded through budgeting, resilience-building efforts, and support from government programs. These insights provided a deeper understanding of how cognitive, social, and environmental factors interact in debt-related decision-making among vulnerable households.

This study provided insights into factors contributing to high-interest debt among low-income families, including economic instability, limited access to formal financial systems, and a lack of financial literacy. These challenges lead to emotional stress, financial instability, and a cycle of borrowing, which the families try to manage through various coping strategies. In line with this, the results are significant to policymakers and government agencies as they may use the findings to design programs to improve financial literacy and provide better financial resources for low-income families. Financial institutions may also benefit by understanding the barriers these families face in accessing formal lending systems, helping them create more inclusive and accessible financial products. Social programs and community organizations may use the results to offer targeted support that helps families break the cycle of debt and achieve financial stability. Lastly, future researchers may build on these findings to explore connections between socioeconomic factors, financial behaviors, and debt management among vulnerable populations.

2. Research Objectives

This study determined and understood the experiences and challenges of low-income families in the Municipality of Matanao, Davao del Sur, intending to understand their perspectives on their dependency on high-interest debt. Specifically, the study sought to answer the following questions:

- 1) What socioeconomic factors contribute to the reliance of low-income families in Matanao, Davao del Sur, on high-interest debt?

- 2) How does high-interest debt affect low-income families' financial stability and emotional well-being?
- 3) What coping mechanisms do low-income families employ to manage high-interest debt?

3. Participants

The researchers focused on struggling low-income families, who served as the study participants. The participants for the in-depth interviews (IDI) include 15 debtors who were selected through snowball sampling. Snowball sampling is a widely used qualitative research method emphasizing networking and referrals. Parker and Geddes (2019, pp. 1–3) described it as a process where researchers begin with a small group of initial participants, or "seeds," who meet the study's criteria and are invited to participate. These initial participants were then asked to refer others who met the study's requirements. Through this referral chain, additional qualified participants were identified.

Further, the inclusion criteria upon selecting the participants were the following: they must be residing in Matanao, Davao del Sur, have acquired high-interest debt, must have a monthly income of Php 12,030 or below, and must be a parent to a household with a minimum of five members. Participants excluded from the study were those not residing in the Municipality of Matanao, who did not acquire high-interest debt, had a monthly income above Php 12,031, or had fewer than five family members. In connection, the Philippine Statistics Authority (PSA) stated that the poverty threshold for a household of five is PhP 12,030 per month. This means those families who earn less than the threshold are considered low-income.

4. Instrument

The research tool for this study was a set of interview guide questions developed by the researchers. The interview guide was validated prior to conducting the interviews. A structured interview format was followed, using a predetermined set of questions prepared in advance. The structured interview consisted of 8 guide questions to gather data substantiating the three research objectives. Also, these guide questions had respective probing questions to help enrich the participants' responses.

The researchers gathered data through recorded conversations, handwritten notes, and other appropriate methods while documenting the struggles of low-income households dealing with the impact of high-interest debts. The researchers ensured the safety and well-being of the participants throughout the study. All collected data were treated with strict confidentiality and were classified correctly to protect participants' identities and maintain their privacy. Participants were also allowed to express their rights and expectations regarding the study, and the researchers secured informed consent before any data collection took place.

5. Design and Procedure

The researchers employed a qualitative approach to find the best responses to the research questions and determine how to proceed with the study to achieve its objectives. Tenny et al. (2022, p. 4) emphasized that qualitative research focuses on investigating and providing deeper insights into real-world issues; unlike quantitative research, which collects numerical data or applies interventions, qualitative research aims to generate hypotheses and enhance the understanding of data by exploring the lived experiences of participants. The study gathered insights into the participants' experiences, perspectives, and behaviors. The ultimate goal of qualitative research was to understand the meaning behind human behavior by describing the essential or intrinsic qualities of social realities and human experiences.

To comprehend the experiences and perceptions of the participants, this study used a phenomenological research design. Phenomenology is qualitative research that aims to provide answers and make sense of real-world problems. Allan and Skinner (2020, pp. 215–224) highlighted that qualitative research approaches were characterized by a deep understanding of participants' behaviors, attitudes, and perspectives—an essential aspect for accurately capturing social activity. These approaches required a distinct mindset, focusing not on explaining or altering variables but understanding and interpreting data. Rather than emphasizing outcomes or outputs, qualitative research emphasizes the development of processes and identifying patterns within context.

To collect data, the researchers developed and validated an interview guide used during one-on-one in-depth interviews (IDIs). Prior to data collection, authorization was secured from the dean's office and the adviser. Participants were selected through purposive sampling and were asked for their informed consent. The gathered data were analyzed using Braun and Clarke's (2006, pp. 77–101) six-phase thematic analysis. Following the framework, the researchers (1) familiarized themselves with the data, (2) generated initial codes, (3) searched for emerging themes, (4) reviewed these themes for coherence, (5) defined and named the final themes, and (6) produced a report that captured the essence of the participants' experiences. This approach allowed the researchers to systematically identify recurring patterns, draw meaningful interpretations, and present findings about the study's objectives.

6. Ethical Consideration

Ethical issues and considerations are addressed throughout the research, especially prior to the data collection. The panel members have evaluated the researchers as part of an ethics review committee.

6.1 Voluntary Participation

The participants' involvement in the study is entirely optional and unspecified to safeguard their privacy, and whenever the participants do not understand, information is provided before they decide whether or not to participate.

6.2 Privacy and Confidentiality

The participant's personal and private information obtained in the study was kept confidential, and strict confidentiality was upheld throughout. The researchers ensured that the data was secure and protected from unauthorized access.

6.3 Informed Consent Process

The researchers obtain informed permission from all of the study participants. Participants are given a comprehensive and unambiguous description of the study's purpose. The researchers must ensure that the consent requirement was an open and informed decision. The participants also have a sufficient understanding of the study and the importance of their participation so that the administrators can use the results for whatever reason best serves them. Furthermore, the private and confidential data provided by participants necessary for the study are handled with the utmost care and kept discreetly in accordance with RA 10173, also known as the Data Privacy Act of 2012, which requires that all shared personal data be saved and secured.

