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The Financial Literacy and Financial Management Practices of Owners of Micro, Small, and Medium Enterprises in Tarlac City

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Abstract: *This study focused on the financial literacy and financial management practices of MSME owners in Tarlac City during the year 2026. This research used a descriptive-correlational design and tools such as mean to determine the level of financial literacy of the MSME owners in terms of financial behavior, financial knowledge, and financial attitude, as well as the level of financial management practices in terms of recording, budgeting, and reporting practices. Two hundred (200) MSME owners in Tarlac City served as respondents of the study.*

The findings revealed that the respondents demonstrated a high level of financial literacy with an overall mean of 4.21 interpreted as Agree. This indicates that MSME owners consistently practiced and are aware of financial planning, and proper financial decision-making in managing their businesses. The financial management practices of the respondents also obtained a high level with an overall mean of 3.89 interpreted as often. The findings suggest that MSME owners actively practiced budgeting, maintained financial records, and complied with reportorial requirements in sustaining business operations. Furthermore, the results of the multiple linear regression analysis revealed that financial literacy significantly influenced financial management practices of MSME owners in Tarlac City. It is therefore recommended that government agencies and business support organizations strengthen financial literacy programs, seminars, and training workshops to further enhance the financial management capabilities of MSME owners.

Keywords: Financial Behavior, Financial Knowledge, Financial Literacy, Financial Management, MSME Owners

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Introduction

In today's modern business environment, individuals and entrepreneurs look for a skill that will put them at the top and provide them with a competitive edge. One of the key factors that helps them make a better financial decision is having financial literacy. This is the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being. While financial education is the process by which people improve their understanding of financial products, services and concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being. Financial literacy has drawn attention on a global scale as a major factor in businesses' financial stability and security, as it involves the understanding of financial concepts that enable individuals and entrepreneurs to make informed choices about saving, investing, borrowing and managing financial resources of a business.

According to Dangcil, et. al (2024). financial literacy significantly influences the financial behavior of entrepreneurs, particularly in managing debt and investment decisions. Financial Literacy helps them manage their money more efficiently by improving how they budget their finances and make investment decisions. Furthermore, business owners are responsible for handling numerous financial aspects of their operations, such as budgeting, spending tracking, investment planning, and assuring their companies' financial stability. Entrepreneurs with high financial understanding are more likely to use effective financial management practices that promote business sustainability and long-term success. MSMEs are among the major contributors in terms of economic growth, employment creation, and innovation around the world. Furthermore, it has been the main player in domestic economic activities. According to the World Bank (2025), MSMEs represent about 90% of businesses worldwide and contribute to more than 50% of global employment. This also foster entrepreneurship by enabling individuals to start businesses that address the needs of their communities yet despite their contribution, they struggle with financial management in their operations mainly due to inadequate knowledge about financial management practices and proper financial planning strategies. These financial management challenges may influence the ability of MSMEs to sustain operations and achieve long-term growth. Research reveals that entrepreneurs with higher financial literacy

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are more capable of implementing effective financial management practices, such as proper budgeting, financial planning and strategic investment decisions, which contribute to improved business performance and long-term sustainability of their enterprises.

In the Philippines. MSMEs dominate in the registered businesses and are major contributors to the country's development. According to United Nations Development Programme (2025), the MSME's is also considered as the backbone of economy, comprising 99.5%of all businesses and employing over 60% of the workforce, in addition they contribute roughly 35-40%to the country's Gross Domestic Product. However, despite their significant numbers and economic importance, entrepreneurs often face challenges in financial management practices mainly due to limited knowledge about financial literacy and insufficient access to financial education programs. Furthermore, MSME's struggle with restricted access to modern technology, which delays their ability to compete effectively in a rapidly changing market.

In Tarlac City, MSMEs contribute significantly to the local economy by creating jobs and promoting local trade and services. According to Philippine Statistics Authority (2024). Tarlac City recorded a population of about 401,892 people in 2024, making it most populated area in the province and a prominent center for economic and business activities. The local government conducts various activities such as entrepreneurship seminars and trade fairs to promote local businesses and increase their competitiveness. Despite this, many MSME's still struggle and face financial difficulties, including inadequate financial planning, poor cash flow management and a lack of financial literacy. These financial difficulties emphasize the significance of proper financial management techniques and financial literacy for MSME owners in Tarlac. Understanding how entrepreneurs apply financial knowledge in their daily financial management practices is therefore vital in identifying solutions to motivate the development of small enterprises within the city.

Thus, this study aims to examine the financial literacy and financial management practices of MSMEs in Tarlac City. The results of the study may provide insights that can help entrepreneurs enhance their financial decision-making and assist policymakers and support institutions in developing programs that strengthen financial capability among MSME owners.

Statement of the Problem

This study focused on the financial literacy and financial management practices of owners of MSMEs in Tarlac City. Specifically, the study sought to answer the following:

1. How may the socio-demographic profile of the owners of MSMEs be described in terms of:
   1.1 Age;
   1.2 Civil Status;
   1.3 Educational Attainment;
   1.4 Years in Business;
   1.5 Number of Employees and
   1.6 Nature of Business?
2. How may the financial literacy of the owners of MSMEs be described in terms of:
   2.1 Financial Behavior;
   2.2 Financial Knowledge and
   2.3 Financial Attitude?
3. How may the financial management practices of the owners of MSMEs be described in terms of:
   3.1 Recording Practices;
   3.2 Budgeting Practices and
   3.3 Reporting Practices?
4. Does financial literacy influence the financial management practices of the owners of MSMEs?

   Hypothesis

H1: There is a significant influence of financial literacy on the financial management practices of the owners of MSMEs.

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Significance of the Study

The results of this study will benefit the following:

To Owners of MSME's, this study provides information that will help business owners evaluate their financial literacy in terms of financial knowledge, attitude, and behavior. This will help them make wiser financial decisions which could potentially result in better financial management practices. Furthermore, by recognizing the link between their mindset and daily operations, business owners can transform into more strategic recording, budgeting, and reporting practices.

To Agencies that assist MSME's including Local Government Units (LGU) in Tarlac City and Department of Trade and Industry (DTI), this study provides information that will help them make more effective programs. Using this study, they can highlight the real needs of business owners which will allow them to give better support where it is needed most. With that, they can help make our local economy more stable.

