

**AN EVALUATION OF FINANCIAL
LITERACY AMONG BUSINESS OWNERS
OF MICRO, SMALL AND MEDIUM
ENTERPRISES IN RWANDA**

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ABSTRACT

This paper is an evaluation of financial literacy among business owners of Micro, Small and Medium Enterprises in Rwanda. The objectives of the study were to determine: Levels of financial knowledge; levels of financial skills; nature of attitude towards financial matters and nature of financial behaviour. The study is hypothesized on the fact that a combination of high financial knowledge level, high financial skill level, good financial behaviour and positive attitude towards financial matters results in high level of financial literacy. The study employed a cross-sectional survey design covering 200 participants. This sample was determined using Sloven's formula. Data was collected using a questionnaire and analyzed using MS Excel. The key findings were that 72.7% of micro business owners have a high financial knowledge level, 77.7% have a high skill level, 69.3% have good attitude towards financial matters and 69.7% were practicing good financial behaviour. Also, 73.7% of small business owners have high financial knowledge, 79.5% are skilled in financial matters, 71.0% have good attitude towards financial matters and 76.2% were practicing good financial behaviour. Other findings are that 85.5% of the medium business owners have high financial knowledge level, 87.8% have high financial skill level, 73.7% have good attitude towards financial matters and 77.1% were exhibiting good financial behaviour. The study recommends that the government should identify the 13.5% of micro business owners, the 15.1% of small business owners and the 9.8% of medium business owners who are not knowledgeable and educated them on financial matters so that they also become knowledgeable; identify the 9.4% of micro business owners, 9.9%

of small business owners and 6.4% of the medium business owners who are not skilled, and train them in appropriate financial skills so that they become adequately skilled; identify the 19.7% of the micro business owners, the 19.7% of small business owners and the 20.9% of the medium business owners who have poor attitude towards financial matters, and then sensitize them so as to change their mind set for them to adopt a good attitude; identify the 18.5% of the micro business owners, the 14.2% of the small business owners and the 16.4% of the medium business owners who practice bad financial behaviour and then educate them on good financial behaviour.

Key words: Financial literacy, Knowledge, Skills, Attitude, Behaviour, Enterprise

1. Introduction

Background

Definitions of Financial literacy vary depending on the study field, expertise and field of interest of the person who formulates the definition. Murat Y, Fatih B, Ahmet O & Gulay G. (2017) observe that 71 studies attempt to define the concept of financial literacy and that the term has been assigned eight different meanings. Some studies handle financial literacy completely within the context of general knowledge on financial issues while others emphasize the multidimensional nature of financial literacy, both the knowledge and experience related aspects, the ability to be self-confident when making financial decisions and the competence to make financial decisions.

In simple terms, financial literacy refers to an individual's ability to use and manage financial resources effectively and to use knowledge and skills to ensure a lifetime financial well-being. The OECD INFE (2011) defines financial literacy as a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being. On the other hand, Simon Starček and Aleš Trunk (2015) define financial literacy as a combination of being aware of, knowledge, skills, behaviour that is necessary for a suitable financial decision and to reach its own financial wealth. By the most basic definition, Lereko Rasoaisi and Kalebe M. Kalebe (2015) explain that financial literacy refers to the knowledge and or understanding of the importance of money and the use of money.

Past studies (Sanjib Das 2016; Murat Y, Fatih B, Ahmet O & Gulay G. 2017) indicate that financial literate individuals have mathematical literacy, can effectively manage with money, and know how to manage a credit and debts. They are able to evaluate the need for insurance and protection. They know how to evaluate different kinds of risks and repayments that are connected to different possibilities of saving money and deposits. They also understand wide ethical, social, political and environmental dimensions of finances.

Rwanda's situation

According to the Financial Capabilities Survey (2012), Rwanda's population has low levels of financial capability. The survey

indicates that less than half of Rwandans do budget for their finances. Running short of money is common, mostly due to poverty or employment status. Rwandans tend to rely on mutual support and informal credit when short of money. Although most Rwandans understand the importance of planning for the future and feel a sense of personal responsibility for doing so, surprisingly more than half do not know enough about how to develop a financial plan.

The survey (Fin Cap Survey, 2012) further indicates that 60% of Rwandans save only if they have money left after their expenses. More than half Rwandans do not have a plan in place to manage a major unexpected expense that they might face tomorrow. About half Rwandans feel out of control with their borrowing and debt, and have varying degrees of knowledge of different financial service. Only 23% (Fin Cap Survey, 2012) of the people are knowledgeable about how to choose a financial product or service provider and half of Rwandans save or invest in the form of non-financial assets. Because financial literacy is a function of financial knowledge, skill, behaviour and attitude towards financial matters, the above statistical data prompted the research.

