FINEX JOURNAL

VOLUME 3 | DECEMBER 2022

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Published in the Philippines by
Financial Executives Institute of the Philippines (FINEX)
Roberto F. De Ocampo Center for Financial Excellence
Unit 1901, 19/F, 139 Corporate Center
Valero Street, Salcedo Village, Makati City
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Fax: (+632) 8811-4185
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PRINTED IN THE PHILIPPINES

ABOUT

FINEX Research and Development Foundation, Inc.

FINEX Foundation is the social arm of FINEX that supports research and development programs and projects in financial and business management, information technology, and other related fields of endeavor.

FINEX Journal

FINEX Journal is a publication of the FINEX Foundation's Research Committee that is available online and printed copies. This journal is committed to publishing research articles on areas of finance and other topics that are relevant and timely.

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FOREWORD

The FINEX Journal is now on its third edition and we are happy to put together articles that are very relevant in today's emerging business environment. This edition focuses on the emerging role of CFOs in enterprise risk management and driving business growth. A valuable insight in the importance of the financial and business resiliency for SMEs, and the importance of financial literacy in the academe completes this third edition.

On behalf of the Committee members, our Liason Director Romeo L. Bernardo, we are very thankful to the authors of the articles for sharing their experiences, insights and research results to make this edition a success.

Romeo B. Bachoco
Chairman, Research Committee

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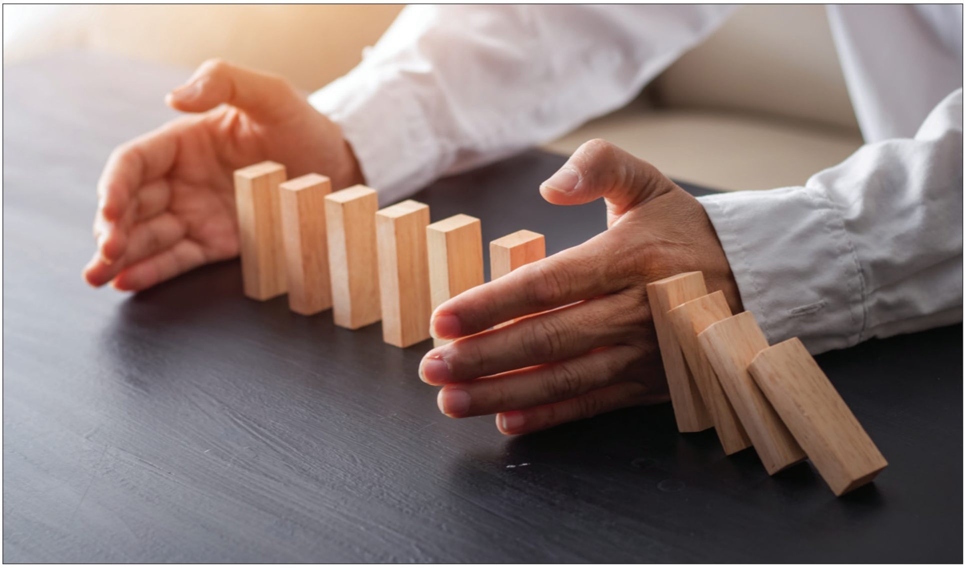

THE CFO AND ENTERPRISE RISK MANAGEMENT IN TIMES OF BUSINESS UNCERTAINTY AND VOLATILITY

Leonardo J Matignas , Jr.

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Former Consulting Partner- SGV and EY's ASEAN Risk Management Leader

Independent Director, PNB Holdings Corporation

As the business environment poses new challenges brought about by new technology and regulations, organizations should be at the forefront of all these dynamic changes and be able to anticipate emerging business models in the sector where they belong and the markets that they play. The speed of change is no longer business as usual but business unusual as there are unexplored or unchartered territories that can easily change the landscape of the competition or the mandate given to an organization.

In response to the emerging trends in the business environment, there are uncertainties that organizations should learn how to navigate and, more importantly, address, before they can impact the organization. And this is where we will begin our discussion on Risk Management, particularly the leading process of managing risks, which is referred to as Enterprise Risk Management (ERM).

Business Risks

Risk is defined as any event or anything that will prevent the organization from achieving its business objectives or the effective execution of its strategies to achieve those objectives. These are the uncertainties that are obstacles to company from attaining its desired outcome. A desired outcome usually provides the company the opportunity to create value for its various stakeholders. Accordingly, companies take risks when they see that there are opportunities that they want to seize and, to some extent, exploit to create value. In most instances, the greater the value of the desired outcome, the higher the risks that can hinder reaping the desired fruits.

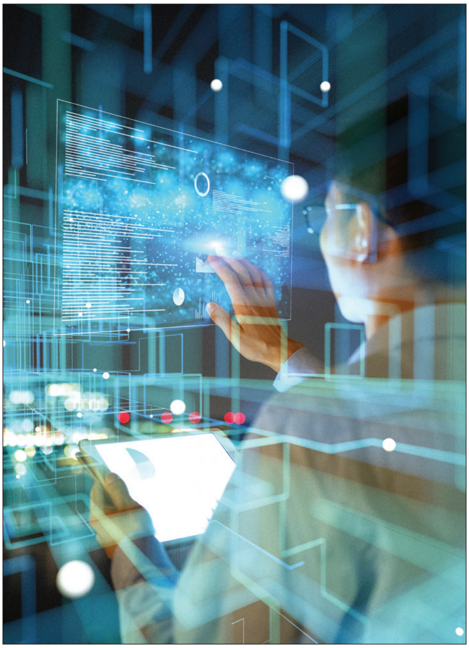
Enterprise Risk Management

ERM is one of the most critical enablers of good governance. It allows the organization to avoid surprises and provides a process that is efficient and effective. ERM is a highly integrated, cross-functional, holistic, and collaborative approach to managing risks to enable the company to execute its strategies successfully to get to desired outcomes or business objectives. Applying the traditional silo approach simply often results in redundancy and wasted resources as different operational and functional units inadvertently target the same risks.

A simple example to demonstrate the benefit of ERM is when the company manages its customer satisfaction risk. As we all know, customer is king and losing customers to competitors is a big NO. Managing this risk is usually under the purview of the customer care unit (CCU) or customer relations group (CRG). However, if one analyzes what may have caused this risk to happen, one would note that most of the risk owners are not from CCU or CRG. If the dissatisfaction of the customer is caused by erroneous billing, then people from finance should prepare the bill correctly. Or if the customer dissatisfaction is due to the poor quality of the product or services, then people from quality control, as well as production, should ensure that quality standards are maintained before they get to the customer. If the complaint is from delayed delivery or product installation, then people from logistics (including third party providers) should be part of managing this risk. In conclusion, anyone who will be exposed to a particular type of risk should be part of managing that risk. For some risks, it may be a group of risk owners led by the risk leader for that particular risk.

The Risk Management Executive Team

In an article that I wrote in Business World last February 19, 2022, "The CEO as the overall risk executive," I discussed the critical role that the CEO plays in managing the risks of the organization. Being at the helm of the enterprise, it is equally important that he is supported by an active and capable executive team. His team is usually referred to as the risk management executive team (RMET). In most companies,



this could be the management committee or the executive committee. Oftentimes, the RMET is composed of the following:

- Chief Financial Officer (CFO) - for financial risks
- Chief Operating Officer (COO) - for operational risks
- Chief Information Officer (CIO) - for IT risks
- Chief Legal Officer (CLO) - for legal risks
- Compliance Officers (CO) - for regulatory and compliance risks
- Chief Innovation Officers (CinO) - for new and emerging risks related to markets and competition
- Other key executives who are critical in identifying and managing uncertainties.

Another critical role which is now more visible is that of the Chief Risk Officer (CRO) or its equivalent. The CRO is usually part of the RMET unless the board requires the CRO to functionally report to the Board Risk Oversight Committee (BROC) directly and to the CEO for administrative requirements. Another factor to consider is the sector to which the company belongs as there can be some regulations in the area of reporting protocols.

