THE INFLUENCE OF FINANCIAL LITERACY AND SAVING CAPACITY ON THE SAVING BEHAVIOR OF EMPLOYEES IN THE MUNICIPAL GOVERNMENT OF HERMOSA, BATAAN

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ABSTRACT

The paradigm shifts in the financial sector, driven by technological innovations, poses a challenge for both management and consumers in understanding new financial landscapes. In this context, financial literacy becomes crucial for making informed personal finance decisions, suggesting that individuals with greater financial knowledge are better equipped to make sound financial choices. Additionally, the ability to save is vital for protection against future needs and unexpected financial challenges. Despite recurrent examination of various financial aspects, the connections between saving capacity and saving behavior, as well as between financial literacy and saving behavior, remain underexplored in local contexts. This study, grounded in the Theory of Planned Behavior (TPB) and employing a correlational research design, aims to investigate these relationships among public employees in the municipal government of Hermosa, Bataan. Utilizing purposive sampling, 195 participants aged between 23 to 61 were recruited. Data was collected through a self-administered questionnaire distributed via pen and paper. The results indicate that financial literacy moderately influences saving behavior, while saving capacity has a significant and positive impact. This highlights that individuals with higher saving capacities tend to demonstrate better saving behaviors. It also reveals that while financial literacy moderately affects saving behavior among the participants, saving capacity plays a more crucial role, emphasizing the importance of enhancing financial knowledge and saving abilities in fostering positive financial behaviors.

Keywords: *Finance, Saving Behavior; Saving Capacity; Financial Literacy; Correlation*

INTRODUCTION

The fast-changing technology and digital transformation observed in our market today infer a paradigm shift in different industries, especially in the financial sector, imposing a challenge of understanding not only to its management but also to its consumers (Abad-Segura & Gonzalez- Zamar, 2020). As technology progresses in the financial sector, a lot of new age and more complex financial products with varying benefits and risks are becoming available in the market, increasing the consumer's responsibility to manage their finances cautiously (Bhushan, 2014; Murendo & Mutsonziwa, 2016). Thus, in today's complex financial landscape, having a good understanding of financial matters is critical for making informed decisions about one's personal finances; which suggests that individuals who are more financially literate are able to make more informed and sound finance decisions.

Financial literacy is the ability to make informed financial decisions and to apply financial knowledge to everyday situations (Lusardi & Mitchell, 2014). In recent studies, the definition of the Organisation for Economic Co-operation and Development (OECD) was adopted, which characterized it as the combination of awareness, knowledge, skills, and behaviors necessary to make sound financial decisions and ultimately achieve financial wellbeing. Being financially literate entails that individuals manage their money efficiently, make appropriate investment decisions, plan behavior towards saving, and take advantage of the financial products in the market (Alshebami & Aldhyani, 2022; Mendez Prado, Chiluiza, Everaert, & Valcke, 2022). Studies and research in the area of financial literacy made it become increasingly important in recent years, such that 70% of adults in Asia, Europe, and Latin America are aware of developments in financial products and technologies (OECD, 2020). Additionally, the rising population of financially literate individuals are taking more consideration of their retirement savings and investments since there were swift changes from employer-sponsored defined benefit plans to private contributions in various countries (Lusardi & Mitchell, 2011; Lusardi & Mitchell, 2014; Henager & Mauldin, 2015; Lu sardi, 2017; Garcia & Vila, 2020).

However, studies have shown that financial literacy remains low in various countries, such that around 33% of adults globally are financial literate or showing awareness, knowledge, and skills in the four basic financial concepts—risk diversification, numeracy, inflation, and compound interest (Klapper, Lusardi, & van Oudheusden, 2015). Furthermore, high-income countries, like Germany, Japan, Italy, and France, still observed low levels of financial literacy even when their financial markets are well-developed (Lusardi & Mitchell, 2011; OECD, 2017).

Financial literacy also plays an important role in an individual's plan and intention to save. An individual who can make informed choices regarding their current financial situation is deemed to initiate various savings and retirement plans for their future, which in turn, affects an individual's saving pattern, management, and behavior (Gaisina & Kaidarova, 2017; Lusardi, 2017; Adetunji & David-West, 2019; Morgan & Long, 2019; Morgan & Long, 2020).

