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Financial Literacy of MSME Business Owners in the Municipality of San Jose, Negros Oriental, Philippines: A Basis for a State University's Extension Program

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A B S T R A C T

Financial literacy is a crucial determinant of making sound and prudent financial decisions. However, a global study revealed that the majority of the world's population is financially illiterate. From these precepts, this study was conducted to evaluate the level of financial literacy among 40 MSME business owners in the Municipality of San Jose, Negros Oriental, Philippines. The results will be used to decide if a university extension program could be started. This research made use of a descriptive methodology and collected data using five-point Likert scale survey method. The results of the study showed that MSME business owners have high levels of debt management, utilization of savings account, and reduce spending knowledge. On the other hand, MSME business owners need to improve in the overall personal financial management, long-term planning, emergency and risk. The researcher recommends the development of a comprehensive financial training program, sharing of best practices, and the provision of avenues for financial consultations. Improving financial literacy can help microbusiness owners better manage their finances, reduce financial stress, and increase the chances of their business's success

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INTRODUCTION

Financial management is more common than it sounds. Every day, individuals deal with their own finances from earning, saving, purchasing, borrowing, and perhaps investing. However, there is only little knowledge that individuals have when it comes to finance. Since the mortgage crisis, governments throughout the world have started to express concern about the amount of financial illiteracy among their citizens. This is mostly due to the daily confirmation of growing consumer indebtedness and, additionally, of rates of household bankruptcy. In here comes the concept of financial literacy.

Generally, financial literacy refers to the knowledge of an individual about basic financial components. Without which, people are not well-equipped to make decisions to financial management (Klapper, et al., n.d.). It is a crucial determinant of someone's capacity to make prudent financial decisions and includes the ability to make informed judgments in a variety of financial situations. Thus, it requires having the knowledge, understanding, and drive to apply financial ideas.

Although financial concepts may seem to be more common, a global survey showed that majority of the people worldwide have a limited understanding of these concepts. Standard & Poor (S&P) conducted a Global Financial Literacy Survey by interviewing 150,000 adults throughout 144 countries on four basic financial concepts (numeracy or interest, risk diversification, inflation, and compound interest) to extensively measure the global financial literacy. The survey found that two-thirds or equivalent to around 3.5 billion adults worldwide are financially illiterate (Klapper, et al., n.d.) The same survey further revealed that the most financial literate countries include Denmark, Norway, and Sweden (71% literacy rate each), Canada and Israel (68%), United Kingdom (67%), Germany and Netherlands (66%), Australia (64%), and Finland (63%). It can be noted that these countries appear to be the strongest countries in the world with developed and advanced economies.

On the other hand, countries in Africa, Asia, and Middle East recorded the lowest financial literacy rate. In particular, the Philippines only recorded 25% literacy rate – a reason why the country ranked in the bottom 30 among 144 countries surveyed. During the 2022 Financial Education Stakeholders' Expo, Bangko Sentral ng Pilipinas (BSP) Governor, Felipe Medalla further disclosed the results of the agency's 2021 Financial Inclusion Survey. The survey showed that only 2 in 10 Filipinos fully understand basic financial concepts, while 7 in 10 comprehends at least at least 50% of the research questions. These data coincide with the global financial literacy rating, and are considered "alarming" (Medalla, 2022) and can lead to vulnerability to predatory lending, subprime mortgages, fraud, and exorbitant interest rates.

While financial literacy is considered to be an essential skill in personal financial management, a person's degree of financial literacy can translate to how an individual will be able to manage financially its business endeavors. Along with other business skills, financial literacy is a must for conducting business. Business owners that are financially savvy are more likely to have total control over their organization. Understanding the importance of various financial tools may provide you with a thorough picture of your company's financial situation, which in turn helps you make smarter business decisions. Owners of businesses must be financially literate since it gives them the information and abilities needed to make wise financial decisions. Gonzalvo and Avila (2019) suggest that financial literacy leads to global competitiveness, and is pivotal to development, survival, and prosperity of small enterprises.

Consequently, a company may collapse even if there is substantial market potential owing to poor financial planning and management. Business development and financial control are made possible by sound financial planning. Even when there is a big market potential, a firm might fail due to a lack of financial preparation and bad financial practices.

The Organization for Economic Cooperation and Development (OECD) paid particular attention to micro, small, and medium enterprises (MSMEs) as these comprise majority of the enterprises in the world by providing employment and contributing significantly to national incomes (OECD, 2020). In fact, one of the principles recognized in the G20/OECD High-Level Principles is the need to "Enhance SME Financial skills and Strategic Vision". A study conducted that only 43% of small business owners were able to score at least 70% on a financial literacy quiz, indicating a significant gap in financial knowledge (Federal Reserve Board, 2019).

To enhance our financial situation, it is crucial to acquire financial knowledge (Solomon 2001). People will be able to make wise financial decisions, stay out of debt, and reach their financial objectives with the help of an excellent financial literacy program (Fernando, 2023). There is a ton of financial resources available online from videos, blogs, and articles, that can provide pertinent information to improve one's financial literacy. However, the most effective way to combat financial illiteracy and poverty are partnerships between non-profit organizations, banks, and businesses, as well as educational institutions, that use current alternative financial service platforms to teach the individuals how to use products that meet their needs, teach how to use mobile banking, and provide profitable consumer credit products aimed to support and individual's needs in addition to competitive rates (Shanbhag, 2022).

As it is established that financial literacy is a fundamental skill, this study is conducted to determine the level of financial literacy of MSME business owners in the Municipality of San Jose, Negros Oriental, Philippines. With this information, the researcher intends to identify the financial components that these business owners are most competent about, as well as the components that need developmental support.

Objectives of the Study

This study aims to identify the financial literacy of MSME business owners in the Municipality of San Jose, Negros Oriental, Philippines as a basis for an extension program. Specifically, this study will look into the following objectives:

• To classify the socio-demographic profile of MSME business owners in the locality

• To determine the level of financial literacy of MSME business owners in terms of the following aspects:

a) Debt Management
b) Personal Financial Management
c) Long-term Planning
d) Emergency and Risk Management
e) Advice Seeking
f) Budget Management
g) Utilizing Credit Scores
h) Utilizing Savings Accounts
i) Loan Management
j) Reduced Spending

• To identify the financial aspects of MSME business owners that need developmental intervention

• To recommend policies and/or programs to support the intervention

LITERATURE REVIEW

Theoretical Framework

According to the Human Capital Theory, spending money on education and training increases output and revenue. This hypothesis contends that company owners may enjoy more success and sustainability in the long run if they invest in developing their financial literacy, according to a study on the financial literacy of business owners in a certain town. Business owners may increase their capacity to make wise financial decisions, including cash flow management, budgeting, investing, and loan access, by raising their level of financial literacy. Better financial results for their companies, such as greater profitability, expansion, and stability, may result from this. Furthermore, company owners that are more financially literate can help the municipality's economy grow as a whole. Businesses may provide employment possibilities, increase tax revenues, and promote economic growth as they become more successful and long-lasting. The Human Capital Theory offers a theoretical framework for comprehending the possible advantages of enhancing the financial literacy of company owners in a particular municipality in this way. Business owners may be better able to achieve long-term success and support the local economy by investing in education and training to improve their financial literacy.