There is a misconception that the CRO, which should ideally be a full-time role, is the owner of all the risks in the organization. The reality is that the CRO does not own any risk except for the failure of the ERM process, making the CRO the owner of this process, but not the business risks. It is important to note that the function/process owners (i.e., CFO, CIO, CLO, among others) are actually the respective owners of the risks within their purview.

The CRO's primary role is to make sure that all the members of the RMET, who are co-owners of the risks, are working together as a highly integrated, collaborative, and cross-functional team. Let us liken the CRO to a conductor of an orchestra, whose job is to ensure that all the different instruments and performers come together into a harmonious whole. As most of the risks are interrelated and have interdependencies, business risks should not be managed in silos to better maximize the resources needed to manage them. This also ensures that no critical risks fall between the cracks.

The CFO as the CRO

Though not ideal, some companies opt not to hire a full-time CRO if they believe that they are not facing complex business risks, or they are already advanced in their risk maturity level, and/or if it is not required by regulators.

If the company opts not to hire a full-time CRO, it is usually the CFO taking on this role, as can be seen from the officer listings on the websites of some publicly-listed companies. However, before deciding on this, there should be a discussion with the board, particularly the BROC, on the rationale behind why there is no need to hire a full-time CRO.

You may ask, "why the CFO?" The CFO is usually appointed because of the following reasons:
1. The CFO works with almost all business and functional units. The performance of these business and functional units land in the CFO's financial records. So technically, this role is not new to him or her as the CFO's role likewise calls for collaboration, communication and integration.
2. The CFO can immediately sense the impact of a particular risk, if not managed well, on the financial health of the organization, whether immediate or a few years down the road. Accordingly, the CFO will make sure that proper resources are provided to those risks that matter.
3. The CFO can contribute to the discussion of setting up the risk appetite, risk tolerance and related parameters as most of them deal with financial thresholds.

Again, this set up is not ideal as this, in effect, is double-hatting and may also present a certain degree of conflict, if not executed well.

With the CFO as the CRO, he or she will have to take on the roles recommended and explained by the Philippine Securities and Exchange Commission (SEC) in its Memorandum Circular No. 19, Series of 2016 discussing the Code of Corporate Governance for Publicly-Listed Companies.

The SEC Code discussed the roles of the CRO in its recommendation as part of principle 12 as shown below:

Recommendation 12.5
In managing the company's Risk Management System, the company should have a Chief Risk Officer (CRO), who is the ultimate champion of

Enterprise Risk Management (ERM) and has adequate authority, stature, resources, and support to fulfill his/her responsibilities, subject to a company's size, risk profile, and complexity of operations.

Explanation

The CRO has the following functions, among others:

a. *Supervises the entire ERM process and spearheads the development, implementation; maintenance, and continuous improvement of ERM processes and documentation;*
b. *Communicates the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;*
c. *Collaborates with the CEO in updating and making recommendations to the Board Risk Oversight Committee;*
d. *Suggests ERM policies and related guidance, as may be needed; and*
e. *Provides insights on the following:*
    - *Risk management processes are performing as intended;*
    - *Risk measures reported are continuously reviewed by risk owners for effectiveness; and*
    - *Established risk management policies and procedures are being complied with. There should be clear communication between the Board Risk Oversight Committee and the CRO.*

The above functions will have to be performed by the CFO in addition to managing the risks he or she is directly responsible for as a risk leader. Also, the above recommendations and explanations are not just applicable to PLCs but to any organization starting its ERM journey.

ERM and Business Continuity Management (BCM)

One of the risks that is now considered as a separate category in the risk universe is business interruption risks or those risks that may cause disruption in operations or may even cause the company to fail in creating value. The risks in this category may include cybersecurity, talent recruitment, talent retention, natural disasters, man-made disasters, IT security, performance of plant and equipment, physical security, pandemics, and so on.

There are risks that are certain to happen like earthquake, flood, typhoon, etc., but the uncertainty for these events is in the timing-- or when they will hit the organization. That is the reason why a good risk management strategy to address this is to come up with a business continuity plan (or now more commonly called as business continuity management). In these situations, you place yourself in crisis mode and develop action plans to mitigate the impact of the consequences of these risks. That is why we have earthquake drills, fire drills, offsite back-up of IT operations, etc.

An effective BCM also includes a risk assessment that discusses the level of impact should the specific business interruption risk occur.

Again, the CFO (who may also be the CRO) will also play a critical role in the development of a business continuity plan that articulates the company's business continuity management activities.

[This article is partly taken from the book "*A Practical Approach to Enterprise Risk Management*" (the first ERM book written by a Filipino author) and the article in the Business World, "*The CEO as the overall risk executive*," both written by Leonardo J Matignas, Jr.]

RECALIBRATING THE ROLES OF THE CFO: FROM THE LENS OF THE BOARD

Sherisa P. Nuesa
2008 ING-FINEX CFO of the Year Awardee

In a country and a world constantly tested by upheaval, we often wonder what it takes for the businesses we run to survive, and most of all, what a chief finance officer can do to help steer the company's path. Throughout two decades, as CFO and then, as a director serving some of the Philippines' largest companies, I, and other seasoned CFO colleagues whom I had the privilege of working with in my boards, share a common thread. We all held steadfast to our most valuable survival tool: strategic insight. This means an intimate knowledge of the business—what drives it, what determines its future, and what shapes its direction. Boards expect CFOs to use strategic insight as well to identify and manage the company's risks, even when there is a separate Chief Risk Officer, so they can better navigate the business through crises and prepare it to survive and thrive in the future.

When I assumed the role of Manila Water Company (MWC)'s CFO in 2000, the region was still reeling from the 1997 Asian financial crisis. It did not help that a severe El Niño compounded the effect of the then huge system losses, inherited upon turnover of the water services from the government to private enterprise. Both of Metro Manila's newly-minted water concessionaires had modest track records and did not hold title to the operating assets (ownership still retained by the government agency), thus making borrowing to fund MWC's significant capital expenditure requirements even more difficult.

The company had to power through the stark circumstances we faced. To secure financing, I worked with local banks to weave innovative terms into our loans. Equally immersed in operations, I also headed the Bid and Capex Committee, which ensured fund support for the aggressive pipe replacement program, as well as a task force on cost reduction and a project team for MWC's expansion into Cebu. Soon, we engineered a significant turnaround. With the entire management team's eagle-eye focus, we reduced the system losses and significantly increased operating efficiency across the company. I brought in international loans from several institutions, including DEG, Germany's development bank, and the International Finance Corporation (IFC), as both lender and equity partner. This flurry of activity in the financial markets was capped by Manila Water's highly successful initial public offering (IPO) in 2005, the first international IPO in the country after the Asian crisis. The fresh funds also enabled our strategic expansion to several provinces, and soon to Vietnam.

In January 2009, amidst the Global Financial Crisis, Ayala transferred me to Integrated Micro-electronics, Inc. (IMI), again dealing with an industry among those badly hit. The company was then incurring losses and laying off workers. My finance team focused on cash cycles and tightened operating reviews across IMI's operations throughout the globe, including at our plants in China. By mid-year, the company's bottom line reversed into a profit, posting US$10 million by year end. The following year, in 2010, I also co-led IMI's IPO, a listing by way of introduction, which was extremely well-received by the market.

Today, I am a Board Director of both Manila Water and IMI, which continue to reap governance awards.

