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Financial Model: A Practical Tool for Financial Management Practices of Micro-enterprises in Ifugao, Philippines

By

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Abstract

Micro-entrepreneurship can reduce poverty and creates employment opportunities. Many micro-enterprises started every year but fail in their infancy due to a lack of financial management knowledge. It aims to determine the respondents' profiles, business profiles, and the different areas of financial management practices. Descriptive survey was used with a sample survey questionnaire and follow-up personal interviews in gathering the data from 80 micro-entrepreneurs in Ifugao, Philippines. Most of the micro-entrepreneurs are female, aged 40-49, married, Tuwali, college graduate, owners, never attended training, and have technical field backgrounds. They engaged in trading and service, sole proprietors, started in early 2000, more than 10 years in existence, with an average of 4.31 employees, with beginning capital, total assets, annual sales, annual net profit, debt, and ending capital of less than 0.5 Million. Micro-enterprises highly practiced cash management and current liabilities management but slightly practiced fixed asset management. Cash management and fixed asset management significantly differ from all the other areas. Financial management practices significantly differ in age, position, type, form, start, length, full-time employees, beginning capital, asset, sales, profit, debt, and ending capital of the business. Studying financial management practices contributes in developing proposed financial model.

Index Terms—Financial Model, Financial Management Practices, Micro-enterprises, Ifugao

I. Introduction

Nowadays, micro-enterprises are growing in business industry that is creating a livelihood and social empowerment for people and their families [23]. According to RA No. 9178: Barangay Micro-Business Enterprises Act of 2002, micro-enterprises are provided a business capital or assets do not exceed Php 3 Million, a registered enterprise is entitled to guaranteed registration approval within 15 working days, reduced local taxes and fees, exemptions from income tax and minimum wage, availability of special financing and credit guarantees window under Department of Trade and Industry Small Medium Enterprises Unified Lending Opportunities for National Growth (SULONG) program and technology transfer, product and management training, and marketing assistance. It is increasing from year to year as population increases. Micro-entrepreneurship is a business activity operating with financial resources with more and more people who are engaged in this type of business because it does not need a big capital to start the operation. It is also an alternative employment or source of income for people who can not find employment in public and private agencies. Entrepreneurial ventures are actively encouraged to address the issue of poverty with some degree of success.

The incidence of poverty around the world in the most recent estimate in 2012 is 12.7% of the world's population living at or below $1.90 a day [28]. Poverty in the Philippines is high when benchmarked against other countries in Asia, but also the rate of poverty reduction has been slow. While the Philippine economy has grown at an average of 6 percent for the last five consecutive quarters (since 2012), poverty incidence remains above 20 percent of the population. The critical challenge is to spread the payback of this huge economic turnaround among the people, especially the poorest of the poor. They should feel the benefits of the growing Philippine economy [8].

It can not be discounted that micro-entrepreneurship plays a vital role in the economy and poverty reduction. Studies from various researchers shows the importance of entrepreneurship to the lives of people and to the socio-economic growth of a nation. It was stated that micro-entrepreneurship is an emerging business venture that plays a crucial role in poverty reduction [22]. It is classified as one of SMEs that plays an important role in the creation of new jobs, rise in GDP, entrepreneurship and innovation, and recognized as the drivers of socio-economic growth in developed and developing countries [13]. In the world, authors pointed out that most poor people are engaged in micro-entrepreneurship citing 69% urban poor in Peru as micro-entrepreneurs, 40% urban poor are self-employed in India, and most rural farmers in developing countries fall within the definition of micro-entrepreneurs [23]. In the Association of Southeast Asian Nations (ASEAN) integration, stated that SMEs account for more than 90% of all enterprises, employing 50-99% of the domestic workforce and contributing around 32-77% of total domestic output in their respective countries [20].

While micro-entrepreneurship can address problems such as unemployment, poverty alleviation and fall in GDP, it is faced with a number of challenges. This study presents some of the problems that micro-entrepreneurs face in the operations of their business. Business failure is attributed to poor financial management such as lack of financial planning, limited access to funding, lack of capital, unplanned growth, low strategic and financial projection, excessive fixed-asset investment and capital mismanagement [28]. A study in Kangra, India showed that micro-entrepreneurs possess low financial skills, deficient in record keeping, poor cash management, improper cash management habits, with less awareness on different financial products and instruments [14]. Similarly, it was asserted that lack of confidence combined with anxiety are some of the socio-cognitive factors affecting the task of women entrepreneurs [3]. In South Africa, it was pointed out that the shortage of financial management skills, skills gap, migration of workers to more lucrative jobs, and scarcity of skills are the challenges of Small, Medium and Micro-Enterprises (SMMEs) in the area [24]. The lack of adequate and timely access to finance has continued to be the biggest challenge among Micro, Small and Medium Enterprise Finance Market in India [30]. In Cambodia, savings scheme, other financial services and non-financial services such as literacy/numeracy and business trainings as some of the problems of micro-entrepreneurs in the country [21].

