

## FINANCIAL LITERACY OF WOMEN MICRO-ENTREPRENEURS

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### Abstract

Financial literacy may be the greatest factor to the success of women entrepreneurship which play a crucial role in the Philippine economy. Microenterprises empower women economically, socially, and politically. However, their self-confidence and decision-making abilities are largely influenced by their financial literacy. The unprecedented impact of the COVID 19 Pandemic crisis on microbusinesses have posed challenges for women who have to carry on financial management based on their current financial knowledge. This research determined the level of financial literacy among 50 dry goods vendors in Subic Zambales, Philippines, in terms of their financial knowledge, financial behavior, and financial attitude, the three aspects of financial literacy on how they managed their funds and finances during the pandemic. This quantitative study which used a semi-structured survey showed that the respondents are very highly financially literate, their financial behavior and their financial attitude varies depending on their age. The current findings may be useful for government institutions formulating policies, programs, and services in line with gender and development towards women empowerment. Further research on other influencing factors and needs for enhancing women entrepreneurs' financial literacy is highly recommended.

**Keywords:** Financial Literacy, Women's Economic Independence, Women Financial Empowerment, Women's Financial Behaviour

### INTRODUCTION

Dry goods retail businesses are considered one of the micro enterprises in the Philippines, a section in a public market in charge of trading textiles, footwear, rice and general merchandise. Micro and small businesses (MSEs) are key contributors to local economies, bringing growth and innovation to the community and the country. Similarly, micro-enterprises play a big role in the advancement of a community, municipality, and/or even a city by providing employment and taxes for the local government (Yap, 2019). On the other hand, financial literacy is an important factor for these business entrepreneurs as it helps them manage cash and debt effectively and helps to lessen financial distress, according to the Corporate Finance Institute (2021). According to Yap (2018), entrepreneurship is a management agent as entrepreneurs perform all the functions of business management, together with their financial literacy skills.

It is a skill that brings many benefits that can improve an individual's standard of living, such as increased financial stability. As financial literacy rates differ in important ways when it comes to characteristics such as gender, education level, income, and age, according to a study by Lusardi and Mitchell (2014), it is important to assess financial literacy in the country's local businesses. In support of that, Ali (2018) stated that financial literacy has become more important than ever in today's world, and it is essential that each person should have the ability to understand how money works, how to manage it to earn and to invest or how to donate it to others. Moreover, according to Fernando (2021), understanding and using various financial abilities, such as personal financial management, investing and budgeting, is referred to as

financial literacy. Furthermore, the dry goods retail businesses are significant to one country's economic growth, whereas according to the Asian Development Bank (2016), these MSEs are considered the backbone of Asian economies. However, despite being integral to the economy, according to Engidaw (2021), small and large businesses are suffering challenges due to the unprecedented coronavirus crisis, which has caused destruction for many businesses. It is challenging to survive with reduced revenue, lost jobs and weak marketing performance.

Moreover, Amador (2010) states that in order for dry goods entrepreneurs to command success, they must have financial agility and literacy to stay resilient and ultimately thrive in the market. Therefore, the business survival of micro businesses depends largely on sound financial management. Yet, a study by Standard and Poor (2016) found that only 25 percent of Filipinos are financially literate, with over 75 million having no idea about insurance, inflation, and even the mere idea of savings accounts. However, there have been efforts by both the public and private sector put in place to promote financial literacy; the numbers of Filipinos who invest, whether in stocks, insurance, or mutual funds, remain between 8 to 10 percent only.

According to the Subic Market Office reports, businesses are always thriving. The public market is made up of locally owned, independent businesses operated by their owners. Every day, the dry and wet market sections are usually busy, especially during peak seasons and market days. On the matter of financial transactions, it can be observed that the owners and their employees can do basic monetary transactions such as receiving payments, giving change, getting and paying loans, and buying goods from their suppliers in exchange for money. Thus, the researchers chose the dry goods vendors in Subic Public Market and assessed if their demographics have a significant effect on their level of financial literacy, which makes their businesses thrive and sustain longevity despite the pandemic.

