# Financial Literacy of the Select Micro and Small Enterprise Owners and Business Performance

By

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## Abstract

This study aimed to determine the level of financial literacy of the select micro and small enterprise owners and business performance. This study utilized a descriptive-causal research design and selected 305 participants using proportionate stratified-random sampling technique. Frequency count, percentage, mean, standard deviation, Kruskal-Wallis, Chi-square, and Multiple Linear Regression are statistical tools used to analyze data collected. The results showed that micro and small enterprise owners have moderate extent of financial knowledge and financial behavior and high extent on the financial attitude. There was an increased change in business performance, as shown in three years of their business operation. It also concluded that educational attainment and business-related training attended were financial literacy determinants. Thus, financial knowledge (p=0.624) of the business owners did not predict business performance of the micro and small enterprises whereas their financial behavior (p=0.040) and financial attitude (p=0.000) predicted the business performance of their enterprises. Proposed action plan was then provided to improve the financial literacy of the entrepreneurs to further enhance business performance of their micro and small enterprises.

**Keywords:** Financial Literacy, Business Performance, Micro and Small Enterprise Owners, Descriptive-Causal
Research, La Carlota City, Philippines

## Introduction

Any micro and small enterprise (MSE) owner can improve the business performance of his or her enterprise if hard work has been put into it, not just by education but by adapting what has been learned. Business education can be acquired by learning how to handle business through financial literacy. This blend is essential for an individual to make a sound decision about an enterprise with excellent business performance. Hence, the importance of financial literacy applies to emerging micro and small enterprises (MSEs) because the MSEs play a vital role in most economies, particularly in developing countries like the Philippines. MSEs account for businesses worldwide and are significant contributors to job creation and global economic development. The ability to deal efficiently with money and financial matters became increasingly important as time went by, not only for the professionals in the investment and banking sectors but for every person responsible for managing their financial affairs in life (World Bank SME finance: Development news, research, Data, 2022) [24]. Around the world, the countries in Europe, Northern America, and Australia have the highest

financial literacy levels, where more adults are financially literate. On the other hand, some South Asian countries have the lowest financial literacy scores, where only a quarter of adults—or fewer—are financially literate. Given these risks, the government should build efficient consumer protection administrations to safeguard citizens from financial injustice and provide a functional market condition. One example of financial safeguard is teaching financial education by financial organizations. However, this financial safeguard is costly and has not demonstrated a clear impact. Financial organizations must ensure that the treatment of clients is fair, prudent, and responsible (Klapper, Lusardi, & Oudheusden, 2016) [12].

The Philippines is an excellent place to explore the dynamics of enterprise upgrading in Southeast Asia. However, Philippine MSEs contribute only around 25% of the country's total gross value added. Despite the number of MSEs in the private-sector ecosystem, they do not significantly contribute to the economy because of their low productivity. Yet many MSEs may be stagnating in their size categories because their owners lack the knowledge to upgrade the businesses. Milagrosa (2014) raised that exploring the dynamics of enterprise upgrading in the Philippines will not only shed light on the success factors for business growth but also provide insights into these factors that help the upgrading process [12].

The researcher's purpose for the conduct of this study was to determine the financial literacy of micro and small enterprise owners and their business performance since there is no clear study that determines the implications of financial literacy on the business performance of the micro and small enterprise owners. The researcher chose the micro and small enterprise owners of La Carlota City since most of the registered businesses in the said vicinity comprised of these types of enterprises. Thus, the results of this study would be a basis for the proposed action plan that would be recommended to the Local Government Unitof La Carlota City to help its resident micro and small entrepreneurs enhance their financial literacy which will eventually improve the enterprise's business performance.

# I. Framework Of the Study

This study was supported by the study conducted by Atkinson and Messy (2012), which defined financial literacy as a blend of financial knowledge, financial behavior, and financial attitude of an individual that is required to make a sound financial decision leading towards the achievement of being financially well-being [2]. The theory by Atkinson and Messysupports the Theory of Planned Behavior (TPB), which identifies self-efficacy, attitudes, norms, and sometimes knowledge as significant predictors of behavior change. Furthermore, this study was also based on the two theories of behavioral finance, which are the heuristic theory and prospect theory. The heuristic theory explains how an individual makes financial decisions under conditions of uncertainty, while the prospect theory explains how investors make decisions under risk. In addition, the behavioral financetheories are associated with the self-efficacy theory and goal-setting theory of motivation. In the self-efficacy theory, the motivational construct (manage finances, use credit cards less, and control debt) can predict the level of individual financial literacy. While the goal-settingtheory of motivation, in this case, the construct of goal commitment and goal specificity like financial planning can predict the individual's level of financial literacy (Muizzuddin et al.,2017) [14].

