BUSINESS MANAGEMENT AND FINANCE

Financial Choices and Business Sustainability among Small and Medium Enterprise Owners

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Abstract

This study examined the relationship between financial choices and business sustainability among small and medium enterprises (SMEs) in the Fourth District of Laguna. A convergent parallel mixed-methods design involved a survey of 120 respondents and interviews with selected business owners in Siniloan, Pangil, Pakil, Paete, and Pagsanjan. The data covered cash flow management, financial literacy, access to capital, risk management, and business sustainability. Quantitative data were analyzed using descriptive statistics and Spearman's rank correlation, while qualitative data underwent thematic analysis. Findings revealed that age was significantly associated with both financial choices and business sustainability. In contrast, sex, educational attainment, monthly business revenue, length of business operation, and nature of business were not significantly associated. Cash flow management, financial literacy, and risk management were strongly and significantly associated with business sustainability, while capital access was also significantly associated. Overall, stronger financial practices were positively associated with better business sustainability. These findings may guide SME owners in improving financial management practices and maintaining stable business operations.

Keywords: business sustainability; financial choices; cash flow management; small and medium enterprises (SMEs)

1 Introduction

Small and medium enterprises (SMEs) play an important role in economic development by generating employment, supporting local industries, and providing goods and services. However, many SMEs struggle to maintain stable operations because of financial constraints, limited resources, and changing business conditions. These challenges highlight the importance of financial choices in supporting business continuity and long-term sustainability.

Financial choices are essential in managing business resources and maintaining financial stability. Through cash flow management, financial literacy, access to capital, and risk management, SME owners can monitor financial activities, allocate resources, address financial challenges, and prepare for unexpected situations. These practices provide a basis for making informed decisions that support daily operations.

Business sustainability refers to an enterprise's ability to maintain operations over time while managing financial resources and responding to challenges. For SMEs, profitability, customer retention, operational continuity, and the ability to withstand financial difficulties are important indicators of sustainability in a competitive business environment.

However, effective financial practices do not automatically guarantee business sustainability. Although financial management has received considerable attention, further research is needed to

understand how financial choices relate to business sustainability among SME owners in the Fourth District of Laguna, where businesses may differ in resources, operations, and financial circumstances.

This study examines the relationship between financial choices and business sustainability among SME owners in Siniloan, Pangil, Pakil, Paete, and Pagsanjan, Laguna. Specifically, it assesses financial choices in cash flow management, financial literacy, capital access, and risk management; evaluates business sustainability; and determines the significant relationships among the variables, providing localized evidence on financial practices and business continuity.

2 Methods

This study employed a convergent parallel mixed-methods design to examine the relationship between financial choices and business sustainability among small and medium enterprises (SMEs). The design involved collecting and analyzing quantitative and qualitative data separately and integrating the findings during interpretation to provide a more comprehensive understanding of the research problem (Creswell and Plano Clark, 2018).

The study was conducted in five municipalities in the Fourth District of Laguna, Philippines: Siniloan, Pangil, Pakil, Paete, and Pagsanjan. The quantitative phase included 120 SME owners selected through purposive sampling. In contrast, the qualitative phase included selected SME owners who shared their experiences and strategies for managing business finances and sustaining operations.

Data were collected through a structured questionnaire using a four-point Likert scale and semi-structured interviews. Quantitative data were analyzed using frequency, percentage, rank distribution, weighted mean, the Chi-Square Test of Independence, and Spearman's rank correlation. Qualitative data were analyzed using thematic analysis, and both sets of findings were integrated to provide a comprehensive interpretation of the relationship between financial choices and business sustainability.

3 Results and discussion

3.1 Profile of the respondents

The findings showed that most respondents were aged 21–30, with males slightly outnumbering females. College graduates made up the largest group by educational attainment, followed by junior high school graduates and college-level respondents. Most enterprises earned below ₱50,000 monthly, while the largest group had operated for four to six years. Food businesses were the most represented, followed by retail stores and service businesses. These findings summarized the respondents' demographic characteristics, financial capacity, business experience, and nature of business.

Regarding business revenue, most respondents fell into the lowest revenue category, while only a few earned more than ₱250,000 monthly. The distribution of business operation periods showed that both newer and more established enterprises were represented. Overall, the findings described the respondents' age, sex, educational attainment, monthly business revenue, length of operation, and nature of business. These characteristics provided an overview of SME owners in Siniloan, Pangil, Pakil, Paete, and Pagsanjan, Laguna. They served as a basis for examining the relationship between their financial choices and business sustainability.