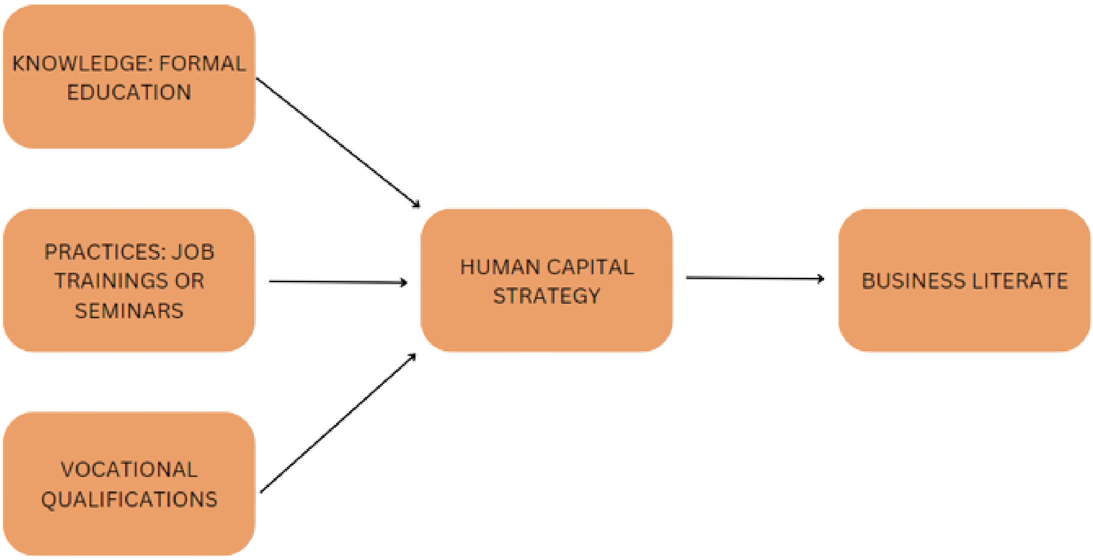

Figure 1. The Human Capital Framework

The human capital framework may be used to illustrate the significance of financial literacy to the success and sustainability of enterprises in the context of the research. Business owners are better able to make decisions about their money, investments, and other financial concerns when they have a greater grasp of financial literacy. They have a higher chance of long-term success, company expansion, and involvement in the gentrification of their community.

Additionally, the framework for human capital may be used to pinpoint the elements that influence business owners' financial literacy. For instance, the degree of financial literacy among business owners may depend on their level of education, employment history, and access to financial resources. The development of efficient extension programs that cater to the particular requirements of business owners in the municipality can be aided by an understanding of these aspects.

Review of Related Literature

Financial literacy is a crucial aspect that every business owner should possess to ensure their long-term success and sustainability. The following studies and literature provide insights and information that are related and helpful for an extension program on financial literacy for business owners in a certain municipality.

Financial Literacy Overview

Financial literacy can be defined as the general cognitive understanding of an individual of the basic financial components and skills such as budgeting, investing, borrowing, taxation, and personal financial management (Corporate Finance Institute, 2023).

The Corporate Finance Institute (CFI) identified the following fundamental components of financial literacy:

1. Budgeting–Creating a right balance throughout the primary uses of money (spending, investing, saving, and giving away) through different ways to better allocate income, pay off all existing debt, while at the same time leaving money aside for saving, and making beneficial investments.

2. Investing–Learning the appropriate interest rates, price levels, diversification, risk mitigation, and indexes to ensure favorable investments and to make smart financial decisions to increase inflow of income.
3. Borrowing – Ensuring an effective borrowing from banks and other financial lending institutions through an understanding of interest rates, compound interest, time value of money, payment periods, and loan structure.
4. Taxation – Gaining knowledge about the fundamental forms of taxation and how they can impact net income, in order to attain economic stability and to increase financial performance.
5. Personal Financial Management – Balancing all the above financial components to solidify and increase investments and savings while reducing borrowing and debt.

Adequate financial knowledge may aid people in achieving their objectives (Fernando, 2023) and is crucial to managing one's funds responsibly (Field, 2023). Fernando (2023) added that people may make plans that establish expectations, keep them accountable to their finances, and set a route for accomplishing apparently unreachable goals by better knowing how to budget and save money.

Being financially educated is a skill that offers a variety of advantages that can raise people's standards of life by increasing their financial security. The importance of financial literacy is very fundamental that experts and authorities encourage that it be taught as early as possible in schools. No one should hold their breath for comprehensive financial literacy programs for elementary and secondary pupils to be implemented by the federal, state, or local governments (Valladares, 2020). Although financial management operates different from other subjects like Science or English, students can gain practical experience by using problem-solving strategies and interactive movies that address budgeting and wise spending (Geba, 2022).

On the contrary, the lack of knowledge and understanding of basic financial concepts can be referred to as financial illiteracy. As a result, individuals can gain significant debt and bad financial judgments (Nick, 2018), which ultimately can lead to high levels of financial stress, coupled with several other factors including a lack of money, difficult family dynamics, and social expectations (Chalk, 2021). Many people are vulnerable to predatory lending, subprime mortgages, fraud, and exorbitant interest rates because they frequently lack financial literacy, which can lead to bankruptcy or poor credit. Making incorrect choices might result in situations from which people may never be able to recover (Field, 2023).

According to Lusardi (2019), the range of financial products that are available to people now is much different from what it was in the past, and decisions made about these financial items have an effect on a person's welfare. These financial instruments include but are not limited to, credit cards, mutual funds, annuities, student loans, and mortgages. Understanding people's financial literacy levels and how much their financial literacy influences their ability to make sound financial decisions is crucial.

In sum, financial literacy can provide a wide range of benefits that can lead to financial stability. To wit, it can make individuals:

- Able to make better financial decisions
- Effectively manage money and debt
- Be equipped to reach financial goals
- Reduce expenses through better regulation
- Lessen financial stress and anxiety
- Create a structured budget
- Make ethical decisions when selecting insurance, loans, investments, and credit card use

Related Studies on Financial Literacy

The following studies further ascertain the importance of financial literacy in the business sector, such that these can substantiate the results of this study.

Foreign

Several international studies have explored the importance of financial literacy for small business owners and its impact on their success. Financial literacy is found to have a positive impact on the performance of small and medium-sized enterprises or SMEs (Karim and Hussain, 2015; Tumin and Othman, 2018; Isik and Hassan, 2018), such that it allows business owners to manage their finances effectively (Koomson and Annan, 2015) and ultimately determine and improve business performance and success (Chakraborty and Dey, 2018).

