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Financial freedom of Filipinos in personal finance management

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Abstract: This study investigates the financial freedom of Filipinos through the lens of personal finance management, focusing on cash management, debt management, risk management, and wealth management. Utilizing data from 150 respondents across ten prominent corporations listed on the Philippine Stock Exchange Index, the research adopts a descriptive methodology and linear regression analysis to evaluate the impact of these financial dimensions on achieving financial independence. Findings reveal pervasive financial literacy challenges among Filipinos, rooted in cultural tendencies like the "come-what-may" attitude and a reliance on traditional saving methods. These behaviors often hinder effective budgeting, savings, and investment practices, resulting in low levels of emergency fund preparedness and high debt reliance. The study highlights the role of structured financial planning in enhancing wealth accumulation and mitigating financial stress, advocating for the adoption of comprehensive strategies that align with individual goals and risk tolerance. Furthermore, the research underscores the critical need for tailored financial education programs to foster a culture of financial discipline, particularly among working parents and young professionals. By addressing gaps in financial literacy and promoting awareness of modern financial instruments, the study aims to empower individuals to achieve sustainable financial well-being. This thesis contributes to the discourse on personal finance in the Philippines, offering actionable insights for policymakers, educators, and individuals. It emphasizes the transformative potential of financial literacy as a catalyst for economic stability and growth within households and the broader community.

Keywords: Financial freedom, Filipinos, Finance management

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INTRODUCTION

The different areas of personal finance are composed of four categories, namely cash management, debt management, risk management, and wealth management (CDRW) to achieve financial freedom. Most of the people do not know the purpose of each financial instrument and its importance to personal finance portfolio to get true financial wellness and be prepared for any uncertainties in life – that is because of lack of financial literacy.

People with lack of financial awareness always think how to spend their cash, when they get their salary or bonuses, they think immediately how to spend all their money on-hand (buy new clothes, bag, shoes, cellphone) buying these things that they do not need but just to impress other people. They do not ever think or ask their selves – what if they save or invest their money, so they will earn more or double their money in certain time.

Many Filipinos have traditional mind-set in life, they think that saving money in the bank is not safe due to bankruptcy issue; they rather keep their hard-earned money to traditional Filipino alkansya like bamboo or old jar. Some people also scared to save in the bank because of inflation - they just do not know the proper funding of emergency fund and its importance to personal finance. That is why when there is an unexpected expense, they just make utang because they do not have emergency fund. The purpose of saving money in the bank is not to beat the inflation, but to keep the money secured against theft, insects, have depositor insurance (PDIC), and prepare the emergency fund – (1) money set aside that can be accessed quickly for unexpected expenses. (2) Vital for emergencies including natural disasters and unexpected life situations. (3) Generally, 3-6 months of living expenses.

Those people that is not prepared when emergency comes make utang or applying for a fast cash loan, so the cycle of their income always goes to bayad utang or pay for their loan / credit card. To manage debt, it is highly advisable to pay first the loan with high interest because it will drag your financial down, so you better finish it immediately. Pay in advanced the upcoming due date to get rebate and you can use that rebate for your other bills or needs. To become debt-free you can use these strategies (1) create a budget, (2) pay off the most expensive debt first, (3) pay more than the minimum balance, (4) halt your credit card spending, (5) put work bonuses toward debt, (6) delete credit card information from online stores, (7) sell unwanted gifts and household items, (8) change your habits, then reward yourself when you reach milestones.

Managing the risk is the purpose of insurance. In life insurance, I don't call it "Life

Insurance," I call it "Love Insurance." We buy it because we want to leave a legacy for those we love. In America, most Americans are willing to get life insurance because they understood its benefits, but here in the Philippines, most Filipino do not want to get life insurance because of their life insurance perceptions – not required, intangible, lack of funds, and just an expense. Non-life coverage can protect either people or their belongings, it is a broad category, including on both people and things. Insurance companies and company-owned agencies typically specialize in one or the other, though individual brokers and brokerages have the option of dealing in multiple types of coverage. For example, a large brokerage might contain people specializing in life and disability, group, and health plans, auto and homeowner's insurance, or liability coverage for professionals. Smaller brokerages are more likely to specialize in one or two lines of business. If your own broker does not sell everything you need, you can probably score a referral to another broker who has got what you want.

