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Financial Literacy of Small-Scale Business Entrepreneurs in the Adopted Community in Cebu City

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ABSTRACT: Financial literacy is vital in the wise management of the limited resources of small and medium enterprises amid various challenges in the economy where they operate. This research examines some small-scale enterprises' levels of financial literacy in Barangay, Apas, and Cebu City. This study applied the descriptive-correlational research design and employed a random sampling technique with thirty (36) respondents who answered the modified research tool to collect data on the level of financial literacy of the owners of small business enterprises. Percentage was used to analyze the respondents' profiles, while the weighted mean was calculated to assess the financial literacy of small-scale enterprises. Lastly, on the significant relationship between the business profile and the level of financial literacy on small-scale enterprises' profitability, the Chi-Square Test of Independence was utilized to assess the correlation between financial knowledge and economic behavior. The t-test was used to test the significant difference. The results show that the adoption of financial literacy among the small-scale business entrepreneurs in Barangay Apas, Cebu City, was low, especially in accounting records. Also, they lacked modern technology; the capital was insufficient, and there was a lack of business training or seminars.
Furthermore, they commonly practiced borrowing money from individual money lenders at exorbitant interests that significantly influence their profitability. Hence, it can be deduced that the level of financial literacy of the owners of small enterprises varies from person to person since they have varying educational levels, exposure, and experience. Store owners should know about record-keeping day-to-day transactions and implement simple cash and inventory management.

Keywords- Financial literacy, knowledge, behavior, descriptive, Philippines

I. INTRODUCTION

Mall businesses such as sari-sari stores and carinderias, among others, has been part of the Filipino culture for a long period of time. We can always find them in every street or in every corner of our neighborhood. The sari-sari store is our reliable go to store whenever we need items such as: food products to even personal hygiene products. When we are hungry and in a hurry, our favorite carinderia is just foot-steps away. These are just two of the common businesses that we commonly see in our neighborhood. Other businesses may also be a common sight such as local internet shops, vegetable vendors, rice vendors, and cigarette vendors. Most of these businesses, if not all, are family-owned and is usually operated within the families' home.

So, what makes these businesses profitable? What are the steps taken by the owners to have an enduring business? Questions while basic can still be very problematic among small business owners. We often see small businesses having jam-packed inventory during their early stages only to discover that their inventories begin to dwindle as time passes by. For some, their business may survive since they have extra cash to buy more inventories, while others are unfortunate and just shut down, since their hard-earned was already spent on the inventories alone.

Financial literacy has long been highlighted to be an essential ingredient to have a profitable business. The level of financial literacy from person to person varies. In general, store owners should at least be knowledgeable in record-keeping day-to-day transactions and implement simple cash and inventory management. Without these skills can prove to be catastrophic to business owners. Problems may arise such as: spending more than what they earned; selling majority of their inventory on credit which ultimately leads to dwindling inventories without earning enough cash. If credit is left unpaid for a long period of time, the financial health of the business suffers, which ultimately leads to shutting down of the business. This dilemma has encouraged the proponents to conduct a research about financial literacy among small business owners and chose the community in Apas, Lahug as the area to be surveyed

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Contemporary theories of entrepreneurship generally focus on the recognition of opportunities and the decision to exploit them. Although the entrepreneurship literature treats opportunities as exogenous, the prevailing theory of economic growth suggests they are endogenous (Acs et al., 2008).

Small businesses such as sari-sari stores and small eatery stores, among others, have been part of the Filipino culture for an extended period. These establishments are usually located on every street or every corner of the neighborhood. The sari-sari stores are commonly convenient go-to stores whenever food products need personal hygiene products. When people or residents nearby are hungry, and in a hurry, the favorite cafeteria is just footsteps away. These are only two specific businesses we commonly see in our neighborhood. Other business entities, such as local internet shops, vegetable vendors, rice vendors, and cigarette vendors, may also be a common sight. Most of these businesses, if not all, are family-owned and are usually operated within the families' home.

Many small businesses have jam-packed inventory during their early stages to discover that their stocks begin to dwindle as time passes by. Some companies may survive since they have extra cash to buy more inventories, while others are unfortunate and just shut down since their hard-earned money was already spent on stocks alone.

