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MANAGING FINANCIAL RESOURCES: A NEVER ENDING CHALLENGE TO OVERSEAS FILIPINO WORKERS (OFWs)

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ABSTRACT

Working abroad is considered by most as a hard earned money especially to the Overseas Filipino Workers (OFW). Some were successful in their long years of working while others were still suffering after settling back home. Based on this premise, the objective of this study is to examine whether the OFWs utilized planning and managing their financial resources while still working in the foreign land. It will also assess the experiences of OFWs regarding their utilization of earnings in terms of savings and spending and their responses in periods of uncertainties. The study employed the qualitative research and utilized the purposive sampling to solicit the ideas and opinions from respondents. Moreover, focus group discussion were presented to highlight the openness of the responses from the ten (10) respondents. Findings showed that, there is a need of the OFWs exposure with any trainings relative to financial management, financial literacy and others. Financial discipline is also necessary to manage the resources effectively. Also, realization should be reached that, government should respond to these needs with employment of trainings and programs to address these needs.

Keywords: OFW, Financial Management, Financial Literacy, Earnings, Financial Dispositions

1. INTRODUCTION

Managing financial resources is one of the aspects in life that should be taken due consideration especially that, nowadays everything moves because of monetary considerations. According to Godwin (1994), people are likely to achieve their goals with appropriate knowledge. Lack of personal financial knowledge limits personal financial management and may cause financial problems, resulting in lower financial well-being. Acknowledging the fact that, many people failed in developing and implementing a sound financial management of their resources that have become their personal challenges. This has led to the investigation of this study. Stories about the financial situations of OFWs had been heard in many casual conversations and reality shows. According to the statement released by Charlie Manalo from the Daily Tribune dated May 14, 2015, an alarming number of OFWs who have had spent their long years of



working abroad practically leave their foreign jobs empty handed because of their laxity to manage their resources while working. Although some of them are aware of the consequences of uncertainty yet, many are still expecting that their stay in the foreign land will be longer as expected. This is the case of the many Filipino workers in the Sultanate of Oman where many of the workers regret of losing their jobs in a heartbreaker wondering what they will do to be relieved in such a distressful situation.

Relative to these known facts, the objective of this paper is to examine whether managing financial resources were employed by OFWs from their earnings. It also assess the experiences of OFWs regarding their utilization of earnings in terms of savings and spending and their responses in periods of uncertainties.

1.1. Research Question

This study is sought to address the following research questions:

- What are your reasons of going abroad?
- Are you satisfied with your present earnings?
- How do you manage your resources in terms of saving and spending?
- How do you respond to your family when they are in need?
- What are your future plans with your present earnings?
- Have you attended any seminars relative to financial planning management, financial literacy, financial education and the likes?
- Do you have any suggestions on how these provision of trainings can be extended to you?

1.2. Importance of this study

Based on the researchers' experience, only few studies have been conducted to examine the experiences of the OFWs in terms of financial management although many discussions have already been undertaken in this regard. Acknowledging the fact that the researchers are also OFWs, we find this study very informative and important for the following reasons:

- This study can provide a factual account of the experiences of OFWs and the realities that they are facing overseas.
- It can also give a solid basis on why financial resource management should be taken into consideration by OFWs not only in Oman but worldwide as very important factor for financial freedom.
- This can serve as input for further studies and investigations as means of reducing the challenges facing the OFWs.
- Encourage the concerned government agencies to improve further their services and respond to these challenges by developing and providing financial training programs to OFWs.
- Lastly, it creates a reminder to OFWs that, working overseas face too much uncertainties and adopting a good financial approach in managing their earnings can be the key to financial independence.

2. LITERATURE REVIEW

Various authors have defined financial literacy as a basic knowledge that people need in order to survive in a modern society (Bernheim, 1996; Bernheim, Garrett, & Maki, 2001; DeVaney et al., 1995; DeVaney et al., 1996; Taylor, Carter, Cook, & Weinberg, 1997). Understanding the basic concepts of financial management is vital to a sound financial management of resources such as knowledge in credit card and mortgage interest, insurance, savings and investing for the future. Another author defined financial literacy as knowing the facts and vocabulary necessary to manage one's personal finances successfully (Garman & Fogue, 2000). Godwin (1994) had also emphasized that, knowledge and understanding of personal financial management would lead to the ability to manage effectively the family's financial resources. In other words, having appropriate knowledge on financial management will enable people to achieve their financial and holistic goals. However; lacking this knowledge would likely result to lower financial well-being thus, causing financial problems and limitations.

