

FINANCIAL MANAGEMENT PRACTICES OF MICROENTERPRISES IN QUEZON CITY

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Abstract

Most business in the Philippines is mostly in the microenterprise. Hence, this research was accomplished in order to assess the effectiveness of financial management practices of microenterprises in Quezon City. The city was selected as the locale of the research since there were various microenterprises built in this location. The respondents were classified according to the number of years in operation of their business, the number of employees, capitalization, and their source of funds. Additionally, the individual profile was also classified into their age, highest educational attainment, and the number of seminars or trainings related to their business that they had attended. The assessment was specified into aspects of financial planning, financial control, and cash management. The result shows that most businesses were newly established and only operating for zero (0) to two (2) years. The result also showed that most of the respondents only had a capitalization of PHP 100,000.00 and they were utilizing their personal savings as a source of funds. Most of them are aged from twenty-one (21) to thirty (30) years with no bachelor's degrees. They only attended seminars and training less than three (3) times. The result of this study was beneficial to business owners, local government units, government, government agencies, banks, and other financial institutions, academe, and future researchers.

Keywords: *Financial Management, Financial Planning, Financial Control, Cash Management, Microenterprise*

INTRODUCTION

According to the United Nations Philippines, Micro, Small, and Medium Enterprises comprise 95% of businesses in the Philippines and they employ about 63% of the country's workforce (United Nations Philippines, 2020). These small-scale businesses are said to be the backbone of the Philippine economy as it fuels job creation and employment in the country (Crisanto, 2018). They contribute to reducing poverty in the nation's expanding workforce by producing jobs. They encourage economic growth in remote locations. They also act as suppliers of products and services for big corporations, which they find to be a beneficial partner. Lastly, they also act as a breeding environment for established businesses as well as new ones. As a result, microenterprises are seen as a critical driver of the country's economic growth. But despite their undervalued contribution to the Filipinos, they continue to suffer from several issues that hinder their growth. Due to the small size of microenterprises, a simple management mistake may also lead to business failure. According to the Bureau of Labor Statistics Business Employment Dynamics, 20% of small businesses fail in the first year, 30% in their second year, 50% after five years, and 70% of small businesses fail in their 10th year in the

business (McIntyre, 2020). In the Philippines, most businesses fail in less than five (5) years of existence (Abrugar, 2013).

Consequently, during the pandemic, various businesses have been forced to close in order to limit the spread of the virus. Hence, small enterprises have faced some major problems during those times. One of the problems was a lack of funding and financial sources since its operations had been forced to stop and there were no sales, profit, or income. Small businesses suffer from high losses, decreased sales volume, failure to meet contract terms, and cuts in the number of employees (Engidaw, 2022). Hence, they experienced the biggest downfall during the hit of the pandemic. Whereas, in the view of the macro enterprise, there is also a problem when it comes to its financial management. In the discussion of Xuhui and Ruoxi (2013), an enterprise that is large in scale but lacks a detailed financial management system leads to the overall downfall of the enterprise. There is also a problem when it comes to accounting, no distinguished accounts, poor planning of financing management, and cashier leading to unclear responsibility just like the problem encountered by SMEs. Thus, financial management is an important component of any business management. Lasher (2010) defines financial management practices as planning, organizing, directing, and controlling financial activities including proper use of funds in a business. This ensures that all business transactions are undertaken in an organized and well-managed manner. Efficient financial management practices are likely to help microenterprises strengthen their business performance. Consequently, inefficient financial management practices may damage the business which will affect its overall growth.

Therefore, inefficient financial management may hamper the efficiency of business operations and this will affect the growth of microenterprises. However, sound financial management is likely to help these microenterprises as it strengthens business efficiency, and as a result, difficulties facing can partly be overcome. In the National Capital Region (NCR), there are 205,250 total businesses out of 1,003,111 in the whole Philippines. Out of the total, 23% or 46,748 of the total number of businesses are in Quezon City which is the largest in NCR. For this reason, this study pursued to accomplish the entire city of Quezon City's microenterprise to achieve the objective of this study.

Objectives

The purpose of this study was to assess the effectiveness of financial management practices of microenterprises in Quezon City.

It specifically aimed to answer to the following questions:

1. What is the profile of the respondents in terms of the following:
 - a. enterprise profile:
 - i. number of years in operation;
 - ii. Number of employees;
 - iii. capitalization;
 - iv. source of Funds; and
 - b. individual profile:
 - i. age;

- ii. highest educational attainment;
 - iii. number of business-related trainings/seminars attended for the last three years?
2. How do respondents assess the level of effectiveness of the financial management practices of the micro enterprises in terms of the following aspects:
 - a. financial planning;
 - b. financial control; and
 - c. cash management?
3. Is there a significant difference in the respondents' assessment on the level of effectiveness of the financial management practices of the enterprises when they are grouped according to profile?

