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Risk Tolerance of Small-to-Medium Enterprise Owners and Operators Towards Capital Markets: Evidence from the Philippines

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Abstract

The purpose of this research was to determine the degree to which Small-to-Medium Enterprise (SME) owners and operators in Mountain Province were willing to take on financial risk to invest in the capital markets as a potential additional source of income, as well as the extent to which these five indicator variables—particularly their income, expenses, financial goals, liquid cash, and insurance coverage—were influenced by demographic factors. The study used a quantitative approach and employed a descriptive survey research method. The results show that the SME Owners and Operators in Mountain Province have minimal knowledge of capital market investments which makes them moderate investors with a neutral level of financial risk tolerance toward capital market investment. Their marital status, net income, and educational attainment significantly influence their financial risk tolerance level. The respondents also believe that engaging in the capital markets will grow their businesses. Further, the extent of influence of Income, Expenses, Liquid Cash, and Insurance Cover on the financial risk tolerance of the SME owners and operators in Mountain Province a great extent; thus, making them careful in investing in the capital markets, and it is primarily affected by their Net Income. Consequently, the financial goals of SME owners and operators in Mountain Province have a vital role in their financial risk tolerance level.

Keywords: Risk Tolerance, Small-To-Medium Enterprises, Capital Markets, Financial Instruments, Investments

JEL Classification Code: G11, G13, G32

1. Introduction

Small and Medium Enterprises (SMEs), particularly in developing countries, are seen as drivers of social and economic development. This is because it increases the country's gross domestic product (GDP) growth and reduces unemployment. In rural communities, businesses such as SMEs can be a source of power if they make a dent in people's lives. SMEs have the capacities and capabilities to generate employment and income that, at the very least, will provide people with fair chances of accessing, owning, and controlling resources. Through jobs and income that SMEs can provide, people get opportunities to avail improved health, nutrition, and education services and further maximize their potential toward better housing, water, and power supply facilities. According to World Bank (n.d), up to 40% of the national income (GDP) in emerging economies is from formal SMEs, and if informal SMEs are included, the numbers are significantly higher. In non-urban and rural areas, SMEs contribute to income and employment generation, gender, and youth empowerment (Pratama, 2020).

SMEs are those businesses that maintain revenues, assets, or several employees below a certain threshold. According to Liberto (2020), each country has a definition of a small and medium-sized enterprise, and specific size criteria must be met where the company operates is considered. Countries like Indonesia and the Philippines define their SMEs based on qualitative criteria.

SMEs in the Philippines employ 10 to 199 workers and own assets ranging from 3 million to 10 million Php (Natividad, 2016). Those with total assets amounting to 3 million Php or less with ten employees or fewer are considered micro-business (Abrugar, 2013). Businesses established in far-flung places, away from metropolitan areas, are usually

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categorized as SMEs. Almost all businesses started as small enterprises to grow while providing a steady source of income for the owner and the people in employment.

Though the significant role of SMEs in the nation's economic growth is undeniable, their productivity remains low due to limited market access. Moreover, there are also risks that owners and operators face keeping their businesses afloat. This might be seen when they invest in capital markets. Small business owners are entrepreneurs who are known to take risks. Ordinarily, small businesses, especially those based in the Philippines, have revenue streams that are limited in their operations. This is the so-called active income from which time is spent in exchange for revenue or income. Usually, a small business, especially those in small-scale operations, would grow from existence and then the survival stage till it reaches take-off before maturity, all by generating income from its improved processes (Churchill & Lewis, 1983). Working with grit as a small business owner is good, but why not consider adding a new source of income without the added stress of starting from scratch (Truesdell, 2018)? This calls for a higher risk appetite, otherwise known as risk aggressive, yet haphazard investing may endanger the business. That is why even risk-taker small business owners must adopt different investing strategies (Ferra Kampstra Wealth Management, 2019).

Hence, this study focused on the risk tolerance of SME owners/operators in terms of engaging in the Capital Markets. The extent of influence of the risk tolerance indicators, such as income, expenses, financial goals, liquid cash, and insurance cover, was also determined.

