

Original Article

The Role of Financial Self-Efficacy in the Relationship Between Financial Literacy and Emergency Fund Preparedness

Ziah Zarah L. Abejuela, Precious Necole J. Bongato, Niel Andrei B. España, Donn Ryan G. Hao, Danielle Honey N. Mabandos, Clarrise Mei H. Parilla, Rina Rose A. Rigor, Carrie Laurice C. Sison, Rheanne Jane O. Tapang, Lorne Mae Malabarbas, Shiela May Ambat, Cristian Camañan , Almira Batulanon 

Author Information:

Cor Jesu College Inc., Digos City, Davao del Sur, Philippines

Correspondence:

rigorrina@g.cj.edu.ph

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Abstract. Despite the established relationship between financial literacy and emergency fund preparedness, limited studies have examined the psychological mechanisms through which financial knowledge influences preparedness, particularly among minimum-wage earners in the Philippine context. This study examined the role of financial self-efficacy in the relationship between financial literacy and emergency fund preparedness among minimum-wage earners in Davao del Sur. Using a quantitative descriptive-correlational design with mediation analysis, the researchers collected data from 200 respondents employed in various commercial establishments through purposive and quota sampling. A structured questionnaire measured financial literacy, financial self-efficacy, and emergency fund preparedness. The study used descriptive statistics, Pearson Product-Moment Correlation, and bootstrapping mediation analysis to analyze the data. Results showed that respondents demonstrated high financial literacy ($M = 3.59$, $SD = 0.61$) and financial self-efficacy ($M = 3.48$, $SD = 0.72$), while emergency fund preparedness was moderate ($M = 3.30$, $SD = 0.80$). Financial literacy was significantly associated with emergency fund preparedness ($r = .498$, $p < .001$) and financial self-efficacy ($r = .519$, $p < .001$). Likewise, financial self-efficacy showed a significant positive relationship with emergency fund preparedness ($r = .649$, $p < .001$). Mediation analysis further revealed that financial self-efficacy partially mediated the relationship between financial literacy and emergency fund preparedness, as evidenced by a significant direct effect ($\beta = .220$, $p < .001$) and indirect effect ($\beta = .277$, $p < .001$). The findings indicate that financial literacy enhances emergency fund preparedness both directly and indirectly by strengthening individuals' confidence in managing their finances. These results highlight the importance of integrating financial capability-building initiatives with interventions that enhance financial self-efficacy to improve the financial resilience of minimum-wage earners.

Keywords: *Emergency fund preparedness; Financial literacy; Financial self-efficacy; Mediation analysis; Minimum-wage earners.*

Minimum-wage earners face various financial challenges that affect their ability to manage money effectively and maintain sufficient emergency funds. Many struggle with budgeting, controlling expenses, and saving because they have a limited understanding of basic financial concepts. While financial literacy plays an important role in achieving financial stability, especially during economic uncertainty, knowledge alone is not enough to ensure preparedness. Financial self-efficacy, or a person's confidence in managing their money, is also important. When individuals feel confident managing their finances, they are more likely to apply their knowledge, make better financial decisions, and prepare for emergencies. For minimum-wage earners, this confidence shapes how effectively they apply their financial knowledge in real-life situations. Therefore, this study examines the mediating effect of financial self-efficacy on the relationship between financial literacy and emergency fund preparedness among minimum-wage earners in Davao del Sur.

Globally, financial illiteracy among minimum-wage earners remains pervasive and acts as a significant barrier to financial resilience and emergency preparedness. In the United States, Lusardi and Mitchell (2023) reported that insufficient financial literacy contributes to poor financial decision-making and increased financial vulnerability during periods of economic uncertainty, while emphasizing the role of financial knowledge in improving household preparedness. Similarly, Demertzis et al. (2024) found substantial disparities in financial knowledge across European Union countries and highlighted its strong association with household preparedness, particularly among low-income earners who often struggle to maintain adequate emergency funds. However, emerging evidence suggests that financial knowledge alone may not be sufficient to promote emergency preparedness. In South Africa, Reyers (2019) found that financial self-efficacy and access to banking services were significant predictors of emergency savings, whereas objective financial knowledge was not, indicating that confidence in managing finances may be more influential than knowledge alone in encouraging responsible financial behavior among low-income individuals. Supporting this view, Ali and Marwat (2021) demonstrated that financial literacy positively influences both saving behavior and financial self-efficacy, with self-efficacy serving as a mediating mechanism through which financial knowledge translates into positive financial actions. Likewise, Katnic et al. (2024) reported that financially literate individuals exhibit higher levels of financial confidence, saving behavior, financial planning, and resilience than their less literate counterparts. In Canada, the Financial Consumer Agency of Canada (2020) similarly emphasized that financial knowledge combined with positive saving behavior enhances household readiness for emergencies despite income limitations. Furthermore, Lone and Bhat (2024) highlighted that financial literacy shapes individuals' confidence and financial attitudes, thereby strengthening their ability to make sound financial decisions. Taken together, these studies suggest that while financial literacy provides the knowledge needed for effective financial management, financial self-efficacy is a critical mechanism that enables individuals to apply that knowledge in practice, ultimately enhancing their capacity to build emergency funds and withstand unexpected financial shocks.

