FINANCIAL KNOWLEDGE, BEHAVIOR AND ATTITUDE OF MICRO BUSINESS OWNERS: BASIS FOR DEVELOPING FINANCIAL LITERACY TRAINING MODULES

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Abstract - The study was undertaken to address one of the perennial problems that people are facing – POVERTY. Poverty which is often times brought by poor money management. The subject of this research includes one sector of the Philippines' economy – the micro business owners of a selected public market.The ultimateobjective of this research was to determine the level of financial knowledge, behavior and attitude of the target population. A standardized questionnaire, developed by the Organization for Economic Cooperation and Development (OECD) was adapted for this study. Using the questionnaire, the level of financial knowledge, behavior and attitude of the target respondents were measured. The findings revealed that numerous of the micro business owners have average level of financial knowledge, average level of financialbehavior and low level of financial attitude. It was also found out on this study that financial knowledge and behavior are positively correlated, as well as financial knowledge and financial attitude. Analyses of the data gathered led the researchers to the development of training modules designed to improve the overall level of financial literacy of the micro-business owners.

Index Terms - Financial literacy, financial knowledge, financial behavior, financial attitude, micro business

I. INTRODUCTION

The Department of Trade and Industry of the Philippines reported that"as of 2011, there are 820,255 business organizations operating in the country. Of these, 99.6% (816,759) is micro, small, and medium enterprises (MSMEs) and only 0.4% (3,496) is large enterprises". Since a huge majority of the business endeavors in the nation are small scale and micro scale, it is vital that they should develop in size or possibly remain afloat. A small venture, which is normally autonomously owned and operated prospers in a market where very few if not, one dominates its field of operation. (Peterson, Albaum, and Kozmetsky, 1986).Megginson, et al. (2000) adds to this definition saying a small business does not take part in new or innovative and creative pursuits. Further, they differentiated small and micro ventures with entrepreneurial undertakings stating the entrepreneurial venture's objectives are expansion, innovation and profitability.D'Amboise and Muldowney (1998) additionally includes that the paradigms of small business are as that of value added, number of workers, value of assets, and yearly sales.

According to SEPO (2012), the Philippines' micro, small and medium enterprises (MSMEs) have a vital part in building up its economy. The report shows that poverty is being reduced through the creation of jobs for the country's expanding labor force. They promote economic improvement in the provinces and in areas far from urban civilizations. They function as important allies to large businesses as suppliers and providers of support services. They also act as breeding ground for startup entrepreneurs and large corporations. This means that a vibrant MSME sector is a sign that a nation's economy is flourishing and developing. But just like any other industry,as Camposano (2014) specified in a report titled "ASEAN Economic Community SME Development: Narrowing Development Gap Measure,"the MSME sector is not without challenges. The report furtherly identified that access and handling of financial aspect is still one of the most crucial factors that affect the competitiveness of MSMEs. With that, in spite of the strategies and guidelines that targets the development and improvement of MSMEs, the sector still faces differentimperatives that keep it from realizing its full advancement and growth. One facet that critically affects the effective managing and maintaining the businesses is the ability and capacity of the manager and owner in financial and monetary issues. Dealing with the money of the business is an important ability that a business owner ought to have, as well as its ability (entrepreneur) to garner information from a financial statement (Dahmen, 2014).It is an accepted fact that the backbone and mainstay of the business is money; without it, business will not only languish but can becomeinsolvent. As stated by Fatoki (2014), a thorough financial management is pivotal to the development survival and prosperity of small enterprises of all types.Furtherly stating that financial literacy is very importantin making a wide-ranging financial decisions (personal and business).Lusardi (2008), implied that financial literacy influencesfinancial decision-making; lack of knowledge on the basic financial concepts cause poor retirement planning or the absence of it, non-participation in the stock market,and poor borrowing behavior. Ergo, the aim of this paper is to find out the level of financial literacy of selected micro business owners. As indicated bythe National Financial Educators Council, individuals are considered financially and monetarily proficient when they have adequate learning and information, as well as,

