

DETERMINANTS OF THE FINANCIAL LITERACY AMONG GOVERNMENT EMPLOYEES IN DAVAO CITY, PHILIPPINES**Grate, Aiza L^{*1}**

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^{*1, 2, 3,4,5,6} University of Southeastern Philippines College of Development Management Graduate Program Mintal Campus, Davao Cityatamedaw86@gmail.comcathy_cadusale@yahoo.comgaudencioabel@gmail.comjillscrutz@yahoo.comzioneth_12@yahoo.commarizzzvillanueva@gmail.com**ABSTRACT**

Financial literacy is a fundamental element to all individuals who earn money whether from a job or in business ventures to ensure financial security. This study aimed to identify the determinants of financial literacy among government employees as well as the development of a framework utilizing an Exploratory Factor Analysis (EFA) technique. The study was conducted in Davao City with 162 government employees from different government agencies around the city as sample respondents. A questionnaire was the research instrument in the gathering of data and was presented to an examiner for content validity. Rotated component matrix discarded 18 items out of 53 and categorized the 35 remaining items into six dimensions. The determinants of financial literacy of government employees revealed six different factors which include impulsive buying, wise spending, financial prudence, spendthrift, peer pressure and financial insufficiency. A framework of financial literacy was developed.

Keywords

Financial literacy, government employees, exploratory factor analysis, impulsive buying, wise spending, financial prudence, spendthrift, peer pressure, financial insufficiency, Davao City, Philippines

INTRODUCTION

Overspending bound to happen every now and then, whether picking up groceries, shopping or in vacation. It is harmful because we're out of control in our budget list and it could lead to a serious problem in terms of paying bill and saving money for emergency purposes. We might face financial consequences, like bankruptcy, if this behavior continues [1].

A successful financial literacy, therefore, needs to deal with not only literacy levels but, primarily, the mental framework of the workers and their families. This is easier said than done and will require continual coordination with the workers and their families. Mindsets are profoundly rooted and pattern changes challenging to happen. Yet, the seeds of shifting behaviors had been planted in the minds of foreign workers – they themselves know, whenever they work for many hours and miss their families, and that change is significant. They only need supervision in permitting change [2].

On the other hand, public servants in the government organization usually considered as the susceptible group that do not carry proper knowledge in financial literacy [3]. The lack of financial literacy may cause lack of ability on utilizing financial matters. Which in the end could lead to economic hardship during retirement for an individual, and potentially, for the surviving of the whole family.

To overcome the tests in preserving of funds value of the government employee, the administration wants to encourage investing their money and gain better return eventually [4].

FRAMEWORK

Financial literacy meaning amenable the value of money and how to maximize the benefits of money consumption. Many institutions and authors provided different definitions of financial literacy, but their inherent meanings are similar. As such [5] mentioned that households need more financial knowledge in making financial decisions due to risky market place and globalized industry.

Although many previous studies focused on the connection between financial literacy and savings and investment decisions, relatively few examine the factors that affect financial literacy. The US Financial Literacy and Education Commission and the Organization for Economic Co-operation and Development (OECD) summarized the previous definitions as the ability and awareness to use knowledge and skills to manage financial resources to achieve maximum financial well-being defines our study in financial literacy as the ability to understand what interest implies, inflation, risks, and diversification [6].

According to [7], highly industrialized countries with huge volume of manufacturers and retailers invested so much on advertising or store/product promotion in the certitude of increasing sales through “impulse buying”. A certain consumers buying spontaneously, unreflectively, immediately and automatically in any buying situations leads to “impulse buying” behaviors [8]. When people concentrate on their instant pleasure through insisting to purchase than providing solutions to the set needs, then mutual precipitation comes in [9]. Social development, economic influences, and situational progress of influences such as online shopping, then impulse buying is accessible [10] and as time goes by, impulsive buying is set to be a public phenomenon in everyday lives [11]. Nowadays, as stated by [12] that ground-breaking and artistic advertisings could attract clients using high technological couriers in shopping stores. Furthermore, [13] stated that the items that are discounted in department stores containing 50% to 70% discounts in listed price could effectively promote the clients to shop impulsively.