# II. Materials and Methods

This study utilized a descriptive-causal research design. Descriptive research design takes up

the bulk of surveying and is considered conclusive due to its quantitative nature. On the other hand, the objective of the causal research design is to understand which variables the cause and which variables are are the effect, to determine the nature of the relationship between the causal variables and the result predicted (Singh et al., 2021) [23].

The study commenced by describing the profile of the micro and small enterprise owners based on age, sex, civil status, educational attainment, length of business operation, and gross monthly income. These profiles provided a better understanding when used in explaining other variables in this study. On the other hand, the level of financial literacy consists of financial knowledge, financial behavior, and financial attitude, which are the indicators to determine the financial literacy level of participants. Lastly, the business performance was determined by their annual average profit, no. of employees, year-end capital, estimate worth of assets, average annual sales volume, and average no. of customers catered/served annually.

To obtain the necessary information needed in the study, the objectivity and choice of the participants were highly observed in their responses in conducting the survey. Also, the indicators of the level of financial literacy were tested if these variables affect their business performance. Hence, the descriptive-causal research design is the most appropriate for this purpose.

The participants of the study were the select micro and small enterprise owners who are registered in the Business Permit and Licensing Office of La Carlota City, Negros Occidental as of March 16, 2021. In determining the sample size, the formula of Yamane (with value of "$e$" or margin of error = 0.05) is used to come up with the sample size of 305 as the result of a total population of 1,564. This study used the proportionate stratified- random sampling technique to determine the samples. The stratified-random samples came from the 3 barangays of La Carlota City, Negros Occidental. Each population was allocated anumber, which was then chosen randomly using the Microsoft Excel approach.

The survey instrument used in the study was a researcher-made questionnaire. The survey questionnaire consisted of four parts. The first part provided the profile of the participants, namely: age, sex, civil status, educational attainment, academic degree graduated, and business-related training attended. The second part focused on the business profile of the participants, namely: type of business, length of business operation, and grossmonthly income. The third part focused on the level of the financial literacy of the participants, namely: financial knowledge, financial behavior, and financial attitude. Lastly,the fourth part focused on the level of the business performance of the participants, namely: average annual profit, no. of employees, year-end capital, estimate the value of assets, average annual sales volume, and average no. of customers catered/served annually. The constructs that measured the level of the financial knowledge, financial behavior, and financial attitude came from the modified "OECD/INFE Survey Instrument to Measure the Financial Literacy of MSMEs" survey instrument by OECD/INFE (2020) [2] using a 5–pointLikert scale described as follows (1) very low extent, (2) low extent, (3) moderate extent, (4) high extent, and (5) very high extent.

To ensure the validity of the questionnaire, the questionnaire underwent a validation test using the criteria formulated by Lawshe. The panel was composed of experts specifically coming from the academe. Recommendations and suggestions of the panel of experts were incorporated into the final instrument. The researcher-made questionnaire was validated by 11 experts in the field of research, economics, and business management. The evaluation of the questionnaire was validated by identifying each question if they are "essential," "important but not essential", and "not necessary." Before the validation, the researcher prepared a total of twenty-one (21) items. After the validation, only essential items were included in the final survey questionnaire. A total of nineteen (19) items

were validated as essential, with a CVR result of 0.81 interpreted as valid.

On the reliability, the instrument is reliable and correct if the responses of the participants are consistent across the items on the instrument. A test was conducted on 30 micro and small enterprise owners who are not included as the participants during the actualsurvey of the study. Their answers were encoded, and the data were statistically tested and was measured by using a Cronbach's Alpha. The reliability test yielded a result of 0.953, which shows that the questionnaire is reliable.