Saving is defined as the difference between an individual's income and expenditures (Million & Belay, 2019), while some define it as the capacity of an individual to set aside a portion of his income before consumption (Lidi, Bedemo, & Belina, 2017; Ambong, Bantog, & Declaro- Ruedas, 2021). Having the capacity to save safeguards an individual from future needs as well as unforeseen and uncertain financial circumstances. It is also one of the ways to reach financial stability and well-being in the future as saving entails wealth accumulation, sound financial management and investment behavior (Sabri, Reza, & Wijekoon, 2020).

The saving capacity of an individual also affects saving behavior. Saving money regularly is impossible when an individual's expenditure level is high, wherein people are most likely to spend all of their income instead of saving a portion of it. It is not only the personal consumption that hinders an individual's saving capacity, but also the household obligations that must be met monthly, such as rent, utilities, and recreation (Million and Belay, 2019). Inversely, financial literacy promotes an individual's saving capacity wherein individuals manage their finances, decrease the level of indebtedness, and increase the capacity to save and invest for their future (Amari, Salhi, & Jarboui, 2020).

On the other hand, saving behavior refers to an individual's tendency to set aside a portion of their income for future use, such as emergency savings, retirement, or savings for specific goals (Friedline et al., 2013; Agustina et al., 2023). Similarly, it involves the ability to prioritize saving over immediate consumption and to make deliberate decisions on how to allocate one's resources. This behavior can also be dependent on the knowledge, perceptions or intentions of the individuals to save, such as saving for a purpose, saving for risks, and saving barriers (Widyastuti, Suhud, & Sumiati, 2018). Saving is considered as an essential part of the economic domain, especially on an individual basis, since other people purposely save for future investment and retirement; while others save for future consumption, such as recreational activities and marriage (Abrera & Gebreslassie, 2016).

There are a variety of factors that affect saving behavior such as, social comparison (Raue, D'Ambrosio, and Coughlin, 2019); income level (Morgan & Long, 2020); number of dependents (Mahdzan & Tabiani, 2013); marital status (Sembiring & Leon, 2021); and incentives and other financial support (Huang, Nam, and Sherraden, 2013; Schaner, 2018).

Detrimental consequences can occur due to a lack of financial literacy, most especially to one's saving behavior. Financial difficulties experienced by individuals are frequently caused by their poor financial management and behavior. Consequently, it will affect an individual's behavior, mental health condition, and physical and financial wellbeing (Alehkam, Salleh, & Mokhtar, 2018). Poor saving practices can also lead to individual bankruptcy and over indebtedness in banks and other money lenders as people are more likely to borrow when their income is low and can't cover their current and unexpected expenditures (Lusardi & Tufano, 2015; Kassim, Mohamed, Jahari, and Zain, 2019; Agustina et al., 2023). The inability to effectively save, which is a key component of financial well-being, individuals may be unprepared for unexpected financial hurdles and challenges, and be hindered from their respective financial goals.

Although various factors have been repeatedly seen in other financial concepts, little attention has been given to the relationship of saving capacity and saving behavior, financial literacy and saving behavior, particularly in the local setting. Therefore, it is critical to examine the relationship between the level of financial literacy and saving behavior, and between the saving capacity and saving behavior in a specific local setting and population to gain a deeper understanding of their current financial status.

With that said, this study primarily aims to investigate the correlation between the level of financial literacy and saving behavior, and between saving capacity and saving behavior among public employees in Hermosa, Bataan, with the ultimate goal of providing insights that can help improve financial literacy and promote healthy financial habits. Specifically, this research has the following objectives, (1) to determine the relationship between the level of financial literacy and saving behavior; and (2) to determine the relationship between saving capacity and saving behavior.

Therefore, this study hypothesizes that: (1) there is no significant relationship between an individual's level of financial literacy and saving behavior; (2) there is no significant relationship between an individual's saving capacity and saving behavior; and (3) there is no significant relationship among the level of financial literacy, saving capacity, and saving behavior of individuals.