Several studies across ASEAN countries have established the relationship between financial literacy and emergency fund preparedness, particularly among financially vulnerable populations. Nguyen (2023) found that financial behavior significantly increased the likelihood of maintaining adequate emergency funds, emphasizing the importance of applying financial knowledge in practice. Similarly, Yustisiana et al. (2022) reported that many Indonesian youths lacked sufficient knowledge about emergency funds, contributing to financial vulnerability. In Malaysia, Loke et al. (2022) observed declining emergency fund adequacy and widespread lack of formal savings among low-income earners. Likewise, Sjam and Kuang (2025) found that saving behavior partially mediated the relationship between account ownership and emergency fund availability, while Nugroho and Zakiyya (2025) revealed that financial self-efficacy fully mediated the relationship between financial literacy and financial management behavior. Furthermore, Salignac et al. (2021) reported that many Indonesians relied on additional work or support from family and friends during emergencies due to insufficient savings. Together, these findings indicate that financial literacy alone is not enough to ensure emergency fund preparedness. Instead, applying financial knowledge through positive financial behaviors and stronger financial self-efficacy plays a crucial role in helping individuals build financial resilience and prepare for unexpected financial situations.

In the Philippines, minimum-wage earners continue to face financial strain because of rising living costs, low wages, and limited financial knowledge. These conditions make it difficult for many families to cover basic needs and prepare for unexpected expenses. According to Bagood et al. (2025), households in Quezon City that rely on minimum-wage earners often struggle with financial shocks because their income is insufficient for essential items such as food, housing, transportation, and healthcare. Financial illiteracy also contributes by limiting minimum-wage earners' financial knowledge, restricting their ability to make informed decisions, and ultimately leading to

financial instability. In Metro Manila, Casingal and Ancho (2022) reported that an insufficient understanding of basic financial concepts leads to poor financial decisions, debt accumulation, and the absence of emergency fund savings. These financial strains often lead minimum-wage earners to seek additional income sources, but without confidence in managing finances, these efforts may not result in greater preparedness. Furthermore, Pahate and Mangahas (2019) emphasized that low income combined with weak financial literacy limits workers' ability to save for emergencies. Studies in Malabon City similarly indicate that individuals with higher financial self-efficacy demonstrate better financial decision-making even under constrained income conditions, showing that confidence helps individuals maximize limited resources and prepare for emergencies. On the other hand, Catacutan (2024) found that minimum-wage earners in San Fernando, Pampanga, adopt adaptive financial strategies to cope with inflation, while Amorin et al. (2025) reported that budgeting and goal-setting practices in Camarines Sur enhance financial stability when supported by stronger financial literacy and confidence. Collectively, these national studies suggest that emergency fund preparedness among minimum-wage earners is influenced not only by financial literacy but also by individuals' confidence in applying their financial knowledge.

In Davao del Sur, many minimum-wage earners face financial challenges because their incomes are often unstable and barely sufficient to meet daily needs. This situation makes it difficult to save for emergencies such as illness, job loss, or natural disasters. Although some workers budget and save small amounts, many struggle to build an emergency fund because of low income and limited financial literacy, often resorting to borrowing when unexpected expenses arise. Financial literacy can help individuals manage resources effectively, but it may not be sufficient on its own. Financial self-efficacy, or a person's confidence in handling money, directly influences emergency preparedness. Those with higher self-efficacy are more likely to budget effectively, save consistently, and plan for emergencies, even with limited income, while those with low confidence may fail to apply their knowledge, resulting in poor preparedness.

While many studies have shown a link between financial literacy and emergency fund preparedness, most focus on their direct relationship and overlook psychological factors such as financial self-efficacy, defined as an individual's confidence in managing personal finances. This gap limits understanding of how financial knowledge translates into actual financial behavior. Thus, this study examines the mediating effect of financial self-efficacy on the relationship between financial literacy and emergency fund preparedness among minimum-wage earners in Davao del Sur by determining their levels of financial literacy, emergency fund preparedness, and financial self-efficacy. The study is important because it provides a more comprehensive view of financial behavior and offers insights for policymakers and local government units to improve financial education and empowerment programs, while also supporting SDGs 1, 4, and 8 on poverty reduction, quality education, and decent work and economic growth.