abilities in finance which let them confidently make viable move that best satisfy their own, family and worldwide group objectives. Also, Government Accountability Office (GAO) concurs that financially literate individuals can settle on judgments and choices based on their financial knowledge and skills acquired from learning. Being financially proficient suggests that an individual can completely get a handle of the repercussions of budgetary decisions with the end goal that they spend carefully, get ready for the future, and deal with the complexities and difficulties that may emerge such as work misfortune, retirement, advanced education, education of relatives and dependents, etc.

Jumpstart discusses financial literacy as an ability that persistently evolve, stating that, as individuals move through life's continuum, considering their family, culture, location and age their money related proficiency likewise develops keeping in mind the end goal of reacting viably with respect to their changing individual and financial conditions.Moreover, the National Standards in K-12 Personal Finance Education concurs that financial literacy is the capacity of individuals to utilize learning and competencies that ceaselessly progress enabling them to deal with their finances adequately for lifetime money related security. Furthermore, the Council for Economic Education, through a collaborative process, has created national standards for literacy in Finance. The idea of the need for standards arose out of a conference: "Assessment and Evaluation of K–12 Personal Finance and Economic Education in the 21st Century: Knowledge, Attitudes, and Behavior," which was held in May 2011, at the Federal Reserve Bank of St. Louis. Amid the gathering, the council identified six (6) norms of measure in financial literacy: financial investment, insurance, income, purchases of merchandise and services, savings and credit.

Additionally, Messy and Atkinson (2012) adopted the definition of the Organization for Economic Cooperation and Development (OECD) for financial literacy which is characterized as the awareness, knowledge, skills attitude and behaviors that individuals need to make astute choices about their funds with the goal of accomplishing monetary prosperity. This definition explains that financial literacy is something beyond just information and knowledge.It likewise incorporates attitudes, behaviors and skills, which focuses the significance of making choices– applying learning and aptitudes to real life situations, – and it indicates that the outcome should be enhanced financial security and prosperity. An individual who is financially literate is likely to know the essential key financial concepts and fundamental numeracy skills which are vital indealing with money related circumstances.(Messy and Atkinson, 2012, p. 16). These key financial concepts include fundamental mathematical operations – addition, subtraction, multiplication and division, time value of money, principal and interest and underlying concepts, risk and return, inflation and diversification. Financial behavior is the second, and apparently the most significantfeature of financial literacy. Preparation of the use of money as expenses and developing financial security nets are financial behaviors that frequently lead to monetary prosperity or financial wellbeing. Conversely, involving in high-risk financial activities and abusing credit can lessen monetary prosperity. (Messy and Atkinson, 2012, p. 23) Attitude is the third important aspect of financial literacy. Attitudes or dispositions are evaluative explanations or judgments about an individual, things, or situations. (Robbins and Judge, 2007, p. 68). Messy and Atkinson (2012) expounded that individuals who negative mentality or attitude towards having a savings plan or investment fund tend to be unwilling to take actions towards it.Similarly, individuals who focus on satisfying short term wants over longer term security have the tendency to have crisis investment funds, emergency savings to set up long term monetary plans.

II. STATEMENT OF THE PROBLEM

It is evident that the MSMEs, in the Philippine context, are important components of the business environment of the country. For this reason, this research aimed to reveal the level of financial literacy of selected micro business owners. In doing so, the researchers strive on finding answers to the following research questions:(1) how the socio demographic profile of the micro business owners be described as regards to:age; gender; civil status; number of dependents; education; gross income; type/nature of business; years of existence of the business; average monthly net earnings; (2) what is the level of financial knowledge, behavior and attitude of the micro business owners; (3) is there a significant relationships between the variables:financial knowledge and behavior; financial knowledge and attitude;financial attitude and behavior; (4) what financial literacy training modules can be proposed to improve financial literacy of the micro business owners.

