

ENTREPRENEURIAL Competencies, Financial Literacy and Innovation as Determinants of Business Longevity of MSMEs in Davao Region: A Path ANALYSIS

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ABSTRACT

Business longevity is vital for assessing sustainability and ensuring continuity. Accordingly, the sustainability of a business is significantly dependent on its longevity. This study primarily aims to determine the factors significantly contributing to the Business Longevity of Micro, small, medium enterprisers (MSMEs) in the Davao Region. A descriptive-correlational research design was employed alongside path analysis to comprehensively examine the interrelationships among variables. Data were gathered using survey questionnaires, which were administered to 300 owners, managers, and supervisors of MSMEs in Davao Region, Philippines, using proportional stratified random sampling. The statistical tools used in the study are Mean, Pearson R, and Path Analysis. Based on the result, the level of Entrepreneurial Competencies and Financial Literacy of the MSME owners, managers, and supervisors is high. Also, the level of Innovation and Business Longevity among MSMEs is evaluated as high. Results revealed that there is a significant relationship between entrepreneurial competencies and financial literacy, financial literacy and innovation, as well as entrepreneurial competencies and innovation. Moreover, it was determined that only entrepreneurial competencies and innovation have a direct effect on business longevity, with entrepreneurial competencies having the most significant effect. Financial Literacy has an indirect impact on business longevity through innovation. Results also showed that entrepreneurial competencies and financial literacy demonstrated a significant relationship, as indicated by path analysis.

KEYWORDS: *Business management, business longevity, entrepreneurial competencies, financial literacy, innovation, MSME, path analysis, Region XI, Philippines*

INTRODUCTION

The long-term survival and success of a business depend on its capacity to adapt, pivot when required, and endure challenges. According to an Inquirer (2022) online article, MSMEs face a unique challenge in terms of growth. It's harder for them to gain the means to expand their businesses or even to remain in business. Typically, small businesses have difficulty sustaining their businesses for more than 5 years after inception (Brown, 2019). The mystery of why some businesses prosper and last for millennia while others fail has never been fully addressed by organizational and management studies (Josefy et al., 2015). Thus, the increase in mortality of businesses has been a recurring phenomenon, especially following serious financial and economic events globally (Iwasaki, 2014). In the Philippines, the business discontinuation rate is 12.6 percent, which is higher than the ASEAN average of 4.8 percent, based on the report of Global Entrepreneurship Monitor. This suggests that even as more MSMEs are established, there is a significant risk they will fail. Some of the major barriers to longevity faced by new MSMEs in the Philippines include poor profitability in crowded marketplaces, lack of finance, and inadequate and/or inconsistent information dissemination about MSMEs' rules and assistance programs are some of the obstacles to emerging MSMEs' longevity in the Philippines (Asia Pacific Foundation of Canada, 2018).

Longevity is a key element of a sustainable business because it is regarded as a symbol of a company's formation and long-term viability (Bateh et al., 2013). The longevity of a business is basically one of the areas that can classify it as sustainable. For any business to sustain itself, it must be continuous, stable, and durable (Galadanchi & Bakar, 2018). Also, an organization's longevity can be attributed to the improvement of its self-renewal process, which initiates measures to address recent issues (Riviezzo et al., 2015). Business Longevity is also an essential societal interest for small businesses because these businesses prioritize non-financial goals such as long-term sustainability (Chrisman et al., 2012), care for multiple stakeholders (Cennamo et al., 2012), and local prosperity (Randolph et al., 2022), and the longevity of the business can help attain these goals (Haag et al., 2023).

Several studies have established the relationship among the variables, which are Entrepreneurial Competencies, Financial Literacy, and Innovation. Accordingly, Ismael (2022) mentioned that entrepreneurial competencies significantly contribute to fostering innovation and ensuring the sustainable

performance of manufacturing SMEs. While financial literacy exhibits a positive correlation with innovation, this positive association remains consistent across various innovation metrics. Furthermore, both Seraj et al. (2022) and Atyanga (2022) emphasize that financial literacy and entrepreneurial competency significantly enhance each other. Also, numerous studies have been conducted worldwide on business longevity, but the Philippines appears to be falling behind in this area (Padua et al., 2016).

