



FINANCIAL LITERACY: A CASE UP CLOSE OF COMMUNITY RESIDENTS

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Article Received: December 2021 Published: January 2022

Abstract

Applying basic financial management principles in day-to-day life is known as financial literacy. It is the aptitude of overseeing one's funds successfully by drawing precise budgets, paying off obligations, making buying and selling plans, and eventually getting to be monetarily self-sustainable. This study ascertained the level of financial literacy of the residents of the municipality of Badiangan based on financial knowledge and financial behavior. This descriptive research utilized a duly-validated researcher-made questionnaire conducted through Google forms among the 20 respondents chosen through stratified random sampling technique. The statistical tools used to analyze the data were: mean, standard deviation, t-Test, and One-Way Analysis of Variance (ANOVA) set at 0.05 level of significance, and processed through the use of the Statistical Package for the Social Sciences (SPSS). The results showed that the level of financial literacy among the residents of Badiangan is high in both financial knowledge ($M=4.05$, $SD=3.62$) and financial behavior ($M=3.95$, $SD=3.62$). Moreover, there were no significant differences in the financial knowledge ($t(18)=.768$, $p=.453$) and behavior ($t(18)=2.092$, $p=.051$) of residents when grouped according to sex. Also, there were no significant differences in financial knowledge $F(2, 17)=.475$, $p=.630$) and behavior $F(2, 17)=1.37$, $p=2.81$) of residents when grouped according to occupation. Financial knowledge and financial behavior should be maintained through subsequent financial education to improve people's quality of life.

Keywords: *financial behavior, financial knowledge, financial literacy*

INTRODUCTION

Financial literacy is delineated as one's capacity to generate significant and prudent decisions on the effective and efficient use of money. (Rai et al., 2019). It is also referred to as the capacity to efficiently manage our money by creating comprehensive budgeting, racking up debts, making sale and purchase transactions, and eventually becoming monetarily self-sufficient. It provides us with a fundamental understanding of investment viability, financial processes, and capital goals. Proper discernment of our monetary value reduces the susceptibility of encountering fraud-like circumstances. Basic financial literacy skills can also assist people in anticipating hazards and arguing/justifying with anyone knowledgeable and well-informed.

Financial literacy is an essential component of making great financial decisions. In today's modern state of living, it is crucial for us to hone our financial literacy skills, for it will enable us to survive the competitive lifestyle patterns of today's modern world and manage our financial resources, especially since our lives are becoming more financially dependent (Mitchell et al., 2009). This will also further us to control our choice of purchases and be practical and rational in deciding what is best for our financial affairs. In today's highly competitive financial world, we must also tackle complex financial decisions as consumers, and financial errors made early in life may be devastating (Mitchell et al., 2009). Later in life, some of us may find ourselves carrying significant sums of loan or credit card bills, and such early dilemmas might impede our capacity to save, acquire money, and become financially secure.

Previous research has revealed that financial literacy can implicate people's financial behavior. Those with below average financial literacy are closer to acquire debt problems (Lusardi and Tufano 2009, as cited in Mitchell et al., 2009), lesser participation in the stock market (van Rooij, Lusardi, and Alessie 2007, as cited in Mitchell et al., 2009), lower possibility to select mutual funds with small fees (Hastings and Tejada-Ashton 2008, as cited in Mitchell et al., 2009), weaker ability to accumulate and manage wealth definitely (Stango and Zinman 2007; Hilgert, Hogarth, and Beverly 2003, as cited in Mitchell et al., 2009), and diminished inclination to plan for retirement (Lusardi and Mitchell 2006, 2007a, 2009). Furthermore, the less financially literate individual also reported to embrace excessive debt conglomeration and sound judgement incapacity (Lusardi and Tufano, 2015, as cited in Lusardi, 2019).