A lot of consumers often spend more and save less [14]. Like Americans who have barely enough savings to sustain their current lifestyle up to retirement [15]. In the experience of [16], spendthrifts, is a bit of little pain of paying and spend more than they ideally like to spend.

Individuals observe the behavior of the other or learn the decision and beliefs of the other [17], and are directly communicating with their peers, and oftentimes think that making decisions financially are insignificant according to regular buyer finance theory [18]. Furthermore, individuals with comparative revenue or depletion concern drive their choice of asset prices focus in peer careers [19].

With the augmented living standard among adults, this capacitated the young with money management and spending authority [20]. Conferring to [21], spending wisely is simply monitor and organize your expenditures and making sure that each single cent is properly accounted. This behavior involves using knowledge of budgeting and setting priorities. Moreover, a comprehensive financial planning does not only involve venturing on financial investment and raising the fortune; but including also the credit and tax duties, daily expenditures, family plans, setting the home up, saving for education fund of children and retirement savings [22]. Furthermore, overturning the wealth categories of the world in looking for profits has to led to a quandary [23].

OBJECTIVES OF THE STUDY

The study was conducted to identify the factors that determine the financial literacy among government employees and the framework that can be developed based on the findings.

METHODOLOGY

Exploratory factor analysis was utilized in the study. This was conducted in Davao City with 162 government employees from different government agencies around the city as sample respondents. A questionnaire duly presented to an examiner for content validity was the research instrument in data gathering and was personally administered by the researchers to the respondents.

Exploratory Factor Analysis (EFA) was used to identify the determinants of the financial literacy among government employees in Davao City. The Keiser Meyer-Olkin measure of sampling adequacy was used to test the magnitude of partial correlations among variables. Bartlett's test of sphericity tested whether the correlation matrix is identity matrix or not. The scree plot was used to graphically determine the number of the factors that made up financial literacy among government employees in Davao City.

RESULTS AND DISCUSSION

This section shows the analysis and interpretation of the gathered data.

KMO and Bartlett's Test. Shown below is the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Bartlett's Test of Sphericity. The Kaiser Meyer Olkin measure of .677 implies that the samples are in high correlations and it allows factor analysis that fits for data. As shown, the Bartlett's test of Sphericity yields a value of 4215.04 and a level of significance smaller than .001 signifies that it allows the data to proceed factoring the financial literacy of government employees. Moreover, the Bartlett's test of Sphericity implies to reject the null hypothesis and that there are determinants for financial literacy among government employees in Davao City.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.677
Approx. Chi-Square		4215.037
Bartlett's Test of Sphericity	Df	1378
	Sig.	.000

Scree Plot. Figure 1 shows the graphical explanation of the total variance explained and the graph of the Eigen values against all the factors. The Scree Plot shows the gradual trailing of the Eigen values and identifies the relatively fit of each component based on its relative importance. The graph is very useful for determining how many factors will be retained. The point of interest is where the curve flattens. As observed, the curve gets flatter as it reach component number six since it is where Eigen value less than 1 begins. If the items of each dimension are less than minimum the dimension will be discarded. Thus, only six factors considered as determinants were retained.