3.2 Extent of financial choices

The extent of financial choices in the four aspects is summarised in Table 1.

Table 1. Extent of financial choices.

Aspect	Mean	SD
Cash flow management	3.52	0.41
Financial literacy	3.45	0.25
Capital access	3.36	0.32
Risk management	3.41	0.36

Based on the results, Cash Flow Management received the highest mean score of 3.52, with a standard deviation of 0.41, indicating that respondents generally practiced good cash flow management, although their practices varied across businesses. Financial Literacy recorded the lowest standard deviation of 0.25, showing that respondents had more consistent financial knowledge. Capital Access had a mean of 3.36 and a standard deviation of 0.32, while Risk Management obtained a mean of 3.41 and a standard deviation of 0.36. Overall, the results show that financial choices among SME owners were practiced to a great extent.

The extent of financial choices in terms of cash flow management is shown in Table 2.

Table 2. Cash flow management.

Statement	Weighted Mean	Interpretation
I...		
1. Regularly review my cash flow reports before making major financial decisions.	3.53	Strongly Agree
2. Prepare and follow a budget for my business expenses.	3.51	Strongly Agree
3. Maintain enough cash to support daily business operations.	3.56	Strongly Agree
4. Properly record all business income and expenses.	3.52	Strongly Agree
5. Set aside emergency funds for unexpected business needs.	3.48	Strongly Agree
Overall	3.52	To a Great Extent

Table 2 shows the extent of cash flow management among SME owners. The highest mean (3.56) indicates that respondents maintain enough cash to support daily business operations. The second-highest mean (3.53) highlights the importance of regularly reviewing cash flow reports before making major financial decisions. Other practices, such as recording business income and expenses (3.52) and preparing and following a budget (3.51), also contribute to effective cash flow management. The lowest mean (3.48) indicates that setting aside emergency funds remains the least practiced among the listed items. Overall, the mean of 3.52 suggests that cash flow management is practiced to a great extent among SMEs.

The extent of financial choices in terms of financial literacy is shown in Table 3.

Table 3. Financial literacy.

Statement	Weighted Mean	Interpretation
I...		
1. Understand basic financial concepts such as budgeting, saving, and borrowing.	3.48	Strongly Agree
2. Analyze the financial condition of my business before making decisions.	3.43	Strongly Agree
3. Compare different financial options before making a choice.	3.43	Strongly Agree
4. Seek financial advice when making important business decisions.	3.40	Strongly Agree
5. Understand the risks and benefits of loans or investments.	3.49	Strongly Agree
Overall	3.45	To a Great Extent

Table 3 shows the extent of financial literacy among SME owners. The highest mean (3.49) indicates that respondents understand the risks and benefits of loans or investments. Understanding basic financial concepts such as budgeting, saving, and borrowing ranked second, with a mean of 3.48, highlighting the importance of financial knowledge in business decisions.

Analyzing the business's financial condition received a mean of 3.43, reflecting the value of assessing financial information before making decisions. Meanwhile, seeking financial advice obtained the lowest mean of 3.40, indicating that this practice is comparatively less emphasized among respondents. Overall, the mean of 3.45 suggests that financial literacy is practiced to a great extent among SMEs.

The extent of financial choices in terms of capital access is shown in Table 4.

Table 4. Capital access.

Statement	Weighted Mean	Interpretation
I...		
1. I am aware of government financial assistance programs available for SMEs.	3.26	Strongly Agree
2. Apply for loans or financial assistance when needed.	3.36	Strongly Agree
3. Use personal savings as one of the sources of my business capital.	3.44	Strongly Agree
4. Can access financial support from banks, lenders, or relatives when needed.	3.33	Strongly Agree
5. Have sufficient capital to maintain, improve, or expand my business.	3.42	Strongly Agree
Overall	3.36	To a Great Extent

Table 4 shows the extent of capital access among SME owners. The highest mean (3.44) indicates that respondents use personal savings as a source of business capital. Having sufficient capital to maintain, improve, or expand their businesses ranked second, with a mean of 3.42, highlighting the importance of financial resources for business operations. Applying for loans or financial assistance

received a mean of 3.36, while accessing financial support from banks, lenders, or relatives obtained a mean of 3.33. Awareness of government financial assistance programs had the lowest mean (3.26), indicating an area for improvement. Overall, the reported mean of 3.36 suggests that capital access is practiced to a great extent among SMEs.