METHODS

Research Design

The effectiveness of financial management practices utilized by micro-businesses in Quezon City was assessed by this study using the descriptive survey method. According to McComber (2019), this approach can be utilized in a wide range of research methods to explore one or more variables. It tries to describe a population, situation, or phenomenon accurately and methodically. According to Fox and Bayat (2007), descriptive research aims to shed light on current issues or problems through a process of data collection that enabled the researcher to characterize the situation in greater detail than was possible without utilizing this approach.

Population and Sampling

The population for this study comprised microenterprises in Quezon City. According to Philippine Statistics Authority, there are 37,442 microenterprises in Quezon City as of 2018 (Philippine Statistics Authority, 2018). The study used a sample of three hundred eighty (380) microenterprises. To reduce sampling error, a basic random sampling technique was utilized, in which each component of the target population was given an equal or unbiased probability of selection. Because they were actively involved with the financial management practices of their respective business and therefore had the best knowledge about the research topic, owners and managers or their equivalents at these firms were specifically targeted.

The researcher gathered information from owners and managers of microenterprises who had businesses located in Quezon City. The respondents were composed of three hundred eighty (380) owners or managers of microenterprises and were described according to variables such as their age, highest educational attainment, and the number of business-related trainings and seminars attended for the last three years.

Instrumentation

The study used secondary data collected via a survey questionnaire. The questionnaire was chosen because it delivered authentic first-hand information in the quickest amount of time while yet protecting the respondents' identity. Closed-ended questions were used in the survey to encourage more organized responses that helped produce actionable recommendations. Then reliability of the questions was identified using the Cronbach Alpha reliability test. Lee

Cronbach created Cronbach Alpha in 1951 to assess a tests or scale’s internal consistency, or how closely related a group of items are to one another (Tavakol & Dennick, 2011).

There were two sections to the questionnaire: part 1, the respondent’s profile; part 2, the financial management practices used by micro-businesses, specifically financial planning, financial control, and cash management. To evaluate the respondents’ responses, a Likert scale was employed.

Degree of the Agreement of Respondents

Scale	Interpretation	Arbitrary Scale
5	Very Effective	4.50 – 5.00
4	Effective	3.50 – 4.49
3	Somewhat Effective	2.50 – 3.49
2	Less Effective	1.50 – 2.49
1	Not Effective	1.00 – 1.49

The effectiveness of financial management practices of micro-businesses was rated by the respondents on a scale of 5 to 1, as shown above. The respondents’ evaluations were compiled using the rating system.

Data Collection

The researcher personally visited some participants and sought their consent to perform the survey. The owners or managers of micro-businesses received a letter of request and a copy of the original questionnaire. But because of the Covid-19 pandemic and community lockdown, the researcher created a new questionnaire using Google forms which was based on the old one. The researcher then joined various social media groups centering on micro and small businesses and distributed the link to the survey to each group’s members for them to complete. The social media groups being mentioned included Facebook groups named; Quezon City Small Business Owners, Quezon City Micro and Small Business Community, Small Business Support Group PH, Support Small Business PH, and Small Business in the Philippines. The researcher also sent the survey questionnaires via online links of the questionnaire drafted on Google forms to the respondents through their electronic mails and social media accounts. Eighty-six (86) of 23% of the total respondents were visited personally and given a survey questionnaire to answer because they were mostly near the area of residence of the researcher while two hundred ninety-four (294) of 77% were given an electronic survey questionnaire thru social media, electronic mails, and Google forms. Thus, a total of three hundred eight (380) or 100% of the respondents were surveyed.

Prior to their involvement in the questionnaire, the researcher conducted an informal interview to clarify any questions and make sure the respondents were the owner of a micro-business in Quezon City. Regulations for privacy and security were particularly difficult because most social media participants did not fully trust the researcher because they were only communicating virtually. The statistical advisor oversaw the tabulation, analysis, and interpretation of the data.

The researcher employed a qualitative analytic technique that entailed data editing, tabulation, and coding. Each questionnaire had been reviewed and corrected during the editing process to guarantee its accuracy, clarity, and consistency. The statistical advisor received the data, coded them, and entered them into the Statistical Package for Social Sciences (SPSS) application. Most software packages lack the user-friendliness that SPSS provides. It is well-

liked because numerous data sets may be imported into it with ease as well as importing files from other programs is also easy. Additionally, frequency tables and charts were employed by the researcher to illustrate the findings. This made sure that the information gathered was comprehended clearly.

Pilot testing was done about the original concept among the twenty (20) respondents from various parts of Quezon City. The developed questionnaire scored strongly on Cronbach’s Alpha, with results ranging from moderately good correlation to a very high correlation. The researcher was able to identify questions that needed editing and those that were confusing from this pilot survey. A final questionnaire was printed after corrections and was used to collect data. This study primarily relied on the data that were acquired using survey questionnaires, while it also included qualitative data from documents and related studies in the assessments of the effectiveness of financial management practices of micro-business in Quezon City.

