

Financial Management Practices of Village Dressmaking Business in Barangay Inspector, Santa Rosa, Nueva Ecija

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Abstract

The descriptive study assessed the problems regarding financial management practices of village dressmaking business in Barangay Inspector, Santa Rosa, Nueva Ecija. The main sources of data came primarily from the responses of fifty village dressmaking business owners in Barangay Inspector through purposive sampling. The findings of the study are village dressmaking business owners who exhibit a lack of compliance and negligence towards essential financial management practices are likely to face challenges in expanding and growing their businesses. Financial management is one of the several functional areas of management, but it is the center of the success of any business. Inefficient financial management, combined with the challenges of the business environment often led businesses to serious problems. The researchers proposed an action plan which aims to help the dressmaker's business to be more sustainable and competitive. The dressmakers are highly encouraged to attend and participate in seminars and workshops and other activities that will help them to be more knowledgeable in financial management practices. This will address the misconception of dressmakers in registering and managing their businesses.

Keywords

Budget Practices, Financial Management Practices, Financial Record, Inventory Practices, Village Dressmaking, Philippines

1. Introduction

Financial management is the practice of controlling a company's revenue to guarantee profitability and legal compliance. It is also the management of the financial affairs of the enterprise and there are practices that keep the business to stay on track (Strutner, 2022). Practices are the methods that the business uses over time to operate and to carry out the procedures. A company's financial management practices are essential to its development. Financial management practices are also applied to deal with the plan of the business in financial decisions, may it be short-term or long-term. The success and growth of the business are both centered on proper management of the business. Poor financial management can lead to many problems and issues, which may cause business failure.

Financial management refers the systems of efficient and effective management of resources in such a manner as to achieve the objectives of the organization (Chung & Chuang, 2011). The key areas of financial management were defined by Walker and Petty, as cited by Kieu (2001), it includes financial planning such as cash, fixed assets, and profit planning, the investment decision-making, working capital management includes cash, receivables, and inventory management, and the financing sources comprises of short-term and long-term financing.

Financial management is crucial for any business to succeed, regardless of its size or the gender of its owners. However, according to a study conducted by Asefa & Aynalem (2019), a majority of women-owned small businesses did not have a formal financial management system in place. Instead, financial decisions were often made based on intuition rather than financial data. Village dress-making business owners also face a dilemma. This lack of proper financial management practices can lead to several issues, such as financial losses, cash flow problems, and difficulty obtaining financing.

Santa Rosa, Nueva Ecija is also known when it comes to the dressmaking business for the reason that it is one of the sources of income for many, aside from rice cultivation, tricycle sidecar fabrication, commercial fishery, and vegetable production. Although the municipality is known in the dressmaking industry, it is undeniable that the village dressmaking businesses that operate in the locality of Barangay Inspector do not have enough facilities nor have limited access to new equipment. They lack knowledge when it comes to the proper practice of managing their finances, which causes the business to remain in its condition. There are clothes that were created in dress shops and tailor shops but the bigger batches produced were home-sewn and came from cottage-type production. These cottage-type manufacturing processes involve the creation of clothing in local tailor shops in small barangays spread across various regions of Philippines. These works were the creations of those whom we refer to as village dressmakers.

In spite of the fact that there are studies that focus on financial management

practices, there are no findings regarding the village dressmaking business. [Marcelino et al. \(2021\)](#) suggested that the local government units must have proper supervision and training to address the needs of the dressmakers and to provide training or workshops that will help them improve and be more competitive. Therefore, the researchers chose this topic to address the inadequacy and the need of village dressmakers specifically in financial management practices. This study primarily aims to assess the financial management practices of village dressmaking businesses and to provide training or workshops that will help them improve and be more competitive. Therefore, the researchers chose this topic to address the inadequacy and the need of village dressmakers specifically in financial management practices. This study primarily aims to assess the financial management practices of village dressmaking businesses.

This study aimed to determine the Financial Management Practices of Village Dressmaking Business in Barangay Inspector, Santa Rosa, Nueva Ecija.