The significance of investment to generate wealth, in finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or will later be sold at a higher price for a profit. The "term investment" can refer to any mechanism used for generating future income. In the financial sense, this includes the purchase of bonds, stocks, pooled funds, investing in business, or real estate property. Additionally, a constructed building or other facility used to produce goods can be seen as investing. Economic growth can be encouraged through the use of sound investments at the business level. When a company constructs or acquires a new piece of production equipment in order to raise the total output of goods within the facility, the increased production can cause the nation's gross domestic product (GDP) to rise. This allows the economy to grow through increased production based on the previous equipment investment.

Therefore, this study is being conducted to determine the degree of financial freedom of Filipinos in the different areas of personal finance; namely, cash management, debt management, risk management, and wealth management.

Statement of the problem

Most of the people do not know the purpose of each financial instrument and its importance to personal finance portfolio to get true financial wellness and be prepared for any uncertainties in life – that is because of lack of financial literacy. People with lack of financial awareness always think how to spend their cash, when they get their salary or bonuses, they think immediately how to spend all their money on-hand, those things that they do not need but just to impress other people. They do not ever think or ask their selves – what if they save or invest their money, so they will earn more or double their money in certain time. Hence, this study attempts to answer the following questions:

1) What is the demographic profile of the respondents in terms of: (a) Sex, (b) Civil Status, (c) Age, and (d) Number of children?

2) What is the work profile of the respondents with respect to: (a) Work Position, (b) Number of years working, and (c) Monthly Income?

3) How do the respondents' assess their financial freedom in relation to: (a) Cash management, (b) Debt management, (c) Risk Management, and (d) Wealth Management?

4) What is the degree of financial freedom of the respondents in relation to the aforementioned variables stated in Problem No. 3

5) To what extend do cash management, debt management, risk management, and wealth management significantly contribute to the financial freedom of the respondents?

METHODOLOGY

Research design

The study is essentially descriptive, and the researcher used questionnaire to gather data. The study is in nature and shows the level of implementation of individual knowledge and practices among the ten (10) local big corporations and the perception of each respondent the top management, middle management, and staff to determine if there was any significant difference.

Locale of the study and respondents

The study was conducted in the Philippines part of Luzon particularly in the Metro Manila. Most of the head offices of local big companies listed in the Philippines stock exchange index are located in different areas of Metro Manila.

This research studied in school year 2020 – 2021, confined only to ten (10) big corporations in the Philippines and listed in the Philippine stock market index namely SM Prime Holdings, GT Capital Holdings, Ayala Corporation, BDO Unibank, Bank of the Philippine Islands, Manila Electric Company, Globe Telecom, PLDT, JG Summit Holdings Aboitiz Equity Ventures, and total of one hundred fifty (150) respondents. These companies were chosen based on set parameters like transaction volume, performance as a corporation and location accessibility, and lastly the length of their involvement with personal finance is also considered.

The respondents of this study were limited to ten (10) big corporations listed in the Philippine stock exchange index. Out of the top twenty (20) actively performing corporations the researcher chose ten based on the business industry suggestion, criteria, and accessible location. The list of these institutions was obtained from the Philippine stock exchange. Specifically, information was drawn from the executive top management, middle management, and the staff. A total of 150 respondents from all the local big corporations participated in the study. Fifty respondents were purposively identified as members of the top management or executives, as follows: forty middle management, and 60 management staff. These respondents were randomly chosen.

Research instruments

The first part of questionnaire includes the demographic profiles which are sex, civil status, age, and number of children. Secondly, the second part of this questionnaire are work profile which are work position, number of years working, and monthly income. The third part of questionnaire is the finance variables which are cash management, debt management, risk management, and wealth management. Lastly the questionnaire included a question of the degree of financial freedom enjoyed.