Study objectives

In conducting the research, the objectives were to determine:

1. Levels of financial knowledge
2. Levels of financial skills
3. Nature of attitude towards financial matters
4. Nature of financial behaviour

Research questions

The study was conducted in order to find answers to the following questions:

1. What is the level of financial knowledge among business owners of micro, small and medium scale enterprises in Rwanda?
2. What is the level of financial skill among business owners of micro, small and medium scale enterprises in Rwanda?
3. What sort of attitude do business owners of micro, small and medium enterprises in Rwanda have towards financial matters?
4. What is the nature of financial behaviour among business owners of micro, small and medium enterprises in Rwanda?

Study hypothesis

The study is hypothesized as follows:

‘A combination of high financial knowledge level, high financial skill level, good financial behaviour and a positive attitude towards financial matters results in high financial literacy level’.

Conceptual framework

The study was anchored on the fact that financial knowledge level, financial skill level, financial behaviour and attitudes towards financial matters collectively determine the overall level of financial literacy of a person. In this study therefore, the independent variables (the predictors) are knowledge, skills,

behaviour and attitudes. The dependent variable is financial literacy level.

In this study, financial knowledge level was evaluated in terms of knowledge about financial risks; costs associated with financial products and services; interest rates; basic financial terms; key features of financial products and services; benefits associated with financial products and services; inflation; taxation and taxes.

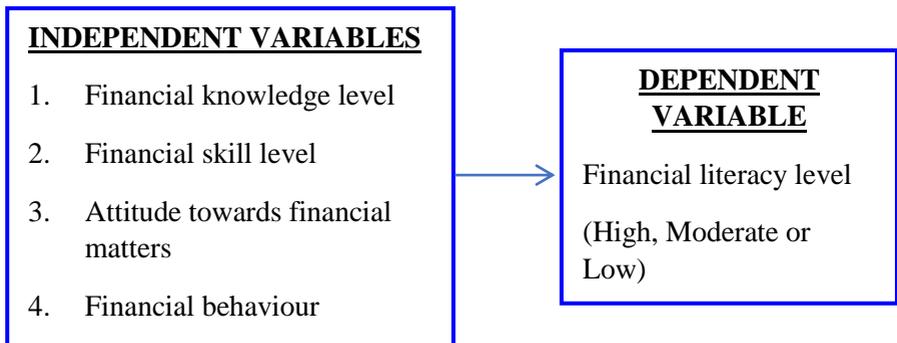
Financial skill level was evaluated in terms of ability to deal with banks; handle financial matters; plan sequences of financial activities; make personal budget; compute taxes; decide what financial services to choose; accurately determine benefits from financial dealings; accurately determine costs from financial dealings; wisely use financial resources; plan for future financial needs; compute interest rates and ability to keep simple financial records.

Attitude towards financial matters was evaluated in terms of willingness (or unwillingness)/being interested (or uninterested) in keeping financial records; making financial savings; spending money responsibly; interest in financial matters; dealing with financial institutions; sharing information about financial matters; interest in financial news; being organized in regard to managing money and payment of bills.

Financial behaviour was evaluated in consideration of a person's habit to always: read the terms and conditions on use of financial products/services; approach to saving money; approach to

spending money responsibly; keeping aside some money for future use; choosing financial products that suits his/her needs and conditions; timely repayment of money that is owed to others; spending by sticking to one's budgets; comparing prices before making choices on financial products/services; endeavouring to pay bills; keeping a close watch on one's personal financial affairs; having financial goals and having a concrete plan on how to achieve them; remaining responsible when it comes to money matters; gathering information before choosing a financial product; shopping around before making a choice on a financial product; objective borrowing to fund one's business expenditures; tracking one's spending and saving on regular basis.

Figure 1: Conceptual framework



2. Literature review

2.1 Financial literacy dimensions

Financial literacy has become important in developed and developing countries due to the fact that financial markets have grown and got more complex over the last decades due to globalization and financial instruments have been diversified. It depends on individuals' ability to increase their levels of financial literacy to avoid financial damages in their financial decisions (Gale, W.G. & Levine, R. 2011).

Many individuals are not able to do economic calculations or to understand the distinction between nominal and real value. They also do not have sufficient knowledge about such basic economic terms as basic risk diversification. In addition, they also need to be informed about such technical concepts as the differences between bonds and stocks, investment fund operations and primary asset pricing comparisons (Lusardi & Mitchell, 2014).

A range of studies into the issue have revealed that those who lack sufficient financial knowledge are not able to save duly for their retirement (Lusardi & Mitchell, 2014), use high-interest loans and experience debt problems (Mahdavi, M., & Horton, N. 2014), follow the financial advice of their family and friends and invest less in stocks (Van Rooij et al. 2011). Therefore, individuals require education in relation to a range of financial issues to meet their financial needs and increase their wealth (Gale & Levine, 2010; Lusardi & Mitchell, 2014).

Financial literacy helps individuals to improve their level of understanding of financial matters which enables them to process financial information and make informed decisions about personal finance (Puneet Bhushan and Yajulu Medury, 2014). Financial literacy is directly related to the well-being of individuals. Previous research suggests that those with low levels of financial literacy, faces problems with issues relating to personal finance such as savings, borrowings, investments, retirement planning etc.