An enterprise survey conducted by the Universal Access to Competitiveness and Trade (U-ACT) in 2008 revealed that access to capital and financing are two of the most problematic issues for enterprises, primarily MSMEs. Seventy-two percent of the total respondents, or nearly three out of four, observed that investment and/or capital are currently difficult to obtain. On the other hand, 5 out of 10 surveyed MSMEs regarded access to and cost of credit as problematic, in relation to their businesses. In fact, 14 % strongly stressed that credit availability and cost pose a serious problem to the operation of their businesses. As the survey revealed that there lies a problem as to start-up financing of MSMEs most specially in obtaining debt as finance in the business operations.

Most of the problems experienced by entrepreneurs as pointed out in literature search are on the different aspects of financial management. It should be given with outmost concern since financial management plays an important role in the success of any organization and in business in particular. It is the aspect of management that provides life to the organization and should be worked out cooperatively by key players such as the executives, finance people and the other stakeholders. The success and failure of many organizations lie in the management of financial resources. Organizations can achieve greater productivity if finances are available and optimally utilized to finance its various operations. Likewise, if finances are limited or finances are not managed very well, the organization can not fully achieve its desired goals and targets.

Good financial management is critical to the success of any business, but it is particularly important in SMEs where the risk of insolvency is often little more than an unpaid invoice away. Furthermore, a key concern for small business owner-managers is cash flow management, or more specifically the cash conversion cycle which is the firm's ability to generate cash from its customers' invoices, and the time it takes to collect these accounts receivable [17]. In support, three core elements of financial management namely: liquidity management and cash flow management, long term asset acquisition, funding, capital structure and cost of funding with the most imminent question on liquidity management are the main critical issues in financial management. It was pointed out further that a business will never see the long term if it cannot plan an appropriate policy to effectively manage its working capital [13].

Some researchers noted that entrepreneurs in informal sector have good management practices, doing business based on the innovative ideas with the main purpose of livelihood, managing the business with the help of their family members and not willing to transform their business into the formal sector with the feeling that formal sector has lot of rules and regulation and procedure [31].

Financial management practices in various countries around the world showed varying results. In South Africa, majority of the small, medium-sized and micro-enterprises (SMMEs) owners lack interpretation skills and awareness of how to use information from financial statements [24]. Further, it was investigated that six financial management practices of new micro-enterprises in South Africa namely: financial planning and control, financial analysis, accounting information, management accounting, investment appraisal and working capital management and found out that most new micro-enterprises do not engage in financial planning and control, financial analysis and investment appraisal. Accounting information, most new micro-enterprises keep certain accounting books such as sales book and purchases book but do not keep other books such as drawings book indicating a mixed result and that the pricing strategy of new micro-enterprises is mainly cost plus and pricing similar to competitors [9].

Other countries such as Ghana showed that small and micro enterprise owners (SMEOs) haphazardly and perhaps carelessly financially managed their respective enterprise as shown by 13% of SMEOs business owners who understand the meaning of financial management [18]. In Uganda, the extent of financial management practice is low among SMEs and that the management preference is to use internally generated funds than borrowed finances [1]. In Australia, SMEs are largely informal and have ad hoc financial management practices showing that as the firm grows in size and with complexity, the owner-manager is required to adopt more sophisticated and systematic approaches to financial management [16]. It was found out that most micro enterprises in the Malaysian Agro-based industry sell on cash in business than on credit. Likewise, public financial management (PFM) practices in nine countries in Latin America and in the Caribbean showed a wide variety of PFM practices, processes, challenges, and strengths attributed to each country's history, economic and fiscal development institutional origins [26], [4].

On best practices of financial management, the advocacy on finance and administration function in an organization should be run separately and not on a combined role of one person even in small or medium size enterprises, charities, or the public affairs if they run several tasks projects that last within shorter durations than one year, but of which their programs are on a going concern basis. However, it was asserted that new business leaders and managers should be knowledgeable with at least basic skills in financial management and can generate financial statements as well as analyze those statements to understand the situation of the business. This is supported by Berndtson[6] stating that gone are the days when the Chief Finance Officer (CFO) is locked behind closed door all day working on with calculators but rather assume roles as strategic business advisors and corporate risk managers as brought about by the shifting regulatory mandates, globalization, financial instrument innovations and economic pressures. In Malaysia whose 99% of business entity is micro enterprise, experience, qualification and business plan are the main determinants of successful financial managements among micro entrepreneur in Malaysia [26]. Added to the findings that micro-entrepreneurs in Malaysia had strong motivations, better marketing approaches and better financial competence [11].