Financial Literacy

Possessing a good amount of financial literacy signifies that a person benefits from their knowledge and ability to understand and process financial information by using it to make sound financial decisions (Lusardi & Mitchell, 2014; Mendez Pradoet al., 2022). Individuals with high levels of financial literacy are deemed to be capable of getting through financial difficulties as it correlates with positive behavior (Bhushan & Medury, 2013). This study evaluated the level of financial literacy among salaried individuals in India, aged 20-60 years old. From there, they found that financially literate consumers in the age group of 31-60 years tend to accumulate savings, purchase insurance, and have diversified investment. The findings of Bhushan & Medury (2013) revealed that increased financial literacy can also increase an individual's financial behavior, as knowledgeable people actively participate in the financial market (Landerretche & Martinez, 2013). For example, when talking about credit card debt, more financially knowledgeable people tend to pay in full to avoid fees and additional interest, whereas those who are less knowledgeable prefer paying the minimum amount, incur additional interest, and late payment fees (Lusardi & Tufano, 2015). Positive effects to saving habits are also seen with higher financial literacy level, particularly, people are likely to initiate different saving and retirement plans as they become more informed with their finances (Mahdzan & Tabiani, 2013; Henager & Mauldin, 2015; Gaisina & Kaidarova, 2017; Kaasim et al., 2019). In the study of Gaisina & Kaidarova (2017) conducted In Kazakhstan, adult respondents with an average age of 35-44 were recruited to determine if their financial literacy level determines their saving behavior. The study found that people who are employed and with a high educational background are more likely to be classified with a high financial literacy. The study also concluded that financial literacy is a positive determinant of an individual's saving level. Being able to maximize financial

knowledge, individuals were found to be more likely to plan, save, invest in stocks, and accumulate more wealth over time (Lusardi & Mitchell, 2014; Mouna & Anis, 2017; Garcia & Vila, 2023).

Generally, it is believe that an individual's behavior towards financial services and products can be influenced by an individual's financial literacy or financial knowledge. However, West (2012) highlighted in his study that financial literacy does not provide sustained changes to an individual's financial behavior. This is supported by Garcia & Vila (2020), who asserted that higher financial literacy cannot be automatically correlated with better financial behavior, particularly in saving and retirement planning. It argues that providing adequate behavioral interventions to individuals encourages them to act, hence, improving their actual financial behavior. It was also revealed that incentivizing individuals can generate persistent changes in an individual's saving and investment behavior (Schaner, 2018).

Locally, Gonzalvo and Aliva (2019) found that microbusiness owners typically lack basic financial literacy, particularly in areas like record-keeping, saving, and borrowing. They were discovered to have an average level of financial behavior and attitude. Financial literacy was shown to be higher among female microbusiness owners than male microbusiness owners, and among single microbusiness owners than among married, widowed, or separated microbusiness owners. Their study also discovered a negative association between the age of the business and the microbusiness owner's level of financial literacy as well as positive correlations between greater levels of financial literacy and larger monthly business income. Thus, microbusiness owners need to become more financially literate because it helps their business perform better.

Sociodemographic Factors and Saving Capacity

One's saving capacity is posited to be constrained by different sociodemographic factors, such as age, income level, and number of dependents. In the study conducted by Million and Belay (2019) using inferential statistics, they found that age and income are the most determining factors of saving capacity, showing a direct relationship. This indicates that as an individual's age increases, their saving capacity also increases as its income is assumed to increase over time (Abrera & Gebreslassie, 2016). Endalew (2019) further supports the claim by concluding that age and income level positively and significantly affect one's saving capacity. Conversely, Aron, Negus, and Getnet (2013) argued that age negatively and significantly influences an individual's saving capacity due to the effect of diminishing marginal productivity to an individual's income.

Aside from the aforementioned, the dependence ratio or family size is considered one of the demographic factors that decrease an individual's saving capacity, which has been consistent with many empirical studies. As stated in the study of Egwu and Nwibo (2014) investigating the determinants of the saving capacity of rural women farmers in Nigeria using a multi-regression analysis, they deduced that having a family size of 5-8 people in a household is relative to an increase in consumption, which is not favorable to an individual's saving capacity. Moreover, a negative correlation between household size and saving capacity, showing an inverse relationship, was also seen in the results of the studies performed by Soman & Cheema (2011), Ambong et al., (2021), and Million & Belay (2019). Contrarily, while it is believed that individuals who have a large number of dependents have a high possibility of negative saving capacity, the result of the data examined by Abrera & Gebreslassie (2016) showed that people who have dependents such as family or other people to help financially have a greater possibility to save as they are more cautious about their spending since they are aware of their current and future financial responsibilities. Moreover, the saving capacity shows a positive relationship to the number of children an individual has. People with more dependants such as children feel more financial responsibility because of their future, hence, they start to develop better financial goals to save for educational expenses and inheritance (Mahdzan and Tabiani, 2013). However, Nguyen and Doan (2020) revealed in their study that the number of children an individual has does not significantly affect his saving capacity and behavior.

