Financial Performance of Rental Gowns and Suit Business in Batangas

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***Abstract** – Financial performance serves as the compass of the business. An enterprise's financial performance is a good indicator of where it is headed. It outlines the company's position, strategy, and long-term viability. This disclosure displays the perspective of the business as well as its financial security, two of the main considerations for investors when considering an investment and for company owners. Incorporating frequent financial performance monitoring into effective company practices is a critical component of running a successful business. This study aimed to assess the financial performance of the Taal, Batangas-based Rental Gowns and Suit Business. Also, this study used a descriptive method which pertained to 52 rental gowns and suits owners in Taal, Batangas who qualified to be respondents of the study. The questionnaire is modified and adapted from Financial Performance of Wardrobe and Garment Industries in Batangas City which also discussed the firmographic profile, liquidity, solvency, and profitability of embroidery business in Batangas City. All data gathered were tallied, encoded, and interpreted using descriptive statistics, specifically IBM SPSS Statistics version 23. The rental gown and suit firms in Taal, Batangas generally agreed on the performance indicators in terms of liquidity, solvency, and profitability relevant to the level of financial performance. Businesses with financial debt respond significantly different in terms of liquidity. On the other hand, there was no significant difference in responses in the solvency and profitability when grouped according to profile variables. Thus, to aid in the improvement of the financial performance of rental gowns and suits in Taal, Batangas, a plan of action was also prepared.*

***Keywords** – Financial performance, gown and suits, liquidity, solvency, profitability.*

INTRODUCTION

Financial performance serves as the compass of the business. It presents the company's status, direction, and sustainability. It also indicates the outlook of the company as well and its financial security which are some of the primary gauges of potential investors in investing and for the owners themselves. Monitoring financial performance regularly is one of the most important tasks successful business owners undertake. It has a significant advantage for management who knows where the firm stands in terms of performance and where it is heading. With financial performance, it increases the assurance and confidence with which short and long-term decisions are made. The company will be healthier and will grow more quickly. As to rental services, financial performance is applied through financial ratios such as liquidity, solvency, and profitability. Through these ratios, firms can assess their financial health and can discover areas for improvement. Ratios are being used to compare various aspects of business performance and provide basic information when the firm has too much debt, too much inventory or if receivables are not being collected quickly.

In the Philippines, the trend has spread so far beyond fashion having its own list of clothing rental services Cruz, 2020 [1]. The clothing rental market was already blooming before the pandemic, with studies predicting that it would cross $2.5 billion by 2023. Rentals provide a ray of hope for clothing retailers faced with large quantities of unsold merchandise, which must be reasonably priced on occasion D' Innocenzio, 2020 [2]. In the province of Batangas, Taal is best known for its oldest and quaint place also for its fine, classic, and gauzy garments for men and women. Embroidery and weaving being common home industries in this region. Local embroidery businesses in Taal have grown in popularity and continue to dominate the embroidery world. Natural disasters such as volcanic eruptions and global pandemics began to strike Taal, Batangas in 2020. As a result, several industries have been impacted, including the rental sector, which has seen a decline in demand. The performance of rental gown and suit services was activated and dealing with such situations requires attention. Many events such as weddings and feasts or festivals were canceled, leaving businesses with unsold gowns and suits. It was tough for them to earn a profit as apparel sales decreased, which had a huge influence on their ability to fund their expenses. Businesses in the rental market are battling to recover nearly a year after the coronavirus outbreak caused them to scale back operations. Hence, Covid 19 greatly affects the financial performance of their business.

These current situations led the researchers to conduct this study. Researcher as financial management and accounting students, having the knowledge on business process and performance aimed to situate in the real scenario. One of the reasons why the researchers performed the study was to understand the firms' way of management and how they manage to survive and generate profit regardless of various circumstances that have arisen, whether naturally or seasonally. One of the researchers' relatives runs a business in Taal Batangas, particularly rental gown and suits which is their sole source of income. Due to the recent situation, the business owner was forced to transfer his son to public school because they cannot afford the tuition fee in private school. With this, the researcher wanted to know how they handle their finances. As a result, researchers want to be informed of their financial status despite the difficulties businesses confront. Also, it can be used as a testing ground for researchers before they go on to their professional careers because one of the key goals of a future financial manager is to assist business owners in making the best judgments possible. Furthermore, it can provide helpful information to potential researchers, gown and suit businessmen, and other companies in a similar field in overcoming the variety of situations and challenges that this type of industry brings.

OBJECTIVES OF THE STUDY

This study aimed to assess the financial performance of the Taal, Batangas-based Rental Gowns and Suit Business.

Specifically, to describe respondents' business profiles in terms of type of ownership, years of business operation, initial capital, average monthly income, asset size, number of workers, types of services offered, and financial debts; to assess their financial performance in terms of liquidity, solvency, and profitability; to test significant differences in responses when grouped according to a firmographic profile and financial debt; and, to propose a plan of action to improve financial performance.

MATERIALS AND METHODS

Research Design

This study used quantitative research; thus, a descriptive method was used to assess the current status of Rental Gowns and Suits business in Taal, Batangas. The researchers used a descriptive method in the study for the reason that it is aimed to collect data by identifying the problem and characterizing the population and its aspects. Descriptive research seeks to characterize a population, situation, or phenomenon in an accurate and systematic way. That, how, when and where questions can be answered by this research design, however why questions cannot. In addition, it may also examine one or more variables using a variety of research methods (McCombes, 2019).

Participants of the Study

The participants of the study were 45 out of 52 business owners in Taal, Batangas, who qualified for this study. The number was derived from the 2020 List of Registered Business Establishments in Taal, prepared by the Municipal Business Permits and Licensing Officer of Taal, Batangas. They were the most credible for this research to supply the needed information in assessing the business's financial performance.

Instrument

The data-gathering instrument used for this study was a survey method that contains a questionnaire. The questionnaire was modified and adopted from the study of Gamboa et al., (2019) which also discussed the filmographic profile, liquidity, solvency, and profitability of wardrobe and garment industries.

