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Columban College The Journal *(CC The Journal)*
Volume13 (June 2024) ISSN 1655-3713
https://doi.org/10.69502/EETT3903
A Multidisciplinary Research Review produced by
CCI-RIKDO-*Research Innovation and Knowledge Development Office*

ASSESSING FINANCIAL LITERACY AMONG SMALL BUSINESS OWNERS

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Abstract: *Financial literacy is essential for effective personal financial management, influencing spending, income, and investment decisions. This research aims to highlight the significance of financial literacy in fostering financial stability, autonomy, and reduced anxiety about money. It focuses on key components: budgeting, saving, debt management, investing, and credit utilization. A qualitative method was conducted in the area of Subic Zambales and Olongapo City with a total of 30 participants. This allows a thorough understanding of how financial knowledge impacts individuals' decision-making processes. The research underscores that financially literate individuals spend within their means, save efficiently, and plan for long-term goals like retirement, all while using credit as a tool for profit rather than as a burden. The discussion emphasizes how financial literacy equips individuals with the necessary skills to navigate financial challenges and plan for future financial security. Enhancing financial literacy empowers individuals to make informed, responsible decisions that promote their financial well-being. The study highlights the importance of financial literacy for achieving personal and professional success. It suggests that improving financial literacy requires a multifaceted approach, including education, policy support, technological integration, and international collaboration. This comprehensive strategy can significantly improve financial decision-making, leading to long-term financial security and a more financially literate society.*

Keywords: *Financial literacy, budgeting, saving and investing, qualitative method, Olongapo City and Subic Zambales.*

INTRODUCTION

The gap in the existing literature on financial literacy, particularly among small business owners, lies in the lack of a comprehensive, region-specific analysis that addresses how varying levels of financial literacy impact the financial decision-making and success of small businesses. While numerous studies have explored the general population's financial literacy across different regions, there is limited research specifically focusing on how these literacy levels influence small business owners, who often face unique challenges in managing finances, accessing capital, and ensuring business sustainability. For example, Financial literacy is defined as the ability to understand and effectively use various financial skills, including budgeting, investing, and financial planning. Studies have shown that financial literacy directly affects business performance by equipping owners with the knowledge necessary to make informed financial decisions (Fatoki, 2021). Given the outlined challenges, the literature suggests that tailored interventions are necessary to improve financial literacy among small business owners. Anshika & Singla (2022) conducted a systematic review pointing to the outcomes of financial literacy training programs designed for entrepreneurs. Their findings indicate that such programs effectively enhance financial decision-making skills, ultimately improving business outcomes. Moreover, research from Europe, North America, and South America, as cited in studies by Lusardi & Mitchell (2011) mainly concentrates on broader financial literacy issues without distinguishing small business owners' needs. To bridge this gap, future studies could address specific research questions, such as: How does financial literacy influence the decision-making process of small business owners in different regions? What role does financial knowledge play in the sustainability and growth of small businesses? How do the unique challenges small business owners face, such as limited access to financial services or capital, impact their ability to leverage financial literacy for success. By exploring these questions, future research can provide valuable insights that inform policies, interventions, and support programs tailored to small business owners' financial needs.

This gap justifies the necessity of conducting this study, as it aims to examine the unique financial literacy challenges small business owners face, particularly in regions like the ASEAN countries. Understanding these specific challenges will allow for targeted interventions that promote effective financial decision-making and foster the growth and sustainability of small businesses. The central purpose of this study is to explore the varying levels of financial literacy among small business owners, identify barriers to effective financial management, and provide evidence-based recommendations for enhancing financial education in this vital sector.