6.4 Fabrication

The obtained information and data are provided in the most accurate manner possible. Consequently, no falsifying data and/or findings or willfully presenting false conclusions is permissible.

6.5 Falsification

Furthermore, falsification is considered if there is no evidence of deceitful reporting to conform to a model or theoretical expectation. There is no indication of exaggeration or overstatement.

6.6 Plagiarism

The researchers employed Turnitin software to prevent plagiarism and ensure proper citation of other authors' work. Grammarly and Turnitin were also used to check grammar and originality. The researchers ensured that all materials provided were accurate and based on factual information, not fabricated.

7. Results and Discussion

7.1 Socioeconomic Factors Contributing to the Reliance of Low-Income Families in Matanao, Davao del Sur, on High-Interest Debt

Low-income families are forced to turn to high-interest loans to survive and cope with their needs. As presented in Figure 1, the themes that describe the socioeconomic factors contributing to debt include economic instability and financial challenges, barriers to formal financial systems, reliance on alternative lending and personal networks, investment-driven borrowing amid limited resources, and limited financial literacy and management skills.

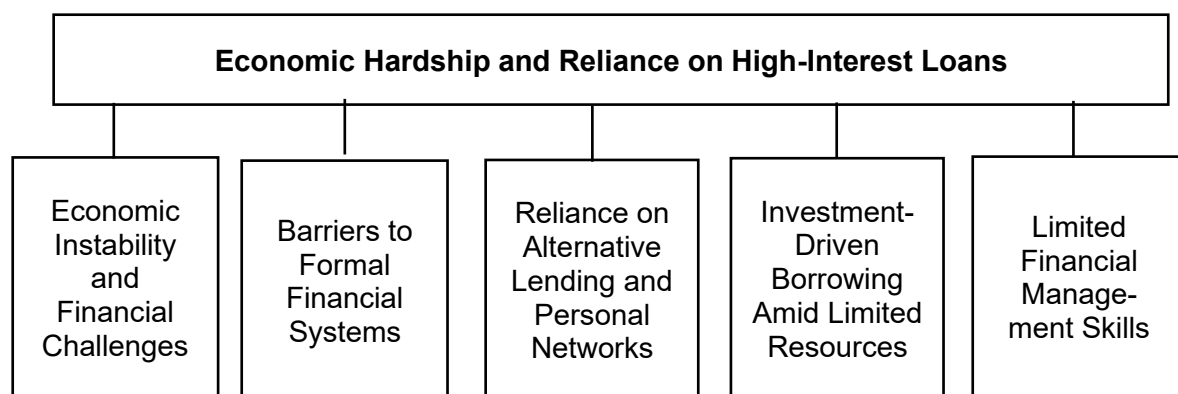


Figure 1: Socioeconomic Factors Contributing to the Reliance of Low-Income Families on High-Interest Debt in Matanao, Davao del Sur

a. Economic Instability and Financial Challenges

Low-income families in Matanao, Davao del Sur, face daily financial instability from limited income, irregular employment, and the inability to cover basic needs and unexpected expenses. These realities force them to temporarily depend on high-interest debt to remedy their ongoing economic struggles.

Participant 7 said that,

“Dugang sa budget kay kulangan man. Wala kay wala may lain madoulan kay puro galisod walay choice.”

(We borrow money for an additional budget **because it** is insufficient. There is no one else to turn to because everyone is struggling; there is no choice.) [Par 7, Line 7]

Participant 8 mentioned that,

“Usahay magoul nalang me tungod sa katas-on sa interes unya unsa ra akong trabaho construction ra sir dili perminte. Naapektuhan jud among pamilya sir kay usahay

ang e palit sa panginahanglan ibayad nalang sa utang. Oo naa sir samot nag ting bayad unya wa pami ikabayad mao nang mutubo among utang."

(Sometimes, we worry because of the high interest rates, and **my job in construction is not permanent. Our family is affected because sometimes what we should buy for our needs goes to paying off the debt.** Especially when it is time to pay, and we do not have the money yet; that is why our debt increases.) [Par 8, Line 40]

Also, participant 9 added that,

"Kana man gud naay mga bayronon sir unya kulang sa income mao nang mangutang nalang. Wala naju'y kapilian sir basta naa lay magpautang na dali ra ang process. Wala ko ka testing ug kuha sa bangko sir."

(**We have bills to pay, but we do not have enough income, so we borrow money instead.** There is no other choice as long as there is a lender with a fast process. I have not tried getting a loan from the bank.) [Par 9, Line 9]

Participant 13 revealed that,

"Emergency purposes, ma ospital akong anak unya makahiram me, wala me laing choice bahalag dako ug interes para bayad sa ospital. Wala gi refer raman gud to sa akong amego. Wala ko kasulay kay kana laging pobre ta sir lisod ta makakuha sa bangko unya dugay pud dili parehas sa uban ba."

(**For emergency purposes, if my child is hospitalized and we need to borrow money, we have no other choice, even if the interest is high, just to pay the hospital.** My friend just referred it since we do not have experience with it because we are poor. It is difficult for us to get from the bank and takes a long time.) [Par 13, Line 13]

These statements reflect a shared experience of financial hardship that forces low-income families to seek quick, high-interest loans as their only available option. They point to unstable income sources, unexpected emergencies, and inaccessible bank loans as the root causes. Faced with no alternatives and urgent financial needs, these families resort to informal lenders, even if it means deeper debt and long-term strain on their daily lives. In support, Addae-Korankye (2020, p. 6) observed that people avail of high-interest loans to immediately address their financial needs, even if it leads to a cycle of escalating debt. This aligns with the findings of Bullock et al. (2020, pp. 136-148), who highlight that communities with unstable income often turn to alternative financial services despite their high costs. Moreover, similar observations were made by Ortiz and Hardoon (2021, pp. 43-66), who found that people use high-interest loans during emergencies despite the financial burden they incur.

b. Barriers to Formal Financial Systems

This theme refers to the obstacles that prevent individuals from accessing traditional financial institutions, such as banks and lending companies. These barriers include excessive requirements, lack of valid identification, insufficient income, and the perception that formal loans are inaccessible. The participants shared that they experienced these barriers, leading them to rely on informal lending sources that are perceived to be faster and more flexible despite the risks of higher interest rates and long-term financial strain.

