

## RESEARCH ARTICLE

## FINANCIAL LITERACY OF SELECTED MEMBERS OF CARD BANK BRANCH IN BAY LAGUNA

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## ARTICLE DETAILS

## Article History:

Received 14 October 2025  
Revised 03 November 2025  
Accepted 18 December 2025  
Available online 30 December 2025

## ABSTRACT

This study investigates the financial literacy of selected members of CARD Bank Bay Laguna, and it focuses on the individuals who have been borrowing money from microfinance institutions for many years. Over time, there has been a remarkable increase in the number of borrowers, but there has been no significant sign of solid investments, casting doubt on their capacity to make good financial decisions. The main goal of this study is to examine the financial literacy of borrowers and check the effect of their interaction with the financial institution in their financial decisions. Twenty (20) participants were interviewed for this study, who have been clients of the microfinance institutions for at least 1 year. The result shows that many of the participants have learned valuable financial skills, such as saving and budgeting; however, despite trusting this financial institution, most members are still hesitant to invest and afraid to take the risk. Additionally, in terms of financial readiness, most members are aware of their future needs, but show no proper planning and funding, raising a concern for a financial literacy program that would enhance their ability to meet future obligations. MFIs may not bring a complete set of financial products, they were been able to provide the rural areas with opportunities for financial independence, allowing them to enhance their capacity to make sound financial decision and their financial well being.

## KEYWORDS

Financial literacy, CARD Bank, Financial skills, Micro Finance, savings

## 1. INTRODUCTION

Financial literacy is the capacity to understand and effectively employ various financial abilities, which include personal financial management, budgeting, and investing. This can help you manage your finances, make better financial decisions, and achieve financial independence. According to the World Bank, only 25% of adult Filipinos are knowledgeable about basic financial concepts. This is a very serious issue, especially to a developing country like the Philippines. It is said that poor financial choices and investment mistakes can be caused by inadequate financial knowledge and capability, which may result to displeasing economic results. This study will determine the financial literacy of selected members of CARD Bank in Bay, Laguna. Twenty people will be selected randomly and will be asked basic financial-related questions to determine how they respond to everyday decisions about finances.

The popularity of microfinance institutions has been growing over the years, so having an understanding of their impact on Filipinos is a relevant issue that needs to be addressed. existing studies showed how microfinance really helps rural people in gaining their financial independence, but now that we are on the new normal situation, this change in behaviour, routines, and conditions could have a significant impact in terms of how people make financial decisions.

## 2. LITERATURE REVIEW

Financial literacy is a very serious issue that needs to be conveyed.

According to a 2016 study by Standard and Poor, the percentage of Filipinos who are literate is only 25%, and more than 75 million people are unaware of inflation, Insurance, or even the concept of having a savings account. according to low levels of financial literacy are critical for ensuring an economy's long-term viability. Because it influences everything from day to day to long-term financial decisions, financial literacy is important for both individuals and society (Lusardi, 2019). An e-card for students with multiple facilities regarding educational status and payment system (Kumar et al., 2023).

In an emerging country like the Philippines, financial literacy has played a vital role in shaping the economy. According to the study conducted by (Khan and Rahaman, 2007). The lifestyle and financial well-being of the poor were improved through the help of organizations like microfinance. It helped them empower themselves and get out of poverty line. Despite having limited services in comparison to huge commercial banks, this study suggests that microfinance institutions have a huge impact on the lives of every Filipino, especially since most of us don't have access to traditional banking.

The abuse of credit and spending more than one's financial capabilities are correlated with low level of financial literacy, as stated by (Lusardi, 2006). In addition to that, a lot of people that has already been part of the microfinance industry for so many years are still struggling to make good financial decisions. On the other hand, because technology is becoming more and more user-friendly, it is now getting easier for everyone to access and use modern technology, particularly the internet. A study states

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Website:  
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DOI:  
10.26480/bedc.02.2025.49.53

that it is worthwhile to investigate how online technology might be used to promote financial literacy education, as the 21<sup>st</sup> century moves towards the digital age (Organisation for Economic Co-operation and Development, 2017). Now that we have experienced a pandemic, technology has become more useful when it comes to making banking transactions and accessing financial knowledge through web seminars and even social media posts (Kumar et al., 2024). With the rapidly evolving technology, this paper will investigate the level of financial literacy of selected members of the CARD Bank Bay branch in this more technologically based era.