Because electronic and other sources were insufficient, the COVID-19 outbreak made it more challenging for the researcher to conduct in-person data collection, access, and verification. Thus, the shutting down of the researcher’s employment made it more difficult to collect and gather data due to the expensive and time-consuming nature of conducting a research study.

Data Analysis

The collected data were encoded, collated, tabulated for analysis and interpretation of data. They then underwent the following statistical process:

1. Frequency and Percentage Distribution. To describe the respondents’ qualities and characteristics, which are nominal in nature, frequency and distribution were utilized. The equation is shown below.

$$P = \frac{f}{N} \times 100$$

Where:

- P = Percentage
- f = Frequency
- N = Total number of respondents

2. Weighted Mean. This average was created by giving various weights to various individual data. The effectiveness of microenterprises’ financial management practices was evaluated using this. The weighted mean formula is shown below.

$$WM = \frac{\sum fw}{n}$$

Where:

- WM = Weighted Mean
- $\sum fw$ = Sum of the frequency and unit weight
- n = Total number of respondents

3. Analysis of Variance (ANOVA). This is the first stage in determining the variables influencing a certain data collected. The results of the ANOVA test enable the analyst to carry out additional study on the systematically affecting factors that statistically affect the variability of the data set. The ANOVA test results can be used with F-Test in determining the overall significance of the regression formula.

4. F-Ratio. The ratio of two mean squares is F-Ratio. The value from a common statistical test that was applied in this study's ANOVA and regression analysis was utilized to assess whether there was a significant difference in the variances between the means of the two populations.

5. Ranking. For any two items to be ranked higher, lower, or equal, Ranking was necessary to identify how a collection of processed data connected to one another. It also refers to data whose numerical or ordinal values have been changed to reflect their rank during organizing and sorting of data.

RESULTS and DISCUSSION

1. Profile of the Respondents According to Industry, Number of Years in Operation, Number of Employees, Capitalization, Sources of Funds

Table 1
Frequency and Distribution of Respondents in terms of Years in Operation

Years in Operation	Frequency	Percent
0 to 2 years	253	66.6
3 to 5 years	63	16.6
6 to 10 years	34	8.9
11 years and above	30	7.9
Total	380	100.0

In terms of THE number of years of operation, it is shown in Table 1, the majority of the enterprises, or two hundred fifty-three (253) or 66.6% of the respondents operating for two (2) years or below; sixty-three (63) or 16.6% is in their three (3) to five (5) years in operation; thirty-four (34) or 8.9% is in their six (6) to ten (10) years in operation, while thirty (30) or 7.9% is operating for eleven (11) years and above. This may imply that most micro-businesses are new hence, they do not have enough knowledge and experience in financial management practices that may result in business failure. Also seen in a study by Anoo et al. (2020), 37.27% of the business have been operating for only one (1) to three (3) years. As cited by Berner, Gomez, and Knorrington (2008), many micro-businesses fail in their first few years and remain stagnant in their progression to become small and medium enterprises. Additionally, it is claimed that over 60% of new enterprises fail within five (5) years due to poor financial management, managerial incompetence, and a lack of experience (Boachie-Mensah, & Marfo-Yiadom, 2005).

Table 2
Frequency and Distribution of Respondents in terms of Number of Employees

Number of Employees	Frequency	Percent
1 to 2	298	78.4
3 to 5	52	13.7
6 to 9	30	7.9
Total	380	100.0

Table 2 presents the number of employees employed within the enterprise. Two-hundred ninety-eight (298) or 78.4% of the respondents have one (1) to two (2) employees within their business; fifty-two (52) or 13.7% have three (3) to five (5) employees; and thirty (30) or 7.9% have six (6) to nine (9) employees. This may imply that most of the duties and responsibilities are solely managed by just one (1) or two (2) persons and there is no segregation of duties within the business which can also imply the need for stricter financial control. Due to the small amount of activity, many

small businesses employ a few workforce (Anoos et al., 2020), and are frequently managed and owned by the same individual (Berry et al., 2002). With this, segregation of duties was not possible.

Table 3 below presents the capitalization of the respondents. Three hundred twenty-three (323) or 85.0% of them started their business with less than PHP 100,000.00 capital; thirty-five (35) or 9.2% have PHP 100,001.00 to PHP 500,000.00 capital; while twenty-two (22) or 5.8% have more than PHP 500,000.00 capital.

Table 3
Frequency and Distribution of Respondents in terms of Capitalization

Capitalization	Frequency	Percent
Less than PHP100,000.00	323	85.0
PHP 100,001.00 to PHP 500,000.00	35	9.2
PHP 500,001.00 and above	22	5.8
Total	380	100.0

This may imply that people do not need big capital in starting their own businesses. So, before engaging in major business endeavors in the future, it enables the entrepreneur to gain experience with the ups and downs of business with less risk. According to Shieldgeo.com (n.d.), establishing a business in the Philippines can take approximately twenty-nine (29) days for a total cost of PHP 7,630.00. Also, cited by Moneymax.ph (2021), anyone can start up a business here in the Philippines for as low as PHP 5,000.00 if one has industry experience and skills.