III. METHODOLOGY

Population and Sample of the Study

The study used purposive sampling, a non-probability sampling, to choose the samples. This allowed the researchers to focus on particular characteristics of a population that are of interest, whichis best suited to answer the identified research questions. In this study, samples were chosen on the purpose of measuring level financial knowledge, behavior and attitude of the micro business owners. Specifically, target respondents were from a selected public

market. The intent was to have a much homogeneous sample which allowed the researchers to examine in detail the specific characteristics which are of much interest. From the list given by the Economic Enterprise and Management Office of the Municipality being studied, there are a total of 1,094 occupied stalls in the public market. Using Raosoft, minimum number of respondents should be 218 with 95 % confidence level and 5 % margin of error. The researchers were able to conduct survey from two hundred sixty eight (268) respondents.

Methods and Technique of the Study

A cross sectional (Kurtz and Boone, 2007), descriptive-correlation was used in this study. The researchers used quantitative method to measure units of samples the population at only one point in time. That is, the respondents were asked to answer same questionnaire and at almost the same time. Data in this study are presented in tabular form for better presentation and clarity. To test the relationship of the dependent variables with one another (financial knowledge, financial behavior and financial attitude), the researchers used Pearson Product Moment Correlation.

Research Instrument

The study utilized a questionnaire which was based on an adaptation of the OECD Financial Literacy Questionnairedeveloped by the International Network in Financial Education (INFE). The use, reproduction and distribution of the questionnaire is permitted on the condition that it will be properly referenced. The research instrument used to measure the variables has four parts described below:

Part 1: Financial Knowledge Questionnaire. This was adapted from survey instrument developed by OECD International Network on Financial Education (2011). This part of the OECD questionnaire is composed of eight (8) questions that test level of knowledge of the target population. This part asked questions in relation to financial concepts such as division, time value of money, interest paid on a loan, risk and return, inflation, and diversification.

Part 2: Financial Behavior Questionnaire: This part was designed using a five rating scale instrument and it was composed of nine (9) statements covering financial behavior concepts.

Part 3: Financial Attitude Questionnaire: This part includes three (3) scaled attitudinal questions. Respondents will have to rate themselves in a scale of 1 to 5 (5 being the highest and 1 being lowest) based on the applicability of the statements onto their personal being.

Part 4: Personal and Occupational Information. This section is comprised of a fill-in the blank questions which includes information about age, gender, civil status, educational, year(s) existence of the business, type of business and average monthly net earnings. In addition, the researchers prepared a Filipino version of the questionnaire so that it will be easier for the respondents to comprehend and answer the items found in the said questionnaire.

Data Processing and Statistical Treatment

After data have been collected, they were processed using various statistical tools.

Part 1. The knowledge score was determined by counting the correct responses. Scores were categorized as to high, average or low level of financial knowledge.

Part 2. Financial behavior score was computed by adding the correct responses. Responses were classified as to high, average or low level of financial behavior.

Part 3. Attitude score was derived by adding together the responses to each questions, and then dividing the total score by 3. The results were the identified as to low, average or high level of financial attitude.

Part 4. This part was composed of the socio demographic variables of the respondents. The data were processed using frequency distribution and percentages.

Relationship among Financial Knowledge, Behavior and Attitude

The researchers used Pearson Product Moment Correlation to quantify the relationship among financial knowledge, behavior and attitude. After testing for correlation, goodness of fit was determined using regression analysis (r^2).

RESULTS AND DISCUSSION

Results and discussion were divided into three parts-demographic profile, level of financial knowledge, behavior and attitude and the relationship among the variables.In terms of the demographic profile, the following were the results of the study:

Age of the total number of respondents, 20% are from ages 46 to 50 years old. This is followed by 21 to 25 and 26 to 20 both having same percentage of 16% each. 14% of the respondents are aged 20 or below, 13% are aged between 31 and 35, 12% are aged 51 and above, 6% are aged 41-45 and 3% are aged 36-30.