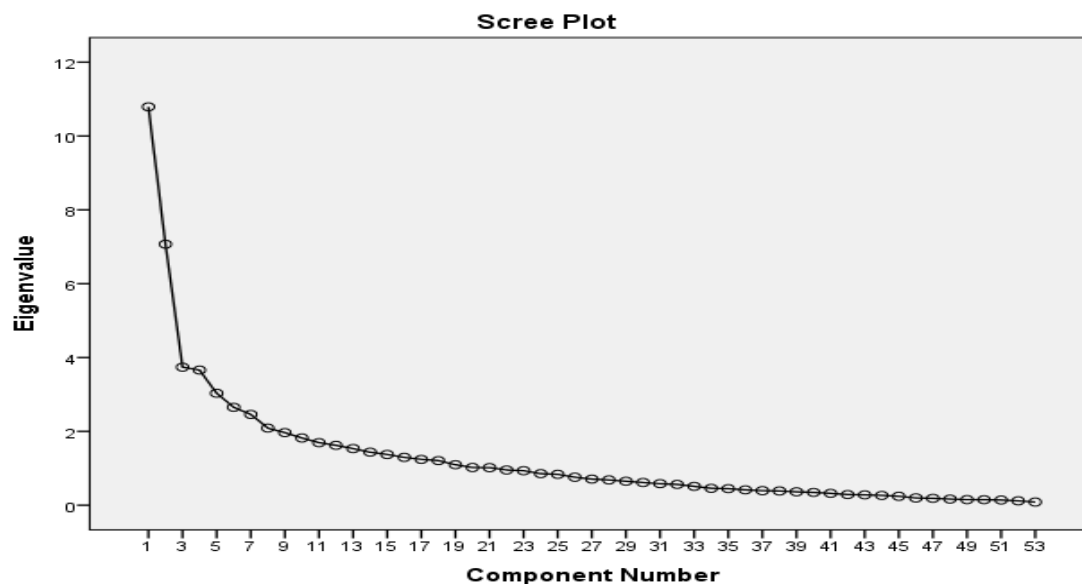


Figure 1: Graphical Explanation of Total Variance

Rotated Component Matrix. As presented in Table 1, some government employees do impulsive buying once they have money on hand. This factor has attributes like spending money beyond means with loadings of .802 and the pressure of making sure I am always in the trend makes me spend more than I earn with loadings .748.

This factor is in line with the statement of Rook and Fisher (1995) that spontaneous, unreflective, instant, and kinetically buying in any buying situation of certain consumers lead to impulse buying.

Table 1: Rotated component matrix with grouped attributes of impulsive buying.

Factor	Attributes	Loadings
Impulsive Buying	item30 – I spend beyond my means.	.802
	item13 – I make loans even if it's not needed.	.787
	item29 – the pressure of making sure I am always 'in the trend' makes me spend more than I earn.	.748
	item32 – I don't believe I will ever be rich	.790
	item26 – I tend to sell something I own just to have extra money.	.731
	item38 – I don't care if I don't have much money left for as long as I have the things I want.	.742
	item27 – my salary is not enough because I usually make cash advance.	.637
	item37 – I wouldn't be without a credit card.	.579
	item33 – I never seem to have enough money.	.545
	item39 – having a lot of money has never been my aim in life.	.642
item18 – I find it satisfying to spend money than to save it for the long term.	.648	

Table 2 reveals that there are government employees who are also wise in spending their money. Some carefully consider the goods before they buy it with loadings .600 while others venture on smart investments with loadings .572. This conforms with Panato (2013) that wise spending is behavior that entail the use of knowledge in budgeting and setting priorities. This is when one ensures that each permit is properly accounted and expenditures are monitored.

Table 2: Rotated component matrix with grouped attributes of wise spending.

Factor	Attributes	Loadings
Wise Spending	item12 – I consider the policies from different companies before making a loan.	.771
	item17 – before I buy something, I carefully consider whether I can afford it.	.600
	item9 – I am prompt in paying utility and other bills.	.547
	item49 – I consider myself as a financially literate person.	.559
	item52 – I tend to venture on smart investments.	.572
	item21 – I keep close personal watch on my financial affairs.	.535
	item1 – I am responsible for the day-to-day decisions about my money.	.580

Table 3 discloses the financial prudence of some government employees by thinking and looking for ways to better manage and save the extra money they have that can be readily available in case of emergency and/or for

lean months with loadings .719 and .692, respectively. This is the same as the view of Investor Education Center (2016) that holistically planning the finances does not only involve investment and wealth building but also involves paying tax and credit obligations, daily expenditures plan, home setting, ensuring funds for the education of children and retirement.

Table 3: Rotated component matrix with grouped attributes of prudent spending.

