FINANCIAL MANAGEMENT PRACTICES OF SPUP EMPLOYEES AND RELATED FACTORS

Charito M. Guillermo, DBM; Marjorie L. Bambalan, MBA; Shirley A. Enriquez, MBA
School of Business Accountancy and Hospitality Management
cmguillermo@spup.edu.ph, mbambalan@spup.edu.ph
senriquez@spup.edu.ph

ABSTRACT

The study aimed to assess the financial management practices of SPUP employees. Furthermore, it investigated the related factors affecting these practices, problems encountered in financial management, and initiatives to address them. This study employed the quantitative descriptive method to assess the participants' spending, borrowing, saving, and investing practices. Ninety-three (93) employees were obtained through stratified sampling to include office staff, faculty, and lay administrators. Data were obtained through a survey questionnaire. Survey responses were further validated through a follow up interview. Data were treated using frequency counts, percentages, weighted mean, and rank. Results show that employees are cautious in their spending, have a positive attitude towards savings; however, they have little interest in investing. Participants consider spending as a means of rewarding themselves and this is only appropriate when buying items on discounted prices. For them, borrowing is appropriate for emergency needs. In addition, a major consideration for saving is to think of unexpected expenses in the future. A common reason for investing is to elevate living standards in the future. Among the problems they encounter in financial management is their lack of control in spending, not having the time to manage and plan finances, and not being able to differentiate wants from needs.

***Keywords**: financial management, financial management practices, investment practices, saving, spending, borrowing*

INTRODUCTION

People nowadays need to manage their finances wisely. With a lot of things this world offers, sometimes people spend their money unnecessarily rendering themselves heavily indebted. Some people spend more than what they earn; some do not save nor invest and never think of their future finances especially when they get to retire. For survival in this highly complex commercialized society, every individual should practice financial management. Financial management involves allocating money for expenses, savings, and investments based on current earnings.

Financial Management is a process of planning, organizing, directing and controlling financial activities such as procurement and utilization of funds of the enterprise (Juneja, n.d.). It means applying general management principles to financial resources of the enterprise. Financial management is an important part of financial planning (FindLaw, 2018). When managing personal finances, having a clear objective and knowledge about one's finances is an essential part of creating an appropriate workable plan. Financial management involves creating a budget, choosing a bank, paying taxes, managing debt, investing, retirement planning, and estate planning.

Financial management is the science of handling money (HLP, 2018). It involves all financial decisions and activities of an individual or household – the practices of earning, saving, investing, and, spending and allocating payments for borrowing. It also involves planning for retirement. If an individual manages well his finances, then there would be a proper allotment for his expenditures, payments for borrowings, savings, and investments.

Filipinos have a very poor habit in managing their finances (Chinof, 2012). Most of Filipinos, according to studies conducted, spend more than what they earn and do not save nor have investment (Tan, 2017). Most of them remain poor not because they are earning less but they are very poor because they are financially illiterate (Lucal, 2018). Filipinos are often branded as one day millionaires. They spend all their money once they get hold of their money. They do not have money anymore weeks before they are going to receive their next pay.

In St. Paul University Philippines, it is observed that a number of employees often borrow money from the financial institutions, from the cooperative, and even from co-employees. It is for this reason that the researchers were motivated to conduct this study on the financial management practices of SPUP employees.

Conceptual Framework of the Study

Personal financial management involves all financial decisions related to activities of any individual or household concerning earning, saving, investing, spending, and allocating payments for borrowings (Corporate Finance Institute, n.d.). For successful financial management, financial literacy is required. This study is anchored on the five elements of financial management as reflected in the figure.

