

# Financial Literacy and Corporate Social Responsibility as Predictor to Sustainability of Smes

**KAREN JOYCE AGAYAN-ANGTEG, LPT, MBA & JIMNANIE A. MANIGO, DBA**

*1 Teacher I, Department of Education-Davao del Norte (SHS)*

*2 College Professor I, University of Mindanao*

**ABSTRACT:** Sustainability among SMEs is now a major concern due to the disruptive nature of financial and social concerns. Hence, this study explored financial literacy and corporate social responsibility as predictors of sustainability and presents the domains for growth and performance that aspired to know which domains of financial literacy and corporate social responsibility best predict the sustainability of SMEs in the Municipality of Kapalong. The quantitative descriptive-correlational method, a non-experimental design, was used in the study. Stratified random sampling was used in this study. The respondents of this study were the 366 SMEs. The statistical tools employed to interpret the data gathered are mean, Pearson-r, and regression analysis. The findings of the study revealed a very high level of financial literacy in terms of financial knowledge, financial influence, financial attitude, and financial behavior. It was also revealed that the level of Corporate Social Responsibility was very high in terms of community performance, workplace performance, and customer performance. Also, the level of sustainability in terms of corporate reputation, brand image, and financial value was very high. Moreover, there existed a significant link between financial literacy and corporate social responsibility towards the sustainability of SMEs. This study provides an enabling mechanism of frameworks for the sustainability of SMEs in local contexts.

**Keywords:** *financial literacy, corporate social responsibility, sustainability, Municipality of Kapalong.*

## I. INTRODUCTION

The SME sectors of developing countries have stagnated rather than expanded and becoming more sophisticated. Some of the characteristics of a developing economy—economic turbulence, unstable exchange rates, immature information infrastructure, higher transaction costs, political unrest, high inequality, and worsening unilateralism in trade policy—are additional threats to the sustainability of SMEs (Ye & Kulathunga, 2019, p. 1). Companies and management need to constantly generate profits to satisfy their shareholders. However, firms are also expected to pay increasing attention to their approach to social and environmental concerns, which may affect their relationships with their stakeholders. In this sense, sustainability involves recognizing that the decisions and results of a company's activities affect a broad spectrum of social actors, over and above its partners and shareholders. For instance, environmental management, when it is adequately managed, may have a positive effect on the firms' competitiveness and should be considered in their global strategy (Lopez-Perez et al., 2018, p. 2).

The importance of sustainability is that there has been an increase in interest in the knowledge-based view (KBV) of organizational performance. The KBV suggests strategies by which firms can achieve competitive advantage and improve their performance. It posits that collective and tacit knowledge are key resources when it comes to improving organizational performance. The KBV also emphasizes the importance of a firm's ability to integrate individual and firm-level knowledge of its products and services. Hence, organizations rich in knowledge-based resources are more likely to enjoy good returns than their competitors. Knowledge can be considered a vital resource that is difficult to imitate or transmit and socially complex. However, in the growing literature on SMEs performance, scant attention has been devoted to the significance of SMEs knowledge-based resources and their role in SMEs sustainable performance (Ye & Kulathunga, 2019, p. 2).

Despite the importance of knowledge resources to the sustainability of SMEs, most previous research has focused on other factors, such as competitive advantage, supply chain management, and internationalization. However,

they examined the contribution of managers' intangible capabilities to SMEs' sustainability and concluded that they play an important role in enabling managers to deal with turbulent market conditions. It also examined the contribution of knowledge resources to SMEs' performances and concluded that knowledge resources, such as financial literacy and business experience help SMEs to sustain their performance. There have been few in-depth analyses of how specific knowledge resources, such as financial literacy, influence the sustainability of SMEs, and so this study, which provides an in-depth analysis of financial literacy and explores the mechanisms by which financial literacy can boost SMEs' sustainability, extends the literature (Ye & Kulathunga, 2019, p. 2). For some, as mentioned by Lopez-Perez et al. (2018), p. 2, CSR may indicate transparency and goodwill. Societal demand exists for companies to demonstrate a clear commitment to sustainability through the provision of professionalized reports, which identify and prioritize a firm's CSR actions with respect to the Sustainable Development Goals (SDGs) established by the United Nations Global Compact. Regardless of their size and sector, companies are fundamental to advancing the SDGs. As such, they play a key role in building a more inclusive and sustainable world (World Business Council for Sustainable Development, WBCSD), as they are a source of growth, economic development, employment, and innovation.

The Municipality of Kapalong, just like other municipalities in the country, suffered from the economic effects of the coronavirus disease (COVID-19), which greatly challenged the sustainability of SMEs. It caused a significant economic shock and a negative impact on the municipality's small and medium business landscape, resulting in temporary closures, unemployment, and financial insecurity. The pandemic had already caused massive disruption among small businesses just a few weeks after its onset and prior to the availability of government aid and had temporarily closed largely pointed to reductions in demand and employee health concerns as the reasons for closure, with supply chain disruptions being less of a factor (Bartik et al., 2020, p. 1). However, there is no existing literature that address SMEs sustainability concerns in the context of the Municipality of Kapalong. Hence, the researcher decided to urgently embark on studying the predictors of SMEs sustainability to satisfy this research gap.

## **II. Review of Related Literature**

Theories, concepts and opinions of various authors related to this study are discussed in this section to provide a strong frame of reference about the variables treated under study.

### **2.1 Financial Literacy**

A good financial foundation of the owner-managers of SMEs is a significant barometer of the success and growth of SMEs. In addition, financial literacy impacts on access and payment of loans. In South Africa, one of the causes of the high failure rate of new micro enterprises is the non-availability of formal sector financing, and it is found that SMEs with good performance have managers who have high levels of financial literacy (Agyapong & Attram, 2019, p. 4).

In addition, financial literacy is an important tool for entrepreneurs, owner-managers, and SME performance (Adomako and Danso, 2014; Jianmu and Kulathunga, 2019 as cited in Jati et al., 2021, p. 20) and should be owned by every business actor. With good financial literacy, businesses will be able to see the financial dimension from a different perspective so that they have the knowledge to control their financial condition (Jati et al., 2021, p. 22). Financial literacy is a pathway to sustainability and has an important role in ensuring the financial sustainability of individuals, families, companies, and the national economy (Beata et al., 2020 as cited in Jati et al., 2021, p. 22).