Factor	Attributes	Loadings
Financial Prudence	item42 – I am interested in looking at different ways of saving money.	.719
	item50 – I spend money on the everyday needs and save the rest.	.812
	item46 – I keep track of my income and expenditure.	.730
	item44 – I believe in putting some money aside for the rainy days.	.740
	item7 – I regularly set aside money each month for savings and future needs.	.692
	item6 – I make sure to deposit in my savings account a portion of my salary every month.	.633

Table 4 presents the spendthrift tendencies of some government employees. They tend to go on a shopping spree without minding the price of goods so long as they are signature with loadings .578. Some may save money, but only because of the desire to buy something special and of value with loadings .638. This factor is affirmed by Rick et. al. (2018) that spendthrifts spend more than they like to spend, ideally, and feeling the hurt of paying too much.

Table 4: Rotated component matrix with grouped attributes of spendthrift.

Factor	Attributes	Loadings
Spendthrift	item40 – every once in a while, I like to go on a shopping spree.	.666
	item45 – I tend to spend money as soon as I get it.	.631
	item43 – when I save, it is usually because I want something special.	.638
	item16 – when buying goods, the price does not matter, for as long as it is branded.	.578

Table 5 reveals that even in their professional status, some government employees are also affected by peer pressure. Some make financial decisions based on their colleagues' enticements with loadings .591. Others are lured to spend on something just because their colleagues have the same with loadings .628. This is confirmed by Burstlyn et. al (2012) that individuals make their choice of assets prices based on the careers of their peers with relative earnings or expenditure concerns.

Table 5: Rotated component matrix with grouped attributes of peer pressure.

Factor	Attributes	Loadings
Peer Pressure	item8 – I engage in purchases using credit card/s.	.874
	item5 – I engage in shark loan (5,6).	.631
	item10 – I make investment decisions based on my colleagues' encouragements.	.591
	item14 – my colleagues have post-paid mobiles plans, so should I.	.628

Table 6 discloses that some government employees experience income scarcity, it is as if however they try to, they can never have the amount of money that would suffice their needs and wants with loadings .738, .667, and .648 respectively. This factor confers with Macley Group (2016) that a certain individual who lives by the pay check and just get by but never get over are all just common articulations that maybe spoken at one or another point of our lives.

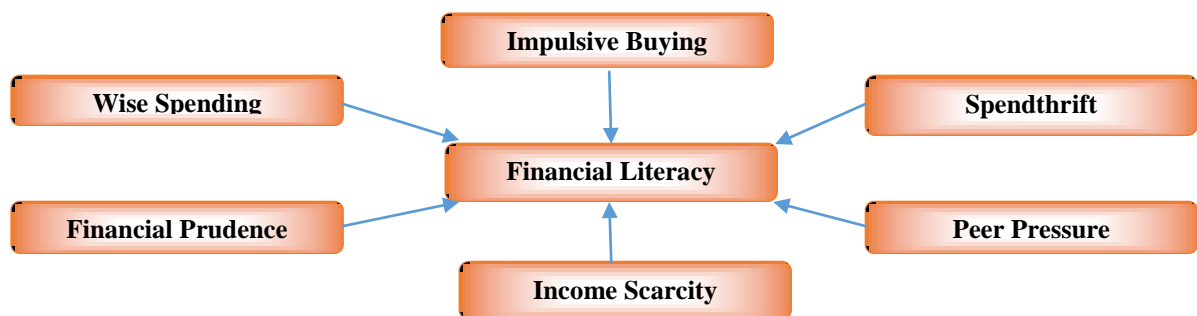
Table 6: Rotated component matrix with grouped attributes of income scarcity.

Factor	Attributes	Loadings
Income Scarcity	item35 – I believe in making money work for me.	.738
	item24 – I feel that my monthly income cannot quite cover my living costs.	.667
	item25 – I tend to work overtime to make ends meet.	.648

STUDY FRAMEWORK

Presented in Figure 2 is the framework developed based on the findings. The researchers found out that the determinants of financial literacy are impulsive buying, wise spending, financial prudence, spendthrift, peer pressure, and income scarcity. This implies that majority of the government employees in Davao City are not literate when it comes to financial management.

Figure 2: Financial Literacy Framework



CONCLUSION

Based on the findings, the researchers concluded that there are six dimensions of financial literacy among government employees, namely; impulsive buying, wise spending, financial prudence, spendthrift, peer pressure and income scarcity.

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