Financial literacy has long been highlighted as essential for a profitable business. The level of financial literacy from person to person varies. Store owners should know about record-keeping day-to-day transactions and implement simple cash and inventory management. Without these skills, it can prove to be catastrophic to business owners. Problems may arise, such as spending more than they earned and selling most of their inventory on credit, ultimately leading to dwindling stocks without earning enough cash. If credit is left unpaid for an extended period, the business's financial health suffers, eventually leading to the entity's shutting down. This dilemma has encouraged the proponents to research financial literacy among small business owners in the adopted community in Apas, Cebu City since it is vital for the proprietors of these small enterprises to develop abilities that facilitate correct decisions and successfully manage their businesses finances.

II. LITERATURE REVIEW

The knowledge spillover theory of entrepreneurship explains that the context in which decision-making is derived can influence one's determination to become an entrepreneur. In particular, a context that is rich in knowledge generates entrepreneurial opportunities from those ideas. By commercializing ideas that evolved from an incumbent organization via creating a new firm, the entrepreneur (human capital) serves as a conduit for the spillover of knowledge and the ensuing innovative activity and enhanced economic performance through resource allocation. The knowledge spillover theory of entrepreneurship brings together contemporary theories and thoughts of entrepreneurship with prevailing theories of economic growth, geography, and strategy and, therefore, explains not just why some people choose to become entrepreneurs but also why this matters significantly for the economy and society (Acs et al., 2013).

The knowledge spillover theory of entrepreneurship predicts that entrepreneurial activity is more significant in regions with more knowledge, conditional on the commercialization efficiency of incumbents, which limits entrepreneurial discovery. We extend the theory to contend that localized competition impedes entrepreneurial activity by reducing the incentive to exploit new knowledge (Plummer & Zoltan, 2012). Moreover, the knowledge filter puts the gap between new and economic expertise in this theory, resulting in lower knowledge spillovers. Underlying conditions inherent in a unique experience make up the knowledge filter (Acs et al., 2008).

Further, the resource-based theory of Jay Barney suggests that resources can give firms a long-term competitive advantage by utilizing them. The theory points out strategic choice, ensuring that the firm identifies, develops, and uses essential resources to maximize returns. Likewise, entities that own vital resources have more competitive advantages compared to those organizations that do not. In other words, it emphasizes that the firm's resources can provide a competitive advantage and the ability to sustain performance. Resources can be divided into two types: tangible and intangible. Substantial resources like the business' property, plant, and equipment can easily be seen, touched, and quantified.

On the other hand, intangibles that cannot be seen, touched, or quantified include knowledge, skills, reputation, and the organization's culture. The resource is considered strategic if it is valuable, rare, difficult to imitate, and nonsubstitutable. It is helpful because resources help improve the entity's effectiveness and efficiency while exploiting opportunities and eliminating threats. When there are only a few, or no other competitors possess the same, it is called rare. Additionally, resources that are legally protected with intellectual property, like patents, copyrights, trademarks, and some other difficult-to-imitate resources that need time to develop fully, are the attributes of the so-called difficult-to-replicate. Lastly, no substitute resources subsist when the resource combinations of different entities cannot duplicate the strategy given in a particular firm's resource bundle. It is to be noted that recognizing that strategic resources can be created by undertaking a considerable approach and resources that each could be copied and bundling them together in a way that cannot be imitated (West & Noel, 2009).

West and Noel (2009) further opined that a new venture's strategy—and thus its performance—is based upon the firm's knowledge about its market, opportunity, and appropriate conduct to take advantage of that opportunity. Resource-based theory underscores knowledge as a resource that confers competitive advantage and the potential for sustainability, two critical factors for start-ups. Three types of procedural knowledge are considered to be significant at start-up: (1) about the industry in which the venture competes, (2) about the type of business approach the venture is pursuing, and (3) about creating, building, and harvesting new ventures. Valuable knowledge of the new venture is developed through relevant personal experiences or by accessing relevant knowledge others possess. Hypotheses are developed regarding the impact on the performance of new ventures due to these sources of knowledge, and these relationships are explored in a study of new technology-based firms.