Moreover, financial literacy is the ability to utilize existing and future financial resources to achieve desired goals (Jati, 2017 as cited in Jati et al., 2021, p. 22). The basics of good finance from SME owner-managers are a barometer of the success and growth of SME performance (Agyapong and Attram, 2019 as cited in Jati et al., 2021, p. 22) and financial literacy is beneficial for business continuity. Business actors who have a good level of financial literacy are expected to have the ability to manage finances effectively because it is considered to better understand the concept of financial management, get to know the financial products offered, and be able to plan business finances (Jati et al., 2021, p. 22).

A low understanding of financial literacy among SMEs could affect their business performance, resulting in their being less capable of managing finances and making business decisions. It is supported by research by Lusardi and Tufano (2009 as cited in Satiti, 2020, p. 52), which states that financial literacy can help business actors gain adequate financial knowledge and capabilities in preparing their business financial strategies and improving their business

performance. Financial literacy is an important part of improving company performance. SME owners with good financial knowledge and management can get help in making financial decisions for their current and future business.

## **2.2 Corporate Social Responsibility**

CSR was one of the independent variables for the study. There are various reasons why corporations engage in CSR activities, which include economic benefits, reputational increase, and company recognition. Organizations are faced with challenging and different demands from multiple stakeholders, which have resulted in firms' expanding their business objectives from the traditional view of profit maximization to include all stakeholders' interests (Balqiah et al., 2017 as cited in Daniel, 2018, p. 31). Stakeholders are the major players in initiating CSR activities either directly or indirectly (Kiessling, Isaksson, & Yasar, 2016 as cited in Daniel, 2018, p. 31). CSR activities help a business deliver value to its heterogeneous stakeholders and impact a firm's profitability and value (Malik, 2015 as cited in Daniel, 2018, p. 31).

With regard to the concept of community engagement, it has been seen as an important part of a company's overall social responsibility strategy in allocating resources to deal with social issues that are related to its competitive advantage. The community engagement strategy has been seen as a strategy for enhancing partnerships between a company and the community. Amnon (2004, as cited in Bhinekawati, R., 2018, p. 2) found that companies are involving communities in their decision-making process and in policy-making for their socio-economic engagement strategies with communities. Hence, the sustainability and CSR goals of the company are the driving forces for companies to conduct CSR programs using the community engagement strategy. Further research by Bowen and colleagues (2010 as cited in Bhinekawati, R., 2018, p. 4) suggested that the community engagement strategy can actually be considered as a component of a company's CSR programs and stakeholder relations while addressing the concerns of community groups. (Bhinekawati, R., 2018, p. 4)

Stakeholder theory holds that business organizations have given importance to all kinds of stakeholders for mutual benefit. This theory also argues that a business is bound to create value for all stakeholders. Organizations can achieve a higher level of CSR performance when they involve customers and value their suggestions and feedback in their strategic decisions. In line with the assumptions of stakeholder theory, the aim of this study was to highlight that business organizations serve customers as one of the most relevant categories of stakeholders by interacting with them through the adoption of DSR programs (e.g., social media applications), which, in turn, enhance their CSR and strategic performance. (Khattak and Yousaf, 2021 p. 1)

SMEs are the major drivers for the development of all kinds of economies. The roles of SMEs have gained strategic importance for the sustainable development of emerging and developing economies. Although these organizations execute their advertising campaigns using various social media applications, deliberation on the role of social media in DSR has been ignored. In the era of digitalization, the multidirectional mechanisms of social media offer opportunities for stakeholders, such as customers, to collaborate and participate in responding to the societal-related activities of an organization. In the current scenario of the digitalized business environment, organizations put efforts into the procedures of social media programs and make a declaration of the social responsibility attached to these multidirectional social media programs in their strategic planning. DSR has gained wider attention as it has been considered a valuable strategic movement by business organizations. (Khattak and Yousaf, 2021 p. 2)

## **2.3 Sustainability of SMEs**

Sustainable management and development are considered central ideas in business and society today. This is because society and stakeholders are more demanding in terms of transparency and sustainability. Therefore, firms must legitimize their activities, and concepts such as corporate social responsibility (CSR) may help managers to promote successful business models (Suh, C.; Lee, I., 2018 as cited in Lopez-Perez et al., 2018, p. 1).

In this sense, (Schmidt et al., 2018 as cited in Lopez-Perez et al, 2018, p. 1) have recently commented that practices of sustainability, including values and transparency, internal audience, environment, supplier relationships, customer and/or consumer relationships, and community relationships, contribute to reinforcing the firms' positioning. Therefore, we can appreciate that companies are increasingly committed to incorporating these concepts into their core activities, not only in terms of large multinational corporations or listed companies but also those of smaller size (Baumgartner, R., 2014 as cited in Lopez-Perez et. al, 2018, p. 1).

In the business sector, sustainable development is translated into something that "meets the needs of its stakeholders without compromising its ability to meet their needs in the future" (Hubbard, 2009 as cited in Prabawani, 2013, p. 195). Likewise, Savitz and Weber (2006, as cited in Prabawani, 2013, p. 195) state that a sustainable firm is "one that creates profit for its shareholders while protecting the environment and improving the lives of those with whom it interacts." Thus, sustainability emphasizes the balancing of stakeholders' needs and profits with protecting the environment.

Lastly, the sustainable development concept has been adopted by businesses in terms of "sustainability" on a general and global level (Werbach, 2009 as cited in Prabawani, 2013, p. 195). However, the application of sustainable practices is often inappropriately equated with corporate social responsibility (CSR), responsible business, or corporate social performance (CSP) by organizations and academia. For example, the UK authorities, through their [www.csr.gov.uk](http://www.csr.gov.uk) website, mention "There are many definitions, but we are all talking about how business takes account of its economic, social, and environmental impacts in the way it operates, maximizing the benefits and minimizing the downsides." Here, CSR is equalized with sustainability, which consists of three pillars: economic, social, and environmental. (Tang, 2009 as cited in Prabawani, 2013, p. 196).