Linking financial management practices to organizational performance, [7] asserted that there is a positive and significant relationship between financial management practices and organizational performance in Pakistan corporate sector. In India, financial management practices have marked effect on the financial performance of corporate enterprises [32].

Taking the case of business start-ups for instance, when entrepreneurs draw up a business plan and try to get under way, the first hurdle they face is complying with the procedures required to incorporate and register the new firm before they can legally operate. The Philippines requires at least 15 procedures and takes some 30 or more days to start a business. Malaysia requires nine procedures and 24 days while Taiwan requires eight procedures and 48 days. The rest of the Southeast Asian region averaged 8.7 procedures and 46.8 days to start a business [8].

According to the World Bank's 2013 Doing Business Survey, the Philippines ranks 138 of 185 economies with regards to the ease of doing business. Except for the indicator "trading across borders" where the Philippines fared in the top third of the rankings (#53), the country sits at the bottom third in all other enterprise development indicators such as starting a business (#161), dealing with construction permits (#100), registering property (#122), getting credit (#129), protecting investors (#128), paying taxes (#143), enforcing contracts (#111), and resolving insolvency (#165). Along these lines, it can be clearly noted that the Philippines' regulatory environment for enterprise development is still weak and needs further reform, harmonization and standardization.

In the Philippines, entrepreneurship is viewed as important in empowering the poor, enhancing production, and as an impetus to innovation. The 1987 Philippine Constitution recognizes entrepreneurship as an engine of economic growth. Article XII Section 1 highlights the role of private enterprises in supporting equitable distribution of income and wealth, sustaining production of goods and services and expanding productivity, therefore raising the quality of life [8]. The Micro, Small and Medium Enterprise (MSME) Plan for 2011 to 2016 in the Philippines, showed that the MSME sector is seen as a critical driver for the country's economic growth. It is reported that the sector serves not only as supplier and subcontractor to large enterprises and exporters but also as part of the support system for logistics services; accounted for 99.6% of total establishments in the country; contributed 61.2% of the country's total employment and 35.7% of total value added. However, the growth of the MSME sector has not been vigorous enough to propel the economy. The share of medium enterprises remained miniscule at 0.4% while that of small enterprises was almost unchanged at 7.7%. In terms of employment and value added contribution, MSMEs registered modest shares of 31.2% and 30.8%, respectively. Micro-enterprises meanwhile formed the bulk of enterprises with a share of 91.6% which accounted for a share of 4.9% of total value added and 30% of total employment [25].

The Philippine Development Plan (PDP) (2013), further reinforces the thrust on entrepreneurship through trade and investment to achieve the government's goal of economic development and job creation. Based on the plan, measures for macro-economic stability, employment, trade and investment, agribusiness, power-sector reforms, infrastructure, competition, science and technology, and anti-corruption are being pursued to strengthen Philippines's competitiveness and contribute to job creation.

In 2011, there were approximately 830,000 business enterprises in the Philippines. Of these, 99.6 percent are classified as MSME which are responsible for 38 percent of total job growth (MSME Statistics – Department of Trade and Industry and Philippine Statistics Authority). MSME is now a growing industry in the Philippines and they have their own accounting standards such as Philippine Financial Reporting Standards for Small and Medium Enterprises. It is now a trend because it is contributing for Philippine economy.

With the onset of ASEAN integration, Philippines SMEs remain too small, only meagerly augment household incomes, and are unable to take advantage of opportunities brought about by ASEAN integration [20].

Studies in the Philippines on financial management showed that the financial literacy level of micro-entrepreneurs in Davao City were moderate indicating a not so impressive financial management of their resources [29]. It was assessed the financial skills of fish vendors in Pasil, the main fish distribution and trading center in Cebu City, Philippines. Findings show that vendors possess low level financial skills as indicated by a significant number of vendors who do not record nor keep record of transactions, do not monitor profit and loss, and have deficient cash management practices [5]. Furthermore, most vendors are confined to high interest loans. SMEs access to finance showed that financing obstacles is one of the top four serious problems for the growth of their businesses [2]. As analyzed, the financial performance of selected MSMEs in the Philippines showed that enterprises performed favorably in liquidity, activity and leverage but suffered from a low-level profitability [20]. A study on the level of management practices of micro and small business in Ilocos Norte and revealed that micro business and small business owners have the capability to handle and manage businesses as revealed by their level in the personal entrepreneurial competencies survey [27]. As studied, the small enterprise owners or managers of Nueva Ecija and some employees have a low level of knowledge in the set theories in managing current asset, but the owner/manager's experiences or practices have been seen to be more important than application of theories on current asset management [12]. Some policies are implemented and supported even these are not written but expressly authorized by the owners.