The study, which involves collaboration between Laos' Ministry of Finance and organizations like the World Bank, aims to assess the effectiveness of financial literacy programs in rural communities. The rationale behind this research lies in the importance of financial literacy for empowering individuals to make informed financial decisions, especially in rural areas where access to financial services and education is limited. The study seeks to enhance economic well-being, promote savings and investment, and reduce poverty by improving financial knowledge. The findings will be crucial for developing targeted, effective financial education programs and policies tailored to the unique needs of rural populations. Ultimately, the study has the potential to contribute to individuals' economic empowerment, financial vulnerability reduction, and Laos's broader economic development.

Malaysia's Financial Education Network (FEN) aims to assess the impact of financial literacy initiatives on various demographic groups to understand how these programs influence financial knowledge and behaviors. This research is significant because it provides valuable insights into how different population segments, such as youth, seniors, or low-income individuals, respond to financial education efforts. The study helps refine and enhance future financial literacy initiatives by identifying effective strategies and areas for improvement. The potential impact of this research is substantial, as it can lead to more targeted and inclusive financial education programs that promote better financial decision-making, improve economic stability, and foster greater financial inclusion across Malaysia.
The study conducted by Myanmar's Central Bank of Myanmar (CBM) seeks to measure the financial literacy levels of the population and identify gaps in financial knowledge. This research is significant because it helps highlight areas where individuals may lack essential financial understanding, which can affect their ability to make informed decisions regarding savings, budgeting, and accessing financial services. The CBM can design targeted interventions and educational programs to improve financial literacy by identifying these knowledge gaps. The potential impact of this study is far-reaching, as it can lead to a more financially informed population, reducing the risk of poor financial decisions, promoting financial inclusion, and supporting the broader economic development and stability of Myanmar.

The rationale behind the study conducted by the Philippines' Bangko Sentral ng Pilipinas (BSP), such as the Consumer Finance Survey, is to gain a comprehensive understanding of Filipinos' financial behavior and literacy levels. This research is significant because it helps identify gaps in financial knowledge and highlights areas where financial education can be improved, particularly in managing personal finances, saving, investing, and accessing financial products. By evaluating the financial behaviors of different demographics, the BSP can design targeted interventions and policies to enhance financial literacy, foster responsible financial practices, and promote economic stability. The potential impact of this study lies in its ability to empower Filipinos with the knowledge and skills to make informed financial decisions, which can contribute to their overall financial well-being and support the broader economic growth of the Philippines.

Singapore's Monetary Authority of Singapore (MAS) to monitor and analyze financial literacy trends to better understand Singaporeans' financial knowledge and behaviors. This research is significant because it allows the MAS to identify areas where financial literacy may be lacking, enabling the development of targeted initiatives to improve financial understanding across various demographic groups. By enhancing financial knowledge, these initiatives can help individuals make informed decisions regarding savings, investments, insurance, and retirement planning, contributing to greater financial well-being. The potential impact of this study is far-reaching, as it not only strengthens the financial resilience of individuals but also supports the broader economic stability and growth of Singapore by fostering a financially savvy population capable of navigating an increasingly complex financial landscape.

The study conducted by Thailand's Bank of Thailand (BOT) in partnership with academic institutions aims to explore the effectiveness of financial literacy interventions in rural communities. This research is necessary because it addresses rural populations' specific challenges, such as limited access to financial services and lower financial literacy. By evaluating the impact of targeted financial education programs, the study seeks to enhance the financial decision-making abilities of individuals in these areas, helping them better manage their finances and access suitable financial products. The potential impact of this research is significant, as it could lead to more impactful policies and programs that promote financial inclusion, reduce poverty, and empower rural communities, ultimately contributing to broader national economic development and stability.

The study by Vietnam's State Bank of Vietnam (SBV) aims to assess the population's financial literacy levels and identify areas where knowledge gaps exist. This research is significant because it helps pinpoint weaknesses in financial understanding, which can hinder individuals' ability to make informed financial decisions, manage personal finances effectively, and access appropriate financial services. Using the survey results to implement targeted educational programs, the SBV can improve financial literacy across various demographic groups, fostering more responsible financial behaviors. The potential impact of this study is considerable, as it can lead to a more financially informed population, reduce vulnerability to financial instability, and contribute to the overall economic development and financial inclusion of Vietnam.

