

FINANCIAL LITERACY ASSESSMENT IN RECORD-KEEPING AMONG MICRO-ENTREPRENEURS IN CATARMAN NORTHERN SAMAR

Jade Ballado-Tan, (CPA MBA)

Faculty Member, College of Business Administration

University of Eastern Philippines

Email - jadeballado@yahoo.com

Abstract: *The study determined the financial literacy in record-keeping of the selected micro entrepreneurs of Catarman Northern Samar. A total of 96 micro-entrepreneurs participated in the study. A descriptive survey design was utilized and through the use of questionnaires and follow up interview, the necessary data were gathered and analyzed through frequency count, percentages and mean. The result revealed that micro-entrepreneurs lack the skills in record-keeping as manifested by the current way that they are recording transactions, though they agree to an opportunity for them to learn more. As such intervention programs such as enhancing their financial skills through education and relevant trainings should be conducted to ensure that the micro-entrepreneurs, being the largest in the business sector, would be sustainable.*

Key Words: *Financial literacy, record-keeping, micro-entrepreneurs*

1. INTRODUCTION:

Entrepreneurship is a big word for many Filipinos. A more commonly used word is "business" or as most Filipinos would it "may sariling negosyo". Filipinos would associate being an entrepreneur with freedom. This freedom comes with risks though. Many small entrepreneurs face the challenges of a highly competitive market with lack of capital, credit and other resources, as well as lack of support and business know how.

Micro-enterprises contributed significantly in the economic development because these types of enterprises create a bridge between a margin of purchase ability of the greater number of population and the affordability of the products made available to the consuming public. Frempong (2009) even highlighted the important characteristic role of the micro-entrepreneurs as a provider of affordable goods and services for the public and at the same time creating a large proportion of jobs. A study conducted by the Department of Trade and Industry showed that 99.7% of business in the country are micro, small, and medium enterprises. Of the total number of MSMEs, 91.4% are micro-enterprises or those businesses with a capital of P3 million or less. As of 2016, in Northern Samar, 93% are micro-enterprises, and 82% are sole proprietorships. Given that the micro-entrepreneurs have significantly shaped the economic activity in the country side, a low financial skill might lead into an adverse impact in the future of the business.

In the conduct of business, along with other skills, financial literacy is a necessity. According to Harper, good financial planning facilitates business growth and enables financial control. The lack of financial planning together with poor financial practices can destroy a business, even if a good market opportunity exists (Harper, 1991).

Brown, Berman, Saunders, & Beresford as cited by Sucuahi (2013) subscribed to the general principle of good business through financial literacy. Lack or no financial literacy as Niederauer (2010) cautioned, would lead to shutdown of the business. Thus, a good financial foundation of the entrepreneurs is also a significant barometer of the success and growth of the enterprises in a competitive business environment. There are varying financial literacy measures (Gray et al., 2009) but they identify record keeping as a fundamental skill or practice. Record keeping in this study is considered as the most basic financial skills. It is the source of important information critical decision making.

2. OBJECTIVES OF THE STUDY:

The study aimed to find out the following:

1. Socio-demographic profile of the respondents
2. Profile of the business
3. Record-keeping skills
4. Attitude of respondents towards record-keeping
5. Level of record-keeping literacy of the respondents

3. SCOPE AND LIMITATIONS

Considering that financial literacy is fluid and subjective, this study focused on record-keeping skills of the owners of the business. The variables considered are the profile of the respondents and of the business, recordkeeping skills, the attitude towards record-keeping and level of literacy, which were assessed through survey questionnaires and interview. The study was conducted in Poblacion, Catarman Northern and only the micro-entrepreneurs with physical presence were included as respondents.

4. METHODOLOGY:

A descriptive survey research design was utilized to realize the objective of the study. It aimed at describing the profile of the micro-entrepreneurs as well as their businesses. Survey questionnaire and follow-up interview were the major tools used to gather data from the sample population which were determined through Slovin’s formula. According to DTI, there are 994 micro-entrepreneurs in Catarman, and at 10% margin of error, a total of 91 respondents were computed, but since there are additional 5 respondents who accommodated the researcher, a total of 96 respondents who have business establishments in Catarman Northern Samar were taken as a sample. The data were tabulated and analyzed through frequency counts, mean, and percentages.

