

# **Financial Literacy, Financial Management Practices and Problems of Thrift Businesses in the Cities of Ilocos Norte**

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## **Abstract**

The research study determined the level of financial literacy, extent of financial management practices, and the degree of problems encountered by thrift business owners in the cities of Ilocos Norte. It also assessed the relationship between the level of financial literacy and the extent of financial management practices, and the relationship between the level of financial literacy and the degree of problems encountered by the respondents.

Descriptive-correlational research design was employed. Total enumeration was used, with 30 respondents from the list provided by the Department of Trade and Industry (DTI). Researcher-made survey questionnaires were administered face-to-face. Data gathered were analyzed using mean and Pearson Product Moment Correlation Coefficient (Pearson  $r$ ).

The findings revealed that thrift business owners are highly knowledgeable about financial literacy which means that they have a high level of understanding and proficiency to make current and future financial decisions that could enable them to navigate through challenges and opportunities.

In addition, the respondents have a high extent of financial management practices and have frequently practiced both cash management and inventory management. This implies of their business' financial health.

Furthermore, thrift business owners have a low degree of encountering problems as they experience minor problems in managing their cash and inventories.

The study also found out that the level of financial literacy has a very strong relationship with the extent of financial management practices. In contrast, the level of financial literacy has a very weak relationship with the degree of problems encountered. Accordingly, there is no significant relationship between the two variables.

The researchers recommend that thrift business owners be encouraged to participate in training programs and seminars to increase their level of financial literacy and to improve the implementation of financial management practices. Educational institutions or other concerned groups may address the financial literacy gaps through the integration of training and seminars. Furthermore, more studies on financial literacy, financial management practices, and problems focusing on other aspects that were not included in the study should be conducted to provide more information on this subject matter.

**Keywords:** Financial Literacy, Financial Management Practices and Problems, Thrift Businesses

## INTRODUCTION

Thrift businesses, commonly known as secondhand shops, fall into the Micro, Small and Medium-sized Enterprises (MSMEs) category. These enterprises facilitate the transaction and dissemination of previously owned clothing items, usually at a lower cost than retail prices, catering to an increasing demand for affordable fashion choices and environmentally conscious consumption practices.

In the Philippines, the secondhand fashion industry has grown in popularity and prominence over the years. It solidifies its position as an important player in the retail sector, with 92% of customers purchasing used goods. The increasing demand for sustainable and ethical fashion is driven by customers' growing awareness of the negative impacts of fast fashion on the environment and society. The desire for vintage and retro apparel also has contributed to the rising demand for used items, particularly among younger customers who seek unique pieces (Carousell Recommerce Index, 2021; Dwivedi et al., 2021; Trotman, 2019).

However, amidst being in the shopping spotlight, thrift business owners face problems associated with financial management practices. In the province of Ilocos Norte, there is a noticeable lack of widespread adoption of effective financial management practices among MSMEs, including thrift businesses. This situation is particularly evident in challenges related to cash management and inventory management practices (Macatumbas-Corpuz & Bool, 2021).

Hence, it is crucial for owners of thrift businesses to maintain effective financial management practices to ensure their success. Financial management, which encompasses business activities such as financial planning, decision-making, analysis, monitoring, and control, plays a pivotal role in achieving desired financial goals. Neglecting proper financial management from a long-term perspective can threaten the survival of businesses (Gawali & Gadekar, 2017; Wolmarans & Meintjes, 2015).

Accordingly, to maintain sound financial management practices, the owners need to be proficient in financial literacy in order for their businesses to be successful and remain competitive. Financial literacy is one of the critical managerial competencies of business owners for development. It encompasses the ability to engage with financial services and products efficiently while properly managing financial resources throughout their life cycle (Peralta, 2021; Eniola & Entebang, 2016).

It is within these premises that the study on the level of financial literacy, the extent of financial management practices, and the degree of problems encountered along cash management and inventory management of thrift businesses in the cities of Ilocos Norte was conducted.

Specifically, the study determined the profile of the owners of thrift businesses in the cities of Ilocos Norte in terms of age, sex, highest educational attainment; and number of training attended on financial literacy; the profile of the thrift businesses in terms of sources of funds, estimated starting capital, years of operation, and number of outlets. It also determined the level of financial literacy of the respondents in terms of financial planning, financial education, and financial management. In addition, the extent of financial management practices of the respondents in terms of cash management and inventory management was also determined. Moreover, the degree of problems encountered in terms of cash management and inventory management was also determined. Furthermore, it also determined the relationship between the level of financial literacy and the extent of financial management practices, and the relationship between the level of financial literacy and the degree of problems encountered by the respondents.