Methodology

Research Design

This study employed a quantitative, descriptive–correlational research design, particularly mediation analysis, to examine the mediating role of financial self-efficacy in the relationship between financial literacy and emergency fund preparedness. The descriptive research design describes phenomena "the way they are" through structured survey questionnaires, making this approach appropriate for providing empirical answers about current conditions of a defined population (Deckert & Wilson, 2023), while correlational research was used to determine the relationships among the variables, as this non-experimental quantitative approach measures the degree of association between two or more variables (Sharma et al., 2023). This design complemented the descriptive approach by explaining how the variables are related, whereas descriptive research focuses on describing the characteristics of the population (Miksza et al., 2023). Both approaches are non-experimental, allowing for objective analysis of naturally occurring data. Moreover, mediation analysis, as an extension of correlational design, provides a robust estimation of indirect effects without assuming the normal distribution of the sampling distribution. It is particularly appropriate for single-mediator models, as it simultaneously estimates both the direct and indirect effects of the independent variable on the dependent variable through the mediator (Siddik & Sadi, 2025).

Participants and Sampling Technique

This study used purposive and quota sampling to select respondents aligned with the research objectives. The study included 200 minimum-wage earners employed in commercial establishments in Davao del Sur. Each

participant had at least one year of continuous work experience in their current job to ensure reliability and familiarity with their financial habits, which is essential for accurately assessing their financial literacy and behaviors. Their classification as minimum wage earners followed the prevailing minimum wage rates set by the Regional Tripartite Wages and Productivity Board (RTWPB), with non-agriculture workers in Davao del Sur earning ₱510.00 per day (Department of Labor and Employment, 2025). In line with Bureau of Internal Revenue guidelines under the TRAIN Law, the study focused on respondents with an annual income of ₱250,000 or less (Bureau of Internal Revenue, 2018), ensuring participants represent the typical minimum-wage-earner population. This allowed the study to examine the relationship between financial literacy and emergency fund preparedness, focusing on the mediating effect of financial self-efficacy.

The study excluded minimum-wage earners residing or working outside Davao del Sur, as well as those employed in the agricultural, government, or informal sectors, because their income patterns and work environments differ from those in commercial establishments. Additionally, the study excludes non-minimum-wage earners, such as salaried or contractual employees, and those with less than 1 year of work experience. These exclusion measures ensure that only respondents who accurately represent the target population, experienced minimum wage earners in commercial establishments within Davao del Sur, are included, resulting in more focused and reliable findings.

Research Instrument

This quantitative study utilized a structured survey questionnaire to examine the mediating role of financial self-efficacy in the relationship between financial literacy and emergency fund preparedness among minimum-wage earners in Davao del Sur. The instrument comprised three components: financial literacy (22 items covering budgeting, saving, and investing) and emergency fund preparedness (8 items), both adapted from Bagood et al. (2025), and financial self-efficacy (6 items) adapted from Lown (2011), with all items measured using a five-point Likert scale. Before the study, three experts in educational management and research methodology content-validated the questionnaire to assess relevance, clarity of language, organization of topics, item suitability, adequacy in measuring the intended constructs, and objectivity of each item. The experts' comments and recommendations were incorporated to refine the questionnaire's wording, organization, and presentation before administration. Subsequently, a pilot test was conducted among 30 minimum-wage earners from a municipality outside the study area who had characteristics similar to those of the target respondents to assess the instrument's clarity, comprehensibility, and overall usability. The researchers used feedback from the pilot test to clarify ambiguous statements and improve the questionnaire's overall structure. The finalized instrument was then subjected to reliability testing to determine its internal consistency before its administration in the actual data collection.

Data Gathering Procedure

First, the researchers secured the necessary permission from the owners, managers, supervisors, or authorized representatives of the selected commercial establishments in Davao del Sur where the minimum-wage earners were employed. The researchers presented a formal request letter endorsed by the research adviser to obtain approval to conduct the study. After approval, the survey questionnaire underwent expert validation to ensure clarity, coherence, relevance, and alignment with the study objectives. The researchers carefully considered the validators' comments and recommendations and incorporated the necessary revisions before administering the instrument.

Once finalized, the questionnaire was translated into the local language to improve respondents' comprehension while preserving the intended meaning of each item. The researchers then used a hybrid data collection approach by distributing printed questionnaires and using Google Forms. Data collection was conducted in January 2026 through face-to-face administration in selected commercial establishments and online dissemination to eligible minimum-wage earners residing and working in Davao del Sur.

Before participation, each respondent received an informed consent form explaining the study's purpose, the voluntary nature of participation, the confidentiality of the information provided, and the right to withdraw at any stage without consequences. The researchers personally administered the printed questionnaires to respondents in the selected establishments and monitored the online responses to ensure that the questionnaires were completed accurately and that only qualified respondents who met the inclusion criteria participated in the study.

After data collection, the completed questionnaires from both face-to-face and online administrations were reviewed, encoded, cleaned, and screened for completeness and consistency. Responses that did not satisfy the established inclusion criteria or contained substantial missing data were excluded from the analysis. The finalized dataset was then subjected to appropriate statistical analyses with guidance from a qualified statistician to ensure the accuracy, validity, and reliability of the study findings.

