
RESEARCH ARTICLE

Financial Literacy Level of Dry Market Vendors

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ABSTRACT

Dry goods retail businesses are significant to one country's economic growth. However, despite being integral to the economy, small and large businesses are suffering challenges due to the unprecedented coronavirus crisis, which has caused destruction for many businesses. It is challenging to survive with reduced revenue, lost jobs and weak marketing performance. Therefore, the business survival of micro businesses in the present depends largely on sound financial management; financial literacy is one that enhances the capability to understand financial knowledge. To be considered financially literate, one must have a high level in all three aspects. This research determined the level of financial literacy among the 70 dry goods vendors in Subic Public Market, Philippines, in terms of their financial knowledge, financial behavior, and financial attitude, on how they managed their funds and finances during the pandemic; and further determined whether their financial literacy level differs based on their profiles. The respondents are very highly financially literate, wherein their financial knowledge and behavior vary depending on their sources of income, and their financial attitude varies depending on their age. The current findings are useful to dry market vendors not only in the research locale but to other vendors across the country as it will aid them in assessing themselves and making relevant decision-making to simple and crucial financial practices.

KEYWORDS

Financial literacy, financial knowledge, financial attitude, financial behavior, dry goods vendors

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1. Introduction

Dry goods retail businesses are considered one of the micro enterprises in the Philippines, a section in a public market in charge of trading textiles, footwear, rice and general merchandise. Micro and small businesses (MSEs) are key contributors to local economies, bringing growth and innovation to the community and the country. Similarly, micro-enterprises play a big role in the advancement of a community, municipality, and/or even a city by providing employment and taxes for the local government (Yap, 2019).

On the other hand, financial literacy is an important factor for these business entrepreneurs as it helps them manage cash and debt effectively and helps to lessen financial distress, according to the Corporate Finance Institute (2021). According to Yap (2018), entrepreneurship is a management agent as entrepreneurs perform all the functions of business management, together with their financial literacy skills.

It is a skill that brings many benefits that can improve an individual's standard of living, such as increased financial stability. As financial literacy rates differ in important ways when it comes to characteristics such as gender, education level, income, and age, according to a study by Lusardi and Mitchell (2014), it is important to assess financial literacy in the country's local businesses. In support of that, Ali (2013) stated that financial literacy has become more important than ever in today's world, and it is essential that each person should have the ability to understand how money works, how to manage it to earn and to invest or how to

donate it to others. Moreover, according to Fernando (2021), understanding and using various financial abilities, such as personal financial management, investing and budgeting, is referred to as financial literacy.

Furthermore, the dry goods retail businesses are significant to one country's economic growth, whereas according to the Asian Development Bank (2016), these MSEs are considered the backbone of Asian economies. However, despite being integral to the economy, according to Engidaw (2021), small and large businesses are suffering challenges due to the unprecedented coronavirus crisis, which has caused destruction for many businesses. It is challenging to survive with reduced revenue, lost jobs and weak marketing performance. Moreover, Amador (2010) states that in order for dry goods entrepreneurs to command success, they must have financial agility and literacy to stay resilient and ultimately thrive in the market.

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

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

2. Literature Review

According to the Corporate Finance Institute (2021), Financial literacy is important for individuals as it helps them manage cash and debt effectively and helps to lessen financial distress. It is a skill that brings many benefits that can improve an individual's standard of living through increased financial stability. Financial literacy rates differ in important ways when it comes to characteristics such as gender, education level, income, and age. Financial literacy consists of some abilities and knowledge of finances owned by someone to be able to manage or use some money to improve his standard of living (Rumbianingrum & Wijangka, 2018).

Today, financial literacy has become a more important tool than ever, and it is vital to the long-term well-being of all individuals. Ritchie (2021) discussed that, being financially literate, you must know how to manage your money. This implies learning how to pay your bills, how to borrow and save cash responsibly, and the way and how to invest and set up for retirement. Being financially literate is essential for avoiding and resolving financial problems and is vital for living a prosperous, healthy, and happy life (Subha & Priya, 2014).

Entrepreneurs need to have and understand basic financial literacy, such as knowledge of accounting, costing, and budgeting, for their businesses to grow and survive in a competitive world (Ali et al., 2018) since financial literacy helps to understand and evaluate the information needed to make daily decisions that have financial impacts on the day-to-day operations of businesses (Fernandes, 2015).

In this study, according to Potrich et al. (2016), financial literacy comprises three components: financial knowledge, financial behaviour, and financial attitude. To become financially literate, a person must possess a variety of financial literacy components. By combining those components, based on an individual's preference, cultural, and economic context, an individual will be able to maintain and improve their financial well-being.

2.1 Financial Knowledge

According to Sanderson (2015), financial literacy is the capability of an individual to use his/her knowledge and skills to take appropriate financial decisions for effective management of financial resources. Financial knowledge is the financial awareness and understanding of economic concepts and strategies and the application of knowledge to address financial problems (Alvares & Gonzalez, 2017). Financial literacy can be interpreted as financial knowledge with the purpose of gaining prosperity. Those who have good financial literacy will take financial behavior in a positive direction, such as punctual bill payments, possession of bank accounts and investments and the capability of managing credit wisely (Lusardi, Mitchell, & Curto, 2010).

Entrepreneurs, particularly micro ones, agreed on the importance of bookkeeping in their business operation and in determining accounting transactions (Yap, 2019); it showed that there is a significant difference in accounting implementation from a gender perspective, wherein women showed a higher average score. Thus, it could be concluded that women were capable of implementing accounting better than men (Herawatia et al., 2020).