This section provides information on the history and evolution of thrift businesses, financial literacy of business owners, financial management concepts and practices, and problems encountered by thrift business owners.

Purchasing secondhand items was perceived as an embarrassment during colonial times. It was believed that purchasing used clothing was not only disrespectful but also harmful. But, despite the negative perception, secondhand sales were still taking place and this was before the concept of thrift business gained popularity. Thrift stores are relatively an invention in American history (Waxman, 2018).

The Industrial Revolution changed the game by introducing mass production of clothes in the late 19th century. When the cost of new clothing decreased, people began to view clothing as disposable. With the increasing number of urban dwellers, more items were discarded. However, wearing used clothes that once belonged to someone unfamiliar was discriminatory. Used clothes were commonly accessible in 1890 due to pushcarts largely pioneered by Jewish immigrants, whose access to the workforce was frequently restricted due to anti-semitism. Among those who recognized the possibilities were Christian ministries seeking support for their outreach initiatives. The religious affiliation of groups such as the Salvation Army and Goodwill offered a source of legitimacy (Waxman, 2018).

With the intervention of the "salvage brigade" in 1897, the Salvation Army began to provide food and shelter to underprivileged men in return for their used paper and other scraps. In addition to raising consumer awareness of charity giving, thrift stores helped Americans transition to a disposable, mass-produced economy (Blakemore, 2019).

In Boston in 1902, a Methodist priest established a similar initiative named Goodwill, which employed underprivileged and disabled persons to gather the items and do whatever repairs needed. Thus, through the products sold in those groups' stores, immigrants had a place to acquire clothing and become "Americanized." Not only did numerous thrift stores sell retail items, but they also provided social services. Thrift stores were as organized as department stores by the 1920s. Previously regarded as "junk shops," the term "thrift" signified a marketing strategy that encouraged middle-class housewives to feel enthusiastic about purchasing new items as they could donate something to the community. By 1935, there were nearly 100 Goodwill stores nationwide, and thrift stores made up half of the Salvation Army's annual budget by the time of the 1929 stock market crash (Blakemore, 2019).

Conversely, demand exceeded supply during the Great Depression because more individuals were unable to afford to replace their valuables with new ones. During the period of post-war prosperity, business boomed at Salvation Army and Goodwill thrift shops as a growing number of people donated their clothing so they could remodel their homes and wardrobes with more colorful garments and newly developed, higher-quality synthetic fibers (Waxman, 2018).

Expensive consignment shops first appeared, and demand for "vintage" apparel started to increase in the 1950s. The rise in demand for vintage clothing can be seen as a countertrend to the fast fashion movement, which encouraged people to wear identical garments. The vintage trend has emerged as a result of both changing viewpoints and a shift in values. The excitement of discovering luxury goods at a reasonable cost has never faded. During that time, garage sales were becoming more popular as a form of fundraising. They were later recognized as a means of recycling by the environmental movement (Fashion V, 2021; Blakemore, 2019).

In the past decade, thrifting has become a whole new interest, particularly among members of Generation Z. As wealthy consumers shift from buying clothing from ethical and sustainable brands to thrifting, the already limited collection of clothing options available to low-income communities is getting smaller.

Thriftling is no longer stigmatized as being connected to unclean living and poverty, as it once was. For environmental reasons, countless groups of people who could afford to pay more for high-quality, low-impact things are opting for thrift, instead. This indicates that fewer high-quality items are available for purchase on the shelves of thrift stores for those who truly have no other inexpensive options (Nair, 2019). As the trend of thriftling continues to grow worldwide, thrift stores are operating in numerous nations, including the Philippines.

Thriftling is referred to as “ukay-ukay” in the Philippines, which is derived from the Filipino words “halukay or “mag-ukay” which means rummaging or digging through something. Ukay-ukay is also referred to as wagwag, which is an act for shaking off an article of clothing, and segunda mano, which means secondhand in Spanish. Although the business continues to operate in other parts of the country, Session Road in Baguio City was formerly the most renowned hub for ukay-ukay in Luzon. Vendors from Baguio City eventually spread throughout Metro Manila (De Guzman, 2014; Austria, 2021).

Ukay-ukay bales are purchased and these consist of imported clothing bundled from foreign countries, usually offered by traders. Bales can be categorized accordingly. Some bales simply include pants, others have blazers, jumpsuits, and denim clothing. They also come in a variety of hues, including colored, or black and white shirts. Nearly every kind of clothing is available at this store at reasonable prices. There are roughly 150 to 200 packed clothes in each bundle (Francisco, 2022).