There were two main parts of the questionnaire. The first part deals with the filmographic profile, such as the type of ownership, years of existence, initial capital, average monthly income, asset size, number of workers, types of services offered, and financial debt. The second part explores the assessment of managers on the liquidity, solvency, and profitability of their business. It was structured using the Likert Design with a four-point response scale. A rating of 4 corresponds to Excellent, 3 for Very Good, 2 for Good, and 1 for Fair.

Procedure

To achieve the required data for this research, the office of the Municipal Mayor of Taal, Batangas, granted permission to distribute questionnaires to rental gown and suit businesses in town. A request was also asked from the Municipal Business Permits and Licensing Officer of Taal, Batangas, to receive a copy of the 2020 list of registered business establishments. After collecting the information, the researchers filtered the list and chose the respondents who qualified for this study. The researcher went to the respective shops and locations of gowns and suits firms to present the survey form to the owner or operator upon getting the signal. Respondents were given a brief description of the purpose of the research and instructions on answering the questions during the distribution of questionnaires.

Reliability test was done before the actual survey. The result showed that the questionnaire for liquidity and solvency is good with Cronbach's Alpha of 0.844 and 0.868 respectively. This results in eliminating question number 5 for it to be acceptable with a new Cronbach's Alpha of 0.737.

The respondents gathered data through surveys. After this, the results from the questionnaire were tested for normality. As to liquidity and solvency, the results are normal since the Shapiro-wilk test result of significance is greater than 0.05. On the other hand, profitability tested abnormal since the result of significance is less than 0.05. For profitability to be normal, item number 3 should be removed.

Data Analysis

The data gathered by the researchers were tallied, encoded, and interpreted using descriptive statistics. The frequency distribution, weighted mean, and eta squared were all used in accordance with the study's objectives. The statistical tool used to be able to determine the objectives is IBM SPSS Statistics version 23 at a significance level of 0.05.

Ethical Considerations

The respondents in this study were fully informed regarding the study's nature, scope, and objectives. Researchers reassured that all the answers should be confidential and used only for this study. This research did not harm the participants both physically and psychologically.

RESULTS AND DISCUSSION

Table 1 depicts the distribution of the respondent's profile. For type of ownership, sole proprietorship dominates the ownership with 93.30%.

Table 1. Respondent's Profile

Type of ownership	**f**	**(%)**
Sole Proprietorship	42	93.30
Partnership	3	6.70
Total	**45**	**100**
Years of business operation		
less than 5 years	5	11.10
5 – 7 years	4	8.90
8 – 10 years	7	15.60
11 – 13 years	13	28.90
more than 13 years	16	35.60
Total	**45**	**100**
Initial Capital		
less than 50 000	16	35.60
50 000 – 100 000	14	31.10
100 001 – 150 000	3	6.70
150 001 – 200 000	4	8.90
200 001 and above	8	17.80
Total	**45**	**100**
Average monthly income		
less than 100 000	41	91.10
100 000 – 200 000	4	8.90
Total	**45**	**100**
Asset Size (Php)		
less than 100 000	15	33.30
100 000 – 200 000	12	26.70
200 001 – 300 000	7	15.60
300 001 – 400 000	5	11.10
400 001 – 500 000	1	2.20
500 001 and above	5	11.10
Total	**45**	**100**
Number of workers		
0 – 1	30	66.70
2 – 4	14	31.10
8 and above	1	2.20
Total	**45**	**100**
Types of services offered		
Customized garments	21	46.70
Suits and gowns	45	100.00
Coats and jackets / Sweatshirts	15	33.30
Costumes	18	40.00
Embroidery	23	51.10
Repairs	24	53.30
Total	**45**	**100**
Financial Status		
with existing debts	34	75.60
without existing debts	11	24.40
Total	**45**	**100**

It proves that sole proprietorship is the simplest type of business to establish. Furthermore, the proprietor has total control over all aspects of the firm. Thus, it can be said that the ease of management and direction, for a sole proprietorship, is the main reason why the majority of the respondents have this type of ownership.

Dtallent (2019) [44] confirmed that single owners have entire authority over the business and do not have to request the consent of anybody else. In addition, it is the easiest means of forming a business, needing minimal paperwork and legal files when both launching a firm, and on a continuing basis (Davidson,2021) [45]. This favors most of the clothing business owners as it will be controllable for them to choose for their operations. Moreover, being the single owner of the firm and having 100 percent ownership, the owner gets an exclusive claim over the business earnings. (Ballada, 2021) [43].

On the other hand, 6.70% of the respondents are operating as a partnership. Partnership is much more complicated to form than a sole proprietorship because it requires a lot more requirements. Generally, owners do not want to have potential disagreements with other partners in managing the business. Partnership tends to have unlimited liability and business owners are trying to avoid too many liabilities. Since most of the respondents are small-family businesses, they prefer to establish and operate their rental gown and suit business as a single proprietorship rather than a partnership.

Dtallent (2021) [45] also opined that a partnership is more complicated to form than a sole proprietorship because it has a lot of requirements such as registering the business, establishing a business name, obtaining licenses and permits, creating partnership agreements, etc. The possibility of being held accountable for something done by someone else is one of the most damaging aspects of a partnership. Furthermore, there is a higher level of flexibility in partnerships than when managing a firm.

As to years of business operation, more than 13 years ranked the highest with a percentage of 35.60%. It indicates that suit and gown businesses could possibly last for several years as this kind of clothing is part of the culture and tradition of the Filipinos. This is especially true since most rental businesses which are subjects of this study have been handed to from generation to generation, hence, the justification for embroidery culture in Taal.

The study of Anuran, et al., (2016) [84] revealed that some businesses are inherited from parents or grandparents. Most of the enterprises extant are still monitored and maintained by the first- and second-degree lineal successors, sons and daughters, grandchildren of the founding owners and investors. Suit and Gown businesses and related services last for a lifetime, consequently, this type of business is expected to function for longer periods of time.

On the other hand, 8.90%, or four of the respondents, have been operating their business for 5 to 7 years. This can be interpreted as a relatively short period of business operation and may be attributed to the fact that proprietors may be apprehensive in starting their own business when several and strong competitors are selling the same products and providing the same services.

Dr. Pem (2021) [46] agreed that starting a business is simple. But having competitors that sell the same products and services is threatening. Competitive businesses have put firms in a predicament where they must either expand or die to the point that the situation is even more intense and dire. Fierce competition in businesses produced market difficulties especially to the new entrants.

