

## Original Article

# Financial Well-Being and Work Engagement Enhancement Program for MFIs in Batangas, Philippines

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**Abstract.** Microfinance institutions in Batangas operate in highly competitive environments, where employees under base-salary-plus-commission schemes often experience financial stress and income instability, which may affect work engagement, emotional exhaustion, and job performance. Despite the importance of these factors, limited studies have examined their combined influence among microfinance employees. This study investigated the relationships among financial stress, work engagement, emotional exhaustion, and job performance among employees of microfinance institutions in Batangas. Using a mixed-methods convergent design, quantitative data were collected from 226 employees across five cities through stratified random sampling and analyzed using descriptive statistics and Structural Equation Modeling (SEM), while qualitative data were gathered from six supervisors through Key Informant Interviews and analyzed thematically. Findings showed that employees demonstrated good job performance, particularly in administrative competence, although maintaining delinquency-free portfolios remained challenging due to clients' economic constraints. Employees also reported financial stress associated with emergency expenses and income instability, alongside high work engagement and moderate emotional exhaustion. Results indicated that work engagement significantly enhanced job performance, whereas emotional exhaustion weakened its positive effects. The study concludes that sustaining employee performance requires organizational strategies that promote engagement, strengthen financial well-being, and reduce emotional exhaustion. Based on these findings, a Financial Well-being and Work Engagement Enhancement Program is proposed that incorporates financial literacy training, emergency savings initiatives, stress management programs, employee wellness activities, and engagement-focused support mechanisms to improve employee resilience and organizational performance.

**Keywords:** Emotional exhaustion; Financial stress; Job performance; Microfinance Institutions (MFIs); Work engagement.

Microfinance institutions (MFIs) play a critical role in promoting financial inclusion, poverty reduction, and local economic development by providing financial services to underserved communities. In the Philippines, particularly in Batangas Province, MFIs continue to expand their operations to meet the growing demand for microcredit and related services. To sustain organizational performance, many MFIs employ a base salary plus commission compensation scheme, in which employees receive a fixed salary supplemented by incentives tied to loan releases, collections, portfolio quality, and other performance indicators. While this system is intended to motivate productivity and accountability, it may also expose employees to income instability, financial stress, and heightened work pressures.

Employee stress and institutional sustainability are closely linked to portfolio quality indicators, particularly Portfolio at Risk (PAR). At the industry level, the Microfinance Council of the Philippines, Inc. (MCPI, 2022) reported that PAR over one day among reporting microfinance NGOs remained high at 15.09% in December 2021 but declined to 12.11% in December 2022, indicating gradual post-pandemic improvement in repayment performance. While this reflects sector-wide recovery, literature consistently shows that elevated PAR levels increase operational demands through intensified monitoring, stricter collection efforts, and greater accountability pressures on frontline staff. In commission-based lending environments, these conditions further constrain incentive earnings as delinquency reduces successful loan recovery and disbursement, thereby heightening financial stress and emotional strain among employees.

The Job Demands-Resources (JD-R) Theory (Bakker & Demerouti, 2022) and Self-Determination Theory (Ryan & Deci, 2020) provide useful lenses for understanding employee experiences in microfinance settings. The JD-R Theory posits that excessive job demands may lead to strain and emotional exhaustion, while adequate resources foster engagement and performance. Self-Determination Theory emphasizes the importance of satisfying employees' psychological needs to sustain motivation, well-being, and work engagement. In the context of commission-based microfinance work, these theories suggest that financial stress and emotional exhaustion may undermine employee performance, whereas work engagement may serve as a positive motivational resource. The findings of the present study supported these theoretical propositions, as work engagement emerged as the strongest predictor of job performance, whereas emotional exhaustion reduced employees' engagement.

Existing studies have documented the effects of financial stress, work engagement, emotional exhaustion, and job performance across various organizational settings. Research has shown that financial insecurity may impair concentration, increase psychological strain, and reduce work effectiveness, while high levels of work engagement are associated with improved productivity, commitment, and service quality. Conversely, emotional exhaustion has been identified as a significant predictor of reduced job performance and employee well-being. Although these relationships have been explored in different industries, evidence specific to Philippine microfinance institutions remains limited.

Moreover, existing studies on microfinance employees frequently examine these variables independently and often rely on quantitative or qualitative approaches alone. Few mixed-methods studies have investigated the combined influence of financial stress, work engagement, and emotional exhaustion on job performance among employees of MFIs in Batangas Province. Consequently, there remains limited context-specific evidence explaining how these factors interact within the unique operational environment of Batangas MFIs, where employees are exposed to performance-based compensation systems, demanding collection targets, and external economic uncertainties. This gap is significant because employee well-being and performance directly influence portfolio quality, client relationships, and institutional sustainability. Understanding the interplay among financial stress, work engagement, emotional exhaustion, and job performance may help MFI managers design evidence-based interventions, realistic performance expectations, supportive compensation policies, and employee development initiatives that promote both employee welfare and organizational effectiveness.