The dual-system theory of Daniel Kahneman (2011) explains why humans make irrational decisions despite having full knowledge of behavioral economics. The theory cites two systems, system one and system 2. System 1 comprises thinking processes resulting from intuitive, automatic, experience-based, and relatively unconscious. It is considered an automated system for it operates without effort and is regarded as fast thinking. In contrast, system 2 is more reflective, controlled, deliberative, and analytical, requires mental effort, and is viewed as a slow thinking process. Both are mutually beneficial, for they complement each other. The former originates the information and processes it slowly and deliberately. Frequent decisions or choices created in system two are likewise guided by system one, like in associative thinking, which is mainly hidden in the human's conscious self. Further, System 1 automatically responds through heuristics (cognitive shortcuts). It also processes when there is prior knowledge or experience, and humans tend to make quick judgments and are responsible for biases (systematic errors) when making decisions.

Another general-purpose heuristic is that of effect. The effect may hinder the process of system two, which is the deliberation or reflection, especially in the case of time pressure. In uncertain or risky situations, affect is apparent in the risk-as-feelings model (Read et al., 2001). The behavior manifests in conditions where emotional reactions to risk differ from cognitive evaluations, as explained in the risk-as-feelings model. Thus, anticipatory feelings and emotions experienced in making decisions impact the man's behavior. The external process equivalent is the so-called salience. The context is that the information that prevails is novel, may also be relevant, and will more likely affect human thinking and actions (Dolan et al., 2010).

Policymakers, the financial service industry, and educators have promoted numerous initiatives to combat low financial knowledge levels through developing financial education programs (Tang et al., 2015).

Prisca (2016) highlighted that better business decisions are made when the decision-maker is informed, which positively impacts consumption and profitability for consumers and managers. The financial attitude of business managers plays a significant role in determining the performance of the business. It is a combination of concepts, information, and emotions about learning, which results in readiness to react favorably and leads to more effective decisions that generate profits for business owners (Potrich et al., 2016).

Good economic behavior is described by Grohmann et al. (2015) as the ability to diversify assets across multiple types of investment, as different investment types are affected by their specific risk profiles.

Financial education is a process of improving comprehension regarding financial products and associated concepts and risks by individuals to develop the abilities and confidence necessary to make secure and fundamental decisions to improve their financial wellbeing (Mutegi & Phelister, 2015). It is a preventive measure, allowing the individual to understand economic problems and satisfactorily manage personal finances, thereby avoiding indebtedness (Potrich et al., 2016).

Also, business education is associated with many "best practice" money-related practices, including having an excellent secret stash, observing credit reports, abstaining from financial records overdrafts, abstaining from spinning obligations, owning an active retirement account, and having protection security (Robb & Woodyard, 2011).

A monetary frame of mind can be characterized as using financial standards to establish and ensure value through decision-making and proper resource management (Prisca, 2016). Commercial perspective is one of the factors that have a significant impact on business management practice. Amari and Anis (2015) posit that mental propensity is communicated by assessing a specific substance with some support or disgrace. It is a behavioral inclination about concurring or contradicting explicit budgetary administration.

Money-related education dominates a lot of information and behaviors. It also pertains to an individual's ability to make an informed judgment and make effective decisions regarding the use and management of money. A person also possesses a facilitating attitude to the practical and responsible management of financial affairs (Nkundabanyanga et al., (2014), that is, the ability to read, analyze, manage, and communicate personal economic conditions that affect wellbeing and the capacity to recognize budgetary decisions and talk about cash and monetary issues without uneasiness. The job is expected to enable individuals to settle on mindful choices to accomplish financial prosperity (Amari & Anis, 2015).

Mutegi and Phelister (2015) explained financial behavior as creating value in decision-making and resource management by applying economic principles. The money-related point of view is improved by acquiring satisfactory data. Lusimbo & Muturi (2016) further opined that it is the capacity to catch and understand the significant effects of business choices on one's conditions and to settle on the correct choices identified with the money the board, insurance, and open doors for spending arranging matters on obtaining of budgetary learning demonstrated that there is a positive however little connection among riches and business mastery. Investigations revealed that financial literacy consistently predicts measures of the economic behavior of individuals (Guyo & Galgallo, 2017).