The table above indicates that less than 50,000 is the initial capital of 35.60% of the respondents. It can be seen from that number of percentages that establishing a suit and gown business will not be that costly, unlike other small firms. This implies that the tools, machines, and equipment required in such a firm are not too expensive. Some owners even run their businesses out of their home space to save money on rent.

Johnston (2019) [51] stated that owners might launch a home-based business for their rental location to save money and expenses. They can also use their sewing skills to start their own small business. Accordingly, a simple sewing machine with basic functions would do for individuals who are preparing to establish such a business.

In contrast, 6.70% of the respondents' initial capital in starting their business ranged from 100,000 to 150,000. This demonstrates that some owners spent a large amount of money in the start-up of their business. Moreover, some businesses require higher investment because they have many more inventories and high-end products.

Kopp (2021) [52] article agreed that any or all the businesses' primary initial expenditures, such as inventory and high- end products, there is a need to have a large amount of money for the start-up capital of the business. For some businesses, higher investment is a great advantage for them because it will raise lots of money in the near future.

Suit and gown businesses are severely affected by the said virus since less than 100,000 is the average monthly income of 91.10% of the respondents. Since most of the respondents' locations are close to each other, the competition arises leading to difficulty in earning profit. Also, the suits and gowns businesses' average monthly income decreased because there are few weddings and other events that are required to wear suits and gowns because of the intensified safety protocols by the IATF.

Grimsley (2021) [47] discussion proved that competition occurs when there are multiple businesses selling goods and services in the marketplace. When businesses try to outwit their competitors, it will lead to cost-cutting and price reductions. Additionally, small firms are expected to be badly affected, since they are likely to be more focused in industries that have been severely impacted by the COVID-19 reaction measures (e.g., retail and services) and are often more credit limited than bigger enterprises (Harel, 2021) [48].

On the other hand, 8.90% of the respondents have an average monthly income ranging from 100,000 to 200,000. It indicates that amid this pandemic, there are few rental businesses that have made a significant profit. They are probably the most well-known store in the city that has gained a lot of buyers over the years.

Ludwig (2020) [58] observed that despite this pandemic we're all facing right now, there are some businesses that have an increased demand for their products and services. He added that after the pandemic, some businesses will remain popular with customers. Also, they are making a remarkable profit amidst the threat of COVID-19 in businesses.

Table 1 shows that 33.30% of the respondent's asset size is less than 100,000. This implies that most rental businesses have fewer inventories with less costly products. Also, some owners consider using simple sewing machines to produce gowns and suits which do not require lots of manpower skills

Asset size is the entire fair value of the investments in a firm. This can also be alluded to as wealth management. It only proved that funds frequently disclose net revenues, which can be modified by supply, demand, and stock returns (Chen, 2021) [65]. There is no need for spacious equipment or machinery. With the right number of employees and the right equipment, the production will be efficient and more effective. In fact, according to Thune, 2021, a higher asset size somehow doesn't necessarily correlate with better company operations.

On the other hand, 400,001–500,000 ranked the lowest, with a percentage of 2.20% when it comes to asset size. It clearly shows that there are only a few suit and gown businesses that prefer to keep large stocks of inventories for future purposes. Also, it is possible that their suits and gowns are costly. That's why their stocks are increasing as time goes by.

With a large asset size, a firm can decrease the risk of shortages and be able to meet the needs of the customer as well as its competitors. Furthermore, it was agreed that by holding a large stock of inventories, it will benefit your business because it will be responsive to customer orders (Leonard, 2019) [66].

As to the number of workers, 66.70% responded by having zero to one worker only. In these trying times, most of the respondents chose to manage their business on their own. This kind of business does not need lots of workers to operate; rather, the owner with one worker can manage the firm by themselves. Additionally, the decreasing demand for their products and services resulted in not hiring workers.

Fox's (2021) [71] study revealed that the decreasing demand for the products and services of the businesses in these trying times forced the owners to manage their firms by themselves. Though it is difficult for them because they lack workers, it is the only thing they can do to recover from this pandemic.

In contrast, only one or 2.20 percent among the respondents responded for having eight workers and above. This indicates that there is one rental business that hires lots of workers because their operations are big and cannot be handled by few workers. Sometimes they hire some of their family members or relatives. Thibodeax (2019) [68] opined that company manpower is a critical issue in some tiny businesses, such as sole proprietorship. It is understood by looking at its benefits in depth. Hence, manpower is proportional to productivity. The more employees willing to work, workers can do the quicker jobs and the more projects a business can take on. A need to hire more skilled workers to accept more projects can result in more income for the company.

Since the study focuses on suit and gown businesses, they ranked the highest in the services offered because they had 100% of the respondents. This means that offering rental gown and suit services is the main line of the respondent's business. They focused more on producing gowns and suits for this business to yield a more competitive income, especially during the in-demand season.

Suits and gowns are very popular every summer in the Philippines because they are a part of the culture and tradition of the Filipinos. Celebrating Flores de Mayo or Sagala requires suits and gowns for the chosen representative of each patron saint. The customary celebration ritual comprises youngsters and young ladies bringing bouquets and baskets of flowers. As novena prayers are said, psalms to the Virgin Mary are sung during the offering. The mentioned festival includes gowns for muses and suits for the escorts to better represent their patron saints (Tiatco, 2016) [85]. Furthermore, suits and gowns are also patronized when there is a wedding, debut, birthday, and other formal occasions that require formal attire. According to Annennberg (2020) [86], some differentiate between their "daily" wear and the attire that they put on for special or formal events, such as church ceremonies, weddings, dance parties, or award ceremonies. They could "dress up" to display the dignity and respect needed for a specific activity or because these are communal matters, and they want to seem at their best when observed by others. Whatever the case, by wearing clothes that are more attractive, more costly, or more remarkable, they break from their normal routine, enabling their personal involvement in out-of-the-ordinary activities.

Conversely, in terms of services offered, coats and jackets/sweatshirts ranked the lowest and got 33.30% of the respondents. It suggests that some of the respondents offer this type of service because it also adds to their income even if it's not the main product that they're offering. Maybe their machines and equipment are not that compatible with products like this, so they just really focus on gowns.