Given these considerations, this study examined the relationships among financial stress, work engagement, emotional exhaustion, and job performance among microfinance employees in Batangas Province. Specifically, it aimed:

1. To describe the job performance of microfinance employees and identify factors that facilitate or hinder their performance;
2. To determine the level of financial stress experienced by microfinance employees and identify factors contributing to such stress;
3. To describe the level of work engagement among microfinance employees;
4. To describe the level of emotional exhaustion among microfinance employees;
5. To test the structural relationships among financial stress, work engagement, emotional exhaustion, and job performance through Structural Equation Modeling (SEM) and develop a best-fit model;
6. To identify managerial support mechanisms that influence employees' financial stress, work engagement, emotional exhaustion, and job performance; and
7. To propose a Financial Well-being and Work Engagement Enhancement Program based on the study findings.

## Methodology

### Research Design

This study employed a convergent mixed-methods research design, in which quantitative and qualitative data were collected during the same phase of the study, analyzed separately, and integrated during interpretation. This design was selected to provide a comprehensive understanding of the relationships among financial stress, work engagement, emotional exhaustion, and job performance among microfinance employees in Batangas Province. The quantitative component utilized Structural Equation Modeling (SEM) to examine the direct and indirect relationships among the study variables and to develop a best-fit model explaining employee job performance. The qualitative component employed Key Informant Interviews (KIIs) with supervisors to provide contextual insights into employees' experiences and organizational practices. Integrating both strands of data enabled the validation and enrichment of statistical findings through real-world perspectives from the microfinance sector.

### Participants and Sampling

The study involved base-salary-plus-commission employees of microfinance institutions (MFIs) in Batangas Province as respondents for the quantitative phase and MFI supervisors as participants for the qualitative phase. Employees were selected because they directly experience financial stress, work engagement, emotional exhaustion, and job performance demands associated with commission-based work arrangements. Supervisors were included to provide organizational perspectives that complemented employee responses. Among the 51 registered MFIs operating in Batangas Province, 23 institutions were identified as implementing a base salary plus commission compensation scheme. Twenty-one branches from five cities participated in the study. A total population of 547 qualified employees was identified. Using the Raosoft sample size calculator with a 95% confidence level and 5% margin of error, the required sample size was 226 respondents.

Stratified random sampling with proportional allocation was employed to ensure adequate representation from each city. Within each stratum, respondents were selected through simple random sampling using the lottery method.

**Table 1.** *Distribution of Population and Sample Size*

| City            | Population (N) | Sample Size (n) |
|-----------------|----------------|-----------------|
| Batangas City   | 198            | 82              |
| Lipa City       | 186            | 77              |
| Tanauan City    | 92             | 38              |
| Sto. Tomas City | 37             | 15              |
| Calaca City     | 34             | 14              |
| <b>Total</b>    | <b>547</b>     | <b>226</b>      |

For the qualitative component, six supervisors were purposively selected based on the following criteria: (1) at least one year of supervisory experience, (2) at least three years of experience in the microfinance industry, and (3) direct supervision of at least five commission-based employees. Data collection continued until thematic saturation was achieved.

## Research Instruments

Four instruments were utilized in the study. Job performance was measured using a 10-item researcher-developed scale based on preliminary supervisor interviews and expert validation. Financial stress was assessed using a 10-item instrument adapted from Ren and Zhang (2021). Work engagement was measured using a modified version of the Utrecht Work Engagement Scale (UWES), covering vigor, dedication, and absorption. Emotional exhaustion was assessed using the Emotional Exhaustion subscale of the Maslach Burnout Inventory (MBI-EE).

The instruments employed different response formats, specifically five-point, six-point, and seven-point Likert scales, consistent with the original validated versions of the adopted instruments. The scales were retained to preserve the psychometric properties and construct validity established by their developers. During SEM analysis, variables were treated as latent constructs using standardized estimates to minimize the effects of differences in scale ranges. A pilot test involving 20 microfinance employees from Laguna Province was conducted to establish reliability and contextual suitability. Internal consistency reliability was assessed using Cronbach's alpha coefficients. Results indicated acceptable to excellent reliability: Job Performance ( $\alpha = .762$ ), Financial Stress ( $\alpha = .906$ ), Work Engagement ( $\alpha = .975$ ), and Emotional Exhaustion ( $\alpha = .938$ ), with an overall reliability coefficient of  $\alpha = .895$ . The Work Engagement scale demonstrated exceptionally high internal consistency ( $\alpha = .975$ ), which may indicate item redundancy. Consequently, item intercorrelations and factor loadings were examined during SEM analysis to determine whether item reduction was necessary. However, because all indicators exhibited strong theoretical relevance and satisfactory factor loadings, no items were removed from the final analysis.

## Data Gathering Procedure

Prior to data collection, permission was obtained from the participating microfinance institutions, and ethical clearance was obtained from the appropriate institutional authorities. During the instrument development phase, exploratory interviews with eight MFI supervisors were conducted on July 4, 11, and 30, 2025, to identify commonly used employee performance indicators. Findings from these interviews informed the development of the job performance instrument.