To academe, this study provides information that will help understand the perspective of business owners in terms of financial literacy and management practices. Furthermore, these findings can help educators and researchers solve the gap between classroom theories and actual financial activities. This can be used as a reference to create better business programs that are more relevant to the real world.

To future researchers, this study provides information that can help them identify research gaps as well as trends. Furthermore, they can use this as a reference to make further studics in various areas since this offers a framework that can help lead to a deeper understanding of sustainable business growth.

Scope and Delimitations

This study is focused on the financial literacy and financial management practices of MSMEs in Tarlac City. Additionally, data were collected through the use of a survey questionnaire distributed to MSME owners operating in Tarlac City. The respondents of this study are 200 MSME owners who are currently managing their businesses.

The questionnaire includes the socio-demographic profile of MSME owners in terms of age, civil status, educational attainment, years in business, number of employees, and nature of business. Furthermore, the independent variables were limited to MSME owners' financial literacy based on financial behavior, financial knowledge, and financial attitude. While the dependent variables were limited to financial management practices of the owners, particularly in the areas of recording. budgeting, and reporting practices.

Literature Review and Related Studies

This part of the research presents theories, ideas, opinions, and experiences of previous studies and literature that are related to this paper. They were chosen to support the insights included in this paper for better improvement of our study. Both local and foreign studies were added, as they are relevant to the purpose of our study.

A. Financial Literacy

According to Fernando (2026), financial literacy refers to the ability of an individual to make informed decisions about how to manage money effectively. The literature focuses on the fact that individuals who have financial literacy can avoid any financial mistakes or risk and help them achieve their long-term goals.

According to the Department of Trade and Industry (2024). MSMEs play a vital role in the Philippines economy. The literature findings show that 1. 236, 908 out of 1, 241, 476 business establishments in the Philippines are MSMEs and they have a 66.58% contribution to total employment which highlights their role in economic activity.

According to Faster Capital (2025), financial behavior is defined by the actions and attitudes that individuals demonstrate related to managing their financial resources. Financial behavior commonly includes spending practices, saving habits, investment choices, and overall decision making in managing finances. Understanding financial behavior helps determine how MSME owners practice financial management.

According to OECD/INFE (2020), financial knowledge is a key component of financial literacy because it helps individuals compare different financial products and services. It also enables them to make appropriate

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and well-informed financial decisions. Furthermore, it states that financial knowledge is the basic understanding of financial concepts and the ability to apply numeracy skills in a financial situation.

According to JA Malta (2024), financial attitude refers to the different beliefs, perception, and feelings of individuals has towards money. Financial attitude includes insights on how individuals approach it in terms of spending, saving, investing, taking risks, and managing debt. It has two sides which are a positive financial attitude and negative financial attitude.

Bancoro (2023) study supports the claim that financial literacy influences MSME owners in making informed decisions when it comes to managing their finances. The study findings showed that when it comes to managing their debt and savings, they demonstrate good financial literacy meanwhile further improvement is needed for achieving their long-term goals and avoiding risk.

According to Sugangga, et. al (2023), owners of MSMEs with higher financial literacy can adapt quickly to the changing market conditions. The study emphasizes the need to strengthen financial training programs to further improve their financial management practices. However, this study focuses on MSMEs financial literacy in Indonesia which shows that findings may be different when applied to other geographical contexts since it varies across countries.

Flores (2024) conduct a study on the financial literacy and financial management practices of public secondary school teachers in Tarlac Province during the school year 2023-2024. The study findings showed that the teachers demonstrate a high level of financial literacy and financial management practices. However, the study focuses on public secondary school teachers while the present study focuses on the owners of MSMEs. Furthermore, the study was conducted in Tarlac Province while the present study focuses more on Tarlac City. Therefore, the present study will address the population and setting gap by investigating the financial literacy and financial management practices among MSMEs owners in Tarlac City.

Widiyati. ct. al (2018) conducted a study about financial literacy level MSMEs. The findings revealed that 25.5% of MSME owners have low literacy levels: 52.5% have moderate literacy levels while 22% have high literacy levels. The study also revealed that financial attitude, knowledge, and behavior are important parts of financial literacy.

Culebro-Martínez. et. al (2024) investigate the relationship between financial literacy of entrepreneurs and the company's performance in Vera Cruz, Mexico. The study objective is to know whether financial behavior, knowledge, and attitude affect MSMEs' performance. The findings of the study revealed that financial behavior significantly influences the company's performance while financial knowledge and financial attitude showed no significant influence. It focuses on the fact that business will not succeed if it focuses on knowledge and attitude alone, practicing financial actions is more influential.

Diyoke (2024) studies the effect of financial literacy on the performance of MSMEs in the Abuja Municipal Area Council in Nigeria. The findings revealed that financial knowledge has a positive significant effect on MSMEs performance. However, it also revealed that financial behavior does not have a significant relationship with MSMEs performance which leads to a conclusion that financial actions alone are not enough for the business to become successful. The study highlights that the effect of financial literacy may vary.

Sari. ct. al (2026) conducted a study about how financial literacy and government support influence SMEs' performance. The study uses a quantitative approach that is collected from 56 SMEs owners. The findings revealed that financial literacy did not have a significant effect on SME performance while government support had a positive significant effect on business performance. This study suggests that support from the government is better than having financial literacy when it comes to improving SMEs

The review of related literatures and studies shows the importance of financial literacy for MSME owners in managing their business. It focuses on financial behavior, financial knowledge, and financial attitude which influences how MSMEs manage their money. Several studies show that higher financial literacy typically leads to better financial performance for businesses. Meanwhile, some studies revealed that financial literacy's effect on MSMEs may vary as other factors of financial literacy may have stronger effects compared to the other. Other study also indicate that financial literacy does not have that much influence on MSMEs. Different findings for each study highlight the need for further investigation regarding MSMEs' financial litcracy. Furthermore, previous studies were conducted in different locations, and one study focuses

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on teachers as their respondents, which leads to different findings. Therefore, this present stuidy aims to examine the financial literacy and financial management practices of MSMEs in Tarlac City to provide clearer understanding of how financial literacy influence the financial management practices.

B. Financial Management Practices

Financial management practices refer to the methods used by individuals and business owners to utilize financial resources to maximize the assets and attain wealth amass. Also, it involves every aspect of an organization's financial activities and is crucial for the business to sustain operations and achieve its long-term goals. (Citrawati et al. 2025). For MSME's owners, financial literacy is crucial to determine their ability to effectively implement these practices from proper recording to plan budgets and reporting of the business performance. (OECD, 2021).