MasterClass staff (2021) [87] article agreed that sewing machines are hard to control, especially for those thick types of clothes such as sweatshirts, coats, etc. Furthermore, the perfection of sewing machines requires a lot of experience. He also stated that some machines are costly and can sometimes ruin clothes that are not compatible.

As to financial debt, 75.60% responded that they had an existing debt. Because of the pandemic, it is difficult to generate a profit, so to support the business, most owners are acquiring loans for its continuous operation. Many unexpected needs and expenses arise, so they obtain short-term loans to support and repay them.

White (2021) [78] claimed that the advantage of debt financing is that it enables a firm to turn a small amount of money into a much larger quantity, allowing more massive development than may otherwise be feasible. Furthermore, Ramon, 2018, indicated that short term borrowings are convenient and flexible. It is suitable for those who need quick access to cash for unexpected expenses and the like.

On the other hand, 24.40% responded that their business has no existing debt. It shows that the business is carrying a manageable amount of debt because there are no substantial debts, and other payables are paid through enough income which are generated in the business operation.

Consumer First Financial (2020) [77] confirmed that being debt free to start with implies having low to no bad debts and average good debts. Being debt free doesn't mean that the business has no mortgage, bills, or vehicle payments. It suggests that it can carry a sustainable level of debt and be conscious of its business spending and DTI. The business may still be debt free with debt if the debt is working for the business and not against the business.

Table 2. Level of Financial Performance of Rental Gowns and Suits in terms of Liquidity

	WM	VI	Rank
1. The business has the capacity to pay off its currently maturing debt.	3.33	VG	2
2. Business' current assets are sufficient to meet its current liabilities.	3.38	VG	1
3. The business has control over accounts receivable to avoid bad debts.	3.24	VG	4
4. The business does not depend on short term loans to support daily operations.	3.27	VG	3
5. Amounts charged to customers are often received within the agreed terms of payment.	3.24	VG	4
6. Short term loans made are often paid quickly to avoid accumulated obligations in the future.	2.98	VG	6
7. The business leans towards maintaining a relatively high percentage of cash reserves.	2.84	VG	7
8. Management does not resort to laying off employees or workers during an economic crisis.	2.64	VG	8
Composite Mean	**3.12**	**Very Good**	

Legend: 3.50 – 4.00 = Excellent (E); 2.50 – 3.49 = Very Good (VG); 1.50 – 2.49 = Good (G); 1.00 – 1.49 = Fair (F)

Table 2 presents the level of financial performance of rental gowns and suits in terms of liquidity. The composite mean of 3.12 indicates that the performance of the respondents was very good. It demonstrates that their business is efficient in meeting its liabilities using its cash and current assets. Since the rental gowns and suit business is well known in Taal even when there is an economic crisis, the businesses can easily convert their assets into cash. This means that the business is liquid that enables them to continue and earn profit despite the pandemic. It was confirmed by Lewis (2021) [8], that liquidity is seen as one of the most essential criteria when managers analyze the overall financial condition and evaluate investments. A healthy liquidity ratio indicates that a small business is strong, stable, and most importantly, has enough cash to meet its existing obligations.

Among the items cited, business' current assets are sufficient to meet its current liabilities and have the highest weighted mean score of 3.38 verbally interpreted as very good. This illustrates that Taal being known for their gowns and suits helps them to survive and exceed the liabilities than assets despite the economic crisis and different catastrophes. It is important that the business meets its current obligation because it will create a good image that will help maintain and make the business viable to customers. Since the company's short-term assets outnumber its short-term debts, a higher current ratio indicates that it has more ability to meet its obligations. It is critical to have some assets that can be rapidly sold, if necessary, as this helps to support the company's daily operating costs.

Blokhin (2021) [10] stated that a company that has more current assets than current liabilities, has positive working capital. Thus, ensures that a business can fully meet its short-term liabilities as they mature over the next twelve months. This is a good indicator of a company's financial health. In addition, working capital policy emphasizes the liquidity of current assets to meet current liabilities. Liquidity is more important because if a firm's liquidity level is excessively high, it has a lot of idle capital and must absorb the cost of these idle capitals. In contrast, if liquidity is very low, it will be unable to meet its existing financial obligations due to a lack of resources (Wang, 2021) [11].

It was followed by business having the capacity to pay off its currently maturing debt with a weighted mean score of 3.33 which is also rated very good. It is critical for a company to pay its present maturing debt since failure to do so may result in larger debts and interest charges accruing on the account. Furthermore, it will have an impact on the company's reputation as well as its credit score.

Paying debt on time will retain a good reputation in the business and has a cheap cost. When the business pays late, it will push the cash problem a few months down the road at tremendous risk to its credibility, which is critical in these challenging economic times. The company will eventually have to pay its debts to stay afloat, so deferring them for a few months would do nothing but jeopardize the firm's good name. Paying off debt first will affect the credit score, which can help the business qualify for a debt consolidation loan if the firm has a lot of debt. While having a large savings account with a bank does not affect the credit score in the same way that credit card and loan amounts do, savings is considered when the firm applies for a loan. Paying down debts, on the other hand, will increase the company's creditworthiness, allowing it to qualify for cheaper loan and mortgage rates (Evans, 2021).

It is then followed by businesses that do not depend on short term loans to support daily operations (3.27) which also rated very good. Short term debt is used to keep a business running during times when the revenue is insufficient to meet operational needs. However, short-term loans used to support daily operations implies that the company is in bad condition. Small businesses might benefit from loans, particularly short-term debt, to assist them get out of a cash-flow bind. Short-term debt is a viable option for firms that generate daily revenue, have assets that can generate revenue fast, or need financing for a revenue-generating opportunity such as a large awaiting purchase, a holiday sales drive, or necessary equipment or inventory for a startup. Ganti (2020) said that when determining a company's performance, the value of the short-term loan account is critical. Simply put, the higher the debt-to-equity ratio, the more concerned investors are about the company's liquidity. If the account exceeds the company's cash and cash equivalents, it indicates that the company is in bad financial condition and will be unable to meet its upcoming obligations.

