



Research Article

Financial Literacy: A Case Up Close of Community Residents

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Abstract

Introduction: Financial literacy is knowing the basic financial management principles and applying them in day-to-day life. It is also known as the ability to effectively manage one's finances by drawing systematic budgets, paying off debts, making buying and selling decisions, and ultimately becoming financially self-sustainable.

Objective: This study determined the level of financial literacy of the residents of the municipality of Badiangan based on financial knowledge and financial behavior.

Methods: 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).

Results: 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.

Conclusion: 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, Municipality of Badiangan, community-based survey

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Introduction

Financial literacy is the ability of an individual to take considerable decisions in respect of the effective and efficient utilization of money (Rai et al., 2019). It is also known as our ability to effectively manage our finances by drawing systematic budgets, paying off our debts, making buying and selling decisions, and ultimately becoming financially self-sustainable. It empowers us with basic knowledge of investment options, financial markets, and capital budgeting. Understanding our money mitigates the danger of facing a fraud-like situation. The basic knowledge of financial literacy will help people with foreseeing the risks and arguing/justify with anyone who is aware and well-informed.

Financial literacy is an important component of sound financial decision-making. 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 that 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. As consumers, we must also confront complicated financial decisions in today's demanding financial environment, and financial mistakes made early in life can be costly (Mitchell et al., 2009). Further on, some of us may often find ourselves carrying high amounts of loans or credit card debt, and such early entanglements can hinder our ability to save, accumulate wealth and become financially secured.

Previous research has found that financial literacy can have important implications for financial behavior and people with low financial literacy are more likely to have problems with debt (Lusardi and Tufano 2009, as cited in Mitchell et al., 2009), less likely to participate in the stock market (van Rooij, Lusardi, and Alessie 2007, as cited in Mitchell et al., 2009), less likely to choose mutual funds with lower fees (Hastings and Tejada-Ashton 2008, as cited in Mitchell et al., 2009), less likely to accumulate wealth and manage wealth effectively (Stango and Zinman 2007; Hilgert, Hogarth, and Beverly 2003, as cited in Mitchell et al.,

2009), and less likely to plan for retirement (Lusardi and Mitchell 2006, 2007a, 2009). Further on, the study of Lusardi and Tufano (2015), showed that the least financially savvy incurred high transaction costs, paying higher fees and using high-cost borrowing methods. Furthermore, the less knowledgeable also reported excessive debt loads and an inability to judge their debt positions (Lusardi and Tufano, 2015, as cited in Lusardi, 2019).

Since Badiangan is a 4th class municipality in the province of Iloilo, much of the researches 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 their level of financial literacy in general. 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 a pioneering survey evaluating the level of financial literacy among its residence. 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 survey is conducted.

Methodology

Purpose of the Study and Research Design

The research design used in the study was descriptive research. Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection (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 tells about 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 aspects such as consumption, cash management, savings and investment, and credit

management (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) that there is no significant association between occupation type and the respondents' levels of financial knowledge. It further shows that levels of

financial knowledge were evenly displayed by the respondents regardless of their occupation. In other words, all the respondents, regardless of their occupation status, displayed an equal competitive performance in assessing 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*

*p>0.05, not significant

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				

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 manifests that the difference in respondents’ level of financial behavior based on 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 a number of 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*
 *p>0.05, not significant

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				

Conclusions

Overall, residents in the municipality of Badiangan demonstrated high levels of financial literacy based on financial knowledge and financial 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 importance of financial literacy. Financial knowledge and financial behavior should be maintained through subsequent financial education to improve people’s quality of life.

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