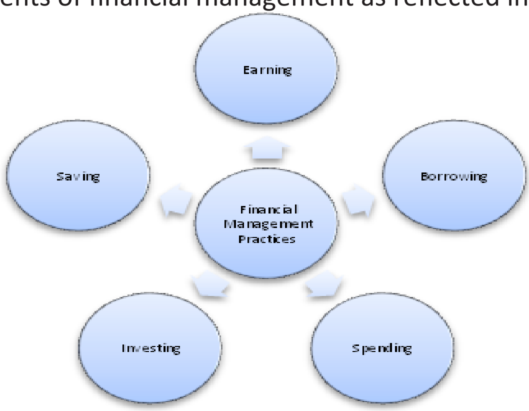

Figure 1. Paradigm of the study

As shown, financial management practices include how one lives out the following financial activities: earning, saving, investing, spending, and borrowing. "Earning" refers to bringing money home from a job, self-employment, or return on various investments. For salary as an earning, this refers to the net income after income tax and other deductions were done. "Saving" and "investing" deal with understanding the concept that saved money grows over time which also leads to explore long-term investments for retirement planning. "Spending" is probably the most important concept because it is a personal reflection of your values, lifestyle, and your financial behavior. Differentiating between needs and wants is the basic concept of controlling spending. Budgeting is the most powerful and impactful tool you can adopt to control spending to allow for saving and investing. "Borrowing" is acquiring debt to create assets. In the context of the study, participants' financial management practices were assessed with respect to three elements, namely, saving and investing, saving and borrowing. Factors that influence such practices as well as problems encountered were also investigated.

For a sound financial stability, an individual must have innovative techniques and strategies in generating income and must have wise spending, borrowing, saving, and investing practices. In this case, problems arising from heavy indebtedness, deficits in budgets, overspending, and retiring without savings will be avoided.

Statement of the Problem

This study aimed to determine the financial management practices of the employees of St. Paul University Philippines.

Specifically, it sought answers to the following questions:

1. What is the profile of the participants in terms of:
   1.1 age, sex, civil status, number of years in service, and position;
   1.2 number of children and monthly salary, and
   1.8 sources of income?
2. How frequent do participants practice the following financial management activities:
   2.1 spending;
   2.2 borrowing;
   2.3 saving, and
   2.4 investing?
3. What are the factors that motivate the participants to spend, borrow, save, and invest?
4. What are the problems of the participants in managing their finances?

5. What are the participants' initiatives to improve their management of finances?

Scope and Limitation of the Study

This study aimed to determine the financial management practices of employees of St. Paul University Philippines during the academic year 2017-2018. Management practices were centered on spending, borrowing, saving, and investing. Factors influencing employees' financial management practices, as well as their related problems and initiatives on financial management were also explored.

METHODOLOGY

This study employed the quantitative descriptive method as this assessed participants' spending, borrowing, saving, and investing practices. The participants involved 93 employees of Saint Paul University Philippines for Academic year 2017-2018, obtained using stratified sampling in order to have a representative sample of office staff, faculty, and lay administrators.

Data were gathered using a validated survey questionnaire which consisted of four parts: Part I deals with participants' profile; Part II explores the financial practices in terms of spending, borrowing, saving, and investing; Part III investigates on factors that motivate participants to spend, borrow, save and invest; and Part IV elicits participants' problems encountered in managing their finances and their initiatives to effectively manage their finances.

The survey questionnaires were given to the participants in their respective units with the permission of their Unit Heads. The questionnaires were personally retrieved by the researchers. Responses from the questionnaire were further validated through a follow up interview. Participants' answers were tallied, analyzed and interpreted using appropriate data analysis tools. These tools were frequency counts, percentages, weighted mean and rank. Frequency count was used to determine the profile of the participants. Weighted mean was used to analyze the extent of practice for financial management. To analyze further the value of the weighted means, a four-point Likert scale was used.

Ranking was used to determine the factors affecting the financial management practices of the participants. Thematic analysis was used to present participants' problems and initiatives related to financial management.

RESULTS AND DISCUSSIONS

This chapter presents the analysis and interpretation of the data gathered in the study.