The researcher met the respondents to make sure that any questions or clarifications from the respondents would be immediately addressed.

The study utilized survey questionnaires to draw primary data. The questionnaires were personally distributed and administered by the researcher to the respondents. Questions were designed to solicit responses that adequately establish the basis for making conclusions at the end.

The instrument highlights the level of implementation of adopted personal finance management practices in terms of allocating their money. It was designed to capture results that can be used to rationalize the cause of failure and unsustainable personal finance portfolio.

Data analyses procedure

Adopted personal finance management practices of the top management, middle management, and the staff, problems encountered in the implementation of these financial management practices, solutions adopted to address these problems were presented in graphical or tabular form showing frequencies or percentages and using ranking procedures. Therefore, the researcher used weighted mean formula; The researcher also used linear regression analysis formula; The level of implementation of the adopted personal finance management practices were determined through the use of the weighted mean which is a measure of central tendency.

FINDINGS AND DISCUSSION

Sex of respondents

Most of the respondents 57% are male and 43% are female. This implies that corporate respondents have a larger number of male executives, officers, and management staffs compare to female.

Civil status of respondents

Most of the respondents 63% are married and 37% are single. This implies that corporate respondents have a larger number of married executives, officers, and management staffs compare to single. Married person must plan for their retirement, and single have an opportunity to invest for equity long-term investment vehicles.

Age of respondents

Most of the respondents 43% are 31 - 40 years of age, 30% of them are 41 - 50 years of age, 17% are 21 - 30 years of age, and at least 10% percent are more than 50 years of age, and no one is less than 21 years of age. The higher percentage showed 60% of the respondents are 40 years of age and below. This implies that corporate respondents have a larger number of young and productive executives, officers, and management staffs which they have the opportunity save or invest more for long-term goal and prepare for their retirement as early.

Number of children of respondents

Most of the respondents 57% have 1 - 2 children, 30% of them have no child, and at least 13% have 3 - 4 children, and no one have more than 4 children. The higher percentage showed 57% of the respondents have 1 - 2 children. This implies that corporate respondent’s executives, officers, and management staffs have a larger percentage of having children, and they supposed to prepare for their children education.

Work position of respondents

Most of the respondents 40% are in the rank and file position, 33% of them are holding the top management position, and at least 27% are in the middle management. The higher percentage showed 40% of the respondents are in the rank and file position. This implies that corporate respondent's executives, officers, and management staffs have a larger percentage of rank and file work position. Rank and file positions are earning just around minimum wage and it is not enough to invest or save regularly.

Number of years working

Most of the respondents 50% are 11 - 18 years of working, 33% of them are 3 - 10 years working, 13% are 19 - 26 years of working, and at least 4% percent are more than 26 years of working, and no one is less than 3 years of working. The higher percentage showed 50% of the respondents are working around 11 - 18 years. This implies that corporate respondents have a larger number of executives, officers, and management staffs who's working in the long years which they have enough experience to budget and allocate their funds for getting insurance and invest for short or long term equities.

Monthly income of respondents

Most of the respondents 40% are earning P30,000 or above, 23% of them are earning P15,000 – P19,999, another 23% are earning P20,000 – P24,999, 10% are earning P25,000 – P29,999, and at least 4% percent are earning less than P15,000. The higher percentage showed 40% of the respondents are earning P30,000 or above. This implies that corporate respondents have a larger number of executives, officers, and management staffs earning high income and enough to have insurance, children education fund, and invest for their future plans.

Cash management

Based on the data, it is shown that majority of the respondents 3.73 weighted mean and rank 1 agreed to the statement that "leaving cash at home may not be protected if it is stolen or destroyed in the event of robbery or fire and might accidentally throw it out or leave it behind."

Many Filipinos have traditional mind-set in life, they think that saving money in the bank is not safe due to bankruptcy issue; they rather keep their hard-earned money to traditional Filipino alkansya like bamboo or old jar. Some people also scared to save in the bank because of inflation - they just do not know the proper funding of emergency fund and its importance to personal finance. That is why when there is an unexpected expense, they just make utang because they do not have emergency fund. Saving money in the bank is not to beat the inflation, but to keep the money secured against theft, insects, have depositor insurance (PDIC), and prepare the emergency fund – (1) money set aside that can be accessed quickly for unexpected expenses. (2) Vital for emergencies including natural disasters and unexpected life situations. (3) Generally, 3-6 months of living expenses.