According to the Canadian Association of Student Financial Aid Administrators(2010), financial literacy relates to the knowledge, skills, and confidence to make responsible financial decisions. They draw the relationships of knowledge, skills, and trust by having sound business judgment about the three's output. Financial skills refer to the ability of a person to apply economic knowledge in every facet of life. A responsible financial decision is made when people can use their education, skills, and confidence to develop the most appropriate choices in that practical situation.

Monticone (2010) pointed out that financial literacy only involves understanding investing and financial planning rather than the actual planning process. He added that an alternative view of incorporating a plan in the financial literacy equation is looking at it as a long-term financial management decision-making process. It includes three components: business knowledge, economic behavior, and economic attitudes (Atkinson & Messy, 2012).

Furthermore, financial literacy can help a person decide how to manage money matters, including spending and settling obligations. It has been considered a significant element of stability, economic, and business development globally, reflected in the ongoing endorsement of the High-Level Principles on National Strategies for Financial Education. There are a few holes in essential perspectives, including money-related proficiency. The first is how money-related ability has been frequently utilized as an equivalent word for business training or monetary learning since these two developments are extraordinary. Using them as identical words may prompt issues because budgetary proficiency exceeds fiscal instruction. He argues that financial literacy has two dimensions: understanding, which represents personal financial knowledge or financial education, and its use (Disney & Gathergood, 2013).

Financial literacy is worth assessing regarding how people are financially literate in practice. It is hard to explore how people process financial information and make decisions based on this knowledge. This issue is so because financial literacy covers many concepts, including commercial awareness, knowledge, skills, and capability. Further, it is hard to capture all this information in a reasonable time to research (Lusardi & Mitchell, 2011).

Kiyosaki (1998) argues that in the absence of financial literacy and one's knowledge of how money works, one needs to prepare to face the world that awaits him. A standard solution to the lack of financial knowledge is the prescription of business education, assuming that improved understanding will result in more effective financial decision-making (Robb et al., 2011).

Some findings, like that of Potrich et al. (2016), came up with various models that could be used to measure financial literacy, indicating that business knowledge and commercial attitude positively impact economic behavior.

One cross-country study addresses the effects of education and income on financial literacy in which he analyses data from a survey of fifty-five (55) countries. The result shows that economic and financial literacy, perceived by each country's business leaders, is positively associated with social capital pointers. However, it is adversely connected with living in a nation with a liberal government-managed savings framework. The examination conjectures that this results from the need for a chance for private capital amassing, which diminishes motivations to procure money-related education (Jappelli, 2010).

Moreover, Kalekye & Memba (2015), in their research on the role of financial literacy on the profitability of women-owned businesses, found that although budgeting is essential in increasing profits and minimizing losses of business enterprises, women needed to be more consistent in financial planning.

Further, budgetary proficiency is a mix of information, a frame of mind, and conduct essential to settle on sound business choices and, at last, accomplish individual monetary wellbeing (Japelli, 2010). Moreover, money-related information is knowledge obtained through learning the capacity to oversee salary, consumption, and reserve funds in a sheltered manner (Lusardi & Mitchell, 2011). A budget is an essential aspect of business planning. It is a master financial document that states the expected contribution from an organization's activities in terms of expected cash or revenues and expenditures over a certain period (Nkundabanyanga et al., 2014).

Bruhn and Zia (2011) highlighted that excellent money-related conduct includes the capacity to settle on monetary choices that expand riches and avoid organizations' vulnerabilities. These exercises create progressively budgetary resources, counteract over-obligation, account for retirement, and protect against significant life possibilities.

Organizations prepare budgets for the process of planning to allocate resources that are limited to human, physical, and financial resources. Budgets often use historical data to be formulated. As the firm grows, the accuracy of its budget becomes almost perfect because of the historical data to draw from (Klapper et al., 2015). Although a budget may not be 100 percent accurate, budgeting aids in better management of an enterprise and helps achieve higher profits and minimize losses. Budgeting is a contributing factor to the success of a business's operations. However, most small business owners focus more on cashflows instead (Lusimbo & Muturi, 2016).

Sucuahi (2013) posits that financial literacy includes financial knowledge, economic behavior, and financial attitudes. Attitude toward financial matters and practices is an essential predictor of business behavior. Attitudes, values, and beliefs toward financial practices impact financial decision-making and reflect a person's monetary patterns and habits.