2. Literature Review

2.1. Financial Risk Tolerance

Risk tolerance is the ability to tolerate risks from investing in a particular stock. All investments have risks attached, and the investor decides to go big or small on a specific investment. Returns are not a certainty; however, the riskier the investment, the more rewarding it is.

According to Yao et al. (2005, p. 53), financial risk tolerance is "the willingness to take financial risk." Sahin and Yilmaz (2009, as cited in Massol & Molines, 2015) describe it as "the amount of uncertainty or investment return volatility that an investor is willing to accept when making a financial decision." It has four facets - financial, physical, social, and ethical. Whether in the context of professional practice or empirical research, risk tolerance is acknowledged as an important factor in savings and investment choices for retirement or other household goals. Choices regarding investment products, asset allocation plans, and portfolio accumulation strategies have been attributed to risk tolerance. Individual risk tolerance may also be considered a part of "risk management" or insurance choices. Risk tolerance plays a vital role in each household's optimal portfolio decisions. An investor's ability to handle risks may be related to demographic features such as age, gender, marital status, occupation, income, time horizon, liquidity needs, portfolio size, investment knowledge, and attitude toward price fluctuations. The demographic features of individual investors could be used to distinguish between levels of financial risk tolerance, and an association of these variables could be developed to predict a person's risk tolerance (Sulaiman, 2012). Grable (2000, p. 625) defines risk tolerance as "the maximum amount of uncertainty that someone is willing to accept when making a financial decision."

Risk return trade-off means that the greater risk is taken, the greater the returns. Risk tolerance must be differentiated from risk appetite since they are frequently used interchangeably. Risk appetite pertains to readiness to take risks, while risk tolerance is the ability to take risks. Risk appetite can be gauged from the following factors: age, experience, and knowledge. Risk tolerance can be measured using the following indicators: income, expenses, financial goals, liquid cash, and insurance cover (BankBazaar, 2013).

These risk tolerance indicators, according to Bankbazaar (2013), were defined based on the SMEs' operational context:

Income refers to the SMEs' business revenue, including income from sales, interest on investments, and rent on business property they own. On the other hand, expenses refer to the business's operating expenses, which include payroll, rent, materials, vehicle expenses, advertising, utilities, interest payments, licenses, and taxes.

Financial goals pertain to the profitability goals for the small business that should be sufficient to sustain stakeholders such as owners or shareholders and enable the business to save money for expansion or capital reserves.

Liquid cash is the liquid cash accumulated in the person's account to support the SME for a year or two in emergencies.

Insurance cover refers to business insurance cover wherein if the enterprise is sufficiently covered; more willingness is shown to take risks in investments. For example, if the SME has sufficient fire insurance to cover the business, the owner or operator can subsequently risk investing excess available funds, compared to not having a cover for the threat of fire.

Investors with aggressive risk tolerance tend to be market-savvy. A deep understanding of securities and their propensities allows individuals and institutional investors to purchase highly volatile instruments, such as small-company stocks that can plummet to zero or options contracts that can expire worthlessly. While maintaining a base of riskless securities, aggressive investors reach for maximum returns with maximum risk. In contrast, moderate investors with moderate risk tolerance accept some risk to the principal but adopt a balanced approach with intermediate-term time horizons of five to 10 years. Combining large-company mutual funds with less volatile bonds and riskless securities, moderate investors often pursue a 50/50 structure. A typical strategy

may involve investing half of the portfolio in a dividend-paying growth fund. Lastly, investors with conservative risk tolerance are willing to accept little to no volatility in their investment portfolios. Often, retirees who have spent decades building a nest egg are unwilling to allow any risk to their principal. A conservative investor targets vehicles that are guaranteed and highly liquid. Risk-averse individuals opt for bank certificates of deposit (CDs), money markets, or U.S. Treasuries for income and capital preservation (Twin, 2020).