The draft questionnaire underwent expert validation by the research adviser, panel members, and subject matter experts. Following validation, pilot testing was conducted among 20 commission-based MFI employees in Laguna Province. Reliability analysis yielded an overall Cronbach's alpha coefficient of .895, indicating strong internal consistency. The final questionnaire was completed and approved on August 15, 2025. The period between August and November 2025 was devoted to obtaining institutional permissions, coordinating schedules with participating MFIs, securing respondent access, and finalizing logistics for large-scale data collection across multiple cities. Actual survey administration was conducted between December 12 and December 31, 2025.

Respondents completed the questionnaire in approximately eight to fifteen minutes. Completed questionnaires were retrieved, checked for completeness, and prepared for statistical analysis. For the qualitative phase, semi-structured Key Informant Interviews were conducted with six supervisors between December 26 and December 29, 2025, through both face-to-face and online platforms. Interviews focused on organizational factors that influence employees' financial stress, work engagement, emotional exhaustion, and job performance. All interviews were audio-recorded with participant consent and transcribed verbatim for analysis. Quantitative and qualitative findings were integrated during the interpretation phase to identify areas of convergence, complementarity, and divergence.

## Data Analysis

Completed questionnaires were screened for completeness and accuracy prior to analysis. Frequency counts and percentages were used to describe respondents' demographic characteristics. Weighted means and standard deviations were computed to determine the levels of financial stress, work engagement, emotional exhaustion, and job performance. Structural Equation Modeling (SEM) using SPSS AMOS was employed to examine the relationships among financial stress, work engagement, emotional exhaustion, and job performance and to identify the best-fit model. Model fit was evaluated using multiple fit indices commonly recommended in SEM literature. Acceptable model fit was determined using the following criteria: Comparative Fit Index ( $CFI \geq .90$ ), Tucker-Lewis Index ( $TLI \geq .90$ ), Root Mean Square Error of Approximation ( $RMSEA \leq .08$ ), Standardized Root Mean Square Residual ( $SRMR \leq .08$ ), and Chi-square divided by degrees of freedom ( $\chi^2/df \leq 3.00$ ) (Hair et al., 2019;

Kline, 2016). Standardized regression weights were used to assess the significance, direction, and magnitude of structural relationships among latent variables.

For the qualitative component, interview transcripts were analyzed using Braun and Clarke's (2006) six-phase thematic analysis. Initial codes were generated, reviewed, refined, and organized into themes related to financial stress, work engagement, emotional exhaustion, and job performance. To ensure trustworthiness, the study employed triangulation, expert validation, pilot testing, verbatim transcription, and systematic documentation of coding and analytical decisions. Integration of qualitative themes with SEM findings strengthened the credibility and interpretive depth of the results.

### Ethical Considerations

This study adhered to established ethical standards governing research involving human participants. Participation was voluntary, and informed consent was obtained from all respondents and interview participants prior to data collection. Participants were informed of the purpose of the study, their right to withdraw at any time, and the measures taken to ensure confidentiality and anonymity. This study was reviewed and approved by the Batangas State University Research Ethics Committee prior to data collection. Ethical clearance was issued in accordance with institutional research guidelines. All data were treated with strict confidentiality and used solely for academic purposes. Electronic files were password-protected, while printed documents were securely stored. Research records will be retained for 3 years and subsequently disposed of in accordance with institutional data management policies.

## Results and Discussion

### Job Performance of Microfinance Employees

**Table 2.** *Job Performance of the Respondents of the Study*

| Statements                                                                              | Mean        | SD          | Interpretation |
|-----------------------------------------------------------------------------------------|-------------|-------------|----------------|
| 1. Hitting the target number of sales                                                   | 4.96        | 1.49        | Good           |
| 2. Having zero past due or a clear portfolio                                            | 4.48        | 1.84        | Good           |
| 3. Hitting a certain number of clients                                                  | 5.19        | 1.44        | Good           |
| 4. Being introduced to a new target mentor                                              | 4.72        | 1.64        | Good           |
| 5. Fulfilling all responsibilities like client service, loan processing, and reporting. | 5.64        | 1.48        | Very Good      |
| <b>Overall</b>                                                                          | <b>4.99</b> | <b>1.13</b> | <b>Good</b>    |

The present study found that microfinance employees demonstrated a good level of job performance ( $M = 4.99$ ,  $SD = 1.14$ ), indicating that respondents generally fulfilled their responsibilities effectively despite the demands associated with commission-based work arrangements. Among the performance indicators, the fulfillment of general duties and responsibilities obtained the highest mean score ( $M = 5.64$ ,  $SD = 1.48$ ). This finding suggests that employees consistently performed essential operational functions, including client servicing, loan processing, monitoring, and report preparation. The result may be attributed to the structured performance management systems, regular monitoring, and supervisory guidance implemented by participating microfinance institutions. This finding is consistent with the study of Carandang (2023), who reported that performance-support mechanisms and incentive systems positively influenced employee effectiveness and productivity.