According to Rwanda's National Financial Education Strategy – NFE (2013), Financial education can build the knowledge, skills and self-efficacy of Rwandans, so that they are better prepared to set and meet financial goals; plan ahead and make careful decisions about future spending and saving, particularly in anticipation of periods of low or irregular income.

In addition, financial education can help citizens develop strategies to protect against and manage risks; manage debt responsibly and effectively; identify and evaluate available financial services to determine if the services meet their needs; invest for retirement and diversify their assets and exercise their rights and responsibilities as consumers of financial services.

RBC Wealth Management (2018) explains 6 principles of financial literacy including budgeting one's money; considering and providing for taxation; borrowing when necessary and what you can appropriately repay; careful planning before making investments; investing to achieve one's goals; and preparing or planning one's estate.

A number of socio-economic and demographic variables influence a person's level of financial literacy. On the one hand, Lereko Rasoaisi and Kalebe M. Kalebe (2015) observe that a range of studies carried out on investigating variables that determine financial literacy discovered that age, level of education, gender, major of study, occupation, region, area of residence, race, wealth and ethnical background are important in explaining financial literacy.

On the other hand, Trizah Thara Mbarire and Abdullah Ibrahim Ali (2014) consider the determinants of financial literacy to be demographic variables (age, gender, level of education); socio-economic factors (occupational status and type, personal income and other wealth factors); and source of information and advice (formal and informal tools) on financial issues.

Previous studies carried out on the gender differences in determining the level of financial literacy indicate that males are more likely to be more financially literate than females (Trizah et al, 2014). Level of education is positively correlated with financial literacy. Studies have consistently shown that individuals with higher levels of education are the most likely to be financially literate.

In addition to that, Houston (2010) has shown that the correlation between literacy and education is present at the early stages of lifecycle. He has discovered that children of college graduates perform better on numerical test. Studies also found financial literacy to be negatively skewed with regards to age (Njehia, MilcahWanjiru, 2017).

Literacy level is low among the young, highest among middle-age respondents, and declines slightly at an advanced age of 61 or over. Also, low income levels are associated with low financial literacy levels, and Houston (2010) observed that individuals with longer labor experience are largely financially literate.

2.2 Measuring financial literacy level

Measuring financial literacy aims at determining one's ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being. The process of measuring financial literacy considers a number of dimensions. Sanjib Das (2016) considers these dimensions to be knowledge, skills, attitudes and behaviour necessary to make sound financial decisions, based on personal circumstances, to improve financial well-being.

This concurs with OECD INFE (2011) who argue that financial literacy stresses general behaviours, attitudes and knowledge that could be attained in a variety of ways.

Huston (2010) identifies one of the content areas used in measuring financial literacy as money basics (time value of money, purchasing power, personal financial accounting concepts). He also includes inter temporal transfers of resources between time periods, including both borrowing (i.e., bringing future resources into the present through the use of credit cards, consumer loans or mortgages).

He further mentions investing (i.e., saving present resources for future use through the use of saving accounts, stocks, bonds or mutual funds) as another area of content. The fourth content area is protecting resources (either through insurance products or other risk management techniques).

Literacy is basically a qualitative term and so is financial literacy. Therefore, most of the researchers have developed scales of their own to measure the level of financial literacy among the respondents. Sanjib Das (2016) argues that the financial literacy measurement approaches can be grouped into two categories, namely the Objective test approach and the Self-assessment approach.

Sanjib further explains that under the objective test technique, multiple choice questions are asked to answer in the questionnaire or interview schedule. Score for every respondent is computed on the basis of correct responses provided by them. And finally based on the score the overall financial literacy level is determined. In the self-assessment approach subjective questions on the basic concepts of financial literacy and numeracy are asked to judge financial literacy of the respondents.

This approach has not been gained popularity among the researchers, as it is observed that the respondents try to overestimate their financial knowledge and elicit positive financial attitude and behaviour. Under this approach, respondents

are asked to self-assess their financial ability, understanding and skills.

3. Methodology

3.1 Research design

The study employed a cross-sectional survey design to assess the levels of financial literacy among business owners of Micro, Small and Medium Enterprises in Rwanda. The design was used to assess the knowledge and skill levels; and the financial attitudes and behaviour of financial and business owners. Thus, this enables the researchers to generalize results for entire population.

3.2 Study population and sample size

The study targeted a population of 400 business owners operating MSMEs in Rwanda. The researcher used Sloven's formula to calculate a sample of 200 respondents who participated in the study as shown below:

$$n = N/1+(\alpha)^2 \dots \dots \dots (i)$$

where;

n = sample size;

N = target population;

α = 0.05 level of significance.

Thus, in the case whereby N = 400 and α = 0.05 level of significance:

$$n = 400/1 + 400(0.05)^2$$

$$n = 400 \div 1 + (400 * 0.0025)$$

$$n=400 \div 1+1$$

$$n=200$$

Two sampling techniques were employed in selecting the participants. Purposive sampling was used to ensure that the study includes business owners from both urban and rural areas; and those operating Micro, Small and Medium enterprises. Random sampling was applied in selecting participants from among each of the purposively selected category.