Micro-entrepreneurship is an alternative source of income that a developing country like Philippines may invest and support for its sustainability and as well as Ifugao because it is reported as one of the poorest province in the Philippines. Poverty incidence in Ifugao among families was 47.5 percent, according to a report by the Philippine statistics board. This means that nearly half of the total households in the province are considered below an income of 5458 pesos a month for a family of five to meet basic food needs. In terms of production, Ifugao had nearly five time the land are planted to banana compare to Mt. Province and Kalinga, Ifugao producing 7.9 metric tons of banana per hectare. A more developed province like Isabela, however, produced 22.6 metric tons of banana per hectare, nearly triple that of Ifugao. The data gathered in terms of agriculture shows how much Ifugao need to catch up to increase production for this contributes to the rise of value added activities in GDP and a need to market Ifugao products in order to create business opportunities such as entrepreneurship and innovation leading to employment and poverty reduction. (Philippines Statistics Authority, 2006-2013). Also, as studied the small enterprises in Science City of Muñoz, Nueva Ecija and found that no major problem in managing their current asset [12].

With the literature search, it could be noted that there is available information on financial management in several countries and even in some provinces in the Philippines. However, in Ifugao there are limited literature about micro, small and medium-sized enterprises and scanty studies in financial management practices of micro-entrepreneurs in the province. Owing to the fact that every year, the unemployment increases in the province due to the influx of college graduates who can not find jobs, micro-entrepreneurship is the best option for employment to people to venture for a living. This is in line with some of the top United Nations Millennium Development goals of poverty reduction and employment creation which could be best achieved through increasing employment. However, many small and micro businesses started every year but fail in their infancy. It is for this purpose that this study proposed in order to evaluate the financial management practices of micro-entrepreneurs, to determine the status of the business, ascertain financial management practices in order to draw insights and proposed financial model to address challenges in financial management. This propose study can also be a benchmark information that can serve as input to extension activities of the university in coming up with possible collaborations with agencies working on micro-entrepreneurship.

The scope of the study was on the selected areas of financial management such as Accounting Information System, Financial Reporting and Analysis, Working Capital Management including Cash, Accounts Receivable, Inventory and Current Liability, Fixed Asset Management and Financial Planning. Selected policies in the areas of financial management were included in the questionnaire to determine if the micro-entrepreneurs in Ifugao are putting them into actual practice. The delimitations in the study do not include the businesses owned by Ifugao micro-entrepreneurs that were located outside Ifugao.

II. Methodology

A. Method

The research made use of descriptive survey. Survey is chosen as research technique to investigate and describe financial management practices of micro-entrepreneurs with questionnaire as the main tool in data gathering.

B. Sampling and Recruitment

The respondents were the entrepreneurs under micro-enterprises whose business establishments were registered in Department of Trade and Industry Ifugao.

The total population was 3085 micro-enterprises as listed in the DTI – Ifugao. The sample size was 80 computed using the quota sample where it represents sample from the population from each type of business. Thirty were chosen from the trading and merchandising, 30 from the service sector, 10 from manufacturing, and 10 from other types of business such production.

C. Procedure

The researcher sought the approval from DTI-Ifugao to get the names of the registered micro-entrepreneurs and also got the approval of the Governor and mayors per municipality to conduct the study. The researcher also got the consent of the respondents before administering the questionnaire to them. After the questionnaires were distributed and retrieved, follow up interviews were conducted for information that were not fully divulge in the questionnaire.

D. Statistical Tests

The research study used statistical techniques using descriptive statistics such as frequencies, and mean. For inferential questions, t-test or ANOVA is used.

III. Results And Discussion

A. Profile of the Respondents

In terms of gender, about 70% of female were engaged in financial management of micro-enterprises in Ifugao while 30% were male. This result showed that women outnumbered men in micro-entrepreneurship in Ifugao. As to the age of respondents, about 41.25% of 40-49 age bracket were involved in micro-entrepreneurship while 1.25% from 60-69 years of age were still running micro-enterprises in Ifugao. For marital status, most of the respondents (76.25%) were married. Both married and single respondents led to entrepreneurial growth of their career. The study implied that married women can balance work and family and were successful entrepreneurs. While for ethno-linguistic affiliation, the result revealed that most of the business owners belonged to the Tuwali indigenous community (65%) of Ifugao. Most of the Tuwali indigenous community were residing in the central business area of each municipality of Ifugao unlike the other tribes that lived farther from the business centers. Tuwali indigenous community of Ifugao has an ease in the entry of business due to good location and condition. In terms of education, majority of the respondents (67.50%) were college graduate while 5% finished master's or doctorate degrees. This explained the importance of education in the life of every Filipino. Likewise, most of the respondents (70%) were owners of the micro-enterprises. The other positions were collector, cashier, child of owner, bookkeeper, secretary, and clerk. On the other hand, most of the respondents (40%) never attended trainings. Lack of time was one of the reasons because they operated their business on their own hands to make profit within a day therefore they have no time for trainings. As to background, 27.50% of respondents came from technical field and only 8.75% have experienced on financial management. Most respondents do not right away venture into entrepreneurship rather they find employment into various jobs which explains the various background of the respondents.