Recording practices refer to systematic documentation and proper records of daily financial transactions and financial activities of business operations. Analyzing their recording practices can reveal information about their financial stabilization and proper use of their current assets. (Karunananda & Jayamaha, 2021).

On the other hand, budgeting practices refer to the tracking of monthly income and expenditures and acquiring things with proper planning over a period. Budgeting practices can help long-term behavior to reduce unnecessary spending and proper optimal utilization of funds over a month after setting up the financial plans or activities. (Li, 2023)

Reporting practices are the ability of the business to prepare and submit a financial report about financial activities and tax-related documents that reflect the business's operations. These reports usually include documents such financial statements and tax reports submitted to the investors, owners, or government regulators (Caclini, 2021).

Peralta (2021) proper financial management practices are important to achieve success and maintain sustainability of MSMEs. This study aimed to determine the relationship between financial practices and financial performance of MSMEs. The results revealed that the adoption of proper financial management practices gives an advantage and enhances maintaining accurate financial statements and improve profitability. These findings are related to the current study emphasizing the importance of financial management practices such as budgeting and recording in achieving profitability of MSME owners.

A study conducted by Senados (2023) analyzed the financial management practices of MSMEs in Nueva Ecija, especially in the retail sector. The results showed that MSMEs demonstrated core strengths in budgeting adjustments and managing supplier relationships. However, gaps were found in terms of inventory control, record keeping, and cash flow forecasting. These findings are relevant to the present study because it also examines the financial management practices of MSMEs owners, to determine similar practices are applied not only in retail sector but also in services, manufacturing and merchandising MSMEs in Tarlac City.

A study conducted by Placido et al. (2024) investigate the financial management practices and financial accounting standards compliance of MSMEs in Northern Philippines. The findings revealed that MSMEs showed a moderate level of implementation of financial management practices and compliance with financial accounting standards. However, the study focuses on financial management practices and accounting compliance without assessing the role of financial literacy. Therefore, the current study addresses this gap to determine the influence of financial literacy on financial management practices in achieving success.

A study conducted by Musah, ct. al (2018) investigated the financial management practices and performance of SMMEs in Ghana, especially assessing the moderating role of firm age. The findings revealed that financial management practices and the age of firms significantly influence SMEs performance as firms develop organizational routine to achieve better performance. This study supports the current study because it highlights the importance of financial management and firm's age to the performance of business operations.

According to Zendrato and Octafian (2024), financial management practices contribute significantly to the profitability of MSMMEs. The study aimed to analyze financial management practices such as financial planning and monitoring affect business performance among MSMEs. The result showed that businesses

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with proper financial recording and financial monitoring achieved better profitability of the MSMEs owners. This supports the current study by emphasizing the importance of financial management practices such as recording.

According to Uddin et al. (2023), the experience of MSME owners plays about financial activities can affect their financial literacy and financial management practices, especially in budgeting and financial decision making. The study revealed that experienced owners are more likely to implement an effective financial management practice in their operations. This supports the present study because it emphasizes entrepreneurial experience can enhance financial literacy and financial management practices among MSMEs.

According to Hutasuhut (2022), financial management plays an important role in improving the sustainability of MSMEs, especially during periods of economic disturbance like COVID-19 pandemic. The findings revealed that practices such as financial planning, financial reporting, asset management, and accounting information systems can influence the success or failure of MSMEs. This study is relevant to the present study because it shows that proper financial management practices and decision-making in amidst of economic disturbance can help sustain MSMEs.

The review of related literature and studies highlights the important role of financial management practices such as budgeting, recording, and reporting management, in ensuring the sustainability and profitability of MSMEs. The gathered evidence from some studies and related literature consistently shows that disciplined financial monitoring and business management lead to superior performance. However, some studies reveal a persistent implementation gap, where MSME owners struggle with consistent record keeping. While some research emphasizes the moderating effects of firm age and entrepreneurial experience, others suggest that not all management practices influence performance equally. These varying findings and the geographical focus of previous studies on areas like Nueva Ecija or Northern Philippines highlight a need for localized research. Therefore, the present study aims to examine both the financial literacy and the specific financial management practices of MSME owners in Tarlac City to provide a clearer understanding of how literacy directly influences and correlates with the effective execution of business operations.

Conceptual Framework

The conceptual framework of this study presents the relationship between two variables namely financial literacy and financial management practices of MSME owner's in Tarlac City. The illustration shows that financial literacy is the independent variable, while the financial management practices serve as the dependent variable.

Financial literacy refers to the MSME owners' ability to understand financial concepts and make informed decisions in managing their business resources effectively. In this study, financial literacy was measured in terms of three dimensions which are financial behavior, financial, knowledge, and financial attitude using the adapted questionnaire from Pinca et al. (2023). Financial management practices, on the other hand, refers to the strategies and methods used by MSME owners in managing and utilizing their financial resources. Financial management were described particularly in the areas of recording practices, budgeting practices, and reporting practices using the adapted questionnaire from Anoos et al. (2020).

By employing this model, the researchers sought to gain insights into the influence of financial literacy on the financial management practices of MSME owners in Tarlac City. Figure 1 shows the paradigm of the study.

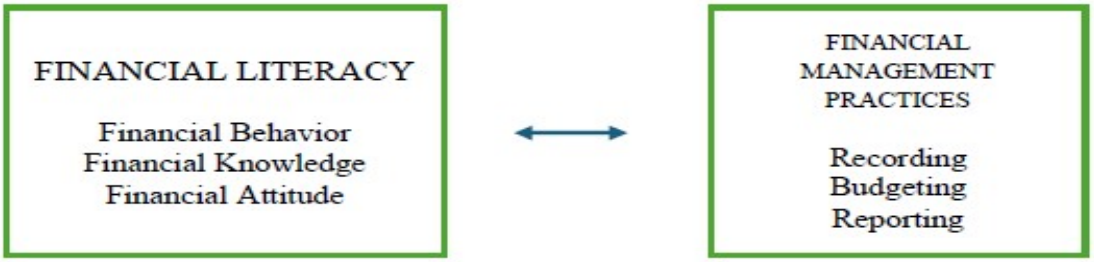

Figure 1: Paradigm of the Study

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Research Methods

This chapter provides the methods and procedures that are used in this study. They include the research design, locale of the study, sampling design, participants, research instruments, data gathering, data analysis, and ethical considerations.