2.2. Investing in Capital Markets

Investment is the commitment of current financial resources to achieve higher gains in the future and is one of the ways of generating passive income (Capital Market Authority, 2018). An investment operation is one that, upon thorough analysis, promises the safety of the principal and an adequate return. The primary investment products available for purchase are Stocks, Bonds, Mutual Funds, Real estate, and Commodities (U.S. Securities and Exchange Commission, n.d.). Among the numerous investment vehicles, stocks and bonds could be purchased through capital markets here in the country. There exists the Philippine Stock Exchange for stocks, while the bond market in the Philippines, which is usually dominated by treasury bills, is regulated by the Philippine Dealing and Exchange Corporation (PDEX) from the PDS Group. Government and corporate bonds in the Philippines can be purchased through the different banks regulated by the Bangko Sentral ng Pilipinas. Mutual Funds and Unit Investment Trust Funds are also ways to invest. Only a manager handles the pooled funds from different investors, which are then used to purchase stocks and bonds. Capital markets describe any exchange marketplace where financial securities and assets are bought and sold. Capital markets may include trading in bonds, derivatives, commodities, and stocks (Kenton, 2019).

A capital market is organized in which individuals and business entities buy and sell debt and equity securities. It is designed to be an efficient way to enter purchase and sale transactions. The description of Capital markets is to help channel surplus funds from savers to institutions, which then invest them into productive use. Generally, this market trades primarily in long-term securities. This market is a crucial source of funds for an entity whose securities are permitted by a regulatory authority to be traded since it can readily sell its debt obligations and equity to investors. Governments also use capital markets to raise funds, typically through long-term bonds. Governments do not issue shares and so cannot issue equity securities. Also, it is intended to be for the issuance and trading of long-term securities. When a publicly-held company sells its securities in the capital markets, this is referred to as primary market activity. The subsequent trading of company securities between investors is known as secondary market activity. Primary markets deal with the trade of new issues of stocks and other securities, whereas secondary market deals with the exchange of existing or previously-issued securities. Another important division in the capital market is based on the nature of the security traded, i.e., stock market, bond market, and derivative securities market (The Economic Times, 2019).

The Modern Capital Market electronic trading systems are used almost exclusively in modern capital markets. The public can directly access some portion of the capital markets. However, most can only be tapped into by financial entities and countries' governments and treasury departments. Investment banks, governmental departments, and stock exchanges are the primary hosts of electronic trading systems worldwide. The highest concentration of capital markets is found in prominent financial meccas such as New York, London, and Hong Kong (Corporate Finance Institute, 2019).

2.3. Conceptual Framework

This research is anchored on the risk and return trade-off and diversification since these concepts are imperative in financial investment decisions. The risk-return trade-off states that the potential return rises with an increase in risk. Using this principle, individuals associate low levels of uncertainty with low potential returns and high levels of uncertainty or risk with high potential returns. According to the risk-return trade-off, invested money can only render higher profits if the investor accepts a higher possibility of losses. The risk-return trade-off is the trading principle that links high risk with high reward. The appropriate risk-return trade-off depends on various factors, including an investor's risk tolerance, the investor's years to retirement, and the potential to replace lost funds. Time also plays an essential role in determining a portfolio with the appropriate levels of risk and reward. For example, if an investor can invest in equities over the long term, that provides the investor with the potential to recover from the risks of bear markets and participate in bull markets, while if an investor can only invest in a short time frame, the same equities have a higher risk proposition (Chen, 2020).

Diversification is a risk management strategy that mixes various investments within a portfolio. A diversified portfolio contains a mix of distinct asset types and investment vehicles to limit exposure to any single asset or risk. The rationale behind this technique is that a portfolio constructed of different assets will, on average, yield higher long-term returns and lower the risk of any individual holding or security (Segal, 2020). It is the strategy of spreading one's money into different types of investments, reducing risk while allowing money to grow. It is one of the most basic principles of investing (Hogan, 2020).

The Investment Risk Pyramid by Erik Conley, developed in 2013, is also used since it is an asset allocation tool that

investors can use in selecting different asset classes to diversify their portfolios according to their risk tolerance and expected returns (The Tortoise Mindset, 2019). The pyramid, representing the investor's portfolio, has three distinct tiers: the Base of the Pyramid, the Middle Portion, and the Summit (Investopedia, 2020).