Data Analysis Procedure

The collected data were encoded, cleaned, and analyzed using IBM SPSS Statistics Version 29. Descriptive statistics were employed to address the research objectives. Specifically, the mean was computed to determine the central tendency of respondents' scores on financial literacy, financial self-efficacy, and emergency fund preparedness, allowing the classification of the variables into their corresponding descriptive levels. To complement this, the standard deviation was calculated to assess the variability of responses, indicating the extent to which individual scores deviated from the mean, with higher values reflecting greater dispersion and lower values indicating greater consistency among the respondents' responses.

To determine the relationships among the study variables, the Pearson product-moment correlation coefficient (Pearson's r) was employed to measure the strength and direction of the linear association between financial literacy, financial self-efficacy, and emergency fund preparedness. Furthermore, mediation analysis was performed using the PROCESS Macro Version 4.2 (Hayes, 2022) integrated into IBM SPSS Statistics to examine the mediating role of financial self-efficacy in the relationship between financial literacy and emergency fund preparedness. The indirect effect was estimated using the bootstrapping method with 5,000 resamples and 95% bias-corrected confidence intervals, which does not assume the normality of the sampling distribution of the indirect effect. Mediation was considered statistically significant when the confidence interval for the indirect effect did not include zero. A 0.05 level of significance was adopted for all statistical analyses.

Results and Discussion

Level of Financial Literacy Among Minimum-Wage Earners in Davao del Sur

Tables 1 to 3 present the level of financial literacy among minimum-wage earners in Davao del Sur across three dimensions: saving, budgeting, and investing. These dimensions provide a comprehensive assessment of the respondents' financial knowledge and practices, offering insights into their capacity to manage financial resources, make informed financial decisions, and achieve long-term financial stability.

Table 1. *Financial Literacy Among Minimum-Wage Earners in Davao del Sur in Terms of Saving*

Indicators		Mean	SD	Description
1.	I believe that saving money is necessary.	4.70	0.67	Very High
2.	I save a portion of my income regularly.	3.92	0.90	High
3.	I can save despite having a low income.	3.84	1.04	High
4.	I put up my savings in a savings account, etc.	3.52	1.33	High
5.	I put my investment and savings in banks because I always trust financial institutions.	3.63	1.22	High
6.	I am prepared to risk some of my own money when saving or making an investment.	3.65	1.24	High
Mean		3.87		High

Table 1 presents the financial literacy among minimum-wage earners in Davao del Sur in terms of saving. The findings show an overall mean of 3.87 (SD = 0.90), described as High, indicating that respondents generally have favorable knowledge and practices related to saving. This suggests that most respondents recognize the importance of saving and try to save despite financial constraints. However, the responses also imply that the utilization of formal saving and investment instruments remains less evident, highlighting opportunities for programs that promote long-term financial planning and wealth accumulation.

These findings are consistent with Ajzen's Theory of Planned Behavior, which holds that attitude toward the behavior, subjective norms, and perceived behavioral control jointly shape saving intention and actual saving behavior. When favorable attitudes toward saving are documented, respondents are also reported to engage in saving practices and accumulate savings (Peiris, 2021; Gnanaselvi, 2026). Empirical research shows that favorable attitudes and saving capacity translate into measurable saving behavior among low-income workers and public-sector employees (Seno, 2024; Am-una, 2026). Comparable patterns are observed in below-minimum-wage earners in Pagadian City, where respondents prioritized emergency savings despite financial strain, and in minimum-wage earners in Digos City, where financial behavior and financial knowledge scored higher than

financial attitude, which emerged as the weakest dimension (Alvarina et al., 2025; Antoque et al., 2026). Working families in Mindanao are likewise documented to hold savings, although the real value declines as the household head approaches retirement age, reflecting a weak long-term attitude toward retention.

Table 2. *Financial Literacy Among Minimum Wage Earners in Davao del Sur in Terms of Budgeting*

	Indicators	Mean	SD	Description
1.	I am aware of my monthly income and expenditures.	4.34	0.88	Very High
2.	I have a budget that I stick to.	4.08	0.93	High
3.	I set aside money each month for savings and future needs.	4.11	1.03	High
4.	I try to save something and spend the rest of the money on everyday needs.	4.16	0.95	High
5.	I spend money on everyday needs and save the rest.	4.11	0.92	High
6.	I spend all the money on everyday needs and do not save anything.	3.42	1.35	High
7.	I am confident that if there is an emergency, I could access up to three months' worth of income.	3.53	1.14	High
	Mean	3.96		High

Table 2 presents the financial literacy of minimum wage earners in Davao del Sur in terms of budgeting. The respondents obtained an overall mean of 3.96 (SD = 0.91), interpreted as High, indicating that they generally practice sound budgeting and responsible financial management. Among the indicators, awareness of monthly income and expenditures received the highest rating, suggesting that respondents are generally aware of and monitor their financial resources. In contrast, the lowest rating was observed on the statement "I spend all the money on everyday needs and do not save anything," implying that some respondents still experience difficulty allocating part of their income for savings, likely due to limited financial capacity. Overall, the findings indicate that while respondents demonstrate favorable budgeting practices, strengthening financial planning and emergency fund management may further enhance their financial preparedness.