New researches revealed that, many Americans lack basic financial knowledge. Accordingly, another survey conducted in 1994 called the Merrill Lynch survey of financial literacy showed that many Americans lack sufficient understanding on the basic concepts of



financial management and financial data. Moreover; a follow-up study was also conducted in 1996 by the Investor Protection Trust where findings depict that, only about 18% of the investors based on the survey results have sound knowledge on financial management and investment related topics. Most of the respondents are still do not have a grasp of the financial terms and strategies in operations as well as the difficulty to identify the different investment decision schemes (The Facts on Saving and Investing, 1998).

A relevant survey were also conducted to young adults conducted by the JumpStart Coalition for Personal Financial Literacy which administered a test on personal finance knowledge to 1509 high school seniors across the country (Mandell, 2002). The purpose of the survey is to determine whether the high school senior students have knowledge on financial terminologies and operations such credit use, saving and investing, budgeting, taxes, insurance, inflation, and retirement issues. The outcome revealed that 57.3% demonstrates basic knowledge on these terms, with only 10% of the seniors getting a C or better, indicating that young adults graduate from high school with little personal finance knowledge. Mandell (2002) found out the direct relationship between lack of knowledge on financial management and financial problems like the problem encountered on the use of credit card and investment fraud, delinquency in payments, bankruptcy and other related incidents. Accordingly, it has also proven from the survey results that, a considerable high number of young adults that experienced personal bankruptcy are those high number of 12th graders who scored poorly when tested on personal finance subjects.

Chen and Volpe (1998) conducted a related study on the financial knowledge level as applied to the college students. There are 924 respondents in the study and findings showed that, about only 53% of the questions were addressed positively. It also confirmed that, those students who often make wrong decisions are those that demonstrates low level of financial knowledge. This is supported by similar results from the study conducted by the NationsBank and the Consumer Federation of America through an interview with the 1,770 samples regarding their perception and knowledge on setting financial goals, financial strategy, and basic knowledge about important financial matters. The outcome dictates that, only 42% or 743 respondents have understood these financial terms. Also, further results affirmed that, those respondents who have higher knowledge on financial management had higher savings level and less spending patterns (Princeton Survey Research Associates, 1997).

To summarize, the importance of adequate knowledge on personal financial management equips people to manage their own finances and are capable of handling savings accounts as well as investment decisions. Low level of knowledge on financial education, financial illiteracy will drive the people into problems and difficulties such as investment fraud, credit mismanagement, bankruptcy and others.

2.1. Experiences by OFWs on Financial Dispositions

Many experiences from OFW workers and families revealed the perceived lack of planning and management of the income they have received from their jobs and knowingly spent those moneys for entertainment and family trips and enjoyment. According to Talisayon (2011), the main reason for OFWs to go abroad is to save (Makaipon) but sad to say they succumbed to what we called “Unsound Financial Management” where many of Filipinos (Our Kababayans) failed to save even after the expiration of their contracts. In fact, he added that there are growing cases of Filipino workers that do not have VISAs and labor cards working secretly and are undocumented and some of them are caught and deported by immigration authorities. Different perceptions however exists to OFWs as some of them prefers to enjoy and spent while still on abroad because it might not be experienced when they will be back home. Others also perceived it as like gambling or luck where they stated that “Today you may have and tomorrow no more” so they think of situations as main factor of the outcome. While others consider their increasing needs that may include those needs that are not basic needs but a luxurious one. But others have not kept something for themselves because all the money goes to their love ones and those money are not put for the purpose that it should serve best. And some OFWs have the bad habit of showing off to their co-OFWs that they are better off. However, in fairness to some OFWs, (and very few of them are) they have saved sufficient financial resources to start small businesses at home regardless of the amount of income they have received from their employers. And many OFWs also did not have extra money to spare mainly because higher education in homeland is becoming very expensive.

A study conducted by the International Monetary Fund showed that, several families left by an OFW do not take initiatives to work and help the family member OFW though they have the capacity and qualification to work but instead rely heavily on remittances and spent to the extent that they share portion of the money to their extended families and relatives at their caprices. Thanks to our traditional practices when a member of a family becomes OFW, especially when the OFW happens to have before financial fervor from relatives. Common items for instance as mentioned are mobile phones and entertainment systems that may not be really necessary, hence can be controlled. When the migrant workers return home, the main source of income diminishes and any material



possessions are sold at far below the market value hoping that the same money/proceeds will be used to apply again overseas employment opportunities.