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

2.2 Financial Behavior

Financial skills and behavior categories relate to how the person acts to achieve financial well-being. It is the ability to understand the overall impact of financial decisions on one's circumstances and make the right decisions in terms of cash management, precautions, and budget planning opportunities, according to Tezel (2015). It can be defined as any human behavior that is money management. Behavioral finance is one of the most important parts of individual finance, both for the term short and long term (Wijaya & Yanuar, 2021). A financial behavioral survey conducted by Baptista and Dewi (2021) found that financial literacy was closely related to financial management, and higher financial literacy among MSMEs led to better corporate governance. In this case, financial literacy is the ability to understand and analyze financial options, plan for the future, and respond appropriately to events (Anis, 2017).

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

2.3 Financial Attitude

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

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

3. Methodology

This study utilized a descriptive and inferential research design, which involves describing the behavior of a subject without influencing it in any way (Cooper & Schindler, 2014) through mean analysis guided by a 5-point Likert scale, from the highest 5-very highly literate to lowest 1-not literate; and the profile of the respondents is determined using the frequency and percentage distribution.

On the other hand, the hypothesis was tested through Analysis of Variance to determine if there is a variation that exists between variables, rejecting H_0 when $p \leq 0.05$ and accepting H_0 when $p \geq 0.05$.

The data are gathered from the total population of 70 dry goods vendors in Subic Zambales, Philippines, through the survey method. The survey questionnaire undergoes validation and reliability testing for consistency, with a Cronbach Alpha Coefficient (α) of 0.90.

4. Results/Findings

4.1 Profile of the Respondents

The majority of the respondents were from the age group of 41 years old and above, with 29 or equivalent to 41.4%; 17 or 24.3% belonging to 31–40 years old and 21–30 years old; and 7 or 10.0% belonging to 20 years old and below. The result indicates that most of the dry goods vendors are 41 years old or older, which puts them relatively in the middle of adulthood. At this age range, they invested and focused on the expansion of the business by being financially literate. Middle adulthood has a higher chance in the business industry because, according to the census of the Bureau's Center for administrative records research, successful entrepreneurs are middle-aged, not young.

There are more females with 50 or 71.40%, compared to males with 17 or 24.30% and LGBTQ with 3 or 4.30%. Women are more engaged in enterprising work than men who do regular work.

Most of the respondents were high school graduates, with 23 or equivalent to 32.90%; 17 respondents, or 24.30%, were college level, and college graduates, respectively; 12 respondents or 17.10%, were high school level while the least 1 or 1.40% completed elementary. The data simply manifest that most respondents have basic and advanced knowledge when it comes to analytical and mathematical calculations that can be applied to financial management.

Out of the seventy respondents, 25 or equivalent to 35.70%, have been in the business for more than 11 years; 20 or 28.6%, have been selling for 3 years and below; 14 or 20%, have been selling for 4 to 7 years; while the least 11 or 15.7% have been selling for 8 to 11 years. Findings revealed that most of the respondents were in the business of selling for several years, that it could be concluded that they are already used to the financial concerns.

The source of income of the respondents came from business income at 43 or 61.4%; salary and wages at 23 or 32.90%; from rent income at 2 or 2.9%; while the least came from retirement income at 1 or 1.4%.

4.2 Level of Financial Literacy among Dry Goods Vendors

In terms of Financial Knowledge, the respondents were very highly literate on they know that an increase in world oil/gas prices is one of the external causes of inflation manifested in the high weighted mean value of 4.46 and ranked 1st while highly literate as to shares are high risk but a high-return investment with the lowest weighted mean value of 3.99 and ranked 8th. The computed overall weighted mean on the level of financial literacy of dry market vendors in the Subic Public Market in terms of financial knowledge was 4.20 with a qualitative interpretation of "very highly literate".

In terms of Financial Attitudes, the respondents were very highly literate in that they compared the cost of different suppliers for their business before buying them, manifested in the high weighted mean value of 4.57 and ranked 1st while highly literate as to they have emergency funds or insurance for their business with the lowest weighted mean value of 3.94 and ranked 8th. The computed overall weighted mean on the level of financial literacy of dry market vendors in the Subic Public Market in terms of financial attitude was 4.31 with a qualitative interpretation of "very highly literate".

In terms of Financial Behavior, the respondents were very highly literate on they don't tend to live for today and let tomorrow take care of itself, manifested in the high weighted mean value of 4.54 and ranked 1st while very highly literate as to they prefer detailed financial plans rather than to follow their instinct with the lowest weighted mean value of 4.23 and ranked 8th. The computed overall weighted mean on the level of financial literacy of dry market vendors in the Subic Public Market in terms of financial behavior was 4.44, with a qualitative interpretation of "very highly literate".

5. Conclusion

This research assessed whether the dry goods vendors' demographic profile has a significant effect on their level of financial literacy, which makes their businesses thrive and sustain longevity despite the pandemic.

The findings indicate that the respondents are in their middle adulthood, and though most are high school graduates, they have been in the business for more than twelve years, with business income as a source of income. They are a very high level of financial literacy in managing their businesses. However, their financial knowledge and behavioral literacies vary based on their source of income; their financial attitude literacy also varies based on their age.

Therefore, this study may contribute to the existing empirical evidence focusing on the dry goods market vendors' financial literacy, suggesting that they may further maximize the online platform in promoting and selling their products, take advantage in expanding their businesses in other towns/municipalities; may also be afforded bookkeeping skills through workshop-training, for an appropriate recording of business transactions, to monitor the sales and expenses effectively.

For future research, the effectiveness of the suggested bookkeeping skills workshop-training may further be tested for effectiveness through the conduct of pre-test and post-test evaluations.

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