III. OBJECTIVES OF THE STUDY

This investigation assessed the level of financial literacy of small-scale enterprises in Apas, Cebu City, and the adopted community of the University of Cebu Banilad. The findings of which served as a basis for community extension programs. Specifically, this study aims to present the: 1) profile of the respondents in terms of their age, gender, educational qualification, number of business training or seminars attended, nature of the business, initial capital, credit facility, number of years of operation; 2) level of financial literacy of the business owners of the small-scale enterprises in terms of their financial knowledge and financial behavior; and 3) significant relationship between the respondents' profile and the level of their financial literacy.

IV. MATERIALS AND METHODS

This study utilized the descriptive-correlational design using researcher-made questionnaires as the primary data collection instrument.

This research was undertaken in Barangay Apas in Cebu City, the adopted community of the University of Cebu-Banilad. Barangay Apas belonged to the north district of Cebu City, and the number of residents was 35,275. There were also numerous establishments of varying sizes, including the outsourcing companies at Cebu IT Park. Seventy percent (70%) of the barangay's land area is inside the military camp, the temporary army settlement located at the mountain. However, it became a squatter area for retired soldiers and drop-outs after many years, and the residents were temporary.

The study's respondents were small-scale entrepreneurs in Apas, Cebu City. A sample of thirty-six (36) respondents was chosen from different population strata in the research environment.

This study utilized the modified survey questionnaire as the primary data collection instrument. The small-scale entrepreneurs in Barangay Apas, Cebu City, accomplished this instrument. It contained items on the demographic profile and questions to determine financial literacy in terms of economic knowledge and financial behavior. The instrument's reliability was tested by conducting a pilot test among small-scale entrepreneurs in Mandaue City. The copies of the survey instruments were distributed among the identified respondents, and the questions were explained to them before they were asked to answer the questionnaire. An allowance of two (2) weeks was the scheduled deadline for retrieving the said instruments. The completed questionnaires were collected, and the results were tallied and tabulated. The incidence of non-response on every question and the trend of responses were also noted. Since the respondents could answer all the questions with a reasonable range of variation, the instrument was then finalized.

Permission to conduct the study was sought from the Barangay Captain of Barangay Apas, Cebu City. Once approval was granted, the proponents personally administered the survey questionnaires to the small-scale entrepreneurs in Apas, Cebu City. They also made themselves available to explain the study's objectives to the respondents and answer whatever queries they might raise concerning the undertaking.

A simple percentage was used to analyze the respondents' profiles. Weighted mean was used to assess the level of financial literacy of the small-scale enterprises. Lastly, to test the significant relationship between the profile of the respondents and their level of financial literacy, the Chi-square Test of Independence was utilized, and for the test on the meaningful relationship between financial knowledge and financial behavior, a dependent t-test was used.

V. RESULTS AND DISCUSSIONS

This section presents the results, analysis, and interpretation of data on the respondents' profile, the level of financial literacy, the significant relationship between the respondents' profile and the level of their financial literacy, and the relationship between financial knowledge and financial behavior.

Table 1. Respondents' profile (n=36)

Profile	**Frequency (f)**	**Percentage (%)**
Age Range		
50 and above years old	10	27.78
40-49 years old	8	22.22
30-39 years old	9	25.00
20-29 years old	7	19.44
Less than 20 years old	2	5.56
Gender		
Male	16	44.44
Female	20	55.56
Highest Educational Attainment		
Bachelor	16	44.44
High School	14	38.89
Elementary	6	16.67

Number of Business Trainings Attended		
10-14	4	11.11
5-9	12	33.33
Less than 5	20	55.56
Nature of Business		
Service	12	33.33
Merchandising	18	50.00
Manufacturing	6	16.67
Initial Capital		
Php15,001.00-Php20,000.00	10	27.78
Php 10,001.00-Php15,000.00	16	44.44
Php 5,001.00-Php10,000.00	8	22.22
Php 500-Php5,000.00	2	5.56
Credit Facility		
Bank	12	33.33
Turko/Indian	15	41.67
Cooperative	9	25
Number of Years of Operation		
More than 10 years	4	11.11
7-10	8	22.22
4-6	14	38.89
1-3	10	27.78

Table 1 shows that of the thirty-six (36) respondents, 27.78% were aged 50 and above, while only 5.56% were aged less than 20 years old. It can be noted that more of the respondents were in the middle adulthood stage. According to Lumen Learning (n.d.), this is a period in which aging, which began earlier, becomes more noticeable and a period at which many people are at their peak of productivity in love and work. It may be a period of gaining expertise in specific fields, understanding problems, and finding solutions more efficiently than before. It can also be a time of becoming more realistic about possibilities in life that were previously considered, of recognizing the difference between what is possible and what is likely.

