SOURCES OF CAPITAL AND FINANCIAL MANAGEMENT PRACTICES OF SELECTED SMALL AND MEDIUM ENTERPRISES IN CAVITE

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ABSTRACT

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A study was conducted to determine the sources of capital and the degree of implementation of financial management practices of Small and Medium Enterprises (SMEs) in selected areas of Cavite. Specifically, the study aimed to determine the business characteristics of SMEs, identify the sources of capital of SME owners, determine the degree of implementation of financial management practices of SMEs, identify the relationship between the business characteristics and financial management practices of SMEs, and identify the problems encountered in the acquisition of capital of SME owners.

The study covered the towns of Dasmariñas City, Bacoor, Imus, Silang, General Trias, and Trece Martires City from which a total of 100 respondents were purposively selected and used.

Descriptive analysis, frequency and percentage were used in presenting the business characteristics and sources of capital of SMEs. To facilitate the degree of implementation of the financial management practices, median was used. Ranking based on frequency distribution was used to present the problems encountered by the SME owners in the acquisition of capital. To determine the relationship between SMEs' business characteristics and the degree of implementation of financial management practices, Chi-square test was used.

The study revealed that majority of the entrepreneurs were solely operating their enterprise. Most of them engaged in service industry with a starting capital of PhP1,000,000 and below. More than one half of the respondents were new to the industry with most of them in business for at most five years. They normally hire few employees ranging from one to ten.

The main sources of capital of most entrepreneurs were their own personal/ family savings. The manufacturing industry had the lowest degree of implementation of financial management practices.

There is a significant relationship between form of ownership and financial reporting and analysis. The initialization capital is related to accounting information system, financial reporting and analysis, cash management system, fixed assets management and financial planning.

Obtaining capital was not really a problem of entrepreneurs because most of them use their own savings as capital. High interest rate was the most common problem encountered by entrepreneurs in obtaining capital.

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