



Money utilization and accounting practices among street vendors of Davao city

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Abstract

The main purpose of this research was to assess the money utilization and accounting practices used by street vendors in selected streets in Davao City. Qualitative-multiple case method through in-depth interviews was conducted to obtain insights, opinions and experiences of the participants. The participants were street vendors from who were chosen through the purposive sampling technique. Results revealed that most of the street vendors simply rolled-over their capital and did not have proper practices in monitoring their daily transactions and securing in their incomes.

Keywords: Money Utilization, Accounting Practices, Street Vendors, Davao City

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1. Introduction

Street vending is seen as a solution by most population from economic difficulty not only by many poor Filipinos but also by other individuals world-wide. We observed that it is a refuge occupation to many who are not capable of putting huge investment. Similar to the major cities in the Philippines and nearby Southeast Asian countries, street vending is a common sight in Davao City. Romana (2012) observed that Davao City street foods are safer, healthier and cheaper for consumption compared to other cities in the country. She also said that the common street foods in Davao City are “kwek-kwek”, banana cue and fish ball.

Street vending gain is not promising and doing business on the streets is not pleasing. However, there are individuals who are willing to engage in this kind of business. Two of their main reasons are: street vending requires less capital and it is a kind of employment. These individuals find different ways in getting capital to start and run their business. Saha (2011) found that vendors obtained their capital from relatives, friends, local vendors, moneylenders, wholesalers and banks or cooperatives. The first two were the main sources for putting up a business and the rest were for daily operations.

In terms of strategies, the street vendors do not usually plan. They manage their business according to their knowledge. Most of them are neither business graduate nor business oriented. They operate according to their instincts (Hiemstra et al., 2006). Rea (1989) found that having business plan may help in business success. On the other hand, Belassi and Tukul (1996) mentioned that the lack of planning and technical knowledge lead to bankruptcy. This is supported by Becker (2009) who said that paucity of knowledge and education are primary factors which contribute to the failure of any activity or business. Rea (1989) discussed that at start business operations may be well; however, time will dictate the effect of unpreparedness.

Undeniably, street vending has contributed to the economy of any country; however, this sector is neglected and not well legally established (Kusakabe, 2010). Thus, street vendors deserve to be assisted by the government to grow. It is important that these vendors are able to manage their livelihoods so that their status may have impact in the society. They need to improve their social security and stability (Saha, 2011).

Street vending is rapidly sprouting on major streets in Davao City. However, their operations are not permanent. Most borrowed money from their relatives or loan sharks to sustain their day to day operations. The city government allowed them to place their wares on the sidewalks as long as they do not distract the passage of the pedestrians; however, the local government (LGU) has concrete support program either in education or financial aspects which they needed most.

This study was for three reasons. First, studies on accounting focused only on big establishments but not on small businesses like street vending. Second, there was limited information regarding the experiences of streets vendors. Third, this study inquired how these street vendors utilized their finances and determine their accounting practices.

1.1. Research questions

This research sought answers to the following questions.

- 1) How do the street vendors utilize their money in business transactions?
- 2) What accounting practices used by the street vendors for operating their businesses?

2. Method

This section presented the research design, study participants and procedures in gathering information.

2.1. Research design

This study used the realistic phenomenological method through in-depth interviews. It focused on the qualitative experiences of the involved street vendors. Realistic phenomenology studies the structure of consciousness and deliberates, as it emphasizes the search for the universal essences and purpose of various sorts of matters, including human actions, motives, and ones selves (Stanford Encyclopedia of Philosophy, 2013). Smith (1997) mentioned that realistic phenomenology was appropriate if a study which dealt with the 'idea individuals are in possession a priori knowledge', which meant that a person had already idea and used this concept to do something for his benefits. Lester (1999) also said that phenomenological approach was the elaboration of the details and factors that affects the experiences of that certain person involved in a study. In this study, we wanted to determine how the street vendors utilized their money in their day to day business transactions and accounting practices in operating their business and their experiences to survive their business. Thus, we made a deep inquiry on their experiences.

2.2. Study participants

We employed a purposive sampling in choosing the participants of this study. Bernard (2002) and Tongco (2007) assumed that purposive sampling was used when the researcher decided what needs to be known and sets out to find people who were willing to provide the information by virtue of knowledge and experience. In this study, we sought the participants that we presumed could give us pertinent information.

We focused on the street food vendors located at San Pedro and Bonifacio Streets in Davao City, Southern Philippines. We interviewed five vendors who were selling friend- peanuts, puto tak-tak (tapioca), sliced fruits (mango, papaya and watermelon) and assorted fruits display. We chose these vendors because they usually and easily seen on the city streets. Moreover, we selected these participants purposively because they usually had small capital; they belong to low income individuals; they sell on the same street for more than 5 years; and vending was their only source of income.

