

## Spending and Borrowing Practices of Women Entrepreneurs in the Province of Tarlac-Philippines

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— *Review of* —  
**Integrative  
Business &  
Economics**  
— *Research* —

### ABSTRACT

This descriptive correlational analysis was aimed to assess women entrepreneurs' spending and borrowing practices. Through questionnaires relevant data were gathered from 324 women entrepreneurs in the province of Tarlac-Philippines. Data were interpreted using frequency counts, weighted mean, percentages and rankings. Results revealed that women entrepreneurs' spending practices included using the conventional way of spending cash, that is, checks and other financial products were rarely used and they saved a portion of their income whenever they could. On borrowing practices, they usually got easy loans from friends and relatives due to accessibility and easier terms. Data further revealed that frequently encountered problems varied from different sources of loans. There were high interest rates on borrowings from usurer; too many requirements of loans from banks; friends and relatives told others of their loan and were rigid in their collection. Selected variables of women entrepreneurs were correlated with their spending and borrowing practices using Pearson's R. Results showed that spending and borrowing practices of women entrepreneurs are significantly related. The findings implied that women entrepreneurs must explore the use of various financial products that save time. They must also have enhanced security. In terms of borrowing, loans can be sourced from banks, since banks offer lower interest rates that will help the businesses grow and flow smoothly.

Keywords: Spending, borrowing, financial management, women entrepreneurs

### 1. INTRODUCTION

The wisdom of Warren Edward Buffett an American business magnate, on sound financial management is evident in these three lines. First his thought on spending "If you buy things you don't need, soon you will have to sell things you need". Then on saving "Do not save what is left after spending, but spend what is left after saving". And finally on borrowing "If you're smart, you're going to make a lot of money without borrowing"

These guiding principles are easier said than done. The cycle of earning, spending, saving, and borrowing especially for people who have taken bold steps to improve their lives by engaging to business ventures, is a tedious process. It is not simple, but rather one that is considered to be challenging, risky, and requires discipline. The same thing can be said to most people, even those who do not thrive on business. Generally people will be earning and spending money for the most part of their lives. More often than not, current income may not exactly balance with consumption needs. Sometime they may have the money they want to spend on things and at other times, they may want to purchase more than they can afford. These imbalances create further complications, and naturally, drive individuals to work towards finding solutions – saving, for those who have excess money, and borrowing, for those who need more for whatever purpose it may serve (Brown and Reilly, 2009)

The difference in the spending and consumption patterns gives rise to an intermediation process to balance the financial system, bringing together the users and suppliers of funds. Bank for instance, is the best venue for the intermediation process where

the savers' and borrowers' needs are met. Individuals tend to save, while businesses tend to borrow funds (Santos, 2004).

Monitoring spending and choice of borrowing are parts of good business administration like budgeting (Rufino, H. D. 2015). Women, who generally have more complex financial lives than men, can find better ways to augment spending power for business and family wants. Women entrepreneurs, who do business of their own, need to find funding for their engagements. Spending and borrowing for women entrepreneur can be very challenging, as taking care of the household necessities and doing business at the same time add complexities to their financial lives.

Choosing and employing the alternative ways of spending can be of great help to the complications of these women. Banks offer the possibilities of these alternatives that can save time and effort for women who are into business ventures. The latest trends on internet banking can facilitate things relative to bill inquiries and payment schemes even while in the confines of the houses and offices.

For women engage in business and who are in need of additional financial assistance for sustainability, best alternatives for borrowing are also available. However, they have to meet certain requirements to be able to secure the needed loan. Topping the list is the borrower's capacity to pay as there are serious repercussions for failure to settle the obligations, from facing court cases to losing real property assets and valuables.

One problem experienced by women entrepreneurs is the access to financing options (Catubay-Panlilio 2016). There is this impression that women have no capacity to sustain its business and that financial institutions may have wrongly reject the loan applications, of women in business. Financial institutions may have apprehension to extend credit because women might not be capable of repaying the applied loan therefore, accessibility to loans is not always available to women in business especially those who are just starting. That is why more often than not, they have to resort to other easy and available loans but have a higher interest.

According to Agier (2003) women have complex financial lives. She stated that they borrow from a variety of sources, for example easy loans and contracted loans. Easy loans are loans available from friends and acquaintances while contracted loans are provided by institutional providers. They rely heavily on easy loans – easy to access with flexible conditions. These loans are usurious and lenders are known to use coercion to elicit compliance. Easy loans support bargaining power in household decisions while contracted loans have no impact.

Many studies have concluded that women start their own businesses for a variety of reasons. These reasons included, having an idea for a business plan, a passion for solving a specifically related career problem, wanting to be more in control of their careers, maintaining a more balanced life, having flexible work schedule, taking a personal vision and turning it into a lucrative business. Along with the intense desire to see their vision carried out, these women also have a great ability to multi-task and are not fearful of the risks involved in being self-employed. Women are still facing many issues in the workforce and being their own boss certainly is more appealing than some of the everyday issues they face outside of entrepreneurship. Gender roles are still very much a part of their lives but for some female entrepreneurs, they feel more in control when they are working for themselves.