The findings support Ajzen's Theory of Planned Behavior, which posits that favorable financial attitudes and perceived behavioral control promote responsible budgeting behavior. The high level of budgeting observed among the respondents indicates that they generally monitor their income, prioritize essential expenditures, and manage their financial resources prudently despite limited income. This finding is consistent with previous studies reporting that Filipino low-income earners generally exhibit favorable budgeting practices and that financial literacy is positively associated with responsible financial management and spending behavior (Alonsagay et al., 2026; Blanco et al., 2025). However, the relatively lower rating on the inability to save after meeting daily expenses suggests that income constraints continue to hinder emergency fund accumulation, a pattern similarly documented among low-income workers who prioritize essential needs over savings (Pascual, 2022). These findings underscore the importance of strengthening financial planning and emergency fund management programs to enhance the financial resilience of minimum-wage earners.

Table 3. *Financial Literacy Among Minimum Wage Earners in Davao del Sur in Terms of Investing*

	Indicators	Mean	SD	Description
1.	I invest an amount of money that exceeds my living expenses.	3.00	1.06	High
2.	I invest in insurance companies.	2.92	1.27	Moderate
3.	I invest in real estate.	2.53	1.15	Moderate
4.	I invest in shares or stocks and bonds.	2.49	1.09	Low
5.	My current investment portfolio is diversified to balance the risks.	2.61	1.05	Moderate
6.	I consider the interest or the earnings before I invest.	3.49	0.97	High
7.	I ask suggestions from the experts before I invest.	3.61	1.02	High
8.	I believe that investing an amount of money that exceeds your monthly living expenses is bad.	3.74	1.05	High
	Mean	3.05		Moderate
	Overall Mean	3.59	0.61	High

Table 3 presents the financial literacy of minimum wage earners in Davao del Sur in terms of investing. The respondents obtained an overall mean of 3.05 (SD = 1.09), interpreted as Moderate, indicating that their investment-related knowledge and practices are less developed than their saving and budgeting competencies. The highest-rated indicator suggests that respondents generally recognize the importance of seeking expert advice before making investment decisions, whereas the lowest-rated indicator indicates limited participation in investments such as stocks and bonds. This implies that while respondents demonstrate prudent decision-making when considering investments, they remain hesitant to engage in more sophisticated investment opportunities, likely due to limited financial capacity, perceived risks, or insufficient investment knowledge. Nevertheless, the

overall financial literacy of the respondents remained High ($M = 3.59$, $SD = 0.61$), suggesting that stronger competencies in saving and budgeting compensate for the relatively lower literacy in investing.

The findings support Ajzen's Theory of Planned Behavior, which posits that favorable attitudes and perceived behavioral control influence individuals' investment intentions and behaviors. The moderate level of investment literacy suggests that while respondents recognize the importance of making informed investment decisions, their actual participation in formal investment activities remains limited. This finding is consistent with previous studies showing that investing is generally the weakest dimension of financial literacy compared with saving and budgeting, primarily due to limited financial capacity, risk aversion, and insufficient investment knowledge (Rahahleh, 2022; Mirandilla, 2026; Alarcon et al., 2024). These findings highlight the need for financial education programs that strengthen investment knowledge and improve access to safe and reliable investment opportunities among minimum-wage earners.

Level of Emergency Funds Preparedness Among Minimum Wage Earners in Davao del Sur

Table 4 presents the level of emergency fund preparedness among minimum-wage earners in Davao del Sur. Assessing this construct provides insights into the respondents' capacity to cope with unexpected financial emergencies through adequate savings, financial planning, and prudent financial management practices.

Table 4. *Emergency Funds Preparedness Among Minimum Wage Earners in Davao del Sur*

Indicators		Mean	SD	Description
1.	I am confident in my current ability to access emergency funds quickly.	3.25	1.02	Moderate
2.	My emergency fund could cover my essential expenses for 3–6 months.	3.08	1.10	Moderate
3.	I do not resort to loans as a source of emergency funds.	3.17	1.20	Moderate
4.	I have a clear financial plan in place that includes regular contributions to my emergency fund.	3.30	1.07	Moderate
5.	I am aware that I have had to rely on my emergency fund multiple times over the past year.	3.25	1.01	Moderate
6.	I have manageable debt that does not hinder my ability to save for emergencies.	3.41	1.06	High
7.	I am confident in my ability to rebuild my emergency fund after using it.	3.42	1.11	High
8.	I regularly monitor my financial health to ensure preparedness for emergencies.	3.49	1.08	High
Overall Mean		3.30	0.80	Moderate