**3. METHODS**

The research design used in this study is a quantitative research survey that uses an open-access standardized questionnaire, which includes 5-point Likert scale questions where respondents are asked on how much they agree with statements about savings, budgeting, and investing. They will also be asked statements about their purchasing behaviour, promptness and timeliness of their payments, long-term financial goals, and incidence of debt. Using a polar interrogative question, they will be asked about whether or not they are aware of future expenses and financial planning for these areas.

The research was conducted in the municipality of Bay, Laguna, which is located in the province of Laguna, Region 4-A, Calabarzon, in the Philippines. respondents were selected from the active clients of the CARD Bank branch in Bay, Laguna, who have been the bank's clients for at least 1 year. Before serving the questionnaires, the researcher asked permission from the respondents, they were informed about the use of the survey, and that the information they would provide would be kept private and used exclusively for the study. The questionnaires were personally given by researchers to ensure clarity and completeness. Respondents were given enough time to finish the survey, and inquiries were addressed immediately. After completing the survey, the questionnaires were collected and reviewed, the data were encoded, tallied, and analysed using the weighted mean statistical method for Likert scale questions and weighted scoring for polar interrogative questions to interpret the result accurately.

Table 1 : Verbal Interpretation of the Weighted Mean		
Weight	Scale	Verbal interpretation
1	1.00 to 1.49	Very low / Not-applicable
2	1.50 to 2.49	Low
3	2.50 – 3.49	Moderate

Table 1(cont) : Verbal Interpretation of the Weighted Mean		
4	3.50 to 4.49	High
5	4.50 to 5.00	Very high

Table 2 : Weighted Scoring (Assigned weights)	
Response	Weight
Yes	1
No	0

Table 3 : Weighted Scoring (weight of importance)	
Factors	Weight
Awareness	1
Planning	2
Funding	3

Table 4 : Verbal Interpretation of the Weighted Scoring	
Weight	Verbal interpretation
0 – 0.99	No preparation
1.00-2.99	Very low preparedness
3.00-4.99	Moderate preparedness
5.00-5.49	High preparedness
5.50-6.00	Excellent preparedness

**4. DATA ANALYSIS**

The following are the results of the research findings conducted by the researcher in terms of different aspects.

Table 5 : Savings		
Savings	Mean	Verbal Interpretation
1. I think it is important to save money.	4.75	Very high
2. I keep part of my income on a regular basis.	3.95	High
3. I can still manage to keep some money, even having a low salary.	4.00	High
4. I invest my money in a collective investment plan like a pension fund, a property, or a savings account.	2.85	Moderate
5. I always trust financial institutions, which is why I put my investment funds in banks.	3.95	High
6. I am willing to take a small financial risk by saving some of my money and investing.	2.05	Low
7. I truly believe that saving money is important.	4.80	Very high

The results show that people really appreciate savings. This is evident in a very high verbal interpretation for “I think it is important to save money” (4.75) and “I truly believe that saving money is important” (4.80).

additionally, a high verbal interpretation is present in “I keep part of my income on a regular basis” (3.95), “I can still manage to keep some money, even having a low salary” (4.00), and “I always trust financial institutions, which is why I put my investment funds in banks” (3.95). this indicates

that they have a positive attitude and behaviour towards savings. However, when it comes to "I am willing to take a small financial risk by saving some of my money and investing" (2.05), it shows a low verbal

interpretation. Even though they trust banks, they have a low level of engagement, suggesting that people may trust these financial institutions, but they don't utilize them for savings and investment.

Table 6 : Budgeting		
Budgeting	Mean	Verbal Interpretation
1. I am mindful of my monthly salary and expenses.	4.85	Very high
2. I always have a budget plan that I always use.	4.10	High
3. I keep some money every month for savings and future necessities.	4.00	High
4. I make an effort to save money and use the remainder for necessities.	4.10	High
5. I save money over what I spend on my everyday needs.	2.70	Moderate
6. I do not save money because I spend it all on my everyday needs.	1.85	Low
7. I am sure that I could still access 3 months of my household income even in an emergency.	2.10	Low

The result for the budgeting aspect indicates that most people are highly aware of their income and expenses (4.85), showing a very high verbal interpretation. It also shows a high verbal interpretation on questions such as "I always have a budget plan that I always use", "I keep some money every month for savings and future necessities", and "I make an effort to save money and use the remainder for necessities" having (4.10), (4.00), and (4.10) respectively. The results suggest that people have good budgeting habits and manage their budgets effectively. However, an area

of concern arises for "I save money over what I spend on my everyday needs" (2.70), showing a moderate interpretation, which suggests that some people are able to prioritize saving in this way. Additionally, low scores for "I do not save money because I spend it all on my everyday needs" (1.85), and "I am sure that I could still access 3 months of my household income even in an emergency" (2.10). this suggests that a portion of the population is struggling in terms of building financial security.