A letter of request was sent to the International Network on Financial Education (INFE) of the Organization for Economic Co-operation and Development (OECD) for permission to use their research instrument as the survey questionnaire of this study. Upon the approval of the request, the validity and reliability tests of the research instrument were conducted. Also, the letter was sent to the Local Chief Executive of La Carlota City for the conduct of the survey of the participants. After the approval was secured, copies of the questionnaire were randomly administered to the participants. Immediate retrieval and reviewof the entries were done by the researcher. After gathering the answered questionnaires, the responses were encoded, processed, and analyzed using the appropriate statistical tools.

The following statistical tools were used in analyzing the data: to determine the profile of participants such as age, sex, civil status, educational attainment, length of business operation, and gross monthly income, the frequency count, and percentage were used. To determine the level of financial knowledge, financial behavior, and financial attitude of the participants, the mean and standard deviation were used. The mean and verbal interpretations were used to interpret the results. To determine the business performance of the participants, the mean and percentage were used. Kruskal-Wallis and Chi-square tests were used in verifying whether there is a significant difference in the level of financial knowledge, financial behavior, and financial attitude of the participants when grouped according to the profile variables. Multiple Linear Regression tests were used in verifying if the profile variables are determinants of financial literacy and if the indicators of financial literacy predict business performance.

The researcher adhered to the existing guidelines and
policies that required the approval of the City Mayor of La Carlota City in the conduct of the study involving the micro and small enterprise owners in the vicinity. Participants' consent to participate in the survey was properly observed, as well as their privacy and anonymity. The participants were also informed that the conduct of the study is basically for academic purposes only. All information gathered from the participants shall be kept confidential. Generated records from the survey were appropriately stored which the researcher had only access to it. The accomplished questionnaires will be disposed of through shredding after the prescribed period.

## III. Results and Discussion

Table 1 showed that most of the participants are below 40 years old, male, married, college graduates with a business-related academic degree, have attended investment/savings training, and are into merchandising/retailing businesses operating less than 6 years, and have gross monthly income of up to ₱50,000.00. It implies that the young married male entrepreneurs are business-related academic degree graduates and are earning up to ₱50,000.00 per month in their 6 years of merchandising/retailing businesses operations. These findings were supported by the studies of Paco (2021), Dagu-ob (2020), Rachapaettayakom, et al (2020), Defensor (2019), and Sibarani et al. (2019) [17] [6] [19] [8] [22]. The 2020 MSME Statistics of the Department of Trade and Industry (DTI) also

supported these findings.

*Level of Financial Knowledge*

Table 2 illustrates the level of financial literacy of the participants in terms of financial knowledge. The result showed a great extent in the statement, "There are interest rates on borrowings are charged by banks and other financial institutions.", which means that they have a high level of financial knowledge when it comes to the interest rates on borrowings. On the other hand, the results showed moderate extent in the statement, "Records of income and expenses are kept and monitored for effective financial planning.", "Money can be invested in buying the shares on the stock market and to other investment platforms (BitCoin, mutual fund, bonds)", and "The inflow and outflow of cash reflected in bank statement illustrates how cash is utilized in business operations", which entail that they have moderate financial knowledge when it comes to credit ratings, recording of income and expenses, investment platforms, and the cash flows reflected in bank statements. The findingsare in line with the studies of Bayar et al., (2020), that the participants have a high level of knowledge about interest rates, inflation, and percentage calculation [3].

**Table 1.** *Profile of the Participants*

| Variables | Category | f | % |
|---|---|---|---|
| 1.  Age | 21 to 39 Years Old | 144 | 47.2 |
| | 40 to 58 Years Old | 94 | 30.8 |
| | 59 to 77 Years Old | 67 | 22.0 |
| 2.  Sex | Female | 140 | 45.9 |
| | Male | 165 | 54.1 |
| 3.  Civil Status | Single | 74 | 24.3 |
| | Married | 179 | 58.7 |
| | Separated | 19 | 6.2 |
| | widow/widower | 33 | 10.8 |
| 4. EducationalAttainment | Primary education | 6 | 2.0 |
| | Junior high school graduate | 16 | 5.2 |
| | college graduate | 226 | 74.1 |
| | post graduate | 57 | 18.7 |
| 5.  Academic degreegraduated from | Business related | 186 | 65.7 |
| | Non-business related | 97 | 34.3 |
| 6. Business- related TrainingsAttended | Financial literacy | 61 | 24.70 |
| | Investment/savings | 149 | 60.32 |
| | Bookkeeping/accounting | 17 | 6.88 |
| | Financial Software Applications | 20 | 8.10 |
| 7.  Type ofBusiness | Merchandising/Retailing | 158 | 51.8 |
| | Service | 115 | 37.7 |
| | Manufacturing | 32 | 10.5 |
| 8.  Length of Business Operations | 1-5 Years | 147 | 48.2 |
| | 6-10 Years | 115 | 37.7 |
| | 11 and above | 43 | 14.1 |
| 9. Gross monthly income | 0 – ₱ 10,000.00 | 100 | 32.8 |
| | ₱ 10,000.01 – ₱ 50,000.00 | 136 | 44.6 |
| | ₱ 50,000.01 – ₱ 100,000.00 | 65 | 21.3 |
| | ₱ 100,000.01 and above | 4 | 1.3 |