Research Design: The study used a Descriptive-Correlational design. A Descriptive-Correlational design is a research methodology that involves describing and determining the relationships between two variables, using regression analysis to assess the influence of independent variables on the dependent variable. The primary goal of Descriptive-Correlational design is to provide a description of the variables being studied and then examine the relationships and influence among them (Macharia, 2025).

The researcher collected data on the variables of interest and analyzed this data sets to identify their relationships and patterns. This involved Quantitative analysis using statistical methods such as mean, percentage, frequency and multiple linear regression

This study was conducted among MSMEs in Tarlac City in 2026. Tarlac City is one of the province's major economic centers, characterized by a growing number of micro, small, and medium-sized businesses.as reflected by the 12, 959 registered business names (Carbungco, 2025). MSMEs in the city play a vital role in the local economy by generating employment, reducing poverty, and promoting rural development. These enterprises operate in various sectors, including manufacturing, merchandising, and services, which contribute to economic diversification and competitiveness with the support of government programs. The increasing number of businesses in the area makes Tarlac City a suitable setting for examining financial literacy and financial management practices. The study focused on registered MSMEs operating within the city.

Sampling Design: The study initially intended to employ a random sampling technique to ensure that each MSME in Tarlac City had an equal chance of being selected. However, due to the unavailability of some business owners during the data collection period, the researchers utilized convenience sampling to ensure the completion of data gathering. From the total number of MSMEs in Tarlac City, a sample size of 200 respondents was targeted for data collection. This sampling approach allowed the study to gather the necessary data within the given timeframe and available resources, particularly due to the unavailability of some business owners during the data collection period. At the end of the data gathering process, the target sample size was successfully achieved and used in the study.

Participants: The participants in the study consisted of 200 MSME owners in Tarlac City. Only officially registered MSMEs were included as respondents to ensure that the data collected came from legitimate and recognized business establishments. Prior to both face-to-face and online data collection, the researchers formally asked potential participants whether their businesses were registered.

Research Instrument: Survey questionnaires were used as the main instrument to collect the data needed for the study from MSME owners in Tarlac City. A five-point Likert scale was used. with descriptors ranging from Strongly Disagree to Strongly Agree for financial literacy, and Never to Always for financial management practices. Respondents were asked to select the option that best represented their responses for each set of questions.

The questionnaire consists of three parts with two sets of questions adapted from previous studies in order to measure the financial literacy and financial management practices of the owners of MSMEs. The first part of the instrument is the socio-demographic profile of the respondents, which includes their age, civil status, educational attainment, years in business, number of employees, and nature of business. The second part is the financial literacy section, which describes the financial behavior, financial knowledge, and financial attitude of the respondents using the adapted questionnaire from Pinca et al. (2023). The third part is the financial management practices section, which consists of questions in the areas of recording practices, budgeting practices, and reporting practices from the adapted questionnaire from Anoos et al. (2020).

Data Gathering Procedure: Upon the conduct of the study, a letter to participants was handed to the owners of MSMEs in Tarlac City in order to request full participation to answer the survey questionnaire. After their approval, the survey questionnaire was distributed in two forms; face to face through printed copies and online through google form. The printed copies distributed have a total of 140 respondents while

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the google form utilized has a total of 60 respondents. As part of the data gathering procedure, before continuing the survey, it was clearly explained that only registered MSME owners were eligible to participate in the study, and those who were not registered were excluded from the survey. At the end, a total of 200 responses were collected from available, accessible, and willing participants.

Data Analysis: In order to ensure the correct interpretation of the data and the validity of the study's conclusions, appropriate statistical tools were used in analyzing the collected data.

Cronbach's alpha was used to test the reliability and consistency of the research instrument using Jamovi. This statistical tool determines whether the survey questions consistently measure the variables being studied. A value of 0.70 or higher was considered acceptable, indicating that the instrument is reliable.

Descriptive statistics were used to summarize and describe the data gathered from the respondents. Frequency counts and percentages were used to present the demographic profile of the participants. In addition, mean and composite mean were used to determine the respondents' level of agreement regarding financial literacy and financial management practices.

Table 1 presents the mean range interpretation based on a five-point Likert scale. For the level of agreement on financial literacy, the scale ranges from "Strongly Agree" to "Strongly Disagree." For financial management practices, the scale ranges from "Always" to "Never."

Mean Range	Verbal Description
4.50-5.00	Strongly Agree/Always
3.50-4.49	Agree/ Often
2.50-3.49	Neutral/ Sometimes
1.50-2.49	Disagree/ Rarely
1.00-1.49	Strongly Disagree/ Never

Table 1: Five Point Likert Scale

Multiple Linear Regression was used to determine the significant influence of financial literacy on the financial management practices of owners of Micro, Small, Medium Enterprises (MSME's) using Jamovi.

Ethical Considerations: A letter of informed consent was presented to all participants as part of the study's ethical considerations. Some of the potential ethical issues in this study include not being able to make sure that participants take part voluntarily and that the information collected about them is kept confidential. In order to address these issues, participants will be notified that participation is completely voluntary and that they could refuse without any obligation. The next action is to explain the purpose of the study and the requirements for participating. In addition, some personal information such as their name will be optional and not required. Finally, participants will be notified that all data gathered will be kept confidential, handled carefully, and used only for research purposes.

Results and Discussions

In this section, the results of the study are presented and shown on tables with corresponding analysis and interpretation and contextual discussions. Also, this section aims to provide a comprehensive understanding of how the results address the research questions and contribute to the existing body of knowledge.

Demographic Profile of Business Owners

Age Range	Frequency	Percentage
18-25	16	8%
26-35	48	24%
36-45	54	27%
46-55	52	26%
56-65	24	12%
66 and above	6	3%
Total	200	100%

Table 2: Age

Table 2 shows that there were 54 respondents from ages 36-45 years old, which had the highest frequency. indicating that most of the respondents belong to the middle-aged group who are usually in their active working and earning stage. This suggests that the study is mainly represented by individuals who are already

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established in their careers or businesses. Meanwhile. 52 respondents came from ages 46-55 years old, 48 from ages 26-35 years old, 24 from ages 56-65 years old, and 16 from ages 18-25 years old. Finally, 6 respondents came from ages 66 and above, which had the lowest number of respondents, showing that only a small portion of older individuals participated in the study, possibly due to retirement or limited involvement in the target population. A study conducted by Widiyati, et al. (2018) also showed that majority of respondents was between 36-45 years old.

