

Assessing the Financial Capability (FC) of Non-Academic Personnel in a Philippine Comprehensive University

Ma. Belinda S. Mandigma

College of Commerce and Business Administration, University of Santo Tomas

Abstract. The need for individuals to be financially capable is significant at any time. However, previous studies showed this issue is even more critical in a financial crisis and is still prominent during recovery. This study is an attempt to assess the level of financial capability (FC) of a select group of university employees done at the time the Philippines is recovering from the recent global financial downturn. The influence of factors such as knowledge and understanding, skills and competence, attitude and confidence, and demographic and socioeconomic variables on FC manifested on individual's behavior were examined in-depth through inferential statistics applied on data yielded by the questionnaire. Results indicate that knowledge and attitudes are positively related to FC. However, no significant relationship exists between financial behaviors and financial skills. Interestingly, results show that despite strikingly low financial skills, the non-academic personnel exhibited average FC in times of economic difficulty. Moreover, their financial behaviors are not significantly different when they are grouped according to demographic and socioeconomic characteristics. Results of this exploratory study could serve as a powerful platform for policy proposal, evaluation and adoption on areas like social inclusion, increased financial literacy and financial program effectiveness.

Keywords: Financial Capability, Financial Behavior, Knowledge, Skills, Attitude

1. Introduction

The need for individuals to be financially capable is significant at any time. However, Lusardi (2010), for her part, maintained this issue is even more prominent during the financial crisis that began in 2008.

Employers recognize that having more financially educated employees makes business sense especially at this time when financial stress continues to escalate. Workplace financial education, therefore, becomes imperative. In the Philippines, various organizations such as Colayco Foundation for Education, Inc., Philam Life, Financial Education Master Plan (FEP) of the Bangko Sentral ng Pilipinas (BSP), Personal Finance Advisers Phil. Corp., CITI Philippines, and Philippine Airlines (PAL) have been conducting financial education seminars and workshops to help employees attain sound financial decision-making status.

However, no two employees are having the same kind of financial stress and offering a "standard" program to all employees may not be effective or efficient. This paper argues that assessment of each employee financial capability must precede the implementation of an education package to establish employee education needs and to determine what tools would address particular types of financial needs or stress. To date, limited research has been conducted in the Philippines to assess the FC of particular groups of respondents.

The overall intent of this study is to assess the FC of a select group of university employees at the time when the Philippines is recovering from the recent global financial crisis and prior to providing them with a financial education program. Specifically, the study assessed the participants' FC manifested in their behavior and how these behaviors were influenced by financial knowledge, skills, and attitudes. Further, the study also determined the impression of demographic and socioeconomic factors on financial behavior.

2. Theoretical Background

2.1. Theoretical Framework

The present study used the FC model developed by the Financial Services Authority (FSA) in the United Kingdom (Kempson, E., Collard S. & Moore, N., 2005) where three (3) elements (knowledge and

understanding, skill and competence, and attitude and confidence) determine FC as manifested in individual's behavior.

2.2. The Research Model

A research model was developed for this study as shown in Figure 1. Financial capability is demonstrated in the behaviors of individuals. These financial behaviors were hypothesized to be related to three (3) constructs: knowledge and understanding, skills and competence, and attitude and confidence. Additionally, financial behavior was also hypothesized to be affected by different demographic and socioeconomic characteristics of individuals.