3.3 Data collection

Primary data was collected using a questionnaire that was administered to the participants. Data was collected upon financial literacy knowledge, financial literacy skills, business owners' attitudes towards financial matters and financial behaviours of the business owners. Secondary data was obtained through reviewing literature of past related studies.

3.4 Data analysis

Collected data was entered in a computer and processed according to respective ranking of responses (strongly agree, agree, not sure, disagree and strongly disagree), using Microsoft Excel spreadsheet to generate frequencies and percentages from which interpretation and analysis were made.

3.5 Reliability and Validity

Content validity index was used to test for validity of the questionnaire (CVI > 0.50 for both experts) and Cronbach alpha coefficient was used to test for reliability (Cronbach alpha >0.60 for all variables).

3.6 Ethical considerations

Research ethics direct that researchers have a responsibility to recognize and protect the rights and will of the participants. In this regard the researcher ensured not to cause any harm to the participants, and they were guaranteed with anonymity, confidentiality and disclosure. The researcher ensured voluntary participation and both the researcher and participants had to sign a consent before they participated in the study.

4. Results and Discussion

4.1 Results

The purpose of the study was to evaluate financial literacy among business owners of micro, small and medium scale enterprises in Rwanda. The study thus focused on knowledge and skill levels, attitudes towards financial matters and financial behaviour.

The study results are provided in Tables 1 to 4 below.

Table 1: Percentage responses regarding perceptions about financial knowledge

SA = Strongly agree, A = Agree, NS = Not sure, D = Disagree, SD = Strongly disagree

| Financial knowledge measure | Micro business | | | | | Small business | | | | | Medium business | | | | |
|--|----------------|------|------|------|-----|----------------|------|------|------|-----|-----------------|------|------|-----|-----|
| | SA | A | NS | D | SD | SA | A | NS | D | SD | SA | A | NS | D | SD |
| Knowledgeable about financial risks | 15.8 | 62.1 | 8.4 | 8.4 | 5.3 | 22.4 | 59.7 | 9.0 | 7.4 | 1.5 | 29.6 | 59.2 | 3.7 | 3.7 | 3.8 |
| Knowledgeable about costs associated with financial products/ services | 18.9 | 65.3 | 7.4 | 6.3 | 2.1 | 22.4 | 62.7 | 4.5 | 7.5 | 2.9 | 29.6 | 66.7 | 0 | 0 | 3.7 |
| Can easily compute interest rates | 11.6 | 57.9 | 12.6 | 11.6 | 6.3 | 28.4 | 58.2 | 8.9 | 3.0 | 1.5 | 51.9 | 40.7 | 0 | 0 | 7.4 |
| Can easily understand simple financial terms | 8.4 | 56.8 | 21 | 10.5 | 3.3 | 29.9 | 47.8 | 11.9 | 7.5 | 2.9 | 33.3 | 44.4 | 11.1 | 7.4 | 4 |
| Knowledgeable about key features of financial products/ services | 8.4 | 60.0 | 21.1 | 8.4 | 2.1 | 20.9 | 47.8 | 14.9 | 11.9 | 4.5 | 25.9 | 66.7 | 0 | 3.7 | 3.7 |
| Can easily make wise financial decisions | 14.7 | 67.4 | 8.4 | 9.5 | 0 | 25.4 | 53.7 | 10.4 | 6.0 | 4.5 | 33.3 | 48.1 | 11.1 | 3.7 | 3.8 |

| | | | | | | | | | | | | | | | |
|--|------|------|------|------|-----|------|------|------|------|-----|------|------|------|------|-----|
| Can easily deal with banks | 18.9 | 49.5 | 10.5 | 15.8 | 5.3 | 22.4 | 32.8 | 16.4 | 20.9 | 7.5 | 29.6 | 48.1 | 7.4 | 11.1 | 3.8 |
| Can easily use a bank account | 38.9 | 53.7 | 2.1 | 3.2 | 2.1 | 43.3 | 46.3 | 0 | 3.0 | 7.4 | 63 | 25.9 | 3.7 | 3.7 | 3.7 |
| Can easily handle financial matters | 9.5 | 46.3 | 18.9 | 23.2 | 2.1 | 19.4 | 28.4 | 20.9 | 26.9 | 4.4 | 22.2 | 44.4 | 7.4 | 18.5 | 7.5 |
| Can easily compare financial products and services | 11.6 | 61.0 | 17.9 | 9.5 | 0 | 19.4 | 52.2 | 13.4 | 10.5 | 4.5 | 33.3 | 63 | 0 | 0 | 3.7 |
| Can easily plan sequences of financial activities | 12.6 | 65.3 | 16.8 | 3.2 | 2.1 | 19.4 | 46.3 | 11.9 | 19.4 | 3.0 | 30 | 51.9 | 11.1 | 4 | 4 |
| Knowledgeable about benefits associated with financial products and services | 9.5 | 71.6 | 8.4 | 9.5 | 1.0 | 20.9 | 68.6 | 3.0 | 3.0 | 4.5 | 18.5 | 70.4 | 3.7 | 3.7 | 3.7 |
| Knowledgeable about inflation | 11.6 | 37.9 | 25.3 | 23.1 | 2.1 | 20.9 | 38.8 | 19.4 | 14.9 | 6.0 | 18.5 | 63 | 3.7 | 7.4 | 7.4 |