However, the present study extends previous findings by demonstrating that job performance among microfinance employees is influenced not only by performance management practices but also by psychological and financial factors operating within a commission-based compensation environment. Qualitative findings revealed that mentoring, performance feedback, and managerial guidance were perceived as important contributors to employee effectiveness. Conversely, maintaining a delinquency-free portfolio received the lowest mean score ( $M = 4.48$ ,  $SD = 1.84$ ), although it remained within the "Good" category. This finding suggests that portfolio management remained challenging because repayment outcomes are often influenced by factors beyond employees' direct control, including borrowers' financial conditions and local economic disruptions. Interview participants explained that even highly committed employees encountered difficulties in maintaining portfolio quality when clients experienced financial hardships, natural disasters, or business disruptions. These findings highlight the unique challenges associated with microfinance work, where employee performance is partly dependent on external client circumstances. Overall, the findings suggest that while employees generally

demonstrated good performance, organizational support mechanisms and contextual economic conditions jointly influenced their ability to sustain high levels of effectiveness. The results contribute to the understanding of employee performance in microfinance institutions by illustrating how organizational systems and environmental realities interact within commission-based work settings.

### Financial Stress of Microfinance Employees

Employees reported experiencing financial stress to a great extent ( $M = 3.93$ ,  $SD = .97$ ). The findings indicate that income variability, financial obligations, and concerns regarding long-term financial security contributed substantially to employees' financial strain. The highest-rated source of stress involved concerns about handling emergency expenses ( $M = 4.15$ ), suggesting limited financial resilience among employees. This finding aligns with studies indicating that unstable income and limited savings reduce individuals' capacity to absorb financial shocks. Interestingly, stress associated with irregular earnings received the lowest mean score ( $M = 3.48$ ). This result suggests that employees had partially adapted to the commission-based nature of their compensation system. Qualitative findings further revealed that financial stress was often situational rather than constant. Supervisors noted that employees generally managed financial pressures when commissions were earned regularly but experienced heightened stress during periods of low sales performance or increased household expenditures.

**Table 3.** *Extent of Financial Stress*

| Statements                                                                                                                 | Mean        | SD          | Interpretation      |
|----------------------------------------------------------------------------------------------------------------------------|-------------|-------------|---------------------|
| 1. Worrying about being able to cover my basic monthly living expenses with my current income from salary and commissions. | 3.91        | 1.31        | Great Extent        |
| 2. Feeling stressed about the inconsistency of my monthly earnings as a commission-based agent.                            | 3.48        | 1.30        | Moderate Extent     |
| 3. Often thinking about the possible financial consequences of my low sales performance                                    | 3.90        | 2.42        | Great Extent        |
| 4. Feeling overwhelmed with financial support for my extended family                                                       | 3.79        | 1.45        | Great Extent        |
| 5. Being concerned that my income may not be enough to support unexpected expenses or emergencies.                         | 4.15        | 2.38        | Great Extent        |
| 6. Worrying about the long-term financial stability of working on a base salary plus commission arrangement.               | 3.96        | 1.37        | Great Extent        |
| <b>Overall</b>                                                                                                             | <b>3.93</b> | <b>0.97</b> | <b>Great Extent</b> |

Overall, the results imply that financial stress among microfinance employees is not solely driven by income structure but is also shaped by variability in earnings flow and timing of financial obligations. This pattern suggests a cyclical stress experience, where periods of low income intensify perceived financial vulnerability despite occasional financial stability during peak performance months. Consequently, financial well-being in commission-based microfinance roles appears highly sensitive to both performance outcomes and household financial demands. In addition, the relatively high overall mean indicates that financial strain is a persistent condition rather than an isolated or temporary experience for many employees. This sustained pressure may affect employees' cognitive focus and decision-making, particularly in tasks requiring sustained client follow-up and collection efforts. The findings also suggest that financial insecurity may reinforce performance pressure, as employees become more motivated to meet targets to stabilize income. However, this performance-driven coping mechanism may simultaneously increase stress during periods of low sales achievement. Taken together, these results highlight the dual role of commission-based systems as both a motivator and a stressor in microfinance employment contexts.

### Work Engagement of Microfinance Employees

Employees demonstrated a high level of work engagement ( $M = 4.83$ ,  $SD = .99$ ). The results indicate that employees remained motivated, energetic, and committed to their work despite experiencing financial stress and demanding performance expectations. The highest mean score was associated with intrinsic satisfaction from closing deals ( $M = 5.06$ ), suggesting that successful performance outcomes reinforced employee motivation and commitment. Interview findings revealed that personal commitment, supervisory support, performance incentives, and peer collaboration strengthened engagement. Supervisors reported that mentoring and field coaching helped employees remain focused and motivated, while incentive systems provided tangible rewards for performance achievement. The findings support the Job Demands–Resources Theory, which posits that adequate job resources such as supervisory support, feedback, and recognition enhance employee engagement

and motivation.