Saving behavior

Multiple studies have been conducted to prove that an individual's saving behavior can be influenced by a lot of factors. The study of Raue et al. (2019) has found that the tendency of people to compare their financial status and capability with others motivates them to change or boost their behavior. This approach demonstrates a positive motivation for individuals to start saving for their future retirement or increase their current savings. Morgan & Long (2019) disclosed that high and middle-income earners are more likely to incur savings, both formal and informal, than those who have lower income. This is due to the higher disposable income that high and middle earners have, which could raise the probability of saving.

Attitude and behavior indicate an individual's willingness to save money. Some individuals only save when there is money left in their pockets and some choose to actively save by keeping a portion of money aside before planning where to spend the rest (Tonsing & Ghoh, 2019). Murendo & Mutsonziwa (2016) have found that the saving behavior of individuals in Zimbabwe, influenced by their financial literacy level, has increased the likelihood to saving through formal and informal mechanisms. The study also revealed that only 48% of the respondents are saving and only 11% of it uses formal mechanisms. Similarly, Morgan & Long (2020) have found that the level of financial literacy raises the likelihood of an individual to save through formal savings portfolios, such as the use of bank accounts, cooperatives, mobile banking, and microfinance. This implies that people who are knowledgeable with different financial instruments have more likelihood to access one.

However, photovoltaic systems require controversial performance enhancements to obtain much higher production and cost-effective solar energy systems. The MPPT may use to ensure that the PV system provides the load with the maximum power constantly. The MPPT algorithm's primary objective is to determine the output power difference by using the voltage or current of the photovoltaic system. To maintain maximum power output while regulating the voltage, a DC - DC converter integrated with the MPPT algorithm must be used as the charge controller in the photovoltaic system. [2]

The maximum power point tracking system not only maximizes the amount of energy harvested from the photovoltaic system, but also manages the current and voltage flows within the circuit. It protects the battery from overcharging and the system from shorting out. When the photovoltaic system is operating at maximum power point tracking, it produces peak output power. It is because voltage and current are proportional to the maximum output power of a solar panel.

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Today, an android application is one of the most popular devices for human communication. It was developed to integrate additional functions into the current maximum power point tracking system, such as an Android smartphone monitoring system for the MPPT. Through integration, the MPPT becomes mor

accurate on monitoring the display MPPT parameters output.

The desired prototype was utilized to accurately display MPPT parameters output such as solar power, solar voltage, solar current, battery voltage, battery current, charging current, and battery percentage via an android application accurately and effectively. [3

THEORETICAL FRAMEWORK

In the context of financial literacy, saving capacity, and saving behavior, an individual's attitude, personal norms, and behavioral control will be investigated such that their intentions and actions to save are being influenced. From here, financial literacy and saving capacity can be considered as an essential factor in affecting and influencing attitudes towards saving behavior. In the study of Lusardi and Mitchell (2014), individuals with higher levels of financial literacy tend to have more favorable attitudes and saving behavior. Moreover, Minibas-Poussard, Bingol, and Roland-Levy (2018) provides a positive influence of the control beliefs to an individual's control behavior, hence, to its saving behavior. Thus, this study will be anchored in the Theory of Planned Behavior (TPB) (Ajzen, 1991).

The Theory of Planned Behavior (TPB) has been used in social psychology as an effective theory to explain relationships between and among attitudes, behavior, actions, and intentions (Ajzen, 1991). This theory posits that three (3) factors influence behavior: attitude, subjective norms, and perceived behavioral control. Attitude pertains to the overall evaluation of a particular behavior of a person. Subjective norms, on the other hand, refer to a behavior being performed due to the perceived social pressure from significant others or immediate people in their surroundings. Now, perceived behavioral control is the perception of a person towards their ability to perform the behavior.

The Theory of Planned Behavior provides a comprehensive framework for understanding the relationship between financial literacy and saving behavior, and between saving capacity and saving behaviors. TPB can help in explaining the matters and factors which affect an individual's saving behavior, thus, providing a stable foundation in conducting this study and provide reliable insights in financial literacy and saving behavior.