Since Badiangan is a 4th class municipality in the province of Iloilo, much of the research conducted within the area revolved around the agricultural and economic progression of the municipality along with its unique socio-cultural heritage. There have been no vital studies regarding how people residing in the municipality of Badiangan manage their financial resources and literacy level. Hence, the researcher opted to specifically evaluate the level of financial literacy of the residents of the municipality of Badiangan. In addition, since Badiangan is still a developing municipality with a thriving economic system, this study will be considered pioneering research evaluating the level of financial literacy among its residents. Furthermore, it is hypothesized that there were no significant differences in the financial

knowledge and financial behavior of people living in the municipality of Badiangan. Hence, this community-based study is conducted.

METHODOLOGY

Purpose of the Study and Research Design

A descriptive research design was employed in the study. This implies acquiring, organizing, tabulating, depicting, and describing data to formulate body of knowledge (Glass & Hopkins, 2015, as cited in Alegria et al., 2019). In this survey, the interpretation, analysis, and gathering of data will be used to evaluate the financial literacy of people residing in the municipality of Badiangan.

Respondents

The respondents of this study were twenty (20) people residing in the municipality of Badiangan identified using a stratified random sampling technique. Variables such as sex, socio-economic status, and occupation were considered. The respondents came from the different barangays of the municipality of Badiangan with ten (10) females and ten (10) males.

Instrumentation

The instrument used in the study was a duly-validated researcher-made questionnaire was administered using Google Forms and sent on an online platform such as messenger and e-mail. The questionnaire is composed of two parts. Part one includes the personal background of the respondents and the second part is composed of statements on financial knowledge and financial behavior. Responses were; strongly agree, agree, undecided, disagree, and strongly disagree. A letter of consent was also included in the questionnaire.

Data Collection

The survey forms were distributed online through Facebook-messenger and e-mail. There was no time limit in answering the survey form. As soon as they submit their responses, the online survey form automatically records the respondents’ data and can be downloaded for offline viewing and data analysis.

Data Analysis Procedure

The researcher used Statistical Package for the Social Sciences (SPSS) as the statistical tool. Descriptive analysis used frequency count, means, and standard deviation while ANOVA and t-test for independent samples were employed for inferential statistics, set at .05 level of significance. The scale for the interpretation follows:

Scale	Description
4.20 – 5.00	Very High
3.40 – 4.19	High

2.60 – 3.39	Average
1.80 – 2.59	Low
1.00 – 1.79	Very Low

RESULTS AND DISCUSSION

Table 1 indicates the level of respondents’ financial knowledge. Specifically, the data revealed that their level of financial knowledge is high as an entire group (M=4.05, SD=3.62).

The results indicate that respondents living in the municipality of Badiangan were financially knowledgeable and capable of monitoring their finances. Day-to-day financial matters when going to the market was perhaps an opportunity in making the right choices for better financial standing. Furthermore, high levels of financial knowledge were probably necessary to make proactive financial decisions (Atlas et al., 2019) and better financial capability (Peach & Yuan, 2017).

Table 1 Level of Residents’ Financial Knowledge

	N	M	SD	Description
Financial Knowledge	20	4.05	3.62	High

Legend: N – Number; M – Mean; SD – Standard Deviation; Description; (4.20 – 5.00) – Very High; (3.40 – 4.19) – High; (2.60 – 3.39) – Average; (1.80 – 2.59) – Low; (1.00 – 1.79) – Very Low.

Table 2 describes the residents’ high level of financial behavior (M=3.95, SD=3.62). The respondents living in the municipality of Badiangan were probably capable of acquiring, allocating, and using their financial resources effectively. Moreover, having a high level of financial behavior is crucial in human economic dimensions which includes consumption, financial management, savings and investment plans, and handling of credit (Dew & Xiao, 2011, as cited in LeBaron et al., 2020), for it impacts the well-being and status of individuals, families, and societies (Clarke, Heaton, Israelsen, & Eggett, 2005; Hira, 2012; Xiao, Chatterjee, & Kim, 2014, as cited in LeBaron et al., 2020).

Table 2 Level of Residents’ Financial Behavior

	N	M	SD	Description
Financial Behavior	20	3.95	3.62	High

Legend: N – Number; M – Mean; SD – Standard Deviation; Description; (4.20 – 5.00) – Very High; (3.40 – 4.19) – High; (2.60 – 3.39) – Average; (1.80 – 2.59) – Low; (1.00 – 1.79) – Very Low.