## **2.4 Theoretical Framework**

The first independent variable is anchored on the theory of Mandell, 2006, which discusses that financial literacy is essential on many levels. Certainly, it is crucial for the individual who must make complex and costly financial decisions on behalf of himself or herself and dependents. Bad decisions can lead to a lot of pain, and recent changes to the Federal bankruptcy laws have made these consequences available to a larger population. (Mecham, 2005, as cited in Mandell, 2006, p. 2) If, as appears to be the case, those with higher incomes and wealth are more financially literate than those with fewer resources, financial welfare, which is a product of the two, is likely to be more unequally distributed in the population than either income or wealth. This could eventually lead to calls for massive re-regulation in an attempt to provide government protection to consumers who are unable to protect themselves.

The second independent variable is anchored by the theory of Edwards and Foley (1998, p.6). In recent debate, the heuristic value of the concept of social capital has lain in its drawing attention to critical aspects of social relations that impact economic and political life that cannot be easily or convincingly incorporated into an explanatory model based on the rational pursuit of individual self-interest. The rational actor model's growing popularity in contemporary social science, as well as its relative neglect of norms, values, social networks, organizations, and other context-dependent resources, explains social capital's heuristic leverage for a growing number of analyses. Thus, social capital can be seen as the most recent in a series of efforts, including human capital and cultural capital, to overcome the failure of the dominant economic model to incorporate nonmarket factors into its accounts of individuals' and groups' political and economic behavior.

Accordingly, the dependent variable is reinforced by Laplume et. al., (2008, p. 3) who state that stakeholder theory is both timely and adolescent, controversial and significant. It's timely because formal organizations have emerged as the dominant institutions of our time, leading to increasing reports of ethical misbehavior and the negative impact of corporate negligence in terms of the natural environment. However, it is adolescent because empirical validity has yet to be established on a number of key propositions (e.g., Jones, 1995 as cited in Laplume et. al., 2008, p. 3). Stakeholder theory is also applicable and controversial because it calls into question the widely held belief that profit maximization is the highest priority and preeminent management concern, referred to as the "single-valued objective" by Jensen (2002, as cited in Laplume et. al., 2008, p. 3) pertaining to a corporation. It is also significant because it seeks to address an issue that is frequently overlooked. Hinings and Greenwood (1997, as cited in Laplume et. al., 2008, p. 3) posed the sociological question of how organizations affect society. Stern and Barley, 1995; Stern and Barley, 2003 as cited in Laplume et. al., 2008, p. 3)

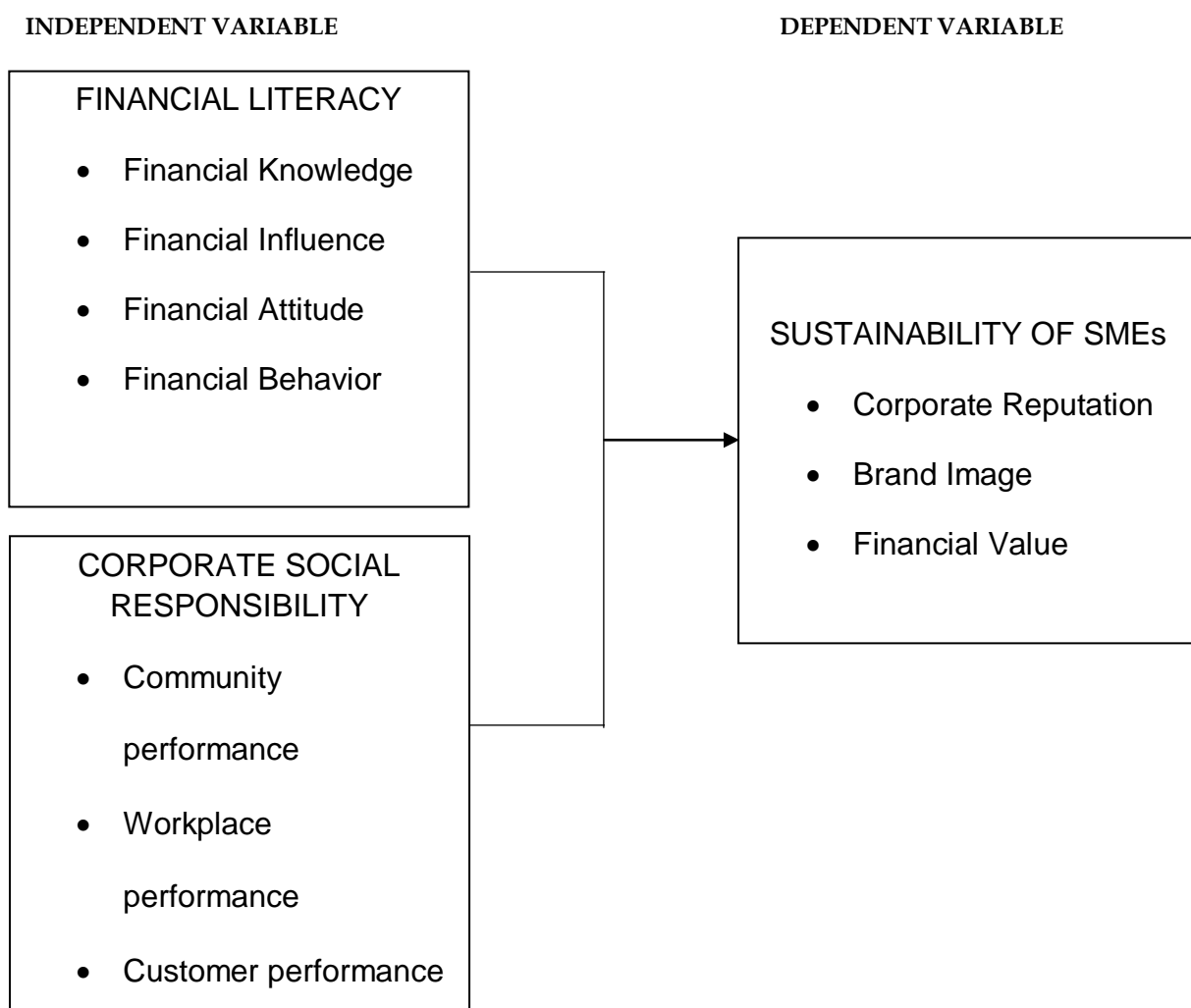
## **2.5 Conceptual Framework**

The conceptual framework determined the relationship between financial literacy, corporate social responsibility, and sustainability of SMEs in the Municipality of Kapalong. Shown in Figure 1 is the conceptual framework of the study. The first independent variable of this study is financial literacy (Menike, 2018), which has the following indicators: financial knowledge, financial influence, financial attitude, and financial behavior. Financial knowledge refers to the ability to manage money in various contexts, such as monitoring day-to-day financial matters in the market and making the best decisions for financially literate people's needs. Financial influence refers to the areas of cash management, learning of forecasting, record keeping, tax, investment alternatives, savings, insurance, and control of finance functions. Financial attitude refers to the inclination or likelihood of a person to undertake a behavior.