Debt management

Majority of the respondents 3.7 weighted mean and rank 1 agreed to the statement that "pay off the most expensive debt first and pay more than the minimum balance, so you can finish the highest interest debt and earn rebate through advance payment." Minimizing the debt interest can consider savings. Mismanaging your debt can lead to disaster of your financial portfolio and personal credit standing in NFIS (negative finding information system).

Modern slaves are not in chain; they are in debt. Those people that is not prepared when emergency comes make utang or applying for a fast cash loan, so the cycle of their income always goes to bayad utang or pay for their loan / credit card. To manage debt, it is highly advisable to pay first the loan with high interest because it will drag your financial down, so you better finish it immediately. Pay in advanced the upcoming due date to get rebate and you can use that rebate for your other bills or needs. To become debt-free you can use these strategies (1) create a budget, (2) pay off the most expensive debt first, (3) pay more than the minimum balance, (4) halt your credit card spending, (5) put work bonuses toward debt, (6) delete credit card information from online stores, (7) sell unwanted gifts and household items, (8) change your habits, then reward yourself when you reach milestones.

Risk management

Majority of the respondents 3.7 weighted mean and rank 1.5 agreed to both statements:

1. Your investment is a good way to make money, but not having health coverage is the worst way to lose it all.

2. Death causes family loss. You are the financial provider and unexpected happened. Your family will survive physically but die financially.

Having life insurance can create instant wealth that we can provide to our family when an uncertainty comes. Even our assets should be insured to cover the expensive repairs when in disaster or accidents. Managing the risk is the purpose of insurance. In life insurance, I do not call it "Life Insurance," I call it "Love Insurance." We buy it because we want to leave a legacy for those we love.

In America, most Americans are willing to get life insurance because they understood its benefits, but here in the Philippines, most Filipino do not want to get life insurance because of their life insurance perceptions – not required, intangible, lack of funds, and just an expense. Non-life coverage can protect either people or their belongings, it is a broad category, including on both people and things. Insurance companies and company-owned agencies typically specialize in one or the other, though individual brokers and brokerages have the option of dealing in multiple types of coverage. For example, a large brokerage might contain people specializing in life and disability, group, and health plans, auto and homeowner's insurance, or liability coverage for professionals. Smaller brokerages are more likely to specialize in one or two lines of business. If your own broker does not sell everything you need, you can probably score a referral to another broker who has got what you want.

Wealth management

Based on the data, it can be seen that majority of the respondents 3.7 weighted mean and rank 1 agreed to the statement that "Investing early will help develop positive spending habits earlier on because it teaches important lessons about budgeting, spending, and savings – people who practice investing early are less likely to overspend or be careless with their money in the long run." The significance of investment to generate wealth, in finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or will later be sold at a higher price for a profit. The "term investment" can refer to any mechanism used for generating future income. In the financial sense, this includes the purchase of bonds, stocks, pooled funds, investing in business, or real estate property.

Additionally, a constructed building or other facility used to produce goods can be seen as investing. Economic growth can be encouraged through the use of sound investments at the business level. When a company constructs or acquires a new piece of production equipment in order to raise the total output of goods within the facility, the increased production can cause the nation's gross domestic product (GDP) to rise. This allows the economy to grow through increased production based on the previous equipment investment. "Invest in things that will make you rich, not on things that only make you look or feel rich." There are two kinds of income; active income is the income you work for (your time in exchange for money) and passive income is the income that works for you (other's people time and assets for money).

Financial freedom of respondents

This summary table you see these variables with different weighted mean, but risk management has 3.65 total weighted mean.

Risk Management: All of us were not exempted to calamities, accidents, and diseases that results to death, even best lawyer, or best judge, so the probability of dying is 100% - life insurance is required. Even our assets should be insured to cover the expensive repairs when in disaster or accidents.