Table 4 presents the level of emergency fund preparedness among minimum wage earners in Davao del Sur. Respondents obtained an overall mean of 3.30 ($SD = 0.80$), interpreted as Moderate, indicating that they have a reasonable level of preparedness for financial emergencies but remain inadequately equipped to withstand prolonged or unexpected financial disruptions. The highest-rated indicator suggests that respondents actively monitor their financial condition to remain prepared for emergencies, reflecting an awareness of the importance of financial management. In contrast, the lowest-rated indicator indicates limited capacity to accumulate emergency savings sufficient to cover several months of essential expenses. This pattern suggests that while respondents demonstrate positive financial habits and an intention to prepare for unforeseen circumstances, limited income and competing financial obligations may constrain their ability to build and sustain an adequate emergency fund. Overall, the findings underscore the need to strengthen emergency savings strategies and long-term financial preparedness among minimum-wage earners.

The findings support Ajzen's Theory of Planned Behavior, which posits that favorable attitudes, supportive social influences, and perceived behavioral control shape individuals' preparedness behaviors, including the establishment of emergency funds. The moderate level of emergency fund preparedness observed in this study is consistent with previous findings showing that low-income earners often struggle to accumulate adequate emergency savings because essential living expenses consume a substantial portion of their income (Alvarina et al., 2025; Pascual, 2022). A similar pattern was reported by Antoque et al. (2026), who highlighted that minimum-wage earners demonstrated stronger financial knowledge and behavior than financial attitude, suggesting that limited financial capacity constrains the translation of financial intentions into actual preparedness. These findings highlight the need to strengthen emergency savings strategies and income-stabilization initiatives to improve minimum-wage earners' financial resilience.

Level of Financial Self-Efficacy Among Minimum Wage Earners in Davao del Sur

Table 5 presents the level of financial self-efficacy among minimum wage earners in Davao del Sur. The overall mean score of 3.48 indicates a high level of financial self-efficacy among the respondents. This implies that respondents demonstrate high confidence in handling financial matters and managing financial challenges

effectively. An overall standard deviation of 0.72 indicates minimal variation in the variable as perceived by the respondents.

Table 5. *Financial Self-Efficacy Among Minimum Wage Earners in Davao del Sur*

	Indicators	Mean	SD	Description
1.	I can stick to my spending plan even when unexpected expenses arise.	3.38	0.93	Moderate
2.	I am making progress toward achieving my financial goals.	3.59	0.90	High
3.	I am confident in my ability to cover unexpected expenses when they occur.	3.39	0.97	Moderate
4.	When I face financial challenges, I can figure out practical solutions.	3.63	0.98	High
5.	I am confident in my ability to manage my finances well.	3.66	0.90	High
6.	I feel financially secure about my future, including retirement.	3.25	1.14	Moderate
	Overall Mean	3.48	0.72	High

Table 5 presents the level of financial self-efficacy among minimum-wage earners in Davao del Sur. The respondents obtained an overall mean of 3.48 (SD = 0.72), interpreted as High, indicating that they generally possess confidence in their ability to manage financial responsibilities and address financial challenges. The highest-rated indicator suggests that respondents are confident in managing their finances effectively (M = 3.66, SD = 0.90), reflecting a positive perception of their capability to make sound financial decisions. In contrast, the lowest-rated indicator indicates only a moderate level of confidence regarding their long-term financial security, particularly in relation to retirement (M = 3.25, SD = 1.14). This pattern suggests that while respondents believe they can effectively manage their current financial situation and respond to immediate financial concerns, uncertainties about future financial stability remain evident. Overall, the findings underscore the importance of strengthening long-term financial planning and retirement preparedness to further enhance the financial self-efficacy of minimum wage earners.

These findings align with Bandura's Social Cognitive Theory, which posits that individuals with higher self-efficacy are more likely to persist in managing financial responsibilities and make sound financial decisions despite challenges. Similar findings have shown that financial self-efficacy strengthens budgeting, saving, and overall financial well-being among low-income earners (Am-una, 2026). Likewise, evidence from Davao del Sur revealed that minimum wage earners exhibited stronger financial knowledge and financial behavior than financial attitude, suggesting that confidence is more evident in managing present financial obligations than in long-term financial planning (Antoque et al., 2026). This pattern is reflected in the present study, where respondents expressed high confidence in managing current finances but only moderate confidence regarding future financial security, particularly retirement. These findings highlight the need to strengthen long-term financial planning and retirement preparedness among minimum wage earners.