Financial behavior refers to the spending habit, maintaining records, using saving, managing money in a problem, financial services taken, planning of income and expenditure, searching for competitors' prices, gathering of information on financial knowledge, and using additional income are major aspects of the financial behavior pillar.

The second independent variable is corporate social responsibility. Williams (2020, p. 56) with the indicators of community performance, workplace performance, and customer performance. Community performance was a measure of charitable activities in the local community. Workplace performance is a measure of a firm's treatment of employees. Customer performance involves a measure of management perceptions of their firm's customer complaint resolution efforts and its commitment to creating value for customers.

The dependent variable is sustainability of SMEs (Lopez-Perez, et al., 2018) with the following indicators: corporate reputation, brand image, and financial value. Corporate Reputation will provide a competitive advantage as it differentiates the firm from others. Brand Image contributes to trust relationships aligning companies and their stakeholders. Financial Value helps increase production efficiency, motivate and retain the company's human resources, and facilitate access to better financial conditions.



*Figure 1: The Conceptual Framework of the Study*



### III. METHOD

This chapter presented the methodology of the study undertaken on the influence of financial literacy and sustainability on SMEs in the Municipality of Kapalong. This chapter includes descriptions of the research design, research locale, population, and sample, research instruments used, data collection procedure, and tools for dealing with such data.

#### 3.1 Research Design

The study used a descriptive, non-experimental research design, utilizing correlational with regression analysis technique through the use of the survey questionnaire based on an adopted and modified questionnaire and appropriate statistical tools to get the data needed in the study. The research design determined the relationship between the dependent variable, sustainability of SMEs, and the independent variable, financial literacy, and sought to establish any association between these variables (Creswell, 2005).

The study also utilized the descriptive method of research as the researcher collected data and reported the way things were given by respondents without manipulating any variables (Mugenda & Mugenda, 2003), specifically in terms of financial literacy and sustainability of SMEs in the Municipality of Kapalong.

The research findings were also limited to factors and conditions existing at the institution at the time of the study. Moreover, the conclusion of this research study was limited and constrained to the unique factors associated with this organization. Consequently, the conclusion may not be the same as the others.

#### 3.2 Research Instruments

The researcher used a downloaded, adapted, and modified questionnaire as an inquiry device, which gained widespread acceptance as a practical way of eliciting data to answer specific problems in this research. The panel members and thesis adviser validated it as internal validators, and each item was also validated by external validators. The items in the questionnaire were subjected to a reliability test for internal consistency of the items using Cronbach's Alpha. The questionnaires were pilot tested at a private tertiary academic institution, which was not part of the identified respondents of the study. After that, the final survey was distributed and administered to the respondents.

The instrument used in this study is the adopted and modified questionnaire from the study of Lopez-Perez et al. (2018) for the dependent variable, Menike (2018) for the first independent variable and Williams (2020) for the second independent variable, but subject to modification of questionnaires in order to suit the context of the study.

#### 3.3 Data Collection

After the approval of the panel members, the researcher underwent the following steps and procedures in the data gathering for the study:

The researcher sent a letter of intent with the research proposal for the conduct of the study to the Office of the Local Chief Executive, Municipality of Kapalong, Maniki, Kapalong, Davao del Norte.

After the Local Chief Executive approved the request, the researcher sent a formal letter to the business sectors for accommodation in administering the survey questionnaire to the respondents of the study. The researcher personally administers the questionnaire and explains the research tool as well as its purpose.

The researcher seeks assistance from the said sectors for easy communication and facilitation in retrieving the research tools. Finally, the researcher collated and tallied the data for statistical analysis and further interpretation in order to give a conclusion and appropriate recommendations.

#### 3.4 Statistical Tools

The following statistical tools was used/employed to validate its reliability and interpret the results;

**Mean and Standard Deviation.** This statistical tool was used to determine the level of financial literacy and sustainability of SMEs in the Municipality of Kapalong.

**Pearson ( $r$ ).** This was used to determine the significant relationship between financial literacy and sustainability of SMEs.

**Regression Analysis.** This was used to determine the influence of financial literacy and sustainability of SMEs data.

### IV. RESULTS

Presented in this chapter are the data and the results of the study. Tables are organized with the accompanying subheadings: Level of financial literacy; Level of corporate social responsibility; Level of sustainability; Significance of

the relationship between financial literacy, corporate social responsibility, and sustainability; and Multiple Regression Analysis of the influence of financial literacy and corporate social responsibility on SMEs' sustainability.

The study acknowledges that the standard deviation ranged from 0.454 to 0.684, less than the typical standard deviation for a 5-point Likert scale. This indicates that the ratings obtained in this study are close to the mean, implying more minor variations and more consistent responses from respondents (Wittink& Bayer, 1994).

#### **4.1 Level of Financial Literacy**

Presented in Table 1 is the level of Financial Literacy of SMES. It can be seen in the table that the overall mean is 4.42, with a standard deviation of 0.47 and a descriptive equivalent of very high. This indicates that a high level of financial literacy is manifested. Among the four indicators, financial attitude has the highest mean of 4.50, described as very high, and is followed by financial behavior with a mean of 4.43, also described as very high. Next is the financial influence, with a mean of 4.42, also described as very high. Lastly, the financial knowledge has a mean of 4.33, described as very high. The Financial Knowledge indicator has the highest standard deviation of 0.61. Next is the Financial Behavior with a standard deviation of 0.58, followed by Financial Influence and Financial Attitude with a standard deviation of 0.56 and 0.52, respectively. All of the indicators, including financial knowledge, financial influence, financial attitude, and financial behavior, have very high descriptive equivalents, indicating that financial literacy is highly manifested.