An average bale costs as low as Php3,500 (Francisco, 2022) which contains simple yet high-quality garments. Some bundles cost around Php10,000 for jumpsuits, dresses, and other higher-priced apparel. Ukay ukay bale clothes have not yet been handled. Some clothings have tiny stains on it. Most are all crinkled into a crumpled look. But these garments are washed and sanitized first before offered for sale. Ukay-ukay emerged as one of the best start-up business ventures for some Filipinos. Despite the abundance of malls, a lot of Filipinos favor shopping in ukay-ukay since the prices are more reasonable. It is also a means of helping small local business (Francisco, 2022).

One of the most crucial managerial skills for the growth of MSME firms is financial literacy. It is having the ability to engage with financial services and products efficiently while properly managing financial resources throughout their life cycle. Financial literacy is knowing how to use knowledge while making effective decisions on the utilization of financial management. Thus, entrepreneurs, just like the thrift business owners, must be financially literate in order to succeed, as these ventures inevitably involve financial consequences (Andarsari & Ningtyas, 2019)

According to Fatoki (2014), for all small enterprises of all types to grow, survive, and succeed, effective financial management is vital. The capacity to make wise financial decisions, household well-being, and business survival are heavily influenced by financial literacy. Furthermore, as uncertainty is a common occurrence in financial decisions, factors including people's attitudes toward uncertainty, the relationship between present and future implications, and their tolerance for risk all play significant roles in the process of making financial decisions (Aren & Aydimir, 2014).

Those with limited financial literacy, including individuals and managers of SMEs, are more likely to make bad judgments since they are less likely to use the formal financial system and may have to pay higher interest rates on loans than people with higher financial literacy. Moreover, Drexler et al. (2014) contended that it is common for entrepreneurs to lack the financial literacy needed to make the complex financial decisions they come across.

SMEs use techniques for financial planning, involving financial analysis, and regular projections of budgets, such as activity-based budgeting. It was demonstrated that risk management and good capital

maintenance increased operational efficiency and that financial planning techniques had a positive impact on the performance of SMEs. The findings of Musando (2013) also supported this, showing a significant relationship between SME financial performance and financial planning.

**Financial Education.** Although there has always been a need for financial literacy, more recent changes in the market have increased that need and made financial education more significant and relevant. Many small businesses are confronted with challenges such as tax obligations, regulatory hurdles, difficulties accessing finance, and the inadequacy of general guidance or support (Atkinson, 2017). In this regard, proprietors of small business enterprises such as thrift businesses should have enough knowledge and skills required to make financially sound decisions.

In the study by Malinda et al. (2019), it was concluded that financial education can increase financial literacy for small business owners. Results showed that those who have undergone training in financial planning demonstrate a significant increase in their level of financial intelligence. A similar study conducted by Siekei et al. (2013) revealed that there was a considerable improvement in the MSMEs' revenue performance for those who participated in the financial literacy program which placed a strong emphasis on bookkeeping, credit management, financial analysis, and budgeting. MSME performance was improved by credit management skills acquired through the financial literacy program. The business's sales and earnings increased as a result of having strong budgeting abilities, improving overall business performance.

### **Financial Management Practices**

Francis (2021) defined financial management as the discipline that deals with financial choices for both short and long-term objectives to ascertain that the return on capital outweighs the expenditures without assuming undue financial risks. It helps businesses respond to different business environments by providing clarity on effective financial management techniques. Furthermore, the organization's seamless operation depends on sound financial management procedures. It can be guaranteed that an organization's financial structure and practices are essential to its sustainability and expansion if certain procedures are followed.

In addition, financial management practices encompass but are not limited to financial planning, budgeting, cash management, inventory management, investment decisions, risk management, and the monitoring of financial performance (Brigham & Ehrhardt, 2013).

**Cash Management.** According to Bartlett et al. (2014) and Righetto et al. (2016), cash management refers to the monitoring of an entity's cash to ensure sufficient amount to sustain the entity's daily operations, finance continued growth and provide for unexpected payments while not unduly forfeiting profit owing to excess cash holdings. Moreover, a good cash management system expedites debt obligations and increases future planning, sustainability, and productivity of a business. Without cash, it will lead to a greater risk of not covering its liabilities and obligations.

Similarly, Mungal (2014) stated that cash management refers to techniques of managing cash. In addition, the most crucial task for business owners to practice is cash management. An insolvent business implies that there is a failure of not paying back the money on time, which is the reason why small businesses fall into bankruptcy. Good cash management prevents insolvency, boosting the firm's financial health.

**Inventory Management.** In any business, inventory management is an essential part of the supply chain since it improves meeting the buying demands of customers across all channels from which they can make purchases. Inventory management of a company encompasses several activities, including ordering and

purchasing, stockpiling, utilizing, and marketing the raw materials, components, and final goods. It also includes how these things are processed and stored (Anderson, 2023).