In Olongapo City and Subic, Zambales, financial literacy challenges are widespread, particularly among lower-income and rural communities with limited access to financial education. Many residents struggle with basic financial concepts such as budgeting, saving, and managing debt, which leads to poor financial decisions and limited savings. There is also a lack of awareness about available financial products and services, further hindering informed financial choices. Additionally, the reliance on informal financial systems like savings groups or remittances restricts the use of formal financial tools. Addressing these gaps through targeted financial literacy programs can improve financial decision-making, promote better financial practices, and foster greater financial inclusion in both areas.

Understanding individuals' diverse needs and challenges across different demographic groups is crucial for designing effective financial education programs. Policymakers and organizations can tailor interventions to address their unique needs by identifying specific profiles of individuals with low financial literacy. Participants in the study will represent various demographic categories, including age groups, gender, civil status, and educational attainment. Their financial literacy awareness may vary based on these characteristics, with younger participants possibly more digitally savvy but lacking experience in financial management and older participants having more experience but struggling with new financial technologies.

Gender differences may also affect awareness, with women generally having lower financial literacy levels. Significant variations in responses among participants grouped by demographic variables are expected, such as different priorities in financial goals and attitudes toward risk-taking. Based on the findings, a plan of action may involve developing targeted financial education programs, using digital platforms to reach younger audiences, collaborating with community organizations, and

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integrating financial education into school and workplace training programs to empower individuals to make informed financial decisions.

FRAMEWORK

The study's framework encompasses four key variables: Age, Gender, Civil Status, and Educational Attainment. Age categorizes participants into segments like 20-29, 30-39, 40-49, and 50 and above, while Gender denotes participants' gender identity as male, female, or non-binary. Civil Status reflects participants' marital status as single, married, divorced, or widowed, and Educational Attainment ranges from primary to post-graduate levels. Integrated within this framework are theories related to financial literacy, focusing on Saving, Investing, and Budgeting. Saving draws from behavioral economics theories like prospect theory, investing incorporates principles from modern portfolio theory, and budgeting leverages concepts from personal finance management. By merging these theories, the study aims to explore the relationships between demographic variables and financial literacy components. This analysis seeks to inform the design of targeted financial education interventions suited to the diverse needs of individuals across different demographic groups.

The framework of a study is essential because it offers the structure and foundation for the research process and its conclusions. It creates a clear organizational structure for presenting objectives, hypotheses, methodology, and conclusions while maintaining coherence and logical flow. Furthermore, the framework clarifies the study's theoretical or conceptual background by outlining key concepts, variables, and relationships required to comprehend the research setting and findings. It also directs the selection of acceptable research methods, data collection procedures, and analytical approaches consistent with the study's objectives.

A well-developed framework based on relevant literature and theories ensures contextual richness for recognizing the significance of the research topic. Furthermore, it helps to interpret findings by offering a lens for data analysis and debate concerning current theories or frameworks, integrating multiple views, increasing analytical depth, and recommending future research directions. Finally, the framework promotes the transmission of the study's influence and contributions, proving its theoretical and practical value in furthering knowledge in its field.

OBJECTIVES OF THE STUDY

The study intends to accomplish several goals to increase financial literacy knowledge and the factors influencing its demographics. First and foremost, it aims to determine the degree of financial literacy among people in various demographic categories, such as age, gender, marital status, and educational achievement. Secondly, the study intends to investigate the correlation between demographic factors and particular financial literacy components, like budgeting, investing, and saving. Thirdly, the research investigates differences in financial literacy and behavior across individuals categorized based on their demographic profiles. It also seeks to identify any notable variations in financial literacy between demographic groups and explain these discrepancies. Lastly, based on the findings, the study intends to provide focused treatments and tactics to improve financial education programs.