Participant 6 said that,

*“Usahay ma short sa budget, magsakit ang bata check-up ana jud daghan jud padulngan nga gasto. Sa amego lang, makapangutana lang ta ug asa sila nangutang, recommendation lang jud nila. **Naka try ko’g bangko na daghan ug requirements, unya kapoy pud kaayo daghan ug pasikot-sikot.**”*

(Sometimes, the budget falls short. When my child gets sick, we need to go for a checkup. There are many expenses, and I ask around with friends and inquire where they borrowed money from. I seek recommendations from them. **I tried borrowing from banks, but they have many requirements, which is exhausting with all the complications.**) [Par 6, Line 6]

Participant 9 said that,

*“Kana man gud naay mga bayronon sir unya kulang sa income mao nang mangutang nalang. Wala naju’y kapilian sir basta naay magpautang na dali ra ang process. **Wala ko ka testing ug kuha sa bangko sir kay komplikado.**”*

(That situation is because we have bills to pay and not enough income, so we borrow money instead. There is no other choice, sir, as long as there is a lender with a fast process. **I have not tried getting a loan from the bank because it is complicated.**) [Par 9, Line 9]

Also, Participant 12 mentioned that,

“Kulang me ug pinansyal. Wala’y laing nag-recommend, referral rapud gikan sa amego. Oo lisod mag apply sa bangko ug wala kay mga IDs.”

(We are financially lacking. No one recommended it; just a referral from a friend. Yes, it is not easy to apply for a loan in the bank if you do not have an ID.) [Par 12, Line 12]

Similarly, Participant 15 mentioned that,

“Sa kakulangon sa budget taga bulan unya daghan kog anak naa pajud mga bayronon uban. Gi refer rapud ko ana sa akong mga amega kana lagi manghiram kog kwarta unya

wala sad silay ikapahiram maong muingon sila nga apil nalang ko sa lending nga ilang gi-apilan. Sa mga banks, wala mi nakautang, kay dili man daw me kwalipikado ana kay wa me dako nga mga income."

(With the monthly budget shortage and many children, there are other expenses. My friends just referred me. When I borrow money, and they do not have any to lend, **they tell me to join the lending they are involved with. However, we did not acquire loans from banks since we are not qualified for that because we do not have a significant income.**) [Par 15, Line 15]

The participants' statements reflect the barriers that prevent them from accessing formal financial systems. These barriers include the inability to present valid IDs, lack of collateral, insufficient or unstable income, and the overall difficulty and complexity of the application process. Some participants also felt unqualified for formal loans due to their financial status, while others found the process too tedious and discouraging. Instead of approaching formal institutions, they often relied on friends' recommendations or opted for informal lenders that offered fast minimal-requirement transactions.

These responses illustrate how systemic inaccessibility drives people to alternative means of borrowing, even at the risk of falling into more profound financial insecurity. This reality is supported by Çaglayan et al. (2020, pp. 46-65), who emphasized that economically disadvantaged individuals are often pushed toward informal lending due to a lack of access to traditional banking systems. Further, Kumar (2020, p. 585-590) pointed out that many individuals are deemed ineligible for formal loans without collateral. Likewise, Monsod (2019, pp. 1–26) identified several barriers, including the need for employment documentation, valid identification, and creditworthiness, which frequently exclude low-income individuals from participating in formal financial services.

c. Reliance on Alternative Lending and Personal Networks

This theme shows that many participants depend on informal or alternative lending sources, such as friends, neighbors, associations, or small community lenders, instead of going to banks or cooperatives. They shared that these informal options are easier, faster, and have fewer requirements. Most said they avoid formal financial institutions because of strict requirements, slow processes, or because they do not feel confident dealing with them. This borrowing system becomes more familiar and practical to them, especially when they urgently need it. Presented below are the significant statements under this theme.

Participant 5 mentioned,

"Okay ra diri kay ang kwarta naa ra man pud sa asosasyon. Sa uban, mudoble gyud ang utang. Sa amo, bayran na siya taga harvest 3 ka bulan, oo quarterly ba. Mas maayong ingon ana kaysa manguha ka ug loan nga daghan kaayo og interest."

(It is okay to borrow money here because it stays within the association. In other places, your debt doubles. With us, we pay quarterly after the harvest. It is better that way than getting loans with very high interest.) [Par 5, line 4]

Participant 6 also shared,

“Usahay ma short sa budget. Ang mga kaila maoy mosulti kung asa makapanghulam. Nitry ko ug formal loan, pero daghan ug pasikot-sikot. Kapoy na kaayo, mas gusto ko kadtong dire-diretso nalang.”

(Sometimes, we fall short of the budget. Friends are the ones who tell us where to borrow. **I tried formal loans before, but there were too many hoops. It was exhausting; I prefer those that are more straightforward.**) [Par 6, line 33]

Participant 8 said,

*“Manghulam nalang me kung kulang. Usa ka amigo akong giingnan nga nanginahanglan mi ug kwarta, siya pud ni-refer kay **mas dali ra ug gamay ra ug requirements.** Hadlok mi sa bangko, labi na kay gamay ra among naeskwelahan.”*

(We borrow when we fall short. I told a friend we needed money, and he referred us to informal lenders because **it is easier and has fewer requirements.** We fear banks, especially because we did not get much education.) [Par 8, line 33]

The participants' stories show that they often avoid banks and other formal lenders because of complicated processes and requirements. Most of them shared that it is easier to borrow from someone they know or from local groups when they need money fast. They feel more comfortable with these lenders because they are more understanding and less strict. Although informal lenders may charge higher interest, the participants still choose them because they are easier to talk to and faster to help. These findings support Nguyen et al. (2020, pp. 94-113), stating that people often turn to relatives, neighbors, or local savings groups when they need money, especially when formal financial systems are complex to access. Similarly, Ojong and Gill-Wiehl (2023, pp. 314-321) also align with the findings, noting that strong social ties and close living arrangements make it easier for people to lend and borrow within their networks. Additionally, Dang et al. (2022, pp. 388-402) explained that these social networks act like informal guarantees that help borrowers get support and stay accountable without formal contracts.

d. Investment-Driven Borrowing Amidst Limited Resources

This theme is the fourth extracted theme, which refers to borrowing money not merely for survival but to support small-scale income-generating activities or essential long-term investments such as children's education. Even the participants experienced financial

limitations; they shared that they still have loans to improve their lives. Below are some of the important statements shared by the participants.