B. Profile of the Business

The study revealed the business profile in terms of type. Total of 80 business establishments listed in Department of Trade and Industry were taken as sample that represented the 3085 total establishments in Ifugao. About 30 per type of industry or business is enough sample to represent the total population of business. This sample size was already reliable and relevant to support the study. There were 30 service type of business namely: hotels, restaurants, bakeshops, lending institutions, vehicle operation, and gasoline stations. Also, there were 30 trading type of business namely: sari-sari stores, general merchandising, pharmacy, hardware shop, agribusiness, wet shop and dry goods. There were 10 manufacturing type of business due to no manufacturing companies in Ifugao and these were baya making, wood carvings, weaving, and indigenous products and 10 production and other type of business such as multi-purpose, hog raising, tilapia production and poultry farm. Findings revealed that most businesses in Ifugao as to form of ownership were sole proprietorship. About 12.50% of other business forms such as family business and associations were owned by Ifugaos. In terms of start of business, most of the business establishments in Ifugao started their business in the early 2000. According to PIA (2004),

Entrepreneurship serves as an alternative source of income and living. On the other hand, in terms of length of business operation, the table showed that 32.50% of the micro-enterprises were more than 10 years of existence in the business industry, followed by 2 to 5 years. These micro-enterprises have been profitable and stable in Ifugao. For the business profile in terms of beginning capital, most of the micro-enterprises in Ifugao (77.5%) have less than 0.5 million beginning capital used in starting their business. Based on the interview, most of the respondents have less capital and labor employed in their business. With regards of total assets, about 53.75% have a total asset lesser than 0.5 million followed by more than 1 million (41.25%). Only 5% of the business have total asset of 0.5 to 1 million. Most of the micro-enterprises in Ifugao (63.75%) have less than 0.5 million annual sales or service revenue while 23.75% of the business have annual sales of more than 1 million. The respondents kept records only when the value of sales is material enough to affect the business and they usually do not issue receipts. In terms of annual net profit, most of the micro-enterprises in Ifugao (70%) earned less than 0.5 million annual net profit and 30% earned 1 million or more annual net profit. The figure indicated that the respondents are profitable based on financial data because micro-entrepreneurship is an income generating actvity in Ifugao. Most of the micro-enterprises in Ifugao have less than 0.5 million debts. As interviewed, debts were acquired from the banks, lending institutions, and financing institutions which were used to put up their business, to purchase inventories, for business expansions and to finance their business. Most of the micro-enterprises (63.75%) have less than 0.5 million ending capital while 26.25% have ending capital of more than 1 million. Ending capital is the residual amount after liabilities or debt is deducted from the total assets. The table showed that the beginning capital of less than 0.5 million and yielding an ending capital that is less than 0.5 million indicates that owners of micro-enterprises were conservative type in risk taking. The number of full-time employees ranges from 1 to 38 personnel with a mean of 4.31 and a standard deviation of 7.147 while the number of part-time employees ranges from 1 to 100 and mean of 4.72 and a standard deviation of 15.566. The number of part-time employees is very variable due to employment of part-time employees on a seasonal scale.

C. Level of Financial Management Practices

The accounting information system was moderately practiced by the micro-enterprises in Ifugao. It further presents that micro-entrepreneurs highly practiced informal accounting information system and slightly practiced formal accounting information system and slightly use computer assisted software in recording transactions. Micro-enterprise owners moderately practice recording, posting, preparing, and interpreting accounting information, staffing, operating efficiently and recording accounting information. The accounting information system of micro-enterprises in Ifugao was fairly practiced because it is costly for it demands people and computers to manage the system.

The financial reporting and analysis was moderately practiced by the micro-entrepreneurs in Ifugao. Micro-enterprises highly practiced the preparation of financial reports such as income statement, cash flow statement, balance sheet, and performance of financial analysis. The use of profitability ratios and leverage ratios were slightly practiced and the rest were moderately practiced. The micro-enterprises were fair and reasonable with the practice of financial reporting and analysis because of the nature of their business and for compliance of some requirements by government offices.