2.3. Procedures in gathering information

We used in-depth interview in gathering the information. We prepared interview questions before the conduct of an interview. It included questions which were relevant to the study. Specifically, we took the following steps: Firstly, we conducted resource mapping. Resource mapping included the checking of the possible participants of the study. Then, we sought permission from the street food vendors for an interview. Interviews were set during the participants' idle or spared time. Secondly, the formulated research questions

were subjected for validation and verification of experts. Thirdly, the formal interviews with the selected participants were conducted. After which, the gathered information were transcribed. To verify the correctness and authenticity of the transcripts, the participants self-validated the verbatim of the interview. Finally, the transcriptions were coded, memoed and analyzed by the help of the data analyst.

2.4. Trustworthiness

Validity is a term used to describe the properties of tests and measures. It was manifested in our research questions that were validated by the experts. It is one way to make our study more relevant. Creswell and Miller (2000) suggested that validity involved researcher's awareness of validity of the study and the kind of case proposal he/she is going to select.

In dealing with reliability, we were able to produce knowledge based on our findings (Stenbacka, 2001). This knowledge helped us to understand the real situation among our study-participants and the confidence they had in the truth of the findings. Furthermore, the information gathered were self verified by the participants.

Dependability is an action we undertook or procedure we followed in consistent manner as we conducted this study (Gasson, 2004). In this study, we handled dependability to our research questions to be answered by chosen respondents. Thus, our research questions have the main questions to be asked and probe questions as our follow up questions for clearer and profound answers in finding and gathering enough information from our respondents.

Transferability means how the researchers imparted and applied the findings of a study to the reader or other researcher for his/her own studies (Gasson, 2004). We provided sufficient information for the future researcher to use. The results of this study might be a good source of information for the future researches to depend upon.

2.5. Ethical consideration

Ethics knows what is right or wrong based on a standard. Ethics guides us of what kind of behavior we have and it reflects on every action or activity we did (Oxford English Dictionary, 2012). In this study, we considered strict ethics in dealing with the participants. Before we conducted interview, we asked permission from the study participants by giving them invitation letters. We introduced ourselves as the researchers for this study and we gave them brief orientation regarding the nature and purpose of our research. Upon their permission we let them sign the informed consent form where the guidelines of what will happen to the interview output was stated. We assured the careful consideration of confidentiality for this study.

As we were oriented regarding the interview guidelines and protocol we were ready to face them with confidence. Upon the conduct of interview we used our research questions guide as we had our main questions to be asked to our participants and probe questions as our follow-up questions to some vague answers to our main question. The study participants used their real names except one who used her pseudo name to cover her real identity. We used audio-recording equipment and took notes during the interview.

We assured them that our gathered data (recorded voice interview and transcriptions) will be kept carefully in our custody. Any information's that were considered too personal or sensitive by the participant, but not significantly altering the findings of the study, were modified or excluded from the final written report.

Finally, after the conduct of interview we gave them thanks for their overwhelming participation and cooperation. Then, we transcribed and printed the output of the interview. We requested the participants to sign to certify the veracity and authenticity of the transcription.

3. Results

This section presents the gathered information regarding the study participants and their experiences on money utilization and accounting practices. The study-participants of this study had different approaches from the time we asked them for an interview. We were able to describe them briefly.

Vendor 1 was an approachable woman; she had an impatient personality with limited answers all throughout the conversation. She was 33 years old, married and having one dependent. Peanut vending was their family business and she was involved in their operation for 10 years. They had a shifting schedule with her sister. They operated from 9:00 A.M to 9:00 P.M.

Vendor 2 was understanding and entertaining. She answered very well the queries regarding their family business despite the times when there were unexpected buyers during the interview. They had sold fruits for the last 30 years. She took charge when there was no class. They lived in Mintal, Davao City and they had 12 children in the family. They operated their business from 9:00 A.M to 12:00 midnight, however, during peak season they operate until 1:00 A.M.

Vendor 3 was a kind, talkative and had pleasing personality. At first, she was hesitant when we asked consent for an interview. She was 44 years old and single; she helped in the daily expenses of her nephews. She was a mango vendor for 5 years. Her business operation usually lasted for 12 hours.

Vendor 4 was an approachable and accommodating man. He was very cooperative and he had tried to help us in all his means. He was a puto tak-tak (tapioca) vendor for 5 years. It was his source of income when he started his journey to the city. He was from Pigkalagan, Maguindanao near Cotabato City. He operated his business from 8:30 A.M to 5:00P.M

Vendor 5 was very helpful as she had no any question regarding the interview when we asked consent from her. She had full trust in us. She had no hesitation in answering the questions we asked. She was 50 years and a widow for 4 years. She was a fruit vendor. She started her business from 7:30 A.M to 7:00 P.M, Monday to Friday.