Participant 1 said that,

"Para naa puy ikapital, e-rolling. Naa man pud, pareha sa BCS."

(I borrow money so there would be capital for business, and I keep it circulating.

There are lending options like BCS. If there is none, that is okay with me.) [Par 1, Line 1]

The same participant added,

"Gi dungag capital, usahay ibayad sa utang, mangutang para ibayad sa utang."

(I added it to my business capital, but sometimes used it to pay off other debts. I even borrowed money to settle previous loans.) [Par 1, Line 16]

Participant 4 shared,

"Gidagdag capital sa negosyo, e rolling lang. Wala pud, wala pud koy lain siya rapud. Naka try ko ug loan sa BCS pero gibayran man to pag abot sa due date, gi loan nako ang pedicab. Sure cycle lang bayran namo wala nami loan kanang monthly, syempre lisod gamay pero makaya raman, nag abroad paman to akong bana ato sa Saudi."

(I used it to add capital to my business and kept it circulating. I did not have other options; it was just my friend. I once took out a loan from BCS, but I was able to pay it on time. I also took a loan to buy a pedicab. We paid it off completely, so we had no more monthly payments. It was not easy, but we managed because my husband worked abroad in Saudi Arabia then.) [Par 4, Line 4]

Participant 14 also said,

"Gi kapital sa akong tindahan ug pag eskwela sa akong mga anak. Daghan naa sa bangko pero naa puy uban mag balaybalay muadto sa akoo. Wala paman pud hinoon."

(I used the money as capital for my store and to support my children's education.

There are many lenders from banks, but there are also others who go door-to-door. I have not availed any recently, though.) [Par 14, Line 14]

The same participant also mentioned,

"Kato nga higayona, mao jud to akong gikapital sa tindahan ug gigamit sa pag eskwela sa akong mga anak."

(At that time, I used the loan as capital for my store and to pay for my children's schooling.) [Par 14, Line 30]

Referring to these statements, it can be understood that the participants borrowed money intending to improve their situation. Instead of using loans only for emergencies, they tried to invest in something that could help them earn or give their children a better future. Some used it to grow their business, others for education, and some to buy things like a pedicab, which is often used as a transportation business. Even if their income was low, they were hopeful and made practical choices. Therefore, their borrowing was not just only about surviving; it was about moving forward as well. These findings are also seen in studies like Aguja et al. (2024, pp. 36-46), who explained that families often resort to lending, even availing themselves from those with high interests, to help them start small businesses and improve their lives. Similarly, Nazihah et al. (2024, pp. 4030-4041) also pointed out that individuals often resort to high-interest lending options to fund a business and save for future needs. Likewise, Manalad et al. (2024, pp. 1-9) argued that informal lending remains attractive despite high interest because it helps sustain or expand people's livelihoods. Similarly, Falola et al. (2022, pp. 942-959) found that informal finance, such as cooperative societies and rotating savings groups, helps rural residents sustain their farms and micro businesses.

e. Limited Financial Literacy and Management Skills

The mentioned theme is the final theme that emerges from the interview responses of low-income families in Matanao, Davao del Sur. This theme highlights the participants' lack of financial knowledge, especially in managing loans and understanding interest rates. Financial literacy knowledge and skills that are crucial in avoiding financial strain, including the ability to budget, save, assess loan terms, and plan for repayment. The absence of this knowledge and these skills places low-income families at a disadvantage when making borrowing decisions, often leading to unmanageable debt.

Participant 12 captured this concern clearly, stating,

"Hinay ang pagsaka sa among income kay dako man ug interes. Low profile among edukasyon maong dako kaayo ug interes among gikuhaan. Naa, maapektuhan me nga wala me ikabayad mao nang maningkamot jud ug byahe aron makabayad jud."

(Our income is increasing slowly because the interest is high. **Our education profile is low, so we chose a loan with a very high interest rate.** There is an effect on us if we cannot pay, so we strive to work hard to pay.) [Par 12, line 33]

This statement shows how the participant recognizes their limited education and financial literacy as contributing factors to their debt challenges. Without a strong understanding of how interest compounds or how to evaluate lending options, the participant takes loans with high interest, which slows down income growth and burdens them with repayment stress. Another indication of limited financial management skills is the participant's statement that he needed to work hard to pay off the debt. This shows that he reacted to the problem rather than planning to take the loan after it happened. This finding is consistent with Bialowolski et al. (2022, pp. 88-101), who noted that

individuals with lower financial literacy tend to make poor borrowing decisions and struggle to address their debt. Similarly, Sihalo (2023, pp. 26-27) also highlighted that limited financial literacy contributes to financial instability, making it challenging for individuals to keep their finances in balance. Cao-Alvira (2021, pp. 978-993) also found that low financial literacy is associated with higher debt and lower wealth accumulation, resulting in struggles in repayment. Additionally, Nitani et al. (2020, pp. 669-706) noted that borrowers with low financial literacy and management are more prone to using high-cost alternative financial services like high-interest loans.

7.2 The Impact of High-interest Debt on the Financial Stability and Emotional Well-being of Low-income Families

Low-income families who are burdened with high-interest debt often experience emotional strain and financial hardship. The constant pressure to repay loans affects their mental health, disrupts their household finances, and traps them in ongoing cycles of debt. From the interview data, three key themes emerged: emotional and mental distress, financial instability and debt pressure, and vicious debt cycle and management. These themes reveal the serious and often overwhelming effects of high-interest borrowing on low-income families' emotional and financial lives.