From a board perspective, and in more current times, I have been privileged to work with several seasoned CFOs. In helping shape a company's strategy right in the pandemic era, I would cite the notable contributions of Ma. Corazon Dizon of ACEN Corporation. As CFO, amidst the volatility caused by the COVID-19 pandemic, Cora has both initiated and co-headed several strategic financial and financing initiatives, that included two rounds of sustainability bonds, a stock rights offering, a follow-on offering, and the entry of a major equity investor, GIC Private Ltd, Singapore's sovereign wealth fund. Furthermore, Cora is part of the Business Development/Mergers and Acquisitions team that has embarked on a remarkable expansion in the renewable energy space, helping drive ACEN's market value from ₱17 billion at acquisition in 2019 to ₱323 billion in mid-July 2022, and propelling the company to the blue-chip Philippine Stock Exchange 30 (PSEI) and MSCI Philippines main indices.

In ensuring financial strength during the crisis, I would give high points to Ayala Land CFO Augusto (Toti) Bengzon, who closed the issuance of several corporate bonds and co-piloted the launch of the country's first REIT. Ayala Land AREIT's IPO in August 2020 became highly oversubscribed amidst the then shaky financial and property markets.

Both Cora and Toti are solid examples of the CFO being a pillar to the CEO and the leadership team, as well as to the Board.

The themes from my experiences and those of my colleagues still resonate up to now. As a Board Director, I believe that the CFO must be the CEO's partner in these key non-traditional areas – first, as the co-pilot in strategy pivot or resilience, and in better execution, and second, as the navigator who will help the leadership team in crisis response or in risk management, which has evolved into a key strategic tool. Truly, in crafting and analyzing the business blueprint, a company—whether it is expanding, contracting, or reengineering—must dissect related threats or impediments.

Furthermore, a CFO should take on the role of an advocate in preparing the organization for what lies beyond. CFOs can help shape the organization's medium to long-term direction, even as the present environment remains fraught with the lingering effects of health predicaments, geopolitical disturbances, financial market turmoil, and supply chain shocks. The CFO should be at the forefront in mounting a recovery or a shift to a growth mode, and this forward thinking or visionary planning comes only with a CFO's good wiring within the business, as well as in the pertinent industry and markets.

Indeed, the CFO role has evolved; it continues to be challenging, multi-faceted, and complex. Above all, he or she should be able to adapt to the ever-shifting landscape, rise through the myriad of obstacles in trying times, and help lead the organization survive and thrive in an ambiguous future.

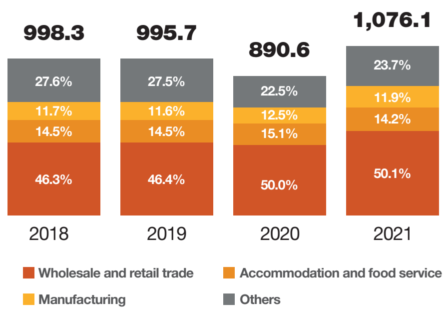
SETTING UP MSMES FOR RECOVERY AND GROWTH: A GUIDE TO FINANCIAL AND BUSINESS RESILIENCY

Janesse G. Dorado and Leilani R. Layug
PwC Philippines

MSMEs AND ITS CRITICAL ROLE IN THE ECONOMY

Micro, small and medium enterprises (MSMEs) can be considered the most critical economic sector in the Philippines as they account for 99.6% of businesses and contribute to nearly two-thirds of the country's employment. Throughout the past four years, three key industries, namely: wholesale and retail trade, accommodation and food service, and manufacturing have captured the biggest share (~70%) in terms of number of establishments.

Number of MSME establishments per industry
units in thousands, except percentages



Source: Philippine Statistics Authority

However, two other industries are notably experiencing high growth in the recent years:

Transport and storage
CAGR: 7.4%

Real estate
CAGR: 6.1%

Despite being integral to the Philippine economy, MSMEs experience low productivity and efficiency due to three key elements.

Market access
The country's poor infrastructure (e.g. transportation, communication) poses a major hindrance in accessing the market and the value chain.

- Transport infrastructure is limited considering the archipelagic state – preventing growth of businesses in remote areas and isolating considerably larger markets.
- Poor communication infrastructure in remote regions is a major challenge in maximizing opportunities in the e-commerce space.

Technical knowledge
Low level of business research and development (R&D) expenses, coupled with human resource constraints (e.g. job mismatch) contribute to slowdown in growth of many MSMEs. The lack of experience and knowledge of owners in dynamic sectors may render their skills obsolete if they can't adapt to the rapidly changing business environment.

Access to financing
Most banks and lenders prefer allocating their resources to larger firms due to lower risk of default and more clear-cut financial information.

Business closure during the pandemic

76.4%	71.6%	71.3%
Small enterprises	Medium enterprises	Micro enterprises

Impact of COVID-19 pandemic on MSMEs

Already faced with day-to-day challenges, many businesses faced bigger hurdles brought about by the unprecedented COVID-19 pandemic.

Although large companies were not spared, the financially fragile and smaller entities in MSMEs became more vulnerable to the adverse impacts of the pandemic. Based on a report by Asian Development Bank Institute (ADBI), 73.1% of MSMEs on the average were forced to temporarily shut down their operations upon the virus outbreak in March 2020. It was mainly to comply with government regulation and/or due to low to zero revenues as they operate below capacity. The impact was more prominent among small enterprises and those in the services sector. The closure of establishments directly impacts the Philippine economy since the country is consumption- and service-driven.

In fact, based on the PwC MAP 2021 CEO survey, 70% of CEOs believe that their average daily sales decline by at least 10% each time there is an imposed strict lockdown. Profits, productivity, employee and customer count, and utilization likewise decline each time the government puts regions under community restrictions.

Furthermore, the economic growth forecast for developing Asia is downgraded from 7.0% in 2021 to 5.3% in 2022 according to the Asian Development Outlook Supplement (December 2021).

To alleviate some of the challenges faced by MSMEs, the government has established initiatives, such as moratoriums and the enactment of Magna Carta for MSMEs, to help support, manage and strengthen the MSME businesses. Business associations and financial advisors may also be potential enablers in growing MSMEs, and in helping address their constraints in liquidity and cash flows.

SIX PRACTICAL TIPS FOR RECOVERY AND GROWTH

1. Keep an eye on cash and liquidity position

As uncertainties continue, so do business expenses that need to be paid, bills to be settled and strategic plans to be funded. It is key to have a closer look on liquidity as cash is the “lifeblood” of a business. Companies need to have adequate cash to survive, and explore various cash management options to meet short- and long-term needs. Executives should promote and encourage a cash-conscious culture.

Here are practical approaches to manage cash:

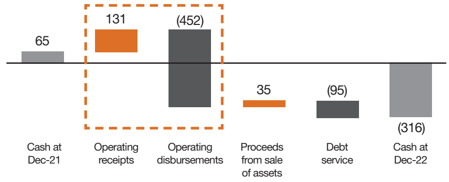
Know and track your cash flow. It is essential to understand the key drivers of cash and how these impact the liquidity position of the business. When in financial distress, it is crucial to act quick. Being proactive in monitoring cash flows can highlight whether improvements in the process should be made, if there is sufficient cash to sustain business operations, and what actions should be taken.

Get ahead through effective cash planning. To manage cash pressures, prepare a 13-week cash forecast that directly shows where cash comes from and where it goes (e.g. collections from customers, payments to suppliers, loan repayments, and payroll and tax).

A reliable cash forecast considers inputs from functions that are directly involved in cash-related

Illustrative case

Illustrative pro-forma liquidity bridge PHP in millions



Issue: Company is at risk of payment defaults, and will run out of liquidity as its operating expenditures were uncontrolled.
Recommendations: Develop robust and streamlined financial projections, and a holistic restructuring plan. Obtain short term relief from lenders.

decisions, and should factor in anticipated changes in business behavior, outlook and market conditions.

Staying on top of your cash flow underpins the right approach to cash management.

2. Harness the power of data analytics

Managing cash flows by analyzing several reports and worksheets may be a challenge, especially when you need to do this quickly, accurately and effectively.

Excel is the usual go-to application when preparing a cash forecast and analysis. However, as technology advances and information grows at a quicker pace, there are a range of tools and models available which can better automate cash flow planning and monitoring process.