**Table 4.** *Level of Work Engagement as Perceived by the Respondents*

| Statements                                                                                                                                                      | Mean        | SD          | Interpretation |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|----------------|
| 1. Feel energized and driven at work to achieve predefined performance targets related to clients, loans, or service delivery.                                  | 4.64        | 1.28        | High           |
| 2. Remain persistent in engaging potential clients despite experiencing rejection.                                                                              | 4.87        | 1.20        | High           |
| 3. Sustain motivation while performing daily financial service tasks for extended periods.                                                                      | 4.70        | 1.15        | High           |
| 4. Demonstrate mental strength and resilience during challenging workdays and when performance targets are unmet.                                               | 4.80        | 1.15        | High           |
| 5. Express pride in their role as partners in organizational growth, as reflected in consistent adherence to institutional identification and uniform policies. | 4.80        | 1.27        | High           |
| 5. Express pride in their role as partners in organizational growth, as reflected in consistent adherence to institutional identification and uniform policies. | 4.80        | 1.27        | High           |
| 6. Feel deeply absorbed in their work, especially while interacting with clients and providing financial services.                                              | 4.86        | 1.17        | High           |
| 7. Feeling genuinely excited and inspired by the opportunity to earn through my performance.                                                                    | 4.88        | 1.18        | High           |
| 8. Feeling excited when closing a deal.                                                                                                                         | 5.06        | 1.20        | High           |
| <b>Overall</b>                                                                                                                                                  | <b>4.83</b> | <b>0.98</b> | <b>High</b>    |

Beyond these quantitative indicators, the consistently high scores across all engagement dimensions suggest that engagement is multidimensional, encompassing vigor, dedication, and absorption in work activities. Employees' persistence in client acquisition despite repeated rejections indicates strong resilience and goal-oriented behavior within high-pressure environments. The high level of pride in organizational identity further reflects strong affective commitment, which may reinforce sustained engagement over time. These results also imply that intrinsic motivators, such as achievement and client success, are more influential than external pressures in sustaining engagement levels. The elevated engagement observed may also serve as a coping mechanism that helps employees manage occupational stressors. Moreover, the synergy between incentive systems and supervisory support appears to create a reinforcing cycle of motivation and performance. However, reliance on performance-linked rewards may also make engagement vulnerable during periods of low sales outcomes. Despite such risks, the overall pattern suggests that employees maintain a strong psychological connection to their roles. This sustained engagement likely contributes to organizational productivity and service continuity in microfinance operations.

### Emotional Exhaustion of Microfinance Employees

Employees reported a moderate level of emotional exhaustion ( $M = 3.45$ ,  $SD = 1.52$ ). The findings suggest the presence of early burnout symptoms rather than severe emotional depletion. Fatigue following client interactions received the highest mean score ( $M = 4.03$ ), indicating that direct customer-facing responsibilities were emotionally demanding. Qualitative findings revealed that employees managed emotional exhaustion through personal coping strategies, supervisory support, and organizational wellness activities. Supervisors noted that team-building activities, informal counseling, and regular interaction with managers helped employees recover from workplace stress.

**Table 5.** *Level of Emotional Exhaustion*

| Statements                                                                         | Mean        | SD          | Interpretation  |
|------------------------------------------------------------------------------------|-------------|-------------|-----------------|
| 1. Feeling drained after a full day of fieldwork and client meetings               | 4.03        | 1.60        | High            |
| 2. Finding emotionally numb when listening to clients' stories                     | 3.63        | 1.52        | Moderately High |
| 3. Even small tasks at work feel overwhelming lately                               | 3.81        | 4.31        | Moderately High |
| 4. Feeling like I have nothing more to give to my clients.                         | 3.33        | 3.28        | Moderate        |
| 5. Losing sleep worrying about loan collections and client repayments              | 3.39        | 1.81        | Moderate        |
| 6. Feeling unmotivated to start my day, even when I know it's important.           | 3.18        | 1.82        | Moderate        |
| 7. Getting irritated easily with clients or teammates, even over minor issues.     | 3           | 1.69        | Moderate        |
| 8. No longer feel the same pride or joy I used to feel in helping clients succeed. | 3.15        | 1.82        | Moderate        |
| 9. Feeling like the demands of my job are never- ending                            | 3.66        | 1.84        | Moderately High |
| 10. Sometimes fantasize about quitting just to get peace of mind.                  | 3.37        | 2.02        | Moderate        |
| <b>Overall</b>                                                                     | <b>3.45</b> | <b>1.52</b> | <b>Moderate</b> |

Although emotional exhaustion remained moderate, the findings suggest that prolonged exposure to workload pressures may eventually undermine employee well-being if not addressed through preventive interventions.

Recent literature reinforces these findings, emphasizing that emotional exhaustion is a central dimension of burnout among frontline financial service employees. Studies during and after the COVID-19 pandemic report that sustained job demands, particularly in customer-facing and performance-driven roles, significantly increase emotional fatigue and reduce psychological resources over time (Allam et al., 2021). Moreover, the Job Demands–Resources framework explains that continuous exposure to high emotional demands without sufficient recovery or resources can gradually intensify burnout symptoms, even when initial levels appear moderate (Ndengu & Leka, 2022). In this context, the moderate exhaustion observed in the present study may represent an early stage of strain accumulation that, if unmanaged, could progress into more severe burnout conditions, particularly in high-pressure microfinance environments.