For a business to run smoothly, it is critical to manage inventory effectively. This ensures that the products are in stock in the right amount, minimizing the risk of running out of products and lowering the cost of excess inventory. Moreover, it ensures that products are sold before they expire, become obsolete, or incur extra costs due to occupying space in a stockroom or warehouse (Square, 2023).

Thrift shops that do not heavily rely on inventory management for their daily operation might find cash registers or technology products useful and cost-effective. They can manually record and input inventory using tools like Excel or similar spreadsheets on their computers. It is also suggested to organize items into different categories (Keolanui, 2021).

Usually, to track sales, owners use the issued receipts to know what item is sold. The spreadsheet is the perfect tool for tracking inventory since it is easy to use. Users can also customize their spreadsheet, like the clothing inventory spreadsheet, which allows them to create and edit data tables and track an item of clothing by category, quantity, and other criteria (Humphreys, 2022).

The secondhand clothing trade in the Philippines has been in operation for over 50 years, and it has become part and parcel of the consumer psyche. Thrift businesses obtain inventory from various sources, making it easier to stock unique items that cannot be found in traditional retail stores (Ladrado, 2018).

Filipino secondhand retail stores differ from those in Western countries since they are not established by religious groups or aimed at donation. Additionally, instead of donated items, they purchase goods from suppliers in Asia and other countries. Filipino businesses acquire stocks from warehouses abroad and bring them to the Philippines, to sell directly to retailers. The Hong Kong suppliers are using the A-B-C ranks based on their contents. Class A are the branded and quality goods. Class B is a mix of quality and average items. Class C contains lower-quality items. This method of acquiring goods allows thrift businesses to sell items at lower prices than their traditional retail counterparts (Biana, 2020).

### **Problems Encountered by Thrift Business Owners**

Thrift businesses have gained considerable popularity among budget-conscious consumers. These establishments offer a distinctive retail experience. However, the owners of these businesses encounter a range of difficulties in their daily operations which include ineffectively managing cash and inventory.

**Problems Along Cash Management.** Effective cash management plays a pivotal role in the success of any business. The ability to efficiently handle cash flow is essential for ensuring the seamless operation and financial well-being of thrift establishments. However, owners of thrift businesses frequently face a range of obstacles when it comes to managing their cash. These challenges include lack of cash budgeting, no bank accounts, poor cash management practices, cash flow difficulties and difficulty in obtaining a loan.

**Problems Along Inventory Management.** Inventory management is crucial for businesses, including those engaged in the thrift business. The practice of inventory management involves monitoring the movement of inventory. However, thrift businesses encounter various inventory management challenges in their operations such as poor inventory tracking, inventories are susceptible to shrinkage, issues in the legalization of imported secondhand goods, and safety issues. Furthermore, there are issues and disadvantages associated with thrift products, such as torn or stained clothes or mismatched shoes.

Thrift businesses face unique inventory management challenges, including poor inventory tracking, despite the need to manage items efficiently to avoid overstocking and stockouts. While there is an ongoing debate about its legalization, the safety of thrift items remains a concern.

This study used descriptive-correlational research design. Descriptive design was used for the profile of the owners and the profile of the businesses. And correlation was done to assess the relationship between the level of financial literacy and the extent of financial management practices, and the relationship between the level of financial literacy and the degree of problems encountered by thrift business owners in both cities.

Data were collected from thrift business owners in the cities of Ilocos Norte that are registered with the DTI, totaling 30, seven (7) of which are from the City of Batac and 23 from Laoag City. Both cities have a strong entrepreneurial culture and a tradition of small-scale businesses. The local population actively engages in commerce and trade, fostering an entrepreneurial mindset and creating a market conducive to thrift businesses. This entrepreneurial spirit offers opportunities for thrift businesses to cater to both residents and visitors.

A researcher-made survey questionnaire consisting of five parts was used as the data-gathering instrument. The research instrument was administered face-to-face as a means of collecting data.

The mean and the Pearson Product Moment Correlation Coefficient (Pearson  $r$ ) were used to analyze the data gathered.

After the approval from the University Research Ethics Review Board (URERB) for ethics review, the researchers obtained permission to conduct the study from the mayors of both cities. In addition, the researchers obtained informed consent from all the participants. During the process, the participants were provided thorough information about the study, its purpose, risks, and their rights.

## **Results and Discussion**

This portion deals with the presentation, analysis, and interpretation of the results derived from the data gathered on the respondents' level of financial literacy, extent of financial management practices, and degree of problems encountered in their business undertakings.