2.4. Statements of the Problems

1. What is the level of financial risk tolerance of SME owners/operators in Mt. Province towards capital market investment as another source of income?
2. What is the extent of influence of the risk tolerance indicators on the financial risk tolerance of the respondents towards capital market investment as another source of income?
   a. Income
   b. Expenses
   c. Financial Goals
   d. Liquid Cash
   e. Insurance Cover
3. Is there a significant relationship between the following?
   a. financial risk tolerance towards capital market investment as another source of income and income?
   b. financial risk tolerance towards capital market investment as another source of income and expenses?
   c. financial risk tolerance towards capital market investment as another source of income and financial goals?
   d. financial risk tolerance towards capital market investment as another source of income and liquid cash?
   e. financial risk tolerance towards capital market investment as another source of income and insurance cover?

3. Research Methods

3.1. Research Design

The study used a quantitative approach and employed a descriptive survey research method. It was applied since it used structured research instruments in gathering data, and all the study aspects were carefully designed before the data collection.

3.2. Population and Locale of the Study

The respondents of this study were the owners or operators of existing SMEs in the Mountain Province. The identified respondents came from the registry of the Department of Trade and Industry (DTI) Provincial Office in Bontoc, Mountain Province. According to DTI Mountain Province Office, most of the province's SMEs were in the wholesale and retail trade; the business establishments engaged in accommodation, food service, and other service activities. Most SMEs are also family-owned and managed by family members.

The study was conducted in Mountain Province, Cordillera Administrative Region. The ten municipalities of the province, namely Barlig, Bauko, Besao, Bontoc, Natonin, Paracelis, Sabangan, Sadanga, Sagada, and Tadian, were the identified samples using the stratified random sampling method after determining the whole population using Cochran's Formula in determining the sample size. The total computed respondents for the sample size were 300, with a 95% confidence level and a 5% margin of error. It is to ensure the representativeness of the entire sample size. As shown in Table 1, every municipality has existing SMEs that should represent the entire sample to achieve the research goal for the province.

Table 1 shows the distributed number of respondents per municipality using the stratified random sampling formula. A selection procedure was done randomly per municipality. The researcher chose the participants based on their availability and willingness to participate. Those who refused to participate were excluded from the list and proceeded to the other SME owners/operators who were available until the required number of respondents was complete.

It is also limited to the respondents' data through questionnaires administered from August to November 2020.

Table 1: Total Number of SMEs Per Municipality Vis-À-Vis Strata Sample Size

Municipality	Total No. of SMEs	Strata Sample Size
Barlig	12	3
Bauko	203	47
Besao	56	13
Bontoc	487	113
Natonin	20	5
Paracelis	110	26
Sabangan	105	25
Sadanga	13	3
Sagada	179	42
Tadian	98	23
Total	**1283**	**300 Respondents**

3.3. Instrument

The survey questionnaire as the primary tool and the interview guide questions for the one-on-one interview was subjected to validation and reliability testing conducted by the researcher and assisted by the Research and Development Center (RDC) of the University of Baguio and a statistician before its use. The data from the one-on-one interview were transcribed.

The questionnaire contains essential elements to get the desired data on financial risk tolerance. First, the survey consists of ‘ profiles. Second, the questionnaire has a series of questions structured to measure the level of financial risk tolerance by applying a 5-Point Likert Scale (Table 2). questions for the respondents.

Further, the third part consisted of scaled questionnaires to measure the extent of influence of the identified indicators on the respondents’ financial risk tolerance towards capital market investment, considering the listed demographic factors applying a 4-Point Likert Scale (Table 3).

Moreover, the one-on-one interview consists of questions to corroborate and validate the findings in the questionnaire. In addition, the items in the research tools were influenced by the concepts presented by Allen (2012).

3.4. Treatment of Data

Results were tabulated in a frequency table. The frequency count was used to represent the aggregate response for each item in the questionnaire. Some of the questions pertained to the respondent’s background, while some were associated with the respondent’s risk tolerance on investing in the capital markets. The results were computed and had corresponding mean values. It is applicable for the first and second SOPs, while the third problem applied Pearson’s Correlation Coefficient to identify risk tolerance variables that have a relationship with the financial risk tolerance of SME owners/operators. After all, this method is known as the best method in measuring the association between variables of interest because it is based on covariance.