Given the cited literature above and with all the factors presented as a framework for business longevity, the researcher has not come across a study on factors and determinants that contribute to business longevity in MSMEs. Hence, this study is conducted to assess the extent of contribution of entrepreneurial competencies, financial literacy, and innovation on the business longevity of MSMEs using path analysis, specifically, which of these factors has the most significant contribution to the business longevity of local MSMEs in the Davao region.

This research concentrates on examining the extent of contribution of entrepreneurial competencies, financial literacy, and innovation on the longevity of MSMEs in the Davao region in order to give insights into these businesses and those planning to put up businesses on the importance of the factors that will contribute to the longevity of the business. Further, the findings of this study are meant to offer a solution to the existing problem of early permanent closure of businesses, and in the quest for the longevity of MSMEs. This research will give an opportunity to the business owners and managers of businesses in the Davao Region to determine the factors that will contribute to the longevity of the business. This will give them insights to adapt and improve identified factors for the survival of the business. And as a result, it will benefit society by fostering economic stability, community development, innovation, and knowledge transfer. It enables the creation of an environment conducive to long-term success, growth, and positive societal impact.

Study Objectives. This study primarily aimed to determine the factor that has the most significant contribution to the Business Longevity of MSMEs in the Davao Region. It first measured the status of business longevity, entrepreneurial competencies, financial literacy, and innovation. It also tested whether or not there is a significant relationship between entrepreneurial competencies and innovation, financial literacy and innovation, and entrepreneurial competencies and financial literacy. This research also

determined the extent of each predictor variable's contribution to business longevity. Further, it tested the null hypothesis (Ho) that there is no significant relationship between entrepreneurial competencies and innovation, financial literacy and innovation, entrepreneurial competencies and financial literacy, and that the model does not support the significant contribution of the paths of the predictor variables towards business longevity.

Theoretical Lens

This investigation was generally anchored on the Resource-Based View (RBV) Theory, which supports entrepreneurial competencies, financial literacy, innovation, and business longevity. The RBV Theory, which was originally proposed by Birger Wernerfelt (1984) and later developed and refined by Jay B. Barney (1991) and other scholars. This theory provides a conceptual framework to assess the strategic fit of resources originating from China in the context of the developing world. The RBV theory is based on the fact that the competitive advantage is a function of the resources and capabilities of the company. Four characteristics of resources that can give rise to a company's competitive advantage: value, rarity, imperfect immutability, and lack of substitutability.

As cited by Ahmad et al. (2019), the resource-based view of the firm contends that a company's capacity to cultivate specific capabilities empowers it to attain a lasting competitive edge. Additionally, this approach allows the firm to adjust to dynamic competitive landscapes, enhancing its chances of survival. Further, Barney categorized a firm's tangible and intangible resources into three specific groups: physical capital resources, human capital resources, and organizational capital resources. Physical capital resources encompass elements such as the company's facilities, machinery, geographical position, access to raw materials, and utilized physical technologies. Human capital resources typically involve the experiences, skills, training, judgments, relationships, and intelligence of employees. Organizational capital resources encompass the structure and features of the organization, its culture, planning, coordination, control mechanisms, formal and informal relationships, as well as its processes and procedures. With this, Ye and Kulathunga (2019) claimed that financial literacy is a crucial knowledge resource. As such, it can be cast alongside entrepreneurial competency as a form of human capital. Innovation can be considered as the organizational capital resources of the business. Hence, in terms of its internal components, longevity aligns with the resource-based view, emphasizing the significance of a firm's internal resources in establishing and maintaining a competitive advantage.

This study was also founded on several propositions. The link between entrepreneurial competencies and business longevity is guided by the study of Padua et al. (2016). In their study, the connection between entrepreneurial competencies and business longevity is explored. They found that longevity is influenced by entrepreneurs' competencies, which are considered vital for sustaining a business in the long term.

As for innovation and business longevity, their relationship is generally grounded in Abdul's (2019) work, which found that an SME's longevity is influenced by its internal networks (competitive advantage, innovation, and efficiency). For entrepreneurial competencies and financial literacy, it is anchored in the work of Seraj et al. (2022) and Atyanga (2022), which emphasize that financial literacy and entrepreneurial competencies significantly enhance one another.