Table 4
Frequency and Distribution of Respondents in terms of Sources of Fund

Sources of Fund	Frequency	Percent
Personal Savings	287	75.5
Loan	39	10.3
Sale of Assets	27	7.1
Investors	27	7.1
Total	380	100.0

Table 4 presents the sources of funds of the respondents when they started doing their business. Two hundred eighty-seven (287) or 75.5% of the respondents have used their personal savings; thirty-nine (39) or 10.3% started using loans while selling assets and getting funds from Investors both got twenty-seven (27) respondents or 7.1% each. This may imply that majority of the businesses lack access to finance, so they use their personal savings to fund their businesses. According to Kilonzo and Ouma (2015), most small enterprises rely on their own resources for funding and have trouble obtaining loans, both of which contribute to their failure. This also agrees with Eyiah (2001) and Aldaba (2012) that one of the most significant obstacles to the expansion of small enterprises is a lack of access to financing.

2. Profile of the Respondents According Age, Highest Educational Attainment, Number of Seminars Attended for the Last Three Years

Table 5
Frequency and Distribution of Respondents in terms of Age

Age	Frequency	Percent
21 to 30 years old	257	67.6
31 to 40 years old	106	27.9
41 years old and above	17	4.5
Total	380	100.0

It is presented in Table 5 that most of the respondents belong to the age bracket of twenty-one (21) to thirty (30) years old with a frequency of two hundred fifty-seven (257) or 67.6% followed by the age bracket of thirty-one (31) to forty (40) years old with the frequency of one hundred six (106) or 27.9%. Forty-one (41) years old and above are the least with a frequency of seventeen (17) or 4.5%. As a result of this, younger generations may be more willing to start their business and perhaps more inclined to take risks. According to the 2016 report of BNP Paribas Global Entrepreneur, younger generations have started roughly twice as many businesses as older generations. It also reveals that they started younger compared to their predecessors in prior generations (Alton, 2017).

Table 6
Frequency and Distribution of Respondents in terms of Highest Educational Attainment

Highest Educational Attainment	Frequency	Percent
Undergraduate	218	57.4
College Graduate	145	38.2
Postgraduate Degree	17	4.5
Total	380	100.0

Based on Table 6, most respondents are undergraduates with a frequency of two hundred eighteen (218) or 57.4%. Hence, it can be noted that one hundred forty five (145), or 38.2% of the respondents are college graduates and seventeen (17), or 4.5% of the respondents have postgraduate degrees. This may imply that owners of microenterprises although educated do not have enough knowledge and skills in terms of financial management practices. According to a study by Brijlal, Enow, and Isaacs (2014) on the adoption of financial management practices by micro, small, and medium enterprises, most of the owners lack a college degree and appear to be lacking in financial management education. Brijlal et al. (2014) speculates that although most of the owners attended seminars, either the lessons learned were ineffective, or business owners did not apply what they learned in the training to their business operations.

Table 7 below depicts that most of the respondents with the frequency of two hundred eighty-eight (288) or 75.8% have zero (0) to two (2) seminars attended for the last three years; sixty-eight (68) or 17.9% attended three (3) to five (5) seminars while only twenty-four (24) or 6.3% of the respondents attended six (6) and above seminars for the past three years. This may imply that owners of microenterprises have low management capability that can be learned from trainings and seminars.

Table 7

Frequency and Distribution of Respondents in terms of Number of Seminars Attended for the Last Three Years

No. of Seminars Attended	Frequency	Percent
0 to 2	288	75.8
3 to 5	68	17.9
6 and above	24	6.3
Total	380	100.0

Lack of managerial experiences, skills, and personal qualities that can be attained from trainings and seminars are one of the reasons why small-scale businesses fail (Martin & Staines, 2010) as this reduced the management capability of the owners (Herrington and Wood, 2003). Attending seminars can assist these new businesses get the tools they need to ensure that they are one of the few that succeed (Kim, 2016).

2. Respondents’ Assessment on the Level of Effectiveness of Financial Management Practices of Micro Enterprises in terms of Financial Planning Practices, Financial Control Practices, and Cash Management Practices

As revealed in Table 8 below, the respondents establish a spending/budget financial plan which obtains the highest mean score of 4.47 verbally interpreted as “Effective” while respondents who identify short and long-term financial goals obtain the lowest weighted mean of 4.38, verbally interpreted as “Effective”. Identifying short and long-term financial goals is an important part of financial planning as it helps increase the survival rate of the business (Berry, 2011). This may imply that microenterprises do not have a well-developed financial plan that can help them manage their business accordingly.