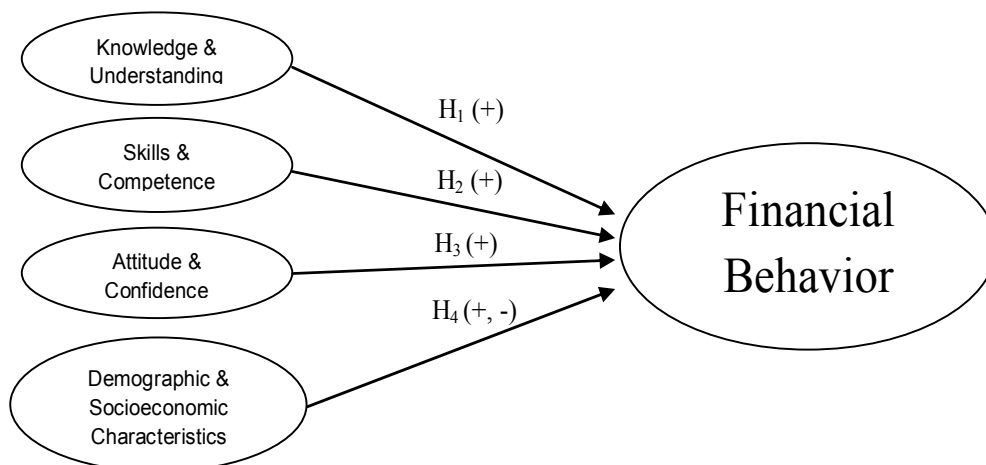


Fig. 1: The Hypothesized Model

3. Methods

The subjects of this study consisted of permanent employees working at a Philippine comprehensive university selected by means of stratified random sampling method. From a total of 484 employees representing the sampling population, 97 respondents or 20% were selected.

A self-administered questionnaire was used in the study. The survey instrument was subjected to Chronbach alpha testing which yielded the following coefficients: financial knowledge, .830; financial skills, .8215; financial attitudes, .836; and financial behavior, .888.

Financial knowledge was assessed with 15 questions from Colmar Brunton (2009) while 7 financial skills questions were adapted from Lusardi (2010). A total of 13 financial attitude scales came also from Colmar Brunton (2009). The financial behavior scales adapted from Fitzimmons, Hira, Bauer, and Hafstron (1993) were employed totaling 13 questions.

The questions on financial behavior were designed to reflect the respondents' FC. The scores in each of the behavior questions were classified as 'good' (mean ≥ 3.5) or 'not so good' (mean ≤ 3.5) financial behavior. The respondents' scores in the knowledge or skills questions were indicative of 'high' (correct scores $\geq 50\%$) or 'low' (correct scores $\leq 50\%$) financial knowledge or skills. For the attitude questions, the scores were divided into 'positive' (mean ≥ 3.5) and 'not so positive' (mean ≤ 3.5) financial attitudes.

The hypotheses of this study were tested using 2-tailed Pearson correlation evaluated for significance at 0.01 and 0.05 levels. Other statistical tools used to test the hypotheses included the one-way ANOVA, t-test and Pearson chi-square at 0.01 and 0.05 significance levels.

4. Results

Most of the respondents exhibited relatively sound financial behavior as confirmed by the overall mean score of 3.51 (perfect score is 5.0) in Table 1. Of the 13 financial behavior questions, 6 items were categorized as 'not so good' behavior with 'I live from paycheck to paycheck' getting the lowest score of 2.98 which is even lower than the neutral score of 3.

Table 1 Financial Behaviors

	Mean	SD	Remarks
I have a weekly or monthly budget that I follow.	3.68	0.88	Good
I review and evaluate spending on a regular basis.	3.80	0.77	Good
I live from paycheck to paycheck. *	2.98	0.94	Not so good
I regularly set aside money for saving.	3.66	1.01	Good
I write down where money is spent.	3.48	0.99	Not so good
I set aside money for retirement.	3.35	0.98	Not so good
I create financial goals.	3.76	0.72	Good
I make plans on how to reach my financial goals.	3.80	0.79	Good
I developed a plan for my financial future.	3.70	0.79	Good
I regularly review my total financial situation.	3.76	0.77	Good
I usually pay the credit card bills in full.	3.09	1.13	Not so good
I compare my credit card receipts with monthly statements.	3.26	1.05	Not so good
I evaluate my risk management (insurance) strategies.	3.25	0.87	Not so good
	3.51	0.58	Good

* This question was reverse coded. Positive response means 'not so good' financial behavior.