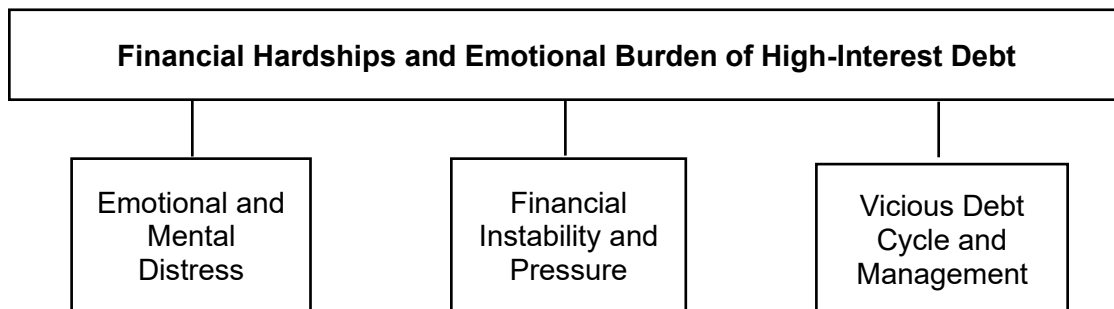


Figure 2: The Impact of High-interest Debt on the Financial Stability and Emotional Well-being of Low-income Families

a. Emotional and Mental Distress

This theme refers to the emotional and mental challenges experienced by participants as a result of carrying high-interest debt. Participants shared feelings of stress, anxiety, sleeplessness, and mental exhaustion, which stem from constant worries about payment deadlines, lack of income, and the burden of debt. These emotional struggles were made worse by unstable finances and the pressure to meet obligations without enough resources.

Participant 2 said that,

“Mutaas na ug dili ka magtarong ug bayad labi na sa bangko. Naay apekto kay maglisod man kag bayad ug taas ang interest pero ang among gisudlan kanang mupatong lang jud

ug 10% parehas anang turko no pwede man nimo sal-angan dili naman ka magpatong ug interes. Pero kung magkasakit ka kay murag mu down man ka."

(The interest increases if you do not pay on time, especially with the bank. It affects us because paying with high interest is hard. However, the lending group we joined only adds 10%, like those Indian lenders. You can delay your payment, and they will not add more interest. **However, you tend to feel emotionally down** if you get sick.) [Par 2, line 17]

Participant 9 mentioned that,

"Yes sir kay wa may ikabayad masipok imong ulo, ma stress ka."

(Yes, because it gives you a headache if you do not have money to pay. **You get stressed.**) [Par 9, line 45]

Participant 15 also stated that,

"Sa pinansyal wala juy nabalik sa akong tindahan unya sa emosyonal mag sige ra kog ka problema dili hinoon ko makatulog inig ka gabie intawon kay ting bayad napud ugma unya gamay ra ang halin sa akong tindahan. Usahay mag sige nalang me ug away, wa me income unya wala me ibayad. Lisod jud dong kay usahay wala jud me halin sa tindahan unya naay maningil unsa nalang akong ihatag mamalit pa mig bugas kay wala biya me basakan."

(Financially, since I have not earned anything from my store, **there is no return on investment, and I am worried** emotionally. **I cannot even sleep at night** worrying that the next day is another payment deadline, and my store's sales are very low. **Sometimes, we keep arguing at home**—we have no income and nothing to pay with. It is tough because sometimes there are no sales, yet collectors still come. What will I give them? We still have to buy rice because we do not own a rice field.) [Par 15, line 36]

The participants' statements above clearly reflect how high-interest debt harms their emotional and mental health. They shared that constant worries about where to find money to pay off debts lead to stress, sleepless nights, and family arguments. Even with low-interest arrangements, the pressure is still heavy, especially when illness or low income adds to the burden. This emotional distress shows how the weight of debt does not just impact finances but also affects their mental well-being and personal relationships. These findings align with earlier studies that reveal the emotional toll of monetary sanctions and debt. For example, Harris and Smith (2022, pp. 36-56) observed that monetary penalties caused by unpaid debts create chronic emotional strain for those borrowers who cannot pay. Also, Sun and Houle (2020, pp. 61-79) mentioned that recurring high-interest or unsecured debt is linked to more depressive symptoms.

Similarly, Amit et al. (2020, p. 1336) found that debt among Asian people has been associated with depression, anxiety, and even suicidal ideation.

b. Financial Instability and Debt Pressure

This theme is one of the extracted themes from the interview responses, which highlights the financial struggles participants face due to high-interest debt. Financial instability underscores the lack of steady income or resources. In contrast, financial pressure emphasizes the stress caused by debt-related payments and the consequences of the inability to pay on time. Participants shared that unpredictable or low incomes, high interest rates, and the constant worry of insufficient money for daily needs intensify these challenges. Below are their responses during the interview.

Participant 8 said that,

“Usahay magoul nalang me tungod sa katas-on sa interes unya unsa ra akong trabaho construction ra dili perminte. Naapektuhan jud among pamilya kay usahay ang ipalit sa panginahanglan ibayad nalang sa utang. Oo naa samot nag ting bayad unya wa pami ikabayad mao nang mutubo among utang.”

(Sometimes, we worry because of the high interest rates, and my job in construction is not permanent. Our family is affected because sometimes what we should buy for our needs goes to paying off the debt. Yes, sir, especially when it is time to pay, and we do not have the money yet; that is why our debt increases.)
[Par 8, Line 29]

Participant 12 also said that,

*“Hinay ang pagsaka sa among income kay dako man ug interes. Low profile among edukasyon maong dako kaayo ug interes among nakuhaan. Naa, **maapektuhan me nga wala me ikabayad mao nang maningkamot jud ug byahe aron makabayad jud.**”*

(Our income is increasing slowly because the interest is high. Our education profile is low, so we happened to avail of the loan with a very high interest rate. There is an effect on us if we cannot pay, so we strive to work hard to pay.) [Par 12, Line 30]

Participant 13 also said that,

*“Lisod kay bisan nakabayad naka sa hospital ug mga tambal, **mamroblema man ka unsaon pa pagbayad ana.** Usahay makakaon rami kaduha sa isa ka adlaw para magtipid. Naa aside sa utang maproblema pami unsay kaonon namo , pang bugas ug sud-an mga adlaw-adlaw nga panginahanglan.”*

(It is hard because even after paying for the hospital and medicine, you still worry about how to pay back that debt we incurred. Sometimes, we only eat twice a day

to save. **Apart from our debts, we still have to think about what we will eat, like rice and food for our daily needs.**) [Par 13, Line 33]

Participant 6 mentioned that,

“Naa jud usahay mag-away sa partner kanang hapit na ang due date unya way kwarta unya ma short sa income mao tong saputon bisan unsa pa pagpanarbaho usahay wala pud biya siyay pasahero.”