METHODS

Research Design

This study utilized the descriptive-correlation research design. This research design is used as it will systematically and accurately describe important parts of the study, such as the population and situation. Also, with the aid of descriptive tools, it properly presents the variables and the relationships between and among them, and the level of each variable.

Correlational research, in contrast, aims to measure the correlation between various sets of variables. Correlational research was used to determine the relationship of entrepreneurial competencies and business longevity, financial knowledge and business longevity, innovation and business longevity, entrepreneurial competencies and innovation, financial knowledge and innovation, lastly, entrepreneurial competencies and financial knowledge before determining what variable influence the other most.

Path Analysis was also used to identify the strength and effects of entrepreneurial competencies, financial literacy, and innovation in the proposed path model consistent with Business Longevity. It examined the proposed causal model and tested hypotheses.

Research Locale

This study was conducted among 300 MSMEs in Davao Region that are Department of Trade and Industry (DTI) registered and have been operating for more than five years. Davao Region is composed of five provinces, namely:

Davao de Oro, Davao del Norte, Davao Oriental, Davao del Sur, and Davao Occidental, and its regional center, Davao City, which refers to the six areas of Region XI, Philippines (DILG Davao Region, 2017). Region XI is represented by six cities, which are Davao City, Tagum City, Island Garden City of Samal, Panabo City, Mati City, and Digos City (DTI, 2014).

Research Respondents

The respondents comprised 300 managers, owners, and supervisors of DTI-registered MSMEs in the region. In selecting the respondents, a proportional stratified random sampling technique was used. The initial strata are the five provinces of Region XI. In each province, a proportionate number of MSMEs were identified randomly. After which, MSMEs that met the criteria, such as registered MSMEs that had been operating for five years, were selected. Specifically, for the respondent selection, only those with direct involvement, especially in business decision-making, were included in the study.

Research Instruments

Table 1

Matrix for respondents' response on entrepreneurial competencies, financial literacy, innovation and business longevity

Range	Descriptive Level	Interpretation
A. Status of Entrepreneurial Competencies		
4.20 - 5.00	Very High	The entrepreneurial competencies are very evident.
3.40 – 4.19	High	The entrepreneurial competencies are evident.
2.60 – 3.39	Moderate	The entrepreneurial competencies are fairly evident.
1.80 – 2.59	Low	The entrepreneurial competencies are less evident.
1.00 – 1.79	Very Low	The entrepreneurial competencies are not evident.
B. Status of Financial Literacy		
4.20 - 5.00	Very High	The financial knowledge is very evident.
3.40 – 4.19	High	The financial knowledge is evident.
2.60 – 3.39	Moderate	The financial knowledge is fairly evident.

1.80 – 2.59	Low	The financial knowledge is less evident.
1.00 – 1.79	Very Low	The financial knowledge is not evident.

C. Status of Innovation

4.20 - 5.00	Very High	Innovation in business is very evident.
3.40 – 4.19	High	Innovation in business is evident.
2.60 – 3.39	Moderate	Innovation in business is fairly evident.
1.80 – 2.59	Low	Innovation in business is less evident.
1.00 – 1.79	Very Low	Innovation in business is not evident.

D. Status of Business Longevity

4.20 - 5.00	Very High	Business longevity is highly demonstrated.
3.40 – 4.19	High	Business longevity is demonstrated.
2.60 – 3.39	Moderate	Business longevity is sometimes demonstrated.
1.80 – 2.59	Low	Business longevity is less demonstrated.
1.00 – 1.79	Very Low	Business longevity is not demonstrated.

The researcher adapted questionnaires from different researchers for each variable. These survey tools with a 5-point type Likert scale had undergone content validation by experts. First, the questionnaire for entrepreneurial competencies was adapted from the study of Sakib et al. (2022) entitled ‘Entrepreneurial competencies and SMEs’ performance in a developing economy’ with a Cronbach alpha of .786 and higher. Second, the questionnaire for financial literacy was adapted from the study of Aritonang et. al. (2022) entitled, ‘The Effect of Financial Literacy and Financial Inclusion on MSMEs Performance’ with a Cronbach alpha of 0.7 and above. Third, the questionnaire for innovation is patterned after the study of Kim-Soon et.al. (2017) entitled ‘SMEs are embracing innovation for business performance’. Lastly, the questionnaire for business longevity came from the study of Ahmad (2019), entitled ‘Corporate sustainable longevity: Scale development and validation, ‘with a Cronbach alpha of 0.89 to 0.90.