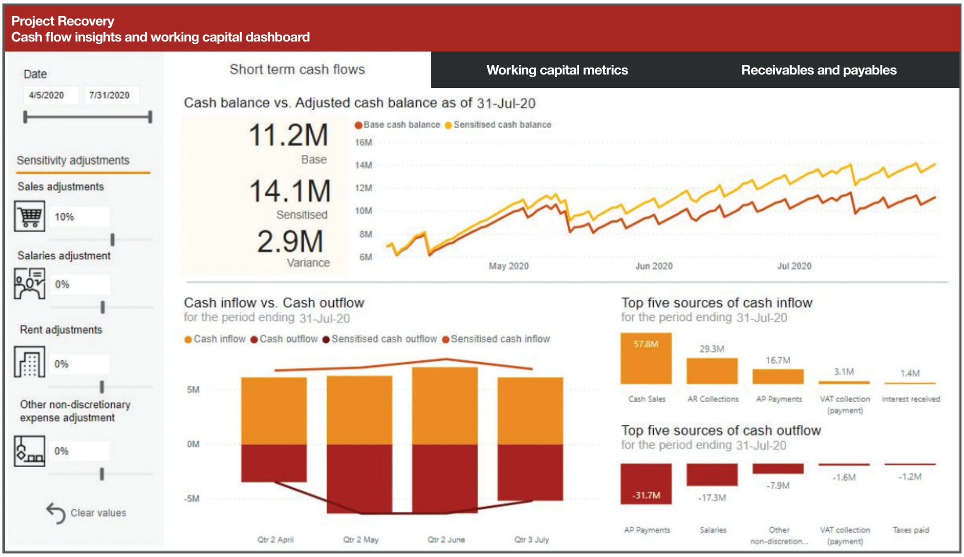
An effective forecasting tool should:

- Apply flexibility to consider relevant business outputs
- Quickly adapt to the changing business and market outlook by being equipped with scenario analysis
- Include a dashboard that comes with sliders and filters, that can slice and dice the data in order to come up with relevant insights

Here is an example of a cash flow insights dashboard we created for a certain company.

The left pane shows the sensitivity adjustment features. These sliders create "what if?" scenarios and automatically change the outcomes. The embedded model is pre-programmed with several assumptions on sales, costs and expenses, which can also include working capital metrics. At first glance, the dashboard gives the amount of "base" and sensitized or adjusted cash balance at the end of the period. Adjustments in cash inflows and outflows will also be represented by the line in this combo chart (lower left).

As a COO/CFO, you are particularly interested about the impact of increases in selling prices, costs and discretionary as well as curbing non-discretionary expenses to cash flows. Through an interactive dashboard, you can better monitor and forecast the amount of cash, may it be in a given month, week or day.



3. Look out for cash opportunities

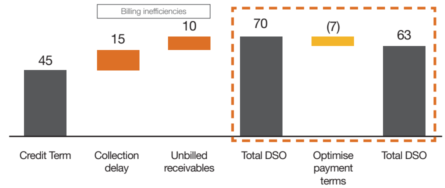
Once clear on the cash position, management should immediately take action to secure, if not improve, its current position. Identifying cash opportunities is vital in protecting liquidity.

Tap working capital. Effectively managed working capital leads to efficiencies in processes, which eventually provide cash benefits to the business such as streamlined billing and collection process, shorter inventory lead time, reliable and robust forecasting.

It is critical to understand the key components of working capital, and see where improvements can be implemented to drive cash generation, while ensuring that relationship with customers, suppliers and other key stakeholders is protected.

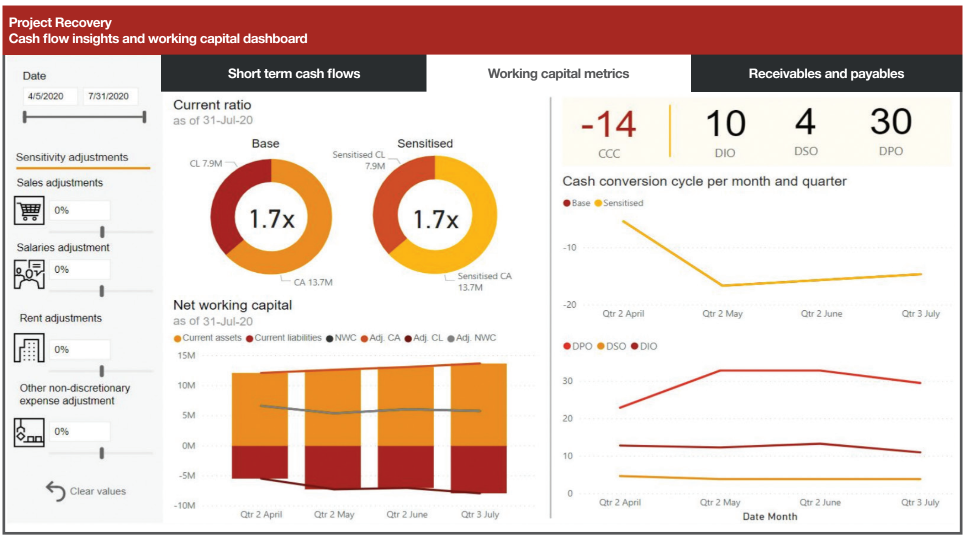
Illustrative case

Illustrative Days Sales Outstanding (DSO)



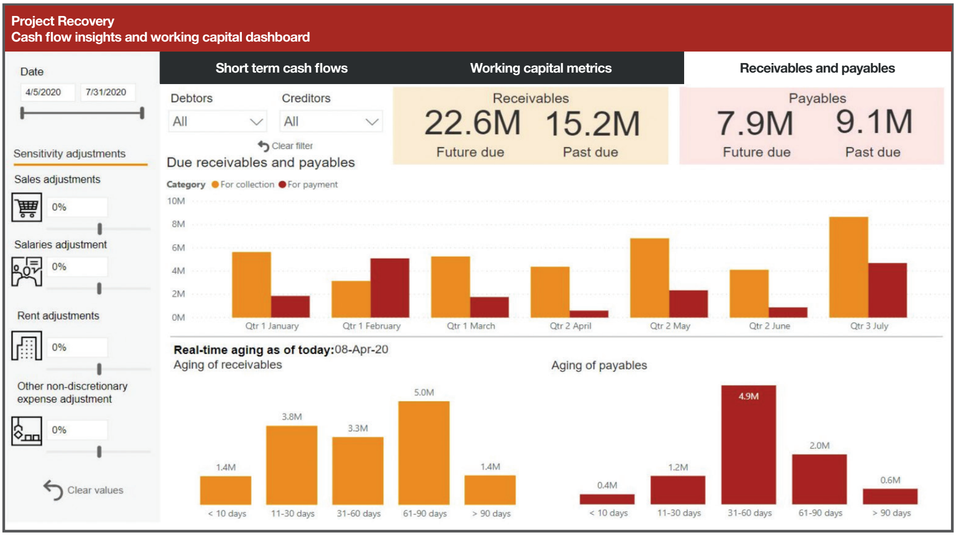
Issue: High amounts of long outstanding accounts and unbilled receivables extend the company's ability to generate cash, and result to poor cash flow and limited business growth.
Recommendations: Ensure timely and accurate billings to minimize disputes, and identify ways to optimize payment terms such as employing better account collection and management, and negotiating early payment discounts.
Possible outcome: Estimated a PHP9.6m potential cash generation from the seven days improvement in DSO, for a PHP500.0m revenue-earning company.

The cash flow insights dashboard shown earlier also has functionalities that focus on both net working capital and the cash conversion cycle.



The dashboard can present the base and the adjusted current ratio as of a certain date after sensitivity adjustments are applied. You will be able to see if implementing certain working capital improvements will have an impact on your cash conversion cycle.