Civil Status	Frequency	Percentage
Married	141	70.50%
Single	46	23%
Widowed/Separated	13	6.50%
Total	200	100%

Table 3: Civil Status

Table 3 reveals that there were 141 married respondents, indicating that the majority of the respondents are married. This suggests that most of them may already have family responsibilities that could influence their financial decisions and management practices. Meanwhile, 46 respondents are single and 13 are widowed or separated, showing that only a smaller portion of the respondents belong to these categories.

Educational Attainment	Frequency	Percentage
Elementary Graduate	12	6%
High School Graduate	74	37%
College Graduate	114	57%
Total	200	100%

Table 4: Educational Attainment

Table 4 reveals that there were 114 business owners who are college graduates, representing the highest frequency. This indicates that most of the respondents have higher educational attainment, which may help them in managing and understanding business operations. This was followed by 74 high school graduates. Lastly, 12 were elementary graduates, indicating the lowest frequency. A study conducted by Placido et al. (2024) also showed that majority of the respondents are college graduates.

Years In Business	Frequency	Percentage
5 years and below	76	38%
6-10	62	31%
11-20	44	22%
21 and above	18	9%
Total	200	100%

Table 5: Years in Business

Table 5 reveals that there were 76 businesses operating for 5 years and below, which had the highest frequency. This indicates that most of the businesses are relatively new, suggesting a growing number of recent business entries in the area. This is followed by 62 businesses operating for 6-10 years, and 44 businesses operating for 11-20 years, showing a gradual decrease as the years of operation increase. Lastly, 18 businesses have been operating for 21 years and above, representing the lowest number of respondents, which suggests that only a small number of businesses have long-term stability and have remained in operation for more than two decades. A study conducted by Culebro-Martinez et al. (2024) also showed that majority of the businesses have been operating for 5 years and below.

Number of Employees	Frequency	Percentage
Micro (1 to 9 Employees)	169	84.5%
Small (10 to 99 Employees)	29	14.5%
Medium (100 to 199 Employees)	2	1%
Total	200	100%

Table 6: Number of Employees

Table 6 shows that there were 169 micro enterprises, representing the highest frequency. This means that most of the businesses only have 1-9 employees and are considered small-scale operations with limited manpower and resources. Among these micro enterprises. 104 were engaged in merchandising. 56 in services, and 9 in manufacturing. This was followed by 29 small enterprises, which have 10-99 employees. Of these, 14 were engaged in merchandising, 9 in services, and 6 in manufacturing. Finally, only 2 medium

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enterprises were recorded, representing the lowest frequency, which shows that only a very small number of businesses have expanded enough to employ 100-199 workers. These consisted of I manufacturing enterprise and i service enterprise.

The classification of business size was based on the number of employees rather than capitalization. This approach was used because many business owners were reluctant to disclose their capitalization or financial information. Additionally, available statistics from the Philippine Statistics Authority (PSA) are still commonly categorized according to the number of employees for statistical and reporting purposes.

Nature of Business	Frequency	Percentage
Manufacturing	16	8%
Service	66	33%
Merchandising	118	59%
Total	200	100%

Table 7: Nature of Business

Table 7 reveals that there were 118 merchandising businesses, representing the highest frequency. This was followed by 66 service businesses, while manufacturing businesses recorded the lowest frequency with 16. This indicates that most of the respondents are engaged in buying and selling activities rather than production or manufacturing. It suggests that merchandising is the most common type of business in the area, likely because it requires lower capital and is easier to start compared to other types of businesses. A study conducted by Gallo and Historiador (2022) also showed that majority of businesses are in merchandising industry.

Financial Literacy

Indicators	Mean	Verbal Description
1. I am capable of securing financial data about the business	4.20	Agree
2. I prioritize regular savings and budget	4.50	Strongly Agree
3. I separate cash utilized for business and cash used for personal needs	4.20	Agree
4. I take appropriate planning for payment of bills and expenditures	4.46	Agree
Composite Mean	4.34	Agree

Table 8: Financial Behavior

Table 8 presents the financial behavior of Micro, Small, and Medium Enterprises (MSMEs) owners. The composite mean of 4.34, with overall description of Agree, indicates that MSME owners generally demonstrate strong financial behavior in managing their businesses.

The highest-rated indicator is prioritizing regular savings and budgeting (4.50), described as Strongly Agree, which suggests that respondents place significant importance on financial discipline and long-term financial planning. This reflects their awareness of the importance of sustaining financial stability in their business operations. Moreover, planning for the payment of bills and expenditures (4.46), with a verbal description of Agree, indicates that respondents are proactive and organized in managing their financial obligations, thereby reducing the risk of financial mismanagement.

On the other hand, securing financial data (4.20) and separating business and personal finances (4.20), both interpreted as Agree, show that respondents are capable of maintaining essential financial behavior. However, since these indicators received relatively lower mean scores compared to others, it suggests that there is still room for improvement in strengthening data security and ensuring a clearer distinction between personal and business finances. Overall, the findings reveal that MSMEs owners possess strong financial behavior, although certain areas still require enhancement to further improve their financial management practices.

This finding is supported by the Financial Capability Framework developed by Atkinson et al. (2018), which emphasizes that financial behavior is shaped by knowledge, skills, attitudes, and access to financial tools that enable individuals to manage money effectively. In the context of MSMEs. strong budgeting, saving practices, and financial discipline reflect high financial capability, which contributes to better financial stability and business sustainability

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Indicator	Mean	Verbal Description
1. I am capable of maintaining records to keep track of the business transactions.	4.17	Agree
2. I know how to prepare financial statements	3.77	Agree
3. I am able to make appropriate financial decisions for the business.	4.18	Agree
4.I understand time value of money, interest rate, inflation, exchange rate and numeracy.	4.21	Agree
Composite Mean	4.08	Agree

Table 9: Financial Knowledge

Table 9 shows the level of financial knowledge of MSME owners in managing the financial aspects of their operations. The composite mean of 4.08, with a verbal description of Agree, implies that respondents are generally knowledgeable about key financial concepts and can apply this knowledge in managing their daily business operations

The highest mean score is in understanding financial concepts such as the time value of money, interest rates, and inflation (4.21), with a verbal description of Agree, suggesting that respondents have a strong understanding of fundamental economic principles that are essential in making sound financial decisions. Moreover, the ability to maintain financial records (4.17) and make appropriate financial decisions (4.18), both interpreted as Agree, further indicates that respondents are capable of applying their financial knowledge in practical business operations. These competencies play a crucial role in ensuring effective monitoring, evaluation, and planning of business finances

However, the relatively lower mean score in preparing financial statements (3.77), although still interpreted as Agree, reveals that respondents may require additional training or support in more technical financial skills. This suggests potential challenges in handling more complex aspects of financial management, particularly in financial reporting and analysis.