Successful entrepreneurs need to take initiatives, be ambitious, have good negotiation skills and be ready to grasp new opportunities and strategies (Amurao, E. A., et al, 2014). Such characteristics are not usually well-developed in women. Entrepreneurial skills may come easier through contact with family members who own a business. Some women may have developed the skills whilst working in the informal sector. For others, the

entrepreneurial attitude is something they must acquire. This is especially the case when women have previously worked as employees and are not used to generating business and customers for themselves (Pandraig, F, 2010).

Each and every one needs to spend, save or borrow money at one time or another. Knowing the ins and outs of all three can help women to better plan for what is needed and avoid potential pitfalls. It is through spending and borrowing practices that businesses fall and turn to bankruptcy when there is no sufficient fund available, the only option left is to borrow. It can be of great help to choose the best alternative among the available providers of loans. Thus, better skills and awareness as well as understanding on wise spending and borrowing should be inculcated among women entrepreneurs to avoid messing up between family and business affairs (Catubay-Panlilio, J., et al., 2016)

It is in this context that the researcher decided to assess the spending and borrowing practices of women entrepreneurs in the province of Tarlac and find out its implication to business administration. It is understood that women in business have unique needs because of their responsibilities at home and attending to their obligations on business projects as well.

### **Statement of the Problem**

The study assessed the spending and borrowing practices of women entrepreneurs in the province of Tarlac and it determined its implication to business administration.

Specifically, the study sought answers to the following questions:

1. How are the women entrepreneurs and their business described along the following areas?
2. How are the spending practices of women entrepreneurs in the province of Tarlac described in terms of:
3. How are the borrowing practices of women entrepreneurs in the province of Tarlac described in terms of:
4. Is there significant relationship between the women entrepreneurs'?
5. What are the spending and borrowing problems of women entrepreneurs?

## **2. METHODOLOGY**

The study utilized the descriptive correlational research design. Any scientific process begins with description, based on observation, of an event or events, from which theories may later be developed to explain the observations. Test of relationship was conducted on personal and business profile of women entrepreneurs to their spending practices, personal and business profile to their borrowing practices, spending and borrowing practices of women entrepreneurs.

The study was conducted in the province of Tarlac with 3 legislative districts seventeen (17) municipalities and one (1) composite city as participating areas. These districts were identified by the National Statistical Coordination Board –Philippine Standard Geographic Code. According to Catubay-Panlilio (2014) there were 2,802 women entrepreneurs who already registered in the database taken from the records of Department of Trade and Industry. This was the only available data regarding the number of women entrepreneurs in the province of Tarlac.

The respondents of the study consisted of 324 women entrepreneurs identified in the province of Tarlac.

### 3. RESULTS AND DISCUSSION

#### 3.1 Personal and Business Profile of Women Entrepreneurs and its Businesses in the Province of Tarlac

Majority of the women entrepreneurs who participated in this study were between 42-51 years old, married, had 3-5 children and 1-2 dependents other than their own children. Twenty percent (18%) of them had attended trainings and seminars and had operating their business for 3-11 years. One hundred sixty three (163) had previous employment in their country and abroad, 25% worked as Overseas Filipino Workers (OFWs) serving as domestics helpers and hotel staffs, among others. As to educational attainment, more than 50% graduated from college. Moreover, majority were engaged in wholesale/retail trading. Three percent (3%) were engaged in corporations, 9% served as partners, while majority were sole business owners.

In relation to their business profile, the respondents' business locations were distributed to various towns/municipalities of Tarlac, however, majority from Tarlac City. Seventy three percent (73%) of the respondents rental or leased their business space or location following the national regulatory compliance. Majority were legit in terms of their operation as business owners following government regulatory board but had difficulty complying with the BIR regulations. Further, most of the respondents had 1-9 employees on their business. In addition to their personal savings as major source of their initial capital, they also considered borrowing from investors, banks, cooperatives, relatives and friends as other sources of their initial capital.

#### 3.2 Spending Practices of Women Entrepreneurs

With a weighted mean of 3.1 and described as "sometimes", most women entrepreneurs used written records to closely monitor their spending. They also kept close monitoring at their spending by using and maintaining written records. Majority of the respondents had an estimated annual spending not greater than Php 500,00 from 2012 to 2014. Their husbands and children were the persons who influenced most of the married woman entrepreneurs. Most rarely used checks, modern ways of spending and rarely used financial products for their spending. As a result of this spending practices, they were able to save certain amount of money for emergencies and had savings account banking institutions.

##### Borrowing Practices Of Women Entrepreneurs

With the weighted mean of 2.1 and described as "rarely", most women entrepreneurs pooled their money from their relatives and friends to fund their business initial costs and expenses. During the start-up of their business, majority found it impossible to secure credit line from financial institutions due to lack of evidence to prove their capacity to pay. Thus, borrowings from easy loans were accessible to them. As their business continued, majority of these women entrepreneurs gained connection with financial institutions and started building up credit line with them.