However, the business leans toward maintaining a relatively high percentage of cash reserves, ranked seventh, which is rated very good with a weighted mean of 2.84. It implies that the business might not have enough cash or cash reserves due to unexpected and high overhead expenses. Moreover, late payments from customers also result in poor cash flow for a business. Emergency savings are insufficient to cover all business expenses due to the length of time the business is closed due to the eruption and pandemic.

Shelton (2018) acknowledged that cash is the foundation of every business. It's required to pay employees, fund marketing efforts to attract and keep new clients, invest in equipment and facilities, pay rent, and a variety of other day-to-day activities. Khan (2018) [12] asserted that the reason for the failure of a business is that the owners were not knowledgeable about cash flow. He added that having no or bad cash reserves also means that the business has poor cash flow, which might result in a business failing.

Among all the criteria above, management does not resort to laying off employees or workers during an economic crisis, which was ranked last with a weighted mean of 2.64 but still rated very good. The reason for this is due to the economic disasters that occurred in the year 2020, including volcanic eruption and the Covid 19 pandemic, many of the owners lay off their employees because of insufficient profit to pay all its expenses.

Stoll (2020) [69] in his study revealed that choices during darkest days of the business have long-lasting consequences. During a crisis it is better to furlough or lay off the employees to raise new financing and rewrite terms with suppliers to pivot to a revenue-sharing consignment model from the old model which requires big capital yet guaranteed payback. Zeidner (2020) [70} indicates that many employers have little choice but to reduce payroll or lay off employees, providing a first line of defense against financial devastation in response to income lost during the pandemic. The decisions that the employers make will affect the ability of their businesses to recover as the economy rebounds.

Table 3. Level of Financial Performance of Rental Gowns and Suits in terms of Solvency

	WM	VI	ank
1. Long term liabilities serve to supplement only the management's operation.	2.53	VG	8
2. Management has minimal options for seeking financial assistance to pay its entire obligation.	2.93	VG	3
3. Default in payment is an unusual event in the business operation.	3.00	VG	1
4. Business' profit surpasses payments allotted for debts' interest.	2.93	VG	3
5. Management has the option to hire more skilled employees or buy more advanced sewing equipment.	2.62	VG	7
6. The amount of liabilities never exceeded the total assets of the business.	2.82	VG	5
7. The management has a concrete plan for expansion in the near future.	2.67	VG	6
8. The time provided by the management to fulfill its obligation is reasonable based on its yearly operation.	2.93	VG	3
Composite Mean	**2.81**	**Very Good**	

Legend: 3.50 – 4.00 = Excellent (E); 2.50 – 3.49 = Very Good (VG); 1.50 – 2.49 = Good (G); 1.00 – 1.49 = Fair (F)

Table 3 presents the financial performance of Rental Gowns and Suits Businesses in Taal, Batangas in terms of Solvency. The composite mean of 2.81 indicates that the respondents' performance was very good to the above-mentioned indicators. Based on the result, it suggests that the businesses are solvent. For continuous operation of the business, it is important to meet its long-term obligations. Being solvent allows the business to have a better financial performance.

Murray (2019) claimed that having sufficient assets to cover its liability is one of the primary objectives of an entity. Solvency ratios are important for both business owners and lenders as it determines if the business could pay off its debt. Solvency enables businesses to continue operating and obtain long term financial stability.

The indicator with the highest mean score was default in payment is an unusual event in the business operation with the weighted mean of 3.0. This shows that the performance of the businesses was very good and that they prioritize managing their liabilities well by having few to none instances where they encounter default in payments. This shows that they have enough pool of resources together with proper allocation of funds set not only to cover the liabilities of the business but to continue further the operation of the business in the foreseeable future. Default in payment may result in unnecessary risks and consequences that will affect the entity's financial performance. Additionally, payment default will also cause debt financing harder to be approved for the business if they needed it.

As stated by Pfister (2020), many business leaders are facing tough decisions as they determine which expenses to pay with just enough financial resources. Prioritizing payment of bills and expenses is important to a business's survival as it will cause negative consequences to the business's financial health. Defaults can cause negative remarks on a borrower's credit report and lowering of the entity's credit score, which is the numerical measure of the borrower's creditworthiness. It can also reduce the chances of getting credit in the future, higher interest rates on existing debt, and will create garnishment of wages and other penalties (Luthi, 2020).

Following the highest weighted mean is the score of 2.93, with the scenarios management has minimal option for seeking financial assistance to pay its entire obligation; business' profit surpasses payments allotted for debts' interest; and the time provided by the management to fulfill its obligation is reasonable based on its yearly operation ranked second and verbally interpreted as very good.

This shows that the entity does not rely on debt financing as sources to generate cash inflows as payments to debt. The businesses generate cash inflows more from its operating and investing activities such as generating profit or revenue and/or sale of long-term assets rather than financing activities. This enables them to control the amount of their liabilities at a tolerable amount that diminishes the risk of bankruptcy. The businesses understand that financial assistance would incur more risk for the business as it increases the business' obligation. Seeking financial assistance would only add up unnecessary expenses such as additional interests.

The results of the research of Ahmad and Amran (2019) [23] shows that soaring financing growth connotes Islamic banks that can provide quality financing without being exposed to great credit risk, liquidity risk and capital risk.

Furthermore, business' profit surpasses payments allotted for debt's interest ranked third along with the other two variables with weighted mean of 2.93. This part includes the assurance and coverage of payments to a specific liability which is the interest. This continues to show that the proper allocation and appropriation of funds is important in managing the financial performance of a business in terms of solvency. It further indicates that earning more than what you are obligated to pay for is already a sign of a sound financial performance.

Blakely-Gray (2018) [25] stated that the primary objective of a fund allocation is to make sure that the business operations can be carried out without any hindrances. With a sound money management plan, an entity can avoid periods of negative cash flow and they can ensure that the business is on track to turn a profit. Failing to do so may lead to problems like making late payments and running out of funds.

The performance of the respondents in terms of the time provided by the management to fulfill its obligation is reasonable based on its yearly operation ranked last verbally interpreted as very good. This part on the other hand reflects the financial management of the business. The key factor here is the judgment of the owners to identify and assess the liabilities that will help the business grow most especially that they are taking into consideration the time constraint of the borrowed cash.