Overall, while respondents demonstrate strong financial knowledge, improving technical competencies could further enhance their ability to manage their businesses effectively. This finding is supported by the Financial Literacy and Financial Well-being Framework proposed by Lusardi and Mitchell (2019), which explains that financial knowledge directly influences individuals' ability to make informed financial decisions, manage risks, and improve economic outcomes. MSME owners who understand concepts such as interest rates, inflation, and financial reporting are more capable of making sound business decisions and maintaining financial stability.

Indicator	Mean	Verbal Description
1. I set effective long-term financial goals and work hard toward achieving them.	4.36	Agree
2. I am confident in approaching banks and external investors in order to secure business financing.	3.60	Agree
3.I prefer making precise financial plan instead of personal intuition.	4.32	Agree
4. I know the importance of savings and controlling expenditures.	4.50	Strongly Agree
Composite Mean	4.20	Agree

Table 10: Financial Attitude

Table 10 presents the financial attitude of MSME owners. The composite mean of 4.20, with a verbal description of Agree, indicates that respondents generally possess a positive mindset toward financial management, which is essential for long-term business success.

The highest-rated indicator, recognizing the importance of savings and controlling expenditures (4.50), interpreted as Strongly Agree, reflects a strong commitment to financial discipline and prudent resource management. This suggests that respondents are highly aware of the importance of managing their finances carefully to ensure business sustainability. Furthermore, setting effective long-term financial goals (4.36), with a verbal description of Agree, indicates that respondents are future-oriented and motivated to achieve financial growth and stability in their businesses.

Additionally, the preference for making precise financial plans rather than relying on personal intuition (4.32), also interpreted as Agree, highlights a logical and well-structured approach to financial decision-making However, the relatively lower mean score in confidence when approaching banks or investors (3.60)

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suggests that respondents may be uncertain or less confident in obtaining external financial support. This may be due to limited experience, fear of rejection, or lack of familiarity with financing opportunities. This indicates a need for financial education and capacity-building programs to strengthen MSME owners' confidence in accessing external funding sources

Overall, the results imply that while respondents demonstrate a strong and positive financial attitude, improving their confidence in engaging with financial institutions could further support business growth and expansion. This finding is supported by the Behavioral Finance Attitude Framework introduced by Shefrin and Thaler (2019), which explains that financial attitudes are influenced by psychological factors such as confidence, risk perception, and decision-making behavior. Positive financial attitudes such as saving discipline and goal setting improve financial behavior, while low confidence in external financing reflects psychological barriers that may limit financial opportunities.

Summary Tables of Financial Literacy

Financial Literacy Level	Composite Mean	Verbal Description
Financial Behavior	4.34	Agree
Financial Knowledge	4.08	Agree
Financial Attitude	4.20	Agree
Overall Mean	4.21	Agree

Table 11: Summary Tables of Financial Literacy

Table 11 presents the summary table of financial literacy of MSME owners, with an overall mean of 4.21and a verbal description of Agree. This result indicates that respondents generally possess a strong level of financial literacy, showing that they were able to apply financial knowledge, demonstrate positive financial attitude, and practice financial behaviors in managing their business.

Among the components, financial behavior has the highest composite mean of 4.34, with a verbal description of Agree, reflecting that MSME owners are consistent in applying practical financial habits such as saving, budgeting, and planning. This also suggests that respondents are actively engaged in managing their finances very well in real life situations.

Meanwhile, a financial attitude that obtained composite mean of 4.20, with Agree verbal description, reflects a positive attitude toward financial management. It indicates that MSME owners value financial discipline, goal-setting, and careful planning. On the other hand, financial knowledge got composite mean of 4.08, with a Agree verbal description, showing that respondents have a understanding about financial concepts and tools.

Overall, the results imply that MSME owners are financially literate in terms of behavior, attitude, and knowledge. This suggests that higher financial literacy leads to better financial management and business stability (Lusardi and Mitchell, 2019).

Financial Management Practices

Indicator	Mean	Verbal Description
1. I keep track and record my daily sales every day.	4.14	Often
2. I record all my inventory/or stock purchases in the ledger.	4.00	Often
3. I record all my expenses incurred in the operation of the business	4.01	Often
4. I record all taxes, registration charges, fees, and other payables in the book.	3.85	Often
5. I keep track of all my collectibles/receivables in the book of accounts.	3.77	Often
Composite Mean	3.95	Often

Table 12: Recording Practices

Table 12 presents the recording practices of MSME owners. The composite mean of 3.95, with a verbal description of Often, indicating that respondents practice a well proper recording of their financial transactions. Meaning, most business owners monitor their daily business operations through keeping records of sales, expenses, inventories, and collectibles

In the recording practices area, the results show that all indicators have the same verbal description of Often. The highest indicator is in keeping and recording daily sales with a mean score of 4.14, suggesting that respondents consistently track their income, which helps them monitor business performance. Similar to that,

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recording inventory purchases which has a mean score of 4.00 and recording expenses that has a mean score of 4.01 shows that MSMEs owners are aware of the importance of tracking their costs and resources.

On the other hand, recording taxes and other payables in which has a mean score of 3.85 and tracking collectibles or receivables that has a mean score of 3.77 received a lower mean score compared to other indicators, although it is still Often descriptive level. This implies that some respondents may find it difficult to manage their records in more detail, specifically in the micro entrepreneurs.

Overall, the results indicate that most of the MSME owners demonstrate good recording practices. This is therefore supported by International Finance Corporation (2019), which they emphasize that proper record keeping can help MSMEs to monitor their performance, control finances, and make a well-informed decision. According also to OECD (2018), it is essential for businesses to have an accurate financial record for business transparency and to ensure sustainability.