Of the financial knowledge questions, those pertaining to modern modes of payments, budgets/financial plans, loans and insurance drew lesser correct answers.

The correlation between financial behavior and financial knowledge is shown in Table 2. It is worth noting from the table that the number of respondents with 'high' financial knowledge is only about 3% more than the 'low' knowledge group. The 'high' knowledge group exhibited 'good' behavior more than the 'low' knowledge group. In the same vein, the 'low' knowledge group demonstrated 'not so good' behavior than the 'high' knowledge group. Since the r value is significant at $p < .01$, hypothesis 1, predicting that the lower the level of financial knowledge of individuals, the more sub-optimal are their financial decisions, is supported.

Table 2. Significant relationship between respondents' behavior and financial knowledge

Financial Knowledge	Financial Behavior				Total	r-value
	Good		Not so Good			
	N	%	N	%		
High	35	36.08	15	15.46	51.55	0.275**
Low	20	20.62	27	27.84	48.45	

*significant at $p < 0.05$, **significant at $p < .01$

Table 3 presents the correlation between financial behavior and financial skills. About 80% of the respondents disclosed 'low' level of skills though a little more than half of this 'low' skilled group interestingly revealed good financial behavior. Therefore, hypothesis 3, suggesting that the lesser the financial skills of individuals, the lesser the appropriateness of their financial behavior, is not supported.

Table 3. Significant relationship between respondents' behavior and financial skills

Financial Skills	Financial Behavior				Total	chi-square value
	Good		Not so Good			
	N	%	N	%		
Low	43	44.33	35	36.08	80.41	-0.044
High	12	12.37	7	7.22	19.59	

*significant at $p < 0.05$, **significant at $p < .01$

The respondents exhibited fairly positive financial attitudes as evidenced by the overall mean scores of 3.53 (perfect score is 5.0)

Table 4 shows the correlation between financial behavior and financial attitude with the coefficient significant at 0.01 level. It is evident from the cross tabulation that 'positive' attitudes of respondents elicited mostly 'good' behavior from them while the 'not so positive' attitudes evoked usually 'not so good'

behavior from the respondents. Thus, hypothesis 3, asserting that the less positive the financial attitudes of individuals, the less responsible are their financial behaviors, is supported.

Table 4. Significant relationship between respondents' behavior and financial attitudes

Financial Attitude	Financial Behavior				Total	r-value
	Good		Not so Good			
	N	%	N	%		
Positive	38	39.18	13	13.40	52.58	0.596**
Not so positive	17	17.53	29	29.90	47.42	

*significant at $p \leq 0.05$, ** significant at $p \leq .01$

Demographic and socioeconomic variables considered in the study were believed to have an influence on the FC of individuals as revealed by previous researches. Table 5 shows the differences in the respondents' behavior when grouped according to their demographic and socioeconomic profile. Inferential statistics such as one-way ANOVA and t-test are not significant both at the 0.05 and 0.01 levels. Thus, hypothesis 4 claiming that no significant differences in the financial behavior of individuals exist when grouped according to their demographic and socioeconomic characteristics is supported.

Table 5. Significant differences in the respondents' behavior when grouped according to their demographic and socioeconomic profile

Demographic Profile	Financial Behavior				Total	
	Good		Not so Good			
	N	%	N	%		
Age						F-value 0.372
21-31	7	7.22	8	8.25	15.46	
32-42	19	19.59	15	15.46	35.05	
43-53	21	21.65	15	15.46	37.11	
54-65	8	8.25	4	4.12	12.37	
Total	55	56.70	42	43.30	100.00	
Gender						t-value -1.025
Male	31	31.96	28	28.87	60.82	
Female	24	24.74	14	14.43	39.18	
Total	55	56.70	42	43.30	100.00	
Civil Status						t-value 1.036
Married/separated/ divorced/widowed	14	14.43	7	7.22	21.65	
Single	41	42.27	35	36.08	78.35	
Total	55	56.70	42	43.30	100.00	
Highest Education Completed						t-value -0.504
Bachelor	51	52.577	40	41.237	93.814	
Masters	4	4.124	2	2.062	6.186	
Total	55	56.701	42	43.299	100.00	
Monthly Gross Income						F-value 1.507
Less than P25,000	15	15.46	8	8.25	23.71	
P25,000-P50,000	30	30.93	30	30.93	61.86	
More than P50,000	10	10.31	4	4.12	14.43	
Total	55	56.70	42	43.30	100.00	