Data Collection

The following steps were employed in the conduct of the study: The data collection started after ethical clearance was secured from the ethics committee. After which, the researcher requested a letter of Permission to

conduct the study from the Dean of the Graduate School. Also, the researcher handed a formal letter of request to the owners/managers of MSME's to allow the researcher to conduct the study. The research Adviser and Dean of the UIC Graduate School noted the letter.

Administration of Questionnaires was done after the letter was approved by the MSME owner, manager, or supervisor. Prior to the accomplishment of the survey questionnaire, informed consent was obtained from the respondents with the use of form 0057. The researcher explained the content of the informed consent form, which was retrieved along with the filled-out questionnaire.

The researcher, together with two hired enumerators, administered the face-to-face survey. The enumerators were oriented on how to conduct the survey. The researcher strictly supervised the data gathering to ensure validity, accuracy, and to prevent ambiguity. The data gathering lasted for one and a half months (October 2023 to November 2023). The filled- out questionnaires were retrieved by either the researcher or the enumerator. After which, the researcher collated and tabulated the data with the guidance of a statistician. The encoded data were analyzed and interpreted.

Statistical Tools

Mean was used to determine the status of Business Longevity, Entrepreneurial Competencies, Financial Literacy, and Innovation. Standard Deviation was used to describe the consistency of the responses. Pearson's r was used to determine the relationships among Entrepreneurial Competencies and Business Longevity, Financial Literacy and Business Longevity, Innovation and Business Longevity, Entrepreneurial Competencies and Financial Literacy, Entrepreneurial Competencies and Innovation, and Financial Literacy and Innovation. Path Analysis was used to identify the strength and effects of the variables in the proposed path model consistent with Business Longevity. Path analysis is a statistical technique for examining and testing relationships among a set of observed variables. This helped determine the extent to which the predictor variables (Entrepreneurial Competencies, Financial Knowledge, Innovation) contributed to Business Longevity.

RESULTS

Status of the Identified Variables

Table 2

Status of the Identified Variables

Latent Variables / Observed Variables	Standard Deviation	Mean	Descriptive Level
Entrepreneurship Competencies	0.56	4.36	Very High
Relationship Competency	0.61	4.57	Very High
Organizing and Leading	0.82	4.37	Very High
Learning Competency	0.70	4.40	Very High
Opportunity Competency	0.73	4.27	Very High
Strategic Competency	0.75	4.19	High
Commitment Competency	0.65	4.35	Very High
Financial Literacy	0.63	4.08	High
Behavior Dimension	0.84	4.01	High
Skills Dimension	0.82	3.94	High
Knowledge Dimension	0.77	3.92	High
Attitude	0.69	4.45	Very High
Innovation	0.91	3.53	High
Product Innovation	1.19	3.40	High
Process Innovation	1.00	3.59	High
Organizational Innovation	1.09	3.40	High
Marketing Innovation	0.93	3.72	High
Business Longevity	0.65	4.03	High
Strategic Perspective	0.78	4.19	High
Customer Orientation	0.70	4.30	Very High
Financial Strength	0.76	3.95	High
Learning Growth	0.89	3.85	High
Internal Capabilities	0.80	3.87	High

Entrepreneurial Competencies of the owner/manager/supervisor of the MSMEs are very evident with a mean score of 4.36 ‘Very High’ and standard deviation of .56 which suggests that the respondents consistently exhibits very high entrepreneurial competencies (Table 2). Moreover, the result indicates that they possess the necessary competencies for building relationships, organizing

and leading, utilizing learning, seeking opportunities, making strategies, and making commitments. Further, the mean scores of the indicators range from 4.19 to 4.57, (high to very high). The result is consistent with the findings of Hidayat et al. (2021), Gunartin et al. (2023), and Rozan and Dhewanto (2022) that entrepreneurial competencies are crucial in SMEs; hence, they must be well established in every business organization.