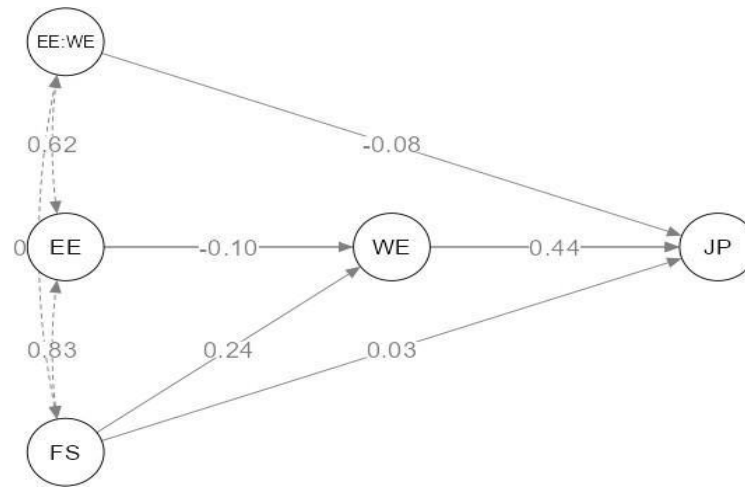
These findings further suggest that emotional exhaustion among microfinance employees is primarily driven by sustained interpersonal demands rather than isolated work incidents. Continuous client engagement, particularly in collection and loan follow-ups, exposes employees to emotionally charged interactions that gradually deplete psychological resources. The moderate levels of detachment and reduced sense of pride indicate early signs of emotional distancing, which may function as a short-term coping mechanism. However, prolonged reliance on such coping strategies may weaken employee-client relationships over time. The presence of moderate scores in motivation-related items suggests that exhaustion has not yet fully disrupted work commitment, but may reduce consistency under prolonged stress exposure. This aligns with the Job Demands–Resources framework, which posits that excessive demands without adequate recovery resources gradually erode employee well-being and engagement (Bakker & Demerouti, 2022). Moreover, the findings imply that emotional exhaustion in microfinance settings is cyclical, often intensifying during peak collection periods and subsiding during less demanding cycles. Employees’ reports of feeling overwhelmed by “never-ending” job demands reflect perceived lack of recovery time between high-pressure tasks. The occasional desire to quit indicates psychological withdrawal tendencies, although not yet translating into actual turnover intention. If unaddressed, these moderate exhaustion levels may escalate into full burnout, potentially affecting service quality and client satisfaction.

## Structural Equation Model of Job Performance

**Table 9.** *Summary of Competing Structural Models and Rationale for Model Selection*

| Model | Description                                       | Rationale for Elimination/Retention                                                                                                                                                                                                                                                                                           |
|-------|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A     | Parsimonious moderated-mediation model            | Rejected because emotional exhaustion was not modeled as a predictor of work engagement, limiting its ability to explain the engagement process observed among employees.                                                                                                                                                     |
| B     | Direction-flip model (Engagement → Exhaustion)    | Rejected because the proposed direction contradicted the theoretical assumptions of the JD-R Theory, which posits that exhaustion influences engagement rather than the reverse.                                                                                                                                              |
| C     | Full mediation model                              | Rejected because it assumed that financial stress affected job performance only indirectly through engagement, resulting in a less comprehensive representation of employee experiences.                                                                                                                                      |
| D     | No-moderation baseline model                      | Rejected because excluding interaction effects failed to capture the conditioning role of emotional exhaustion on the relationship between work engagement and job performance.                                                                                                                                               |
| E     | Curvilinear effects model                         | Rejected because the addition of nonlinear effects increased model complexity without providing meaningful theoretical or empirical improvement.                                                                                                                                                                              |
| F     | Hybrid interaction-curvature model                | Rejected because the model was overly complex and less parsimonious than competing alternatives while offering limited additional explanatory value.                                                                                                                                                                          |
| G     | Financial Stress × Engagement interaction model   | Rejected because the interaction between financial stress and work engagement did not substantially improve the explanation of job performance.                                                                                                                                                                               |
| H     | Full two-way moderation model                     | Rejected because including all possible interaction terms resulted in unnecessary complexity and reduced model parsimony.                                                                                                                                                                                                     |
| I     | Reciprocal moderation model                       | Rejected because the additional moderation pathway between emotional exhaustion and financial stress contributed little to model fit and interpretability.                                                                                                                                                                    |
| J     | Resource-Conditioned Dual Mediation Model         | Rejected despite acceptable fit because the added interaction pathway (EE × FS → WE) increased complexity without improving explanatory efficiency over the final model.                                                                                                                                                      |
| K     | Fully Mediated Dual-Interaction Engagement Model  | Rejected because it exhibited weaker model fit and assumed complete mediation, which was not supported by the data.                                                                                                                                                                                                           |
| L     | Exhaustion-Conditioned Engagement Mediation Model | Retained as the final model because it demonstrated excellent model fit (CFI = .997, TLI = .981, RMSEA = .024, SRMR = .016), theoretical coherence, and parsimony. The model effectively explained job performance through work engagement while accounting for the negative influence of emotional exhaustion on engagement. |