In terms of gender, there were twenty (20) females, consisting of 55.56% of the total number of respondents, while there were sixteen (16), or equivalent to 44.44% males. This result means most of the entrepreneurs operating in the study locale were males, which is different from other areas wherein females were visibly more enterprising than men.

The results further show that there were more male entrepreneurs. This result does not mean that females are less innovative, imaginative, or capable. In fact, men are more likely to start a business or become an entrepreneur because of overconfidence. Mollick said this is arguably the most significant psychological predictor of someone's decision to pursue a career in entrepreneurship (Business News Daily Editor, 2020).

As to the educational qualifications of the respondents, sixteen (16), or equivalent, 44.44%, could finish a bachelor's degree, while only six (6) respondents, or 16.67%, were elementary graduates. This data indicates that many entrepreneurs in the area were able to finish a college degree but chose to be self-employed or do business rather than earn through employment. Also, Barangay Apas is already an excellent place for small businesses since there are many residents and potential buyers. Hence, there could be more business viability.

As to the number of business training or seminars attended by the respondents, twenty (20), or 55.56%, had participated in less than five (5) business training or workshops. In contrast, only four (4), or 11.11%, could attend 10-14 business training. This information denotes that the small-scale business owners had been trained to manage the business. However, the duration of the time in which they underwent intensive business training was short. However, attending business education activities connects to understanding and learning how to appropriately manage the business enterprise's resources.

While research on small businesses has grown substantially, there seems to be a lack of research specifically investigating the effects of small business owners' expertise on employees' skills training and small business performance. Small business owners' expertise positively influences employees' skills training and small business performance significantly (Chinomona, 2013).

Moreover, eighteen (18) or half (50%) respondents were engaged in merchandising or selling household consumer goods, while only 6, or 16.67%, were in the manufacturing business. These businesses opted to sell commodity items commonly bought by the residents in the barangay since inventory turnover of these goods would be fast, and they could multiply their income at a higher rate.

According to Anoos et al. (2020), more of the city's MSMEs were in the trading business, accounting for 43.22%. Among the different natures of business activity, buying and selling various commodities is one of the most natural means of doing business. Aside from that, the capital requirement is also minimal compared to other business activities.

As to initial capital, sixteen (16), consisting of 44.44% of the total number of respondents, had an initial capital of Php10,001.00 -Php15,000.00, and only two (2) or 5.56% had an initial capital of Php 500.00-5,000.00. It can be inferred that the capital invested by the owners in the small businesses in Barangay Apas, Cebu City, was minimal.

For the credit facility, there were fifteen (15), or 41.67% of the respondents borrowed money from loan sharks such as *Turko* or *Bombay*, while there were only nine (9), or equivalent 25%, who borrowed from cooperative organizations, wherein the small business owners are also members. Although loan sharks charged higher interest rates on borrowings, small business entrepreneurs opted to borrow from them because they could easily borrow from them, and there were fewer documentary requirements. Further, these business owners borrowed money for additional capital for stocks and other personal emergency uses with the expectation that they would be able to repay their borrowings out of the profits they would gain from their business endeavors.

Most SMEs' financing needs exceed the small loans that microfinance institutions provide. Yet larger commercial banks often find it too expensive to lend to SMEs because assessing whether an SME is creditworthy is high relative to the return banks could earn by lending to them. Many banks also perceive SMEs as too risky and more likely to default on loans (Innovations for Poverty Action, 2018).

Lastly, for the number of years of operation, fourteen (14) respondents disclosed that they had been operating their business for 4-6 years, and only four (4), consisting of 11.11%, had been doing business for more than ten (10) years. This data indicates that there were more small-scale businesses still at the introductory stage, and one cannot surmise that they had already penetrated the market.