Specifically, it sought to answer the following questions:

- 1) How may the demographic profile of the respondents be described in terms of:
 - a) Years of Operation; and
 - b) Monthly Average Sales?
- 2) How may the financial management practices be described in terms of:
 - a) Recording Practices;
 - b) Reporting Practices;
 - c) Inventory Practices; and
 - d) Budget Practices?
- 3) What are the challenges faced by the village dressmaking business in their financial records?
- 4) What interventions can be drawn from the findings of the study for the improvement of village dressmaking businesses?

2. Methodology

The study used a descriptive survey method to analyze financial management practices in a village dressmaking business in Barangay Inspector Santa Rosa, Nueva Ecija. The variables included reporting, recording, inventory, and budget practices. The descriptive design provided insights into a population's or phenomenon's features without hypothesis or causality ([Aggarwal & Ranganathan, 2019](#)).

The research study will focus on Barangay Inspector, Santa Rosa, Nueva Ecija, Philippines, a community known for its cottage industry, particularly dressmaking. The village's dressmaking industry is primarily composed of entrepreneurs operating small shops or home-based businesses.

The study utilized purposive sampling, a non-probability sampling technique, to select suitable respondents for the study. Village dressmaking business owners were chosen due to their unique characteristics. The respondents were selected in Barangay Inspector, Santa Rosa, Nueva Ecija, to assess financial management

practices and collect data.

A survey method involves gathering data about a group of people by asking questions and analyzing results. Researchers first requested consent from advisers before surveying respondents. After collecting findings, the questionnaire was distributed to respondents, who were informed of the study's relevance, clarified terms, and asked for truthfulness and honesty. Respondents were given ample time to answer. Data was collected and tallied for interpretation.

The study utilized a questionnaire as a research instrument to assess the validity and reliability of the research. The researchers included the Republic Act of 2012 in the questionnaire. The researchers made a self-design questionnaires validated by an expert from Business Administration Program Instructors, owner of dressmaker a statistician and research adviser and conducted pilot testing for validity and reliability testing using Cronbach's Alpha, a measure of internal consistency. The questionnaire was divided into portions, including business profile questions and Likert scale categories. The researchers formulated the questionnaire by communicating with groupmates to explore financial management practices in village dressmaking businesses.

Statistical treatment was employed to analyze and evaluate data from questionnaires. Data was tabulated and treated using frequency percentage and weighted mean. Frequency percentage described respondent profiles, while weighted mean numerically described financial management practices and challenges faced in record management.

3. Results and Discussion

3.1. Profile of Respondents

The study revealed that the majority of dressmaking businesses in Barangay Inspector, Santa Rosa, Nueva Ecija have been operating for 5 years and below, comprising 32% of the total percentage, with monthly average sales ranging from 10,000 - 15,000 (**Table 1**).

3.2. Financial Management Practices

Table 2 shows that the village dressmaking businesses never practice the proper recording with the general weighted mean of 1.56. The results were alarming knowing that records were crucial in tracking the business condition.

The overall weighted mean resulted in 1.07, which means that the village dressmaking business' perception of reporting proper practices was its irrelevance to their business which was concerning since the first step in establishing business was the registration and compliance of requirements and other regulatory permits (**Table 3**).

The overall average mean of inventory practices is the least practiced, with a result of 2.13 (**Table 4**), stated that Village dressmaking business owners lack the

knowledge and training, required to efficiently manage their inventory. They often make predictions about their inventory that can sometimes lead to the wrong quantity of stocks. They are unaware of the significance of inventory management or the best practices for inventory management.

With an average weighted mean of 2.01, resulted in the least used in budget practices (**Table 5**). Village dressmaking businesses did not know how to manage their money and did not establish budget allocations.

Table 1. Demographic profile.

	Profile	Frequency	Percentage
Years of Business Operation	5 years and below	16	32%
	6 years to 10 years	14	28%
	11 years to 15 years	10	20%
	16 years and above	10	20%
	Total	50	100%
Monthly Average Sales	5000 and below	7	14%
	5001 - 10,000	9	18%
	10,001 - 15,000	15	30%
	15,001 - 20,000	9	18%
	20,001 and above	10	20%
	Total	50	100%

Table 2. Recording practices.