And as shown below, another feature is the ability to filter or slice the information according to focused debtors or creditors. This can serve as real-time monitoring for collections and payments as well as scenarios for dynamic discounting (e.g. early payment), which can improve cash flows.



Seek potential funding sources. Identify external channels that can be tapped to secure additional funding such as existing lenders or alternative sources of credits, and equity investments. Some possible sources of debt financing:

- Financing programs from government and private banks
- SME financing schemes offered by non-bank financial institutions
- Financing assistance from government agencies such as the Department of Trade and Industry (DTI) and Philippine Guarantee Corporation (PhilGuarantee)
- Lending programs from crowdfunding platforms

4. Create value for growth and profitability

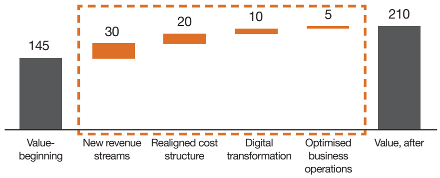
Bouncing back from financial setbacks and challenges is crucial for a business to attain sustainable earnings. Finding ways to improve on operations and generate new sources of revenue play a vital role in driving business growth.

Data analytics, and to the extent able, advanced analytics (machine learning, AI) can help identify areas where you can increase top-line revenues by exploring untapped markets or white spaces, as well as cross-selling between product or business segments.

A deeper look into your cost structure, key drivers, and historical trends can also help you spot opportunities for saving such as optimizing certain processes, making the most of your employees' skills, focusing on core businesses and enhancing controls over non-essential spend.

Illustrative case

Illustrative value creation bridge PHP in millions

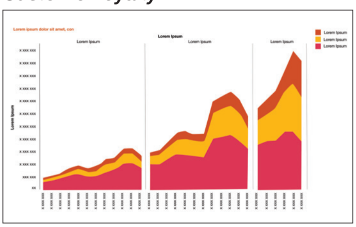


Issue: With challenges in the day-to-day operations, companies may sometimes miss opportunities to improve revenues and margins, and in turn, missing chances to unlock gains and potential cash flow.
Recommendation: Reconfigure business priorities and strategies through optimized strategic (e.g. partnerships,digital improvements), operational (e.g. identification of new markets/ revenue sources) and financial processes (e.g. cost reduction).

Identifying value drivers can support you with your urgent short-term cash needs and tactical medium-term cost reduction, as well as delivering a strategic view of what is required to drive a strong recovery for your business.

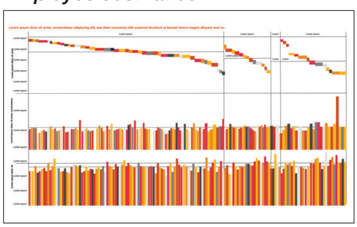
Examples of value driver identification approaches using data analytics

Customer loyalty



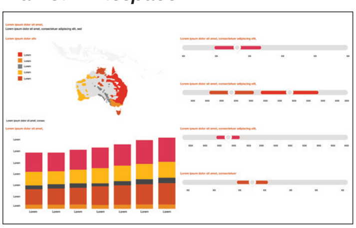
What is the revenue contribution of loyal customers vs one-time customers?

Employee cost ratios



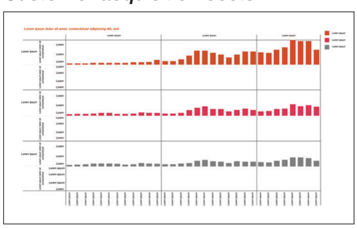
Which sites perform better on employee cost ratios? And is there an opportunity to reduce high cost sites?

Market whitespace



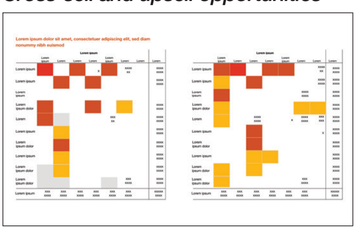
Based on the existing store footprint and location of competitor stores and demand distribution, what could further store roll-out look like?

Customer acquisition costs



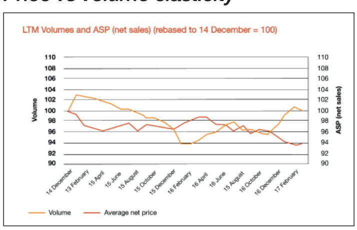
Which referrer sources are delivering the highest value customers and highest sales relative to marketing spend?

Cross-sell and upsell opportunities



What is the actionable opportunity to take advantage of cross-sell opportunities across the customer base?

Price vs volume elasticity



What impact has pricing changes had on volumes?

5. Be tech enabled: Go digital

With the sudden shift of business activities to online, coupled with the rapidly evolving technological landscape, MSMEs need to catch up and embrace digitalization. The ability to swiftly adapt to technology advancements is important for the business to thrive and survive.

At the onset of the COVID-19 lockdown, the Department of Trade and Industry has developed a Google site that provides MSMEs information on various accessible technology tools, applications, platforms and resources that can be useful for these businesses to operate remotely.

MSMEs should consider digital transformation as part of their business strategy and key priorities, focusing on the following areas:

Key processes. Automation of key business processes such as accounting and bookkeeping, billing and collection, purchasing and inventory management, among others. There are off-the-shelf, customizable and more sophisticated business solution softwares available in the market that MSMEs can choose from.

Digital marketing. Increase brand awareness and digital presence through marketing and promotion on various social media platforms, multi-platform messaging apps, and other online forum and marketing sites. The widespread use of these platforms makes digital marketing a more cost-effective way to reach the desired audience or target customers as compared to the traditional approach.

Online sales and distribution channels. Partnering with well-established e-commerce sites may provide additional revenue sources for MSMEs. You can reach a wider customer base and tap markets that normally do not have access to conventional distribution channels. In addition, access to e-payment or cashless payment channels would provide more seamless transaction and customer experience.

Collaboration tools. As more businesses are into remote working arrangements, online collaboration softwares have become increasingly popular. These allow companies to operate remotely, and provide online workspace for virtual collaboration and interactions.

Make technology your ally. Utilize valuable tools, sites and platforms that provide more flexibility, and are essential for recovery and growth.

6. Build capacity: Train and upskill

As an integral part of a company, people need to continuously learn, update and upgrade their skill set to catch up with the changing requirements of the business, market and community. Accessibility to various learning modalities is likewise important to give them different platforms for training and upskilling.

In recent years, more learning opportunities have become available:

Online teaching platforms. With the shift to remote working and learning, several institutions have set up their databases of varied materials for digital learning.

*Short courses and certifications at well-known universities.*To help close the widening global skills gap, many colleges and universities, including Ivy League institutions, have opened up more courses on topics relevant to today's conditions (e.g. data analytics). For a time, some of these courses were offered free of charge to the public.

Corporate training and learning arm. Today, training has expanded to not just internal training sessions for employees but also to a broader audience such as clients and customers. MSMEs can take advantage of learning and development programs offered by professional institutions relevant to their area of service.

For instance, PwC Philippines has recently launched **PwC's Academy**, which aims to bridge the gap between business needs and human capital capabilities. Its programs focus on accounting, tax, digital transformation and process automation, leadership and human capital development.

Helping your employees to future-proof their skills will open up opportunities for growth and improve the overall market competitiveness of your company.

With the looming great resignation affecting larger companies, MSMEs may highlight its ability to work more collaboratively and inclusively with its employees. Their ability to easily adapt to market and resource demands will likely bring in the best of new talent and a work lifestyle fit for the new normal.