Table 7 : Investing		
Investing	Mean	Verbal Interpretation
1. I make more investment than what I spend on my living expenses.	2.15	Low
2. I make an investment in insurance firms.	3.35	Moderate
3. I make investments in real estate companies.	1.70	Low
4. I make investments in stocks and bonds.	1.40	Very low
5. To minimize the risk, I diversified my present investment plan.	2.15	Low
6. Before I invest, I think about the interest or earnings.	4.10	High
7. Before investing, I seek advice from the professionals	3.30	Moderate
8. I think it is not good to invest an amount of money that is beyond your monthly living.	3.70	High

In Table 7, even though some people are aware of some investment principles, their actual investment practices are limited. Most people do not invest beyond their living expenses (2.15), real estate (1.70), and stock and bonds (1.40). Additionally, a low score has been shown as well on diversified portfolio, indicating a lack of risk management in their investment strategies.

On the other hand, a moderate to high score on investing in insurance companies (3.35) and asking suggestions from experts before making an investment decision (3.30) indicates that some want to engage in a safer form of investment. A lot of people also believe that it is unwise to invest money exceeding monthly living costs (Mean = 3.70, High), and People tend to consider the interest or earnings before investing (Mean = 4.10, High), showing a thoughtful approach to returns.

Table 8 : Purchasing behaviour		
Purchasing Behavior	Mean	Verbal Interpretation
I prioritize buying necessary items.	4.75	Very high
1. I carefully consider whether I can afford it before buying something.	3.80	High
2. I do a price comparison when buying my major expenses.	4.90	Very high
3. I use a budget plan.	4.15	High
4. I maintain a record of my earnings and expenses.	3.85	High
5. When there are other comparable products, I usually purchase the most selling one rather than the one that I truly believe a good one.	1.90	Low
6. I know it is important hold against your urge to spend money on shopping.	3.90	High

The table represents the purchasing behaviour of individuals based on their response and corresponding verbal interpretation. Overall, the result indicates that people have responsible spending habits. They strongly prioritize buying necessary items (4.75), and they normally compare prices for major shopping expenses (4.90), both receive a very high verbal interpretation. Additionally, a high score shows on questions "I carefully consider whether I can afford it before buying something" (3.80), "I use a

budget plan" (4.15), "I maintain a record of my earnings and expenses" (3.85), and "I know it is important hold against your urge to spend money on shopping" (3.90). this indicates that people have good financial awareness in using a budget. However, a notable concern on relying on popular product recommendations instead of personal judgment, which scored low (1.90). this indicates a potential influence over thoughtful decision making.

Table 9 : Promptness and timeliness of bill payment.		
Promptness and timeliness of bills payments	Mean	Verbal Interpretation
1. I settle my bills once they arrives.	3.25	Moderate
2. I settle my bills only if its due.	4.90	Very high
3. I personally monitor my financial situation closely.	3.85	High

The result for promptness and timeliness of bill payment shows that people normally settle their bills once it is due (4.90), indicating that they don't escape their responsibility. However, they just pay their bills as they

arrive (3.25), showing that people prioritize other more important things. People also actively monitor and manage their financial affairs (3.85) showing a high verbal interpretation.