## LITERATURE REVIEW

According to the Corporate Finance Institute (2021), financial literacy is important for individuals as it helps them manage cash and debt effectively and helps to lessen financial distress. It is a skill that brings many benefits that can improve an individual's standard of living through increased financial stability. Financial literacy rates differ in important ways when it comes to characteristics such as gender, education level, income, and age. Financial literacy consists of some abilities and knowledge of finances owned by someone to be able to manage or use some money to improve his standard of living (Rumbianingrum & Wijangka, 2018). Today, financial literacy has become a more important tool than ever, and it is vital to the long-term well-being of all individuals. Ritchie (2021) discussed that, being financially literate, you must know how to manage your money.

This implies learning how to pay your bills, how to borrow and save cash responsibly, and the way and how to invest and set up for retirement. Being financially literate is essential for avoiding and resolving financial problems and is vital for living a prosperous, healthy, and happy life (Subha & Priya, 2014). Entrepreneurs need to have and understand basic financial literacy, such as knowledge of accounting, costing, and budgeting, for their businesses to grow and survive in a competitive world (Ali et al., 2018) since financial literacy helps to understand

and evaluate the information needed to make daily decisions that have financial impacts on the day-to-day operations of businesses (Fernandes, 2015). In this study, according to Potrich et al. (2016), financial literacy comprises three components: financial knowledge, financial behaviour, and financial attitude. To become financially literate, a person must possess a variety of financial literacy components. By combining those components, based on an individual's preference, cultural, and economic context, an individual will be able to maintain and improve their financial well-being.

### **Financial Knowledge**

According to Sanderson (2015), financial literacy is the capability of an individual to use his/her knowledge and skills to take appropriate financial decisions for effective management of financial resources. Financial knowledge is the financial awareness and understanding of economic concepts and strategies and the application of knowledge to address financial problems (Alvares & Gonzalez, 2017). Financial literacy can be interpreted as financial knowledge with the purpose of gaining prosperity. Those who have good financial literacy will take financial behavior in a positive direction, such as punctual bill payments, possession of bank accounts and investments and the capability of managing credit wisely (Lusardi, Mitchell, & Curto, 2010). Entrepreneurs, particularly micro-ones, agreed on the importance of bookkeeping in their business operation and in determining accounting transactions (Yap, 2019); it showed that there is a significant difference in accounting implementation from a gender perspective, wherein women showed a higher average score. Thus, it could be concluded that women were capable of implementing accounting better than men (Herawatia et al., 2020).

Furthermore, several studies show that a lack of financial literacy is due to a lack of financial knowledge. The study by Ponio and Timog (2017) revealed that 60 % of the total number of micro business owners had an average level of financial knowledge of financial concepts. The results indicated that 40 % of the respondents scored average in financial knowledge, while 37 % scored low and 23 % scored high on this financial aspect, which may indicate that the majority of the business owners have basic knowledge of financial concepts. Entrepreneurs who have financial knowledge tend to maintain comprehensive business financial records, which gives them a competitive advantage over their competitors who do not keep such records because of their ability to access external funding (Usama & Yusoff, 2018); better understanding in recording financing and bookkeeping (Yap, 2019); improved financial wellbeing once financial knowledge put into practice (Lusardi, 2014).

### **Financial Behaviour**

Financial skills and behavior categories relate to how the person acts to achieve financial well-being. It is the ability to understand the overall impact of financial decisions on one's circumstances and make the right decisions in terms of cash management, precautions, and budget planning opportunities, according to Tezel (2015). It can be defined as any human behavior that is money management. Behavioral finance is one of the most important parts of individual finance, both for the term short and long term (Wijaya & Yanuar, 2021). A financial

behavioral survey conducted by Baptista and Dewi (2021) found that financial literacy was closely related to financial management, and higher financial literacy among MSMEs led to better corporate governance. In this case, financial literacy is the ability to understand and analyze financial options, plan for the future, and respond appropriately to events (Anis, 2017).