### **Profile of Respondents**

The profile of the respondents consists of their age, sex, highest educational attainment, and number of trainings attended on financial literacy. It was determined that 36.67% fall within the 30 to 39 age brackets, a great majority (83.33%) are females. Majority of the respondents (53.33%) are college degree holders, the rest are high school graduates (40%) and college undergraduates (6.67%). Majority of the owners (76.67%) have not attended any training session on financial literacy, others (20%) have participated in 1 to 10 training while (3.33%) in 11 to 20.

### **Profile of the Thrift Businesses**

The profile of the respondents' businesses was determined in terms of location, sources of funds, estimated starting capital, number of years in operation, and the number of outlets at present. Thrift businesses are significantly concentrated in Laoag City (76.67%) while the rest are in the City of Batac (23.33%). Majority of the respondents (73.33%) rely on personal savings as their primary source of funds, while the rest (26.67%) resort to loans. Some (46.67%) operate with an estimated starting capital ranging from P50,001 to P100,000 and the others P10,001 and P50,000 (13.33%) and below P10,000 (16.67%). Notably,

23.33% of the respondents operate thrift businesses with capital exceeding P100,000. This shows that the majority of thrift businesses have sufficient starting capital to cover any or all of the necessary startup costs. More than half of the respondents (66.67%) have been in operation for 1-5 years. And most of the respondents (96.67%) operate 1 to 5 outlets.

## Level of Financial Literacy

This section presents the level of financial literacy of the respondents in terms of financial planning, financial education, and financial management.

### Level of Financial Literacy in Terms of Financial Planning

The obtained composite mean of 3.13 shows that the respondents have high level of financial literacy in terms of financial planning. This signifies that the respondents are highly knowledgeable in developing and monitoring budgets, forecasting cash flows, establishing customer and supplier relationships, funding options to ensure optimal allocation and utilization of resources within the business, and mitigating risks. Financially literate thrift business owners are more likely to practice prudent financial planning, which empowers them to make important and informed financial decisions that could have an impact on the success of their businesses. This result is consistent with the findings of Lusardi and Messy (2023) that financial literacy leads to wise financial decisions.

**Table 1. Level of Financial Literacy in Terms of Financial Planning**

INDICATORS		MEAN	DI
1.	Establishing relationships with suppliers and consignors to ensure a consistent supply of items.	3.50	HK
2.	Assessing customer preferences of thrift items for the business.	3.47	HK
3.	Monitoring budgeted and actual amounts in the business.	3.17	HK
4.	Maintaining funds for unforeseen events that may arise in the business.	3.17	HK
5.	Establishing weekly, monthly, quarterly, or annual budgets based on anticipated revenues and expenses.	3.07	HK
6.	Projecting sales targets of the business weekly, monthly, quarterly, or annually.	3.07	HK
7.	Allocating funds based on established budgets of the business to reduce unnecessary costs.	3.03	HK
8.	Forecasting revenue and expenses relevant to business operations.	2.97	HK
9.	Securing available funding options such as loans and borrowings.	2.97	HK
10.	Identifying financial risks specific to the business (e.g., inventory loss, theft, pricing volatility).	2.93	HK
<b>Composite Mean</b>		3.13	HK

Legend:	Range of Means	Descriptive Interpretation
	3.51-4.00	Very highly Knowledgeable
	2.51-3.50	Highly knowledgeable
	1.51-2.50	Slightly Knowledgeable
	1.00-1.50	Not Knowledgeable

## Level of Financial Literacy in Terms of Financial Education

As shown in Table 2, thrift business owners are highly knowledgeable in terms of financial education, as illustrated by the obtained composite mean of 3.30. This indicates that thrift business owners could make sound financial decisions, handle business affairs, and manage and compute financial resources, income, expenditure, and liabilities properly.

This result agrees with those of Malinda et al. (2019) that financial education is increasingly necessary for individuals not only to ensure their own financial well-being but also to ensure the smooth functioning of financial markets and the economy as a whole. Moreover, financial education can increase financial literacy significantly, allowing individuals to be more wary of managing their finances and avoid financial difficulties.

Additionally, the study of Gaoiran (2021) revealed that employees have high financial literacy in terms of financial education which signifies that the employees have knowledge and a good understanding of the different financial concepts, theories, and practices, including the risks related to managing their finances. It also implies that they are aware of the advantages of such knowledge.

