

Asset Building of Youth Entrepreneurs in Manila

Edralin Lim

De La Salle University
edralin.lim@dlsu.edu.ph

Abstract: It is typical nowadays for Filipinos starting their own businesses at an early age. It is their way of earning through business profits so as to save, invest and contribute financially to their families in order to combat poverty. The researcher wants to analyse the asset building of youth entrepreneurs and to evaluate if they are able to help their families financially and to save for their future. Youth refers to those belonging in the age bracket of 15-24 years old. One hundred youth entrepreneurs owning businesses in Manila are surveyed to show their personal and business profiles (frequency and percentage), assets invested and share in family expenses (frequency, minimum value and maximum value of investment). Majority of the respondents are single, aging 21 to 24 years old who engage in business after graduating from college. Moreover, most of the respondents venture in retailing that includes gadgets, clothes, bags, shoes, accessories, beauty products and perfume. From these, their earnings are said to range from Php30,000 to Php210,000 annually. Investments of youth entrepreneurs are undiversified. A huge number of the respondents place their money in savings and inventories for business use. They frequently invest in gadgets and home appliances for their personal use. Few of them invest in real property, furniture, vehicles and jewelry, since many of them are single and this type of investment is not their priority. Most of them give grocery items and money for food, tuition fees and school allowances to their families, while some of them pay the utilities and give out clothes. Assisting in family finances in order to provide basic needs, school and utilities expenses, parents are lightly dismissed from day-to-day needs. In addition, the business sector may help to educate the youth entrepreneurs about their options in investments to maximize their earnings.

Key Words: youth entrepreneurship, asset building; savings

1. INTRODUCTION

1.1 Background of the Study

The success of youth asset building is the combination of savings and entrepreneurship (Pate, n.d). Youth asset building programs encourage individuals to build security through savings and budget planning. Youth entrepreneurship programs assist the youth to become entrepreneurs while contributing financially to their families. Both programs cultivate the financial literacy of the youth and cater saving incentives in order to expand their participation in the local economy.

Karlgaard (2009) revealed that entrepreneurship benefited the U.S. crisis in 1970s. He speculated if it will help the country again. The researcher wants to evaluate if youth entrepreneurs help their families financially and able to save for their future.

1.2 Review of Related Literature

1.2.1 Youth Entrepreneurship

Montanye (2006) defines entrepreneurship as “the confluence of business decision making and ownership, and attributes to the law of diminishing returns to the fixity of entrepreneurial capital within the firm.” He describes entrepreneurship as “a factor of production, linking it to risk taking and innovation and tying entrepreneurial compensation to uncertainty and profits.”

The United Nations General Assembly’s (n.d.) definition of youth is given as “those individuals between the ages of 15 and 24 years old.”

The researcher distinguishes youth entrepreneurs as those self-employed individuals, aging between 15 to 24 years old, who own a business.

1.2.2

Asset Building Program

Asset building program is designed to empower building of security through savings and budget planning. It progresses financial literacy of individuals, battles poverty and promotes economic independence (Pate, n.d.). Several non-government organizations (NGOs) in the United States start offering asset building programs such as Opportunities Career Services (n.d) which launched its asset building program to help the lower income and under-employed individuals to save money and build assets. The Mount Hope Housing Company (n.d.) developed the asset building programs, as well, in order to help low-income individuals balance their day-to-day expenses with larger financial aspirations.

1.2.3 Entrepreneurship and Savings

Studies have been made to analyze the significance of entrepreneurship in wealth concentration and mobility. Entrepreneurs own a considerable portion of wealth and income and chances are great that they move to higher wealth classes. Their portfolios are undistributed that the majority of assets are held within their businesses (Quadrini, 1999; Gentry and Hubbard, 2004). This exhibited the financial advantages of people from entrepreneurship.

McCormick and Wahba (2001) discovered that savings increase the likelihood of becoming an entrepreneur among Egyptians. Moreover, Bohacek (2006) indicated that “because successful firms grow over time, entrepreneurs enter businesses despite lower initial earnings compared to paid employment”. This clarified why more people enter businesses.