Table 10 : Long term Financial Goals		
Long term financial goals	Mean	Verbal Interpretation
1. I work hard to achieve my long-term financial objectives.	4.20	High
2. I think it is important to have financial objectives.	4.70	Very high
3. I think it is important to have a financial goal that is more than 5 years.	3.95	High
4. I have funds set aside for long-term investment.	2.85	Moderate
5. I think that investing is important for long term financial goals.	3.85	High
6. I enjoy spending rather than saving it for long term.	2.15	Low
7. If I would get a chance to choose (1) I would be receiving 100,000 pesos now or (2) I would be receiving 100,000 pesos in one year, I would choose (1), as long as I can be sure that I can get the money.	3.85	High

The results in the table show that most people have a positive attitude toward setting and working toward long-term financial goals. Many people believe that having financial goals is necessary, with a very high average rating of 4.70. and generally agree on the importance of setting long-term goals and doing their best to achieve them (with several high

ratings around 3.85 to 4.20). However, even though the intention is there, actual behaviour like setting aside money for long-term investment is only rated as moderate (2.85), which indicates a gap between belief and action. Additionally, the low rating (2.15) on enjoying spending over investing suggests that people find it more amusing to spend rather than to save for long-term.

Table 11 : Incidence of Debt		
Incidence of debt	Mean	Verbal Interpretation
1. I rely my expenses or needs on mortgages.	1.75	Low
2. I rely my expenses or needs on consumer loans.	2.85	moderate
3. I have been involved in financial trouble such as bank transfer fraud or multiple debts.	1.75	Low
4. I have too much debt right now.	2.00	Low
5. I exactly know what to do in financial troubles as bank transfer fraud or multiple debts.	2.80	Moderate

The data on the incidence of debt suggests that most respondents do not heavily rely on borrowing and have not experienced any significant financial trouble. Most of the scores are generally low on aspects like

relying on mortgages (1.75), being involved in financial issues like fraud or multiple debts (1.75), and having too much debt (2.00). some respondents use consumer loans to cover their expenses and needs (2.85), and have moderate knowledge on how to handle financial troubles.

**Table 12 : Financial readiness**

	<b>(AWARENESS)</b> With regards to the expenses you think you will have to cover in the future, are you aware of the amounts that will be required for your case?	<b>(PLANNING)</b> Do you have a financial plan for the expenses you think you will have to cover in the future?	<b>(FUNDING)</b> Have you set aside funds for the expenses you think you will have to cover in the future?	<b>Score</b>	<b>Verbal Interpretation</b>
<b>1. Retirement expenditures.</b>	0.45	0.80	1.35	2.60	Very low preparedness
<b>2. Children's educational expenditures.</b>	0.50	1.10	2.10	3.70	Moderate preparedness
<b>3. The price of buying a house.</b>	0.45	1.40	1.50	3.35	Moderate preparedness
<b>4. The price of your own medical and nursing care.</b>	0.45	0.90	1.20	2.55	Very low preparedness
<b>5. The price of your family's medical and nursing care</b>	0.40	1.20	1.35	2.95	Very low preparedness
<b>6. The price of purchasing a car.</b>	0.50	0.80	0.60	1.90	Very low preparedness
<b>7. Your own wedding cost.</b>	0.60	0.90	1.65	3.15	Very low preparedness
<b>8. Your children's wedding cost.</b>	0.80	1.10	2.25	4.15	Very low preparedness

The result for the financial readiness shows that most people are poorly prepared in terms of future financial responsibilities. Various categories, such as retirement, health care, housing, and major life events like weddings, indicate very low preparedness. This indicates that many respondents are not fully aware of future financial needs, don't have enough planning, and have not allotted funds for these expenses. Only two areas show a moderate preparedness: educational expenses for children (3.70) and the cost of buying a house (3.35). This result suggests that people prioritize education and housing slightly over other needs. However, even showing a moderate rating, the planning and funding aspects are not that strong. This indicates a lack of financial awareness and function.

## 5. CONCLUSION AND RECOMMENDATIONS

The study showed the level of financial literacy among selected members of the CARD Bank branch in Bay, Laguna. The overall result showcased the positive attitude of the respondents towards saving, budgeting, and responsible spending. Most of the respondents understand the value of saving and show a good habit of having a regular savings, the right budgeting, and comparing prices before making a purchasing decision. They are also aware of their income and expenses and show discipline in managing their finances. In conclusion, even there is a strong financial behavior in terms of savings and budgeting, there is an obvious need for enhancing investment practices, risk management and future financial planning to achieve a better financial well-being.

Based on these findings provided by the researcher, the following recommendations:

- Financial institutions need to improve their clients' investment education and financial literacy in order to increase their long-term readiness and overall financial security.
- Promote the use of financial planning tools to help individuals make smart and sound financial decisions.

- Encourage people to shift their attention from saving to making smart investments.

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