Table 1.  
*Level of Financial Literacy*

<b>Indicators</b>	<b>Mean</b>	<b>SD</b>	<b>Descriptive Equivalent</b>
Financial Knowledge	4.33	0.61	Very High
Financial Influence	4.42	0.56	Very High
Financial Attitude	4.50	0.52	Very High
Financial Behavior	4.43	0.58	Very High
<b>Overall</b>	<b>4.42</b>	<b>0.47</b>	<b>Very High</b>

#### **4.2 Level of Corporate Social Responsibility**

Presented in Table 2 is the Level of Corporate Social Responsibility of SMEs. It can be seen in the table that the overall mean is 4.28 with a standard deviation of 0.54 and a descriptive equivalent of very high. This means that corporate social responsibility is very much practiced. Among the three indicators, Community Performance got the highest mean of 4.56, described as very high, and was followed by Customer Performance which posted a mean of 4.29 and is described as very high. Lastly, the Workplace Performance has a mean of 4.14 and is described as high. The indicator Workplace Performance has the highest standard deviation of 0.66, followed by Customer Performance with a standard deviation of 0.62 and Community Performance with a standard deviation of 0.56. The three indicators have a very high descriptive equivalent, which means that corporate social responsibility is very much practiced by SMEs in the Municipality of Kapalong.

Table 2.  
*Level of Corporate Social Responsibility*

Indicators	Mean	SD	Descriptive Equivalent
Community Performance	4.39	0.56	Very High
Workplace Performance	4.14	0.66	High
Customer Performance	4.29	0.62	Very High
<b>Overall</b>	<b>4.28</b>	<b>0.54</b>	<b>Very High</b>

#### 4.3 Level of Sustainability

Presented in Table 3 is the Level of Sustainability of SMEs. It can be seen in the table that the overall mean is 4.44, with a standard deviation of 0.48 and a descriptive equivalent of very high. This indicates that the level of sustainability is very much observed. Among the three indicators, the financial value had the highest mean of 4.52, described as very high, followed by brand image with a mean of 4.43, also described as very high. Lastly, is the corporate reputation, with a mean of 4.39, also described as very high. The indicator with the highest Standard Deviation of 0.59 is the corporate reputation. Next are both the Brand Image and Financial Value with a standard deviation of 0.53. All of the indicators, which are the Corporate Reputation, Brand Image and Financial Value, have very high descriptive equivalents, which means that the sustainability of SMEs in the Municipality of Kapalong is very much observed.

Table 3.  
*Level of Sustainability*

Indicators	Mean	SD	Descriptive Equivalent
Corporate Reputation	4.39	0.59	Very High
Brand Image	4.43	0.53	Very High
Financial Value	4.52	0.53	Very High
<b>Overall</b>	<b>4.44</b>	<b>0.48</b>	<b>Very High</b>

#### 4.4 Significance of the Relationship between Financial Literacy and Sustainability



Table 4.

*Significant Relationship between Financial Literacy and Sustainability*

Independent Variables	Dependent Variable	r- value	r-squared	p-value	Decision
Financial Knowledge	Sustainability	0.629*	0.3956	0.001	HO is rejected
Financial Influence		0.780*	0.6084	0.001	HO is rejected
Financial Attitude		0.798*	0.6368	0.001	HO is rejected
Financial Behavior		0.673*	0.4529	0.001	HO is rejected

\*p<0.05

Table 4 presents the four indicators that show the significant relationships between financial literacy and the sustainability of SMEs in the Municipality of Kapalong. The r-value of the Financial Knowledge and sustainability is 0.629 with a p-value of 0.001 that shows a positive correlation. At the same time, the r-value of Financial Influence and sustainability is 0.780 with a p-value of 0.001, which shows a positive correlation. Next, the r-value of Financial Attitude and sustainability is 0.798 with a p-value of 0.001, which also indicates a positive correlation. Lastly, the r-value of Financial Behavior and sustainability is 0.673 with a p-value of 0.001, which also indicates a positive correlation. Since the table shows that the domains Financial Knowledge, Financial Influence, Financial Attitude and Financial Behavior have a probability level of 0.001, which is less than the significance level of 0.05, the null hypothesis states that "there is no significant relationship between financial literacy and sustainability". Therefore, there is a significant relationship between financial literacy and sustainability. The r-squared shows that Financial Attitude has the most substantial relationship of 63.68% to sustainability. Next is Financial Influence, which has a more substantial relationship of 60.84%, while Financial Behavior and Financial Knowledge have 45.29% and 39.56%, respectively. The strong interdependence of the variables shows that Financial Knowledge, Financial Influence, Financial Attitude and Financial Behavior have a significant relationship with the sustainability of SMEs in the Municipality of Kapalong.

#### 4.5 Significance of the Relationship between Corporate Social Responsibility and Sustainability

Table 5.

*Significant Relationship between Corporate Social Responsibility and Sustainability*

Independent Variables	Dependent Variable	r- value	r-squared	p-value	Decision
Community Performance	Sustainability	0.707*	0.4998	0.001	HO is rejected
Workplace Performance		0.541*	0.2927	0.001	HO is rejected
Customer Performance		0.653*	0.4264	0.001	HO is rejected

\*p<0.05

Table 5 presents the three indicators that show the significant relationships between corporate social responsibility and sustainability of SMEs in the Municipality of Kapalong. The r-value of the Community Performance and

the Sustainability is 0.707 with a p-value of 0.001 that shows a positive correlation. At the same time, the r-value of Workplace Performance and the Sustainability is 0.541 with a p-value of 0.001, which shows a positive correlation. Lastly, the r-value of Customer Performance and the Sustainability is 0.653 with a p-value of 0.001 also indicates a positive correlation. Since the table shows that the domains Community Performance, Workplace Performance and Customer Performance have the probability level of 0.001, which is less than the significance level at 0.05, the null hypothesis states that "there is no significant relationship between corporate social responsibility and sustainability" is rejected. Therefore, there is a significant relationship between corporate social responsibility and sustainability. The r-squared shows that Community Performance has a most substantial relationship of 49.98% to the Sustainability. While Customer Performance and Workplace Performance have 42.64% and 29.27%, respectively. The strong interdependence of the variables shows that Community Performance, Workplace Performance and Customer Performance have a significant relationship with Sustainability of SMEs in the Municipality of Kapalong.

#### 4.6 Regression Analysis on domains of Financial Literacy that significantly predicts Sustainability

Table 6.

