

**FINANCIAL SUSTAINABILITY OF LOCAL COFFEE
SHOPS IN CAVITE**

THESIS

**ELISA JANE S. PARAGELE
KRISTEL MAE P. RAYA**

College of Economics, Management and Development Studies

CAVITE STATE UNIVERSITY

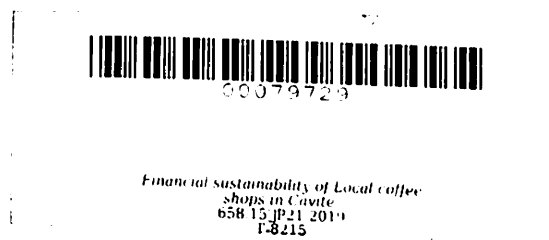
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ELISA JANE S. PARAGELE
KRISTEL MAE P. RAYA
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ABSTRACT

PARAGELE, ELISA JANE S., and RAYA, KRISTEL MAE P. Financial Sustainability of Local Coffee Shop in Cavite. Undergraduate Thesis. Bachelor of Science in Business Management major in Financial Management. Cavite State University, Indang, Cavite. May 2019, Adviser: Prof. Rowena R. Noceda.

The study was conducted to determine the financial sustainability of local coffee shop in Cavite. It aimed to determine the following: (1) business profile of local coffee in Cavite; (2) financial performance of local coffee shop using activity ratio in terms of inventory turnover ratio and asset turnover ratio; (3) financial sustainability of local coffee shop in terms of current ratio, operating ratio, rent to sales ratio and debt ratio; (4) profitability of local coffee shop in terms of net profit margin, gross profit margin and operating profit margin; (5) relationship between business profile and financial sustainability of local coffee shops in Cavite; (6) relationship between business profile and profitability of local coffee shops in Cavite; and, (7) relationship between financial sustainability and profitability of local coffee shops in Cavite.

The participants of the study were 46 local coffee shop in Cavite, upon conducting the study, eleven percent or 5 local coffee shops were already closed while seven percent or 3 local coffee shop expanded their business into restaurants. Twenty-one percent or 10 local coffee shops did not participate in the study while 28 local coffee shop or 61 percent participated in the study.

A survey questionnaire was used to gather data from the participants. Mean, frequency and percentage were used to interpret the business profile, financial performance, financial sustainability and profitability of local coffee shop in Cavite. In determining the relationship between business profile and financial sustainability, relationship between business profile and profitability and relationship between financial sustainability and profitability, Pearson correlation was used.

Based on the results of the study, 55 percent of local coffee shop had been in operation for two years; 40 percent of local coffee shop had an employee ranges from

1-6; 70 percent of the participants were sole proprietorship; 60 percent of the local coffee shop were renting their business place; and 60 percent of local coffee shop were operating for the whole week.

The average inventory of local coffee shop in Cavite for the year 2017 and 2018 is considered high compare to the industry average, it shows that the inventory turnover ratio of local coffee shops in Cavite is improving and higher compare to the industry's average. Meanwhile, the average asset turnover ratio of local coffee shop is higher than the industry average it is also considered as high.

Based on the results of the study, the local coffee shops in Cavite were financially sustainable in terms of current ratio, operating ratio and debt ratio. However, it showed that the local coffee shop is not financially sustainable in terms of rent to sales ratio.

The local coffee shops in Cavite has an average net profit margin of -0.23 and -0.25, gross profit margin of 0.43 and 0.46 and an operating profit margin of -0.13 and -0.15 for the year 2017 and 2018. It shows that the average profitability of local coffee shop in Cavite is lower than the industry average.

The study revealed that there was a significant relationship between business profile in terms of years of operation and financial sustainability in terms of debt ratio. Meanwhile, the study found out that there was no significant between business profile and profitability in terms of net profit margin, gross profit margin and operating profit margin.

Furthermore, the study shows that there was a significant relationship between current ratio of 2017 and operating ratio to the profitability in terms of net profit margin and operating profit margin. Rent to sales ratio affect the overall profitability of local coffee shop, also the result shows that there was a significant relationship between debt ratio of 2017 and profitability in terms of gross profit margin.

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Elisa Jane S. Paragele
Kristel Mae P. Raya

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INTRODUCTION

Coffee is believed to be one of the main sought commodities in the Philippines traded in the national market (Rotairo, 2014). According to Business Mirror (2013), coffee is grown in 50 countries along the equatorial zone called "The Bean Belt," located between latitudes 25 degrees north and 30 degrees south where Philippines lies within. Due to this favorable location, although tropical, Philippines produces four varieties of coffee namely; Robusta, Arabica, Excelsa and Liberica (Business Mirror, 2013). Data of Philippine Statistic Authority (PSA) showed that Robusta coffee variety was the most produced at 59 percent followed by Arabica and Excelsa at 26.7 percent and 13.6 percent, respectively. Liberica variety was recorded at only 0.7 percent. As of now, the largest coffee-producing region was SOCCSKSARGEN followed by Davao Region and Autonomous Region in Muslim Mindanao (ARMM). As a coffee producing country and with drinking coffee population prompted the birth of coffee shops.

Coffee shops play a vital role in the development of sociability of people in the community. It is an establishment focused on serving coffee, tea, sandwiches, and other light snacks, such as muffins, desserts, soups and pastries. Coffee shops or sometimes called cafés have been a favorite venue for meet ups with friends, do some