5. RESULTS AND DISCUSSIONS:

Profile of the Respondents

	Frequency	%		Frequency	%
Age distribution			Civil Status		
20-30	8	8.33%	Single	16	16.67%
21-40	33	34.38%	Married	72	75.00%
41-50	42	43.75%	Widowed	8	8.33%
51-65	10	10.42%			
above 65	3	3.13%	Educational Attainment		
	96		College Graduate	3	3.13%
Sex distribution			Some college education	12	12.50%
Male	32	33.33%	High school graduate	29	30.21%
Female	64	66.67%	Some high school education	23	23.96%
			Elementary graduate	18	18.75%
			Some elementary education	11	11.46%

The youngest respondent is 22; the oldest, 84. Their mean age is 40.85. The majority are female (66.67%), some have spouses who are also helping them in their business. It could readily explained that a greater number of females are engaged in enterprising works than males who are doing regular jobs. The entrepreneurs, 32 of whom are male and 64 are females, are mostly married. Educational attainment are distributed, most of the respondents were able to receive formal education.

Profile of the business

	Frequency	%		Frequency	%
Type of micro-enterprise			Number of years in the business		
Trading	52	54.17%	1 to 5	11	11.46%
Basic Processing	32	33.33%	6 to 10	13	13.54%
Service	12	12.50%	11 to 20	29	30.21%
			20 - more	43	44.79%
Ownership					
Sole Proprietorship	93	96.88%			
Partnership	3	3.13%			

The table shows that majority of the micro-entrepreneurs are into trading or buying and selling goods. Market vendors and other sari-sari stores are part of this type of enterprise. Some of the micro-enterprise is from the service industry like salons and barbershops. Since, huge capital requirements are not yet necessary, the businesses are mostly sole proprietorship. The business were in the industry for a considerable number of years, 43 of them are doing business for 20 years more.

Record-Keeping Skills

Business owners has recorded all revenues and expenditures based on the documents gathered during interview. However, majority of the respondents do not use formal record books such as journals and ledger, instead they use notebooks and piece of paper in recording business transactions. Rutherford, McMullen, and Oswald (2001) explained that it is possible that small business owner keep records, but not in a formal manner. Out of 96 respondents, 68 used an ordinary notebook and the rest in a paper. They use single entry instead of the double-entry system. Separation of records from personal records was slightly observed. The separation of these two records will help the owners split business profit from personal profit. These clearly show that their recording skill need to be enhanced. Accounting records should be well organized for these to be meaningful and useful (Swanson, et al, 1992).

Majority of the respondents do not prepare income statements; consequently they do not have a clear basis in determining the performance of their venture except by referring to the personal asset they have acquired through the years.

Among the problems encountered by entrepreneurs in the business is lack of accounting knowledge. According to them, it is already enough that they have accounted their cash at the end of the day. Those who list down transactions calculate income on cash basis. Some list down their expenses that will be deducted later on from the total sales of the day.

Attitude towards recordkeeping

The table below shows that generally, the respondents are indifferent towards record-keeping. If however given the opportunity to learn more about recordkeeping, they would be willing to grab the chance. This is in relation to the problem they encounter with record keeping, because they lack the skills in properly recording the transactions and they think that recordkeeping is a tedious activity. Most of the respondents were in the business for 20 years or more that they agreed business has been successful even without practicing bookkeeping in a formal manner.

STATEMENTS	Mean	Interpretation
I would really appreciate if given a chance to learn more about recordkeeping	2.48	Agree
Recordkeeping is a tedious activity.	2.37	Agree
My business has been very successful even if I don't practice recordkeeping	2.35	Agree
Recordkeeping is key the success of a business.	2.14	Neutral
It is always good to keep records of transactions in my business.	2.04	Neutral
Some business for example micro and small business do not require recordkeeping	1.69	Neutral
It is a waste of money to employ an accountant to help in recordkeeping	1.65	Disagree
One should not keep records of transactions that did not go well for his business because the records will discourage.	1.24	Disagree
Overall Mean	1.995	Neutral

Level of Literacy on Basic Records

The result showed that generally, the business owners who are part of this study has a low level of literacy on the basic records that should be kept my businesses. They usually kept track of their cash balances as well as their expenses; they are familiar with cash books and recording of expenses but typically done in a notebook. However, based on the interview, they run out of money more than three (3) times per year, despite having knowledge in cash books. When they run out of funds, it indicates that they do not know how to plan their finances. The minimal cash planning compound to indiscriminate borrowing even at predatory interest rates.

BASIC RECORDS	MEAN	INTERPRETATION
Cash book	3.89	High
Expense Record	3.64	High
Sales Record	3.18	Low
Profit and Loss Statement	2.23	Moderately low
Accounts Receivable	1.12	Very low
Overall mean	2.812	Low

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