Profile of the Participants

Table 1
Frequency Count and Percentage Distribution of the Participants According to Age, Sex, Civil Status, Years of Service, and Position

Variable	Specifics	Frequency	Percentage
Age	51 and above	26	27.96
	41-50	16	17.21
	26-40	37	39.78
	25 and below	14	15.05
Sex	Female	51	54.84
	Male	42	45.16
Civil Status	Single	27	29.03
	Married	62	66.67
	Widow/er	4	4.30
Years in Service	30 and above	14	15.05
	20-29 years	22	23.66
	11-19 years	24	25.81
	below 10 years	33	35.48
Position	Faculty	36	38.71
	Staff	31	33.33
	Maintenance	20	21.51
	Administrators	6	6.45

As shown, the participants are dominated by employees who are within the age bracket 26-40 years old. As to sex, the table shows that 51 or 54.84 per cent of the participants are female, while 42 or 45.16 per cent are male. The data imply that majority of the participants are female. When grouped according to civil status, majority of the participants are married.

As to years of service, most or 35.48 per cent of the participants have been in the University for less than 10 years, 24 or 25.81 per cent have been in the University for 11-19 years while 14 or 15.05 per cent have been in the University for 30 years and above. This data imply that most of the participants are tenured and have been in the University for more than 10 years.

Moreover, as to position, 36 or 38.71 per cent of the participants are faculty members, 31 or 33.33 per cent are office staff, 20 or 21.51 per cent are maintenance personnel and 6 or 6.45 per cent came from the administrators.

Table 2
Frequency Count and Percentage Distribution of the Participants According to Number of Children and Monthly Salary

Variable	Specifics	Frequency	Percentage
Number of Children	6	1	1.50
	5	3	4.54
	4	3	4.54
	3	4	6.06
	2	8	12.12
	1	10	15.15
	0	18	27.27
	No answer	19	28.78
Monthly Salary	Php 31,000 and above	6	6.45
	Php 21,000-Php 30,000	9	9.68
	Php 16,000-Php 20,000	23	24.73
	Php 11,000-Php 15,000	49	52.69
	Below Php 10,000	6	6.45

With regards to number of children, 18 or 27.27 per cent of the participants have no children, 10 or 15.15 per cent have 1 child, while 1 or 1.50 per cent has 6 children. The table implies that most of the participants or 27.27% have no identified direct dependents yet.

With regards to salary, 49 or 52.69 per cent of the participants have monthly salary of Php 11,000- Php 15,000. It further implies that most of the participants are in the minimum wage bracket.

Table 3

Frequency Count and Percentage Distribution of the Participants According to Sources of Income

Variable	Specifics	Frequency	Rank
Source of Income	Salary	91	1st
	Business	5	2nd
	Farming	3	3rd
	Remittances	2	4th

The above table shows that the highest rank of the participants' source of income is their salary. Others derive their income from other sources; five (5) participants earn income from business, three (3) from farming, and two (2) from remittances.

Participants' Financial Management Practices

Table 4

Participants' Financial Management Practices in Terms of Spending

Spending Practices	Mean	Qualitative Description
1. I keep track of records of all my expenses.	3.35	Sometimes
2. I had unspent money from previous earnings before the receipt of next income.	3.10	Sometimes
3. I used the unspent money to buy consumer goods.	3.24	Sometimes
4. The unspent money remains on hand.	3.15	Sometimes

(table continues)

Table 4 *(continued)*

5.	I share my unspent money with friends and relatives in need.	2.85	Sometimes
6.	I cut down on my expenses to make both ends meet in anticipation of uncertain income.	3.60	Often
7.	I spend money on the necessary basic needs and save the rest.	3.87	Often
8.	I spend everything until the next receipt of income.	2.81	Sometimes
9.	I prepare a list of necessary things I want to buy.	3.53	Often
10.	I consider the price of commodities I buy.	4.12	Often
11.	I set a limit on my total expenses.	3.72	Often
	Total	**3.39**	**Sometimes**

The above table presents the participants' responses on their practices in terms of spending. It shows that the participants often consider the price in buying commodities, the highest among the identified practices on spending. The table also shows that the participants often spend money on the necessary basic needs and save the rest; they also often cut down on expenses to make both ends meet in anticipation of uncertain income and that they, too, often prepare a list of necessary things that they want to buy. It is worthy to note that sometimes, the participants share with friends and relatives the unspent money they have.