Table 2: Percentage responses regarding perceptions about financial skills

SA = Strongly agree, A = Agree, NS = Not sure, D = Disagree, SD = Strongly disagree

| Financial skill measure | Micro business | | | | | Small business | | | | | Medium business | | | | |
|--|----------------|------|------|------|-----|----------------|------|------|-----|-----|-----------------|------|-----|-----|-----|
| | SA | A | NS | D | SD | SA | A | NS | D | SD | SA | A | NS | D | SD |
| Has ability to prepare own budget | 35.8 | 51.5 | 7.4 | 3.2 | 2.1 | 34.3 | 53.7 | 5.9 | 3.1 | 3.0 | 48.1 | 40.7 | 7.4 | 0 | 3.8 |
| Has ability to decide what financial services to choose | 15.8 | 68.4 | 7.4 | 5.3 | 3.1 | 26.9 | 52.2 | 14.9 | 3.0 | 3.0 | 44.4 | 48.1 | 3.8 | 0 | 3.7 |
| Has ability to accurately determine benefits from financial dealings | 12.6 | 68.5 | 12.6 | 4.2 | 2.1 | 13.4 | 64.2 | 10.4 | 6.0 | 6.0 | 44.4 | 44.4 | 3.7 | 3.7 | 3.8 |
| Has ability to accurately determine costs from financial dealings | 9.5 | 66.3 | 7.4 | 11.6 | 5.2 | 16.4 | 64.2 | 8.9 | 4.5 | 6.0 | 37.0 | 55.6 | 0 | 0 | 7.4 |
| Is capable of evaluating the different financial products and services | 7.4 | 57.9 | 21.0 | 11.6 | 2.1 | 13.4 | 62.7 | 14.9 | 4.5 | 4.5 | 25.9 | 63.0 | 7.4 | 0 | 3.7 |

| | | | | | | | | | | | | | | | |
|---|------|------|------|------|-----|------|------|------|------|-----|------|------|------|-----|-----|
| Is capable of wisely using his/her financial resources | 15.8 | 51.6 | 25.2 | 5.3 | 2.1 | 19.4 | 55.2 | 17.9 | 4.5 | 3.0 | 29.6 | 55.6 | 3.7 | 7.4 | 3.7 |
| Has ability to plan for his/her future financial needs | 16.8 | 67.4 | 11.6 | 3.2 | 1.0 | 16.4 | 61.2 | 6.0 | 11.9 | 4.5 | 40.7 | 37.0 | 14.8 | 3.7 | 3.8 |
| Is financially capable of making good use of financial products/ services | 10.5 | 65.3 | 14.7 | 7.4 | 2.1 | 17.9 | 61.2 | 6.0 | 8.9 | 6.0 | 37.0 | 51.9 | 3.7 | 3.7 | 3.7 |
| Has the ability to manage his/her money | 25.3 | 62.1 | 7.4 | 1.0 | 3.2 | 22.4 | 67.2 | 6.0 | 1.5 | 2.9 | 44.4 | 48.1 | 0 | 0 | 7.5 |
| Has the ability to compute interest rates | 22.1 | 52.6 | 6.3 | 11.6 | 7.4 | 26.9 | 53.7 | 10.4 | 4.5 | 4.5 | 59.3 | 29.6 | 7.4 | 0 | 3.7 |
| Is capable of handling his/her future needs | 13.7 | 57.9 | 21.0 | 2.1 | 5.3 | 14.9 | 56.7 | 14.9 | 10.5 | 3.0 | 37.0 | 44.4 | 11.1 | 3.7 | 3.8 |

Table 3: Percentage responses regarding perceptions about attitude towards financial matters

SA = Strongly agree, A = Agree, NS = Not sure, D = Disagree, SD = Strongly disagree