According to Herdjiono and Damanik (2016), not appropriately managed income earned by business actors is because they are too consumptive in spending their income and are more concerned with their personal needs than the business's needs, resulting in poor financial management behavior. Another study by Januari Ayu Fridayani (2018) says that financial literacy is a measure of the extent to which a person understands the key to financial concepts, has the ability and confidence to manage personal finances appropriately, both short-term and long-term financial planning as well as being conscious of changes in economic conditions.

### **Financial Attitude**

Financial attitude is the state of mind, opinion, and judgment about his finances applied to attitude (Humaira & Sagoro, 2018); an individual's financial mindset is usually a result of their context and environment, which is an important contribution to the success and failure of the financial aspects (Ekta Vikram, 2020); personal inclination towards financial matters, the capacity to anticipate and maintain a savings account that matters (Rai, Dua, & Yadav, 2019). Thus, if an individual is in a good financial management environment, then the individual will automatically be able to manage finances well, too (Yogasnumurti, Sadalia, & Irawati, 2021).

It was further stated that among older people, self-confidence in financial management does not decline even though financial literacy drops in alignment with cognitive decline, potentially reflecting beliefs about accumulated experiences or reluctance to accept a decrease in cognitive functioning due to natural aging (Pak, & Chatterjee, 2016; Gamble, Boyle, Yu, & Benneth, 2015). However, on the contrary, the study conducted by Negi and Gupta (2015) indicates that age plays an important role in the financial literacy of street vendors. There is a link between financial attitudes and financial literacy among youth (Kasman, Heuberger, & Hammond, 2018).

### **METHODOLOGY**

This study utilized a descriptive and inferential research design, which involves describing the behavior of a subject without influencing it in any way (Cooper & Schindler, 2014) through mean analysis guided by a 5-point Likert scale, from the highest 5-very highly literate to lowest 1-not literate; and the profile of the respondents is determined using the frequency and percentage distribution. On the other hand, the hypothesis was tested through Analysis of Variance to determine if there is a variation that exists between variables, rejecting  $H_0$  when  $p \leq 0.05$  and accepting  $H_0$  when  $p \geq 0.05$ .

The data are gathered from the total population of 50 dry goods vendors in Subic Zambales, Philippines, through the survey method. The survey questionnaire undergoes validation and reliability testing for consistency, with a Cronbach Alpha Coefficient ( $\alpha$ ) of 0.90.

## RESULTS / FINDINGS

### Profile of the Respondents

**Table 1: Frequency and Percentage Distribution of the Respondents' Profile**

Profile Variables		Frequency (f)	Percentage (%)
Age Mean = 37.5 years old	20 years old and below	4	8.00
	19 – 30 years old	8	16.00
	31 – 40 years old	12	24.00
	41 years old and above	26	52.00
	<b>Total</b>	<b>50</b>	<b>100.00</b>
Educational Attainment	College Graduate	10	20.00
	College Level	13	26.00
	High School Graduate	17	34.00
	High School Level	9	18.00
	Elementary Graduate	1	2.00
	<b>Total</b>	<b>50</b>	<b>100.00</b>
Years of Selling	12 years and above	17	34.00
	8 to 11 years	10	20.00
	4 to 7 years	12	24.00
	3 years and below	11	22.00
	<b>Total</b>	<b>50</b>	<b>100.00</b>
Source of Income	Salary and Wage	16	32.00
	Business Income	31	62.00
	Rent Income	1	2.00
	Retirement Income	1	2.00
	Interest and Dividend Income	1	2.00
	<b>Total</b>	<b>50</b>	<b>100.00</b>

The result indicates that most of the dry goods vendors are 41 years old or older, which puts them relatively in the middle of adulthood. At this age range, they invested and focused on the expansion of the business by being financially literate. Middle adulthood has a higher chance in the business industry because, according to the census of the Bureau's Center for administrative records research, successful entrepreneurs are middle-aged, not young. Most of the respondents were high school graduates, with 17 or 34%.