CONCEPTUAL FRAMEWORK

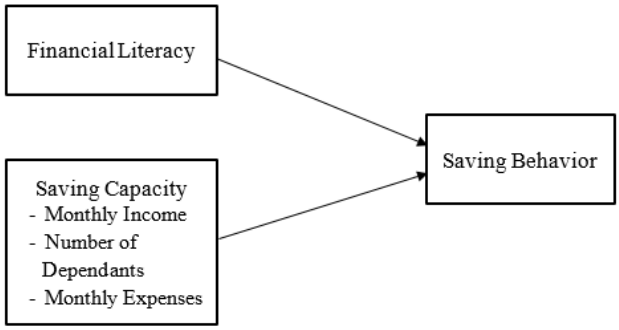

Figure 1. The Conceptual Framework of the Study, Showing the Relationship of its Dependent and Independent Variables

Figure 1 depicts the proposed research paradigm based on the Independent and Dependent Variable Framework. This model illustrates the influence of financial literacy and saving capacity to the saving behavior, with financial literacy as the independent variable and saving behavior as the dependent variable. This model also identifies demographic factors such as marital status, income level, and number of dependents as a moderator of the influence between saving capacity and saving behavior.

METHODOLOGY

Design

This study used a quantitative research design, particularly a descriptive correlational design. The purpose of this design is to describe the three variables of this study and identify the influence of financial literacy and saving capacity on the saving behavior of the participants of this study. The independent variables are financial literacy and saving capacity, while the dependent variable is saving behavior. Furthermore, this research design provided a clear picture of the current financial state of the participants in this study.

Participants

By utilizing the purposive sampling technique, a non-probability sampling, a definite number of participants are gathered. Since a non-probability sampling is used, a number of 195 participants out of the total population of 458, which is deemed sufficient, was assigned to be the sample size of this study. The study recruited 195 participants who are public employees in the municipal hall of Hermosa, Bataan, with an age ranging from twenty-three (23) to sixty-one (61) years of age.

The data was collected using a self-administered questionnaire distributed via pen and paper. The questionnaire consisted of four sections: demographic information, financial literacy, saving capacity, and saving behavior. Financial literacy was measured by an adapted scale, called the OECD Scale, while saving capacity and saving behavior were measured using self-administered questionnaires.

Research Instrument

Financial Literacy Questionnaire. This instrument was adapted from the OECD Toolkit (OECD, 2018), wherein it measured the financial literacy component which is defined by the OECD as "A combination of awareness, knowledge, skill, attitude, and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing" (OECD, 2018, p. 4). According to the OECD (2018) Toolkit, their scale was developed from existing surveys, and was proven reliable and valid by their pool of experts which can effectively measure financial literacy. In this study, the domains of Financial Knowledge, Attitudes, and Behavior were solely adapted and used since they can stand alone in the purpose and definition of financial literacy in this study.

Saving Capacity Questionnaire. This self-administered questionnaire was intended to measure the saving capacity of an individual, which is defined in this study as the ability of an individual to set aside the maximum amount of money based on his income, expenses, and other obligations. In addition to that, this 6-item questionnaire was measured using a 4-point Likert scale (Disagree/Agree).

Saving Behavior Questionnaire. This self-administered questionnaire was intended to measure the saving behavior of an individual, which is defined in this study as an individual's tendency to set aside a portion of their income for future use, such as emergency savings, retirement, or savings for specific goals (Friedline et al., 2013). In addition to that, this 6-item questionnaire was measured using a 4-point Likert scale (Disagree/Agree).

Data Gathering Procedure

The research instrument was conducted via a pen and paper set-up. A letter, containing the purpose and intent of the data gathering, was given to the respective municipality before the proper data gathering. Before answering, informed consent was given to the participants to provide the rationale of the questionnaire. The responses of the participants who declined or did not continue with answering the questionnaire were not recorded and were discarded.

After agreeing to the informed consent, the participants answered the demographic profile, while taking into consideration their anonymity. Then, there were three sets of questions within the instrument; each set was for the variables of this study—financial literacy, saving capacity, and saving behavior. Incomplete responses were not counted and were discarded. Completed responses were personally collected and stored in a sealed container by the researcher.