| Financial attitude measure | Micro business | | | | | Small business | | | | | Medium business | | | | |
|--|----------------|------|------|------|------|----------------|------|------|------|------|-----------------|------|------|------|------|
| | SA | A | NS | D | SD | SA | A | NS | D | SD | SA | A | NS | D | SD |
| Has good attitude towards saving money | 38.0 | 56.8 | 1.0 | 3.2 | 1.0 | 29.8 | 67.2 | 3.0 | 0 | 0 | 48.1 | 44.4 | 0 | 3.7 | 3.8 |
| Has good attitude towards spending money responsibly | 11.6 | 74.7 | 5.3 | 5.3 | 3.2 | 9.0 | 68.6 | 9.0 | 7.4 | 6.0 | 22.2 | 70.4 | 3.7 | 0 | 3.7 |
| Finds it easy to save money | 20.0 | 65.3 | 6.3 | 7.4 | 1.0 | 13.4 | 49.3 | 16.4 | 18.0 | 3.0 | 40.7 | 37.0 | 3.7 | 14.8 | 3.8 |
| Business owner enjoys spending money | 4.2 | 11.7 | 10.5 | 56.8 | 16.8 | 0 | 14.9 | 13.4 | 43.3 | 28.4 | 0 | 14.9 | 3.7 | 44.4 | 37.0 |
| Is always organized in regard to managing money | 23.2 | 61.0 | 8.4 | 3.2 | 4.2 | 20.9 | 70.1 | 1.5 | 3.0 | 4.5 | 29.6 | 63.0 | 3.7 | 0 | 3.7 |
| Is always interested in financial matters | 9.5 | 35.8 | 17.9 | 33.7 | 3.1 | 14.9 | 40.3 | 11.9 | 23.9 | 9.0 | 22.2 | 26.0 | 11.1 | 37.0 | 3.7 |
| Always likes conversation about financial matters | 9.5 | 49.5 | 16.8 | 22.1 | 2.1 | 11.9 | 67.2 | 9.0 | 7.5 | 4.4 | 29.6 | 40.8 | 3.7 | 22.2 | 3.7 |
| Always gets | 6.3 | 70.5 | 12.6 | 5.3 | 5.3 | 13.4 | 67.2 | 7.5 | 7.5 | 4.4 | 18.5 | 63.0 | 7.4 | 7.4 | 3.7 |

| | | | | | | | | | | | | | | | |
|--|------|------|------|------|-----|------|------|------|------|-----|------|------|------|------|-----|
| information about financial issues from friends | | | | | | | | | | | | | | | |
| Is always interested in financial news | 16.8 | 67.4 | 6.3 | 7.4 | 2.1 | 19.4 | 70.1 | 6.0 | 1.5 | 3.0 | 33.3 | 59.3 | 0 | 0 | 7.4 |
| Feels very interested in dealing with financial institutions | 14.7 | 52.6 | 13.7 | 14.7 | 4.3 | 16.4 | 47.8 | 9.0 | 22.4 | 4.4 | 29.6 | 51.9 | 7.4 | 7.4 | 3.7 |
| Has good attitude towards financial matters | 8.4 | 54.7 | 22.2 | 10.5 | 4.2 | 12.0 | 58.2 | 14.9 | 11.9 | 3.0 | 22.2 | 44.4 | 14.8 | 14.8 | 3.8 |

Table 4: Percentage responses regarding perceptions about financial behaviour

SA = Strongly agree, A = Agree, NS = Not sure, D = Disagree, SD = Strongly disagree

| Financial behaviour measure | Micro business | | | | | Small business | | | | | Medium business | | | | |
|--|----------------|------|------|------|------|----------------|------|------|------|------|-----------------|------|------|------|------|
| | SA | A | NS | D | SD | SA | A | NS | D | SD | SA | A | NS | D | SD |
| Always reads terms and conditions on use of financial products/services | 17.9 | 41.0 | 22.1 | 11.7 | 5.3 | 23.9 | 53.7 | 11.9 | 6.0 | 4.5 | 44.5 | 40.7 | 11.1 | 0 | 3.7 |
| Always looks to saving money | 26.3 | 67.4 | 3.2 | 3.1 | 0 | 22.4 | 71.6 | 3.0 | 1.5 | 1.5 | 44.4 | 48.2 | 0 | 3.7 | 3.7 |
| Always looks to spending money | 2.1 | 10.5 | 4.2 | 55.8 | 27.4 | 1.5 | 14.9 | 9.0 | 55.2 | 19.4 | 0 | 11.1 | 7.4 | 51.9 | 29.6 |
| Always keeps aside some money for future use | 24.2 | 57.9 | 10.5 | 4.2 | 3.2 | 25.4 | 59.7 | 7.5 | 3.0 | 4.4 | 40.7 | 48.2 | 7.4 | 0 | 3.7 |
| Always chooses financial products that suit his/her needs and conditions | 13.7 | 57.9 | 18.9 | 5.3 | 4.2 | 20.9 | 58.2 | 9.0 | 6.0 | 5.9 | 25.9 | 59.3 | 7.4 | 3.7 | 3.7 |
| Often has better spending behaviour | 6.3 | 65.3 | 11.6 | 11.6 | 5.2 | 9.0 | 61.2 | 10.4 | 14.9 | 4.5 | 18.5 | 66.7 | 0 | 3.7 | 11.1 |
| Always repays money he/she owes on time | 13.7 | 69.5 | 7.4 | 5.2 | 4.2 | 19.4 | 58.2 | 11.9 | 7.5 | 3.0 | 25.9 | 51.9 | 7.4 | 11.1 | 3.7 |
| Always spends by | 9.5 | 52.1 | 12.6 | 10.5 | 5.3 | 9.0 | 61.2 | 17.9 | 7.5 | 4.4 | 18.5 | 55.6 | 14.8 | 3.7 | 7.4 |