RESOURCES AND SUPPORT TO TAP

Considered as the critical sector in the economy, MSMEs need support from the government and the business community. Apart from government subsidies, financial assistance and access to various financing programs, MSMEs can seek assistance from financial advisors, business consultants and professional services firms in these areas:

Cash forecasting
Provides clear visibility on your cash position and a platform for informed decisions on cash conservation activities

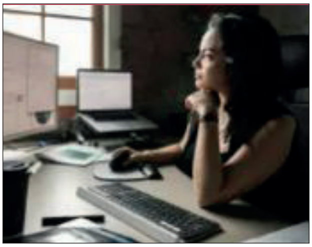
Data analytics
Helps present internal and external data using visualization to come up with relevant insights and analytical solutions

Working capital management
Identifies and implements improvements and initiatives across working capital to create liquidity at pace

Virtual CFO
Provides an outsourced finance function to supplement to your current finance team

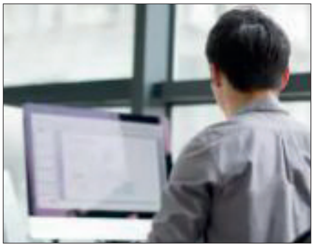
Debt and capital advisory
Assists you in presenting a strengthened business case when engaging with financial institutions to raise debt for various business needs

Challenging times pose immense uncertainties to our small businesses. The ability to act rapidly, make strategic business decisions, and embrace changes are crucial to survival, recovery and growth.



Business Resiliency Strategy Data and Analytics

https://www.pwc.com/ph/en/deals-corporate-finance.html



Virtual CFO

https://www.pwc.com/ph/en/services/virtual-cfo.html

PwC's Academy

https://www.pwc.com/ph/en/pwc-ph-academy.html

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THE INFLUENCE OF FINANCIAL KNOWLEDGE TO PERSONAL FINANCIAL MANAGEMENT AMONG FACULTY MEMBERS IN A HIGHER ACADEMIC INSTITUTION

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Ateneo de Davao University

Introduction

The global economic recession since World War II caused by COVID-19 Pandemic has led to many individuals experiencing financial stress due to lack of financial knowledge and personal financial management (World Bank, 2020, 2021). The poor solid foundation on financial knowledge during ordinary times was difficult but even more so in the current crisis of the COVID-19 pandemic (Lusardi, Hasler, and Yakoboski, 2020). The lack of fundamental financial literacy information and abilities could lead to poor financial decisions (Montalbo, Pogoy, Villarante and Pepito, 2017). In support, financial literacy can help individuals manage their money and prevent financial problems during the pandemic (Yuesti, Rustiarini, and Suryandari, 2020).

A report from Philstar Global, Bangko Sentral ng Pilipinas, suggested a need for improvement in financial literacy and capability among Filipinos to aid families in coping up and recovering from a socioeconomic impact crisis such as the global coronavirus pandemic (Agcaoili, 2020). However, even before the pandemic, studies show Filipinos having low percentages of financial literacy (World Bank Group, 2015; Klapper, Lusardi, & Oudheusden, 2015). According to Dulay (2019), the poor handling of finances among Filipinos is due to how they behave whenever they hold money; thus, making financial decisions has to do with how the Filipinos should be aware of the unconscious influence that dictates how people spend, save and invest. Furthermore, Lucas (2018) claimed that the level of financial literacy among average Filipinos is alarming, and this problem has begun due to the poor money management skills formed during childhood years and are carried into adulthood. Perez (2018) narrated the common habit of some income earners in Davao City, the practice of spending more than they should during a payday and then suffering the succeeding weeks until the next payday, and the cycle goes on, such a habit is caused by one's inability to manage their finances.

In reponse to these uprising difficulties, the Philippine government agencies and organizations advocate that educational institutions should help enhance financial literacy of students at a young age (Financial Education Policy, 2021). Teachers are believed to belong to the most influential citizens in the society as they became student's role models or hone students to develop knowledge and skills (Surendar and Sarma, 2017); however, there are few studies regarding teachers, especially in higher education with regards to financial literacy and financial planning. Due to this, it is vital to investigate and analyze the faculty members' financial knowledge and its influence on their personal financial management; it aids educators to be more effective in influencing students about finance as they practice healthy financial behaviors and become financially literate individuals.

The study was hence, carried out to bridge this gap and aimed to provide a new understanding or perspective coming from the faculty members, not just to contribute with the limited studies related to the topic but also to help respondents as adults in assessing their financial knowledge and personal financial management and as educators to help spread awareness regarding this topic through the findings of this study. The study was anchored from the two theories; (1) Theory of Knowledge by Polanyi (1958) and (2) Financial Practices Index by Hilgert et al. (2003), as the premise for determining the variables and their indicators that were considered in this study. It mainly determined: (1) the level of financial knowledge among faculty members in terms of objective financial knowledge; and subjective financial knowledge;(2) the level of personal financial management among faculty members in terms of Cash management; Credit management; Savings; and Investment; and (3) the influence of financial knowledge to personal financial management.

Methods

The study utilized a descriptive correlational technique to examine the influence of financial knowledge on the personal financial management of the faculty members in one of thehigher educational institutions in Davao City. It included two hundred seventy one (271) faculty members who were selected using disproportionate stratified sampling across the four (4) school units of the university during the academic year 2020-2021. It utilized a 5-Point Bipolar Likert Scale survey questionnaire which consists of three parts: (1) respondents' profiles, including sex, age, civil status, income, and household size; (2) the assessment of the financial knowledge of the respondents according to their levels of objective financial knowledge and subjective financial knowledge; and (3) the assessment of their personal financial management based on their levels of cash management, credit management, savings, and investments.

Data collection were made via online survey using Google Forms, sent through the respondents' university emails. Collected data were analyzed using the following stastistics: (1) Mean was used to determine the level of financial knowledge and personal financial management of the respondents; and (2) Simple Linear Regression Analysis was used to examine whether financial knowledge significantly influence the personal financial management of the respondents.

Results and Discussion

The results of the study showed evidence that the faculty members have high level of financial knowledge resulted from their high level in objective financial knowledge and moderate level in subjective financial knowledge. This suggests that the respondents' actual financial knowledge is close, although a bit higher, to their perceived financial knowledge. Similarly, the respondents have a high level of personal financial management wherein they can manage their cash and credit well and they are able to save and invest also. More specifically, in terms of cash management, they are good at managing their cash inflows and outflows; they have the ability to manage their cash resources well, which ensures they have enough to comply with their demands, such as paying monthly bills, purchasing supplies, and satisfying their own personal financial obligations; and it allows them to prepare themselves for the future as they stay away or avoid unplanned expenses. In terms of credit management, the respondents are aware of their credit habits and continuously evaluate their repayment ability first before engaging themselves in any form of credit. Furthermore, they know when and how to enter into credit or loans. In terms of savings, they are able to save part of their income for their future plans after deducting all their expenses and other obligations. They have established an emergency fund for any unforeseen expenses in their lives such as health, travel, and other unexpected necessities. Lastly, in terms of investments, the respondents are able to moderately invest in other possible sources of their income, or in things that will appreciate their value in the future. In addition, they are highly aware of the inherent risks that underlie the different investments that they undertake.

The regression analysis results showed that the financial knowledge significantly influences personal financial management. The R-square of the regression model indicated that 39.7% of the variability in the levels of personal financial management of the repsondents are accounted to by the variation of their levels of financial knowledge. The results also revealed an F-value of 193.550 and a significance of 0.000 which tells that the regression model isstatistically significant. The model can be expressed as: *Personal Financial Management* = 1.920 + 0.555**Financial Knowledge*. This explains that the level of financial knowledge is directly proportional to the level of personal financial management. That is, in every one unit increase in the financial knowledge, it will bring an increase of 0.555 to personal financial management. This implies that increasing the level of financial literacy can help the faculty members to improve their level of personal management. It is then recommended for them to continuously be updated on the changes in the financial industry and the economy and find ways to enhance their financial knowledge that could thereby possibly better off their way of managing their finances in the future.

Conclusions

This study was conducted to determine the influence of financial knowledge to personal financial management among the faculty members in one of the higher educational institutions in Davao City, Philippines. Based on the findings, the following conclusions were drawn: (1) The faculty members have high level of financial knowledge; (2) They have high level of personal financial management; and (3) Financial knowledge has a significant direct influence to personal financial management.