The extent of financial choices in terms of risk management is shown in Table 5.

Table 5. Risk management.

Statement	Weighted Mean	Interpretation
I...		
1. Maintain an emergency fund for unexpected business expenses.	3.44	Strongly Agree
2. Obtain appropriate insurance coverage to protect my business from financial losses.	3.35	Strongly Agree
3. Prepare contingency plans for emergencies or unexpected business disruptions.	3.38	Strongly Agree
4. Regularly identify financial risks that may affect business operations.	3.41	Strongly Agree
5. Implement disaster preparedness measures to reduce the impact of natural or unexpected events on the business.	3.47	Strongly Agree
Overall	3.41	To a Great Extent

Table 5 presents the findings on risk management among SME owners. Implementing disaster preparedness measures to reduce the impact of natural or unexpected events obtained the highest mean of 3.47, highlighting the importance of preparing for potential disruptions. Maintaining an emergency fund for unexpected business expenses followed with a mean of 3.44, while regularly identifying financial risks received 3.41. Preparing contingency plans for emergencies or unexpected business disruptions had a mean of 3.38, while obtaining appropriate insurance coverage had the lowest mean of 3.35. The overall mean of 3.41 indicates that respondents practice risk management to a great extent.

The statements below were gathered from SME owners during the interview on how their financial choices contributed to the sustainability of their businesses. Five SME owners participated in the semi-structured interviews. Data saturation was reached when no substantially new themes emerged from the interviews.

- **BO1:** Emphasized that building strong customer relationships and consistently saving a portion of daily earnings are the key financial choices that support the stability and long-term sustainability of the business.
- **BO2:** Shared that regularly saving money and managing business finances with discipline helps the business remain stable despite unexpected challenges.
- **BO3:** Explained that keeping accurate financial records and applying experience-based financial knowledge help the business owner make informed financial decisions that support business sustainability.
- **BO4:** Believed that practicing financial discipline by saving and avoiding unnecessary expenses helps the business stay financially prepared and continue operating successfully over time.

- **BO5:** Stated that budgeting business earnings and prioritizing quality materials help the business maintain product quality while supporting long-term sustainability.

The findings showed that SME owners generally recognized the importance of financial decision-making in maintaining business sustainability. The dimension had a weighted mean of 3.43, with 3.56 receiving the highest rating and 3.26 the lowest. The highest-rated indicator suggested that respondents placed particular importance on maintaining sufficient cash to support daily business operations. In contrast, the lowest-rated indicator indicated that respondents had relatively less awareness of government financial assistance programs available for SMEs.

3.3 Level of business sustainability

The level of business sustainability among the small and medium enterprise owners is shown in Table 6.

Table 6. Level of business sustainability among small and medium enterprise owners.

Statement	Weighted Mean	Interpretation
1. Generate enough profit to support business operations.	3.61	Strongly Agree
2. Maintain profitability over a long period of time.	3.58	Strongly Agree
3. Continue operating despite financial challenges.	3.44	Strongly Agree
4. Maintain a steady flow of products or services during normal business operations.	3.53	Strongly Agree
5. Continue attracting and retaining customers over time.	3.60	Strongly Agree
6. Maintain good customer satisfaction to encourage repeat business.	3.66	Strongly Agree
7. Continue operating during emergencies or difficult situations.	3.38	Strongly Agree
8. Recover from unexpected business disruptions within a reasonable period.	3.48	Strongly Agree
9. Adapt to changes in the market to remain competitive.	3.56	Strongly Agree
10. Improve products, services, or business operations to meet customer needs.	3.54	Strongly Agree

The findings indicated that respondents generally viewed business sustainability favorably. Customer satisfaction received the highest assessment, emphasizing the importance of maintaining good customer relationships and encouraging repeat business. Respondents also highly valued profitability, customer retention, and adaptability, highlighting the need for stable financial performance and continuous improvement.

Meanwhile, continuing business operations during emergencies received the lowest assessment, suggesting opportunities to improve preparedness and business continuity. Overall, profitability,

customer satisfaction, operational stability, and adaptability were important considerations in sustaining SME operations.

Concerning the level of enterprise performance, the following statements were gathered from the business owners during the interviews:

- **BO1:** Maintains financial stability through reliable income, budgeting, and consistent business operations.
- **BO2:** Supports daily needs through regular income, careful spending, and continued business efforts.
- **BO3:** Manages financial needs through product diversification, savings, and effective financial practices.
- **BO4:** Provides financial stability through business reputation, market presence, quality products, and control over decision-making.
- **BO5:** Manages daily expenses through steady income, adapts to market trends, and supports financial freedom.