3.1. Rolling of capital

The above vendors developed the style of rolling their capital in order to continue with their businesses. They did this because they had no other sources of income. When asked how they utilized their money in business transactions, they answered:

“Amo jud style irolling-rolling gyud.” (V₁,A₁) *We just rollover our capital.*

“Rolling.. rolling man gud.” (V₄,A₁) *Roll over.. it's roll over.*

Some vendors had a start-up capital of Php500.00, Php2, 000.00 up to Php5, 000.00

“Diri? Mga kabat lang anang 500, ana.”(V₃, P1) *Here? It will reach Php 500, like that.*

“5k, rolling.. every day.” (V₅,A₁) *5k, roll over.. every day.*

But one of our participants had this style in which she obtained her products from a market and pay the following day.

“Dili sad. Kanang murag, nagautang si mama then bayaran pagkasunod adlaw. Ana gani. Naga 5/6 siya.” (V₂,A₁) *Not also. It's like my mother borrows the capital then she will pay it the next day. She does it through 5/6.*

All of them involved in the borrowings called 5/6 for them to continue and sustain additional financing of their businesses.

“5/6 pud gamay.” (V₅,P1) *Small amount of 5/6.*

But they pay it in different amounts, some pay Php 50.00 and Php 100.00 and its good for Two months or depending on the borrowing terms.

“One hundred ang adlaw.”(V₄,P1) *One hundred pesos daily.*

“Two months. (V₁,P1)

3.2. Minimal tax

As a part of utilization of their money, we asked if they were renting for their space. They replied,

Ay. Wala mi bayad diri. Ticket lang. Sa gobyerno.Mao ra na. (V₃,P1) *We're not renting here. We only paid ticket from Government. That is one only.*

The ticket that they mention was “ARKABALA” a tax they paid everyday. They paid it depending on the space they used. Some pays Php5.00 and Php 10.00.

“Arkabala lang. Ten. (V₄, P1) *Arkabala only. Ten pesos.*

“Ticket,singko! (V₅, P1) *Ticket. Five pesos!*

When we further asked regarding what accounting practices they used for operating their business like keeping records to track of their daily business transactions, they answered,

“Ay. Wala.” (V₁,A₂) *Oh, none.*

“Wala lang. Kumpra lang mi sa palengke.” (V₃,A₂) *Nothing. We just buy in the market.*

“Wala mi mga resibo sa among ginapalit. Wala jud mi naga-keep kanang mga kuan. Kanang maghatag si mama

ug 200.. para sa balay, pang-5/6.” (V₂,A₂) *We don't have receipts on our purchases. We don't really keep those things. My mother will give P200.00 for the house, for 5/6.*

3.3. No recording of money flows

In keeping records one of the important documents was a receipt but for these vendors, they don't give any value in keeping this. As we asked them regarding personal background, some were high school graduate and high school level and did not encounter accounting practices. Most of them just used estimation and simple computation based on their experiences.

We asked what methods they employed to secure their profits, in terms of savings. They answered:

“Murag.. kana bang, naa ra kay kwarta. Dili kanag savings dira sa bangko. Murag kuan lang ba.. naa lang siya'y..” (P₁,A₂) *It's like, you just have money. Not like that savings in a bank. Like.. it only has..*

“Ah? Nagatigom lang ko sa ako.” (V₃,A₂) *What? I just save on my own.*

They didn't think of a profit. Vending was their source of income. Their priority was their day to day survival and they didn't think of what they could save out of their business.

“Ay, wala ko ana gang. Wala ko ana. Basta, mao rana akong baligya. Mao ra pud ng halin. Makakaon lang mi adlaw-adlaw, mao rana akoa lang.” (V₃,A₁) *Oh, I don't have that, miss. I don't have that. That's what I sell only. That's also my sole profit. As long as we can eat every day, that's enough for me.*

“O! Kuan..bayad pa pud kog motor. (V₄,P₁) *Yes! Like..I paid also my motorcycle.*

They have different ways to allocate their earnings but they did this for them to survive. And the chances of their business to grow are just too small.

4. Discussion

This section discusses the themes presented in the results. Short summaries of the findings are given and related studies are cited.