El-Gammal (2019) added that financial literacy is essential for small business owners to make informed financial decisions. In fact, Collis and Jarvis (2002) found that financial literacy training can improve small business survival rates in the UK. In the United States, a study by Cole and Sokolyk (2016) found that small business owners with higher levels of financial literacy are more likely to obtain financing and experience higher growth rates. Another study by Akhtaruddin et al. (2014) also demonstrated the positive impact of financial literacy training on small business performance in Malaysia. Narteh et al. (2020) found that financial literacy is a significant predictor of small business growth in Ghana. Their study showed that small business owners who have a higher level of financial literacy are more likely to achieve business growth and profitability.

The studies mentioned above collectively demonstrate the importance of financial literacy for small business owners worldwide. These studies highlight the positive impact of financial literacy on small business performance and survival rates, emphasizing that small business owners with higher levels of financial literacy are more likely to make informed financial decisions, obtain financing, and experience higher growth rates. Furthermore, financial literacy training programs play a critical role in supporting small business owners in achieving their goals and have been found to be effective in improving small business success rates. Overall, these studies suggest that financial literacy is crucial for small business success and that financial literacy training programs can have a positive impact on small business owners.

Local

Alcantara (2018) focused on the impact of financial literacy on the business performance of small and medium enterprises (SMEs) in the Philippines. The findings of the study highlighted the significant relationship between financial literacy and business performance. The results showed that SMEs with higher financial literacy had a better business performance than those with lower financial literacy. The study of Caparas and Abad (2020) discussed the significant role of financial literacy in the decision-making process of small business owners. The results showed that higher financial literacy contributed to better decision-making and improved financial management practices. Specifically, Gregorio and Galang (2020) found that financial literacy has a significant positive impact specifically on the profitability and growth of SMEs.

Chavez et al. (2018) tackled the financial behavior of Filipino SMEs. The study highlighted the need for financial literacy training and support for SMEs to improve their financial decision-making skills. As such, financial literacy can be deemed as an important business skill to business owners. Various financial training programs have proven to be a driver in improving financial management skills and practices (Fabro, 2017; Quilloy, et al., 2019). Mapa et al. (2019) also analyzed the financial literacy levels of Filipino entrepreneurs and identified the significant factors that influenced their financial literacy. The results showed that education and training significantly impacted financial literacy levels. Moreover, financial literacy programs for Filipino entrepreneurs promote financial inclusion and improve their financial decision-making skills (Rodriguez and Ticsay, 2019; Tadena, 2020).

Overall, these studies and literature suggest that financial literacy is essential for the success and sustainability of MSMEs in the Philippines. The results showed that financial literacy had a significant positive impact on business performance, profitability, growth, and financial decision-making. Thus, these findings provide valuable insights and information that can be used for an extension program on financial literacy for business owners in a certain municipality in the Philippines.

Components of Financial Literacy

Debt Management

This component refers to an individual's ability to manage their debts effectively. It takes into account several factors such as paying for expenses like rent, insurance premiums, energy bills, credit card bills, and other related expenses. Additionally, recent short-term loans received and the individual's promptness in loan repayment are also considered. By evaluating this factor, this assessment aims to determine the individual's level of competence in managing their debts and making financial decisions that ensure timely and efficient debt repayment.

One study that is related to this result is "Debt management practices and financial distress among small businesses" by Amagoh, F. (2013). The study examines the debt management practices of small businesses and their relationship to financial distress. The findings show that small businesses that have a better understanding of debt management practices are less likely to experience financial distress. Additionally, the study found that small businesses that are proactive in managing their debt, such as keeping track of their expenses and monitoring their credit score, are more likely to be financially successful.

Personal Financial Management

The act of managing personal finances can involve several elements, and among these are creating a monthly budget, making thoughtful purchases, and distinguishing between necessities and wants. Budgeting is an essential life skill that helps with the development of financial information for money planning and management (Sushant, 2022). Creating a monthly budget helps in tracking expenses, identifying areas for potential savings, and ensuring that bills are paid on time. It requires determining the amount of money coming in and going out each month and allocating funds accordingly. Making thoughtful purchases, on the other hand, involves considering the need for an item and its long-term value rather than impulsively buying it based on momentary desires. Distinguishing between necessities and wants is also essential, as it helps prioritize spending on essential items such as housing, food, and utilities while limiting unnecessary expenses. By incorporating these elements into personal finance management, individuals can work towards achieving their financial goals, reducing stress related to money, and ensuring long-term financial stability.

The relationship between socio-demographic characteristics and financial management practices has been the subject of numerous studies in the past. For example, a study by Ali and Asghar (2019) examined the impact of education on financial management practices among university students in Pakistan. The results of the study indicated that students with higher levels of education were more likely to engage in financial planning and budgeting activities, suggesting a positive relationship between education and financial management practices. Similarly, a study by Akindele and Olofinbiyi (2019) investigated the relationship between age, gender, and financial management practices among employees of a Nigerian university. The results of the study revealed that older employees were more likely to engage in financial planning activities, while female employees were more likely to engage in budgeting activities. These findings suggest that age and gender may be important factors to consider when examining financial management practices. In addition, a study by Lim et al. (2019) examined the impact of income on financial management practices among low-income households in Malaysia. The results of the study indicated that households with higher incomes were more likely to engage in financial planning and savings activities, highlighting the importance of income level in shaping financial management practices.

Long-term Planning

Long-term investing, long-term saving, and retirement planning are important factors to consider when it comes to financial management. Long-term investing involves investing money in assets that have the potential to increase in value over an extended period of time. This can be beneficial for individuals who are planning for their future or want to increase their wealth over time. Long-term saving, on the other hand, involves setting aside money for future expenses or financial goals. This could include saving for a down payment on a house or planning for future education costs. Retirement planning is also a critical component of financial management, as it involves preparing for a period of life where a person is no longer working full-time and relying on retirement savings and investments to support their lifestyle. By considering these factors, individuals can ensure they are managing their finances in a way that supports their long-term goals and aspirations.

A related study that supports this finding is a survey conducted by the National Endowment for Financial Education (NEFE), which found that while the majority of Americans recognize the importance of long-term financial planning, many do not have a plan in place. The study found that 70% of respondents acknowledged the importance of financial planning for long-term goals, such as retirement, but only 30% reported having a comprehensive financial plan. The study suggests that lack of education and understanding of financial planning may be a contributing factor to the disconnect between recognizing the importance of long-term planning and actually implementing it. This supports the conclusion drawn from the aforementioned study that financial education and advocacy may be necessary to encourage individuals to prioritize long-term financial planning for a secure financial future.

Emergency and Risk Planning

Demonstrating responsible financial behavior is not just about earning and spending money wisely, it also involves being prepared for unexpected events that may arise. One way to do this is by setting up money for emergencies and having proper insurance coverage. This factor examines how responders handle preparing for emergencies and risks, and how they protect themselves and their assets from unforeseen circumstances. By allocating funds for emergencies, responders can avoid having to resort to high-interest loans or depleting their savings in the event of an unexpected expense. Additionally, having adequate insurance coverage can provide peace of mind and financial security in the event of accidents, illnesses, or other unexpected events that could otherwise be financially devastating. Taking these steps to prepare for emergencies and mitigate risks is a crucial component of responsible financial behavior.

