The Role of Entrepreneur’s Financial Sophistication on the Nexus of Business Strategy and Sustainability Indicators of Philippine Microenterprises

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Challenges of Philippine MSMEs

- inadequate business operations
- human resource constraints
- difficulties complying with international standards and government regulations
- an inability to compete with competitors
- marketing and branding constraints
- inadequate infrastructure and distance to markets
- lack of access to market information
- shifting consumer preferences.

- lack of access to finance

Francisco & Canare (2019)
Aldaba (2012); Hampel-Milagrosa et al. (2015)
Other issues of SMEs in general

Revell et al. (2010); Simpson et al. (2004)

Balas et al. (2014); Moore (2005)
Research Framework

Figure 1. Research Framework
Figure 2. Path Model of the Link Between Strategy, Financial Sophistication, and Sustainability Indicators
About the Findings: Strategy – Sustainability Indicators Relationship

Prospector strategy has the highest path coefficient among the Miles and Snow typology of strategies.

The adoption of a strategy is highly motivated by the possible outcome on the financial measure of enterprise sustainability as compared to non-financial measures.

MSME sector is gradually turning a new leaf on how they view an enterprise’s sustainability.

The findings of this study call for increased attention on good governance in MSMEs.
About the Findings: Financial Sophistication

Combined effects of human capital, i.e., financial sophistication and business strategy provide an enhanced overall enterprise performance.

Ranking the financial sophistication dimensions in terms of path coefficients

1: Financial behavior (0.46***)
2: Financial decision-making style (0.42***)
3: Financial attitude (0.237***)
4: Financial knowledge
   a. Accounting knowledge (0.105***)
   b. Time value of money (0.091***)
   c. Capital markets (0.090***)
Recommendations to concerned agencies

Concerned agencies may design programs particularly focused on improving the entrepreneur’s financial behavior.

Concerned agencies may also give importance in providing knowledge, primarily on basic accounting concepts, among other financial-related topics.

Concerned agencies may encourage entrepreneurs to equally give consideration to the four areas of sustainability indicators.

Concerned agencies may provide better incentives to those who are environmentally and socially responsible entrepreneurs.

(caveat: the limitations of the study must be taken into consideration)
Recommendations to entrepreneurs

Adopt a prospector strategy while enhancing the positive financial behavior
• strive to innovate
• design new products
• create new markets
• search for new opportunities
• devote themselves to entrepreneurial tasks.

It is suggested to have an analyst-synthesist decision making style and enhanced knowledge in accounting if possible.

Encourage to give same priority and attention to other aspects of sustainability, particularly, on the environment, society and good governance.

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References