STATEMENT	WM	VERBAL INTERPRETATION
I keep track and record the sales in day-to-day business operations.	1.98	Least Practiced
All of the expenses incurred in the operation of the business are recorded.	1.66	Not Practiced
I record the entire inventory in the ledger.	1.28	Not Practiced
I record all taxes, registration charges, fees, and other payables in the ledger.	1.18	Not Practiced
I keep track of all my collectibles/receivables in the book of accounts.	1.7	Not Practiced
Average Weighted Mean	1.56	Not Practiced

Table 3. Reporting practices.

STATEMENT	WM	VERBAL INTERPRETATION
In compliance with all government agencies' reporting requirements such as income tax returns and financial statements, it is submitted on time.	1.12	Not Practiced
All of the sales and earnings are reported to the government.	1.08	Not Practiced
I do or prepare all the recording and reportorial requirements from the government.	1.06	Not Practiced
We use external accountants to prepare our reports and tax returns submitted to government authorities.	1.06	Not Practiced
I claim input tax on all of the purchases of inventory.	1.04	Not Practiced
Average Weighted Mean	1.07	Not Practiced

Table 4. Inventory practices.

STATEMENT	WM	VERBAL INTERPRETATION
I set the buffer stocks for the raw materials like fabrics, sewing threads, and machine needles.	3.54	Very highly practiced
I practice the first-in and last-out inventory management systems.	2.44	Least Practiced
I conduct inventory or physical counting of stocks every day.	2.28	Least Practiced
I record all the new fabric stock purchases in a ledger.	2.14	Least Practiced
I record the inflows and outflows of the inventory manually.	1.94	Least Practiced
I project the required level of inventory of stocks needed on a regularly specified time.	1.46	Not Practiced
In order to keep track of my stocks inflows and outflows, I use technology like a Point of Sales System (POS).	1.08	Not Practiced
Average Weighted Mean	2.13	Least Practiced

Table 5. Budget practices.

STATEMENT	WM	VERBAL INTERPRETATION
I allocate a budget for regular maintenance of the equipment specifically sewing machines.	2.38	Least Practiced
I make a budgetary allocation on all the expenses that I incurred in running the business.	2.32	Least Practiced
I do not spend more than the income.	2.1	Least Practiced
I make a budget schedule of all the goods that I produce or sell.	1.88	Least Practiced
I make projections on the future operating expenses of my businesses.	1.78	Least Practiced
I make forecasts on the future demand and supply of the goods that I produce or sell.	1.6	Not Practiced
Average Weighted Mean	2.01	Least Practiced

3.3. Challenges in Financial Records

As you can see in **Table 6**, village dressmakers had a difficult time adhering to the law, especially regulations set by the Bureau of Internal Revenue (BIR). With a weighted mean of 3.92, it revealed that the village dressmaking businesses face the greatest difficulty complying to legal requirements.

Table 7 presents the proposed intervention to improve the business practices of village dressmaking to improve their livelihood. It includes the (a) Action Plan: Planning of activities; (b) Action Plan: Business licensing process; (c) Action Plan: Basic MS excel workshop; (d) Action Plan: Workshop on financial management; (e) Action Plan: Training in basic bookkeeping; (f) Action Plan: Inventory management techniques seminar. This workshop-seminar will be facilitated by the Business Administration Program with the partnerships of different local organizations in Holy Cross College, Sta. Rosa NE., Inc.

Table 6. Challenges faced by the village dressmaking business in their financial records.

STATEMENT	WM	VERBAL INTERPRETATION
Compliance of legal requirements (e.g. BIR Compliance)	3.92	Extremely Challenging
Preparation of the annual budget.	3.88	Extremely Challenging
Understanding financial record keeping.	3.82	Extremely Challenging
Implementing proper record-keeping practices.	3.77	Extremely Challenging
Recording of every financial transaction.	3.68	Extremely Challenging
Inventory monitoring of fabrics (ongoing and outgoing).	3.7	Extremely Challenging
Average Weighted Mean	3.80	Extremely Challenging

Table 7. (a) Action Plan: Planning of activities; (b) Action Plan: Business licensing process; (c) Action Plan: Basic MS excel workshop; (d) Action Plan: Workshop on financial management; (e) Action Plan: Training in basic bookkeeping; (f) Action Plan: Inventory management techniques seminar.