Upon reaching the desired number of respondents, the encoded responses were stored in the researcher's Google drive and personal computer, which are password-protected. The data were accessed by the researcher and the statistician who analyzed the dataset.

Data Analysis

The collected data were tested if it fell under the normal distribution via Shapiro-Wilk Test. Accordingly, the data were, then, analyzed using the Spearman's rank order correlation coefficient which determined the strength and direction of the relationship between financial literacy and saving behavior, and between saving capacity and saving behavior. Also, the results were presented in tables.

Ethical Considerations

The study abided by the guidelines in accordance with the Republic Act of 10173 (The Philippine Data Privacy Act of 2012). Privacy, confidentiality, and anonymity in the entire research process were strongly upheld. Thus, the following ethical considerations were strictly followed:
Privacy, Confidentiality, and anonymity

The participants were informed about the purpose and nature of the study, and their consent was obtained before partaking in the survey of this study. The right to withdraw from the study at any time without any consequences was given to the participants, as well. The confidentiality of the participants was upheld by granting anonymity on the survey forms, and the data were solely used for research purposes. The data were securely stored on the researcher's personal computer and Google Drive and were discarded at the completion of this study

RESULTS

This study garnered diverse quantitative datasets, meticulously sourced from a survey. The primary objective was to unravel potential relationships between the variables of this research, thereby providing empirical insights. To achieve this, correlational analysis was employed to identify and quantify the strength and direction of relationships between variables. Specifically, this study focused on the relationship between Financial Literacy and Saving Behavior, and Saving Capacity and Saving Behavior.

Table 1. Descriptive statistics of Saving Capacity in terms of number of dependants, monthly income, and monthly expenses.

		Saving Capacity			
		n	Mean	SD	Verbal Interpretation
Number of dependants	1 dependant	46	3.123	0.425	Somewhat
	2 dependants	52	3.100	0.418	Somewhat
	3 or more dependants	51	2.996	0.483	Somewhat
	No dependant	46	3.431	0.444	Completely
Monthly income	Under PhP 20,000	46	3.152	0.491	Somewhat
	PhP 20,000 - PhP 29,000	43	3.156	0.500	Somewhat
	PhP 30,000 - PhP 39,000	24	3.417	0.423	Completely
	Over PhP 40,000	82	3.110	0.442	Somewhat
Monthly expenses	Under PhP 10,000	78	3.116	0.443	Somewhat
	PhP 10,000 - PhP 19,000	34	3.144	0.543	Somewhat
	PhP 20,000 - PhP 29,000	20	3.146	0.559	Somewhat
	Over PhP 30,000	63	3.209	0.458	Somewhat

Note: Qualitative interpretation: 3.25-4.00-Completely, 2.50-3.24- Somewhat, 1.75-2.49- Very Little, 1.00-1.74- Very Dissatisfied

Before proceeding to the correlational analysis, the descriptive statistics can show the trend of one of the variables for each respective demographic, which can help in explaining the relationships later on. In terms of the number of dependants, individuals with one dependant have a moderate ability to save. The mean score being above 3 suggests they are somewhat successful in saving, but not completely. The slight decrease in mean in 2 dependants indicates a marginal reduction in saving capacity with an additional dependant. The trend of decreasing saving capacity continues with three or more dependents. The mean is closer to the lower end of the 'somewhat' category, suggesting increased financial strain. Individuals without any dependants show the highest saving capacity. The 'completely' category indicates a strong ability to save, likely due to fewer financial obligations.

When grouped according to monthly income, the trend in the mean results of the respondents in the saving capacity domain becomes increasingly higher. Higher income allows for more flexibility in saving, leading to a 'completely' capable rating in the PhP 30,000 to PhP 39,000 bracket. However, the highest income group does not have the highest saving capacity, falling into the 'somewhat' category. This could be due to higher lifestyle costs or other financial commitments. Table 1 also presents the mean results of the respondents according to their monthly expenses. Monthly expenses do not drastically change in their responses in saving capacity. Even with further increased expenses, the response in saving capacity remains in the 'somewhat'
category.

Table 2. Test for normality (Shapiro-Wilk Test)

	Shapiro-Wilk	p
Financial Literacy and Saving Behavior	0.978	0.018
Saving Capacity and Saving Behavior	0.978	0.017

The analysis of this study focused on exploring the relationships among Financial Literacy, Saving Capacity, and Saving Behavior. Utilizing Spearman's rank correlation, suitable for our non-normally distributed data as seen on the significant values in table 2, significant relationships were observed, but with varying strengths.