The objective of financial literacy among small business owners is to provide them with the knowledge and skills they need to effectively manage their company's finances, including understanding basic financial concepts like budgeting, cash flow management, and financial forecasting to make informed decisions. They also learn how to assess and mitigate financial risks associated with business operations and investments, improve awareness of different financing options such as loans or equity investments, develop long-term financial goals and strategies for growth and succession planning, ensure compliance with financial regulations and tax obligations, make informed investment decisions, and build personal and business financial resilience to withstand economic challenges, with the aim.

METHODOLOGY

Research Design

The study utilizes a sequential explanatory mixed methods design within the broader cross-sectional framework. This approach collects qualitative data first, followed by quantitative data to elaborate on the qualitative findings. The rationale for this design is to gain a deeper understanding of small business owners' financial literacy challenges by initially gathering detailed, context-rich qualitative insights through semi-structured interviews. This provides an in-depth view of the participants’ experiences and challenges in managing finances. Subsequently, quantitative data, if included later, would be used to validate or expand upon these qualitative insights, potentially revealing broader trends or patterns in financial management across a larger population of small business owners. This mixed methods approach allows for both a comprehensive understanding of individual experiences and a more generalizable analysis of the financial literacy issues that may affect many small businesses in the region.

This design was chosen because it offers a balanced approach to capturing both the depth of individual experiences (qualitative) and the breadth of trends (quantitative), which is essential when studying a complex issue like financial literacy in small businesses.

Cross-sectional studies are observational research projects that examine demographic data collected throughout a designated time frame. They are frequently employed to quantify the prevalence of health outcomes, comprehend health factors, and characterize community characteristics (Wang & Cheng, 2020). The cross-sectional study is a type of research design in which data is collected all at once from several participants. Variables are observed without being altered when doing cross-sectional research. Cross-sectional studies are essential results for academic research, curriculum creation, educators, researchers, and legislators. According to Wang & Cheng (2020), this approach allows researchers to gather a snapshot of data across various subjects at a single point in time, providing essential insights into population health dynamics. This literature review evaluates the efficacy of cross-sectional designs in health research by examining the strengths and limitations of this method, along with its applications across diverse health-related studies.

This study aims to help individuals gain financial literacy for starting or owning a small business. The problem statement's preceding queries aid in developing this study, underpinned by a combination of theoretical and conceptual research frameworks. The information used in this study is drawn from a book, website, personal experiences, and participants who run small businesses and deal with the challenges and rewards of making ends meet daily.

This study uses a qualitative cross-sectional design to explore small business owners' financial literacy challenges in Subic, Zambales, and Olongapo City. Data is collected simultaneously through semi-structured interviews with small business owners from various sectors, including nightclubs, spas, ukay-ukay shops, laundry services, and sari-sari stores. The interviewers aim to understand their financial management practices, cash flow challenges, capital access, and overall financial knowledge.

Research Site

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The research site of Subic Zambales and Olongapo City is appropriate for this study as it directly relates to the target group—small business owners in these areas. This site allows the researcher to observe and collect data from participants in their natural environment, providing insights into the financial literacy challenges faced by business owners.

Additionally, the location offers access to diverse small business sectors, including nightclubs, spas, and sari-sari stores, which are critical for understanding the varied financial practices and needs across different industries. This setting ensures that the findings are grounded in real-world contexts, making the results both valid and relevant to the local business community.

Participants

The study used purposive sampling to select participants, specifically small business owners from various sectors, including nightclubs, Spas, ukay-ukay shops, laundry services, and sari-sari stores in Subic Zambales and Olongapo City. This method was chosen because the researcher sought individuals with specific knowledge and experience in managing small businesses, particularly their financial practices and challenges. By interviewing business owners from diverse industries, the researcher aimed to gather detailed, firsthand information on the financial literacy challenges faced by entrepreneurs in the region. The participants' unique perspectives enrich the study's findings, offering valuable insights into the financial struggles, strategies, and experiences of small business owners.