1.3 Objectives of the Study

- To determine the asset building of youth entrepreneurs in Manila
- To evaluate their share in family expenses

1.4 Scope of the Study

The study is limited to descriptive evaluation of asset building and share in family expenses of youth entrepreneurs in Manila. The primary information used in this study is limited to the results of the survey conducted among entrepreneurs between ages 15 to 24 years old. The survey was conducted from November 16, 2013 to December 15, 2013. One hundred twenty (120) questionnaires were distributed, yet only 100 questionnaires were retrieved. In the process of conducting the research, few constraints appeared such as non-availability of some respondents and difficulty of retrieving questionnaires.

2. FRAMEWORK

The study adapts the framework by Gentry and Hubbard (2004) to analyze the importance of youth entrepreneurship for asset building in Manila. In addition to this framework, the researcher adds the share in family expenses as another variable to prove that the youth entrepreneurs help their families financially and save for their future.

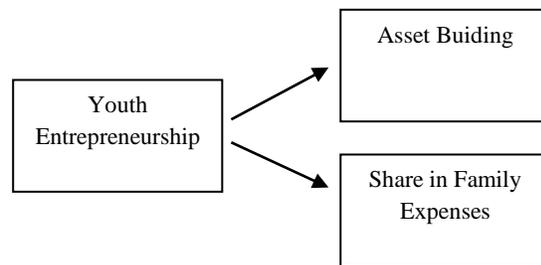


Figure 1. Research Framework

3. METHODOLOGY

This study uses a descriptive method of research. It involves description and evaluation of asset building and share in family expenses of youth entrepreneurs with the aid of statistical methods.

The researcher surveys 120 respondents from Manila. They are entrepreneurs aging from 15 years old to 24 years old. Only 100 young entrepreneurs responded.

The description and evaluation comprise of the profile of the respondents and their businesses, assets invested and share in family expenses. Their profile covers gender, age, civil status and highest educational attainment. Their business covers its nature, place and annual net income. Asset building includes investment in savings, bonds, stocks, inventories, real property, home appliances, furniture, vehicles, cell phones, gadgets, computers and jewelry. Share in family expenses contains their contribution to their respective families in terms of money, food, grocery, tuition and fees, school allowance, clothing, utilities and other related items.

To describe the answers of the respondents, for respondents and business profile, datum coming from each item of the questionnaire is placed on a tabular form with the indicated percentage as well as the frequency. For asset building and share in family expenses, the data indicate the frequency, minimum value and maximum value of the investment. Minimum value and maximum value are used to show the level of asset building and share in family expenses.

4. RESULTS AND DISCUSSION

4.1 Profile of the Youth Entrepreneurs

Table 1 shows the profile of the respondents in terms of gender, age, civil status and highest educational attainment indicating the frequency and percentage of responses.

As to gender, 50% of the respondents are male and 50% of them are female.

As to age, 72% of the respondents are aging from 21 to 24 years old. This suggests that majority of the respondents are in their later years of youth. They have decided to engage in business after they graduate from college.

As to civil status, majority of the respondents are single (92%). 8% of them are married. This implies that the first priority of the respondents is their business. Nowadays, young entrepreneurs want all things done before entering the married life.

As to highest educational attainment, majority of the respondents are college graduates (85%). 15% of them are in college level. It is shown that most of them engage in business after their studies.

Table 1. Respondents Profile

Item	Frequency	Percentage
Gender		
Male	50	50%
Female	50	50%
Total	100	100%
Age		
18 years old	9	9%
19 years old	7	7%
20 years old	12	12%
21 years old	16	16%
22 years old	12	12%
23 years old	17	17%
24 years old	27	27%
Total	100	100%
Civil Status		
Single	92	92%
Married	8	8%
Total	100	100%
Highest Educational Attainment		
College Level	15	15%
College Graduate	85	85%
Total	100	100%

4.2 Business Profile of the Youth Entrepreneurs

Table 2 shows the nature of business and annual net income of their business indicating the frequency and percentage of responses.

As to nature of business, the respondents engage in retailing (76%), loading station (9%), internet café (6%), manufacturing (5%), sari-sari store (4%). Respondents who engage in retailing sell gadgets, clothes, bags, shoes, accessories, beauty products and perfumes. Respondents who engage in manufacturing produce bags and shoes, clothing and pastries.

As to annual net income of the business, the respondents are earning above P210,000 a year (30%), up to P30,000 a year (11%), from P30,001 to P60,000 (9%), from P60,001 to P90,000 (7%), from P90,001 to P120,000 (6%), from P120,001 to P150,000 (10%), from P150,001 to P180,000 (12%), and from P180,001 to P210,000 (15%). This shows that at a young age, the respondents earn their own money and are capable to buy what they want. Majority of them earn more than the minimum wage.