| | | | | | | | | | | | | | | | |
|---|------|------|------|-----|-----|------|------|-----|------|-----|------|------|------|-----|-----|
| sticking to his/her budgets | | | | | | | | | | | | | | | |
| Always compares prices before making choices on financial products/services | 12.6 | 66.3 | 8.5 | 8.4 | 4.2 | 23.9 | 56.7 | 7.4 | 6.0 | 6.0 | 22.2 | 55.6 | 11.1 | 7.4 | 3.7 |
| Always willing to pay bills | 13.7 | 68.4 | 8.4 | 7.4 | 2.1 | 25.4 | 64.2 | 4.5 | 1.5 | 4.4 | 37.0 | 48.2 | 7.4 | 3.7 | 3.7 |
| Always keeps a close watch on his/her business's own financial affairs | 13.7 | 56.8 | 13.7 | 9.5 | 6.3 | 17.9 | 61.2 | 6.0 | 9.0 | 5.9 | 22.2 | 63.0 | 11.1 | 0 | 3.7 |
| Always has financial goals and how to achieve them | 18.9 | 67.3 | 5.3 | 4.3 | 4.2 | 23.9 | 65.7 | 1.5 | 4.4 | 4.5 | 33.3 | 59.3 | 0 | 3.7 | 3.7 |
| Always responsible when it comes to money matters | 16.8 | 63.2 | 8.4 | 7.4 | 4.2 | 22.4 | 55.2 | 7.4 | 12.0 | 3.0 | 25.9 | 59.3 | 0 | 7.4 | 7.4 |
| Has been actively saving in the past years | 20.0 | 64.2 | 5.3 | 8.3 | 4.2 | 28.4 | 56.7 | 4.5 | 6.0 | 4.4 | 22.2 | 70.4 | 3.7 | 0 | 3.7 |

| | | | | | | | | | | | | | | | |
|---|------|------|------|------|------|------|------|------|------|-----|------|------|------|------|------|
| Always gathers information before choosing a financial product | 11.6 | 73.7 | 8.4 | 4.2 | 2.1 | 23.9 | 67.2 | 6.0 | 1.5 | 1.4 | 25.9 | 70.4 | 0 | 0 | 3.7 |
| Always shops around before making a choice on a financial product | 9.5 | 64.2 | 15.8 | 6.3 | 4.2 | 22.4 | 55.2 | 11.9 | 9.0 | 1.5 | 25.9 | 59.3 | 11.1 | 0 | 3.7 |
| Always borrows to fund his/her business expenditures | 5.3 | 26.3 | 18.9 | 27.4 | 22.1 | 3.0 | 61.2 | 17.9 | 7.4 | 4.5 | 3.7 | 14.8 | 11.1 | 48.2 | 22.2 |
| Always tracks their spending | 5.3 | 34.7 | 17.9 | 30.5 | 11.6 | 13.4 | 44.8 | 22.4 | 10.4 | 9.0 | 14.8 | 40.8 | 18.5 | 18.5 | 7.4 |
| Always saves on regular basis | 11.6 | 53.7 | 15.8 | 12.6 | 6.3 | 17.9 | 59.7 | 7.5 | 11.9 | 3.0 | 18.5 | 59.3 | 0 | 18.5 | 3.7 |
| Is always in control of his/her financial situation | 8.4 | 71.6 | 10.5 | 6.3 | 3.2 | 14.9 | 67.2 | 9.0 | 7.5 | 1.4 | 29.6 | 59.3 | 3.7 | 3.7 | 3.7 |

4.2 Discussion

4.2.1 Financial knowledge

On the issue of financial knowledge, the results indicate that on average 14.6% of micro business owners strongly agreed with statements used to measure financial knowledge, 58.1% agreed, 13.8% were not sure, 10.9% disagreed and 2.6% strongly disagreed. These figures show that aggregately 72.7% of the micro business owners believed that they were adequately knowledgeable about financial issues while 13.5% considered themselves not knowledgeable.

In the case of small business owners, results indicate that on average 24.2% strongly agreed, 49.5% agreed, 11.1% were not sure, 10.9% disagreed and 4.2% strongly disagreed with statements used to measure financial knowledge. These results shows that aggregately, 73.7% of small business owners considered themselves adequately knowledgeable about financial matters while 15.1% considered themselves not knowledgeable.

Regarding the medium business category, results indicate that on average 32.2% of the respondents strongly agreed, 53.3% agreed, 4.8% were not sure, 5.2% disagreed and 4.6% strongly disagreed with statements used to measure financial knowledge. These results indicate that aggregately, 85.5% of the medium business owners believed that they were adequately knowledgeable about financial matters while 9.8% considered themselves not knowledgeable.

4.2.2 Financial skill

On the issue of financial skill level, results show that on average 16.8% of the micro business owners strongly agreed, 60.9% agreed, 12.9% were not sure, 6.1% disagreed and 3.3% strongly disagreed with statements used to measure financial skill levels. These results suggest that aggregately, 77.7% of the business owners believed that they were adequately skilled in financial matters while 9.4% considered themselves not adequately skilled.