In business, executives need to make a lot of decisions. All decisions are essential, no matter what its perceived importance may be, be made with the best intentions and the company's best interest at heart. Making business decisions can make or break a business. All business decisions should be carefully considered and should have input from a strong management group. The business owners always have the final say, but other ideas may be contributed so that all issues can be covered (Francis, 2019) [7]. Strelcová (2017) [76] in her study revealed that an economic entity's ability or inability to pay liabilities is also affected by the payment behavior of its trade partners or employers. This supports the claim of the researchers as the latter emphasized that the businesses' inability to pay liabilities yields on the refusal of its trade partners or employers to pay their obligations on time or at all.

With a weighted mean 2.62, the item "Management has the option to hire more skilled employees or buy more advanced sewing equipment" ranked second to the last with the verbal interpretation "very good". This suggests that not all businesses could hire skilled employees and acquire new equipment because of the restrictions made by the pandemic. Entities usually focus on allocating their funds to other activities that will increase the cash inflow and the business' financial performance during this pandemic.

Segal (2021) [55] asserted that the pandemic has made it more challenging for many businesses to find and keep the people they need to run a business. Restrictions like vaccination policies greatly affect the employability. Farrel et al (2020) [57] mentioned that firms that continued operating nevertheless modified their business models in response to restrictions to capacity as well as changes in demand for their goods and services. Businesses adjusted their operations not only in light of these restrictions but also as consumers cut their spending and shifted some of it online.

Last among all of the indicators listed, long term liabilities serve to supplement only the management's operation ranked last having a weighted mean of 2.53 which is verbally interpreted as very good in terms of performance in solvency. Liabilities have been correlated with negative perception as it is viewed as an additional burden, however, it is also important to have them as a source for the operation of their business. Utilizing long-term debt as a source of financing the operation has its advantages like giving the company working capital needed to keep running smoothly and profitably year-round.

Tuovila (2020) [75] indicated that businesses use debts to fund their regular capital expenditures as well as new and expansion capital projects. Most businesses need external sources of capital to continue business operation and for the business growth. Longer-term debt usually requires a slightly higher interest rate than shorter-term debt. However, a company has a longer amount of time to repay the principal with interest which will greatly benefit starting businesses.

Table 4. Level of Financial Performance of Rental Gowns and Suits in terms of Profitability

	WM	VI	Rank
1. Profit did not come by piling/accumulating on debt or taking highly risky speculations with the operation's income.	2.98	VG	5.5
2. Benefit received from an investment is positively evident on its continuous operation.	3.07	VG	1
3. The profit generated by the business is sufficient to open a new branch or expand service offerings.	2.51	VG	8
4. The management utilizes its assets efficiently resulting in good total asset turnover.	3.00	VG	4
5. The monthly income often exceeds expenses.	2.96	VG	7
6. The management efficiently converts the money used to purchase assets into profit giving a progressive return on assets.	3.04	VG	2.5
7. Business operations result in a good operating margin due to exercising control in costs.	2.98	VG	5.5
8. The business' net profit margin shows that the operation has managed to effectively convert revenues into actual profit.	3.04	VG	2.5
Composite Mean	**2.95**	**Very Good**	

Legend: 3.50 – 4.00 = Excellent (E); 2.50 – 3.49 = Very Good (VG); 1.50 – 2.49 = Good (G); 1.00 – 1.49 = Fair (F)

The table above shows the level of financial performance of rental gowns and suits in Taal, Batangas in terms of profitability. Based on the illustration above, it indicates that the performance of the respondents was very good on the criterion that they mentioned with the composite mean of 2.95. It means that the business is still earning despite the catastrophe that happened and are still happening like the eruption of Taal Volcano and now the Covid-19 pandemic. Besides, Taal Batangas is known for their products because of the quality of clothing, that's why loyal customers still patronize their products, the gowns, and suits.

The main goal of every business is to earn profits. This implies that every business is engaging in different strategies to make their business profitable. Moreover, it points out that the existence of a healthy business is because of its profits. This shows that profitability is a very important factor for the success of a business (Maverick, 2021) [26].

Among all the indicators stated above, the benefit received from an investment is positively evident on its continuous operation ranked first with the weighted mean of 3.07. This indicates that most of the owners of rental gowns and suit businesses believe that their business continuously operates because of the return on investment. Thus, it helps the business to cover all its expenses as well as its obligations and can be used as a capital to produce more products

Kokemuller (2019) [33] claimed that ROI helps the owners of the business to make a precise decision. Moreover, it assists the business to grow in which it checks the profitability of the business and compares the firm's performance to its competitors. In general, ROI helps the business to see its consistent growth over time. Also, it evaluates how the business performed when it comes to its financing (Fernando, 2021) [34].

Table 4 shows that the management efficiently converts the money used to purchase assets into profit, giving a progressive return on assets ranked second with a weighted mean of 3.04, rated as very good. It indicates that return on assets helps businesses identify how they generate profits at the level of assets involved.
Suardana et al., (2018) [35] stated that if the business has a higher return on assets, it indicates that the business has a better performance in utilizing its owned assets to earn a profit. In addition, proper and better use of a company's assets in making a profit means that the company's profitability is also increasing. In general, it indicates that if the business has a better way of managing its assets, it will surely become profitable and become successful (Mudzakar & Wardanny, 2021) [36].

The business net profit margin shows that the operation has managed to effectively convert revenues into actual profit ranked third, with a weighted mean of 3.38. This implies that as the business's expenses are reduced, the net profit margin rises. Thus, it signifies that some of the rental businesses are successful.

Mulyadi et al. (2020) [40] stated that the greater the company's ability to pay back all its expenses, the greater the net profit margin it has. Moreover, if the company can pay its liabilities and manages to earn a profit, it means that the business is healthy. Maintaining or raising the net profit of a business is necessary because it influences the value of a business. Also, it shows how businesses handle their finances, especially by using their revenue to pay their expenses. It expresses how the business is performing and if the business is encountering problems (Treece, 2021) [39].

Among all the items cited, the profit generated by the business is sufficient to open a new branch or expand service offerings ranked last with a weighted mean of 2.51. It conveys that some of the businesses do not consider expanding their business as their generated profit is not sufficient to do so.