Relationship Among Financial Literacy, Emergency Fund Preparedness, and Financial Self-Efficacy

To determine whether significant relationships exist among financial literacy, emergency fund preparedness, and financial self-efficacy among minimum wage earners in Davao del Sur, Pearson product-moment correlation analysis was performed. Table 6 presents the results. The results revealed that all variable pairs were positively and significantly correlated ($p < .001$), indicating that improvements in one financial construct are associated with improvements in the others.

Table 6. *Correlation Results for Financial Literacy, Emergency Fund Preparedness, and Financial Self-Efficacy*

Variables	r	p	Remarks
Financial Literacy and Emergency Fund Preparedness	.50	< .001	Significant
Financial Literacy and Financial Self-Efficacy	.52	< .001	Significant
Emergency Fund Preparedness and Financial Self-Efficacy	.65	< .001	Significant

The relationship between financial literacy and emergency fund preparedness was moderate and positive ($r = .50$), suggesting that respondents with higher financial literacy are more likely to show better preparedness for financial emergencies. Likewise, financial literacy and financial self-efficacy exhibited a moderate positive relationship ($r = .52$), indicating that greater financial knowledge is associated with stronger confidence in managing personal finances. Among the three relationships, emergency fund preparedness and financial self-efficacy demonstrated the strongest positive association ($r = .65$), implying that respondents who possess greater confidence in their financial capabilities are more likely to maintain better emergency fund preparedness. Overall, the findings support the interconnected nature of financial literacy, financial self-efficacy, and emergency fund preparedness, highlighting that strengthening financial knowledge and confidence may contribute to improved financial

preparedness among minimum wage earners.

These findings are consistent with Ajzen's Theory of Planned Behavior and Bandura's Social Cognitive Theory, which posit that financial knowledge, perceived behavioral control, and self-efficacy work together to influence financial behaviors and preparedness. Previous studies have similarly reported that individuals with higher financial literacy tend to exhibit stronger financial self-efficacy and greater preparedness for financial emergencies (Gnanaselvi, 2026; Peiris, 2021). Comparable evidence from Davao del Sur likewise revealed a significant positive relationship between financial literacy and budgeting strategies among low-income earners, suggesting that greater financial knowledge is associated with more responsible financial management (Blanco et al., 2025). In addition, higher financial self-efficacy has been linked to improved financial management, asset-building behavior, and proactive financial planning (Alonsagay et al., 2026). Overall, these findings reinforce the interconnected nature of financial literacy, financial self-efficacy, and emergency fund preparedness, suggesting that strengthening financial knowledge and confidence may enhance the financial resilience of minimum wage earners.

Mediation Analysis of Financial Self-Efficacy in the Relationship Between Financial Literacy and Emergency Fund Preparedness

Table 7. Mediation Analysis of Financial Self-Efficacy in the Relationship Between Financial Literacy and Emergency Fund Preparedness

Effect or path	β	SE	p
Direct effect			
Financial Literacy → Emergency Fund Preparedness	.220	0.060	< .001
Indirect effect			
Financial Literacy → Financial Self-Efficacy → Emergency Fund Preparedness	.277	0.040	< .001
Total effect			
Financial Literacy → Emergency Fund Preparedness	.498	0.053	< .001
Path coefficients			
Financial Self-Efficacy → Emergency Fund Preparedness	.534	0.055	< .001
Financial Literacy → Emergency Fund Preparedness	.220	0.060	< .001
Financial Literacy → Financial Self-Efficacy	.519	0.052	< .001
Variance explained			
Outcome	R²		
Financial Self-Efficacy	.269		
Emergency Fund Preparedness	.456		

Note. Financial literacy was the independent variable, financial self-efficacy was the mediator, and emergency fund preparedness was the dependent variable. β = standardized coefficient; SE = standard error.

To determine whether financial self-efficacy mediates the relationship between financial literacy and emergency fund preparedness among minimum wage earners in Davao del Sur, mediation analysis using bootstrapping was performed. Table 7 presents the results. The findings revealed that financial literacy had a significant direct effect on emergency fund preparedness ($\beta = 0.220$, $SE = 0.060$, $p < .001$), indicating that financial literacy independently contributes to respondents' preparedness for financial emergencies even after accounting for the mediating variable. This suggests that individuals with higher levels of financial literacy are more likely to exhibit better emergency fund preparedness regardless of their level of financial self-efficacy.

The analysis further showed that the indirect effect of financial literacy on emergency fund preparedness through financial self-efficacy was statistically significant ($\beta = 0.277$, $SE = 0.040$, $p < .001$). This finding indicates that financial literacy enhances respondents' financial self-efficacy, which in turn contributes to greater emergency fund preparedness. Since both the direct and indirect effects remained statistically significant, the results provide evidence of partial mediation. This implies that financial self-efficacy explains part—but not all—of the influence of financial literacy on emergency fund preparedness. Thus, financial literacy affects preparedness both directly and indirectly by strengthening individuals' confidence in managing their financial resources.