To identify the most appropriate model explaining job performance among microfinance employees, twelve competing structural models (Models A–L) were tested. The models differed in their assumptions regarding direct effects, mediation pathways, moderation effects, and nonlinear relationships among financial stress, emotional exhaustion, work engagement, and job performance. Models A–K were sequentially evaluated and eliminated because they either demonstrated weaker theoretical alignment, unnecessary complexity, insufficient explanatory power, or inferior fit relative to competing specifications. Model L, designated as the Exhaustion-Conditioned Engagement Mediation Model, was retained as the final model because it achieved excellent goodness-of-fit indices (CFI = .997, TLI = .981, RMSEA = .024, SRMR = .016) while maintaining theoretical coherence and parsimony. The model demonstrated that work engagement served as the primary mechanism linking employee experiences to job performance, with emotional exhaustion reducing engagement and weakening its positive influence on performance.



**Figure 1.** *Developed Statistical Equation Model*

**Legend:**

FS – Financial Stress  
 EE – Emotional Exhaustion  
 WE – Work Engagement  
 JP – Job Performance

Model L emerged as the best-fitting model and satisfied established SEM fit criteria (CFI, TLI, RMSEA, SRMR, and  $\chi^2/df$ ). The final structural model, specified in lavaan syntax as  $JP \sim FS + EE + WE + EE:WE$ ;  $WE \sim FS + EE$ , represents an Exhaustion-Conditioned Engagement Mediation Model of Job Performance. In this model, work engagement serves as the primary mechanism through which financial stress and emotional exhaustion influence job performance. The results indicate that financial stress is positively associated with work engagement, whereas emotional exhaustion is negatively associated with engagement. Furthermore, the interaction term between emotional exhaustion and work engagement suggests that higher levels of exhaustion attenuate the positive effect of work engagement on job performance. Thus, while work engagement contributes positively to job performance, its beneficial influence is diminished when employees experience elevated emotional exhaustion.

The model demonstrated excellent global fit across established fit indices, supporting its adequacy in explaining the relationships among the study variables. Given its theoretical coherence, statistical parsimony, and strong model fit, this specification was retained as the final structural model. Beyond the statistical fit, the structural relationships provide meaningful theoretical insights into employee behavior in microfinance settings. The positive linkage between financial stress and work engagement suggests that financial pressure may function as a motivational driver, particularly in commission-based environments where earnings are performance-contingent. However, this motivating effect appears conditional rather than absolute, as it is shaped by the employee's emotional capacity to sustain effort. Emotional exhaustion, on the other hand, consistently disrupts

motivational processes by reducing energy availability and psychological resilience.

The moderating role of emotional exhaustion highlights that engagement alone is insufficient to guarantee optimal job performance under high strain conditions. Even highly engaged employees may experience diminished productivity when emotional resources are depleted. This suggests that engagement and exhaustion operate simultaneously rather than independently, producing a dynamic tension within the employee experience. In practical terms, this means that employees may remain psychologically committed to their tasks while still experiencing reduced effectiveness due to fatigue-related constraints. Additionally, the interaction effect between emotional exhaustion and work engagement underscores the importance of recovery and well-being in sustaining performance outcomes. When exhaustion is high, the conversion of engagement into productive output becomes less efficient. This finding reinforces the idea that engagement is a necessary but not sufficient condition for high performance in emotionally demanding work environments.

From a managerial perspective, the model implies that organizational interventions should focus not only on enhancing engagement but also on actively reducing emotional exhaustion. Strategies such as workload regulation, emotional support systems, and recovery-enhancing practices may help preserve the positive effects of engagement. Without such interventions, the long-term sustainability of performance gains driven by engagement may be compromised. Overall, the developed model provides a comprehensive explanation of how financial stress, emotional exhaustion, and work engagement jointly shape job performance. It highlights the importance of considering both motivational and strain-based pathways in understanding employee outcomes. The model further emphasizes that optimal performance arises from a balance between energy generation (engagement) and energy depletion (exhaustion), rather than engagement alone.

**Table 10.** Results of the Final Structural Model

| Path                                                     | UnStdz Est. | SE  | Stdz. B | Z     | p      | Decision to Ho   | Interpretation  |
|----------------------------------------------------------|-------------|-----|---------|-------|--------|------------------|-----------------|
| <b>Direct Effects</b>                                    |             |     |         |       |        |                  |                 |
| Financial Stress → Job Performance                       | .03         | .08 | .02     | .34   | .740   | Failed to Reject | Not Significant |
| Emotional Exhaustion → Job Performance                   | .06         | .05 | .09     | 1.17  | .240   | Failed to Reject | Not Significant |
| Work Engagement → Job Performance                        | .44         | .07 | .38     | 6.14  | < .001 | Reject           | Significant     |
| Emotional Exhaustion × Work Engagement → Job Performance | -.08        | .04 | -.12    | -1.91 | .060   | Failed to Reject | Not Significant |
| <b>Predictors of Work Engagement</b>                     |             |     |         |       |        |                  |                 |
| Financial Stress → Work Engagement                       | .24         | .07 | .26     | 3.47  | < .001 | Reject           | Significant     |
| Emotional Exhaustion → Work Engagement                   | -.10        | .05 | -.15    | -2.05 | .040   | Reject           | Significant     |
| <b>Indirect Effects</b>                                  |             |     |         |       |        |                  |                 |
| Financial Stress → Work Engagement → Job Performance     | .11         | .04 | .10     | 3.02  | < .001 | Reject           | Significant     |
| Emotional Exhaustion → Work Engagement → Job Performance | -.04        | .02 | -.06    | -1.94 | .050   | Failed to Reject | Not Significant |