The micro-enterprises in Ifugao moderately practiced working capital management. Micro-enterprises highly practiced cash management and current liabilities management while moderately practiced accounts receivable management and inventory management. As to cash management, micro-enterprises in Ifugao very highly practiced selling goods or services by cash. They highly practiced the preparation and review of cash budget. Also, they highly practiced having cash balance, cash shortage, bank account, and internal control of cash. Micro-enterprises moderately practiced reconciliation of cash with book to bank, cash surplus and separation of cashier and accountant. As to accounts receivable management, micro-enterprises in Ifugao highly practiced the review of percentage of bad debts. They moderately practiced selling goods or services in credit, review levels of receivables, control over sales to employees, reconciled sales with inventory change, periodic preparation of aging schedule, control of collection of written off receivables, and set and review of credit policy in place. As to inventory management, the micro-enterprises in Ifugao highly practiced physical safeguards of inventory against theft and inventory levels based on experience. They moderately practiced the use of standard costs, periodic review of overhead rates, periodic summaries of inventory usage, proper authorization of purchases, periodic inventory counts, use of inventory requisition, physical safeguards of inventory against fire, investigates discrepancies in inventory, reviews inventory levels, prepares inventory budget and inventory levels are determined based on historical data. As to current liabilities management, micro-enterprises in Ifugao practiced very highly the payment of taxes. They highly practiced purchased goods or services on account, control goods or services on account, make payments of payable when due and pay salaries. Also, they moderately practiced prolonged payment of payable.

As to fixed asset management, it was slightly practiced by micro-enterprises in Ifugao. They moderately practiced cash for investment in long term projects, invests and utilizes noncurrent assets, reviews the investment projects after a certain period, evaluate its projects before making capital investment decisions, and review efficiency of using fixed assets after investing. They do not practiced investing without evaluating and investing in shares of stocks.

On financial planning, it was moderately practiced by micro-enterprises in Ifugao. They highly practiced internally generated cash sources, easy access to bank loans, uses internally generated cash and borrowed funds, and use the financial budget in decision-making. Also, they moderately practiced setting capital structure based on theory, regularly prepare financial budgets, prepare financial budgets and use the financial budget in decision-making.

The table below shows that the micro-enterprises in Ifugao highly practiced cash management and current liabilities management. They moderately practiced accounting information system, financial reporting and analysis, working capital management (cash management, accounts receivable management, inventory management and current liabilities management), and financial planning. However, fixed asset management was slightly practiced. In the over-all, the financial management practices of micro-entrepreneurs were moderate.

The level of financial management practices of micro-enterprises in Ifugao was moderately practiced supporting a findings show that vendors possess low level financial skills as indicated by a significant number of vendors who do not record nor keep record of transactions, do not monitor profit and loss, and have deficient cash management practices [5].

Table 1. *Mean, standard deviation and verbal interpretation of the level of financial* management *practicesof micro-enterprises*

Areas of Financial Management	Mean	SD	Verbal Interpretation
Accounting Information System	2.93	1.111	Moderately Practiced
Financial Reporting and Analysis	3.08	3.080	Moderately Practiced
Cash Management	3.41	3.410	Highly Practiced
Accounts Receivable Management	3.10	1.383	Moderately Practiced
Inventory Management	3.04	1.383	Moderately Practiced
Current Liabilities Management	3.78	0.856	Highly Practiced
Fixed Asset Management	2.48	1.432	Slightly Practiced
Financial Planning	3.10	1.109	Moderately Practiced
Over-All Mean	**3.11**	**1.323**	**Moderately Practiced**

D. Differences in the Different Areas of Financial Management Practices when grouped as to Respondents' Profile

When respondents are grouped according to their profile, financial management practices are significantly different in age and position in the business while the rest of the profile are not significant.

The analysis of variance result (F=6.308, p-value<0.05) shows significant differences in the mean ratings of respondents. Post hoc analysis showed that ages 20-29 and 50 and above significantly differ with ages 30-39 and 40-49. This shows that young and old entrepreneurs have high financial management practices than those in the middle age group. Young entrepreneurs are usually highly motivated, enthusiastic and hardworking in doing business. Likewise, older entrepreneurs aged 50 and above are highly experienced in business.

The analysis of variance result (F=13.392, p-value<0.05) shows significant differences in the mean ratings of respondents as to their position in the business. Post-hoc analysis shows that owner is significantly different with managers and other positions in the business while manager and other positions do not significantly differ. Managers and other positions have high financial management practices that is significantly different from the owners because they have specific task to perform in the business while the owner usually perform multi-task being the proprietor and the manager as well in the business.

As to attendance to training, ANOVA result (F=21.196, p-value<0.000) shows significant differences in the mean ratings of respondents. Post-hoc analysis shows that those who never or rarely attended trainings significantly differ with those who sometimes, often or always attend trainings. The result indicates that those who sometimes, often and always attend related trainings have high financial management practices. This implies that attendance to training can help improve financial management practices.