**TABLE 2.** *LEVEL OF FINANCIAL LITERACY, IN TERMS OF FINANCIAL KNOWLEDGE*

| Question | Mean | SD | Verbal Description |
|---|---|---|---|
| 1. There are interest rates on borrowings are charged by banks and other financial institutions | 3.64 | 1.30 | HE |
| 2. There are credit ratings done by companies to the borrowers | 2.90 | 1.01 | ME |
| 3. Records of income and expenses are kept and monitored for effective financial planning | 3.05 | 1.13 | ME |
| 4. Money can be invested in buying shares on stock market and to other investment platforms (BitCoin,mutual fund, bonds) | 2.90 | 1.12 | ME |
| 5. The inflow and outflow of cash reflected in bankstatement illustrates how cash is utilized in business operations | 2.82 | 1.09 | ME |
| Average | 3.13 | 1.13 | ME |

Note: 4.50-5.00 Very High Extent (VHE); 3.50-4.49 High Extent (HE); 2.50-3.49; Moderate Extent(ME); 1.50-2.49 Low Extent (LE); 0.50-1.49 Very Low Extent (VLE)

### Level of Financial Behavior

Table 3 illustrates the level of financial literacy of the participants in terms of financial behavior. The results "I keep secure the financial data and information of the business." revealed a high extent, meaning that the participants are practicing the security of their financial data and information most of the time. On the other hand, the result shows moderate extent in the questions; "I decide whether to make an investment based on financial market condition", "I compare the interest charges from the different financing companies", "I forecast the profitability of the business regularly", and "I follow changes in economic factors to adjust the course of business operations", which entail that the participants are practicing investment decisions, comparison of interest rates,forecasting, and assessing economic factors sometimes.

These findings support the study of Ponio and Timog (2017) that micro-business owners have an average level of financial behavior and the study of Yong, Yew, and Wee(2018) that financial education is vital to guide their financial behavior [18].

**TABLE 3.** *LEVEL OF FINANCIAL LITERACY, IN TERMS OF FINANCIAL BEHAVIOR*

| Question | Mean | SD | Verbal Description |
|---|---|---|---|
| 1. I keep secure the financial data and information of the business | 3.80 | 1.08 | HE |
| 2. I decide whether to make an investment based on financial market condition | 2.90 | 1.03 | ME |
| 3. I compare the interest charges from the different financing companies | 2.71 | 1.14 | ME |
| 4. I forecast the profitability of the business regularly | 2.74 | 1.18 | ME |
| 5. I follow changes in economic factors to adjust the courseof business operations | 2.71 | 1.16 | ME |
| Average | 2.87 | 1.12 | ME |

Note: 4.50-5.00 Very High Extent (VHE); 3.50-4.49 High Extent (HE); 2.50-3.49 Moderate Extent(ME); 1.50-2.49 Low Extent (LE); 0.50-1.49 Very Low Extent (VLE)

*Level of Financial Attitude*

Table 4 illustrates the level of financial literacy of the participants in terms of financial attitude. The results revealed a high extent in the statements "I set long term financial goals and strive to achieve them" and "I prefer high-risk and high-yield projects rather than low-risk and low yield projects", it means that the participants have been observing/practicing setting long-term financial goals and chose to deal with high-risk high-yield projects most of the time. On the other hand, the results showed moderate extent in the statement "I am confident to approach banks and external investors to obtain additional funds for the business", which entails that the participants are confident sometimes in approaching banks and potential investors for fund raising. This contradicts the study of Ponio and Timog (2017), that micro-business owners have a low level of financial attitude [18].