Table 3. Size of correlation and the corresponding interpretation

Size of Correlation	Interpretation
90 to 1.00 (-90 to -1.00)	Very high positive (negative) correlation
.70 to .90 (-70 to -90)	High positive (negative) correlation
50 to .70 (-50 to -70)	Moderate positive (negative) correlation
30 to .50 (-30 to - 50)	Low positive (negative) correlation
.00 to .30 (.00 to -30)	negligible correlation

Table 3. Correlational analysis of Financial Literacy, Saving Capacity, and Saving Behavior

	Spearman's rho (r)	P
Financial Literacy and Saving Behavior	0.179*	0.030
Saving Capacity and Saving Behavior	0.503***	<0.001

*$p<0.05$, **$p<0.01$, ***$p<0.001$*

Table 3 shows the relationships among the three variables. Among the three, only two were flagged to have significant relationships. A statistically significant correlation was observed between Financial Literacy and Saving Behavior with a coefficient of r=0.179 (p=0.030). This weak or modestly positive relationship indicates that individuals with higher financial literacy tend to exhibit slightly better saving behaviors. Finally, the most notable result was the moderately positive and highly significant correlation between Saving Capacity and Saving Behavior (r=0.503; p<0.001). This result highlights a meaningful relationship, suggesting that individuals with a higher saving capacity tend to demonstrate more favorable saving behaviors.

DISCUSSION

Saving is vital for both macro and micro level of economic domain as it promotes long- term economic development and growth and acts as a contingency plan for individuals for unexpected financial downturns. However, multiple studies concluded that an individual's saving behavior can be influenced by a lot of factors, including financial literacy, financial inclusions, saving intention, and sociodemographic factors. Now, this study aims to explore the relationship between the financial literacy, saving capacity, and saving behavior of public employees in the municipal hall of Hermosa, Bataan. Hence, this study tested the following hypotheses: (1) there is a significant relationship between an individual's level of financial literacy and saving behavior; and (2) there is a significant relationship between an individual's saving capacity and saving behavior.

A weak or modestly positive correlation in terms of an individual's financial literacy and saving behavior implies that even individuals with high financial literacy only tend to have slightly better saving habits or do not necessarily have an active and positive saving behavior. This result was contrary to numerous studies that provided a significant and positive effect and relationship of financial literacy to an individual's saving capacity. Alshebami and Adhyani (2022) concluded a positive and significant correlation between financial literacy and saving habits, explaining that having a moderate to high level of financial literacy encourages individuals to manage their finances effectively which leads to promotion and continuation of the culture of saving. Similarly, the study of Nguyen and Doan (2020) deduced that individuals with high financial literacy also have a high possibility of positive saving behaviors.

Furthermore, an individual's saving capacity exhibits a stronger relationship with an individual's saving behavior than financial literacy. Thus, having a positive and highly significant relationship implies that an individual's capacity to save is highly associated with a positive saving habits and behavior. This is consistent with the results of different studies; as such with Klapper and colleagues (2013) which found that individuals who reportedly have a high level of unspent

income display an effective financial management which increases their capacity to set aside or save a portion of their income at the end of every month. The findings in the study of Million and Belay (2019) also corroborates that an individual's saving capacity has a positive effect on its saving behavior since managing finances effectively decreases the level of indebtedness and increases an individual's capacity to allocate a portion of its income either to different investments or savings account. Moreover, an individual's capacity to save can be limited by sociodemographic factors, particularly income. Contrastingly, the willingness of an individual to save is seen to be least affected by an individual's true saving capacity (Garcia & Vila, 2020).

Apart from the significant relationship between saving capacity and saving behavior, an individual's saving capacity is also seen to be varying and affected by different sociodemographic factors, such as an individual's number of dependants and income level which are shown in this study; ultimately, affecting their capacity and willingness to save. Specifically, a declining capacity in saving can be seen for individuals with an increasing number of dependants. Having zero or no dependants provides a greater ability to save as they may have fewer financial obligations other than themselves. Egwu and Nwibo (2014) also concluded that increasing household size results in an increase in consumption, leading to unfavorable financial circumstances and saving capacity. Contrarily, increasing numbers of financial dependants may cultivate a positive relationship towards saving capacity as individuals are more likely to be conscious in managing their finances and be aware of their financial responsibilities (Abrera & Gebreslassie, 2016).