Table 8

Respondents Assessment on the Level of Effectiveness of Financial Management Practices of Micro Enterprises in Quezon City in terms of Financial Planning Practices

Financial Planning Practices	Mean	Verbal Interpretation	Rank
We identified short and long-term financial goals. (Pagkakakilanlan ng maikli at pang-matagalang layunin)	4.38	Effective	5
We established financial goals that are SMART (specific, measurable, attainable, realistic, and time-bound). (Pagtatag ng pangpinansyal na layunin na tiyak, masusukat, maaabot, makatotohanan, at may takdangoras)	4.43	Effective	4
We gather relevant data and analyze current financial position before making financial decision. (Pagkalap ng may-katurang datos at pagsusuri sa kasalukuyang posisyon sapananalapi bago gumawa ng pang pinasyal na desisyon)	4.45	Effective	2
We established a spending/budget financial plan. (Pagtatag ng planong pang gasta at badyet sa pananalapi)	4.47	Effective	1
We developed alternative solution that are achievable for contingencies. (Pagbuo ng alternatibong solusyon na makakamit para sa pangkagipitang pagkakataon).	4.44	Effective	3
Grand Mean	4.43	Effective	

This is in line with the claims of Mutanda (2012) that investigates the financial planning of micro and small businesses, most of these businesses have no idea what financial planning is or what goes into it.

Table 9
Respondents Assessment on the Level of Effectiveness of Financial Management Practices of Micro Enterprises in Quezon City in terms of Financial Control Practices

Financial Control Practices	Mean	Verbal Interpretation	Rank
We followed the spending / budget / financial plan that we have been established. (Pagsunod ng paggastos, badyet at pinansyalna plano na itinatag)	4.45	Effective	2
We maintain a spreadsheet of monthly income and expenses. (Pagpapanatili ng isang talaan ng buwanang kita at gastos)	4.42	Effective	5
We prepared different financial budgets on a regular basis. (Regular na paghahanda ng iba't ibang badyet sa pananalapi.)	4.41	Effective	6
We identify accountability to avoid fraud or error. (Pagkakakilanlan ng pananagutan upang maiwasan ang pandaraya opagkakamali.)	4.43	Effective	4
Regular audit is conducted. (Ang regular na pag-audit ay isinasagawa)	4.44	Effective	3
The attitude and involvement of owner /manager to financial control system are efficient. (Ang saloobin at pagkakasangkot ng may-ari o tagapamahala sa mga control sa pananalapi ay mahusay)	4.48	Effective	1
Grand Mean	4.44	Effective	

As shown in Table 9, the attitude and involvement of the owner or manager in the financial control system are efficient which obtains the highest mean score of 4.48 verbally interpreted as "Effective" while the respondents who prepare different financial budgets on a regular basis obtain the lowest weighted mean of 4.41 which also interpreted verbally as "Effective". Preparing different financial budgets on a regular basis prevents financial recklessness (Owizy, 2011) helps promote efficiency and reliability (Prempeh, Twumasi, & Kyemereh, 2015). The above result may imply that microenterprises do not prepare financial plans on a regular basis. According to a study by Kiiru, Kamau, and Nzioki (2018), many small and medium-sized businesses do not create budgets, others do but do not do it frequently, and yet others are unhappy with the way budgets are created. Therefore, it is advised that budgets be prepared periodically to improve owners' and staff' knowledge of the budget planning process.

Table 10
Respondents Assessment on the Level of Effectiveness of Financial Management Practices of Micro Enterprises in Quezon City in terms of Cash Management Practices

Cash Management Practices	Mean	Verbal Interpretation	Rank
We ensure availability of cash in running day-to-day operation. (Tinitiyak ng pagkakaroon ng cash sa pagpapatakbo ng pang araw-araw na operasyon)	4.51	Very Effective	1
We use properly the surplus cash through investment, etc. (Wastong paggamit	4.37	Effective	5

ngsobrang cash sa pamamagitan ngpamumuhunan atbp.)			
We consistently track accounts receivables of the business. (Pagsubaybay ng mgaaccounts receivables.)	4.42	Effective	3
We consistently track accounts payable of thebusiness. (Pagsubaybay ng mga accountspayable.)	4.41	Effective	4
We keep or deposit regularly the cash at the bank (Pagpapanatili / pagdeposito ng pera sabangko.	4.32	Effective	7
We organize financial records such as payslips, billing statement, etc. (Pag-aayos ngmga talaan sa pananalapi tulad ng pay slips,billing statement, atbp.)	4.46	Effective	2
We stock the right amount of inventory. (Pag-iimbak ng tamang dami ng imbentaryo.)	4.36	Effective	6
Grand Mean	4.41	Effective	

Table 10 reveals that respondents who ensure the availability of cash in running the day-to-day operation obtain the highest mean score of 4.51 verbally interpreted as "Very Effective" while those who keep or deposit regularly cash at the bank have the lowest weighted mean of 4.32 which interpreted verbally as "Effective". This suggests that microenterprises do not keep track properly their cash flows and they might be unaware of any loss in the business taking for granted the proper cash management practice. Taking for granted the importance of having the right cash management can directly affect business operations (Uwondo et al., 2013). According to a research study on cash management practices by Mungal and Garbharran (2014) and Abanis et al. (2013), small businesses frequently do not deposit their profits, and others do not even have bank accounts to keep track of and manage their earnings and expenditures.