Kim et al. (2019) found that emergency funds are a crucial component of personal financial planning and play an essential role in mitigating financial risks and reducing financial stress. The authors also found that emergency fund ownership is positively associated with financial literacy and income level. The findings of this study are consistent with the result mentioned above, which indicates that emergency and risk planning is not prioritized by the majority of respondents, and income level is not always correlated with emergency and risk preparedness. Both studies emphasize the importance of emergency planning and suggest that financial education and awareness are crucial to promoting emergency fund ownership and reducing financial risks.

Advice Seeking

A crucial component of good financial conduct is being up to speed on financial news and information from many sources. A willingness to learn and advance one's financial knowledge is demonstrated by the capacity to seek out financial guidance and expertise from a variety of sources, including newspapers, television, friends, and financial specialists. People who actively seek out financial news and guidance show a desire to keep up with market developments and economic situations, and they may be better able to make wise financial decisions. A higher level of awareness and proactiveness in managing one's finances is also reflected by this characteristic, which may eventually result in more stable and secure financial outcomes.

An article published in the International Journal of Economics and Financial Issues investigated the relationship between financial literacy and financial behavior among individuals with low-income levels. The study found that although individuals with higher incomes tend to have greater financial literacy, financial behavior was not significantly associated with income level. Instead, financial behavior was found to be influenced by various other factors, including age, education, and financial attitude. This supports the idea that seeking financial guidance is not always correlated with income level.

Budget Management

This entails keeping a tight check on how much money enters and leaves the company. Analyzing current costs, classifying purchases, and monitoring cash flow is essential for budget management. It is possible to find opportunities for cost reductions and make sure that resources are being deployed effectively by analyzing costs. It is possible to comprehend the different sorts of costs and how they connect to the goals of the business by categorizing purchases. By monitoring cash flow, one may spot patterns and trends that can be utilized to create spending and budgeting plans that are well-informed. To maintain financial stability and long-term performance, it is crucial to keep an eye on the organization's tracking of revenues and costs.

According to a study conducted by the Federal Reserve Bank of St. Louis, education and income levels have a significant impact on an individual's financial literacy and budgeting practices. The study found that individuals with higher levels of education were more likely to engage in budgeting practices, such as tracking their expenses and creating a monthly budget. Similarly, individuals with higher incomes were more likely to engage in budgeting practices, as they had more financial resources to manage. The study also found that individuals with more experience in the workforce were more likely to engage in budgeting practices, as they had a better understanding of the importance of financial planning (Xiao & Wu, 2019).

Utilizing Credit Score

For long-term financial security, conserving money is crucial, but so is preserving a high credit score. To qualify for loans, credit cards, and even rental agreements, you must have a high credit score. Using credit responsibly and making on-time payments to your creditors are two ways to keep a high credit score. Additionally, it's critical to monitor credit card balances and steer clear of carrying large amounts because doing so might harm your credit score. Limiting the amount of credit cards, and refraining from applying for new credit regularly are two more ways to utilize credit sensibly.

According to a study conducted by the National Endowment for Financial Education (NEFE) and Harris Interactive, individuals with higher levels of education tend to have better credit management practices (NEFE, 2010). This finding is supported by a study conducted by the Federal Reserve Board, which found that individuals with higher levels of education are more likely to have higher credit scores (Federal Reserve Board, 2015). Additionally, a study by the Small Business Administration found that sole proprietors tend to have better credit scores and access to credit compared to other types of business owners (Small Business Administration, 2018).

Utilizing Savings Account

Saving money is a crucial part of personal finance, and there are many different ways to go about it. One such technique is to separate daily spending money from savings, which enables people to prioritize their expenses and prevent excessive savings withdrawals. Keeping money liquid so that it may be promptly accessible in an emergency is another essential consideration. Setting up automated savings is another effective strategy for quietly and gradually accumulating a nest egg.

According to a study conducted by Mustapa, Ramli, and Othman (2021), the use of savings accounts among micro-entrepreneurs is positively associated with financial literacy. The study found that micro-entrepreneurs who utilize their savings accounts more frequently tend to have higher levels of financial literacy and are more likely to engage in good financial management practices. The study also suggested that higher levels of financial literacy are associated with greater financial stability and success among micro-entrepreneurs. These findings support the notion that the majority of respondents in the given study, who utilize their savings accounts often or always, are likely taking positive steps towards financial stability and success.

Loan Management

Loan management is a crucial aspect of maintaining good financial health. One of the most important things to remember when managing loans is to make payments on time. Late payments can negatively impact credit scores and result in increased interest rates and fees. Consolidating debt can also be a helpful tool in loan management, allowing individuals to combine multiple loans into one with a lower interest rate. Making a prepayment can also reduce the total amount of interest paid over the life of a loan.

According to a study by Chien, Liu, and Tsai (2017), there is a positive relationship between a microbusiness owner's financial management practices and their business performance. The study found that owners who exhibited better financial management practices, such as effective loan management, were more likely to have a higher level of business performance. The authors suggest that this may be due to the fact that effective financial management can lead to more efficient use of resources and better decision making. This supports the idea that investigating whether respondents who have been in business for a longer time or earn a higher monthly income have better Loan Management practices may be a valuable area of research.

Reduce Spending

By tracking all expenses, including small purchases like coffee and snacks, it's easier to identify areas where costs can be cut. Updating any subscriptions can also be beneficial, as people often forget about monthly or yearly payments that automatically renew. Saving money on utility bills can be achieved by implementing energy-saving measures like using energy-efficient light bulbs or setting the thermostat to a reasonable temperature.

A study by Aziz, Hamzah, and Azhar (2017) found that individuals with higher levels of education were more financially literate, which supports the finding that the majority of the respondents in the given results are college graduates. The study also found that age and marital status were significant predictors of financial literacy, with older and married individuals having higher levels of financial literacy. This supports the potential impact of age and marital status on spending habits as discussed in the given results.

METHODOLOGY

Research Design

This study looked into the demographic profile of MSME business owners in the Municipality of San Jose, Negros Oriental, Philippines and determine their financial literacy level to aid in the development of an extension program. In order to achieve these objectives, a descriptive approach was used in this study. A structured survey questionnaire was used to collect demographic data and measure financial literacy in terms of debt management, personal financial management, long-term planning, emergency and risk management, advice seeking, budget management, utilizing credit scores, utilizing savings accounts, loan management and reduced spending.

Respondents of the Study

The respondents of the study were the micro, small, and medium enterprises (MSME) business owners in the Municipality of San Jose, Negros Oriental. There is an estimated 9,000 registered MSMEs in Negros Oriental as of 2022 (Partlow, 2023). With this large number and considering the time constraints for this study, the locality was further streamlined to the Municipality of San Jose, Negros Oriental, Philippines. As there are limited available data for the number of MSMEs in the municipality, the respondents were selected using a strategic method of deliberate sampling. This is a method of selecting individuals to participate in research on the basis of a specific plan, rather than randomly. This includes simple non-random techniques, such as judgment sampling and convenience sampling. Through this method, a total of 40 MSME business owners were purposively selected and participated in this study.