Another expected outcome, the effect of an individual's income level to their saving capacity—higher income level provides enough room for increase in consumption and/ or savings without affecting the actual portion for savings. The higher the individual's income, the larger the portion of income for personal and household consumption, as well as the unspent income remaining at the end of every month for savings and investments (Sembiring & Leon, 2021).

The strong relationship between saving capacity and saving behavior corroborates with the Theory of Planned Behavior (TPB) since it assumes that motivation and ability are antecedents of an individual's saving behavior. Ajzen (1991) discussed that the inter-linkages between an individual's attitude, subjective norms, and perceived behavioral control determines their intention, which then impacts their behavior. This affirms that an individual's attitude and ability towards their finances influences their intention to save (Ajzen, 1991). In the present study, monthly income and number of dependants are seen to affect an individual's motivation and ability to allocate a portion of their money for savings, investment, or retirement. Similarly, Shim, Serido, & Tang (2012) supports that saving and other future-oriented financial behaviors are anchored with three phases of the TPB, which are attitude, intention, and actual behavior. They concluded that the more strongly individuals believe that they are capable and have the capacity to save, the more likely they will build an intention to engage with such behavior. Moreover, Minibas-Poussard et al. (2018) verified that in cases of high personal control, financial attitudes align towards having a positive saving behavior. Consequently, their study found a linkage between level of income and control behavior, wherein higher income level constitutes to confident control behaviors and positive saving behavior.

CONCLUSION

Managing one's money and monthly finances is more challenging than producing and earning money. As a result, saving money or allocating a portion of their income is always at the end of the list for most people as they may either be overspending to satisfy their needs and wants or their monthly income is insufficient for their personal or household consumption. Aside from this, multiple studies have established different factors driving one's saving behavior—income (Mahdzan & Tabiani, 2013; Adetunji & David-West, 2019), finances and debt management (Lusardi & Mitchell, 2014), and financial control behaviors (Agustina et al., 2023). This study has shown that the financial literacy of public employees in the Municipal Hall of Hermosa, Bataan poses a moderate influence on their saving behavior; however, while financial literacy appears to have a modest influence on saving behavior, saving capacity emerges as a more potent factor on how individuals manage their savings. This insight can be beneficial for individuals to further enhance their financial decisions.

Drawing upon the analysis conducted and the results established in this study, it is evident that the research make up relevant information for the government and educators because it addresses timely, micro level issues and contributes to recent literature on financial literacy, saving capacity, and saving behavior of public employees in the local setting, particularly in the municipality of Hermosa. The insights obtained are not only timely but also crucial for informing policy and educational strategies at both governmental and institutional levels.

The detailed understanding of micro-level financial issues among public employees in Hermosa paves the way for targeted interventions and programs. These can be designed to enhance the financial decision-making skills of individuals, contributing to a more financially literate and competent workforce. Government bodies and educational institutions are thus positioned to leverage these findings, formulating strategies that transcend traditional financial education. By focusing on practical financial management skills and behaviors, these strategies can promote more effective and sustainable financial practices among public employees. In conclusion, this study stands as a pivotal resource for shaping financial literacy initiatives, providing a foundation for more informed, practical, and effective approaches to financial management education and policy-making.

RECOMMENDATIONS

In light of the findings from this comprehensive study on the financial literacy, saving capacity, and saving behavior among public employees in Hermosa, Bataan, it becomes important to delve deeper into several aspects of financial behaviors for a more nuanced understanding. The implications of this study extend beyond immediate educational and policy changes, offering a framework for future research and development in the realm of financial literacy. This framework can guide similar studies in other municipalities, contributing to a broader understanding of financial behaviors in the public sector.

On the other hand, future research should aim to broaden its geographic scope beyond Hermosa, Bataan, to include a diverse array of municipalities and regions. By incorporating a wider demographic range, including variations in socio-economic status, age, education levels, and employment sectors, researchers can gain insights into the multifaceted nature of financial literacy and behavior. This expansion would allow for a comparative analysis, highlighting potential regional differences and similarities in saving behaviors and financial literacy

levels, offering a more holistic view of the financial literacy landscape across different communities.

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