3. METHODOLOGY

This study utilized the qualitative research design. The objective of the study is to examine whether managing financial resources were employed by OFWs from their earnings. It also assess the experiences of OFWs regarding their utilization of earnings in terms of saving and spending and their responses in periods of uncertainties. In selecting the sample, purposive sampling were employed to ten (10) respondents who are residing in the capital City of Muscat, Sultanate of Oman. Focus group discussion were done with the employment of both semi-structured and open-ended questions primarily to allow the respondents to express themselves openly. The qualitative approach was chosen because it was believed to be appropriate in achieving the objective of the study (Strauss and Corbin, 2008). Most of the questions were open-ended questions in consonance with the view that, in-depth response can be solicited and an open flow of information will be gathered (Rossman and Rallis, 2003). The respondents were provided with informed consent to explain to them the purpose of the study, why the study is conducted with the assurance that their responses are kept confidential. The data gathered will be transcribed and interpreted in the results and discussions section.

4. FINDINGS AND DISCUSSIONS

This study is aimed to examine whether managing financial resources were employed by OFWs from their earnings. It also assess the experiences of OFWs regarding their utilization of earnings in terms of savings and spending and their responses in periods of uncertainties. The response for each research question and its findings are presented in the succeeding paragraphs.

4.1 Research question 1: What are your reasons of going abroad?

There are varied reasons why the respondents decided to go abroad. Their responses unanimously declare that, they pursue with working abroad because of the following reasons: raise their income levels and finances; to prepare for their future and their family; help their parents; and others want to experience working in other countries. Five (5) out of the ten (10) respondents expressed that,

“We have decided to go abroad because our earnings in the Philippines are insufficient to sustain our family needs and demands”.

Two respondents stated that,

“We work hard in the foreign land to prepare the future of our family and at the same time have an opportunity to help our extended families”.

4.2. Research question 2: Are you satisfied with your present earnings?

When the respondents were asked about their perception of satisfaction with regards to their salaries and earnings. Most of the respondents or nine (9) out of ten (10) respondents are not satisfied with their earnings. These results are based on the outcome that the respondents are working in different companies in the city. They unanimously expressed their views about their dissatisfaction by stating that,

“Our present earnings cannot even sustain our needs for the next months. After we received our salary, we can just hold it in few minutes and after which, it will be sent or remitted to our homeland”. Especially that the country is experiencing economic turndown, we have felt the fast increases in prices while very few chances of increase in salaries”.

4.3. Research question 3: How do you manage your resources in terms of saving and spending?

In order to have a clear understanding of this question, separate responses were presented for savings and spending. In the aspect of savings, majority of the respondents or 8 out of 10 stressed that they had been working in the country for quite a long time but don't have enough savings and even some of them still suffering with deficits from their budgets. They expressed openly by declaring that,



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“We regret that we have spent more than 10 years of working here but until now we don’t have enough money in our account. Anyway; big portion of our money were spent for the education of our children. They added that, we always think of how to save from our earnings but it remains to be a dream and when the money is already there, we are more concern on how we can spend those monies”.

However; two respondents have positive attitudes towards savings. They have had been in many financial literacy seminars and they find it useful in their personal financial management. They agreed together by saying that,

“We have decided to prepare budget and plans on how we manage our earnings by making monthly plan on savings and spending. We also refrain from going to malls and shops on regular basis so we cannot be tempted to buy. We developed a habit of setting aside money for savings just before the money will be distributed for the many monthly expenditures. We acknowledge that this is a tedious job but a rewarding one”.

On the other hand, the same respondents were asked regarding their habit of spending. Majority of the respondents were found to be spending beyond their ability to spend. There are many reasons for spending that these respondents have ironed out from their responses. Eight (8) of ten (10) respondents relayed their reasons for their spending stating that,

“In most cases we spend beyond our budget and normally spend money without proper budgeting. We also failed to realize that sometimes we buy expensive things which are practically not our basic needs but a luxury one. We also tend to send too much money to our extended families and relatives to the extent that sometimes we feel that we are starving while working. Two respondents further explained that, we provide everything to our children even to the extent that we will borrow from our friends to get the things done”. We don’t care spending our money to enjoy and experience how to live when you have something to spend”.