For Financial Literacy, owner/manager/supervisor of MSMEs in Davao Region has a High level of Financial Literacy with a mean core ranging from 3.92-4.45 and with a categorical mean score of 4.08 and standard deviation of .63. It connotes that among the respondents, there is a moderate amount of variation in Financial Literacy scores, indicating that not everyone in the group has similar levels of financial knowledge. The result could further indicate that the level of financial literacy is evident in their behavior, knowledge, skills, and attitudes. The result is similar to that of Dahmen and Rodriguez (2014), who found that financial literacy is vital in business. Thus, MSMEs have strong financial literacy to aid in business decisions. They have a development-focused mindset and are able to survive in their industry. It also supports the study by Osareme et al. (2022), which emphasized that entrepreneurs with high financial literacy are more likely to succeed in expanding their businesses.

As for the integration and application of innovation in MSMEs, it has an overall mean score of 3.40, with a descriptive level of High and a standard deviation of .91, indicating a considerable range in how well MSMEs integrate and apply innovation. The result is consistent in the studies of Sunyoto et al. (2023), and Imran et al. (2023), who claimed that innovation has a significant impact on the performance of micro, small, and medium enterprises (MSMEs). Given these points, Zhou (2024) emphasized that innovation is indeed essential for boosting development and productivity. It stimulates growth and development.

Moreover, the status of Business Longevity of MSMEs in Davao Region is also High with a mean score of 4.03 and a standard deviation of .65 which shows that among MSMEs in Davao Region. This indicates that the businesses are demonstrating features that contribute to their longevity, as itemized in the five indicators: strategic perspective, customer orientation, financial strength, learning and growth, and internal capabilities. The result is in accordance with the study of Parpan et al. (2022), who found that corporate sustainable longevity traits of retail are very high among SMEs in Davao City. Further, Kamal and

Dixit (2017) asserted that long-surviving businesses are conservative, exploit opportunities, diversify, and cooperate, which is explained by the indicators. Ultimately, the business longevity of MSMEs is demonstrated by the indicators, which may explain why the businesses are still operating.

Relationship Between Variables

Table 3

Relationship among Variables

Pair	Variable	Correlation Coefficient	p-value	Decision on H ₀
IV1 and IV2	Entrepreneurship Competencies and Financial Literacy	.670	.000	Reject
IV2 and IV3	Financial Literacy and Innovation	.537	.000	Reject
IV1 and IV3	Entrepreneurship Competencies and Innovation	.448	.000	Reject

Entrepreneurial competencies and financial literacy had a significant relationship ($r=.670$, $p < .05$). This indicates that when the owner/manager/supervisor of the enterprise has a high level of entrepreneurial competencies, it is likely that they are also highly financially literate (Table 3). This affirms the findings of Seraj et al. (2022) that financial literacy significantly positively affects entrepreneurial competency and Christian et al. (2023) that there is a strong correlation between actual financial knowledge and entrepreneurial skill, indicating a relationship between entrepreneurial competencies and financial literacy.

Regarding financial literacy and innovation, the relationship was significant ($r = .537$, $p < .05$). This suggests that a higher level of financial literacy contributes to greater innovation. This affirms the result of the studies of different researchers, such as Liu et al. (2021), who mentioned that financial literacy is positively associated with innovation, and Tian et al. (2020) stated that the financial literacy of executives enhances innovation within firms.

Entrepreneurial competencies and financial literacy had a significant relationship ($r=.670$, $p < .05$). This indicates that when the owner/manager/supervisor of the enterprise has a high level of entrepreneurial competencies, it is likely that they are also highly financially literate (Table 3). This affirms the findings of Seraj et al. (2022) that financial literacy significantly positively affects entrepreneurial competency and Christian et al. (2023) that there is a strong correlation between actual financial knowledge and entrepreneurial skill, indicating a relationship between entrepreneurial competencies and financial literacy.

Path Analysis Result

Notably, all the variables yielded a positive correlation to Business Longevity. However, positive correlation of the variables does not mean causation. Hence, a Path Analysis was used to determine whether or not a multivariate set of non-experimental data fits well with a particular causal model.

The comprehensive coverage of the preferred path model is shown in Figure 2, which is compared to the conceptual model in Figure 1. Due to unsatisfactory outcomes in fit indices for the conceptual model, the analysis was discontinued. Most of the indices fell below the standard range, and the absence of the CMIN df value and RMSEA led to the creation of the preferred model depicted in Figure 2. The fit indices outlined in the results provide a thorough evaluation of how well the model aligns with and adequately represents the observed data. Each of these indices is essential in assessing the overall suitability of the chosen model.