4.1. Rolling of capital

Based on the answers of the participants of this study, we find that V₁, V₂, V₃, V₄ and V₅ have similar styles in utilizing their capitals for their vending businesses. They borrowed money as capital to buy their materials and products while some consign with other business person. This rolling of capital technique according to

Thoma (1994) follows the money-income causality test. These street vendors may think that their industriousness or hardship in selling their products on the streets is highly profitable and therefore believe that their capital would definitely give them income. It could be equated that money-income would have significant result if selling of products is high and low if otherwise. On the other hand, Rosa et al. (2008) persons who are poor are necessitated to start-up a business no matter how small is their capital. In this study, most of the street vendors are living below the poverty line, thus, they could not think of any other way of getting money but to vend on the streets. Despite their low capital, they still continue with vending through rolling their capitals. Their situation according to Rosa et al. (2008) is a “trapped” on working long hours for a small income to survive.

4.2. Minimal tax

In terms of paying taxes, street vendors pay in different amount. V_1 , V_2 , V_3 and V_4 pay tax worth P10.00 a day while V_5 pays P5.00 to the city government for permission to conduct their businesses. This is somehow a horrific reality in the society. Poor and having minimal income street vendors are taxed not based on their income. These street vendors are only given a small and non-permanent space to be occupied for their small business but the government is making income out of their toil. As a researcher, we felt this reality of the street vendors as an insult to humanity. We thought that the law should be beneficial to all people, rich or poor. But it is the other way around. Taxing the poor street vendors, though minimal, is a concrete example injustice. Many big religious schools which gain millions of profit from their operation are not taxed even with a single centavo.

Jimu (2004) made a critical appraisal of street vending. He mentioned that with proper regulation and control, street vending could have a good contribution to socio-economic transformation and betterment of the poor families in the urban communities. In India, Bhowmik (2010) felt the mockery of street vendors' rights because the government is not serious in protecting the livelihood of the street vendors because their rights are not constituted in national policy.

In this research, we come to reflect, is the government really for the people and with the people? We understand, that money obtain from taxes is the bloodline of a society but would there be any consideration for those who live in poverty? This is a consideration that the government needs to think about.

4.3. No recording of money flows

In terms of recording their business transactions, all participants do not have any records of their daily cash flow. Estimation is enough for them in keeping tabs on their operation. Furthermore, all participants do not have any savings on any financial institutions. The profits they get from their business are saved personally. Basically, such money does not grow. There are times that they do not have savings because they spent all their profits. Kusakabe (2006) inferred that it is hard to estimate the exact earnings of street vendors seeing that they consume some of their products and their income fluctuates too. He cited the analysis of Nirathron (2006) on the latter's study regarding street vending which is to suggest that the government should act on

giving enough information to the vendors about proper planning and insights on operational and financial aspects of their businesses as it will benefit them to accomplish their goals or purposes. Moreover, Hiemstra et al. (2006) observed that street vendors do not have proper plan for their business operations. They do not employ particular strategies for the maintenance and improvement on the condition of their businesses.

5. Conclusion

This research is able to determine how street vendors utilize their capitals and earnings. Also, how they run their day to day business transactions. Based on the findings, we make the following conclusions.

- 1) Most of the street vendors in Davao City are poor or live below the poverty line. They engaged into street vending because they want to have income. However, due to lack of education and technical-know-how of basic accounting, they don't practice capital-income flow technique. Instead, they trust their common sense and instinct.
- 2) Although street vendors gained so little from their businesses, the city government collects minimal tax from them. This manifests that although they are consider non-formal business or underground business, they contribute to the society. Hence, their right may be protected similar to those who owned big businesses.
- 3) Street vendors don't practice recording of their cash flows nor their savings. They live in a day to day basis. As a result, their business results to bankruptcy and stoppage. The local government unit (LGU) may consider the need of the street vendors of education on basic knowledge on accounting and book keeping. Giving them information on how to run their small businesses may give them ideas on how to manage their funds.

5.1. Implications

One of the fascinating aspects of present day urban social life around the world is the widespread presence of street vendors. Street vending is an activity that provides employment to many poor individuals as their source of daily income. However, the proper utilization of their money and accounting practices are overlooked or are not given importance. Thus, this situation leads to mismanagement of funds, worst to closure of the business.

We observed that most of the street vendors start in a small capital and they rolled-over the money to get profit. Their assumed income is used to defray their daily expenditures. Unknowingly, they used part of their capital to their expenses. The worse thing is, street vendors do not save from the profit they gained.

It high time that the city and local government unit (LGU) to act by legislating an ordinance requiring all street vendors to study basic accounting before they could start their business. Moreover, the local government unit (LGU) may provide permanent places in the Davao city for the street vendors. This may give the vendors a dignified image and self-confidence. Further, tax for street vendors may be fixed to a minimal amount.

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