**Table 2. Level of Financial Literacy in Terms of Financial Education**

INDICATORS		MEAN	DI
1.	Computing monthly income and expenditures.	3.47	HK
2.	Handling business affairs	3.43	HK
3.	Making the best financial decisions for the business.	3.43	HK
4.	Identifying and recording business transactions	3.40	HK
5.	Preparing tax returns	3.40	HK
6.	Projecting the business's saving needs.	3.37	HK
7.	Understanding basic financial concepts relevant to the business.	3.27	HK
8.	Tracking cash payments	3.20	HK
9.	Assessing the possibility of future expenses.	3.13	HK
10.	Discerning the conditions involved in acquiring loans (financial or in-kind)	2.87	HK
Composite Mean		3.30	HK

Legend:	Range of Means	Descriptive Interpretation
	3.51-4.00	Very highly Knowledgeable

2.51-3.50	Highly knowledgeable
1.51-2.50	Slightly Knowledgeable
1.00-1.50	Not Knowledgeable

## Level of Financial Literacy in Terms of Financial Management

Table 3 portrays the level of financial literacy of thrift business owners in terms of financial management. The results convey that thrift business owners are highly knowledgeable in financial literacy in terms of financial management, as shown by the obtained composite mean of 3.35. These indicate that thrift business owners have the capacity to manage their financial resources relevant to taking loans, maintaining financial records, regulating prices, and monitoring and purchasing inventories to attain organizational goals and long-term profitability.

This result concurs with the study of Morales (2023) which indicated that small business owners put a considerable emphasis on the importance of good recordkeeping practices and solid cash flow to determine their business financial condition or profitability. It was further found that majority of the respondents consider the practice of maintaining a record of their business transactions as a critical component in making informed, efficient, and precise decisions.

**Table 3. Level of Financial Literacy in Terms of Financial Management**

INDICATORS		MEAN	DI
1.	Managing business finances.	3.57	HK
2.	Adjusting prices based on market conditions.	3.53	HK
3.	Purchasing thrift items according to customer preferences.	3.43	HK
4.	Maintaining records of income and expenses to stay under financial limits.	3.43	HK
5.	Considering future financial needs in addition to the current financial situation.	3.40	HK
6.	Reporting and monitoring fast-moving and slow-moving inventories.	3.40	HK
7.	Saving money for better future business operations.	3.33	HK
8.	Making payments ahead of time or on time.	3.20	HK
9.	Maintaining inventory levels to avoid inventory shortages or overstocking of items.	3.20	HK
10.	Taking loans to cover essential business expenses	2.80	HK
Composite Mean		3.35	HK

Legend:	Range of Means	Descriptive Interpretation
	3.51-4.00	Very highly Knowledgeable
	2.51-3.50	Highly knowledgeable
	1.51-2.50	Slightly Knowledgeable
	1.00-1.50	Not Knowledgeable

## Extent of Financial Management Practices

This section presents the extent of financial management practices of the respondents in terms of cash management and inventory management.

## Extent of Financial Management Practice Along Cash Management

Table 4 illustrates the extent of financial management practices of thrift business owners in terms of cash management.

**Table 4. Extent of Financial Management Practice Along Cash Management**

INDICATORS		MEAN	DI
1.	Maintaining accurate records of daily cash transactions.	4.17	FP
2.	Monitoring cash inflows and outflows on a regular basis.	4.00	FP
3.	Verifying journal records and actual cash on hand regularly.	3.93	FP
4.	Maintaining a minimum cash balance.	3.93	FP
5.	Preparing a cash budget.	3.90	FP
<b>Composite Mean</b>		3.99	FP

Legend:	Range of Means	Descriptive Interpretation
	4.51-5.00	Always Practiced
	3.51-4.50	Frequently Practiced
	2.51-3.50	Occasionally Practiced
	1.51-2.50	Rarely Practiced
	1.00-1.50	Never Practiced

The obtained composite mean of 3.99 reveals that the respondents have a high extent of financial management practices and have frequently practiced cash management. This suggests that the respondents regularly maintain and verify records, maintain and prepare budgets, and monitor funds generated through their business operations and finances to ensure better cash flows and performance. Cash flow is the backbone of all businesses and the most significant indication of business profitability and sustainability. This result conforms with the study of Aren and Sibindi (2014) that cash management is essential to the long-term success of a business, particularly small businesses, and poor cash management can be susceptible to business bankruptcy.

## Extent of Financial Management Practices Along Inventory Management

Table 5 illustrates the extent of financial management practices of thrift business owners in terms of inventory management.

**Table 5. Extent of Financial Management Practice Along Inventory Management**

INDICATORS	MEAN	DI
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1.	Assessing the condition and quality of items before displaying.	4.23	FP
2.	Categorizing and Organizing inventory.	4.03	FP
3.	Establishing pricing strategies based on item value and market demand.	4.03	FP
4.	Safe-keeping of inventory to avoid damages and theft.	3.97	FP
5.	Conducting inventory-taking to identify obsolete or unsalable inventory items.	3.80	FP
<b>Composite Mean</b>		4.01	FP

<b>Legend: Range of Means</b>	<b>Descriptive Interpretation</b>
4.51-5.00	Always Practiced
3.51-4.50	Frequently Practiced
2.51-3.50	Occasionally Practiced
1.51-2.50	Rarely Practiced
1.00-1.50	Never Practiced

The results show that thrift business owners have a high extent of financial management practices and have frequently practiced inventory management, as exhibited by the obtained composite mean of 4.01. This suggests that thrift business owners often use inventory management practices such as assessing the condition and quality of items, conducting inventory-taking, pricing based on value and market demand, categorizing, organizing, and safekeeping of inventories. Owners are expected to consider inventory management practice as a main factor to achieve quality customer service, quality product and surpass its goals and objectives.