* significant at $p \leq 0.05$, ** significant at $p \leq .01$

5. Conclusion

The need for individuals to be financially capable is significant at anytime but several studies showed this issue is even more critical during the financial crisis that began in 2008 and is still prominent as workers and organizations continue to recover from the financial downturn.

This study contributes to the literature in FC which can be rightfully equated to financial behavior that people demonstrate in making decisions regarding personal finance. Specifically, the research empirically assumed the state of FC of a select group of permanent employees in a comprehensive university at the time when the Philippines is recovering from the recent global financial difficulty.

The findings paint a somewhat troubling picture of the state of FC among the respondents. Majority of them live from paycheck to paycheck and did not practice sound borrowing and debt management. Majority were also neutral to retirement planning and risk management through insurance strategies. These not so good behaviors were also manifested in their not so positive attitudes towards these financial issues, thus resulting to a distinct correlation between the two aforementioned variables.

Levels of financial knowledge were not very impressive either. Majority of the respondents were not familiar with modern methods of payment. Like their financial behaviors and attitudes, their knowledge is wanting when it comes to borrowing and debt management and in addition, to risk management. This could be the reason for the significant relationship between FC or financial behavior and financial knowledge.

Levels of financial skills are strikingly low. However, in this study, there is a sharp disconnect between FC and financial skills. Lack of financial skills makes individuals vulnerable to unregulated and predatory practices and to uninsured risks but respondents interestingly mitigated these risks and disclosed moderately good financial behavior when most families in the Philippines are facing economic difficulties.

In the case of demographic and socioeconomic variables, no significant differences in respondents' behavior appeared. This shows that making sound financial decisions is the concern of everybody regardless of age, gender, civil status, income, and educational attainment especially in times of widespread financial trouble.

The findings of this study could influence the university where the respondents are currently working to provide workplace financial education program which could help employees handle their finances better and improve their financial wellbeing. Research on the specifics of this program must be undertaken exhaustively to ensure its success.

While the current study shows that financial understanding and confidence exert influence on the quality of financial decisions of university employees, further research is necessary to corroborate these findings. Firstly, it is because the subject of the study was limited to a small group of employees in an academic institution. To the extent that the respondents are from one of the top comprehensive universities in the Philippines, the influences in this paper may not generalize to other university employees.

Secondly, and more importantly, future research is needed to test different types of scales of financial behavior, knowledge, skills and attitudes. Future studies are recommended to employ more rigorous experimental designs that use a wider range of samples.

6. References

- [1] Colmarbrunton. Financial knowledge survey. Prepared for the Retirement Commission, 2009.
- [2] Fitzsimmons, J. W. Bauer, and J.L. Hafstrom. Financial Management: Development of scales. *Journal of Family and Economic Issues*. 1993, 14(3):257-274.
- [3] Kempson, E., Collard S. & Moore, N. Measuring financial capability: An exploratory study. Prepared by Personal Finance Center, University of Bristol for the Financial Services Authority, 2005. Retrieved July 27, 2010 from <http://www.fsa.gov.uk>.
- [4] Lusardi, A. Americans' financial capability. Prepared for the Financial Crisis Inquiry Commission, 2010. NBER Working Paper 17103. Retrieved August 23, 2011 from <http://www.nber.org/papers/w17103>.