The finding shows the degree of financial freedom having or efficient. However, their cash management is good and needs for improvement.

CONCLUSIONS AND RECOMMENDATIONS

The study revealed several significant conclusions. Regarding the demographic profile, the majority of the respondents were male, with more males than females participating. Most were married, falling within the age bracket of 31-40 years, and a majority had 1-2 children. In terms of work profile, most respondents held rank-and-file positions, had been working for 11-18 years, and earned a monthly income of ₱30,000 or above.

In the area of personal finance variables, the findings highlighted key observations. For cash management, the majority agreed that leaving cash at home poses risks, such as theft, destruction during a fire, or accidental loss. Regarding debt management, most respondents concurred that paying off the most expensive debt first and paying more than the minimum balance are effective strategies to finish high-interest debt and potentially earn rebates through advance payments. For risk management, a significant majority agreed on the importance of investment as a way to grow money while emphasizing that a lack of health coverage could lead to financial ruin in the event of unexpected events like death. They noted that while a family may survive physically without the financial provider, they could face severe financial difficulties. In terms of wealth management, most respondents agreed that investing early fosters positive spending habits, teaching budgeting, spending, and saving skills that reduce the likelihood of overspending or careless financial behavior in the long term.

With respect to financial freedom, the findings indicated that the respondents exhibited a degree of efficiency. However, while their cash management practices were generally good, there remains room for improvement. In hypothesis testing, the results from multiple regression analyses showed that cash management, debt management, risk management, and wealth management do not significantly contribute to the financial freedom of the respondents. These findings underscore the need for further exploration of other factors that may influence financial freedom beyond these personal finance variables.

Based on the major findings and conclusions, the following recommendations are proposed to enhance personal finance among individuals. First, a comparative study is recommended to examine how individuals implement financial practices across different communities. Financial institutions operate in diverse environments, making it valuable to explore whether these variations influence the implementation of financial management practices. Further studies can provide insights into how practices in other communities compare with the current findings.

For employees, financial institutions must recognize the importance of providing financial and technical assistance through a comprehensive range of services, including banking, insurance, and investment options. No single institution can meet the broad scope of financial needs independently. Therefore, collaboration with other financial actors, such as non-bank institutions, is vital to fostering investment vehicle development and operational sustainability. Enjoining interest groups can significantly enhance the contribution of these institutions to individual financial growth.

Regarding personal finance variables, specific recommendations are outlined. For cash management, individuals are encouraged to save money in banks for emergency fund purposes. While inflation may erode savings' value over time, the primary goal is to ensure the money is secure, insured, and readily accessible for unexpected expenses. An emergency fund should ideally cover 3-6 months of living expenses, serving as a safety net for natural disasters or unforeseen life events. For debt management, avoiding financial pitfalls is crucial. Strategies such as creating a budget, prioritizing the repayment of high-interest debts, paying more than the minimum balance, halting credit card spending, and utilizing work bonuses to reduce debt can help individuals achieve financial freedom. Additional steps include selling unused items, changing spending habits, and celebrating milestones to stay motivated.

In terms of risk management, insurance plays a critical role in mitigating potential losses. Life insurance, often referred to as "Love Insurance," ensures a financial legacy for loved ones, while non-life insurance protects people and belongings against risks. Wealth management is equally important, as investments serve as tools to generate future income or capital appreciation. Whether through bonds, stocks, pooled funds, business ventures, or real estate, investments are crucial for wealth creation. Individuals should focus on assets that generate income rather than those that merely project wealth. Distinguishing between active income, which requires direct effort, and passive income, which earns money through assets, can help individuals prioritize sustainable financial growth.

Lastly, achieving financial freedom requires individuals to integrate these personal finance practices effectively. By carefully studying their budgets, expenses, and fund allocations, individuals across all levels of management—top, middle, and rank-and-file—can streamline their financial portfolios to achieve efficiency and sustainability. These practices are instrumental in reaching financial goals and fostering long-term financial independence.

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