Indicator	Mean	Verbal Description
I. I make forecasts on the future demand and supply of the goods that I produced or sell.	4.07	Often
2. I make projections on the future operating expenses of my businesses.	4.04	Often
3. I make a budgetary allocation on all the expenses that I incurred in running the business.	4.15	Often
4. I make a budget schedule of all the goods that I produced or sell.	4.01	Often
5. I do not spend more than my income/revenue.	4.34	Often
Composite Mean	4.12	Often

Table 13: Budgeting Practices

Table 13 presents the budgeting practices. The composite mean of 4.12, with a verbal description of Often, indicating MSME owners are actively engaging in budgeting and financial planning for their business. This result suggests that respondents are capable of managing their financial resources efficiently.

In the budgeting practices area, the results show that all indicators have the same verbal description of Often. The highest indicator, which has a mean score of 4.34 is not spending more than income, this reflects their strong financial discipline and control over expenses. This also shows that MSME owners prioritize maintaining profitability and avoiding losses of their business.

In addition to that, a mean score of 4.15 in budget allocation on all the expenses and a mean score of 4.07in forecasting future demand and supply of the goods indicate that MSME owners are always planning ahead of time, and they have a proper allocation of resources to meet business needs. These good practices help uncertainty in business and will greatly improve decision making.

When it comes to budget scheduling of goods, which has a mean score of 4.01 and projections on the future operating expenses which has a mean score of 4.04 also shows a better result, showing that most of the MSME owners are knowledgeable when it comes to creating detailed and systematic budgets.

Overall, the results show that MSME owners have strong budgeting practices. This finding is supported by World Bank (2020), which they state that budgeting is essential for effective resource allocation and financial control in SMEs. It is also emphasized by Asian Development Bank (2020) that financial planning and budgeting will improve business performance and sustainability.

Indicator	Mean	Verbal Description
1. I report all my revenues or sales to the government.	3.71	Often
2. I claim input tax from all my inventory purchases.	3.63	Often
3. I do or prepare all the recording and reportorial requirements from the government.	3.69	Often
4. I hire an external bookkeeper/accountant to prepare the reports and returns.	3.29	Sometimes
5. I comply and submit on time all the reportorial requirements required by the government agencies like income tax returns and financial statements like income statement, cash flow, and balance sheet, etc.	3.69	Often
Composite Mean	3.60	Often

Table 14: Reporting Practices

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Table 14 presents the reporting practices of MSME owners. The composite mean of 3.60, with a verbal description of Often, demonstrates that respondents are capable of complying with financial requirements and necessary documents needed to submit to government agencies on time.

The highest-rated indicator, reporting all revenues or sales to the government (3.71), interpreted as Often, indicates that owners are aware of their obligations for their taxes as a business owners and willing to submit with regulatory requirements to the government. It suggests a positive level of accountability for their financial reporting

Furthermore, preparing recording and reportorial requirements from the government (3.69) and submitting them on time (3.69), both got the same mean and interpreted as Often, indicate that MSME owners are capable of submitting reports requirements on deadline and maintaining some basic financial documents for their businesses. This demonstrates level of knowledge and responsibility in handling their reporting tasks required for their business operations

Additionally, claiming input tax from inventory purchases (3.63), also rated Often, suggests that respondents understand the tax-related benefits of this input tax, although some of them do not fully maximize these benefits due to limited technical knowledge. However, the lower mean score in reporting practices is hiring external bookkeepers or accountants (3.29), interpreted as Sometimes, indicates that many business owners rely on self-managed reporting rather than professional assistance in terms of reporting. This may also indicate that many of the MSME owners are Micro, that is why they can manage their business by themselves and hiring bookkeeper or accountant can add more expense on their business operations.

Overall. the results indicate that while MSME owners show a generally good level of reporting practices on their business operations, there is a need to enhance showing the importance of professional engagements in reporting such as accountants/bookkeepers and technical expertise to improve the quality of financial reporting. This finding is supported by Lestari et al. (2024), who found that while MSMEs comply with basic financial reporting requirements, many still rely on basic or informal self-managed accounting practices that can affect the reliability of their financial reporting. Furthermore, limited access to professional accounting remains a common issue among MSMEs, which can influence the quality of financial reporting and result in simplified financial statements (Ali et al., 2023).

Summary Tables of Financial Management Practices

Financial Management Practices	Composite Mean	Verbal Description
Recording Practices	3.95	Often
Budgeting Practices	4.12	Often
Reporting Practices	3.60	Often
Overall Mean	3.89	Often

Table 15: Summary Tables of Financial Management Practices

Table 15 presents the summary tables of financial management practices which reveals that financial management practices showed an overall mean of 3.89 interpreted as Often. The budgeting practices of the respondents came first obtaining the highest mean (4.12), interpreted as Often, indicating that MSME owners are capable of Planning and allocating their financial resources. This is followed by financial recording practices (3.95), which also indicate proper maintaining financial records necessary for monitoring business performance. However, reporting practices (3.60) while still interpreted as Often, still implies lower means. This suggests that although MSMEs do basic financial reporting and recording, these areas are less developed compared to budgeting.

Overall, the findings imply that MSMEs prioritize basic and operational financial management practices such as budgeting and recording, while practices like reporting remain areas that need improvement and awareness among MSMEs owners. This pattern of financial management among MSMEs is functional but not yet fully advanced, indicating the need for further awareness of the importance of theses practice for the overall business sustainability of the business.

Influence of Financial Literacy on Financial Management Practices

The significance level used in this study is based on established statistical conventions commonly applied in previous studies and standard research literature, where $p > 0.05$ is considered not significant, $p \leq 0.05$ is significant, $p \leq 0.01$ very significant, and $p \leq 0$ .001 id highly significant.

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Influence of Financial Literacy on Financial Management Practices in terms of Recording Practices

Model	R	R2
1	0.743	0.553

Table 16: Model Fit Measures

Note. Models estimated using sample size of N=200

The linear regression analysis has an R2 of 0.553, indicating that 55.3% of the variation in Recording Practices can be explained by the factors of financial behavior, financial knowledge, and financial attitude. The remaining 44.7% is due to other variables not included in this study.

Predictor	Estimate	SE	t	P
Intercept	-0.455	0.3150	-1.44	0.151
Financial Behavior	0.484	0.1122	4.32	<.001
Financial Knowledge	0.268	0.0907	2.96	0.003
Financial Attitude	0.289	0.1115	2.60	0.010

Table 17: Influence of Financial Literacy on Financial Management Practices in terms of Recording Practices

The regression results show that all three sub variables of financial literacy which are financial behavior, financial knowledge, and financial attitude have positive and significant effects on recording practices. The positive estimates indicate a direct relationship, meaning that increases in these variables influence the improvements in recording practices.