The data simply manifest that most respondents have basic and advanced knowledge when it comes to analytical and mathematical calculations that can be applied to financial management. Out of the seventy respondents, 17 or equivalent to 34.00%, have been in the business for more than 11 years.

Findings revealed that most of the respondents were in the business of selling for several years, that it could be concluded that they are already used to the financial concerns. It can be gleaned also from the data that the source of income of the respondents came from their business income which conforms to the respondents, the women micro entrepreneurs in Subic Zambales.

**Level of Financial Literacy among Dry Goods Vendors**

**Table 2: Financial Literacy of Women Micro Entrepreneurs in Subic Public Market as to Financial Knowledge**

	<b>Financial Knowledge</b>	<b>Weighted Mean</b>	<b>Qualitative Interpretation</b>	<b>Rank</b>
1	“I know that 100-peso value today will have less value next year.”	4.26	Very Highly Literate	3
2	“I want payment today, because if I wait, I’ll lose the profit I should have earned.”	4.34	Very Highly Literate	2
3	“I know that a savings account is one of the low risk investments.”	4.18	Highly Literate	4.5
4	“Shares are high risk but high-return investment.”	3.94	Highly Literate	8
5	“High inflation means that the cost of living is increasing rapidly.”	4.00	Highly Literate	7
6	“I know that increase in world oil/gas prices is one of the external causes of inflation.”	4.42	Very Highly Literate	1
7	“If a financial investment offers the chance to make a lot of money, it is likely that there is also a chance to lose a lot of money.”	4.18	Highly Literate	4.5
8	“I know that the amount I invested plus the interest at the end of one year will be the principal amount for the next year.”	4.10	Highly Literate	6
	<b>Overall Weighted Mean</b>	<b>4.18</b>	Highly Literate	

In terms of Financial Knowledge, the respondents were very highly literate on they know that an increase in world oil/gas prices is one of the external causes of inflation manifested on its high weighted mean value of 4.42 and ranked 1st while highly literate as to shares are high risk but a high-return investment with the lowest weighted mean value of 3.94 and ranked 8th.

The computed overall weighted mean on the level of financial literacy of Women Micro Entrepreneurs in Subic Public Market in terms of financial knowledge was 4.18 with a qualitative interpretation of “highly literate”.

This study concludes that the women entrepreneurs have an awareness and understanding of economic concepts and strategies and the application of knowledge to address financial problems. Those who have good financial literacy will take financial behavior in a positive direction, such as punctual bill payment, possession of bank account and investment and capability of managing credit cards wisely (Lusardi, Mitchell, & Curto, 2010).

**Table 3: Financial Literacy of Women Micro Entrepreneurs in Subic Public Market as to Financial Behavior**

	<b>Financial Behavior</b>	<b>Weighted Mean</b>	<b>Qualitative Interpretation</b>	<b>Rank</b>
1	“I have savings account for both my household and business finances.”	4.00	Highly Literate	7
2	“I keep track of my daily sales, expenses and income.”	4.26	Very Highly Literate	4
3	“I have emergency funds or insurance for my business.”	3.82	Highly Literate	8
4	“I compare the cost of different suppliers for my business before buying them.”	4.56	Very Highly Literate	1
5	“I regularly check the tax rules that apply to my business.”	4.10	Highly Literate	6
6	“I follow changes in economic factors to adjust the course of my business operations. For example, offering in-demand products during appropriate season.”	4.54	Very Highly Literate	2
7	“I know how to raise funds if my business needs them.”	4.44	Very Highly Literate	3
8	“I have a bookkeeper to monitor the financial position of my business.”	4.22	Very Highly Literate	5
	<b>Overall Weighted Mean</b>	<b>4.24</b>	Very Highly Literate	