Table 2: Five-Point Scale on the Level of Financial Risk Tolerance

Level	Scale	Description	Symbol	Meaning
5	4.21−5.00	Strongly Agree	SA	Very high level of financial risk tolerance (Preferred to take very high-risk investments)
4	3.41−4.20	Agree	A	High level of financial risk tolerance (Preferred to take higher risk investments)
3	2.61−3.40	Neutral	N	Neither high nor low level of financial risk tolerance (Preferred to take medium risk investments)
2	1.81−2.60	Disagree	D	Low level of financial risk tolerance (Preferred to take low-risk investments)
1	1.00−1.80	Strongly Disagree	SD	Very low level of financial risk tolerance (Preferred to take no-risk investments)

Table 3: Four-Point Scale on the Extent of Influence of Risk Tolerance Indicators

Level	Scale	Description	Symbol	Meaning
4	3.26−4.00	Very Much	VM	This influences the SME Owners’/Operators’ financial risk tolerance to a very great extent, thus making them hesitate, or not at all, to invest in the capital markets
3	2.51−3.25	Much	M	This influences the SME Owners’/Operators’ financial risk tolerance to a great extent, thus making them careful, in investing in the capital markets
2	1.76−2.50	Fairly	F	This influences the SME Owners’/Operators’ financial risk tolerance to a certain but does not cause them any worries to invest in the capital markets
1	1.00−1.75	Not At All	NAA	This influences the SME Owners’/Operators’ financial risk tolerance to a certain but does not cause them any worries about investing in the capital markets.

It gives information about the magnitude of the association, correlation, and direction of the relationship (Statistic Solution). Further, to interpret the results, the researcher used the interpretation of the Pearson moment correlation coefficient.

4. Results and Discussion

4.1. Level of Financial Risk Tolerance of SME Owners/Operators Towards Capital Market Investment as Another Source of Income

Knowing the investor's level of risk tolerance is the fundamental activity to making sound investment decisions. Table 4 shows the level of risk tolerance of the SME owners and operators in Mt. Province using the 15 financial risk tolerance indicators (Table 4).

The respondents collectively agreed that the business or enterprise would grow if they engaged in other opportunities, such as financial securities. Four of the six interviewees believe investing in capital markets can grow their business and yield higher income. In their influential work, Rajan and Zingales (1998) find that firms grow disproportionately faster within a developed financial market. The research of Fredholm and Awal (2006) also concluded that growth opportunities are enhanced when finance is made more available and better accessible to firms – hence one mechanism for economic growth. The result implies that financial securities should be available to SME owners/ operators; hence, they should be guided accordingly in exploring highly technical investments to earn and help their businesses grow. However, the standard deviation of 0.97 shows that the respondents' answers were highly dispersed

Table 4: Level of Financial Risk Tolerance of SME Owners/Operators Towards Capital Market Investment as Another Source of Income

Financial Risk Tolerance Indicators	Mean	Std. Deviation	Descriptive Interpretation
1. I have an aggressive investment attitude.	3.08	0.97	Neutral
2. High returns are more important to me than protecting my investments or financial assets.	3.22	0.96	Neutral
3. The business or enterprise will grow if it engages in other opportunities, such as financial securities.	3.53	0.97	Agree
4. I will invest the excess cash in long-term investments (1 year or more) such as bonds, stocks, mutual funds, or derivative securities.	3.25	1.03	Neutral
5. I need immediate cash from my investments or other income sources to sustain the enterprise's operation.	3.28	1.02	Neutral
6. I'm willing to invest 51% and more of my net income, such as bonds, stocks, mutual funds, or derivative securities.	2.99	0.92	Neutral
7. My investment knowledge is enough to earn in bonds, stocks, mutual funds, or derivative securities.	3.02	0.91	Neutral
8. I am willing to bear the consequences of a loss if I am to invest in the capital markets to maximize my returns.	3.16	0.98	Neutral
9. I am willing to withstand some fluctuations in my investments.	3.21	0.94	Neutral
10. I am seeking potentially high investment returns or earnings.	3.47	1.03	Agree
11. Over the next few years, I expect my annual income to grow substantially by engaging in capital market investments.	3.45	1.00	Agree
12. I will prefer high-risk financial assets/instruments like trading in derivative securities such as Futures and Options.	2.99	0.91	Neutral
13. I will be choosing newly established companies that have a potentially high rate of growth in buying stocks.	3.12	0.91	Neutral
14. I will choose bonds issued by private companies to get more money back.	3.05	0.85	Neutral
15. I'll prefer managing my investment/ financial assets alone rather than hiring professional investment portfolio managers.	3.49	1.06	Agree
Overall Mean and Standard Deviation	**3.22**	**0.63**	**Neutral**