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FINANCIAL LITERACY ASSESSMENT AMONG COLLEGE STUDENTS: A CASE OF A HIGHER EDUCATION INSTITUTION

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Abstract

The main objectives of the study are: (1) to identify gaps in the financial literacy of students to enhance competencies through teaching and learning; (2) to assess the financial literacy of students on specific variables of the study such as risk diversification, inflation, numeracy, compound interest, money management, savings and investment, spending and credit. The survey has a sample size of 300 fourth-year BSA and BSBA students from the College of Business Education. Non-probability sampling methods such as convenience and purposive sampling techniques were employed in selecting the respondents. A survey questionnaire utilizing the Google form was administered and the instrument was distributed to respondents via Facebook messenger group and emails. The survey instrument was designed by the students and faculty members and went through validation by the would-be respondents and research panel and advisers. Results show that only 29% were considered to have a high level of financial literacy while 81% had a low level of financial literacy based on their responses.

Keywords: money management, financial planning, financial literacy, savings, spending

Introduction

A Filipino mindset when upon receipt of money or cash as salaries or even for whatever reason, spending comes in before saving. What is left, is saved or more so nothing is left resulting in nothing being saved. People should be taught the best way to save and secure their hard-earned money. There is also a rising number of retirees or even senior citizens who depend on their children for financial support or assistance due to a lack of financial education comes retirement. Financial planning teaches people to be responsible when it comes to their finances. Financial planning educates people on different goals that should be set whether short-term, medium, or long-term.

The Department of Education and Culture (DepEd) issued a Financial Education Policy under DepEd Order No. 22 s. 2021 to improve the financial literacy and capability of its learners, teachers, and personnel by integrating financial concepts in the learning areas and providing professional development opportunities in the K to 12 Basic Education Curriculum.

Hani, A (2021) in her article titled: The Philippines to Further National Financial Literacy, mentioned the BSP Governor Diokno who emphasized the importance of improving Filipino financial literacy, which not only benefits people but also the economy. Governor Diokno further mentioned that the central bank and its private sector partners want to supplement traditional financial literacy programs to boost financial resilience.

Moreover, the 2019 BSP survey Financial Inclusion revealed that only half of the Filipino adults correctly answered financial literacy questions. In addition, a survey conducted by Home Credit published in the Business World discovered that only 10% of the respondents correctly answered that test their knowledge about financial concepts. On the other hand, a survey conducted by Philam Life in 2017, revealed that 96% of Filipinos are concerned about their own family's health, but, only 16% are prepared to pay for medical costs in case they are diagnosed with an illness.

The scenario and experiences including related literature and studies above tell us that there is still a need to improve financial education or literacy among students and adults in the Philippines. This study assesses the financial literacy of business students in order to enhance teaching and learning activities to enhance the necessary skills in financial planning.

Methods

The main objectives of the study are: (1) to identify gaps in the financial literacy of students to enhance competencies through teaching and learning; (2) to assess the financial literacy of students on specific variables of the study such as risk diversification, inflation, numeracy, compound interest, money management, savings and investment, spending and credit.

The survey has a sample size of 300 fourth-year BSA and BSBA students from the College of Business Education of Technological Institute of the Philippines Manila. . Non-probability sampling methods such as convenience and purposive sampling techniques were employed in selecting the respondents. A survey questionnaire utilizing the Google form was administered and the instrument was distributed to respondents via Facebook messenger group and through emails. The survey instrument was designed by the students and faculty members and went through validation by the research panel and advisers. The study used descriptive statistics such as percentages, weighted mean, and standard deviation.

Results and Discussions

Table 1. Level of Financial Literacy

Level of Literacy	Frequency	Percentage
High (>75%)	88	29%
Low (<= 75%)	212	71%
Total	**300**	**100%**

Table 1 reveals the level of the financial literacy of respondents which is 88 or 29% scored above 75 % interpreted with correct responses in terms of the level of financial literacy. While 212 or 71% of the respondents scored below 75 % on the questions about financial literacy.

Table 2. Percentage Scores per Area of Literacy

Areas of Literacy	Low (<= 75%)	High (>75%)
Risk Diversification	69.00%	
Inflation	71.50%	
Numeracy	70.00%	
Compound Interest	48.25%	
Money Management	36.50%	
Savings and Investment	59.25%	
Spending and Credit		82.50%
Entire Section	58.46%	

Table 2 discloses the percentage scores per area of literacy with corresponding correct responses for each literacy area and the entire section. It revealed that respondents are more knowledgeable in terms of spending and credit with correct score percentages of 82.5%, while the other areas got scores below 75%. These findings are supported by 2014 Standard and Poor's Global Financial Literacy Survey shows that people know the least about risk diversification. (Klapper, et al, 2015)

Conclusion and Recommendations

Based on the findings, it can be concluded that the majority of the respondents had a low level of financial literacy though most of the questions in the survey were basic questions about financial literacy. It can be concluded further that respondents are only familiar with spending and credit, with low familiarity with other financial areas.

It is recommended that educators and educational institutions must expose students to real-life scenarios and other areas of financial education. They should also utilize teaching and learning activities that are related to finance and financial management. Future studies could also be done using other respondents and variables related to financial matters.

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CREDIT AND COLLECTION MANAGEMENT PRACTICES, CREDIT RISK MANAGEMENT, AND FINANCIAL PERFORMANCE OF PRIVATE HIGHER EDUCATIONAL INSTITUTIONS (HEI'S) IN THE PHILIPPINES: BASIS FOR CONTINUOUS IMPROVEMENT

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EXECUTIVE SUMMARY

The goal of an educational institution is to maintain its stability and improve its growth and sustainability. Thus, educational institution must have an effective Credit and Collection Management Practices (CCMP) and Credit Risk Management to avoid credit risk. The study assessed the CCMP of private Higher Educational Institutions (HEIs) as to planning, organization and staffing, leadership, and coordination. It further assessed the CRM of the institutions which were credit and collection policy and credit risk control. Descriptive research design, T-Test, ANOVA, and correlation analysis were utilized in this study. Respondents were the Chief Financial Officers, Controllers, Finance Directors, Finance Managers, and the staff from the Finance Resource Department of the institutions. Results showed that a moderate positive correlation existed between the CCMP as to planning, organization and staffing, leadership and coordination, and the CRM as to the collection policy and credit risk control. Thus, a highly significant relationship implies that the better the CCMP, the better the CRM they employed. Moreover, the computed r-values and the resulted p-values of profitability indicated a moderate positive correlation which means that a significant relationship existed and implied that the better the CCMP, the better the financial performance in terms of profitability would be. Likewise, results showed that a significant relationship between CRM as to the credit risk control, and financial performance as to the profitability, which means that the better the credit risk control applied, the better the performance would be.

Introduction

In an educational institution, Credit and Collection Management Practices (CCMP) and Credit Risk

Management (CRM) are challenges in the financial institutions to maintain its stability and improve its growth and sustainability. Most of the studies on CRM focus on the survival and sustainability of banking institutions, hence, the researcher, as part of a private Higher Educational Institution (HEI) proposed a study on how credit and collection and credit risk are being managed in educational institutions.

The employees of an educational institution most especially the faculty members need trainings and seminars to be lifelong learners, competent professionals, and to be of good service to the students as well as to the institution. The effective credit and collection and CRM in an educational institution are needed to sustain these needs for faculty and staff development as the institutions continue applying the outcome-based education. CCMP and CRM are integral parts of the credit control process of an organization. Faculty and staff sometimes are in need of financial assistance from the school, thus, they have applied for a particular loan that they will be qualified based on the assessment of their creditworthiness. Since credit and collection management is part of the curriculum of the Financial Management program, the study will contribute to the fields of knowledge and will be a good reference in formulating the course learning outcomes. CCMP and CRM also present an opportunity to greatly improve the overall performance of the institutions. This study was conducted not only for the benefit of many, but will also for the benefit of the group of researchers because of the additional information and knowledge that will be acquired from this study. Moreover, the critical thinking skills of the researcher will be put into practice as the study progresses. The additional information and knowledge acquired from this study will also be useful to the College of Business Administration since this topic is strongly related to the courses covered by the department.