In terms of Financial Behavior, the respondents were very highly literate in that they compared the cost of different suppliers for their business before buying them, manifested on its high weighted mean value of 4.56 and ranked 1st while highly literate as to they have emergency funds or insurance for their business with the lowest weighted mean value of 3.82 and ranked 8th. The computed overall weighted mean on the level of financial literacy of women entrepreneurs in Subic Public Market in terms of financial attitude was 4.24 with a qualitative interpretation of “very highly literate”. It is said to be financially literate a person must have the knowledge and ability to apply that knowledge. In this regard it can be concluded that the financial literacy relation with financial behavior is the ability to manage finances in everyday life and can be applied so that economic welfare can be realized.

**Table 4: Financial Literacy of Women Micro Entrepreneurs in Subic Public Market as to Financial Attitude**

	<b>Financial Attitude</b>	<b>Weighted Mean</b>	<b>Qualitative Interpretation</b>	<b>Rank</b>
1	“I don’t tend to live for today and let tomorrow take care of itself”	4.56	Very Highly Literate	1
2	“I find it more satisfying to save money than to spend it for my wants”	4.44	Very Highly Literate	4.5
3	“Money is there to be spent wisely”	4.52	Very Highly Literate	3
4	“I set quota sales for the business and strive to achieve them.”	4.36	Very Highly Literate	7
5	“I prefer detailed financial plans rather than to follow my instinct.”	4.22	Very Highly Literate	8
6	“Watching my savings grow gives me great pleasure.”	4.54	Very Highly Literate	2
7	“I am prepared to persevere if business success does not materialize immediately.”	4.44	Very Highly Literate	4.5
8	“Saving money gives me the freedom to do things that cost money in the future.”	4.40	Very Highly Literate	6
	<b>Overall Weighted Mean</b>	<b>4.43</b>	Very Highly Literate	

In terms of Financial Attitude, the respondents were very highly literate on they don't tend to live for today and let tomorrow take care of itself, manifested in the high weighted mean value of 4.56 and ranked 1st while very highly literate as to they prefer detailed financial plans rather than to follow their instinct with the lowest weighted mean value of 4.22 and ranked 8th. The computed overall weighted mean on the level of financial literacy of women micro entrepreneurs in Subic Public Market in terms of financial behavior was 4.43, with a qualitative interpretation of "very highly literate". All of the statements in the questionnaire obtained a classification of "Very Highly Literate", and these show the attitude of the respondents towards saving, spending, income, bookkeeping and obtaining their capital. The respondents have a positive financial attitude when it comes to their business' financial management. This is supported by the study of Indah and Hariasih (2022) which also concluded that financial attitude variables influence street vendors' financial management behavior. Moreover, Lusardi (2018) says that a higher financial literacy translates into greater wealth and various factors affect the financial literacy level such as financial attitude, therefore it can be concluded that as the respondents have a very high level of literacy in terms of financial attitude, they can acquire and maintain their business and wealth.

## CONCLUSION

The findings indicate that the respondents are in their middle adulthood, and though most are high school graduates, they have been in the business for more than eleven years, with business income as a source of income. They have a very high level of financial literacy in managing their businesses. However, their financial behavior and attitude literacies vary based on their age. Therefore, this study may contribute to the existing empirical evidence focusing on the women entrepreneurs particularly market vendors' financial literacy, suggesting that the current findings may be useful for government institutions formulating policies, programs and services in line with gender and development towards women empowerment. Women's financial literacy is manifested in their knowledge of business systems, business projections, importance of wise spending, targeting, planning, saving, and business cycles. Further research on other influencing factors and needs for enhancing women entrepreneurs' financial literacy is highly recommended.

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