Research Instrument

In order to gather the necessary data to achieve the purpose of this study, a customized and well-developed survey questionnaire was employed as the instrument for data collection. This questionnaire was previously used to gather data in a research conducted by Gonzalvo and C. Avila (2018).

There were two sections to the survey questionnaire. The first portion is about the socio-demographic profile of the respondents. This includes questions about the business owners' age, civil status, gender, educational attainment. It also includes questions about the business background such as the type of business, estimated monthly income, and business age. Names and personal contact details of the respondents were not asked for privacy and confidentiality.

The second portion focuses on the respondents' financial literacy. It is composed of ten-item, five-point Likert scale (Never, Rarely, Sometimes, Often, Always) questionnaire about the different financial components (see Table 1 below).

Table 1. Financial Literacy Questions

	Financial Component	Question
1.	Debt Management	Evaluates debt management by taking into consideration factors including paying expenses like rent, insurance premiums, energy, credit card bills, etc., as well as recent short-term loans received and timely loan repayment.
2.	Personal Financial Management	Involves elements including creating a monthly budget, purchasing items only after giving them great thought, and separating necessities from wants.
3.	Long-Term Planning	It considers factors like long-term investing, long-term saving, and retirement planning.
4.	Emergency and Risk Management	Demonstrate responsible financial behavior by setting up money for emergencies and having proper insurance coverage. This factor examines how responders handle preparing for emergencies and risks.
5.	Advice Seeking	Staying current on financial news from a variety of sources, including newspapers, television, friends, and financial experts. This aspect investigates the respondents' financial behavior in terms of seeking help.
6.	Budget Management	Monitoring the organization's tracking of revenues and expenses. Analyzing current expenditures, categorizing purchases, and tracking cash flow are all steps in managing a budget.
7.	Utilizing Credit Scores	Limiting your credit usage to no more than 30% of your overall credit limit and paying off the debt each month.
8.	Utilizing Savings Accounts	Saving money for a future date, segregating daily spending money from savings, keeping

		funds liquid, and setting up automated saves are all ways to do this.
9.	Loan Management	Paying on time, consolidating debt, making a prepayment, asking for a lower interest rate, paying off high-interest debt first.
10.	Reduced Spending	Maintaining spending patterns, setting up a budget, updating any subscriptions, saving money on utility bills, and shopping with a list.

The questionnaire also included a confidentiality clause, which states that the information gathered from the survey will be kept within the researcher's own record, and will be used for academic research purposes only.

Data Gathering Procedure

After identifying the respondents of the study, the researcher personally distributed a hard copy of the questionnaire to the business owners. Data gathering was conducted from May 8 to 14, 2023. This is done in order to answer any queries that the respondents may have, and to take advantage of the opportunity to interview them, and to collect first-hand data that is crucial to the study. Once the respondent completely filled the survey, the researcher kept the filled questionnaires for statistical processing.

Statistical Treatment

After the respondents' instruments were collected, the data were processed using the following suitable statistical techniques. First, the profile of the respondents was determined using the frequency count and percentage. Second, the weighted mean of the Likert scale responses was used to gauge the respondents' financial literacy. Every choice has a numerical value: 1 - Never, 2 - Rarely, 3 - Sometimes, 4 - Often, 5 - Always) The choice that best reflects a respondent's viewpoint or conducts on a given subject is then available for selection. The table presented below (Table 2) summarizes the evaluation criteria that were used to assess the financial literacy of business owners.

Table 2 .Criteria for Evaluating Level of Financial Literacy

Evaluation	Mean
Very low	1.00-1.79
Low	1.80-2.59
Average	2.60-3.39
High	3.40-4.19
Very High	4.20-5.00

RESULT

This section presents the data collected from the survey questionnaire. The demographic profile of the respondents is presented first. The mean scores of the business owners' responses to the financial literacy questions is then presented along with the analysis of the results.

Socio-Demographic Characteristics of the Microbusiness Owners

The following demographic information about the respondents was compiled based on the data gathered.

Table 3. Socio-Demographic Characteristics of the Microbusiness Owners

Variable	Mode	Frequency	Percentage
Age	40-49	16	40%
Civil Status	Married	23	57.5%
Gender	Female	29	72.5%
Highest Educational Attainment	College Graduate	17	42.5%
Type of Business	Single Proprietorship	35	87.5%
Business Income Monthly	20,000-30,000	12	30%
Business Age	1-9 years	21	52.5%

The age distribution of the respondents is relatively varied. The most common age range is 40-49 years old, which accounts for 40% of the total respondents. This is followed by the 50-59 years old age range with 27.5% of the respondents, and is further followed by the 20-29 and 30-39 years old age ranges with 15% each of the respondents. The least common age range is 60-69 years old with only 2.5% of the respondents.

More than half of the respondents are married individuals, accounting for 57.5% of the total respondents. Single respondents make up 32.5% while widowed respondents make up 10% of the total respondents.

The majority of the respondents are female, accounting for 72.5% of the total respondents. Male respondents make up 27.5% of the total respondents.

Most of the respondents are college graduates, accounting for 42.5% of the total respondents. High school undergraduate respondents make up 30% while vocational respondents make up 15% of the total respondents.

The majority of the respondents have a single proprietorship business, comprising 87.5% of the total respondents. Corporations make up only 12.5% of the total respondents. Sari-sari stores/retail businesses are the predominant kind of business of the majority of the respondents.

In terms of monthly income, 30% of the respondents earn between 20,000-30,000 monthly. Those who earn 15,000 monthly and 50,000-60,000 make up 20% each of the total respondents. Those who earn 5,000-6,000 and 70,000 monthly make up 10% each of the total respondents, while those earning an income of

4,000-5,000 and 300,000 monthly comprises 7.5% and 2.5% respectively of the total respondents.

Most of the respondents have been in business for 1-9 years, accounting for 52.5% of the total respondents. Those who have been in business for 30-39 years make up 27.5% of the total respondents while those who have been in business for 10-19 years make up 15% of the total respondents. The remaining 5% of the total respondents has been in business for 20-29 years.

The above demographic profile will be used to substantiate, wherever relevant, the financial literacy level of the respondents.

The Level of Financial Literacy of the Microbusiness Owners

The primary objective of this research is to assess the level of financial literacy among MSME business owners. To achieve this objective, a ten-item questionnaire based on ten financial components was distributed to collect information on the financial literacy of MSME business owners.

Debt Management

The respondents were asked to evaluate the statement: **"Evaluates debt management by taking into consideration factors including paying expenses like rent, insurance premiums, energy, credit card bills, etc., as well as recent short-term loans received and timely loan repayment"** in order to evaluate their ability to manage their debts effectively. Table 4.1 shows the details of the business owners' responses.