Action Plan							
Based on the major findings, the majority of the village dressmakers were not knowledgeable about proper financial management and practices. The goal of this proposed action plan is to equip the owner of the village dressmaking business with the financial management aspects.							
Program/ Activity	General Objectives	Department Responsible	Target Date	Resources Needed Hindrance/s		Interventions	Success indicators
(a)							
1. Planning of Activities	To help the Village Dressmaking business become more knowledgeable and able to practice proper recording, reporting, inventory, and budgeting. To help the dressmakers' business be more sustainable and for the future growth of the business.	Researchers, BA Faculty and Village Dressmakers	On-Going	Service Vehicle Barangay Officials Assistance Village Dressmakers BA Organizations and Local Council Organization (JPIA, JFINEX, YES, JMA)	Time Management Budget	Communication with Barangay Officials for Assistance and Guidance Preparing of letter of invitation for Brgy. Officials, HCC BA organization, and Local Council Organization Having an agreement with the resource speaker.	A well-proposed action plan.
(b)							
2. Business Licensing Process And BIR Registration and Compliance (Go Negosyo, BMBE Act)	To provide village dressmakers with concrete advantages and capabilities by giving them additional resources while also protecting their company legally. To discuss the importance of registered businesses (pros and cons) and help them to understand the process	Young Entrepreneurs' Society Youth Entrepreneurship Program	TBA	Service Vehicle Barangay Officials Assistance Village Dressmakers BA Organizations and Local Council Organization (JPIA, JFINEX, YES, JMA)	Time Management Budget	Giving letters and announcements ahead of time to the owners of dressmaking businesses regarding the planned seminar. Having an agreement with the resource speaker.	The owners will make it their priority to comply with the requirements of all government agencies. Government will give them financial assistance and additional resources.
(c)							
3. Business MS Excell workshop	To give the owners of the village dressmaking businesses the knowledge and abilities to manage all aspects of information, such as recording, reporting, inventory, and budgeting through MIS Excel.	Coder's Society/BATBA Organization	TBA	Service Vehicle Barangay Officials Assistance Village Dressmakers BA Organization	Time Management Laptop or Computer Resources (Lecture materials, etc.) Budget	Giving letters to Brgy. Captain and announcement ahead of time to the owners of dressmaking business regarding the planned seminar. Having an agreement with the resource speaker.	Owners of village dressmaking businesses may better manage their finances. They are better able to plan spending, keep track on income, and accurately measure cash flow.

Continued

(d)							
4. Workshop on Financial Management for Non-Accountant/ Small Business Owner	Village dressmaking business owners will have a better understanding of how to evaluate their financial records and be able to easily determine an accurate allocation of their finances for expenditures	Junior Financial Executives and Young Entrepreneurs' Society	TBA	Service Vehicle Barangay Officials Assistance Village Dressmakers BA Organizations and Local Council Organization (JPIA, JFINEX, YES, and JMA)	Time Management Budget	Giving letters and announcements ahead of time to the owners of dressmaking businesses regarding the planned seminar. Having an agreement with the resource speaker.	The business can better prepare to handle its finances, make intelligent choices, and allocate resources more efficiently. There will be an increase in profitability and sustainability.
(e)							
5. Training in Basic Bookkeeping	Train the village dressmaking business in the basic skills they will require to record the day-to-day business operations. To impart the importance of Bookkeeping.	Junior Financial Executives-HCC Chapter and Junior Philippine Institute of Accountants-HCC Chapter	TBA	Service Vehicle Barangay Officials Assistance Village Dressmakers BA Organizations and Local Council Organization (JPIA, JFINEX, YES, JMA)	Time Management Budget	Giving Letters and announcements ahead of time to the owners of dressmaking businesses regarding the planned seminar. Having an agreement with the resource speaker.	Improved operations, increased revenue, and a profitable future for the village dressmaker. Village dressmaking business owners know the basic skills of recording day-to-day business operations and managing their business finances and operations better.
(f)							
6. Inventory Management Technique	Teach dressmakers the basic know-how of managing inventory and give them knowledge on how important the different processes involved in managing your business and inventory are. Teach the village dressmakers the different techniques of inventory management.	Junior Financial Executives and YES-HCC Chapter JPIA	TBA	Service Vehicle Barangay Officials Assistance Village Dressmakers BA Organizations and Local Council Organization (JPIA, JFINEX, and YES)	Time Management Budget	Giving letters and announcements ahead of time to the owners of dressmaking businesses regarding the planned seminar. Having an agreement with the resource speaker.	Dressmakers will be more knowledgeable about managing their business and applying different techniques to inventory management.