4.4. Research question 4: How do you respond to your family when they are in need?

The results revealed that, majority of the respondents attend to the needs of their own families more than themselves. Many of them send money almost all their earnings without having enough of their budget for the entire month. Four (4) of the ten (10) respondents leave their families in the Philippines and they expressed their views stating that,

“Sometimes we need to borrow money from friends before the salary of the month comes because the most of our money were sent home and even then, our families way back home still complain that their budget were not enough. They don’t even realized that we don’t even have enough budget of our own and we just not inform them so that they will not be worried with our situation”.

Furthermore, three (3) of ten (10) respondents exclaimed that,

“We cannot afford to see our family suffer so, we prefer that we suffer than our family. We may not respond directly to our concern, but when it comes to our family we will risk our lives for them. The only disappointment we experienced sometimes is that, they forgot to value the money that we have sent to them so, they can spend the money as fast as possible”.

4.5. Research question 5: What are your future plans with your present earnings?

Results from the interview dictates that, all of the respondents positively declared that they will save enough money to invest in small business when they settle themselves way back home but they wander how they can do it. Furthermore, findings indicate that they lack the ability to develop plans and programs on how their future plans could be shaped. Their perceived lack of planning and management continuous to puzzled them. Evidence from the interview of the respondents depicts that,

“We lack the mechanism on how we will be able to start and picture out what would be our future from now and still thinking of what would be the most possible options to start with. We have been in big dilemma on how our future would likely be. However, consistent with the previous statements, two out of the ten respondents have at least figured out their possible options when they will return home.”

4.6. Research question 6: Have you attended any seminars relative to financial planning management, financial literacy, financial education and the likes?



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Findings displayed the different responses from the respondents. Two (2) out of the ten (10) respondents stressed that they have already been exposed to similar trainings and seminars. While the remaining respondents have not gone to any seminars and trainings on personal financial management seminars. They wish if they could have one. Those that have not attended any seminars exclaimed that,

“If we have given the opportunity to attend these kind of seminars then we might perhaps be extra careful in spending and wise in making financial decisions. But we believe that it’s not yet late to undergo such training even once so we will know how to device our own financial management plans”.

4.7. Research question 7: Do you have any suggestions on how these provisions of trainings can be extended to you?

All the respondents agreed that trainings and seminars on financial management should be extended to them by all concerned agencies. They pointed out the role that the Embassy could play in conducting seminars for the welfare of the OFWs. Furthermore, the expressed themselves by saying that,

“The government agencies that directly involved in our affairs as OFWs should consider plans and programs that relates to our future activities to prepare ourselves for any eventualities that might happen and they should also be responsive to our needs. We also suggests that, the programs of the Embassy should be transparent and expressive so that we will be kept updated to new developments that directly impacts our well-being. More visible programs should be oriented to us so we can participate and be improved”.

Analyzing further these findings, it can be generally assumed that there are clear plans and goals on why people endeavor for foreign employment but lacks the knowledge and skills on financial management resulting to personal budget deficits and inability to save for future considerations. Many of the OFWs have been staying in Oman for long period of time but still wandering how to save money for the future of their own family and extended families. The lack of knowledge and understanding of having personal financial management are considered unapplied theories. Also, inability to kept sufficient money for savings remain a plan that yet to be solved considering that, they don’t reserve whatever monies for them but instead send almost all resources home.

5. CONCLUSION

From the above findings, conclusion can be drawn. It has been proven that OFWs lack the mechanisms to manage their own earnings for many reasons. One of the prevailing reasons is that, OFWs don’t have exposure to financial literacy and trainings that would help them in managing their own resources. Because of this, they have spent money more than their earnings resulting to budget deficits. The lack of financial discipline is also evident that, their families in the Philippines were tolerated to solely depend on them and become extravagant in spending at the expense of their love ones who have worked with the hard earned money. They don’t possess the habit of proper budgeting so they will know the inflows and outflows of their earnings and tend to be loose in spending to the extent that, luxurious things are first considered instead of the necessities and has developed a habit to spend rather than to save. People are aware that they should have to save but are pressed to the situation where they don’t have the ability to save but find it easy to spend the money earned. In order to validate these findings, it is therefore suggested that an extensive study or follow-up study can be conducted to widen the scope, the respondents, and the implications of the previous research findings.

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