Quain (2018) [37] mentioned that expanding businesses means that they are trying to reach out to a larger group to promote their new and innovative products and services that align with their industry. Furthermore, it creates better opportunities that might help the business to grow and to generate more profit, while also helping the business to become more stable. Ward (2020) asserted that the growth of a business is important to increase the possibility of a business staying stable for the long run. Targeting a new customer while maintaining the current customer is another factor that might help the business grow. However, owners should pay attention to the business costs because they might affect the business performance in the future. In order to prevent risk, better understanding and wise decision-making are needed.

The monthly income often exceeds expenses ranked second to the last with the weighted mean of 2.96 which is rated as very good. This shows that the business struggles to cover all its expenses using its monthly income.

Houston (2021) [41] indicated that the lifeline of the business is its revenue or cash. Proper way of managing the business profits and consistently checking the finance are the factors that will allow the business to survive and grow. Davidson (2019) [42] affirmed that the income of the business in its first year of operating is mostly used in re-investing in business. Additionally, if the business profit is used for the development of the products or services of the business it means that the business is well successful.

Table 5 shows the comparison of the level of financial performance of rental gowns and suits when grouped according to profile. When grouped according to types of ownership, results of the study showed that liquidity, solvency, and profitability shows no significant difference to the types of ownership. This is confirmed by the computed *U*-values of 60.00, 51.50 and 49.50 with *p* – values of 0.915, 0.620 and 0.559, respectively which are all greater than 0.05 level of significance.

Table 5. Difference of Responses on the Level of Financial Performance of Rental Gowns and Suits When Grouped According to Profile

Type of ownership	**U / λ^2_c**	**p-value**	**I**
Liquidity	60.00	0.915	NS
Solvency	51.50	0.620	NS
Profitability	49.50	0.559	NS
Years of business operation			
Liquidity	6.192	0.103	NS
Solvency	7.135	0.068	NS
Profitability	7.426	0.059	NS
Initial Capital			
Liquidity	4.213	0.378	NS
Solvency	6.592	0.159	NS
Profitability	4.046	0.400	NS
Average monthly income			
Liquidity	55	0.303	NS
Solvency	63	0.475	NS
Profitability	66	0.551	NS
Asset Size (Php)			
Liquidity	7.935	0.160	NS
Solvency	4.211	0.519	NS
Profitability	9.876	0.079	NS
Number of workers			
Liquidity	188.5	0.375	NS
Solvency	187	0.355	NS
Profitability	186	0.340	NS
Financial debts			
Liquidity	71	0.002	S
Solvency	169	0.649	NS
Profitability	151.5	0.354	NS

Legend: Significant at p-value < 0.05

This implies that regardless of the types of ownership, rental gowns and suits in Taal encounter similar conflicts and challenges in establishing their financial performance. Due to Covid-19 pandemic, business operations are being disrupted, making it hard to fund daily expenses, pay debts, and even make a profit. Abdo (2021) confirmed that types of ownership play a vital role in influencing a company's performance. Small businesses experienced impacts of the pandemic like business closures placed owners at a higher risk of losses and the inability of owners to pay ongoing expenses (Fairlie, 2020).

As to years of operation, the results of the study showed that liquidity, solvency, and profitability shows no significant difference. This is confirmed by the computed *U*-values of 6.192, 7.135 and 7.426 with *p* – values of 0.103, 0.068 and 0.059, respectively which are all greater than 0.05 level of significance. The ongoing operation indicates growth of the business. Whether the establishment is being managed or operated by newcomers or old owners' responses show nearly the same growth and would choose to stay in business as they take risks to maintain their company's performance. Also, if an eruption or pandemic hits, there is no set time in business.

In the research conducted by Elif Akben-Selcuk (2016) [89] titled "Does firm age affect profitability? Evidence from Turkey " the findings proved that business age has a negative and convex connection with profitability as evaluated by ROA, ROE, and gross profit margin. This indicates that the profitability of younger businesses declines from the start, but they could get profitable again as they become older. Also, due to "inertia effects," aging can have a negative impact on a company's financial performance, causing it to become inflexible and unable to adapt to the fast-changing business environment in which it operates. Moreover, coronavirus hits small businesses showing temporary and permanent closures, but many owners are still waiting to start again or continue operations as little progress in the economy arises (Ramirez, 2020) [38].

On the other hand, the responses vary insignificantly on liquidity, solvency, and profitability when grouped according to initial capital. This is confirmed by the computed *U*-values of 4.213, 6.592 and 4.046 with *p* – values of 0.378, 0.159, and 0.400, respectively which are all greater than 0.05 level of significance. The responses speak that owners do not consider whatever amount of the initial capital invested, if it can give enough capital to acquire resources needed in the production. Thus, owners can start their rental gowns and suit businesses for any amount they like and generate income.

Capital is being used to aid resources in the production of wealth (Seth, 2021). This proved that capital in such a range would enable entrepreneurs to establish small businesses and can stay in business and grow (Ruri, 2017) [50].

Furthermore, the results of the study showed that liquidity, solvency, and profitability show no significant difference to the average monthly income. This is confirmed by the computed *U*-values of 55, 63 and 66 with *p* – values of 7.935, 4.211 and 9.876, respectively which are all greater than 0.05 level of significance. This shows that business owners are battling to produce enough revenue because of few customers. With this, it may lead to problems such as struggling to cover expenses and pay outstanding obligations.

Income is used to cover day-to-day costs, and other sources of income include selling goods to consumers, providing services, and disposing of resources other than products as cleared by Kagan (2021) [90]. But Rathburn (2021) [54] claimed that the income impact might have positive or negative effects for a small business due to changes in spending habits of consumers, depending on various factors.

In terms of asset size, it was observed that there was no significant difference on liquidity, solvency, profitability when grouped according to asset size since the obtained p-value of 0.002 was greater than the alpha level 0.05. This reveals nearly the same responses as the owners are trying to maximize their inventories, use their properties and equipment to meet its target orders and avoid unnecessary expenses.