4. Conclusion

Village dressmaking business owners in Barangay Inspector, Santa Rosa, Nueva Ecija, mostly have less than five years of business experience. They typically achieve monthly sales between 10,001 and 15,000. To support their growth, fo-

cused assistance programs could improve financial management, market access, and cost reduction. Addressing these aspects could enhance their long-term success and contribute to community economic growth.

The study in Barangay Inspector, Santa Rosa, Nueva Ecija highlighted a lack of inventory and record-keeping practices among village dressmaking business owners. This negligence can adversely affect their operations, sales tracking, profitability analysis, and decision-making. It's vital for them to adopt effective recording practices to enhance inventory management and business growth. Training and support should be provided to encourage robust record-keeping. Regarding reporting practices, numerous small businesses lack official government registration, licenses, and permits. This leads to inadequate information for reporting requirements, exempting them from financial reporting and taxes. The respondents admitted to not registering their businesses due to lack of awareness and all of the respondents are willing to undergo the training and seminars.

Most business owners prioritize buffer stocks but struggle with inventory tracking due to limited technology adoption. This can lead to inefficiencies and stock-related issues. Embracing technology can improve inventory management, tracking, and operational efficiency. Enhancing budget practices is vital for businesses to allocate funds wisely, make informed decisions, and monitor spending for overall success. Inadequate funding can lead to inefficiency and equipment issues. While forecasting challenges exist, they responsibly allocate funds for equipment maintenance, aiming to ensure longevity and effectiveness.

Due to their limited access, knowledge, and resources, the majority of respondents struggle to maintain financial records. Prioritizing financial management and looking for assistance can improve accuracy and help with decision-making, which can result in sustainable growth. Building trust, supporting decision-making, enhancing financing access, and ensuring long-term sustainability are all achieved by strengthening legal compliance and financial practices.

5. Recommendations

In accordance with the findings and conclusions regarding the financial management practices of village dressmaking business in Barangay Inspector, Santa Rosa, Nueva Ecija some recommendations are stated in the following:

- 1) The owners of the village dressmaking business are highly encouraged to attend seminars and workshops about financial management or other business-related seminars to gain knowledge and apply it in managing their business.
- 2) The financial management practices in terms of recording, reporting, inventory, and budgeting were least or not practiced, so the researchers recommend starting those practices which help the business to be more sustainable and competitive with the help of an action plan.
- 3) The dressmaking business is part of the underground economy, to get support from the government and to address their needs, the researchers rec-

commend registering their business.

4) The Barangay Officials and Local Unit should have an ordinance to help the dressmaking business (e.g. obliged them to register and provide assistance in the process). The DTI and other government agencies should increase the awareness about Go Negosyo Act, BMBE Act, etc. to encourage the owner to register their business. The registered business helps you avoid legal conflict with the government. The business will have a good reputation and will help build trust with others. It will bring bigger opportunities to the business.

5) Holy Cross College Business Administration Program in participation of school organizations (Junior Financial Executives, Coder's Society, Junior Philippine Institute of Accountants-HCC Chapter, and Young Entrepreneurs' Society) should collaborate on a community extension project with a partnership with Youth Entrepreneurship Program and DTI to provide a workshop to equip the village dressmaking business in terms of financial management practices.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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