Table 11
Respondents Assessment on the Level of Effectiveness of Financial Management Practices of Micro Enterprises in Quezon City

Financial Management Practices	Mean	Verbal Interpretation	Rank
Financial Planning Practices	4.43	Effective	2
Financial Control Practices	4.44	Effective	1
Cash Management Practices	4.41	Effective	3

As revealed in Table 11, financial control practices have the highest mean of 4.44. Financial planning practices have a weighted mean of 4.43 while cash management practices have the lowest mean of 4.41. All have been rated as "Effective" verbally. This suggests that microenterprises need improvement on cash management practices that they implement in their business. Efficient and effective cash management practice is crucial for every business as it maintains sustainability (Mugnal & Garbharran, 2014), helps meet business obligations (Thangavelu, 2020), and improves financial performance (Hamza et al., 2015; Al Smirat, 2016).

3. Significant Difference in the Respondents’ Assessment on the Level of Effectiveness of Financial Management Practices of Micro Enterprises when Grouped According to Profile

Table 12

Test of Significant Difference in the Assessment on the Level of Effectiveness of Financial Management Practices of Micro Enterprises in Quezon City when Grouped According to No. of Years in Operation

Financial Management Practices	Years in Operation	Mean	f-test	p-value	Decision	Remarks
Financial Planning Practices	0 to 2 years	4.39	1.043	.374	Failed to Reject Ho	Not Significant
	3 to 5 years	4.50				
	5 to 10 years	4.51				
	11 years and above	4.54				
Financial Control Practices	0 to 2 years	4.44	.849	.468	Failed to Reject Ho	Not Significant
	3 to 5 years	4.49				
	5 to 10 years	4.29				
	11 years and above	4.50				
Cash Management Practices	0 to 2 years	4.39	.605	.612	Failed to Reject Ho	Not Significant
	3 to 5 years	4.43				
	5 to 10 years	4.54				
	11 years and above	4.40				

Table 12 shows that the f-value for cash management practices is .605 with a p-value of .612, the f-value for financial control practices is .849 with a p-value of .468 and the f-value for financial planning practices is 1.043 with a p-value of .374. The null hypothesis, which indicates that there is no significant difference in the assessment when the variables are classified according to the number of years in operation, is accepted because all variables have p-values larger than the anticipated .05 level of significance.

Table 13

Test of Significant Difference in the Assessment on the Level of Effectiveness of Financial Management Practices of Micro Enterprises in Quezon City when Grouped According to No. of Employees

Financial Management Practices	No. of Employees	Mean	f-test	p-value	Decision	Remarks
Financial Planning Practices	1 to 2	4.41	1.956	.143	Failed to Reject Ho	Not Significant
	3 to 5	4.60				
	6 to 9	4.41				
Financial Control Practices	1 to 2	4.42	3.204	.042	Reject Ho	Significant
	3 to 5	4.63				
	6 to 9	4.31				
Cash Management Practices	1 to 2	4.38	2.041	.131	Failed to Reject Ho	Not Significant
	3 to 5	4.58				
	6 to 9	4.35				

With a p-value of .042, which is less than the .05 level of significance, Table 13 demonstrates that there is a significant difference in the respondents' assessment regarding financial control practices when classified according to the number of employees. The null hypothesis is therefore rejected. The result may imply that financial control practices may vary on how many employees are in the business. In general, microenterprises hire a limited number of employees, hence a clear division of jobs that segregates duties and responsibilities is mostly absent making the business more vulnerable

to fraudulent activities (Higson, 2002). It may also imply that financial control practices are more complex with a greater number of employees since the need for a financial audit function increases as the number of employees' increases. According to Scrubbed.net, as the size of the business scale, there will be more transactions and processes within the business. As this gets more complex, more control should be in place (Gopez, 2019). Also, microenterprises benefit a lot from implementing proper financial control practices because of their vulnerability arising from their size of operation (Teketel & Berhanu, 2009).