Regression Analysis on domains of Financial Literacy that significantly predicts Sustainability

Independent Variable (Indicators)	Unstandardize Coefficients		Standardize Coefficients	t-Value		p-Value	Decision
	B	SE (B)	Beta				
(constant)	0.282	0.110					
Financial Knowledge	0.034	0.026	0.043	1.287	0.199		Do not Reject HO
Financial Influence	0.253	0.032	0.293*	7.903	0.001		Reject HO
Financial Attitude	0.397	0.032	0.430*	12.389	0.001		Reject HO
Financial Behavior	0.252	0.023	0.301*	10.736	0.001		Reject HO
<b>Dependent Variable: Sustainability</b>							
R-value: 0.895							
R Square: 0.801							
F-ratio: 364.3							
P-value: 0.001							

\*p<0.05

Table 6 shows the regression analysis on the level of financial literacy and the sustainability of SMEs in the Municipality of Kapalong. The table shows the F-ratio of 364.3 and the p-value of 0.001, less than the 0.05 level of significance. This allows the researcher to reject the null hypothesis, which states that "there is no domain in financial literacy that significantly predicts sustainability." Thus, a domain in financial literacy significantly predicts the sustainability of SMEs. The R-value of 0.895 indicates a highly positive relationship between financial literacy and sustainability. The coefficient of determination, or the R-squared, which is 0.801, connotes that 80.1% of the variation in sustainability could be attributed to the variation in the level of financial literacy. The rest, 19.9%, is the chance variation, which means that the level of financial literacy could be attributed to the other factors not included in this study.

Contrary to the rest of the domains of Financial Literacy, *Financial Knowledge* has a beta of 0.043 and a corresponding p-value of 0.199, more significant than the significance level of 0.05. This means that *Financial Knowledge* has no considerable influence on the sustainability of SMEs.

#### 4.7 Regression Analysis on domains of Corporate Social Responsibility that significantly predicts Sustainability

Table 7.

*Regression Analysis on domains of Corporate Social Responsibility that significantly predicts Sustainability*

Indipendent Variable (Indicators)	Unstandardize Coefficients		Standardize Coefficients	t- Value		p- Value	Decision
	B	SE (B)	Beta				
(constant)	1.494	0.138					
Community Performance	0.415	0.041	0.484*	10.033	0.001		Reject HO
Workplace Performance	0.011	0.037	0.015	0.302	0.763		Do not Reject HO
Customer Performance	0.252	0.041	0.324*	6.073	0.001		Reject HO
<b>Dependent Variable: Sustainability</b>							
R-value: 0.750							
R Square: 0.562							
F-ratio: 154.7							
P-value: 0.001							

\*p<0.05

Table 7 shows the regression analysis on the level of corporate social responsibility to sustainability of SMEs in the Municipality of Kapalong. The table shows the F-ratio of 154.7 and the p-value of 0.001, less than the 0.05 level of significance. This allows the researcher to reject the null hypothesis, which states that "there is no domain in the corporate social responsibility that significantly predicts sustainability." Thus, a domain in corporate social responsibility significantly predicts sustainability of SMEs. The R-value of 0.750 indicates a high positive relationship between corporate social responsibility and sustainability. The coefficient of determination or the R-squared, which is 0.562, connotes that 56.2% of the variation in sustainability could be attributed to the variation in the level of corporate social responsibility. The rest, 43.8%, is the chance variation which means that the level of corporate social responsibility could be attributed to the other factors not included in this study.

Contrary to the rest of the domains of Corporate Social Responsibility, *Workplace Performance* has a beta of 0.015 and a corresponding p-value of 0.763, more significant than the significance level of 0.05. This means that *Workplace Performance* has no considerable influence on the sustainability of SMEs in the Municipality of Kapalong.

## V. DISCUSSION

This section presents the discussion and literature support regarding the level of financial literacy in terms of financial knowledge, financial influence, financial attitude, and financial behavior. Henceforth, it also measured the level of corporate social responsibility in terms of community performance, workplace performance, and customer performance. Furthermore, the level of sustainability in terms of corporate reputation, brand image, and financial value was also elaborated. Moreover, discussion regarding the correlation between measures was also tackled here. Finally, the discussion about regression analysis highlights the domains that significantly predict sustainability.

### 5.1 Level of Financial Literacy

The previous chapter revealed that financial literacy in the Municipality of Kapalong was very high. This means that the financial literacy was very much manifested. The research parallels the study by (Agyapong and Attram, 2019, p. 4) that SMEs with good performance have managers who have high levels of financial literacy wherein financial literacy is one of the critical managerial competencies in small scale businesses and their development, because if the

owner or management does not have the ability and skills to manage, allocate, and use financial resources effectively and efficiently, the business were go bankrupt.

Additionally, with good financial literacy businesses saw the financial dimension from a different perspective so that they have the knowledge to control their financial condition (Jati, et al, 2021, p. 22). Financial literacy is a pathway to sustainability and has an important role in ensuring the financial sustainability of individuals, families, companies, and the national economy (Beata, et al, 2020 as cited in Jati et. al, 2021, p. 22).

## **5.2 Level of Corporate Social Responsibility**

In the preceding chapter, it was found that the level of corporate social responsibility of SMEs in the Municipality of Kapalong was very high. This means that SMEs very much practice corporate social responsibility. It further implied that all corporate social responsibility domains are very much practiced. The study aligns with Suh and Lee's (2018 as cited in Lopez-Perez et. al, 2018, p. 1) sustainable management and development, which are considered a central idea in business and society today. This is because society and stakeholders are more demanding in terms of transparency and sustainability. Therefore, firms must legitimize their activities, and concepts such as corporate social responsibility (CSR) may help managers to promote successful business models.

## **5.3 Level of Sustainability**

In the preceding chapter, it was found that the level of sustainability of SMEs in the Municipality of Kapalong was very high. This means that SMEs paid close attention to its sustainability. It further implied that sustainability domains are very much observed. The study aligns with Schmidt et al., (2018 as cited in Lopez-Perez et. al, 2018, p. 1), who have recently commented that practices of sustainability, including values and transparency, internal audience, environment, supplier relationships, customer and/or consumer relationships, and community relationships, contribute to reinforcing the firms' positioning. Therefore, we can appreciate that companies are increasingly committed to incorporating these concepts into their core activities, not only in terms of large multinational corporations or listed companies but also those of smaller size (Baumgartner, R., 2014 as cited in Lopez-Perez et. al, 2018, p. 1).