Financial behavior (β=0.484, p < .001) is a highly significant predictor, indicating that it has the strongest influence on recording practices. This suggests that individuals who have practiced good financial behaviors towards managing their financial resources can properly record their financial activities. Financial knowledge (β=0.268, p= 0003) and financial attitude (β=0289, p=0010) are both very significant predictors, showing that having well-informed financial decisions and a positive mindset toward financial management contributes to better recording practices, although their influence is less strong compared to financial behavior.

The results indicate that financial literacy significantly influences financial management practices in terms of recording practices.

Influence of Financial Literacy on Financial Management Practices in terms of Budgeting Practices

Model	R	R2
1	0.849	0.720

Table 18: Model Fit Measures

Note. Models estimated using sample size of N=200

The linear regression analysis has an R2 of 0.720, indicating that 72% of the variation in Budgeting Practices can be explained by the factors of financial behavior, financial knowledge, and financial attitude. The remaining 28% is due to other variables not included in this study.

Predictor	Estimate	SE	t	P
Intercept	0.114	0.2045	0.557	0.578
Financial Behavior	0.196	0.0728	2.688	0.008
Financial Knowledge	0.385	0.0589	6.528	<.001
Financial Attitude	0.379	0.0724	5.231	<.001

Table 19: Influence of Financial Literacy on Financial Management Practices in terms of Budgeting Practices

The regression results show that all three sub variables of financial literacy which are financial behavior, financial knowledge, and financial attitude have positive and significant effects on budgeting practices. The positive estimates indicate a direct relationship, meaning that increases in these variables influence the improvements in budgeting practices

Financial knowledge (β=0.385, p < .001) and financial attitude (β=0.379, p<.001) are both highly significant predictors, showing that having a strong understanding and mindset toward financial management contributes to better budgeting practices. Financial behavior (β=0196, P=0008) is a very significant

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predictor, indicating that individuals who can manage and monitor their finances can properly budget their financial activities, although its influence is less strong compared to financial knowledge and attitude.

The results indicate that financial literacy significantly influences financial management practices in terms of budgeting practices.

Influence of Financial Literacy on Financial Management Practices in terms of Reporting Practices

Model	R	R2
	0.669	0.447

Table 20: Model Fit Measures

Note. Models estimated using sample size of N=200

The linear regression analysis has an R' of 0.447, indicating that 44.7% of the variation in Reporting Practices can be explained by the factors of financial behavior, financial knowledge, and financial attitude. The remaining 55 3% is due to other variables not included in this study.

Predictor	Estimate	SE		P
Intercept	-1.065	0 423	-2.52	0.013
Financial Behavior	0.351	0.151	233	0.021
Financial Knowledge	0.413	0 122	3.19	<001
Financial Attitude	0.348	0.150	2.32	0.021

Table 21: Influence of Financial Literacy on Financial Management Practices in terms of Reporting Practices

The regression results show that all three sub variables of financial literacy which are financial behavior, financial knowledge, and financial attitude have positive and significant effects on reporting practices. The positive estimates indicate a direct relationship, meaning that increases in these variables influence the improvements in reporting practices.

Financial knowledge (β=0)413, p<.001) is a highly significant predictor, indicating that individuals who have greater financial knowledge can properly report their financial activities. Financial behavior (β-0.35i.p-0.021) and financial attitude (β=0348, p=0021) are both significant predictors, showing that being responsible and having a positive mindset toward financial management contributes to better reporting practices, although their influence is less strong compared to financial knowledge

In conclusion, the results indicate that financial literacy significantly influences financial management practices in terms of reporting practices.

Influence of Financial Literacy on Financial Management Practices

Model	R	R2
	0.823	0.677

Table 22: Model Fit Mcasures

Note: Models estimated using sample size of N=200

The linear regression analysis has an R2 of 0.677, indicating that 67.7% of the variation in Financial Management Practices can be explained by the factors of financial behavior, financial knowledge, and financial attitude. The remaining 32.3% is due to other variables not included in this study.

Predictor	Estimate	SE	t	P
Intercept	-0.469	0.2435	-1.92	0.056
Financial Behavior	0.344	0.0867	3.96	<.001
Financial Knowledge	0.355	0.0702	5.07	.001
Financial Attitude	0.339	0.0862	3.93	<.001

Table 23: Influence of Financial Literacy on Financial Management Practices

The regression results show that all three sub variables of financial literacy which are financial behavior, financial knowledge, and financial attitude have positive and significant effects on financial management practices. The positive estimates indicate a direct relationship, meaning that increases in these variables influence the improvements in financial management practices. Financial behavior CB=0.344, p = <001), financial knowledge (β=0.355, p < 0.01) and financial attitude (6-0.339, p < 001) are lightly significant

predictors, showing that individuals who monitor, have a good understanding of financial concepts and a positive mindset contributes to better financial management practices.

The result supports the hypothesis that there is a significant influence of financial literacy on the financial management practices of the owners of MSMEs in Tarlac City. The result is supported by Uddin et al (2023) who stated that financial literacy components such as behavior, knowledge, attitude and skills significantly influence MSME owners' financial decisions which indicates a strong influence on their financial management practices.

Conclusion

The study concluded that most MSME owners in Tarlac City are 36-45 years old, married, college graduates, primarily engaged in merchandising businesses, operating for 1-5 years, and classified as micro enterprises with 1-9 employees. The findings also revealed that MSME owners demonstrate a high level of financial literacy in terms of financial behavior, financial knowledge, and financial attitude, reflecting their ability to make informed and responsible financial decisions in managing their businesses. In addition, MSME owners highly demonstrated financial management practices, particularly in the areas of recording practices, budgeting practices, and reporting practices, indicating that they are capable of properly monitoring, planning, and managing their business finances to support daily operations and business stability.

Furthermore, the study confirmed that financial literacy has a significant influence on how MSME owners demonstrate their financial management practices, especially in recording, budgeting, and reporting practices. The results suggest that MSME owners who possess better financial knowledge, responsible financial behavior, and positive financial attitudes are more likely to apply effective financial management practices in their businesses. The findings also emphasize that improving financial literacy is a key factor in strengthening financial management practices, enhancing financial decision making, and supporting the long-term growth and sustainability of MSMEs in Tarlac City.

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