The path coefficients further support this mediation model. Financial literacy was found to have a significant positive effect on financial self-efficacy ($\beta = 0.519$, $SE = 0.052$, $p < .001$), indicating that greater financial knowledge is associated with higher confidence in handling financial matters. In turn, financial self-efficacy significantly influenced emergency fund preparedness ($\beta = 0.534$, $SE = 0.055$, $p < .001$), demonstrating that respondents who are more confident in their financial capabilities are more likely to maintain adequate financial preparedness for unexpected situations. Although financial literacy continued to exert a significant direct effect on emergency fund preparedness ($\beta = 0.220$, $SE = 0.060$, $p < .001$), its effect was smaller than the indirect pathway, highlighting the important role of financial self-efficacy in translating financial knowledge into preparedness behaviors.

The total effect of financial literacy on emergency fund preparedness was likewise significant ($\beta = 0.498$, $SE = 0.053$, $p < .001$), confirming that financial literacy has an overall positive influence on emergency fund preparedness through both direct and mediated pathways. Moreover, the coefficient of determination (R^2) showed that financial literacy explained 26.9% of the variance in financial self-efficacy, while the combined influence of financial literacy and financial self-efficacy accounted for 45.6% of the variance in emergency fund preparedness. These findings indicate that nearly half of the differences in respondents' emergency fund preparedness can be explained by the proposed mediation model, while the remaining variance may be attributed to other financial, socioeconomic, or behavioral factors not included in the present study.

Overall, the findings demonstrate that financial self-efficacy partially mediates the relationship between financial literacy and emergency fund preparedness. This suggests that improving financial literacy alone may not be sufficient to maximize emergency fund preparedness unless it is accompanied by interventions that strengthen individuals' confidence in applying financial knowledge to real-life financial decisions. Consequently, financial education programs should integrate strategies that develop both financial competence and financial self-efficacy to promote stronger financial resilience among minimum wage earners.

These findings are consistent with Ajzen's Theory of Planned Behavior and Bandura's Social Cognitive Theory, which emphasize that financial knowledge and self-efficacy jointly influence financial behavior and preparedness. Similar evidence has shown that financial literacy exerts both a direct effect on financial behavior and an indirect effect through mediating variables such as saving intention, indicating that knowledge alone is insufficient without the confidence to apply it (Peiris, 2021). Comparable findings among low-income Filipino workers likewise demonstrate that financial literacy promotes responsible financial behavior when accompanied by stronger financial self-efficacy (Gnanaselvi, 2026). In Davao del Sur, minimum wage earners were also found to possess stronger financial knowledge and behavior than financial attitude, suggesting that confidence plays a critical role in translating knowledge into financial action (Antoque et al., 2026).

Conclusion

The findings of this study demonstrate that financial literacy and financial self-efficacy are essential determinants of emergency fund preparedness among minimum wage earners. Although the respondents exhibited generally high levels of financial literacy and financial self-efficacy, their emergency fund preparedness remained only moderate. This indicates that possessing financial knowledge and confidence alone does not necessarily ensure adequate financial readiness, particularly when limited income and competing financial obligations restrict the ability to accumulate sufficient emergency savings. Consequently, financial preparedness should be viewed not only as a function of financial knowledge but also as the ability and confidence to apply such knowledge in everyday financial decision-making.

The significant relationships among financial literacy, financial self-efficacy, and emergency fund preparedness further affirm that these constructs are closely interconnected. The finding that financial self-efficacy partially mediates the relationship between financial literacy and emergency fund preparedness suggests that financial knowledge becomes more effective when individuals possess the confidence to translate it into sound financial behaviors. This highlights the need for financial education initiatives to move beyond knowledge acquisition by incorporating practical financial management activities, confidence-building strategies, and behavioral interventions that encourage consistent saving habits and long-term financial planning.

The study likewise underscores the importance of collaborative efforts among government agencies, employers,

financial institutions, and educational organizations in strengthening the financial resilience of minimum wage earners. Financial capability programs should integrate financial literacy education with financial coaching, savings promotion, and workplace-based financial wellness initiatives to encourage sustainable emergency funds and improve long-term financial security.

Finally, this study contributes to the existing literature by providing empirical evidence that financial self-efficacy serves as an important mechanism through which financial literacy enhances emergency fund preparedness among minimum wage earners in the Philippine context. Nevertheless, multiple psychological and socioeconomic factors beyond those examined in this study also influence emergency fund preparedness. Future researchers are encouraged to replicate the study in other sectors and geographical locations and to incorporate additional variables, such as financial attitude, financial stress, financial well-being, income stability, access to financial services, and social support, to develop a more comprehensive understanding of the factors that promote financial resilience.

Contributions of Authors

Authors 1 - 9 - Conceptualization, manuscript writing, data gathering

Authors 10 - 13 - Supervision, data analysis, validation, writing—review and editing

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Conflict of Interests

No conflict of interest with any other person or institution.

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