Table 2. *Test statistics of micro-enterprises' financial management practices when grouped with respondents' profile*

Respondents' Profile	Test Statistics	p-value	Remarks
Gender	t=-0.048	0.962	Not Significant
Age	F=6.308	0.001	Significant
Marital Status	t=-0.084	0.934	Not Significant
Ethno-linguistic Affiliation	F=1.034	0.395	Not Significant
Highest Educational Attainment	F=2.3	0.084	Not Significant

Position in the business	F=13.392	0.000	Significant
Training	F=21.196	0.000	Significant
Background in the business	F=2.457	0.053	Not Significant

E. Differences in the Different Areas of Financial Management Practices when grouped as to Business' Profile

As to business profile, table shows that financial management practices significantly differ in the type of business, form of ownership, start of business, length of business operation, number of full-time employees, beginning capital, amount of asset, annual sales, annual net profit, debt /liabilities, and capital/equity except on the number of part-time employees.

Table shows the result on the analysis of variance whether there are significant differences in the financial management practices when grouped according to type of micro-entrepreneurs in Ifugao. Result (F=4.989, p-value<0.05) shows significant differences in the mean ratings of respondents. Post-hoc analysis shows that financial management practices from the trading sector and other type of business do not significantly differ but both significantly differ with service and manufacturing. Likewise, those in the manufacturing and service sector do not differ in their financial management practices.

As to form of ownership of the business, the result shows that cooperative has the highest mean rating compared to sole proprietorship and other forms of ownership. Table further shows a significant result on the ANOVA (F=5.000, p-value<0.05). Post-hoc analysis shows that cooperative significantly differs with sole proprietorship and other forms of business ownership.

Table 3 shows the result on the analysis of variance whether there are significant differences in the differences in financial management practices when grouped according to start of business of micro-entrepreneurs in Ifugao. Result (F=10.555, p-value<0.05) shows significant differences in the mean ratings of respondents. Post-hoc analysis shows that micro-entrepreneurs who started their business in 1970 and 1980 significantly differ in financial management practices than those who started their businesses in 1990 and 2000.

On the length of business operation, ANOVA result (F=17.250, p-value<0.05) shows significant differences. Post-hoc analysis shows that micro-entrepreneurs who operated for more than 10 years significantly differ in their financial management practices than those less than 10 years of operation.

Micro-enterprises with 10 or more full-time employees have higher mean ratings in financial management practices than those with less than 10 and that the mean difference is significant. This implies that having more full-time employees lead to better financial management of the business.

Table 3 shows the result on the analysis of variance whether there are significant differences in the differences in financial management practices when grouped according to beginning capital of micro-entrepreneurs in Ifugao. Result (F=6.717, p-value<0.05) shows significant differences in the mean ratings of respondents. Post-hoc analysis shows that the beginning capital of less than 0.5 million is significantly different with 0.5M to 1M and more than 1M beginning capital. The 0.5M to 1M does not significant differ with more than 1M beginning capital. This shows that financial management practices would differ when beginning capital reaches 0.5 million or more.

Table 3 shows the result on the analysis of variance whether there are significant differences in the financial management practices when grouped according to the amount of asset of the business. Result (F=6.717, p-value<0.05) shows significant differences in the mean ratings of respondents. Post-analysis shows that those with more than 1 million asset has the highest mean rating that is significantly different when the asset is 0.5 to 1 million and less than 0.5 million. This implies that asset size would influence financial management practice.

On annual of the business, the highest mean rating is an annual sale more than 1 million, followed with 0.5 to 1 million and the lowest is with less than 0.5 million. The mean differences were tested using ANOVA with result (F=32.709, p<0.05) that is significant. Post-hoc analysis shows that the annual sale of more than 1 million is significantly different with an annual sale of less than 0.5 million but not significant with an annual sale of 0.5 to 1 million. This indicates that financial management practices would differ as annual sales reaches 0.5 million and higher.

Analysis of variance shows significant differences in the mean ratings of respondents in the financial management practices in the different ranges of annual net profit as show by the F-value of 30.667 and p-value<0.05. Post-hoc analysis show that having an annual net profit of less than 0.5 million is significant with annual net profit of 0.5 million or more. Financial management practices do not differ for annual net profits of 0.5 to 1 million and more than 1 million. The result implies that practices in financial management differ when annual profit gets bigger.

Financial management practices differ when respondents when grouped into debt or liabilities as shown by the result of the analysis of variance (F=15.511, p<0.05). Post-hoc analysis shows significant differences exist in financial management practices between a liability less than 0.5 million with that of more than 1 million. Non-significant differences exist when liabilities are less than 0.5 million with that of 0.5 to 1 million as well as liabilities of 0.5 to 1 million and more than 1 million. This implies that financial management are practiced better when liability is higher.

Practices in financial management when grouped as to ending capital/equity differ significantly as shown in the analysis of variance result (F=13.045 and p<0.05). Post-hoc analysis shows that an ending capital of more than 1 million is significantly different with 1 million and below. This indicates that practice in financial management is better for ending capital is more than 1 million.