Table 2. Business Profile

Item	Frequency	Percentage
------	-----------	------------

Nature of Business

Retailing	76	76%
Manufacturing	5	5%
Internet café	6	6%
Sari-sari store	4	4%
Loading station	9	9%
Total	100	100%

Annual Net Income of Business

P0 - P30,000	11	11%
P30,001 - P60,000	9	9%
P60,001 - P90,000	7	7%
P90,001 - P120,000	6	6%
P120,001 - P150,000	10	10%
P150,001 - P180,000	12	12%
P180,001 - P210,000	15	15%
Above P210,000	30	30%
Total	100	100%

4.3 Asset Building of the Youth Entrepreneurs

Table 3 shows the asset building of the respondents indicating the type and level of investment.

Majority of the respondents have savings. They place their money in savings deposit (81%) ranging from P5,000 to P800,000, time deposit (32%) ranging from P2,500 to P2,000,000, checking account (8%) ranging from P10,000 to P500,000 and paluwagan (5%) ranging from P12,000 to P48,000. None of them invest in treasury bills, commercial paper, credit cooperative and trust account. Most respondents are maintaining their savings deposit for their day-to-day operations. They can withdraw their money as the need arises.

None of the respondents invest in bonds and stocks.

More than half of the respondents invest in inventories. Inventory items such as gadgets, clothes, bags, shoes, accessories, beauty products and perfume ranging from P1,200 to P600,000.

Twenty-four percent of the respondents invest in real property worth P50,000 to P3,000,000. They think ahead for their future at a young age.

More than half (58%) of the respondents invest in home appliances amounting from P2,000 to P150,000. The following are the specific home appliances they have acquired: DVDs, refrigerators, air conditioning units, television sets, induction cooker, microwave oven and washing machine. They acquire these items for personal or business use because of necessity and affordable prices.

Thirty percent (30%) of the respondents invest in furniture ranging from P5,000 to P200,000 either for personal or business use.

Twenty-three respondents have vehicles amounting from P50,000 to P2,500,000. It shows that vehicles are no longer a luxury but a necessity. These vehicles are cars, trucks, motorcycles and jeeps.

Table 3. Asset Building of the Respondents

Item	Frequency	Percent	Min.	Max.
Savings				

Savings Deposit	81	81%	5,000	800,000
Time Deposit	32	32%	2,500	2,000,000
Checking Account	8	8%	10,000	500,000
Paluwagan	5	5%	12,000	48,000
Total	126 (100)	Multiple Responses		
Inventories				
Gadgets	55	55%	50,000	200,000
Clothes	16	16%	2,500	600,000
Bags	10	10%	15,000	40,000
Shoes	12	12%	32,000	50,000
Accessories	8	8%	1,200	5,000
Beauty products	2	2%	45,000	60,000
Perfume	3	3%	13,000	25,000
Total	106 (100)	Multiple Responses		
Real Property	24	24%	50,000	3,000,000
Home Appliances	58	58%	2,000	150,000
Furniture	30	30%	5,000	200,000
Vehicles	23	23%	50,000	2,500,000
Cell phones	76	76%	1,000	80,000
Gadgets	55	55%	3,000	100,000
Computers	62	62%	20,000	120,000
Jewelry	18	18%	2,500	500,000

more money for other uses and during financial crisis; they would readily have someone to rely on.

Table 4. Share in Family Expenses

Item	Frequency	Percent	Min.	Max.
Money	35	35%	8,000	144,000
Grocery	32	32%	4,000	110,000
Utilities	26	26%	5,000	24,000
Clothing	18	18%	3,000	50,000
Food	21	21%	12,000	120,000
School Allowance	20	20%	15,000	100,000
Tuition and Fees	8	8%	10,000	150,000
Total	160 (100)	Multiple Responses		

5. CONCLUSIONS

This research exhibited that the investments of youth entrepreneurs are undistributed that the huge portion of assets are held within their businesses (Quadrini, 1999; Gentry and Hubbard, 2004). It is manifested that majority of them put their money in savings and inventories which they use in their businesses. Several of them also invest in home appliances (58%), cell phones (76%), gadgets (55%) and computers (62%) for personal and business use. They invest in cell phones for easier and more convenient communication with customers and computers for computerized system of their businesses.