Hermuningsih (2020) [64] study proved that it is possible to conclude that business size influences the impact of managerial ownership on financial performance because large organizations tend to have the potential to operate well and have a lot of resources for profit generation. Also, the size of the business site required to be productive does not need to be significant. Production will be more fruitful if there is enough room, the correct equipment, and the right number of staff. Larger asset sizes do not always imply superior business operations (Thune, 2018).

Moreover, when grouped according to the number of workers, results of the study showed that liquidity, solvency, and profitability shows no significant difference to the number of workers. This is confirmed by the computed *U*-values of 188.5, 187 and 186 with *p* – values of 0.375, 0.355 and 0.340, respectively which are all greater than 0.05 level of significance. It speaks those businesses are trying to manage production of gowns and suits with enough workers while considering workers' health. As businesses confront difficulties nowadays, it is tough to gain profit as apparel sales decrease; thus, controlling workers is necessary to lessen additional expenses.

The total number of people working in an organization or available for a particular project or work is manpower. A surplus or excess of manpower exists when the number of people assigned by the company exceeds their allocated field of work. While having an added expense for the company to pay is one of its consequences, certain companies want extra manpower to assist when needed (Juneja, 2019) [67]. Furthermore, Covid-19 brought businesses to handle employees' health on top of their priority (WHO, 2020) [91].

The table displays the comparison of the level of financial performance of rental gowns and suits when grouped according to profile. It was observed that there was a significant difference in liquidity when grouped according to financial debts since the obtained p-value of 0.002 was less than the alpha level of 0.05. This means that the responses differ statistically and based on the test conducted, it was found out that those with existing debts have greater assessment on liquidity. This is because business owners have the capability to meet its present obligations using their generated cash. Due to pandemic and eruption, business owners are entering debt financing to cover their expenses to continue operations.

Chen (2021) [72] agreed that financial debts arise when a company borrows money for capital expenditures and becomes a creditor, obligated to repay the principal and interest. It is vital to consider and manage the company's risks because it helps the organization determine the consequences of its operations and monetary policies (Verma, 2019).

Marquit's (2018) [15] study proved that when managers assess the entire financial situation, liquidity is one of the most critical factors to examine. He added that a healthy liquidity ratio indicates that a business is competent, stable, and has enough cash to meet its existing obligations. Same with Hussain (2020) [9], the current ratio seeks to measure a company's capability to meet its short-term obligations payable within one year: it is also known as the working capital ratio. The current ratio was determined by dividing its current assets by its current liabilities. If the current ratio is high, it means that the company's financial status is healthier, and it can competently pay for its liability. In addition, the relevance of liquidity shows the entity's flexibility to meet its liabilities or other unexpected costs.

While liquidity is a factor that affects the financial performance of rental gowns and suits businesses when grouped according to financial debts, it can also be seen in the table that solvency and profitability have no significant difference. This means that based on the responses, owners consider supporting their business operations through short-term borrowings rather than prioritizing long-term borrowings and use it to generate profit.

Gilbert (2018) [14] opined that small and medium-sized firms don't always require long-term finance because short-term loans are more suitable to support the needs and challenges of the business.

Table 6. Proposed Plan of Action to Improve Financial Performance

Key Result Area	**Strategy/Action Plan**	**Persons Involved**
Liquidity		
Accumulated obligations	List all the due dates of outstanding loans or expenses on a journal book of the business to avoid default in payment which will result in accumulated obligations and interests.	Owner/Manager Leasing company
Cash Reserves	Open a bank account for the business and invest their cash reserves to earn interest so that the business will be more prepared for unexpected expenditures.	Owner/Manager
Laying off employees	Create a contingency plan for emergency scenarios or economic downturns so that businesses have other options besides terminating staff.	Owner/Manager Employees

Solvency		
Expansion Plan	Conduct additional research while planning the business expansion. The respondents may scout places where people can easily access the shop and they can also introduce new designs that they will offer. With this, loans used for the expansion plan must be efficiently utilized.	Owner/Manager
Hiring of skilled employees	Increase current employee's knowledge and skill by letting them undergo additional training on how to operate more advanced equipment. With more advanced skills and knowledge, this will help the business's productivity	Owner/Manager Employees
Proceeds from long-term liabilities	. Management operations and personal business must be separated and make sure that the proceeds from long term liabilities will be allotted more to the business operations.	Owner/Manager
Profitability		
Eliminating nonvalue activities	Eliminate nonvalue added activities such as storing of unnecessary raw materials or finished goods and overproduction as much as possible to enhance profit.	Owner/Manager
Expanding of business	Unfold opportunities in various areas that may accommodate additional service offerings in order to provide new payment alternatives like online payment or banking such as g-cash.	Owners/Managers
Profit enhancement	Eliminate the need to engage in high-risk speculation by selling products in larger amounts to reduce costs and enhance profits.	Owner/ Manager Suppliers Customers

The proposed plan of actions for liquidity, solvency and profitability was based on the lowest three indicators in the survey questionnaire.

CONCLUSION AND RECOMMENDATION

Most of the respondents were sole proprietors that have been in operation for more than 13 years, with an initial capital of less than PHP 50,000, an average monthly income of less than PHP 100,000, an asset size of less than PHP 100,000, and 0–1 worker, offers the production of suits and gowns, and have existing debts.

The performance of rental gown and suit firms in Taal, Batangas was very good and relevant to the level of financial performance.

Businesses with financial debt respond significantly different in terms of liquidity. On the other hand, there was no significant difference in responses in the solvency and profitability when grouped according to profile variables.

The proposed plan of action was constructed to enhance the financial performance of rental gowns and suits business in Taal, Batangas.

It is recommended that owners or managers may create plans and strategies for day-to-day operations to secure smooth operations and debt fulfillment. Also, owners may perform a frequent review of their operations and investment methods to see if production, receivables collection, financing, and other critical concerns are handled efficiently and effectively to correct or improve the situation. In addition, business owners and managers may consider attending webinars to acknowledge more information to improve business financial performance.

Furthermore, the Municipality of Taal may consider lowering the price on rent to help this kind of industry. Moreover, the Provincial Government of Batangas, particularly the Tourism Department, may help the business owners to advertise their products through the official pages of Batangas. The proposed plan of action to enhance financial performance may be tabled for discussion and implementation. Future researchers may consider using the same study with different or additional variables to improve the business financial performance in an immense aspect.

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