from either high or low levels of financial risk tolerance to very high levels of financial risk tolerance.

Further, two indicators got the lowest mean: willingness to invest more than half of their net income in capital market securities and preference for high-risk financial assets/instruments like trading in derivative securities such as Futures and Options. These results indicate that the respondents will only invest a small amount of money. Instead, they will only likely allocate an amount they are willing to lose since investing in very high-risk investments could end up losing all the capital invested. According to interviewee B, they are less confident in investing in the capital markets because they fear the risk attached to these financial securities. These high-risk investments are not for everyone, but they could help a person on the path to wealth if they have the stomach for it (Lemke, 2019).

Thus, while the respondents collectively had neither a high nor low level of financial risk tolerance, there were those who, on the individual level, had a high level of financial risk tolerance. This means that some SME owners/operators could still choose high-risk investments like derivative securities as long as they are appropriately allocated and selected in the investment portfolio.

Consequently, the respondents agreed that their financial risk tolerance level is moderate, which suggests a neutral stance towards capital market investment as another source of income. This implies that the SME owners/operators must invest in moderate-risk investment securities based on the investment risk pyramid and consider the equal allocation of assets.

4.2. The Extent of Influence of Certain Indicators on the Financial Risk Tolerance of the Respondents Towards Capital Market Investment as Another Source of Income

4.2.1. Income

The respondents agreed that the income derived from the secondary/ other source/s influences their financial risk tolerance to a great extent, thus, making them careful in investing in the capital markets. While their income derived from the primary source and losses incurred due to disaster and health crises (e.g., typhoon, pandemic) influences the respondent's financial risk tolerance to a certain but does not cause them any worries about investing in the capital markets (Table 5).

However, the standard deviation of 0.72 shows that the respondents' answers were highly dispersed from the influence of a certain extent but did not cause them any worries about investing in the capital markets to influence of great extent, thus making them careful in investing in the capital markets.

4.2.2. Expenses

Jointly, the respondents agreed that the expenses for social life influence their financial risk tolerance to a great extent, thus, making them careful in investing in the capital markets. On the other hand, expenses for the business's operation (e.g., buying new equipment) and daily expenses on the family's basic needs influence the respondent's financial risk tolerance to a certain but do not cause them any worries about investing in the capital markets.

Thus, expense indicator influences the SME owners'/ operators' financial risk tolerance to a great extent, thus, making them careful in investing in the capital markets. However, the standard deviation of 0.63 shows that the respondents' answers were highly dispersed from the influence of a certain extent but did not cause them any worries about investing in the capital markets to influence of great extent, thus making them careful in investing in the capital markets.

4.2.3. Financial Goals

In aggregate, the respondents agreed that a long-term goal, such as a retirement plan, influences the respondent's financial risk tolerance to a certain degree but does not cause them any worries about investing in the capital markets. While the goal of being free from financial obligations got the lowest mean value.

Thus, the financial goals indicator influences the SME owners'/operators' financial risk tolerance to a certain degree but does not cause them any worries about investing in the capital markets. However, the standard deviation of 0.80 shows that the respondents' answers were highly dispersed from the influence of a great extent, thus, making them careful to invest in the capital markets to influence a certain extent but not cause any worries to invest in the capital markets.