(My partner and I sometimes argue because the due date is approaching, and we have no money. We fall short on our income. Even if he works hard, sometimes there are no passengers.) [Par 6, Line 19]

The statements reveal that participants often struggle with the constant worry of paying their debts, especially when they have unpredictable or limited income. Many mentioned that their financial pressure comes from the loans' high interest rates. One participant pointed out that they sometimes have to give up basic needs like food to save money for debt payments. Others said that the lack of a steady income worsens the pressure because the financial strain persists even if they work hard. For many, paying off debt means sacrificing their family's well-being. In support, Green et al. (2023, pp. 780-803) found that borrowers experience pressure as they struggle to manage debt, particularly when they cannot pay on time or lack sufficient income. Gabrielyan (2022, pp. 886-894) highlighted how informal high-interest lending causes financial instability to borrowers, forcing them to forgo essential purchases and worsening their financial hardship. French (2019, pp. 150-156) also stated that borrowers experience financial instability and pressure if the coming due dates and financial obligations are unmet.

c. Vicious Debt Cycle and Management

This theme focuses on the challenges participants face when managing their debt and the constant struggle they experience with accumulating debt over time. The cycle of borrowing and repaying becomes a recurring burden, mainly when no clear strategy exists for managing or eliminating debt. The participants highlight their difficulties in handling growing debt, which increases if they cannot make timely repayments. This situation makes it difficult for them to escape the cycle and creates continuous financial instability. Below are their responses during the interview.

Participant 6 said that,

“Naa. Ug padayon jud sigeg pangutang maglisod jud perminte ang pamilya labi na'g ang kwarta na gigamitan is dili jud ma invest ba ug pwede unta mag negosyo.”

(It is true that if borrowing continues, the family will always struggle. This is especially true when the money borrowed is not invested correctly or used to start a business, which could improve the situation. [Par 6, Line 36]

Participant 8 mentioned that,

“Lisod jud me kay ug dili me kabayad mutubo man among utang.”

(We are struggling because **our debt keeps growing** if we cannot pay.) [Par 8, Line 38]

Participant 9 also mentioned that,

“Lisod jud ug dili undangan, samot kalisod.”

(It is tough. **If we continue to incur debts, things will get worse.**) [Par 9, Line 39]

Participant 15 stated that,

“Kani siguro akong tindahan dili na tingali ni mapadayon, maundang najud tingali ni kay wa naman koy ikabali o ika rolling.”

(Maybe my store can no longer continue. I might have to stop it because I do not have any more capital to keep it going.) [Par 15, Line 45]

The participants' experiences show they are stuck in a problematic cycle of debt. They borrow money to meet their needs but often have difficulty paying it back. Because of this, their debt keeps growing, especially when they cannot pay on time. Since the loans come with high interest, the amount they owe gets bigger over time. This situation puts even more pressure on them both financially and emotionally. They feel stressed and worried because they cannot pay their debts and still have to provide for their families. One participant even expressed fear that their business might have to shut down due to an inability to continue managing the debts. In support, Flamiano (2024, p. 85) describes how borrowers face significant challenges due to ongoing debt cycles. Lang et al. (2022, p. 269) also observed that borrowers from high-interest lenders often fall deeper into debt, as late payments lead to additional charges and growing financial difficulties. Furthermore, Çağlayan et al. (2020, p. 46) explain that high interest rates often result in borrowers being trapped in a cycle of debt, making it difficult for them to regain financial stability.

7.3 Coping Mechanisms of Low-income Families to Manage High-Interest Debt

Low-income families in Matanao, Davao del Sur, employ different coping mechanisms to manage the burden of high-interest debt. Faced with limited income and rising financial obligations, they turn to strategies that help them survive daily expenses while trying to keep up with loan repayments. Three themes were extracted from the participants' responses to describe how they cope with this situation: Financial Management and Planning, Strengthening Financial Responsibility and Resilience, and Government Support and Assistance. These coping mechanisms reflect how families manage their limited resources and address the pressure from high-interest debts.

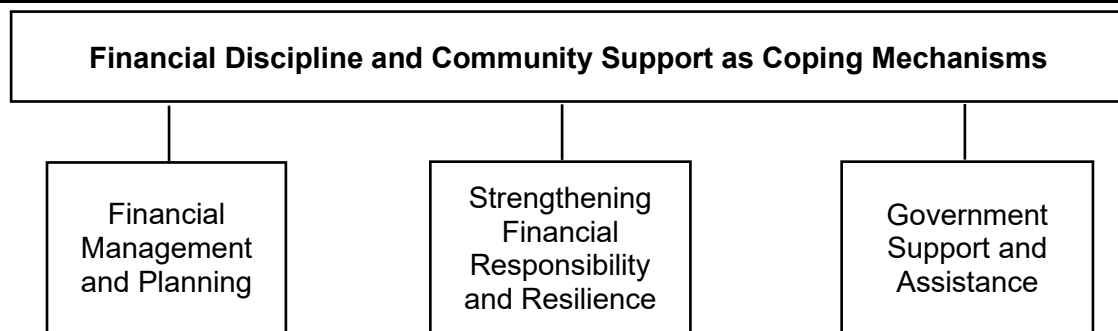


Figure 3: Coping Mechanisms of Low-income Families to Manage High-Interest Debt

a. Financial Management and Planning

This theme is the first extracted theme from the interview responses. It refers to how low-income families try to manage their limited finances by planning, budgeting, saving, and increasing their income to avoid falling deeper into debt. The participants shared different coping strategies that reflect their efforts to stay afloat despite financial pressures. Below are the significant statements shared by the participants.