Few respondents invest in real property (24%), furniture (30%), vehicles (23%) and jewelry (18%). Most of them are single and these types of investment are not part of their priorities.

But surprisingly, no one invests in treasury bills, commercial papers, trust account, bonds and stocks, given the fact that more than half (62%) of the respondents are college graduates. The said securities are earning more than the savings and time deposits. Investments awareness is a significant program that could benefit these young entrepreneurs to maximize their earnings. The business sector must educate them about their options in investing their money.

An important finding is that all respondents support and assist in the finances of the families. They are able to give money, groceries, clothing, food, school allowances, payment for tuition and fees and utilities. From these, their parents are lightly relieved and dismissed from day-to-day needs.

Future research is still considered necessary. A research can be conducted to analyze the asset building and share in family expenses of youth entrepreneurs in other cities in Metro Manila. Another study can be also be made to examine the changes in asset building and share in family expenses of the youth before and after they enter the business.

6. REFERENCES

Most respondents (76%) invest in cell phones ranging from P1,000 to P80,000. Cell phones are necessary for young entrepreneurs. They can communicate anytime and anywhere with their customers, suppliers, and others.

Majority of the respondents invest in computers (P20,000 – P120,000) and gadgets (P3,000 – P100,000) They acquire these items for personal/business use.

Eighteen percent (18%) of the respondents invest in jewelry ranging from P2,500 to P500,000. It is a good investment because its price always appreciates. Some banks accept jewelry as collateral.

4.4 Share in Family Expenses of the Youth Entrepreneurs

Table 4 shows the share of the respondents in family expenses. 35% of them gives money ranging from P8,000 to P144,000 a year. 32% of them gives grocery items ranging from P4,000 to P110,000 a year. 26% of them pays the utilities ranging from P5,000 to P24,000 a year. Others are clothing (18%) ranging from P3,000 to P15,000 a year, food (21%) ranging from P12,000 to P120,000 a year, school allowance (20%) ranging from P15,000 to P100,000 a year and tuition and fees (8%) ranging from P10,000 to P150,000 a year. Aside from investing in something they want, they are able to help and support their family. At a young age, they start to learn being independent. Instead of asking financial support from their parents, they provide a sizable amount of contribution in the family expenses. As a result, their parents are able to save

- Bohacek, R. (2006). Financial constraints and entrepreneurial investment. *Journal of Monetary Economics*, 53 (8), 2195-2212. Retrieved December 10, 2013 from EBSCO host database (Academic Search Elite).
- Gentry, W & Hubbard, G. (2004). Entrepreneurship and household saving. *Advances in Economic Analysis & Policy*, 4 (1), 1-58. Retrieved December 10, 2013 from EBSCO host database (Academic Search Elite).
- Karlgaard, R. (2009). Will the entrepreneur boom miss the U.S.? *Forbes*, 184 (9), 21-22. Retrieved December 10, 2013 from EBSCO host database (Academic Search Elite).
- McCormick, B. & Wahba, J. (2001). Overseas work experience, savings and entrepreneurship among return migrants to LDCS. *Scottish Journal Of Political Economy*, 48 (2), 164-178. Retrieved December 10, 2013 from EBSCO host database (Academic Search Elite).
- Montanye, J. (2006). Entrepreneurship. *The Independent Review*, 10 (4), 547-560. Retrieved December 10, 2013 from EBSCO host database (Academic Search Elite).
- Mount Hope Housing Company (n.d). Asset building programs. Retrieved December 10, 2013 from <http://www.mounthopehousing.org/assetbuildingprograms.html>
- OpportunitiesCareer Services (n.d). BC asset building collaborative. Retrieved December 10, 2013 from <http://www.bcassetbuilding.ca/programs/ocss.php>
- Pate, K. (n.d). Linking youth savings and entrepreneurship. Retrieved December 10, 2013 from http://www.cfed.org/imageManager/_documents/SEED/Linking_Youth_Savings_Entrepreneurship_final.pdf
- Quadrini, V. (1999). The importance of entrepreneurship for wealth concentration and mobility. *Review of Income and Wealth*, 45 (1), 1-19. Retrieved Dcember 10, 2013 from EBSCO host database (Academic Search Elite).
- United Nations General Assembly (n.d.). Frequently asked questions. Retrieved December 10, 2013 from <http://www.un.org/esa/socdev/unyin/qanda.htm>