Overall, the participants sometimes practice the different spending practices identified.

Table 5
Participants' Financial Management Practices in Terms of Borrowing

Borrowing Practices	Mean	Qualitative Description
1. I borrow money from relatives, friends, and acquaintances when I run out of money before I receive my next income.	2.92	Sometimes
2. I use a credit card whenever I run out of money.	1.78	Never
3. I borrow cash on bank credit and other financial institutions.	2.19	Seldom
4. I borrow money from our cooperative whenever I don't have money for food and other personal and family needs.	3.03	Sometimes
5. I borrow money to buy things for my daily needs.	2.12	Seldom
6. I borrow money for capital investment.	2.22	Seldom
7. I resort to '5'6'scheme in borrowing.	1.81	Seldom
8. I borrow to pay currently maturing debts.	1.94	Seldom
Total	**2.25**	**Seldom**

As shown, the participants sometimes borrow money from their cooperative whenever they do not have money for food and other personal and family needs, which is closely followed by borrowing money from relatives, friends, and acquaintances when they run out of money before they receive their next income. Some participants said that they seldom borrow for capital investment, neither do they buy things for their everyday needs, nor resort to 5’6 scheme in borrowing. This implies that the participants are a bit conservative in terms of borrowing or being on debt, as some never use credit card whenever they run out of money.

Table 6

Participants' Financial Management Practices in Terms of Saving

Saving Practices	Mean	Qualitative Description
1. I save a part of my income regularly.	3.45	Often
2. I cut down expenses so as to save something.	3.48	Often
3. I buy only what is needed and important in order to save.	3.87	Often
4. I maintain a "piggy bank" at home for my saving.	2.92	Sometimes
5. I started saving in cooperative through salary deduction.	3.57	Often
6. I am interested in saving.	2.92	Sometimes
7. I maintain a savings deposit in our cooperative.	3.53	Often
8. I keep my savings in the bank.	2.67	sometimes
9. I save my extra income	3.52	Often
Total	**3.33**	**Often**

As to their saving practices, the participants often buy only what is needed and important in order to save; some, often save in the cooperative through salary deduction, and save extra income. Also, they sometimes maintain a piggy bank at home for savings and also keep their savings in the bank sometimes. This implies that the participants have a positive attitude towards savings.

Table 7

Participants' Financial Management Practices in Terms of Investing

Investing Practices	Mean	Qualitative Description
1. I like to invest in real estate.	2.51	Seldom
2. I invest in stocks and securities.	2.16	Seldom

(table continues)

Table 7 *(continued)*

3.	My investment is in my business (i.e. farming, lending, stocks)	2.15	Seldom
4.	My post graduate education/special training is my investment.	2.66	Sometimes
5.	I invest in our cooperative through savings deposit or adding to my share capital.	3.20	Sometimes
6.	I practice intentional investment	2.76	Sometimes
	Total	**2.57**	**Seldom**

As to the investing practices, the participants sometimes consider post-graduate studies as their investment. For some, they invest sometimes in the cooperative through savings deposit and sometimes do intentional investment. It can be noted, however, that some invest in real estate or in stocks and securities. Overall, the participants seldom invest.

Participants' Motivations to Spend, Borrow, Save and Invest

Table 8

Reasons that Motivate Participants to Spend

	Reasons	Frequency	Rank
1.	I spend my money as a reward for myself.	55	1st
2.	I am motivated to buy items on discounted prices.	53	2nd
3.	I am easily attracted to selected items on sale.	36	3rd
4.	I am usually driven by my desire to buy what I want.	25	4th
5.	I love spending more than saving and investing.	15	5th
6.	My credit card is pushing me to buy anything even if I don't have cash.	10	6th
7.	I enjoy shopping and buying luxury items.	9	7th

In terms of spending, participants' most frequent reason for spending money is to reward them. This implies that the participants would spend their money on things that they want for themselves. This is followed by being motivated to buy items on discounted prices and that they are easily attracted with items on sale.