#### 3.3 Relationship between the Women Entrepreneurs' Personal and Business Profile and this Spending as well as Borrowing Practices; Between Spending and Borrowing Practices

The personal and business profile of the women entrepreneurs in terms of their educational attainment, trainings/seminars, age and marital status, years of operation, initial capital, current capital and number of employees to their spending practices, were not significantly related. Which stated that there is a significant relationship between the personal profile of the women entrepreneurs and their spending practices was accepted.

As regards personal and business profile of the women entrepreneurs and its relationship to their borrowing practices, it was found out that their educational attainment, age and estimated revolving capital had significant relationship with their borrowing practices while attendance to seminars/trainings, marital status and number of children had no marked significant relationship with their borrowing practices.

As regards the relationship between their spending and borrowing practices, statistical data revealed that when borrowing practices were better, their spending practices will be better too. Borrowing practices improved when they got good deals and competitive interest rates from various sources.

### **3.4 The Spending And Borrowing Problems Of Women Entrepreneurs**

Majority of the women entrepreneurs used the conventional ways of spending. They used cash as their mode in paying their business and personal spending. Most of them rarely used financial products and services like checks, credit cards, debit cards, ATMs and internet banking. With a weighted mean of 1.9 described as “rarely”, most of the respondents found it rarely to get easy loans from friends and relatives. They frequently encountered problems with them because they tended to tell other people of money borrowed from them. For them, usurers also posed as problems to them because they enforced high interest rate. The lending investors charged high costs on approved loans. They also had problems with cooperatives where the respondents lost their funds from non-payment of their loans.

On pawnshops, the respondents admitted that they imposed too many hidden charges/costs and too high penalties for late payment. Banks also gave too many requirements such as collateral which was too high. Banks to the women entrepreneurs gave them the most problem when it comes to borrowing.

## **4. CONCLUSIONS**

Women entrepreneurs in the province of Tarlac are mostly middle aged, married, and with few children as well as dependents. They are also educated and mostly graduated from college. They rent their business store location and majority of business on the infancy stage, main source of initial capital were comes from their relatives and friends because of their lack of credit with banks.

Most women entrepreneurs use written records in monitoring spending save money when they can, set aside their savings only for emergencies, and have husbands and children who often influence their spending decisions. They rarely used checks and never on other financial products and services. They often have savings deposit in the bank but, rarely have time deposits. Some save their money in a safe place at home. Few of the women entrepreneurs do not have insurance services for protection.

Women entrepreneurs borrowing by pooling cash or getting easy loans from friends and relatives during the initial stage of their business. As their business progresses, they get great deals from contracted loans from banks, SSS and Pag-ibig. They have easy loans monthly from friends and relatives.

Women entrepreneurs uses cash as mode of paying their business and personal spending. They rarely use on Checks, Credit Cards, Debit Cards, ATM's, internet banking.

Women entrepreneurs access easy loans from their friends and relatives. who tend to tell others about the loan and are rigid in collection. They frequently encounter problems with usurer who require them to pay high interest rates. Women Entrepreneur frequently pays as high interest rates rigidly. They also have problems with many lending investors who offer high service fees and charged on approved loans. They also impose many requirements, high

penalties on late payment and high interest rates. Likewise, cooperatives cause them a great problem because there is a tendency that non-paying members would lose their funds.

## 5. RECOMMENDATIONS

Seminars and trainings on getting best deals on borrowings may help women entrepreneurs to be more competitive in the field. Compliance to regulatory requirements is the best first step using checks on spending will give more security to the women entrepreneurs. to get deals from financial institutions and get contracted loans.

Cash spending may be the simplest form of business transactions but while monitoring the spending of women entrepreneurs is a good practice but saving for defer consumption and emergencies will save them from loans and future borrowings.

Spending using the modern ways like checks may alternatively use by women entrepreneurs for added security and internal control. Internet banking can save time and effort to pay bills on utilities and credit cards at home.

Putting money on a savings deposit is a good practice but putting money in a high yield investment can alternatively done by women entrepreneurs, ask bank teller or a specialist for other options.

As there are still nonmembers of SSS and Philhealth, women entrepreneurs should appreciate the benefits they can get from this financial institution for their medical, maternity, disability and pension plans. Women entrepreneurs should also consider getting insurance products to transfer risk of loss, like sickness and death, fire and accident better secure their family and properties from the adverse event.

Borrowings keep the liquidity of every individual doing business or not. It is a best practice to get the best deals in borrowings, low interest rates. Borrowings from contracted loans from financial institution will give them competitive interest rates. Hence, getting the help of an accountant can be helpful. Getting lower rates from loans will give them freedom to sell their products at a lower price, minimized financing cost, resulting to higher profit.

Get membership from a reputable cooperative, this is generally non-taxable financial institution, hence, it is both a venue for saving investment and borrowing purposes.

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