Participant 1 stated that,

"Para sa akua imbes nga 20,000 adjust-san lang pud nimo siya himoon nimo syang 10,000 para redusan nimo siya kay naa man pud mi utang sa lain pareha anang BCS."
(**I try to adjust my expenses.** For example, **instead of borrowing 20,000, I cut it to 10,000 to reduce our debt** since we also owe money to others like BCS.) [Par 1, Line 67]

Participant 2 also stated that,

"Kinahanglan, mag savings."
(**We need to save money.**) [Par 2, Line 53]

Participant 9 also mentioned that,

"Budget-budget sir, dili na mamalit atung dili na kinahanglanon. Naa sir sama anang naa kay gusto paliton dili nimo mapalit kay ang budget tua na sa utang."
(**We have to budget. We do not buy things we do not need.** Sometimes, even if we want to buy something, we can't because the budget is already set aside for paying debts.) [Par 9, Line 75]

Participant 10 said that,

“Kinahanglan jud naa kay daily income nga inig abot sa imong due naa pud kay pambayad. Naa dili man jud kalikayan, naa pud me savings taga semana pwede man pud to nimo withdrawhan para ibayad.”

(You need daily income to have money to pay when your due date comes. Of course, there are unexpected things, but we also have weekly savings to withdraw for payments.) [Par 10, Line 32]

Participant 11 also said that,

“Mangita lang jud ug pamaagi nga makabayad aron dli maabtan ug due date pero maabtan jud usahay maong hangyoon nalang. Naa, pareha anang naa silay palitonon nga gusto nila dili nalang paliton kay mas unahn tung importante nga palitonon.”

(Find a way to pay before the due date. However, we are sometimes delayed, so we ask for an extension. Sometimes, we want to buy things but skip them to prioritize more important needs.) [Par 11, Line 77]

The participants' testimonies mentioned above show how they actively manage their financial challenges by being practical and disciplined with money. Many discussed the need to budget carefully, avoid unnecessary spending, and prioritize essential expenses like debt payments. Others emphasized the importance of having a steady source of income and even small savings to avoid missing due dates. These coping methods reflect their determination to stay afloat, reduce borrowing, and achieve a more stable financial state. These findings align with the study of Maulida et al. (2024, pp. 4113-4126), which stresses that proper financial management is essential to avoid excessive debt and maintain financial stability. Similarly, Jumady et al. (2024, pp. 340-368) highlight how financial planning is vital in improving debt management. Without these skills, as Karambakuwa and Ncwadi (2021, pp.1–14) explain, households are more likely to fall into over-indebtedness, especially in environments where predatory lending is typical.

b. Strengthening Financial Responsibility and Resilience

This theme revolves around how participants strengthen their financial responsibility in the face of high-interest debt. Despite their financial struggles, they consciously manage their money more responsibly, rely on their own resourcefulness, and adjust their lifestyle to meet their obligations. They actively look for ways to improve their financial situation, find alternative income sources, and make sacrifices in their daily lives to ensure they can pay off their debts.

Participant 3 expressed that,

“Doble kayod! Dagdagan mo ang sipag mo kasi kung wala kang sipag hindi ka makakabayad. Hindi yun nalang ang routine ko dapat palagi kang mag budget.”

(Double the hustle! You need to work even harder because, without effort, you will not be able to pay off your debts. That cannot just be my routine—there should always be budgeting involved.) [Par 3, Line 69]

Participant 4 said that,

“Syempre maningkamot ka, maningkamot ka nga makabayad muhalin jud kag taman. Wala man, kay dili man jud ingon nga dako jud nga mangutang ug dako like 50,000 wala man ko kasulay ana gawas katong sa surecycle motor among gi collateral okay pero nabayaran wala najud me utang monthly.”

(Of course, you must work hard and do your best to pay off your debts, even selling as much as possible. I never really borrowed a considerable amount, like 50,000. We only used the motorbike as collateral with SureCycle when we managed to pay it off, and now we do not have any monthly debts.) [Par 4, Line 70]

Participant 7 revealed that,

“Wala jud, wala jud koy choice ato bayad jud wa’y kusmod kay gisudlan man bayaran jud. Mutuman kay obligasyon man bayaran jud na kay lisod kaayo walay paglikay. Ayh ug naa ju’y utang mag adjust jud ka labi na sa pagkaon limit lang jud ka eh, buald ginamos lang jud ka wala nay karne, limit jud ka aron mabayaran to.”

(I had no choice back then. I paid without complaining because I borrowed it and had to pay. **You follow through because it is your obligation, not avoiding it. You need to adjust if you have a debt, especially with food.** You limit yourself, just relying on dried fish or fermented fish paste, no meat. You have to restrict your expenses so you can pay them off.) [Par 7, Line 74]

Participant 11 mentioned that,

“Mangita jud ug daghang pamaagi buhaton nalang jud, negosyo gamay, naay magpalabada para makabayad sa utang. Mangita lang jud ug pamaagi nga makabayad aron dili maabtan ug due date pero maabtan jud usahay maong hangyoon nalang. Naa pareha anang naa silay palitonon nga gusto nila dili nalang paliton kay mas unahn tung importante nga palitonon.”

(You have to find many ways to make it work. Whether it is a small business or offering laundry services, to make sure you can pay off your debts. You look for ways to pay so you are not stuck when the due date comes, though sometimes it still happens, and you must ask for some extension. It is like when people want to buy something but do not because they prioritize the important things first.) [Par 11, Line 77]

As observed above, the participants demonstrate a strong sense of financial responsibility by adjusting their spending, working harder, and seeking alternative income sources, such as small businesses or side hustles. They express the importance of budgeting, prioritizing needs over wants, and making sacrifices to pay their debts. Some participants also describe adjusting their lifestyles, including limiting food choices, to make ends meet. Despite the pressure, they stay committed to paying their debts, even if it means making complicated financial decisions or seeking extensions. Similar findings have been observed by Idris et al. (2024, pp. 2841-2849), who stated that over-indebted borrowers adjust their spending and work harder to cope with financial distress. Moreover, as highlighted by Gyöngyösi et al. (2022, pp. 1-74), households burdened by debt often reduce consumption and look for alternative income sources to stay resilient despite their increasing obligations. Further, Amoah and Boakye (2025, pp. 1-101) noted that recovering from loans requires personal responsibility and strategies to improve financial stability.

c. Government Support and Assistance

This theme is the last theme extracted from the interview responses. It underscores the participants' reliance on government support to manage the financial strain caused by high-interest debts. The theme reflects the desire of low-income families for assistance in the form of livelihood programs, capital loans, educational and job opportunities, and necessities. It captures the idea that, beyond personal effort, systemic support plays a vital role in helping them cope with economic difficulties.