4.2.4. Liquid cash

In conjunction, the respondents agreed that the other liquid assets the SME owners/operators have, like the marketable securities, inventory, short-term receivables, and idle cash, influence the respondent's financial risk tolerance to a great extent, thus, making them careful in investing in the capital markets. While the amount of cash they have on hand as emergency or contingency funds got the lowest mean value.

Thus, the liquid cash indicator influences the SME owners'/operators' financial risk tolerance to a great extent, thus, making them careful in investing in the capital market. However, the standard deviation of 0.88 shows that the respondents' answers were highly dispersed from the influence of a certain extent but did not cause them any

Table 5: Extent of Influence of Certain Indicators on the Financial Risk Tolerance of the Respondents Towards Capital Market Investment as Another Source of Income

Indicators	Mean	Std. Deviation	Descriptive Interpretation
A. Income			
1. The total income I derived from last year.	2.50	0.81	Fairly
2. The income I derived from my main source.	2.40	0.81	Fairly
3. The income I derived from my secondary/ other source/s.	2.72	0.81	Much
4. The losses I incurred due to disaster and health crises (e.g., typhoons, pandemic).	2.40	0.99	Fairly
Area mean	**2.50**	**0.70**	**Fairly**
B. Expenses			
1. My expenses for the operation of my business (e.g., buying new equipment)	2.34	0.85	Fairly
2. My daily expenses are on my family's basic needs.	2.34	0.91	Fairly
3. My expenses for the education of my children.	2.40	1.01	Fairly
4. My expenses for my social life.	3.03	0.89	Much
5. The taxes imposed by the government.	2.51	0.82	Much
6. The depreciation of my assets.	2.53	0.87	Much
7. My interest expenses for loans and other payments to other people.	2.55	0.87	Much
8. The premium I am paying for insurance and related endeavors.	2.62	0.92	Much
Area mean	**2.54**	**0.63**	**Much**
C. Financial Goals			
1. My long-term goal, such as my retirement plan	2.32	0.96	Fairly
2. My target savings in the bank for a year.	2.20	0.94	Fairly
3. My goal is to be freed from financial obligations.	2.18	0.92	Fairly
4. My goal is to have extra cash for personal and recreational purposes.	2.29	0.98	Fairly
Area mean	**2.25**	**0.80**	**Fairly**
D. Liquid Cash			
1. The amount of cash I have in the bank.	2.60	0.82	Much
2. The amount of cash I have on hand as emergency or contingency funds.	2.55	0.78	Much
3. The other liquid assets I have (are marketable securities, inventory, short-term receivables, and idle cash).	2.83	0.83	Much
Area mean	**2.66**	**0.72**	**Much**
E. Insurance Cover			
1. The premium or cost of insurance I availed of.	2.55	0.89	Much
2. The number of insurance/s I availed of.	2.60	0.92	Much
3. The kind of insurance/s I availed of.	2.58	0.92	Much
Area mean	**2.58**	**0.88**	**Much**
Overall Mean and Standard Deviation	**2.51**	**0.63**	**Much**

worries about investing in the capital markets to influence of great extent, thus making them careful in investing in the capital markets.

4.2.5. Insurance Cover

Collectively, the respondents agreed that the number of insurance/s availed influences the respondent's financial risk tolerance to a great extent, thus, making them careful in investing in the capital markets. While the premium or cost of insurance has the lowest mean value.

Thus, the insurance cover indicator influences the SME owners'/operators' financial risk tolerance to a great extent, making them careful in investing in the capital markets. However, the standard deviation of 0.72 shows that the respondents' answers were highly dispersed from the influence of a certain extent but did not cause them any worries about investing in the capital markets to influence of great extent, making them careful in investing in the capital markets.

4.3. Summary

Among the selected variables, liquid cash has the highest mean making it the primary influence on the financial risk tolerance of the SME owners/operators. On the other hand, the financial goal has the least influence. The five selected variables' overall mean influences the SME owners'/operators' financial risk tolerance to a great extent, thus, making them careful in investing in the capital markets. However, the standard deviation of 0.63 shows that the respondents' answers were highly dispersed from the influence of a certain extent but did not cause them any worries about investing in the capital markets to influence of great extent, making them careful in investing in the capital markets.