The public, specifically the parents and stakeholders, will also benefit from this study. Potential students and employee applicants will have the knowledge of the basic requirements they should possess for successful granting by the schools of their desired credit. On the other hand, the stakeholders, such as parents, will have the knowledge of how the schools protect their interest through their policies and procedures in granting loans on students' tuition fees. They will realize the value of entrusting their children to the school to acquire the quality education. Education is a continuous process and a lifelong learning. It's merely an investment that will benefit the students in the future for they will be facing the changing business environment. They will be applying their expertise in the corporate world. Finally, this study will also be beneficial to the students of Business and Economics for they will understand the importance of credit to our country.

This study was intended to evaluate the CCMP, CRM, and financial performance as to credit performance and profitability of private higher educational institutions (HEIs) in the Philippines focusing on the De La Salle schools in Calabarzon, namely De La Salle Lipa (DLSL), De La Salle University – Laguna (DLSU-Laguna Campus), De La Salle University-Dasmariñas (DLSU-D), De La Salle-Health Sciences Institute (DLS-HSI), and La Salle College Antipolo (LCSA).

The specific objectives were to determine the profile of the individuals who were responsible in credit and collection in terms of school, age, gender, educational attainment, years of experience, position and credit/loans provided by the institutions, the institutions' CCMP as to planning, organization and staffing, leadership, and coordination, the institutions' CRM as to credit and collection policy and credit risk control, the institutions' financial performance as to credit performance and profitability; the relationship among the individual profiles, CCMP, CRM, and financial performance, also the relationship between CCMP and CRM, and finally the effect of CCMP and CRM on financial performance.

Correlation was used to determine the relationship of profile to the CCMP and to find out the relationship of each area of them. The relationship of CCMP and CRM practices was also determined. The t-test was used to test the difference when the data was grouped according to the profile. Regression was used to determine the effects of CCMP and CRM practices in credit final performance.

Results and Discussions

Table 1. Summary on the Credit and Collection Management Practices

Indicators	Weighted Mean	Verbal Interpretation	Rank
Planning	3.20	Fair	4
Organization and Staffing	3.36	Fair	1
Leadership	3.25	Fair	2.5
Coordination	3.25	Fair	2.5
Composite Mean	**3.27**	**Fair**	

Legend: 4.50 – 5.00 = Excellent in Practice; 3.50 – 4.49 = Adequate in Practice; 2.50 – 3.49 = Fair in Practice; 1.50 – 2.49 = Weak in Practice; 1.00 – 1.49 = Lack in Practice

Table 2. Summary on the Credit Risk Management

Indicators	Weighted Mean	Verbal Interpretation	Rank
Credit and Collection Policy	3.51	Adequate	1
Credit Risk Control	3.31	Fair	2
Composite Mean	**3.41**	**Fair**	

Legend: 4.50 – 5.00 = Excellent in Practice; 3.50 – 4.49 = Adequate in Practice;2.50 – 3.49 = Fair in Practice; 1.50 – 2.49 = Weak in Practice; 1.00 – 1.49 = Lack in Practice

Table 3. Summary on the Financial Performance

Indicators	Weighted Mean	Verbal Interpretation	Rank
Credit Performance	3.03	Constant	2
Profitability	3.37	Constant	1
Composite Mean	**3.20**	**Constant**	

Legend: 4.50 – 5.00 = Greatly Increased; 3.50 – 4.49 = Increased; 2.50 – 3.49 = Constant; 1.50 – 2.49 = Decreased; 1.00 – 1.49 = Greatly Decreased

Table 4. Relationship Between Credit and Collection Management Practices Financial Performance

Credit and Collection Management Practices	Financial Performance					
	Credit Performance			Profitability		
	r-value	p-value	I	r-value	p-value	I
Planning	-0.76	0.576	NS	0.406	0.002	S
Organization and Staffing	-0.145	0.285	NS	0.319	0.017	S
Leadership	-0.198	0.144	NS	0.296	0.027	S
Coordination	-0.176	0.195	NS	0.423	0.001	S

Legend: Significant at p-value < 0.05; HS = Highly Significant

Table 5. Relationship Between Credit Risk Management and Financial Performance

Credit and Collection Management Practices	Financial Performance					
	Credit Performance			Profitability		
	r-value	p-value	I	r-value	p-value	I
Credit and Collection Policy	-0.145	0.285	NS	0.203	0.134	NS
Credit Risk Control	-0.246	0.068	NS	0.353	0.008	S

Legend: Significant at p-value < 0.01; HS = Highly

Results and Discussions

Credit and collection organization and staffing was ranked number one among the CCMP, followed by leadership and coordination both with weighted mean of 3.25, and the least was planning with a weighted mean of 3.20. The composite mean of 3.27 shows that the credit and collection practices components were all fair in practice. Based on the experience of the researcher, in any field of endeavor in an institution, the management must give priority to the organization and most importantly the staff. Human capital constitutes a big factor in an organization. We need competent people to lead the group and coordinate as well in all programs of the organization. Organization and staffing, leadership, and coordination must be developed and enhanced before the planning comes in. Planning will take place with a good leadership and coordination of the organized people in the entire organization.

Conclusions

The CCMP of the institutions' credit and collection were fair in practice as to planning, organization and staffing, leadership and coordination. As a result, some improvements are needed and they are advised to work excellently and continue to improve their services for better performance. The CRM as to credit and collection policy and credit risk control of the institutions were fair in practice. Hence, they need to continue to work together and practice excellently.

The responses of the credit and collection employees on financial performance and profitability were constant. This simply means that all the employees of the credit and collection need to be part of the financial planning in order to be aware on the overall performance of the organization and to continue to be motivated for continuous improvement purpose.

There was a significant relationship between CCMP and financial performance as to profitability, and between CRM as to credit risk control and financial performance as to profitability. Therefore, the credit and collection employees must work together and continue to improve the credit performance in best practices and conduct the proper controlling of credit risk in order to maintain the stability and profitability.

Recommendations

Based on the results of this study, the researcher came up with the following recommendations:

The credit and collection section of the Finance Resource Department of the institution led by Credit Manager or Finance Director must

practice excellently the hiring of competent employees to handle the delicate and critical tasks with the approval of Chief Finance Officer (CFO). The profile of the employees is still important in the selection process of hiring competent employees. The institutions' credit and collection section of the Finance Resource Department needs improvement in their CCMP as to planning, organization and staffing, leadership, and coordination. The responsible individuals in the group must work excellently and continue to improve their services for better performance.

The institutions need to continue to work together and practice excellently on CRM as to credit and collection policy and credit risk control. The employees of credit and collection need to strictly comply with the credit and collection policy and continue to control the credit risk to improve the financial performance of the institution. Non-compliance policies and procedures in credit and collection must be given disciplinary action by the management.

The employees of credit and collection need to be part of the financial planning as to be aware on the overall performance of the organization and to continue to be motivated for continuous improvement purpose and irrespective of their profile, they must continue to improve their performance in order to maintain the stability of the organization and to focus on credit performance by monitoring the current account and giving priority on outstanding accounts.

The employees of credit and collection must continue their best practices in order to avoid credit risk. They need to continue to place proper internal control, because the recording and collection of accounts reside in credit and collection. They need to assign competent employees to focus on the collection process, with full concentration on billing and collection, with more systematic and organized way in managing customers' database as well as monitoring the receivables. The credit and collection employees must work together and continue to improve the credit performance in best practices and conduct proper controlling of credit risk in order to maintain the stability and profitability. The management must be transparent with the employees of the credit and collection regarding financial performance for them to be part of the overall performance of the organization.

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