**TABLE 4.** *LEVEL OF FINANCIAL LITERACY, IN TERMS OF FINANCIAL ATTITUDE*

| Question Description | Mean | SD | Verbal |
|---|---|---|---|
| I set long term financial goals and strive to achieve them | 3.79 | 1.06 | HE |
| I am confident to approach banks and external investors to obtain additional funds for the business | 3.38 | 0.99 | ME |
| I prefer high-risk and high-yield projects rather than low-risk and low yield projects | 3.50 | 1.10 | HE |
| Average | | 1.05 | HE |

Note: 4.50-5.00 Very High Extent (VHE); 3.50-4.49 High Extent (HE);
2.50-3.49 Moderate Extent (ME); 1.50-2.49 Low Extent (LE);
0.50-1.49 Very Low Extent (VLE)

*Business Performance*

In Table 5, the business performance was measured in six dimensions: average annual profit, no. of employees, year-end capital, estimated worth of assets, average annual sales volume, and an average number of customers catered/served annually. The result showed an increased percentage change in the business performance in terms of average annual profit, no. of employees, year-end capital, estimated worth of assets, average annual sales volume, and average no. of customers catered/served annually, since theyearly value of the 6 indicators of business performances higher than the previous years. This means that the business performance is dependent on the percentage change in the six dimensions. These findings are supported by the study of Ngoc Xuan (2021) that profit/revenue growth rate affects the business performance of construction-listed enterprises in Vietnam [15]. The resultalso supported the study of Ghozali, et al (2018) that the growth rate of sales is able to influence of investment and firm performance [9]. In the customer catered aspect, this finding supported the study of Kumar (2014) that acquiring and retaining higher Customer Lifetime Value (CLV) customers improve the profitability of the firm supports the study of Xuan that profit/revenue growth rate affects the business performance [13]. The result is also in line with thestudy of Bei and Wijewardana (2012), wherein increasing capital of any type improves the company's performance [4]. However, the result contradicts the previous study by Nguyan, et al (2021), that the larger the total assets of the enterprise, the lower the firm performance is [16]. Also, thefindings contradict the study of Sukin (2013), that is, firms with fewer employees grow faster than those with more employees, as a whole.

*Significant Difference in Financial Knowledge*

The result in Table 6 showed that there was no significant difference in the level of financial knowledge of the participants when grouped according to age, sex, type of business,

and length of business operation. Thus, thenull hypothesis is accepted. This means that these profile variables did not affect the financialknowledge of the enterprise owner. On the other side, the result showed that there was a significant difference in the levelof financial knowledge when the participants are grouped according to civil status,educational attainment, academic degree graduated from, business- related training attended, and gross monthly income. Thus, the null hypothesis is rejected. This means that these profile variables do affect the financial knowledge of the enterprise owner. These findings support the previous study by Sibarani, Armayanti, Irwansyah, and Suharianto (2019) that age and sex do not have a significant difference in the level of financial knowledge of the micro and small entrepreneurs, but there is a significant differencein terms of their education [22].

**Table 5.** *Business Performance of Micro and Small Enterprises*

| Indicators | | Mean % change |
|---|---|---|
| Average annual profit | | |
| 2019 | 44,149.67 | -- |
| 2020 | 49,432.26 | 11.97%↑ |
| 2021 | 70,440.26 | 42.50%↑ |
| No. of Employees | | |
| 2019 | 2 | -- |
| 2020 | 3 | 50.00%↑ |
| 2021 | 3 | 0.00% |
| Year-end capital | | |
| 2019 | 72,423.68 | -- |
| 2020 | 86,710.86 | 19.73%↑ |
| 2021 | 122,575.76 | 41.36%↑ |
| Estimated worth of assets | | |
| 2019 | 39,598.03 | -- |
| 2020 | 45,712.66 | 15.44%↑ |
| 2021 | 54,279.97 | 18.74%↑ |
| Average annual sales volume | | |
| 2019 | 21,790.09 | -- |
| 2020 | 24,348.31 | 11.74%↑ |
| 2021 | 31,034.95 | 27.46%↑ |
| Average no. of customers catered/served annually | | |
| 2019 | 2,917.90 | -- |
| 2020 | 4,452.33 | 52.59%↑ |
| 2021 | 6,872.93 | 54.37%↑ |