Table 4. Debt Management of the Respondents

Likert Scale	Frequency	Percentage	Mean
1 (Never)	0	0%	
2 (Rarely)	0	0%	
3 (Sometimes)	17	42.5%	
4 (Often)	6	15%	
5 (Always)	17	42.5%	
Total	**40**	**100%**	**3.925**

In terms of debt management, 17 respondents or 42.5% answered Sometimes and Always, while the remaining 15% or 6 respondents answered Often. This shows that the respondents are aware of their borrowings and have an understanding, to a certain degree, how to manage their debts. For this component, the mean score is 3.925. This suggests that MSME business owners generally have a positive attitude towards managing their debts and are making efforts to pay their expenses on time and repay their loans.

This result aligns with the study of Amagoh (2013) where it was found that small business owners proactively keep track and manage their debts. The respondents age may be contributory to the favorable result. Since most of the respondents are at least 40 years old, it can be assumed that they have substantial experience when it comes to dealing with different financial components.

Personal Financial Management

The respondents were asked to evaluate the statement: **"Involves elements including creating a monthly budget, purchasing items only after giving them great thought, and separating necessities from wants"** which pertains to their personal financial management. This is their overall management of the different financial elements. Table 4.2 shows the responses of the business owners to this statement.

Table 5. Personal Financial Management of the Respondents

Likert Scale	Frequency	Percentage	Mean
1 (Never)	0	0%	
2 (Rarely)	11	28.75%	
3 (Sometimes)	12	36.25%	
4 (Often)	11	28.75%	
5 (Always)	6	5%	
Total	**40**	**100%**	**3.3**

The most common response option was Sometimes (12 respondents or 36.25%), followed by Rarely and Often (11 respondents each or 28.75%). Only a small percentage of respondents (5%) selected Always, while none of the participants selected the lowest response option Never. This shows that a considerable number of respondents practices personal management such as budgeting, whether sometimes or always. Although there are Rarely responses, it still indicates that the respondents are aware of this concept despite not always practicing it. The mean score across all participants was 3.3. This mean score suggests that, on average, respondents reported experiencing the behavior or attitude on personal financial management.

The socio-demographic data provided can potentially offer some insights into the results of the Likert scale related to the practice of financial management. For example, the fact that 42.5% of respondents are college graduates may suggest that those with higher education levels may be more likely to have a better understanding of financial management practices. This observation between socio-demographic characteristics and financial management practices coincides with the study of Ali and Asghar (2019) where they state that higher levels of education likely to engage in financial planning and budgeting activities.

Similarly, the most common age range is 40-49 years old may suggest that those who have been in the workforce for a longer period of time may have more experience and knowledge when it comes to financial management practices. Moreover, majority of the respondents (72.5%) were female. These observations align with Akindele and Olofinbiyi (2019) study that relates age and gender to the financial management practices such that older employees were more likely to engage in financial planning activities, while female employees were more likely to engage in budgeting activities.

Furthermore, the majority of respondents having a single proprietorship may suggest that they are more likely to be directly responsible for managing their own finances. Lastly, the fact that the majority of respondents earn between 20,000-30,000 monthly, in which those with higher incomes potentially being more confident in their financial management practices and those with lower incomes being more critical of their own financial management practices. This observation can be supported by Lim, et al.’s (2019) study where they found that those with higher incomes likely to engage in financial planning and savings activities.

While these observations are speculative and may not necessarily be accurate, they offer potential avenues for exploring the relationship between the Likert scale results and the socio-demographic characteristics of the respondents.

Long-Term Planning

The respondents were also asked to evaluate the statement: “It considers factors like long-term investing, long-term saving, and retirement planning” which pertains to their knowledge on long-term investing, long-term saving, and retirement planning. Table 4.3 shows the responses of the business owners to this statement.

Table 6. Long Term Planning of the Respondents

Likert Scale	Frequency	Percentage	Mean
1 (Never)	12	30%	
2 (Rarely)	11	27.5%	
3 (Sometimes)	6	15%	
4 (Often)	6	15%	
5 (Always)	5	12.5%	
Total	**40**	**100%**	**2.525**

The most common responses to this question were Never (30%) and Rarely (27.5%). Around 15% of the respondents answered Sometimes and Often, while only 12.5% answered Always. This result suggests that a significant portion of respondents may not be knowledgeable or may not be prioritizing long-term financial planning in their overall financial management practices. The total mean score, calculated as the average of all responses, is 2.525, indicating that on average, respondents do not practice long-term financial planning very often.

This result coincides with NEFE's survey where majority of the American respondents do not have long-term plans in place despite knowing the importance of a long-term financial goals. The gap between recognizing the importance of long-term planning and the actual implementation suggest that this is an aspect of financial management that requires further education.

Emergency and Risk Planning

The respondents were also asked to evaluate the statement: **"Demonstrate responsible financial behavior by setting up money for emergencies and having proper insurance coverage. This factor examines how responders handle preparing for emergencies and risks."** This statement intends to measure the behavior of the respondents when it comes spending and saving money for unexpected events. Table 4.4 shows the responses of the respondents on this component.

Table 7. Emergency and Risk Planning of the Respondents

Likert Scale	Frequency	Percentage	Mean
1 (Never)	7	17.5%	
2 (Rarely)	17	42.5%	
3 (Sometimes)	6	15%	
4 (Often)	0	0%	
5 (Always)	10	25%	
Total	**40**	**100%**	**2.725**

The majority of respondents (42.5%) clearly stated that they Rarely plan for emergencies and risks. Only 25% of responded with Always, 15% responded with Sometimes, and 17.5% responded with Never. These results indicate that emergency and risk planning is not prioritized much more than other financial activities. This can be due to the lack of sufficient information about emergency and risk planning, misconceptions about this factor, or perhaps inaccessibility of means and platforms to allocate emergency resources. The size of the business establishment can also be a determinant for the relatively unfavorable responses, such that micro, small and medium enterprises may not deem to be high-risk; thus, owners do not prioritize risk planning. The overall mean score of 2.725, which shows that respondents do not routinely exercise emergency and risk preparation.

Regardless of the size, nature, and longevity of the enterprises, Kim et al. (2019) reiterates that emergency funds are crucial in financial planning and play an essential role in mitigating financial risks and reducing financial stress. Further, the authors suggest that emergency fund ownership is positively associated with financial literacy and income level. As such, it can be assumed that respondents of this study are financially illiterate when it comes to emergency and risk planning.

Advice Seeking

The respondents were also asked to evaluate this statement: **"Staying current on financial news from a variety of sources, including newspapers, television, friends, and financial experts. This aspect investigates the respondents' financial behavior in terms of seeking help."** This statement aims to measure the willingness of the respondents to improve their financial knowledge. Table 4.5 summarizes the responses to this statement.