The majority of the model fit indices, such as CFI (.97), GFI (.98), and NFI (.97), surpassed the minimum threshold of .90. Despite this, it cannot be deemed the optimal model due to the CMIN df (15.231) exceeding the ideal range of 0 to 2. Nonetheless, the analysis did produce a CMIN value. Another fit index that was not achieved with this preferred model is the RMSEA (.22), exceeding the desirable threshold of less than .05.

Table 4
Report on Path Analysis Results

Dependent Variable	Independent Variable	Unstandardize d Coefficient	<i>p</i>
Indirect Effect on:			
Business Longevity thru Innovation	Entrepreneurial Competencies	.26	0.01
	Financial Literacy	.62	0.00
Direct Effect on:			
Business Longevity	Entrepreneurial Competencies	.41	0.00
	Innovation	.38	0.00
Relationship between:			
Entrepreneurial Competencies and Financial Literacy		.23	0.00
Model Fit:			
X2 (CMIN) 15.231, <i>p</i> = 0.00			
GFI= 0.98, NFI=0.97, CFI=0.97			
RMSEA= .22			

As shown in Table 4, three crucial indices exceeded the threshold for optimal fit. Although various models were tested to encompass the four identified variables, only the path model in Figure 2 produced a satisfactory fit based on the three incremental indices. Carillo (2014) mentioned that in path coefficient, a value greater than .50 is a large effect; a value around .30 is a medium effect, and a value less than .10 is a small effect.

As reflected in Figure 2, Entrepreneurial Competencies is correlated

with financial literacy at a path coefficient of .23. This suggests that a medium increase in entrepreneurial competency also means an increase in financial literacy. This finding implies that financial literacy and entrepreneurial competency are interconnected. The result is affirming the findings of Seraj (2022) and Christian (2023) that financial literacy provides the necessary foundation for entrepreneurs to develop and exercise key competencies, while entrepreneurial competency, in turn, involves applying financial knowledge in real-world business scenarios. This symbiotic relationship is fundamental to the success and sustainability of an enterprise.

Also, entrepreneurial competencies and financial literacy have a medium indirect effect on business longevity, passing through innovation by a path coefficient of .26 and .62, respectively. This could mean that a one-unit increase in entrepreneurial competencies and financial literacy could result in increases in business longevity of .26 and .62, respectively, through the use of innovation. These findings suggest that the synergy between entrepreneurial competencies, financial literacy, and innovation is a powerful driver for business longevity. Entrepreneurs who possess a blend of these skills and capabilities can navigate challenges, make informed decisions, and strategically innovate, laying the foundation for sustained success in the dynamic business landscape. This result also supports the study by Liu et al. (2021) on the positive association between financial literacy and innovation.

The variables with direct effect on business longevity are entrepreneurial competency with a medium effect of .41 and innovation with a path coefficient of .38. This means that an increase of 1 unit of entrepreneurial competency and innovation contributes to an increase of business longevity by .41 and .38, respectively. This result suggests that entrepreneurial competencies and innovation are the factors that have a direct contribution to business longevity, with entrepreneurial competencies as the one with the highest contribution. Further, this could mean that entrepreneurial competencies have a multifaceted impact on business longevity. By possessing and applying these competencies, entrepreneurs can navigate challenges, capitalize on opportunities, and build businesses that are not only successful in the short term but also resilient and sustainable in the long run. The result is supported by the Resource-Based View Theory and by the study of Padua et al. (2016), which revealed that entrepreneurial competencies influence business longevity. On the other hand, innovation is equally important, as it is a key driver of business longevity by providing the means to adapt, differentiate, and thrive in a rapidly changing

business landscape. Businesses that prioritize and invest in innovation are better positioned to sustain success over the long term.