Table 3. *Test statistics of micro-enterprises' financial management practices when grouped with business profile*

Business Profile	Test Statistics	p-value	Remarks
Type of business	F=4.989	0.003	Significant
Form of ownership	F=5.000	0.009	Significant
Start of business	F=10.555	0.000	Significant
Length of business operation	F=17.250	0.000	Significant
Number of employees			
Full-Time	t=-4.346	0.000	Significant
Part-Time	t=0.689	0.493	Not Significant
Beginning capital	F=6.717	0.002	Significant
Amount of asset	F=35.193	0.000	Significant
Annual sales	F=32.709	0.000	Significant
Profitability	t=2.447	0.017	Significant

Annual net profit	F=30.667	0.000	Significant
Debt / Liabilities	F=15.511	0.000	Significant
Capital / Equity	F=13.045	0.000	Significant

F. Challenges Faced by the Micro-enterprises in Ifugao

Micro-enterprises in Ifugao mostly faced challenges such as inadequate government support and lack of networking opportunities. Other challenges indicated by the respondents were: no employee stability, lack of managerial skills due to lack of information like training/seminar, no water supply, no garbage collection, Lagawe is very poor, lack of customer loyalty, lack of customers, for livelihood only, high employee turnover, no sales, and expensive of repair of tricycle [10, 15].

Table 4. *Frequency distribution and percentage of micro-enterprises' challenges*

Challenges	Frequency	Percent
Lack of networking opportunities	31	38.75
Lack of access to finance	29	36.25
Inadequate government support	33	41.25
Others	11	13.75

G. Development of Financial Model for Micro-enterprises in Ifugao, Philippines

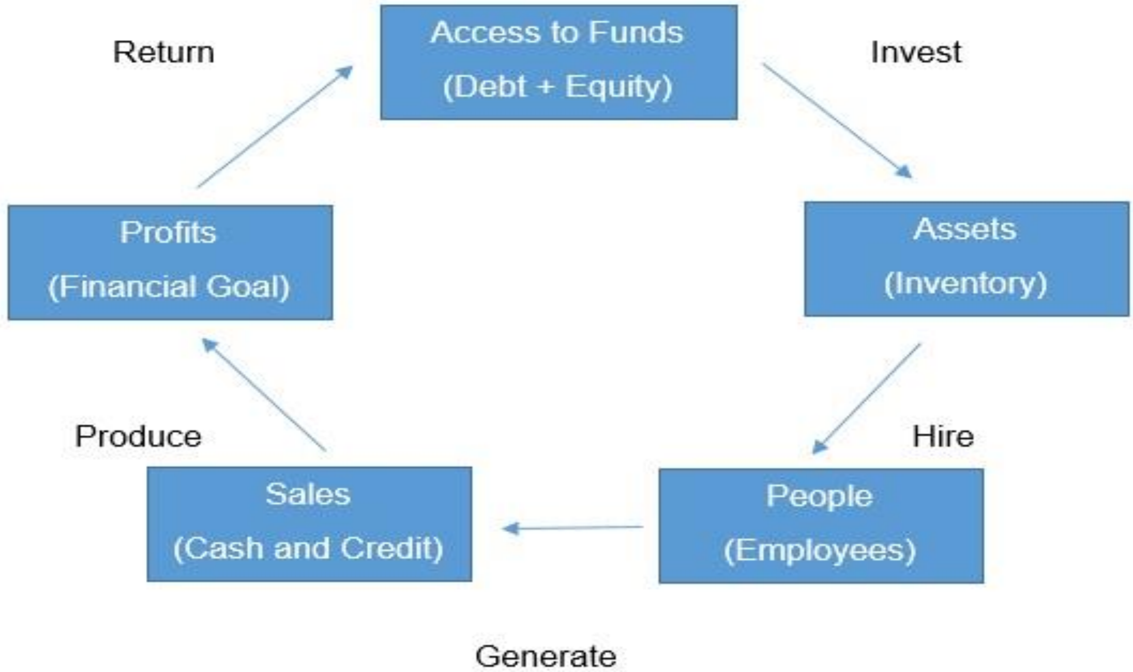

Figure 1. *Financial Model for Micro-enterprises in Ifugao*

Based on the significant findings of the study, the figure above shows the financial model developed for micro-enterprises in order to address challenges they faced. It starts in accessing of funds from stakeholders to invest in assets such as inventory and hire more employee. When people will sell products of the business it will generate sales whether cash basis or on credit basis and in that it will produce profits as the goal of the micro-enterprises in order to return it to its stakeholders. In this way, the micro-entrepreneurs have been able to maximize the stakeholders' wealth and support in their business [19].

Conclusion

Micro-enterprises in Ifugao mostly faced challenges such as inadequate government support, finance and lack of networking opportunities. Therefore, the financial model serves as a practical tool of micro-enterprises in Ifugao to adopt in managing their finances well. This is a guide for them to have an effective and efficient financial management put into practice.

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