Table 9
Reasons that Motivate Participants to Borrow

Reasons	Frequency	Rank
1. I borrow money whenever there is an emergency need like sickness/medicines, payment for tuition, payment of house/ apartment rental and payment for electric and water bills.	64	1st
2. I borrow money to help a family member who needs it.	49	2nd
3. I borrow money to pay my other debts.	22	3rd
4. I borrow money for capital investment.	21	4th
5. I want to avail the many offers for loan.	19	5th

As to borrowing, the greatest factor being considered is that when an emergency need arises due to sickness/medicines, payment for tuition fee, payment of house/apartment rental, and payment for electric and water bills. Next is when a family member is in due need, followed by the need to pay off indebtedness. This implies that the participants resort to borrowing for health, education, shelter and utilities.

Table 10
Reasons that Motivate Participants to Save

Reasons	Frequency	Rank
1. I save money for the future.	69	1st
2. I save for unexpected expenses.	52	2nd
3. I save money for education.	48	3rd
4. I save money for projects.	37	4th

In terms of saving, the greatest factor considered by the participants is the need to save for the future, for unexpected expenses and for education. This implies that the participants are focused on financial security.

Table 11
Reasons that Motivate Participants to Invest

Reasons	Frequency	Rank
1. I invest in order to elevate my living standards in the future.	50	1st
2. I invest because I am inspired by successful investors.	25	3rd
3. I invest so as to leave something for my children to inherit.	43	2nd
4. I save money for projects.	37	4th

In investing, the greatest factor considered by the participants is the need to invest in order to improve their living standards in the future, leave something for their children to inherit, and being inspired by successful investors.

Table 12
Participants' Responses on the Problems They Encountered in Managing their Finances

Problems	Frequency	Rank
1. I lack control of spending.	26	1st
2. I don't have the time to manage my finances.	19	2nd
3. I don't have a plan for my finances.	16	3rd
4. I don't determine wants vs. needs.	14	4th
5. I don't know how to manage my finances.	12	5th
6. I succumb to peer pressure.	7	6th
7. I abuse my loan privileges.	7	6th

Presented in Table 12 are the participants' responses to the problems they encounter in managing their finances. Ranked first is that they lack control of spending followed by not having the time to manage their finances. Third among the problems is that they don't have plan for their finances followed by the problem on not being able to determine their wants and needs. The least encountered problems are in terms of being influenced by peer-pressure and that they abuse their loan privileges. This implies that the participants need to be guided in terms of financial management.

Table 13
Participants' Responses on the Suggestions to Improve their Personal Financial Management

	Suggestions	Frequency	Rank
1.	Spend wisely.	50	1st
2.	Save for future goals.	39	1.5th
3.	Plan how to spend.	39	1.5th
4.	Reduce or eliminate expenses.	30	3rd
5.	Prioritize spending and saving.	27	4th
6.	Attend seminars on financial management.	17	5th

Table 13 presents the participants' suggestions to improve their personal financial management. They said that there is a need to spend wisely, followed by the suggestions to save for future goals and to plan for expenses. The participants also suggested that spending and saving must be prioritized and that they need to attend seminars on financial management.

CONCLUSION

Based on the findings of the study. The following conclusions are drawn:

The employees are cautious in their spending, have a positive attitude towards savings; however, they have little interest in investing. Spending is a means of rewarding themselves and is appropriate when they buy items on discounted prices. In addition, borrowing is only appropriate for emergency needs. Consideration of the future needs such as unexpected expenses and children's education are major considerations for saving. Investment is needed as this elevates living standards in the future. Lack of control of spending, not having the time to manage and plan for finances, and not being able to determine wants from needs are the most common problems affecting financial management.

RECOMMENDATIONS

Based on the findings of the study, the following are hereby recommended:

The Human Resource or the SPUP Employees Association management may consider the integration for Financial Management seminars for the SPUP employees.

SPUP employees may consider maintaining their good practice of spending wisely and save for future needs.

SPUP employees may consider attending seminar/ workshops on financial management.

A similar study may be conducted to include the significant difference on financial management practices of SPUP employees when grouped according to profile variables.

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