Table 3 shows the significant difference in respondents’ financial knowledge according to occupation. Table 3 tells that there is no significant difference in the level of financial knowledge of residents when grouped according to occupation $F(2, 17)=.475, p=.630$.

Likewise, supporting the findings of Ali (2014) There is no statistically significant relationship between work type and respondents' levels of financial knowledge. It also demonstrates that respondents' levels of financial knowledge were distributed fairly across all participants, no matter what their occupation is. In other words, regardless of their career status, all respondents performed equally competitively in evaluating their financial knowledge. This also means that the interblending of financial beliefs regardless of occupation help us cope with the changing time (Pedroso, 2020).

Table 3 One-way ANOVA Results on the Difference of Respondents' Financial Knowledge when Grouped According to Occupation

	N	M	SD	Description
Entire Group	20	4.09	.46	High
p-value	.630			Not significant

*p>0.05, not significant

Table 4 tells that there is no significant difference in respondents' financial knowledge according to sex $t(18)=.768, p=.453$. This is congruent with the findings of Adam et al. (2018) wherein his study observed a statistically insignificant relationship between male and female respondents and that sex does not affect the financial knowledge of respondents. The findings from this group suggest that male and female respondents exhibited a similar level of financial literacy. This is however in contrast with the study of Ali (2014) where he mentioned that financial knowledge levels get affected by gender, which is a realization that change happens (Pedroso, 2021-a).

Table 4 t-Test Results on the Difference of Respondent's Financial Knowledge when Grouped According to Sex

Variable Compared	Mean	t-value	Df	Sig. (2-tailed)	Impression at 0.05 level
Male	4.17	.768	18	.453	Not Significant
Female	4.01				

*p>0.05, not significant

Table 5 reveals that there is no significant difference in the financial behavior of residents when grouped according to occupation $F(2, 17)=1.37, p=2.81$. The result entails that respondents' level of financial behavior discrepancy in terms of occupation is not statistically significant (Bhushan & Medury, 2013). There is no association between occupation and one's level of financial behavior and thus, it can be concluded that levels of financial behavior do not depend on one's occupation.

Table 5 One-way ANOVA results on the Difference of Respondents’ Financial Behavior when Grouped According to Occupation

	N	M	SD	Description
Entire Group	20	4.08	.44	High
p-value	.281			Not significant

*p>0.05, not significant

Table 6 reveals that there is no significant difference in the financial behavior of respondents when grouped according to sex $t(18)=2.092, p=.051$). The aforementioned result implies that differences in financial behavior between male and female respondents are not likely to exist (Schubert, Brown, Gysler, and Brachinger 1999, as cited in Adam, 2018). Gender differences favoring males in financial behavior had been found in several studies (Adam et al., 2018) however this study shows, that there is no significant difference in financial behavior between male and female respondents. Moreover, local stakeholders might have worked collaboratively to ensure that financial education will be perceived positively (Pedroso, 2021-b) by residents regardless of their sex.

Table 6 t-Test Results on the Difference of Respondents’ Financial Behavior when Grouped According to Sex

Variable Compared	Mean	t-value	Df	Sig. (2-tailed)	Impression at 0.05 level
Male	4.27	2.092	18	.051	Not Significant
Female	3.89				

*p>0.05, not significant

CONCLUSIONS

Overall, residents in the municipality of Badiangan demonstrated high levels of financial literacy based on prevailing knowledge and behavior. High levels of financial knowledge lead to high levels of financial behavior. Improving people’s financial literacy is equates to having improved financial knowledge and behavior. Financial literacy is to be taken seriously regardless of occupation and sex. The results of this study may aid policymakers and practitioners in formulating appropriate strategies to help people better understand the significance of financial literacy. The elevated monetary consciousness and informed decision making should be maintained through subsequent financial education to improve people’s quality of life.

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Cite this article:

Lester B Magno, John Erwin P. Pedroso, P, “Financial Literacy: A Case Up Close Of Community Residents”, *Journal of Multidimensional Research and Review (JMRR)*, Vol.2, Iss.4, pp.19-25, 2022