In the case of small business owners, results show that on average 20.2% strongly agreed, 59.3% agreed, 10.6% were not sure, 5.7% disagreed and 4.2% strongly disagreed with statements that were used to measure financial skill level. These results indicate that aggregately 79.5% believed that they were skilled in financial matters while 9.9% considered themselves not adequately skilled.

Regarding the medium business category, results indicate that on average 40.7% strongly agreed, 47.1% agreed, 5.7% were not sure, 2.0% disagreed and 4.4% strongly disagreed with statements that were used to measure financial skill levels among the business owners. These results show that aggregately, 87.8% of the medium business owners had a perception that they were adequately skilled about financial matters while 6.4% considered themselves not adequately skilled.

4.2.3 Attitude towards financial issues

On the issue of attitude, results show that on average 14.8% of the micro business owners strongly agreed, 54.5% agreed, 11.0% were not sure, 15.4% disagreed and 4.3% strongly disagreed with statements that were used to test for attitude towards financial matters. These results indicate that aggregately, 69.3% of the respondents had a positive/good attitude towards financial matters while 19.7% had a poor attitude.

In the case of small business category, 14.6% strongly agreed, 56.4% agreed, 9.2% were not sure, 13.3% disagreed, and 6.4% strongly disagreed with statements that were used to test for attitude towards financial matters. These results indicate that aggregately, 71.0% of the business owners believed that they had a good attitude towards financial matters while 19.7% considered themselves lacking a good attitude towards financial matters.

As for the medium business category, results show that on average 26.9% strongly agreed, 46.8% agreed, 5.4% were not sure, 13.8% disagreed and 7.1% strongly disagreed with statements that were used to test for attitude towards financial matters. The results therefore indicate that aggregately, 73.7% believed that they had a good attitude towards financial matters while 20.9% considered themselves lacking a good attitude with financial matters.

4.2.4 Financial behaviour

On the issue of financial behaviour, results show that in the case of micro businesses on average, 13.1% of business owners strongly agreed, 56.6% agreed, 11.4% were not sure, 12.0% disagreed and 6.5% strongly disagreed with statements that were used to study financial behaviour. These results indicate that aggregately, 69.7% believed that they were practicing a favourable financial behaviour, while 18.5% their financial behaviour was not favourable towards good business operation.

In the case of small businesses, the results show that on average 18.5% of the business owners strongly agreed, 57.7% agreed, 9.3% were not sure, 9.4% disagreed and 4.8% strongly disagreed with statements that were used to study financial behaviour. These results therefore indicate that aggregately, 76.2% believed that they were practicing favourable financial behaviour while 14.2% their financial behaviour was not considered favourable for good business operation.

As for the medium businesses, results show that on average 25.0% of the business owners strongly agreed, 52.1% agreed, 6.7% were not sure, 9.5% disagreed and 6.9% strongly disagreed with statements that were used to study financial behaviour. Accordingly, these results indicate that aggregately, 77.1% believed that they were exhibiting good financial behaviour while 16.4% their financial behaviour was not considered favourable for good business operation.

5. Conclusion and recommendations

5.1 Conclusion

The study focused on evaluating financial literacy among micro, small and medium business owners in Rwanda. It used financial knowledge, financial skill, attitude towards financial matters and financial behaviour to measure the financial literacy levels.

Basing on the outcome of the analysis of the results, the study concludes that 72.7% of micro business owners have a high financial knowledge level, 77.7% have a high skill level, 69.3% have good attitude towards financial matters and 69.7% were practicing good financial behaviour.

The study also concludes that 73.7% of small business owners have high financial knowledge, 79.5% are skilled in financial matters, 71.0% have good attitude towards financial matters and 76.2% were practicing good financial behaviour.

The study further concludes that 85.5% of the medium business owners have high financial knowledge level, 87.8% have high financial skill level, 73.7% have good attitude towards financial matters and 77.1% were exhibiting good financial behaviour.

5.2 Recommendations

The outcome of the study indicates that there are some business owners who lack financial knowledge, those that are not skilled in financial matters, those who have a poor attitude towards financial matters and those who practice bad financial behaviour.

The study therefore makes the following recommendations:

1. The government to use its relevant organs and resources to identify the 13.5% of micro business owners, the 15.1% of small business owners and the 9.8% of medium business owners who are the non-knowledgeable people and educated them on financial matters so that they also become knowledgeable.
2. The government should also identify the 9.4% of micro business owners, 9.9% of small business owners and 6.4% of the medium business owners who are not skilled, and train them in appropriate financial skills so that they become adequately skilled.
3. The government should further identify the 19.7% of the micro business owners, the 19.7% of small business owners and the 20.9% of the medium business owners who have poor attitude towards financial matters, and then sensitize them so as to change their mind set for them to adopt a good attitude.
4. In addition, the government should identify the 18.5% of the micro business owners, the 14.2% of the small business owners and the 16.4% of the medium business owners who practice bad financial behaviour and then educate them on good financial behaviour.

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