Data Collection

The research begins by developing a comprehensive survey questionnaire to assess participants' financial literacy levels as well as demographic characteristics, such as saving, investing, budgeting, age, gender, civil status, and education. A pilot test prior to collecting primary data will refine the questionnaire's clarity and effectiveness. Participants will be informed about the study's objectives, voluntary participation, and confidentiality measures, while obtaining informed consent.

To check the survey's reliability, the researcher analyzes the data using statistical methods such as weighted mean to find the average financial literacy levels across different groups. Likert scale responses will assist the researcher in understanding participants' attitudes toward financial concepts. ANOVA (Analysis of Variance) enables the researcher to observe whether there are significant differences in financial literacy levels among different groups.

Once the researcher has the results, they will create an action plan to address any gaps or differences in financial literacy. This may include developing special financial education programs for certain groups, utilizing digital platforms to reach people, or incorporating financial literacy into school curricula. The researcher will follow ethical guidelines throughout the study, ensuring participants' agreement to join, maintaining their information privacy, and ensuring fair treatment.

Data collection aims to systematically obtain accurate and valuable information through techniques such as surveys, interviews, observations, and experiments. This data is critical for answering specific questions, evaluating hypotheses, and guiding decision-making processes. The primary goals are to provide reliable information to guide decisions, support research by generating data for testing theories, assess program effectiveness, monitor trends over time, predict future developments, understand human behaviors and preferences, ensure accountability and transparency in operations, as well as identify areas for improvement or optimization. Effective data collection and analysis enable companies and researchers to make more informed decisions, overcome obstacles, and achieve their objectives.

RESULTS AND DISCUSSION

1. Profile of the Respondents

The participants' demographic profile reveals significant patterns that can inform targeted financial literacy interventions for small business owners. Most participants are young adults aged 20-29 (50%), followed by 30-39 (43.33%), suggesting a need for financial education that caters to individuals early in their business careers, emphasizing digital tools and simple financial management strategies. A higher percentage of male participants (67%) reflects a gender disparity often seen in business ownership. This supports the need for gender-targeted interventions to address the financial literacy gaps typically found among female entrepreneurs. Civil status also plays a role, as 50% of participants are single, and others are married or living with a partner, suggesting different financial priorities that should be considered in educational programs. Additionally, with 80% of participants holding a college degree, there is an opportunity to focus on more advanced financial concepts, such as investment and business growth strategies, while still considering the 20% with only a high school education, who may require more foundational support.

2. Participants' awareness of financial literacy

The results show that participants are strong in saving (56%) and budgeting (73%) but less confident in investing (55%). This suggests they are comfortable with basic financial tasks like saving and managing expenses but less sure about investing. This pattern aligns with existing research, which views budgeting and saving as the core of financial literacy, crucial for financial stability, especially for small business owners. The lower confidence in investing reflects a common issue, as many, particularly business owners, lack the knowledge or resources to invest. This highlights the need for targeted education to help small business owners make informed investment decisions for long-term growth and security.

3. Significant variations in the participants' responses when grouped according to profile variables

The study reveals key insights into financial literacy among participants in the Zambales and Olongapo areas show significant variations based on age, gender, education, and income. Younger participants (50%) demonstrated higher familiarity with digital banking services, reflecting the increasing role of technology in financial management, as noted in existing literature (Lusardi & Mitchell, 2011). With 67% of participants being male and 50% single, the results suggest that gender and marital status may influence entrepreneurial activity, with unmarried males more likely to engage in business. Additionally, 80% of those with higher education levels exhibited greater confidence in managing finances, reinforcing the idea that education enhances financial literacy (Lusardi & Mitchell, 2011). Saluja et al. (2023) emphasize the barriers to financial inclusion for women entrepreneurs, linking low financial literacy with limited understanding of financial products and services. Addressing these disparities in financial literacy is critical not only for empowering individual business owners but also for promoting broader economic development initiatives across regions. This highlights the need for targeted financial education programs that address the specific needs of different demographic groups, particularly those with lower incomes, to improve their financial decision-making and empower them to manage personal and business finances.