Table 14

Test of Significant Difference in the Assessment on the Level of Effectiveness of Financial Management Practices of Micro Enterprises in Quezon City when Grouped According to Capitalization

Financial Management Practices	Capitalization	Mean	f-test	p-value	Decision	Remarks
Financial Planning Practices	less than 100,000.00	4.41	1.326	.267	Failed to Reject Ho	Not Significant
	100,001.00 to 500,000.00	4.59				
	500,001.00 and above	4.50				
Financial Control Practices	less than 100,000.00	4.41	3.210	.041	Reject Ho	Significant
	100,001.00 to 500,000.00	4.70				
	500,001.00 and above	4.43				
Cash Management Practices	less than 100,000.00	4.37	4.364	.013	Reject Ho	Significant
	100,001.00 to 500,000.00	4.70				
	500,001.00 and above	4.52				

As presented in Table 14, both cash management and financial control practices when grouped by capitalization receives p-values below the .05 level of significance. These values are 0.13 and 0.41, respectively. The null hypothesis is therefore rejected. As a result, assessment is significant to both practices. This may imply that businesses with less than PHP 100,000.00 have a higher risk of business failure since most microenterprises have many debts and not very much cash (Shao, 2016); thus, the needing for stricter financial control practice. The above result may also imply that businesses with less than PHP 100,000.00 capital are more vulnerable to cash shortages which are hampering the owner's focus on business growth thus putting additional pressure on the cash management practice. Due to the previously mentioned limited access to finance, microenterprises face a more challenging and expensive cash shortage problem than larger companies (Hamza, Mutala, & Antwi, 2015). Small cash reserves within the business put one in greater danger of not being able to pay off debts as they become due.

Table 15

Test of Significant Difference in the Assessment on the Level of Effectiveness of Financial Management Practices of Micro Enterprises in Quezon City when Grouped According to Source of Fund

Financial Management Practices	Sources of Fund	Mean	f-test	p-value	Decision	Remarks
Financial Planning Practices	Personal Savings	4.41	1.205	.308	Failed to Reject Ho	Not Significant
	Loan	4.52				
	Sale of Assets	4.39				
	Investors	4.62				
Financial Control Practices	Personal Savings	4.45	2.769	.042	Reject Ho	Significant
	Loan	4.38				
	Sale of Assets	4.16				

	Investors	4.64				
Cash Management Practices	Personal Savings	4.39	1.584	.193	Failed to Reject Ho	Not Significant
	Loan	4.33				
	Sale of Assets	4.43				
	Investors	4.66				

With a p-value of .042, which is less than the threshold of significance of .05. Table 15 demonstrates that there is a significant difference in the replies on financial control practices when classified according to the source of funding. The null hypothesis is therefore rejected. The sale of assets as their source of funds got the lowest mean of 4.16. This may imply that microenterprises rarely sell assets to finance they are suggesting they are not efficient in funding their business. Hence, a strict financial control practice should be implemented. According to Katre (n.d.), one of the efficient ways to finance a business is to sell assets as it can pay off debt easily and can meet short-term fund requirements without shelling out from the owner’s personal funds.

Table 16
Test of Significant Difference in the Assessment on the Level of Effectiveness of Financial Management Practices of Micro Enterprises in Quezon City when Grouped According to Age

Financial Management Practices	Age	Mean	f-test	p-value	Decision	Remarks
Financial Planning Practices	21 to 30 years old	4.44	.429	.651	Failed to Reject Ho	Not Significant
	31 to 40 years old	4.44				
	41 years old and above	4.29				
Financial Control Practices	21 to 30 years old	4.45	.240	.787	Failed to Reject Ho	Not Significant
	31 to 40 years old	4.40				
	41 years old and above	4.46				
Cash Management Practices	21 to 30 years old	4.36	2.482	.085	Failed to Reject Ho	Not Significant
	31 to 40 years old	4.52				
	41 years old and above	4.48				

As shown in Table 16, financial control practices have an f-value of .240 and a p-value of .787; financial planning practices have an f-value of .429 and a p-value of .651; while cash management practices have an f-value of 2.482 and a p-value of .085. All assessments have p-values that are higher than the .05 level of significance which means that the null hypothesis is accepted. When grouped according to age, the assessment is not significant.

Table 17 below shows that the f-value for financial control practices is 3.236 with a p-value of 0.40, the f-value for financial planning practices is 4.313 with a p-value of .014 and the f-value for cash management practices is 8.018 with a p-value of .000. Every p-value is less than the significance level of .05. Hence, the null hypothesis is rejected. This means that there is a significant difference in the responses of financial management practices when grouped according to highest educational attainment.

Table 17

Test of Significant Difference in the Assessment on the Level of Effectiveness of Financial Management Practices of Micro Enterprises in Quezon City when Grouped According to Highest Educational Attainment

Financial Management Practices	Highest Educational Attainment	Mean	F-test	P-value	Decision	Remarks
Financial Planning Practices	Undergraduate	4.36	4.313	.014	Reject Ho	Significant
	College	4.55				
	Postgraduate	4.41				
Financial Control Practices	Undergraduate	4.37	3.236	.040	Reject Ho	Significant
	College	4.53				
	Postgraduate	4.56				
Cash Management Practices	Undergraduate	4.30	8.018	.000	Reject Ho	Significant
	College	4.55				
	Postgraduate	4.66				

It can be seen from the above findings that undergraduates obtain the lowest mean score for all financial management practices. The knowledge of financial management practices is usually depending on the competence and level of education that an individual hold. This may imply that most owners of microenterprises have no sufficient knowledge in order to manage their finance. According to Adomako, Danso, and Damoah (2016), most entrepreneurs of micro and small enterprises do not have sufficient knowledge about various financial schemes and indicated that the lack of financial management skills is prevalent in most developing nations. Some of the studies (Brijlal et al., 2014) and (Herrington & Wood, 2003), reveal that lack of education is one of the reasons why microenterprises fail.