**TABLE 6.** *SIGNIFICANT DIFFERENCE IN THE LEVEL OF FINANCIAL KNOWLEDGE*

| Profile Variable | Computed Value | p-value |
|---|---|---|
| Age | 4.235 | 0.120 |
| Sex | 10,907.500 | 0.401 |
| Civil Status | 8.656* | 0.034 |
| Educational Attainment | 8.388* | 0.039 |
| Academic degree graduate from | 7,157.000* | 0.004 |
| Business-Related Training Attended | 6,028.000* | 0.007 |
| Type of Business | 5.028 | 0.081 |
| Length of Business Operation | 5.170 | 0.075 |
| Gross Monthly Income | 9.780* | 0.021 |

Note: *The difference is significant when $p \leq 0.05$

*Significant Difference in Financial Behavior*

The result in Table 7 showed that there was no significant difference in the level of financial behavior of the participants when grouped according to sex, academic degree graduated from, training attended, and gross monthly income. Thus, the null hypothesis is accepted. This means that these profile variables didnot affect the financial behavior of the enterprise owner. On the other side, the result showed that there is a significant difference in the level offinancial behavior when the participants were grouped according to age, civil status, educational attainment, type of business, and length ofbusiness operation. Thus, the null hypothesis is rejected. This means that these profile variables do affect the financial behavior of the enterprise owner.

These findings support the previous study of Sibarani, Armayanti, Irwansyah, and Suharianto (2019) that age and sex do not impact significant differences in financial behavior, but there is a significant difference in terms of their education [22].

**TABLE 7.** *SIGNIFICANT DIFFERENCE IN THE LEVEL OF FINANCIAL BEHAVIOR*

| Profile Variable | Computed Value | p-value |
|---|---|---|
| Age | 11.286* | 0.004 |
| Sex | 11,412.000 | 0.857 |
| Civil Status | 9.001* | 0.029 |
| Educational Attainment | 11.975* | 0.007 |
| Academic degree graduate from | 8,924.500 | 0.882 |
| Business-Related Training Attended | 7,620.000 | 0.883 |
| Type of Business | 9.100* | 0.011 |
| Length of Business Operation | 7.976 | 0.019 |
| Gross Monthly Income | 4.502 | 0.212 |

Note: *The difference is significant when $p \leq 0.05$

*Significant Difference in Financial Attitude*

The result in Table 8 showed that there was no significant difference in the level of financial attitude when the participants were grouped according to age, sex, civil status, academic degree graduated from, and type of business. Thus, the null hypothesis is accepted. This means that these profile variables do not affect the financial attitude of the enterprise owner. On the other hand, the result showed that there was a significant difference in the level of financial attitude of the participants when grouped according to educational attainment, training attended, length of business operation, and gross monthly income. Thus, the null hypothesis is rejected. This means thatthese profile variables do affect the financial attitude of the enterprise owner. These findings support the previous study of Sibarani, Armayanti, Irwansyah, and Suharianto (2019) that age and sex do not impact significant differences in financial attitude,while old business and education have significant differences in the level of financial attitudeof SMEs [22].

**TABLE 8.** *SIGNIFICANT DIFFERENCE IN THE LEVEL OF FINANCIAL ATTITUDE*

| Profile Variable | Computed Value | p-value |
|---|---|---|
| Age | 1.891 | 0.388 |
| Sex | 11,212.000 | 0.657 |
| Civil Status | 0.093 | 0.993 |
| Educational Attainment | 11.890* | 0.008 |
| Academic degree graduate from | 8,357.000 | 0.305 |
| Business-Related Training Attended | 5,626.500* | 0.001 |
| Type of Business | 4.357 | 0.113 |
| Length of Business Operation | 11.611* | 0.003 |
| Gross Monthly Income | 36.545* | 0.000 |

Note: *The difference is significant when $p \leq 0.05$

### Profile Variables as Determinants of Financial Literacy

The result shows in Table 9 that the profile variables age, sex, civil status, academic degree graduated from, type of business, length of business operation, and gross monthly income are not determinants of financial literacy. Thus, the null hypothesis is accepted. This means that these factors do not determine the financial literacy of the micro and small enterprise owner. On the other hand, the result shows that the profile variables educational attainment and training attended are the determinants of financial literacy. Thus, the null hypothesis is rejected. This means that these variables are the factors that determinethe micro and small enterprise owners' financial literacy. These findings support the previous study of Choudhary and Kamboj (2017) that sex and marital status do not influence the person's financial literacy, while it contradicts their findings that age, and income have an influence on the person's financial literacy and education do not [5].