CONCLUSION

Thus, it can be concluded that a lack of financial literacy may contribute to future debt and a downturn in the economy. Individuals without savings may face future debt, as the three variables are interrelated. Anxiety can easily overcome those who do not budget. Non-investors have little chance of becoming wealthy in the future. People must learn how to create a budget, invest, and save money. The study reveals that lower-income individuals, those with less education, and those without savings or investment knowledge are most at risk of low financial literacy. These groups are more likely to face debt and financial instability, emphasizing the need for targeted financial education.

The findings have global implications, highlighting the critical role of financial literacy in personal and economic stability. Low financial literacy leads to poor financial decisions, increased debt, and hindered wealth-building, which can negatively impact national economies. Promoting financial education worldwide can improve financial inclusion, reduce inequality, and foster economic resilience. Policymakers, educators, and organizations must prioritize financial literacy to empower individuals and support sustainable, inclusive economic development.

To address this, policymakers should implement nationwide financial literacy programs in schools and workplaces, ensuring broad access to basic financial education. Educators should integrate financial literacy into school curriculums, emphasizing budgeting, saving, and investing to equip students with essential money-management skills. To build confidence and improve financial decision-making, stakeholders, including community organizations, should offer workshops and resources on budgeting and investing for adults, particularly those from underserved backgrounds. These actions can empower individuals to manage their finances, reduce the risk of future debt, and support long-term economic stability.

TRANSLATIONAL RESEARCH

Using video clips are designed to communicate key concepts, insights, or discoveries visually and understandably to various audiences. For example, researchers might create animated explainer videos to illustrate scientific processes or use real-life footage to demonstrate practical applications of their research. Video clips can be shared online, in educational settings, or at public events to reach a broad audience and promote understanding and awareness of scientific advancements. By leveraging the power of visuals and storytelling, translational research through video clips aims to bridge the gap between research and everyday understanding, fostering greater engagement and uptake of scientific knowledge.

Translational research in financial literacy among small business owners is critical because it converts complex financial ideas into practical knowledge and skills that entrepreneurs can use immediately to manage their finances properly. It tailors financial literacy education to small businesses' unique demands and challenges, assuring relevance and application. By converting research findings into actionable insights, it improves budgeting, investing, and risk management decisions.

Furthermore, it helps small firms improve their financial management procedures, access vital resources such as loans and grants, and maximize profitability for long-term viability. Successful translational research in financial literacy stimulates economic growth, enables entrepreneurs to navigate challenges and market fluctuations, and informs policy decisions to improve financial education and small business support mechanisms. This ultimately fosters economic development and resilience within communities.

Younger generations, especially Millennials and Gen Z, are more familiar with digital banking and financial tools due to their exposure to technology. Older generations, on the other hand, often struggle with these tools and may lack knowledge about modern financial products.

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Men generally have higher financial literacy levels compared to women. Cultural factors and societal norms, such as traditional roles in household financial management, contribute to this gap, with women often having less exposure to financial education.

Individuals with higher education levels typically have better financial literacy. They are more likely to understand concepts like budgeting, saving, and investing. In contrast, those with lower education levels often face challenges in grasping basic financial principles, which can limit their financial decision-making.

People with higher income levels tend to have more access to financial resources, education, and tools, enabling them to manage their finances more effectively. Those with lower incomes, however, may struggle with financial literacy due to a lack of resources and exposure to financial education, often leading to poor financial outcomes.

Regional and cultural factors also influence financial literacy. For instance, in the Philippines, cultural preferences like prioritizing immediate family needs over long-term financial planning can impact financial literacy. Similarly, in some parts of Sub-Saharan Africa, small business owners may lack the financial education needed for personal and business growth.

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