Gender the public market is dominated by female vendors - 61% versus 39% male vendors. This shows that females are more inclined to this profession compared to males.

Civil Status and Number of Dependents Majority of the business owners, accounting for 65% of the surveyed population are married having an average of five (5) qualified dependents. Qualified dependents include unmarried children below 21 years of age, parents with 60 years and above, and siblings with physical or mental disabilities and are living with the respondent. The data further shows that majority of the business owners have dependents or obligations which may affect their financial decision making.

Years of Existence of the Business Data show that 38% of the respondents have been in the industry for a range of 1 to 5 years; 26% for 6 to 10 years; 19% for 11-15 years; 9% for 21 years or older; 6% for less than a year; and 2% for 16-20 years.

Education of the total number of respondents, 35% have earned their bachelor's degree while 34% earned primary education. 24 % of the vendors earned secondary education while 7% have post-graduate education.

Type of Business. of the total number of respondents, 32% are fruit/vegetable vendors; 26% operate grocery stores or are rice vendors; 24% are engaged in variety of goods; and 18% are meat and fish vendors.

Average Monthly Net Earning The average monthly net earnings of the 33% of business owners range from Php 5,000 to 10,000. This is followed by 23% earningPhp 10,001-15,000; 19% earning of Php 15,001-20,000; 14% earning Php 20,000 and higher, 11% earning Php 5,000 or lower. Furthermore, the level of financial knowledge, behavior and attitude were revealed.

Financial Knowledge Notably, more than half (60 %) of the total number of the micro business owners have average level of financial knowledge. Thirty two percent (32 %) have high level of financial knowledge and eight percent (8 %) have low level of financial knowledge. This may indicate that majority of the business owners have basic knowledge on financial concepts like diversification, interest, risk and return and the like. Results indicate that interventions are needed to address the deficiencies of those having average and low level of financial knowledge.

Financial Behavior Forty percent (40%) of the respondents scored average in financial behavior, while thirty seven percent (37%) have low score and (23%) scored high on this financial aspect.

Financial Attitude In this aspect of financial literacy, 43% of the micro business owners scored low, while 16% scored high. Notably, 40% of the respondent scored average on this aspect of financial literacy. This is the aspect of financial literacy that needs attention and has to be addressed with interventions. Lastly, the relationship among financial knowledge, behavior an attitude was also tested. The strength of relationship between themicro business owners' financial knowledge, financial behavior and financial attitudes, Pearson's correlation coefficient was used. Positive linear trends between financial knowledge, financial behavior and financial attitudes can also be observed in the following figures. Results indicate that there are significant positive linear relationships between financial knowledge and financial behavior; and financial knowledge and financial attitude. This is in congruent with the results of Messy& Atkinson (2012) in their working paper titled "Measuring Financial Literacy". Findings reveal that respondents with higher level of financial knowledge exhibit more positive behavior and attitude. Similarly, respondents with positive attitude exhibit more positive behavior. However, in this study, no significant relationship between financial behavior and financial attitudes was established.

Further substantiating this inference is the relatively low Pearson coefficient of correlation (r) 0.224 of knowledge and behavior, and (r) 0.244 of knowledge and attitudes as presented in Table 8. These coefficients are significant at .01 level. The findings indicate that micro business owners' financial knowledge tends to increase their financial behavior and financial attitudes. The coefficient of determination (r^2) of 0.05 or 5% and 0.06 or 6% further indicates that 5%, and 6%, respectively of the variation in financial behavior and financial attitude, can be attributed to the variations in financial knowledge. Other factors accounts for 95% and 94%, respectively, of the variations in financial behavior and financial attitudes.