Results showed that work engagement significantly predicted job performance ( $\beta = .383$ ,  $p < .001$ ). Financial stress significantly predicted work engagement ( $\beta = .261$ ,  $p < .001$ ), while emotional exhaustion negatively predicted work engagement ( $\beta = -.154$ ,  $p = .040$ ). The findings suggest that financial pressure may motivate employees to exert greater effort, resulting in higher engagement levels. However, emotional exhaustion reduced employees' capacity to remain engaged, thereby weakening performance outcomes. In mediation terms, Work Engagement significantly mediated the relationship between Financial Stress and Job Performance ( $a_1b$ ), supporting the proposition that engagement serves as a mechanism through which financial stress influences performance outcomes. However, Work Engagement did not significantly mediate the relationship between Emotional Exhaustion and Job Performance ( $a_2b$ ). These findings underscore the central role of Work Engagement as the primary pathway linking employee experiences to job performance in the final structural model.

Furthermore, work engagement significantly mediated the relationship between financial stress and job performance ( $\beta = .100$ ,  $p = .003$ ). This finding supports the Job Demands-Resources Theory, which proposes that engagement transforms workplace demands into productive outcomes when adequate motivational resources are present. Overall, the final model demonstrated that work engagement served as the central mechanism through

which financial stress influenced employee performance. Emotional exhaustion weakened engagement but did not directly reduce performance, suggesting that moderate exhaustion may not immediately impair productivity.

### **Managerial Support Mechanisms Influencing Employee Outcomes**

Qualitative findings revealed several managerial support mechanisms that contributed to employees' job performance, financial well-being, work engagement, and emotional exhaustion management. Key mechanisms included: performance coaching and mentoring; regular feedback and monitoring; financial assistance programs; team-building and wellness activities; supervisory role modeling; and emotional support and guidance. Participants emphasized that these mechanisms helped employees cope with occupational challenges, maintain motivation, and achieve performance expectations. These findings suggest that managerial support functions as an important organizational resource that strengthens engagement while reducing the negative effects of financial stress and emotional exhaustion.

### **Conclusion**

This study contributes to the growing body of literature on employee well-being and performance in microfinance institutions by demonstrating that work engagement serves as the primary mechanism through which financial stress and emotional exhaustion influence job performance. Consistent with the Job Demands-Resources (JD-R) Theory and Self-Determination Theory, the findings suggest that employees can remain productive and engaged despite financial pressures when adequate organizational resources, supervisory support, and motivational mechanisms are present. The developed Structural Equation Model (Model L) provides a context-specific explanation of employee performance in commission-based microfinance settings and highlights the central role of engagement in sustaining productivity.

From a practical and policy perspective, the findings underscore the importance of balancing performance expectations with employee support systems. While financial stress appeared to motivate greater work engagement among employees, prolonged emotional exhaustion weakened this positive effect, emphasizing the need for interventions that promote both performance and well-being. The study further demonstrated that managerial support through mentoring, coaching, feedback mechanisms, financial assistance, and wellness initiatives functions as a critical organizational resource that enhances employee resilience and effectiveness.

As a major output of the study, the proposed Financial Well-being and Work Engagement Enhancement Program provides a structured framework for improving employee outcomes in microfinance institutions. The program includes financial literacy and budgeting workshops, emergency savings and financial wellness initiatives, employee assistance and stress management activities, engagement-enhancing mentoring programs, recognition and incentive mechanisms, and organizational wellness interventions designed to reduce emotional exhaustion and sustain employee motivation.

Despite its contributions, the study has several limitations. The research focused exclusively on base-salary-plus-commission employees from selected microfinance institutions in Batangas Province, which may limit the generalizability of findings to other geographic locations, organizational settings, or compensation structures. Additionally, the quantitative data relied on self-reported measures that may be influenced by social desirability and response bias. The cross-sectional nature of the study also limits causal interpretations among the variables examined.

Future research may validate the developed model using larger and more diverse samples from different regions and microfinance contexts. Longitudinal studies are likewise recommended to examine changes in financial stress, work engagement, emotional exhaustion, and job performance over time. Further investigations may also explore additional organizational and psychological variables, such as leadership style, organizational culture, job satisfaction, resilience, and perceived organizational support, to enhance understanding of employee performance and well-being in the microfinance sector.

### **Contributions of Authors**

**Author 1:** Conceptualization, proposal writing, methodology, data gathering, interpretation of results, manuscript writing, revision, and final approval of the manuscript.

**Author 2:** Helped formulate the study, methodology guidance, supervision, and manuscript review.

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