This section presents the assessment results relating to the financial literacy of the owners of small business enterprises in the adopted community of the University of Cebu, Banilad.

Table 2. Level of financial literacy in terms of financial knowledge (n = 36)

Indicators	**Weighted Mean (μ)**	**Interpretation**
1) Outlining financial objectives on what I want to achieve in a year or in my business is very essential.	2.16	Fair
2) I should prepare periodic budget about my income and expenditure.	2.11	Fair
3) It is a must to compare my financial objectives to performance.	2.02	Fair
4) Books should be maintained in recording business transactions.	2.05	Fair
5) Financial reports concerning about my financial status be prepared periodically.	2.01	Fair
6) It is important for the business to conduct inventory counting at least once every period.	3.22	Good
7) It is essential to have wide knowledge as to where I can get finance.	3.21	Good
8) Knowledge about how to compute interest is a basic requirement.	3.11	Good
9) The use of technology can improve my business' efficiency and performance.	2.23	Fair
10) Saving portion of my earnings should be reinvested.	2.03	Fair
Factor Average	**2.42**	**Fair**

Legend: 3.26-4.00 – Very Good; 2.51- 3.25 – Good; 1.76- 2.50 -Fair; 1.00-1.75 - Poor

Table 2 presents the data on the level of financial literacy in terms of economic knowledge among the small-scale entrepreneurs in Barangay Apas, Cebu City.

Moreover, the highest weighted mean of 3.22 signifies that the respondents were only good in their literacy in inventory counting at least once every period. This result means that these business owners should have undertaken inventory control regularly.

Lastly, the lowest weighted mean of 2.01 indicates that the respondents' financial literacy was only fair in periodically preparing financial reports concerning their economic status. This result denotes that the businesses did not adhere to the requirements of the government agencies to submit financial statements annually.

As revealed by the factor average of 2.42, the small-scale entrepreneurs' level of financial literacy was only fair. This result indicates that the respondents needed financial literacy and more training and coaching on adequately managing their business entity.

Financial literacy is an interconnecting resource that mitigates information asymmetry. The analysis suggests enhanced financial literacy, reduces monitoring costs, and serves to optimize firms' capital structure, positively impacts SMEs' growth. Financial management knowledge is recognized as the core resource that aids owners of SMEs in effective decision-making (Hussain et al., 2018).

Table 3. Level of Financial Literacy in terms of Financial Behavior (n = 36)

Indicators	**Weighted Mean (μ**	**Interpretation**
1) I set business objectives or goals.	3.24	Good
2) I prepare financial budget about my business' income and expenditures.	2.09	Fair
3) I compare and evaluate my set objectives to performance.	2.11	Fair
4) I maintain and record business transactions.	2.01	Fair
5) I prepare basic financial reports.	2.30	Fair
6) I conduct inventory counting of my unsold goods.	2.29	Fair
7) I only go to financial institutions that can charge me with the least possible interest.	2.01	Fair
8) I compute the cost of my borrowings (i.e interests)	2.27	Fair
9) I share my (e-mail address, webpage, contact numbers and the like) to my existing and potential customers.	2.54	Good
10) I save and invest portion of my earnings (banks, coop, etc.)	2.10	Fair
Factor Average	**2.30**	**Fair**

Legend: 3.26-4.00 – Very Good; 2.51- 3.25 – Good; 1.76- 2.50 -Fair; 1.00-1.75 - Poor

Table 3 presents data on the level of financial literacy in terms of economic behavior among small-scale entrepreneurs in Barangay Apas, Cebu City.

The weighted mean of 3.24 indicates that the respondents manifest fair financial behavior in setting business objectives and goals. This result suggests that business owners need more recognition of the importance of setting projections on how they would want their business to be.

However, the lowest weighted mean indicates that the respondents manifest fair behavior in maintaining and recording business transactions and in going only to financial institutions that can charge them the least possible interest. This result indicates that small-scale entrepreneurs should have given more importance to maintaining records of the inflows and outflows of business transactions. Aside from that, they were also not particular about borrowing from institutions that change minimal interest.

The factor average of 2.30 revealed that the small-scale entrepreneurs' level of financial literacy was fair. This result denotes that the respondents lack a significant attitude toward setting the right goals for the business.