4.4. Relationship Between Financial Risk Tolerance Towards Market Investment as Another Source of Income and Selected Variables

Table 6 shows that one out of five variables has a significant difference. Only the financial goals among the selected variables had a significant relationship with the financial risk tolerance of SME owners/ operators towards capital market investment as another source of income.

4.4.1. Relationship Between Financial Risk Tolerance Towards Capital Market Investment as Another Source of Income and Income

The correlations table shows that the correlation coefficient (r) is equal to 0.09, indicating that there is no relationship because it is almost zero. The p-value = 0.12, greater than 0.05, indicates the failure to reject the null hypothesis. It can be concluded that there is no relationship between the financial risk tolerance of SME owners/operators towards capital market investment as another income source and their income (r = 0.09, p = 0.12 > 0.05).

Table 6: Relationship Between Financial Risk Tolerance Towards Market Investment as Another Source of Income and Selected Variables

Selected Variables	*R*-values	*p*-values
Income	0.09	0.12
Expense	0.01	0.78
Financial Goals	0.16	0.01
Liquid Cash	0.00	0.95
Insurance Cover	0.09	0.11

4.4.2. Relationship Between Financial Risk Tolerance Towards Capital Market Investment as Another Source of Income and Expenses

Table 6 shows that the correlation coefficient (r) equals 0.01, indicating no relationship because it is almost zero. The p-value = 0.78, greater than 0.05, implies the failure to reject the null hypothesis. It can be concluded that there is no relationship between the financial risk tolerance of SME owners/operators towards capital market investment as another income source and their expenses (r = 0.01, p = 0.78 > 0.05).

4.4.3. Relationship Between Financial Risk Tolerance Towards Capital Market Investment as Another Source of Income and Financial Goals

The correlations table shows that the correlation coefficient (r) is equal to 0.16, indicating a small relationship because it is less than 0.50. The p-value = 0.01, less than 0.05, indicates the rejection of the null hypothesis. There is a weak significant relationship between the financial risk tolerance of SME owners/ operators towards capital market investment as another income source and their financial goals (r = 0.16, p = .01 < 0.05).

4.4.4. Relationship Between Financial Risk Tolerance Towards Capital Market Investment as Another Source of Income and Liquid Cash

Table 6 shows that the correlation coefficient (r) is equal to 0.00, indicating no relationship because it is zero. The p-value = 0.95, which is greater than 0.05, implies the failure to reject the null hypothesis. It can be concluded

that there is no relationship between the financial risk tolerance of SME owners/ operators towards capital market investment as another income source and their liquid cash ($r = 0.00$, $p = 0.95 > 0.05$).

4.4.5. Relationship Between Financial Risk Tolerance Towards Capital Market Investment as Another Source of Income and Insurance Cover

The correlations table shows that the correlation coefficient (r) is equal to 0.09, indicating that there is no relationship because it is almost zero. The p-value = 0.11, which is greater than 0.05, indicates the failure to reject the null hypothesis. It can be concluded that there is no relationship between the financial risk tolerance of SME owners/ operators towards capital market investment as another income source and their insurance cover ($r = 0.09$, $p = 0.11 > 0.05$).

5. Conclusion

Small-to-Medium Enterprise (SME) Owners and Operators in Mountain Province have minimal knowledge of Capital Markets investments. They also have a moderate or neutral level of financial risk tolerance; hence, improving their skills in choosing the best investments and proper allocation of funds to increase earning opportunities is necessary. Enterprises in rural areas can accumulate income by maximizing the Capital Markets' opportunities conducive to their growth and development.

The Small-to-Medium Enterprise (SME) owners' and operators' income, expenses, liquid cash, and insurance cover affect their decision-making in choosing the best investment for them to earn. Thus, the factors enumerated contribute to the overall preservation of their resources and business continuity. Hence, it is imperative to make them careful in their investment strategies to achieve the set objectives in improving their financial concerns. Further, the main business's income is a relevant factor; hence, the analysis of the business income must be taken into account in achieving the maximum opportunity of the Capital Markets as another income source.

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