Table 8. Advice Seeking of the Respondents

Likert Scale	Frequency	Percentage	Mean
1 (Never)	10	25%	
2 (Rarely)	7	17.5%	
3 (Sometimes)	11	27.5%	
4 (Often)	6	15%	
5 (Always)	6	15%	
Total	**40**	**100%**	**2.75**

Around 27.5% of the respondents answered Sometimes to this question, while some 25% and 17.5% responded Never and Rarely, respectively. On the positive side, around 15% of the respondents answered Often and Always each. This indicate that the respondents never or do not often seek further financial assistance or information to help them understand financial planning. This information can be from reliable advisors, training programs, and online references, among others. The relatively unfavorable response to this question can also explain the low or unfavorable responses of the business owners to questions on long-term planning, and emergency and risk planning. The overall mean score of 2.75 suggests that people seek financial assistance rarely.

In addition, the respondents' demographic profile may be a factor for the responses. The majority of the respondents are between the ages of 40 and 49, which may mean that they have either developed good financial habits and don't need to get assistance as frequently, or are no longer open to new information.

In an International Journal of Economics and Financial Issues article, it was found that an individual's financial behavior can be influenced by factors like age, education, and financial attitude. This related study supports the findings in this research as well.

Budget Management

There was also a statement that determines the capacity of the respondents to effectively manage the inflow and outflow of their finances. They were asked to evaluate the statement: **"Monitoring the organization's tracking of revenues and expenses. Analyzing current expenditures, categorizing purchases, and**

tracking cash flow are all steps in managing a budget." Table 4.6 shows the result of their responses.

Table 9. Budget Management of the Respondents

Likert Scale	Frequency	Percentage	Mean
1 (Never)	8	20%	
2 (Rarely)	11	27.5%	
3 (Sometimes)	2	5%	
4 (Often)	9	22.5%	
5 (Always)	10	25%	
Total	**40**	**100%**	**3.05**

Responses on this question showed an almost equal distribution of responses, except Sometimes. Some 11 respondents or 27.5% answered Rarely, while 10 respondents or 25% answered Always. Around 9 respondents (22.5%) and 8 respondents (20%) answered Often and Never, respectively. It can be noted that the respondents equally either diligently practice budget management or not. The overall mean score for this data set is 3.05.

The respondents' age range and educational level may have an effect on how they manage their budgets. For instance, due to their education and experience in financial management, individuals who have a college degree may be more likely to regularly practice budget management. As they have greater expertise managing funds, respondents who are in the business for a longer time may also be more inclined to regularly practice budget management. It is also possible that the income levels determine the degree of budget management the respondents employ, such that those with higher income are more particular with the cash flow than those with lower monthly income brackets.

These observations coincide with the findings of Federal Reserve Bank of St. Louis, where they found that individuals with higher levels of education and higher incomes were more likely to engage in budgeting practices, such as tracking their expenses and creating a monthly budget. The study of Xiao and Wu (2019) about longer work experience to likely engage in budgeting practices, also support the findings of this research.

Utilizing Credit Score

Additionally, the respondents were also measured on their knowledge about utilizing credit scores. They were specifically asked to evaluate the statement: **"Limiting your credit usage to no more than 30% of your overall credit limit and paying off the debt each month."** Table 4.7 shows the details of their responses to this statement.

Table 10. Utilizing Credit Score of the Respondents

Likert Scale	Frequency	Percentage	Mean
1 (Never)	10	25%	
2 (Rarely)	7	17.5%	
3 (Sometimes)	7	17.5%	
4 (Often)	6	15%	
5 (Always)	10	25%	
Total	**40**	**100%**	**2.975**

From these data, it can be seen that there are extreme opposite results. Equally 10 respondents or 25% answered Never and Always each, respectively. Other responses were almost equally distributed to Rarely (17.5%), Sometimes (17.5%), and Often (15%). These data indicate that majority are still aware on what is a credit score and how to utilize it, although it can be seen that a number do not maximize its usage or perhaps do not know how to manage it. The overall mean score is 2.975.

Similarly, the respondents' demographic profile can influence their responses to this question. For example, age can be a factor, wherein the older the respondents are, the lesser they may be interested in utilizing credit scores. The respondents' generally low interest in seeking new financial information can also explain the unfavorable responses in this question. However, it can be noted that there is a considerable number of respondents who seem to be aware of what is a credit score (Sometimes to Always responses). This means that the knowledge about credit scores is there. The respondents' education background can perhaps influence their understanding about this financial component.

These findings reflect the studies conducted by NEFE (2010) and Federal Reserve Board (2015) that educational attainment is a determinant to better credit management practices. On the other hand, the findings do not fully support the study of Small Business Administration (2018) where they found that sole proprietors tend to have better credit scores and access to credit. This is because of the varied distribution of the responses of sole proprietors in this study, and in which the methodology cannot fully associate ownership to a specific response to the question.

Utilizing Savings Account

Similarly, the respondents were also asked about their utilization of savings account. Particularly, they were asked to evaluate the statement: **"Saving money for a future date, segregating daily spending money from savings, keeping funds liquid, and setting up automated saves are all ways to do this."** Table 4.8 shows the results of their responses.

Table 11. Utilizing Savings Account of the Respondents

Likert Scale	Frequency	Percentage	Mean
1 (Never)	0	0%	
2 (Rarely)	9	22.5%	
3 (Sometimes)	9	22.5%	
4 (Often)	12	30%	
5 (Always)	10	25%	
Total	**40**	**100%**	**3.575**

Responses to this particular question is generally favorable. The majority of the respondents seem to utilize their savings account either Often (30%) or Always (25%). However, almost a quarter of the respondents (22.5%) indicated that they only utilize their savings account Rarely or Sometimes. The overall mean score of 3.575 suggests that on average, which can be an indicator that the majority of the respondents are taking steps in utilizing their savings accounts.

These findings can be due to several factor. First, several respondents earn between 20,000-30,000 monthly indicating that they have significant financial resources that can be allocated for savings. Additionally, it is interesting to note that the most common age range of respondents is 40-49 years old, which may suggest that this age group is particularly financially aware about savings. Thus, it can be assumed that the respondents are generally literate in terms of understanding and maximizing their savings.

This assumption is supported by the study of Mustapa, Ramli, and Othman (2021) where they posited that the use of savings accounts is positively associated with financial literacy.

Loan Management

The respondents were also asked about their capacity to manage loans and make payments. Specifically, they were asked to evaluate the statement: **"Paying on time, consolidating debt, making a prepayment, asking for a lower interest rate, paying off high-interest debt first."** Table 4.9 shows the summary of responses to this statement.

Table 11. Loan Management of the Respondents

Likert Scale	Frequency	Percentage	Mean
1 (Never)	7	17.5%	
2 (Rarely)	6	15%	
3 (Sometimes)	10	25%	
4 (Often)	0	0%	
5 (Always)	17	42.5%	
Total	**40**	**100%**	**3.575**

Most of the respondents (42.5%) answered that they Always practice loan management. On the other hand, 25% responded with Sometimes, 17.5% answered Never, and 15% said Rarely. This result show that most of the respondents are aware about managing loans, whether they have an active borrowing or not. Although, it is difficult to assume whether the respondents who answered Never to Sometimes are financially knowledgeable about this financial component. The total mean score of loan management practices among the respondents is 3.35.