Participant 1 expressed that,

"Para sa amoa, mas nindot jud nga naay government nga magpahiram ug kwarta nga makatabang jud sa amoa bisan nalang gud, ana gani ko maypag kanang 4P's no ug ihatag sa matag balay ba, matag pamilya bisan tag isa ka sako nga bugas dili na ma problema tanan naman matagaan. Pahirmon lang me ug capital sa gobyerno gihapon atleast dili name mangutang sa turko."

It would be better for us if the government could offer loans that genuinely help people. I even thought, what if instead of just cash assistance from the 4Ps, they provided every household or family with at least one sack of rice? That way, no one would have to worry because everyone would receive something. **It would also be good if the government offered capital so we would not have to borrow from loan sharks.)** [Par 1, line 97]

Participant 8 expressed that,

"Dili man jud na malikayan sir samot nag gipit sa pinansyal sir. Unta muhatag ang gobyerno sa amoa para dili nami mangutang bahalag hatagan me ug bugas para naa me makaon."

(It is unavoidable, especially when you are financially struggling. **Hopefully, the government could assist so we would not need to borrow any more**; even just giving us rice would help so we have something to eat.) [Par 8, Line 104]

Participant 11 expressed that,

"Naa untay mukapital nga dili taas ang interes. Tagaan me'g livelihood o kapital ba kaha."

(It would be great if someone could provide capital with low interest. **They could give us livelihood opportunities or capital to start a business.**) [Par 11, line 107]

Participant 12 expressed that,

"Pagpa eskwela jud sa mga anak aron makalampos sila , makatrabaho ug makatabang. Maghatag unta sila ug job order nga kanang maka apply me."

(Investing in children's education is important so they can succeed, get good jobs, and help their families. **It would be great if the government provided job orders for people to apply.**) [Par 12, Line 108]

Participant 12 expressed that,

"Dili najud ta maggasto ug taman ug naay gusto nga paliton huna-hunaon sa ug importante ba. Maapil unta sa 4P's, tagaan unta meg livelihood mga pobre kaayo para makasustento pud sa among adlaw-adlaw nga panginahanglan."

(We need to avoid overspending and think carefully before buying anything, considering whether it is truly necessary. **We can be included in the 4Ps and be given livelihood opportunities because we are struggling and need something to help sustain our daily needs.**) [Par 15, line 111]

The participants' statements reveal a common theme of seeking government assistance to help alleviate their financial struggles. Many expressed a desire for capital assistance from government programs like the 4Ps or for livelihood opportunities that could provide an alternative source of income. The participants highlighted that the support they need goes beyond financial aid; it also involves opportunities for sustainable economic improvement, such as starting small businesses or securing jobs. Generally, participants expressed that with sufficient support, they could reduce their reliance on high-interest debt and focus on securing a better financial future for their families. To support the findings, Yao and Li (2023, pp. 1-8) emphasize that government may help address these needs by offering resources that help overcome financial challenges. Furthermore, government relief programs have effectively reduced household debt distress, as noted by Cherry et al. (2021, pp. 1-81). Similarly, Varkey (2022,

pp. 190-213) explained that providing diverse livelihood programs to the people serves as a strategy for improving financial security.

8. Summary

This study explored the socioeconomic factors contributing to the reliance of low-income families in Matanao, Davao del Sur, on high-interest debt, the impact of such debt on their financial stability and emotional well-being, and their coping mechanisms. To answer the first objective of this study, this study found several socioeconomic factors contributing to the reliance of low-income families in Matanao, Davao del Sur, on high-interest debt, including economic instability and financial challenges, barriers to formal financial systems, reliance on alternative lending and personal networks, investment-driven borrowing amidst limited resources, and limited financial literacy and management skills. Furthermore, the impact of high-interest debt on the financial stability and emotional well-being of these families is reflected in themes such as emotional and mental distress, financial instability, debt pressure, and a vicious debt cycle and management. Finally, in terms of coping mechanisms, families employ strategies like financial management and planning, strengthening financial responsibility and resilience, and seeking government support and assistance.

8.1 Implications

Based on the findings of this study, several practical implications were identified that can help address the challenges faced by low-income families in managing high-interest debt. Since many participants hope that the government could offer more help, especially for livelihood, capital, and job opportunities, the current programs may not be enough or may not reach everyone in need. Because of this, the government should improve its support by creating programs that are easier to access and more suited to the real needs of low-income families. These may include giving start-up capital for small businesses, offering skills training, and providing job matching services. It is also important to include financial guidance in these programs to help families use the support properly and avoid falling into debt.

Additionally, the study found that participants often borrow from loan sharks because they cannot get loans from banks or cooperatives. This means formal lending services are not friendly or accessible to low-income people. To help solve this, banks and cooperatives should offer small loans without needing collateral, give more extended payment periods, and create loan packages that match the income situation of poor borrowers. They should also explain loan terms clearly and teach borrowers how to manage loans wisely. Doing this will help reduce the use of high-interest lenders.

Moreover, many participants said they ask for help from friends or neighbors when in financial need, showing that community support plays a significant role in their coping strategy. Because of this, local leaders and organizations can set up lending and savings groups in the barangay. These groups can collect small savings from members

and give loans with low or no interest. With help from local government or NGOs, the groups can also receive training on managing money and supporting one another. This would give families another option besides high-interest lenders.

Furthermore, some participants admitted they know little about properly budgeting, saving or handling debt. This shows the need to teach young people and adults financial skills. Local government and schools can offer basic money management lessons, like how to make a budget, how to save, and how interest works. These lessons can be included in school subjects or barangay centers for adults. When people learn these skills, they can avoid borrowing too much and learn how to manage what they have. Finally, the study showed that high-interest debt affects more than just money; it also causes stress, family problems, and emotional pressure. Because of this, future research should look deeper into how debt affects a person's mental health, family relationships, and daily life. It would also be helpful to compare the experiences of people from different towns, jobs, or income levels. This kind of research can give a clearer picture of the problem and help create better programs and solutions.

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Conflict of Interest Statement

The author(s) declare no conflict of interest related to this study. The research was conducted independently, and no financial or personal relationships with other individuals, organizations, or entities influenced the outcomes or interpretations presented in this research study.

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