In relation, the findings of Atnafu and Balda (2018) indicated that inventory management practices have a direct impact on the competitive advantage and financial performance of businesses.

## Degree of Problems Encountered by Thrift Business Owners

This section presents the degree of problems encountered by thrift business owners in terms of cash management and inventory management.

### Degree of Problems Encountered Along Cash Management

The obtained composite mean of 3.73 (Table 6) indicates that thrift businesses in the cities of Ilocos Norte have a low degree of encountering problems and experience minor problems in terms of cash management. These findings demonstrate that the owners have imposed good cash management practices such as maintaining accurate cash records, preparing a budget, monitoring cash flows, and maintaining a minimum cash balance.

**Table 6. Degree of Problems Encountered Along Cash Management**

INDICATORS		MEAN	DI
1.	Errors in recording cash transactions.	3.80	MP
2.	Miscalculation of profit.	3.80	MP
3.	Difficulty in handling cash receipts and cash disbursements.	3.80	MP
4.	Untimely or missed reconciliations of payments.	3.77	MP
5.	Insufficient emergency funds.	3.47	MP
<b>Composite Mean</b>		3.73	MP

**Legend: Range of Means Descriptive**

**Interpretation**

4.51-5.00	Not a problem at all
3.51-4.50	Minor Problem
2.51-3.50	Moderate Problem
1.51-2.50	Serious Problem
1.00-1.50	Very Serious Problem

## Degree of Problems Encountered Along Inventory Management

The results (Table 7) show that thrift business owners experience moderate problems in terms of inventory management (3.48). This indicates that thrift business owners encounter moderate issues in handling their inventory causing them to experience overstocking and inventory shortage disabling them to meet customer demands. They also experience inventory loss due to product damage and theft. The result also shows that thrift businesses face problems regarding pricing variability due to cheap customers who are fond of bargaining prices down too much. This pricing strategy may attract customers and promote customer loyalty, but this also results in lower profits. These illustrate how important effective inventory management is in thrift businesses to prevent such problems.

The result corroborates that of Kanguru (2016), which emphasized the importance of practicing good inventory management because of the increased concern over the failure rate of SMEs which are perceived to be failing due to ineffective inventory management practices. It suggested that poor inventory management practices cause several problems, such as lower productivity, incorrectly stocking unsaleable items, and stock outages. It was also affirmed that some of the primary issues businesses faced with inventory management included theft, inventory shortage, errors resulting from inexperienced employees, physical inventory that did not match records, and an inability to meet customer demand.

**Table 7. Degree of Problems Encountered Along Inventory Management**

INDICATORS		MEAN	DESCRIPTIVE INTERPRETATION
1.	Difficulty in tracking and organizing inventory.	3.70	Minor Problem
2.	Loss of inventory due to damage or theft.	3.50	Moderate Problem

3.	Pricing variability due to item conditions and customer negotiations.	3.47	Moderate Problem
4.	Inventory shortage.	3.37	Moderate Problem
5.	Overstocking of items.	3.37	Moderate Problem
<b>Composite Mean</b>		3.48	Moderate Problem

**Legend: Range of Means Descriptive**

**Interpretation**

4.51-5.00	Not a problem at all
3.51-4.50	Minor Problem
2.51-3.50	Moderate Problem
1.51-2.50	Serious Problem
1.00-1.50	Very Serious Problem

## Relationship Between the Level of Financial Literacy and the Extent of Financial Management Practices

The results (Table 8) reveal that the level of financial literacy of the thrift business owners has a very strong relationship with the extent of their financial management practices as shown by the obtained Pearson's  $r$  value of 0.838. Moreover, there is a significant relationship between the two variables as shown by the obtained  $p$ -value of 0.000 which is lesser than 0.05 at two-tailed test.

This result signifies that when the level of financial literacy of the owners of thrift businesses increases, their extent of financial management practices will become better. In addition, the coefficient of determination shows that 70.22% of the variations in the extent of financial management practices were due to the level of financial literacy of the thrift business owners.

Financial literacy enables thrift business owners to assess their businesses' needs and make rational decisions accordingly. As such, the level of financial literacy of thrift business owners may influence the implementation of financial management practices.