As shown in Table 18 below, cash management practices have an f-value of 4.299 with a p-value of .014; financial control practices have an f-value of 5.337 with a p-value of 0.005; and financial planning practices have an f-value of 7.911 with a p-value of .000. All p-values are below than the .05 level of significance; hence, the null hypothesis is rejected. This indicates that the assessment is meaningful and significant when the respondents are classified according to the number of seminars, they attended during the previous three years.

Table 18

Test of Significant Difference in the Assessment on the Level of Effectiveness of Financial Management Practices of Micro Enterprises in Quezon City when Grouped According to No. of Seminars Attended for the Last Three Years

Financial Management Practices	No. of Seminars Attended	Mean	F-test	P-value	Decision	Remarks
Financial Planning Practices	0 to 2	4.37	7.911	.000	Reject Ho	Significant
	3 to 5	4.70				
	6 and above	4.47				
Financial Control Practices	0 to 2	4.38	5.337	.005	Reject Ho	Significant
	3 to 5	4.66				
	6 and above	4.47				
Cash Management Practices	0 to 2	4.36	4.299	.014	Reject Ho	Significant
	3 to 5	4.62				
	6 and above	4.39				

It is shown above those owners who attended zero (0) to two (2) business-related seminars for the last three years got the lowest mean score on all financial management practices. Most knowledge and skills in managing the finances of the business can be acquired through proper trainings and seminars. The findings may imply that owners of

microenterprises have poor financial management skills as there is a lack of proper trainings and seminars related to their business. In a study by Mbroh and Quartey (2015), it is revealed that most business owners have neither relevant education nor appropriate training. According to Brijlal et al. (2014), although some of the owners of microenterprises attend seminars, the learnings gained are not effective or the owners do not apply the knowledge gained from these seminars and trainings.

CONCLUSIONS

Based on the findings, the following conclusions were derived. It was concluded that most of the businesses were newly established and operating for only zero (0) to two (2) years. Also, most of the responsibilities and jobs within the business were managed by only 1 to 2 persons. The findings of the study also showed that most of the businesses had a capitalization of less than PHP 100,000.00 and that many of them use personal savings as their source of funds. Most of the owners or managers were young aged twenty-one (21) to thirty (30) years old. It was revealed in the study that most of the owners did not have bachelor's degrees. Hence, owners of microenterprises only attended business-related seminars less than three (3) times over the last three years. The findings of the study revealed that identifying short and long-term financial goals was given less importance by most of the businesses. Thus, the need for improvement of a well-developed plan that outlines in detail the short and long-term financial goals might be needed for the business. Based on the findings, most businesses did not prepare financial budgets on a regular basis. Preparing financial budgets regularly prevents financial recklessness and helps promote efficiency and reliability. The findings revealed that microenterprises did not keep track properly their cash flow as they did not keep or deposit their cash at the bank regularly. By taking for granted one of the most important financial controls, they were unaware of possible loss, and this directly affected the business operation. The study revealed that respondents perceived cash management practices as the least effective. Microenterprises should adhere to strict cash management practices to keep enough cash flow as it was the most important asset keeping the business running. The study revealed that the respondents' assessment of financial control practices when categorized by the number of employees, there was a significant difference. Since microenterprises hire a limited number of employees, segregation of duties and responsibilities was mostly absent making the business vulnerable to fraudulent activities. Based on the findings of the study, there was a significant difference in the responses on financial control practices and cash management practices when grouped according to capitalization. Businesses with smaller capital had a higher risk of business failure since most microenterprises were dependent on debt to continue operating giving them a large amount of debt but not very much cash. It was also revealed that because microenterprises had limited access to finance, they were more vulnerable to cash shortages. The findings of the study show that there is a significant difference in the respondents' assessment of financial control practices when grouped according to the source of funds. It was seen that microenterprises were not efficient enough in terms of funding their business as they rather used personal savings rather than selling assets or getting loans. Based on the findings, when respondents were grouped according to their highest educational attainment, there was a significant difference in their assessment of financial management practices. It was concluded that most of the owners of microenterprises had no sufficient knowledge of managing their finances. Based on the findings of the study, there was a significant difference in how the respondents assessed the effectiveness of financial management practices when classified by how many seminars they had gone to in the last three years. It was concluded

that owners of microenterprises had poor financial management skills as there was a lack of proper training and seminars related to their business.

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