**Table 9.** *Profile Variables as Determinants of Financial Literacy*

| Model | Unstandardized Coefficients | | Standardized Coefficients | | Sig./p |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | t | |
| (Constant) | 4.995 | .707 | | 7.061 | .000 |
| Age | .101 | .064 | .102 | 1.582 | .115 |
| Sex | .019 | .094 | .012 | .206 | .837 |
| Civil Status | -.087 | .059 | -.093 | -1.474 | .142 |
| Educational Attainment | -.293 | .129 | -.149 | -2.276* | .024 |
| Academic degree graduated from | .017 | .120 | .010 | .137 | .891 |
| Business-related training attended | -.318 | .147 | -.163 | -2.153* | .032 |
| Type of business | -.066 | .071 | -.056 | -.939 | .348 |
| Length of business operation | -.023 | .086 | -.021 | -.270 | .787 |
| Gross monthly income | .149 | .078 | .143 | 1.909 | .057 |

Note: *Significant when $p \leq 0.05$

### Financial Literacy Indicators as Predictors of Business Performance

The result in Table 10 showed that the financial literacy indicator of financial knowledge does not predict business performance. Thus, the null hypothesis is accepted. This means that the financial knowledge of the micro and small enterprise owner doesn't predict their business performance. On the other hand, the financial literacy indicators financial behavior and financial attitude predict business performance. Thus, the null hypothesis is rejected. This means that the firm business performance ispredictable by the business owner's financial behavior and financial attitude. These findings support the studies of Ibrahim (2017) that financial knowledge does not necessarily translate into profits unless it is applied in decisions and other activities of thebusiness [11]. Shaferi and Laksana (2019) and Sadalia, et al (2017) also supported the findings that financial behavior has significance on the performance of enterprises, and the study of Danso, et al (2016) that high levels of entrepreneurs risk-taking propensity enhance firm performance [21] [20] [7].

**Table 10.** *Financial Literacy Indicators as Predictors to Business Performance*

| | Model | Unstandardized Coefficients | | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|---|
| | | B | Std. Error | | | Beta | t | Sig./p |
| 1 | (Constant) | 11555.154 | 14748.862 | | | .783 | .434 |
| | Financial knowledge | -2351.913 | 4790.731 | -.036 | | -.491 | .624 |
| | Financial behavior | -10067.665 | 4886.748 | -.152 | | -2.060* | .040 |
| | Financial attitude | 18804.414 | 3482.829 | .324 | | 5.399* | .000 |

*Note: *Significant when $p \leq 0.05$*

# Conclusion

This study concluded that the micro and small enterprise owners have moderate level of financial knowledge practicing financial behavior sometimes, and have financial attitude being observed/practiced most of the time. The business performance in terms of average annual profit, number of employees, year-end capital, average annual sales volume, and average number of customers catered/served annually. Furthermore, there is a significant difference in the level of financial knowledge when grouped by civil status, educational attainment, academic degree graduated from, training attended, and gross monthly income. There is a significant difference in the level of financial behavior when grouped by age, civil status, educational attainment, type of business, and length of business operations of the participants. There is a significant difference in the level of financial attitude when grouped by age, sex, civil status, academic degree graduated from, and type of business. The profile variables educational attainment and business-related training attended are determinants of financial literacy. The financial literacy indicators of financial behavior and financial attitude predict business performance, while financial knowledge does not predict business performance.

The proposed action plan, as the output of this research would be useful to the micro and small enterprise owners. Various financial literacy training/workshops and trade fairs could be conducted by the Local Government Unit (LGU) and be conducted by the Department of Trade and Industry (DTI) in order to enhance the entrepreneurs' financial knowledge, skills and attitude to further improve the business performance of their enterprises.

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