These findings agree with those of Agyapong and Attram (2019) that financial literacy enables owners of SMEs to understand and assess their own financial needs and make rational financial decisions. Additionally, the application of the Resource Based Theory shows that financial knowledge and competencies are essential for the owner, such knowledge (resource) has implications for the effectiveness of financial decisions and strategy the firm adapts.

**Table 8. Relationship Between the Level of Financial Literacy and Extent of Financial Management Practices.**

Dependent Variable	Level of Financial Literacy		
	Pearson's $r$	$p$ -value	Coefficient of Determination
Extent of Financial Management Practices	0.838	0.000*	0.7022

\* $p$ -value < 0.05 – Range of Means Descriptive  
significant relationship Interpretation

0.80-1.00	Very Strong
0.60-0.79	Strong
0.40-0.59	Moderate
0.20-0.39	Weak
0.00-0.19	Very Weak

## Relationship Between the Level of Financial Literacy and the Degree of Problems Encountered

The results (Table 9) reveal that the level of financial literacy of the thrift business owners has a very weak relationship with the degree of problems they encountered as shown by the obtained Pearson's  $r$  value of 0.114. Moreover, there is no significant relationship between the two variables as shown by the  $p$ -value of 0.549 which is greater than 0.05 at two-tailed test.

This signifies that when the level of financial literacy of the owners of thrift businesses increases, the problems encountered will not be affected. Furthermore, the coefficient of determination shows that 1.30% of the variations in the degree of problems encountered were due to the level of financial literacy of the thrift business owners.

**Table 9. Relationship Between the Level of Financial Literacy and the Degree of Problems Encountered.**

Dependent Variable	Level of Financial Literacy		
	Pearson's $r$	$p$ -value	Coefficient of Determination
Degree of Problems Encountered	0.114	0.549	0.013

* $p$ -value < 0.05 significant relationship	– Range of Means	Descriptive Interpretation
	0.80-1.00	Very Strong
	0.60-0.79	Strong
	0.40-0.59	Moderate
	0.20-0.39	Weak
	0.00-0.19	Very Weak

## Conclusion

Based on the findings, majority of the respondents were under the age bracket of 30 to 39 years old, predominantly female, college graduates, and had no prior training in financial literacy. Moreover, a substantial number of the thrift businesses are primarily situated in Laoag City, relied on personal savings as their principal source of funding, and have initial capital ranging from Php50,001 to Php100,000. Most of them have been in business for 1–5 years, operating or managing around 1–5 outlets.

As to the level of financial literacy in terms of financial planning, financial education, and financial management, the results reveal that majority of the respondents are highly knowledgeable or financially literate with regard to managing their businesses. This indicates that the respondents have a high level of understanding to make sound financial decisions, optimize cash flows, and manage business financial resources.

Meanwhile, as regards to the extent of financial management practices in terms of cash management, a great percentage of respondents frequently practiced cash management, which essentially involves recording, verifying, and monitoring daily cash budgets. Similarly, most of the respondents regularly perform inventory management, such as acknowledging the importance of organizing inventories, assessing the quality and condition of items, and developing pricing strategies based on market demand. On the other hand, with respect to the problems regarding cash management, only the insufficiency of emergency funds was considered a moderate problem. Whereas, under inventory management, the problems encountered are viewed as moderate, especially when it comes to inventory loss, shortage, overstocking, and pricing variability.

Lastly, it has also been determined that there is a significant relationship between the level of financial literacy and the extent of financial management practices of the respondents. In contrast, there is no significant relationship between the level of financial literacy and the degree of problems encountered along financial management.

Considering the findings and conclusions of the study, the following recommendations are suggested to be conducted for the improvement of the said study, and for the realization of the significance to society.

**Encouragement for Participating in Training Programs and Seminars.** Since there is a very strong relationship between the level of financial literacy and the extent of financial management practices, thrift business owners should be encouraged to participate in training programs and seminars that further their level of financial literacy to reinforce their knowledge and maintain or improve their implementation of financial management practices.

**Addressing Financial Literacy Gaps Through Integration of Training Programs.** It is recognized by the researchers that thrift business owners in the location of the study lack comprehensive financial literacy training. Thus, to develop very highly knowledgeable and capable thrift business owners and to further financial literacy, it is recommended that the Department of Trade and Industry (DTI) could design and integrate such training programs on financial matters for thrift business owners in the industry.

**Further Research.** The study is based exclusively on the viewpoints and experiences of a small number of thrift business owners in the cities of Ilocos Norte. Therefore, the researchers recommend that future researchers should study other thrift business owners in various parts of the region. Furthermore, it would be ideal if more researches would be done, focusing on aspects that were not examined in this study.

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