Financial literacy positively relates to self-beneficial financial behavior (Mandell, 2009). Their results suggest that financial knowledge relates to self-beneficial financial practices (Helgert et al., 2003). While financial behavior seems to be positively affected by financial literacy, the effects of financial education on financial behavior are less specific (Mandell, 2009).

Table 4. Results on the Test of Significant Relationship Between Profile of the Respondents and their Financial Knowledge

Variables	Computed Value of X^2	Critical Value of X^2	Decision	Interpretation
Financial Knowledge &				
Age	11.11	9.49	Reject	Significant
Gender	2.12	3.84	Accept	Not Significant
Educational Qualification	10.37	9.49	Reject	Significant
Number of Business Trainings Attended	13.45	9.49	Reject	Significant
Nature of Business	2.17	5.99	Accept	Not Significant
Initial Capital	8.34	7.82	Reject	Significant
Credit Facility	1.22	5.99	Accept	Not Significant
Number of Years of Operations	8.78	7.82	Reject	Significant

Table 4 shows the test results of the significant relationship between the respondents' profile and financial knowledge. The computed Chi-square value of 11.11, more important than the critical value of 9.49, denotes a substantial relationship between the age of the respondents and their financial knowledge. This result implies that the variation of age levels among the entrepreneurs in Apas, Cebu City, connects with their expertise in using and allocating the business's funds.

Also, the computed Chi-square value of 10.37, higher than the critical value of 9.49, signifies a significant relationship between the respondents' educational qualifications and financial knowledge. This result denotes that the small entrepreneurs' educational attainment relates to their ability to manage the financial resources of their businesses.

Moreover, the computed value of 13.45, which is bigger than the critical value of 9.49, indicates that there is also a significant relationship between the number of business pieces of training attended by the respondents and their financial knowledge. This data signifies that the number of business seminars that small business owners attended connected to gaining financial competency. The more training the entrepreneurs attended, the more they had the propensity to learn better about financial management.

Additionally, the computed chi-square value of 8.34, more significant than the critical value of 7.82, indicates a significant relationship between the respondents' initial capital and financial knowledge. This result signifies that the small entrepreneurs' beginning investment connects according to their understanding of allocating the financial resources of their small business.

The computed value of the Chi-square of 14.78, more significant than the critical value of 7.82, denotes a substantial relationship between the number of years of operations and their financial knowledge. This result implies that the business's years of service relate to its financial ability.

Additionally, the computed value of 9.34, higher than the critical value of 7.82, indicates a significant relationship between the respondents' initial capital and financial knowledge. This result means that the initial capital of the respondents connects to their ability to generate funds for the purchase of inventories to sell.

For the number of years of operation, the computed value of Chi-square of 8.78 is more significant than the critical value of 7.82, which denotes a substantial relationship between the number of years of operation of the small business and their financial knowledge. This result implies that the small business's length of existence is connected to the owners' competency in managing the funds earned in the operations.

Table 6. Results of the Test of Significant Relationship Between Financial Knowledge and Financial Behavior

Variables	Mean	T-test computed value	t-test tabular value	Decision	Interpretation
Financial Knowledge	2.42	0.58	2.03	Accept the Ho since the computed t is lesser than the tabular value	Not Significant
Financial Behavior	2.30				

As shown in Table 6, there is no significant relationship between the respondents' financial knowledge and their economic behavior, as indicated by the t-value of 0.58, which is essential at 0.05 (5%) alpha value. Hence, awareness of the proper means of managing the business's financial resources does not connect to their attitude towards adherence to the appropriate accounting, keeping, or records, as well as to setting business goals.

VI. CONCLUSIONS

Financial literacy has long been highlighted as an essential ingredient to attain a profitable business, and the level of financial literacy from person to person differs. However, the small entrepreneurs in the university's adopted community needed higher financial literacy. These results indicate that although they had finished college, they still lacked the need to gain proper knowledge of prudently allocating and using the business's funds. In general, store owners require knowledgeable record-keeping of the day-to-day transactions and implement simple cash and inventory management. These skills are necessary for business owners to avoid problems, such as spending more than what they earned and selling most of their inventory on credit, ultimately leading to dwindling stocks without earning enough cash.

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