## **5.4 Significant Relationship between Financial Literacy and Sustainability**

The findings of the study confirmed the theory of Menike (2018), which states that the financial literacy that predicts sustainability includes Financial knowledge refers to the capability to manage money in different ways, including the monitoring of day-to-day financial matters in the market and making the right choices for financially literate people's needs. Financial influence refers to the areas of cash management, learning of forecasting, record keeping, tax, investment alternatives, savings, insurance, and control of finance functions. Financial attitude refers to the inclination or likelihood of a person to undertake a behavior. Financial behavior refers to the spending habit, maintaining records, use of saving, managing money in a problem, financial services taken, planning of income and expenditure, searching for competitors' prices, gathering of information on financial knowledge, and use of additional income are major aspects of the financial behavior pillar.

## **5.5 Significant Relationship between Corporate Social Responsibility and Sustainability**

The findings of the study confirmed the theory of Williams (2020), which states that the corporate social responsibility that predicts sustainability includes community performance and is a measure of charitable activities in the local community. Workplace performance is a measure of a firm's treatment of employees. Customer performance involves a measure of management perceptions of their firm's customer complaint resolution efforts and its commitment to creating value for customers.

## **5.6 Regression Analysis on domains of Financial Literacy that significantly predicts Sustainability**

The regression model indicated that among the domains of financial literacy, financial influence, financial attitude, and financial behavior had the most influence and had the most substantial predictive ability to sustainability among the SMEs in the Municipality of Kapalong. This was in line with Jati, et al, (2021) research, which found that good financial literacy businesses would be able to see the financial dimension from a different perspective so that they have the knowledge to control their financial condition.

## **5.7 Regression Analysis on domains of Corporate Social Responsibility that significantly predicts Sustainability**

The regression model indicated that among the domains of corporate social responsibility, community performance and customer performance had the most influence and had the most substantial predictive ability for sustainability among the SMEs in the Municipality of Kapalong. This was in line with Suh, C.; Lee, I., (2018 as cited in

Lopez-Perez et. al, 2018, p. 1) research, which found that firms must legitimize their activities and concepts such as corporate social responsibility (CSR) may help managers to promote successful business models.

### **VI. Conclusion**

Referring back to the results of the research objectives, the findings revealed that financial literacy in terms of financial knowledge, financial influence, financial attitude, and financial behavior was very much observed among the SMEs in the municipality of Kapalong. It also revealed that corporate social responsibility in terms of community performance, workplace performance, and customer performance was also very much observed by the SMEs. In addition, the study revealed that sustainability in terms of corporate reputation, brand image, and financial value was very much observed among the respondents. Moreover, the findings revealed that financial literacy and corporate social responsibility have a significant relationship to sustainability.

More so, in terms of financial literacy, the domains of financial influence, financial attitude, and financial behavior significantly predict sustainability. In addition, in terms of corporate social responsibility, the domains of community performance and customer performance significantly predict sustainability.

### **VII. Recommendation**

Premised on the findings and conclusions presented, the following recommendations are offered:

The researcher recommends maintaining a high level of financial literacy by reading articles and journals and learning bookkeeping skills through training in order to manage well the areas of cash management, learning forecasting, record keeping, tax, investment alternatives, savings, insurance, and control of finance functions. Continue anticipating future risks and consider revising and being specific to be prepared for future instances. Prefer to talk about business matters with close friends to be prepared to meet the financial obligations with the income that the business provides. Stay within the budget or spending plan by reviewing and assessing the expenses every month. Continue to collect information to improve my financial knowledge.

Moreover, to sustain the very high level of corporate social responsibility, researchers recommend maintaining charitable activities in the local community that include donations and community engagement projects of firms, like promoting environmentally friendly activities in business operations as well as staff volunteerism on behalf of the firm by encouraging our employees to participate in local community activities to create good relations with the community. In addition, continue management perceptions of their firm's customer complaint resolution efforts and its commitment to creating value for customers.

Additionally, to sustain the level of sustainability, the researcher recommends performing to maintain the reputation of the company as well as its specific skills and characteristics that are well known, admired, and prestigious among others. It is also recommended to maintain the brand that is easily recalled and continue to believe that society trusts the brand and considers the importance of its values, and always make sure that the products still have the ability to increase their impact on the customers and get a good return on investment.

It is recommended that such indicators must maintain a strong positive correlation between financial literacy and sustainability wherein, according to the findings, financial literacy is a pathway to sustainability and it has an important role in ensuring the financial sustainability of individuals, families, companies, and the economy; and also, maintain a strong positive correlation between corporate social responsibility and sustainability wherein firms must legitimize their activities and concepts such as corporate social responsibility (CSR) that help managers to promote successful business models with the help of their employees, community, and government.

Since, among the domains of financial literacy, financial knowledge shows no significant relationship to sustainability, consider improving your spending time to continue learning about personal financial management and dedicating time to continue learning about the complexities of financial transactions. And businessmen must continue learning about the extensive variety of choices in financial products and services and always keep a detailed financial record for monitoring.

Thus, among the domains of corporate social responsibility, workplace performance shows no significant relationship to sustainability. We must continue to improve and encourage our employees to develop skills and long-term careers, and also ensure adequate steps are taken against all forms of discrimination in the workplace. Additionally, we must make time to consult our employees on issues related to their work and provide suitable arrangements for their health, safety, and welfare protection. Lastly, we must actively offer a good work-life balance for the employees by giving them time off between work, encouraging a healthy lifestyle, paid vacation time, maternity and paternity leaves, and team-building exercises. And also, corporate social responsibility is not a one-man job; it is collaborative in nature.



Lastly, future studies related to the focus of this research are also highly recommended using different indicators, methods, and scope, which would validate the consequences herein or deal with other problems and gaps that were not covered in this study.