It can be noted that loan is a common concept in the Philippines, such that various lending agencies exist. It is also a common practice for individuals to obtain loan as capital to establishing a business, and even for expansion initiatives. This knowledge can perhaps justify the percentage of those who answered Always in loan management. This observation is supported by the study of Chien, Liu, and Tsai (2017) where they suggest that there is a positive relationship between a microbusiness owner's loan management practices and their business performance.

Reduce Spending

Finally, the respondents were asked to evaluate the statement: **“Maintaining spending patterns, setting up a budget, updating any subscriptions, saving money on utility bills, and shopping with a list.”** This statement intends to measure the respondents’ cost efficiency and cost savings capacity. Table 4.10 shows the results of their responses to this statement.

Table 12. Reduce Spending of the Respondents

Likert Scale	Frequency	Percentage	Mean
1 (Never)	0	0%	
2 (Rarely)	17	42.5%	
3 (Sometimes)	0	0%	
4 (Often)	7	17.5%	
5 (Always)	16	40%	
Total	**40**	**100%**	**3.55**

The results show most of the respondents (42.5%) Rarely reduce their spending, while 40% Always practice reducing their spending. Another 17.5% answered that they Often reduce their expenditures. The total mean score for this practice is 3.55.

This data indicates that the respondents have opposing views when it comes to reduction of expenditures. This can be attributed to several factors. One is the age and civil status of the respondents. The most common age range is 40-49 years old and 50-59 years old, where a little over half are married, and could suggest that these individuals in these age groups may have more financial responsibilities, such as supporting a family or paying off a mortgage. On the contrary, the other renumeration of single or widowed respondents may have the capacity to limit their spending because they have lesser financial responsibilities. Additionally, lower income brackets may have limited budget and may be more stringent with cash outflows and cost saving in order to maximize profit.

These assumptions can be partially supported by the Aziz, Hamzah, and Azhar (2017), where they indicated that age and marital status are significant predictors of financial management including managing one's expenditures.

Summary of the Financial Literacy level of the MSME Business Owners

Table 13. The Financial Literacy Level of the MSME Business Owners

Financial Literacy Component	Mean	Interpretation
Debt Management	3.925	High
Personal Financial Management	3.300	Average
Long-Term Planning	2.525	Low
Emergency and Risk Management	2.725	Average
Advice Seeking	2.750	Average
Budget Management	3.050	Average
Utilizing Credit Scores	2.975	Average
Utilizing Savings Accounts	3.575	High
Loan Management	3.350	Average
Reduced Spending	3.550	High

The summary provided indicates that MSME business owners generally have a high level of debt management knowledge, with a mean score of 3.925. This is an encouraging finding, as debt management is an important skill for any business owner, and high levels of debt can have a negative impact on a business's financial health.

On the other hand, MSME business owners appear to have a lower level of long-term planning knowledge, with a mean score of only 2.525. This is concerning as long-term planning is essential for the success and sustainability of any business. In a study by the National Small Business Association, 67% of small business owners reported having no formal long-term plan (National Small Business Association, 2018).

MSME business owners also appear to have an average level of personal financial management knowledge, with a mean score of 3.3. This is consistent with the findings of a study by the Global Financial Literacy Excellence Center, which found that only 38% of small business owners were able to correctly answer questions related to personal financial management (Global Financial Literacy Excellence Center, 2017).

Additionally, MSME business owners appear to have an average level of emergency and risk planning knowledge, with a mean score of 2.725. This is a concerning finding, as emergencies and risks can have a significant impact on a business's financial health. A study by the National Federation of Independent Business found that only 37% of small business owners had a formal emergency plan in place (National Federation of Independent Business, 2021).

MSME business owners also seem to have an average level of advice-seeking capacity, with a mean score of 2.75. Seeking advice from financial professionals can be beneficial for business owners, as they can provide valuable insights and guidance on financial matters.

Furthermore, MSME business owners appear to have an average level of budget management knowledge, with a mean score of 3.05. Proper budget management is essential for the success and growth of a business, and failing to manage a budget can lead to financial difficulties.

MSME business owners also appear to have an average level of knowledge in utilizing credit scores, with a mean score of 2.975. Understanding credit scores is important for business owners who may need to borrow money to finance their business operations.

Finally, MSME owners have a high level of knowledge in utilizing savings accounts, with a mean score of 3.575. This is an encouraging finding, as having a savings account can provide a safety net for businesses during difficult times.

Overall, the summary of the financial literacy level of MSME business owners suggests that there is room for improvement in certain areas, particularly in long-term planning, emergency and risk planning, advice seeking, budget management, utilization of credit scores, and loan management. However, the high levels of debt management and reduce spending knowledge are promising, indicating that MSME business owners may have a good understanding of how to manage their finances in these areas.

CONCLUSION AND RECOMMENDATION

In conclusion, financial literacy is crucial for individuals and MSME business owners to effectively manage their personal finances and business operations, respectively. Several studies could attest to the positive impact of financial literacy to overall business performance, which consequently can contribute to the national economy. Studies also revealed that despite being a fundamental skill, the majority of the population worldwide is financially illiterate. This finding coincides to a certain degree with the results of this study.

A survey was conducted among 40 MSME business owners in the Municipality of San Jose, Negros Oriental. They were measured in terms of their knowledge of the different financial concepts. Results of the study showed that the financial literacy level of MSME business owners has some promising results in terms of debt management, utilization of savings accounts, and reduced spending. However, there is still a need for improvement in certain areas, particularly in personal financial management, long-term planning, emergency and risk planning, advice seeking, budget management, utilization of credit scores, and loan management.

In order to address the disparity between the expected financial literacy and the actual financial knowledge of individuals, several experts suggest a comprehensive financial education program. Thus, the results of this study substantially provide a basis for an extension program that can help MSME business owners improve their financial literacy in areas where they are lacking. In particular, the researcher offers the following recommendations:

- An extensive and comprehensive training program can be designed and developed focusing on the financial components where MSME business owners are low to average.

• The program can also build on the strengths identified in the study, such as debt management and savings utilization through the Best Practices program to help struggling business owners in these areas.
• A business summit where MSME business owners could seek advice and consult financial professionals who can provide valuable insights and guidance on different financial aspects.

However, it can be noted that this study has several limitations. One is that the questionnaire used was based on a previous study and may not fully capture the specific financial literacy needs and challenges of MSME business owners in this particular context. While efforts were made to adapt the questionnaire to the local context, it is possible that some important aspects of financial literacy were not fully captured. Additionally, while using a pre-existing questionnaire can be beneficial for comparison purposes and can save time and resources, it may also limit the ability to fully explore and understand the nuances of financial literacy in this population, business owners in this context, to better capture their unique experiences and challenges.

Another limitation is the number of respondents for this study. Since the total population of MSMEs in the municipality concerned is limited, it is difficult to generalize the results of this study to represent the MSMEs in the locality. Additionally, there was relevant information such as the size of the business that was not asked and could potentially substantiate further the results of the study. Further, the statistical relationship between demographic profile and financial literacy levels can also be explored. These limitations can be taken into consideration for future related studies.

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