Insights from SME owners highlighted the importance of reliable income, budgeting, careful spending, savings, and consistent operations in maintaining enterprise performance. BO3 emphasized product diversification, while BO4 highlighted business reputation and quality products. BO5 stressed the value of steady income and adapting to market trends. These findings align with Lamatao and Sanchez (2025), who emphasized the role of effective financial practices in supporting business performance.

3.4 Relationship between the profile of the respondents and the extent of financial choices

The relationship between the profile of the respondents and the extent of financial choices is shown in Table 7.

Table 7. Relationship between the profile of the respondents and the extent of financial choices.

Variable	*p*-value	Relationship
Age	0.016	Significant
Sex	0.255	Not significant
Educational attainment	0.647	Not significant
Monthly business revenue	0.725	Not significant
Length of business operation	0.590	Not significant
Nature of business	0.272	Not significant

The findings revealed that age was statistically significantly related to the extent of financial choices. At the same time, sex, educational attainment, monthly business revenue, length of business operation, and nature of business showed no significant relationship. This indicates that financial choices varied by age, while the other respondent characteristics were not significantly associated with financial practices. These findings may be discussed alongside Fong et al. (2021), who highlighted factors related to financial management and SME performance.

3.5 Relationship between the profile of the respondents and the level of business sustainability

The relationship between the profile of the respondents and the level of business sustainability is shown in Table 8.

Table 8. Relationship between the profile of the respondents and the level of business sustainability among small and medium enterprise owners.

Variable	*p*-value	Relationship
Age	0.091	Not significant
Sex	0.300	Not significant
Educational attainment	0.722	Not significant
Monthly business revenue	0.078	Not significant
Length of business operation	0.360	Not significant
Nature of business	0.079	Not significant

The findings revealed no statistically significant relationships between the respondents' profiles and their level of business sustainability. Age, sex, educational attainment, monthly business revenue, length of business operation, and nature of business were not significantly associated with sustainability. This suggests that SME owners with different personal and business backgrounds reported comparable sustainability levels. Overall, effective financial management, proper resource utilization, and sound business practices may play important roles in supporting business sustainability.

3.6 Relationship between financial choices and business sustainability

The relationship between the extent of financial choices and the level of business sustainability is shown in Table 9.

Table 9. Relationship between the extent of financial choices and the level of business sustainability among small and medium enterprise owners.

Variable	Spearman's rho	*p*-value	Relationship
Cash flow management	0.478	<0.001	Highly significant
Financial literacy	0.384	<0.001	Highly significant
Capital access	0.199	0.029	Highly significant
Risk management	0.435	<0.001	Highly significant

The inferential findings presented in Table 9 indicate that cash flow management, financial literacy, capital access, and risk management are significantly and positively related to business sustainability among small and medium enterprise owners in the Fourth District of Laguna. Cash flow management demonstrated the strongest statistical relationship ($\rho = 0.478$, $p < 0.001$), followed by risk management ($\rho = 0.435$, $p < 0.001$) and financial literacy ($\rho = 0.384$, $p < 0.001$). Capital access also displayed a statistically significant association ($\rho = 0.199$, $p = 0.029$). These localized empirical findings highlight the critical importance of maintaining structured cash tracking, executing data-driven financial choices, securing diversified operational capital, and establishing pro-active emergency buffer systems. Ultimately, the data confirms that a more robust framework of daily financial practices yields a predictably higher capacity for long-term business sustainability among regional SMEs.

4 Conclusion

Based on the analysis and interpretation of the findings, the study arrived at the following conclusions:

1. The respondents were predominantly 21–30 years old, male, and college graduates. Most had monthly business revenue below ₱50,000, operated their businesses for 4–6 years, and were in the food business. These findings show that the study covered SME owners with varied business and demographic characteristics.
2. The SME owners demonstrated a great extent of financial choice practices, particularly in maintaining sufficient cash, reviewing cash flow reports, and recording income and expenses. These findings indicate that respondents prioritized proper financial management, although awareness of government financial assistance programs remained an area for improvement.
3. Business sustainability was generally high, particularly in customer satisfaction, profitability, and customer retention. However, ratings for continuing operations during emergencies and financial challenges were lower. These findings highlight the importance of strengthening business preparedness to maintain continuous operations.

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