## References

- [1.] Agyapong, D. and Attram, A.B., 2019. Effect of owner-manager's financial literacy on the performance of SMEs in the Cape Coast Metropolis in Ghana. *Journal of Global Entrepreneurship Research*, 9(1), pp.1-13. <https://link.springer.com/article/10.1186/s40497-019-0191-1> [Accessed 23 March 2022]
- [2.] Bartik, A.W., Bertrand, M., Cullen, Z., Glaeser, E.L., Luca, M. and Stanton, C., 2020. The impact of COVID-19 on small business outcomes and expectations. *Proceedings of the National Academy of Sciences*, 117(30), pp.17656-17666. <https://www.pnas.org/doi/10.1073/pnas.2006991117> [Accessed 24 February 2022]
- [3.] Bhinekawati, R., 2018. A model of a large company's CSR and transformational community engagement for SME development. *ASEAN Journal of Community Engagement*, 2(2), pp.200-220. [https://www.researchgate.net/profile/Risa-Bhinekawati/publication/331226711\\_A\\_Model\\_of\\_a\\_Large\\_Company's\\_CSR\\_and\\_Transformational\\_Community\\_Engagement\\_Strategy\\_for\\_SME\\_Development/links/5e36364f299bf1cdb9056708/A-Model-of-a-Large-Company's-CSR-and-Transformational-Community-Engagement-Strategy-for-SME-Development.pdf](https://www.researchgate.net/profile/Risa-Bhinekawati/publication/331226711_A_Model_of_a_Large_Company's_CSR_and_Transformational_Community_Engagement_Strategy_for_SME_Development/links/5e36364f299bf1cdb9056708/A-Model-of-a-Large-Company's-CSR-and-Transformational-Community-Engagement-Strategy-for-SME-Development.pdf) [Accessed 27 April 2022]
- [4.] Daniel, O., 2018. *The relationship between corporate social responsibility, corporate sustainability, and corporate financial performance* (Doctoral dissertation, Walden University). <https://www.proquest.com/openview/a9a0a77e94a53d7cc360015b22b67701/1?pq-origsite=gscholar&cbl=18750> [Accessed 18 March 2022]
- [5.] Edwards, B. and Foley, M.W., 1998. Civil society and social capital beyond Putnam. *American behavioral scientist*, 42(1), pp.124-139. <https://sci-hub.ru/10.1177/0002764298042001010> [Accessed 28 April 2022]
- [6.] Jati, H., De Rosary, P.E., Fanggidae, A.H. and Makatita, R.F., 2021. THE IMPORTANCE OF FINANCIAL LITERACY AND TECHNOLOGICAL LITERACY FOR THE SUSTAINABILITY OF THE CULINARY BUSINESS IN KOTA KUPANG DURING THE COVID-19 PANDEMIC. [https://www.ijebmr.com/uploads/pdf/archivepdf/2021/IJEBMR\\_670.pdf](https://www.ijebmr.com/uploads/pdf/archivepdf/2021/IJEBMR_670.pdf) [Accessed 5 February 2022]
- [7.] Khattak, A. and Yousaf, Z., 2021. Digital Social Responsibility towards Corporate Social Responsibility and Strategic Performance of Hi-Tech SMEs: Customer Engagement as a Mediator. *Sustainability*, 14(1), p.131. <https://www.mdpi.com/2071-1050/14/1/131> [Accessed 27 April 2022]
- [8.] Laplume, A.O., Sonpar, K. and Litz, R.A., 2008. Stakeholder theory: Reviewing a theory that moves us. *Journal of management*, 34(6), pp.1152-1189. <https://sci-hub.ru/10.1177/0149206308324322> [Accessed 28 April 2022]
- [9.] López-Pérez, M.E., Melero-Polo, I., Vázquez-Carrasco, R. and Cambra-Fierro, J., 2018. Sustainability and business outcomes in the context of SMEs: Comparing family firms vs. non-family firms. *Sustainability*, 10(11), p.4080. <https://www.mdpi.com/2071-1050/10/11/4080> [Accessed 15 March 2022]
- [10.] Mandell, L., 2006. Financial literacy: If it's so important, why isn't it improving?. *Networks Financial Institute Policy Brief*, (2006-PB), p.08. <https://sci-hub.ru/10.2139/ssrn.923557> [Accessed 28 April 2022]
- [11.] Menike, L.M.C.S., 2018, December. Effect of Financial Literacy on Firm Performance of Small and Medium Enterprises in Sri Lanka. In *2019 Financial Markets & Corporate Governance Conference*. [https://www.researchgate.net/publication/330530206\\_Effect\\_of\\_Financial\\_Literacy\\_on\\_Firm\\_Performance\\_of\\_Small\\_and\\_Medium\\_Enterprises\\_in\\_Sri\\_Lanka](https://www.researchgate.net/publication/330530206_Effect_of_Financial_Literacy_on_Firm_Performance_of_Small_and_Medium_Enterprises_in_Sri_Lanka) [Accessed 15 March 2022]
- [12.] Mugenda, O.M. and Mugenda, A.G., 2003. Research Methods: Quantitative and qualitative approaches. [https://books.google.com.ph/books?id=4WyrAAACAAJ&site=reviews&redir\\_esc=y](https://books.google.com.ph/books?id=4WyrAAACAAJ&site=reviews&redir_esc=y) [Accessed 21 February 2022]
- [13.] Prabawani, B., 2013. Measuring SMEs' sustainability: A literature review and agenda for research. *International Journal of Management and Sustainability*, 2(12), pp.193-207. <https://archive.conscientiabeam.com/index.php/11/article/view/934> [Accessed 18 March 2022].
- [14.] Satiti, N.R., 2020. Financial Literacy: An Essential In Small Medium Enterprises (SMEs) Performance. *Jurnal Manajemen Bisnis*, 10(2), pp.51-61. <https://ejournal.umm.ac.id/index.php/jmb/article/view/14825> [Accessed 18 March 2022]
- [15.] Williams, R.O., 2020. Corporate Social Responsibility and Financial Performance of US Manufacturing and Service Small-and Medium-Sized Enterprises. <https://www.proquest.com/openview/bd22df4ec1002b4d047d887ff5c6f5a5/1?pq-origsite=gscholar&cbl=51922&diss=y> [Accessed 15 March 2022]
- [16.] Wittink, D.R. and Bayer, L.R., 1994. The measurement imperative. *Marketing Research*, 6(4), p.14. <https://www.proquest.com/openview/d850c79be163ce82835ba99bfd139b4f/1?pq-origsite=gscholar&cbl=31079> [Accessed 22 January 2022]
- [17.] Ye, J. and Kulathunga, K.M.M.C.B., 2019. How does financial literacy promote sustainability in SMEs? A developing country perspective. *Sustainability*, 11(10), p.2990. <https://www.mdpi.com/2071-1050/11/10/2990> [Accessed 21 February 2022]