Literature shows that it is likely that the different dimensions of the financial literacy could be related to each other. For instance, high financial knowledge could influence both the financial behavior and attitude. Alternatively, low score on financial attitude may causeundesirable and unpleasant actions of the individual. These relationships are examined to gain more insights about how the different aspects of financial literacy influence each other. Agarwalla, et al. (2012), provides some support on the notion that high score on the knowledge aspect leads to more desirable behavior towards monetary decisions and actions. However, the attitude appears to be almost unaffected by the financial knowledge which contradicts the result of this study. This might imply that focusing on financial numeracy skills may not lead to the desired change in attitude towards money among individuals. Further, no relationship was found between financial attitude and financial behavior which is somewhat puzzling but found to be consistent with the result of this study. Messy& Atkinson (2012) confirmed the positive relationship

of financial knowledge and behavior. Based on the study made across different countries, higher knowledge scores are associated with higher behavior scores; although, relationship somehow varies. Furthermore, results indicate the positive association of attitude and behavior but there appears to be a very little relationship.

Based from the results and findings, the following module is suggested.

The module is composed of five (5) parts, as follows:

I. Introduction and Setting up of Expectations
II. Module 1: Fundamentals of Financial Literacy and Its Benefits
III. Module 2: Savings and Investments
IV. Module 3: Loans and Interest
V. Module 4: Income and Expenditures

The module will be given to the target population for five (5) non-consecutive days. Details of each topic will be discussed in detail.

CONCLUSION

Based on the research findings:

1. Greater portion of the micro business owners being surveyed are 46 to 50 years of age, female, and married with an average of 5 dependents. Most of them have been in the business for 6 to 10 years with bachelor's degree, and are earning an average of 5,000 to 10,000 per month.
2. Many of them have average level of financial knowledge, and average level of financial behavior. Majority has low level of financial attitude.
3. Test of relationship showed that financial knowledge is positively correlated with financial behavior and attitude, whereas, behavior and attitude revealed no significant relationship.
4. A training module to improve financial literacy of the micro business owners was deemed necessary and was developed.

RECOMMENDATIONS

Results of the analysis provide evidences from which needs and gaps were identified to develop appropriate financial planning programs and strategies. In this study, there is a need to address deficits on financial knowledge, behavior and attitude. Fortunately, knowledge deficiencies are easier to correct than problems on behavior and attitude. But with the result of the correlation, it can be noted that financial knowledge can affect behavior and attitude. To address issues on the various aspects of financial literacy of the micro business owners, the following are suggested:

1. To enhance the level of financial knowledge, a structured learning program may be developed which incorporates areas on financial planning and concepts To do so, the researchers recommend financial education that is not only presented in pieces of fancy paper, or website. A type of education where the target audience can apply what they have learned not just in the conduct of their business, but also in their daily life is being proposed. A lot of times, simply having people read a material will not result in change of attitude or behavior.
2. Integrate financial education to secondary and college education standards to make it more holistic. This may help the public acquiredesirable financial practiceson their primary years which thus may help develop good financial attitude.
3. Professors and instructors of universities from nearby town and municipalities handling finance subjects may conduct some financial literacy seminar, workshops, or courses using the module that was developed based from the study as form of their extension services program.
4. The said municipality, responsible for the release of business permits should require those applying for a permit to attend the said seminar/workshop before they can be allowed to conduct business in the public market.
5. It is also recommended that there should be more promotions, campaigns and advertisement to save rather than to spend.
6. More researches on financial literacy are encouraged particularly in the following areas:
   - Variances of financial knowledge, behavior and attitude on the basis of the socio demographic profile for a more customized programs based on the profile of the target population.
   - Understand deeply the relationship of variables – financial knowledge, behavior and attitude in such a way that results may indicate causation and not simply association.
   - 6.3 Other topics of financial literacy such as financial planning, bookkeeping, reserve funds and investment and personal finance management should be included in future researches among entrepreneurs.
   - 6.4 Similar study should be conducted to other segments of population such as students, non-working parents, workforce, etc.

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