The result of the path analysis also shows that the squared multiple correlation is equals to .18 which means that 18 percent of the variance in business longevity can be explained by innovation. Moreover, 58 percent of the variance of innovation to business longevity is attributed by entrepreneurial competencies and financial literacy. Moreover, the central feature of figure 3 shows the interrelationship link of entrepreneurial competencies and financial literacy and the causal link of innovation to business longevity. The r-square value of .18 signifies that 18 percent of the of business longevity is explained by innovation, the remaining 82% is attributed by the factors not present in the model. Hence, the second hypothesis stating that the model does not support the significant contribution of the paths of the predictor variables towards Business Longevity is rejected.

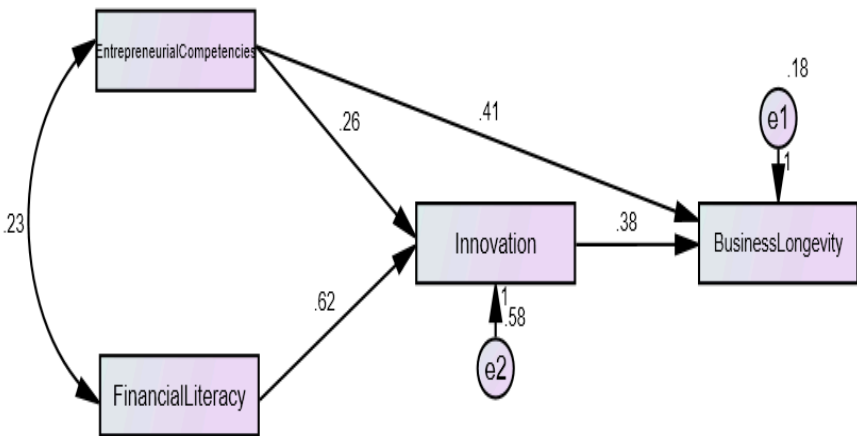


Figure 2. Path Model of Business Longevity

Table 4 also reflects the relationship of the variables after the path analysis, which is also depicted in Figure 2. The result shows that only entrepreneurial competencies and financial literacy have a significant relationship ($p < .05$). The relationship between financial literacy and innovation, and entrepreneurial competencies and innovation, is not seen in the model. This finding did not deviate from the study of Seraj (2022) and Atyanga (2022), who

pointed out that financial literacy significantly positively affects entrepreneurial competency and vice versa. Hence, hypothesis 1 for financial literacy and innovation and entrepreneurial competencies and innovation is accepted, while it is rejected for entrepreneurial competencies and financial literacy.

Finally, the path analysis provides empirical support in disentangling the intricate relationships among entrepreneurial competencies, financial literacy, innovation, and business longevity. It provides a structured approach to assessing the relative importance of these factors and offers actionable insights for entrepreneurs, policymakers, and researchers.

CONCLUSION

Based on the findings of the study, the following conclusions were drawn: Entrepreneurial Competencies of the respondents are very high, which means that they possess exceptionally strong entrepreneurial competencies, indicating that they wield skills capable of impacting society by creating value on cultural, social, or economic fronts. These competencies are exemplified by the relevant attitudes, abilities, and knowledge essential for executing entrepreneurial activities. Also, the status of financial literacy of owner/manager/supervisor of MSMEs is also high, which means that they are highly financially literate, as evidenced by their behavior, knowledge, skill, and attitude. In addition, innovation in MSMEs is high, indicating that the business has been applying innovation across its Product, Process, Organization, and Marketing. The status of Business Longevity of MSMEs in Davao Region is also High, which indicates that MSMEs have been implementing actions that have contributed to their strategic perspective, customer orientation, financial strength, learning and growth, and internal capabilities.

Entrepreneurial competencies and financial literacy, financial literacy and innovation, and entrepreneurial competencies and innovation have a significant relationship and are highly correlated with each other. Financial literacy and entrepreneurial competencies have an indirect effect on business longevity via innovation. The variables with a direct effect on business longevity are only entrepreneurial competencies and innovation; among the two, entrepreneurial competencies were found to be the factor that has the most effect on business longevity.

The preferred model for business longevity supports the study's proposed framework regarding the contribution of the independent variables to

business longevity; however, it only supports the interrelationship between entrepreneurial competencies and financial literacy. Moreover, the findings of the study are congruent with the Resource-Based View Theory, indicating that entrepreneurial competencies, financial literacy, and innovation as part of the resources of the business have a significant contribution to the longevity of MSMEs.

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