



OUTLOOK 2015

23

WORLD
ASSOCIATION FOR
SUSTAINABLE
DEVELOPMENT

AN ANALYSIS OF THE IMPACT OF FINANCIAL LITERACY ON ENTREPRENEURSHIP DEVELOPMENT IN AFRICA

HABIB AUWAL ABUBAKAR

Capacity Development Specialist, Tunisia

*Capacity Development Specialist,
African Development Bank Group,
Office of the Chief Economics,
Temporary Relocation Agency (ATR),
3 Avenue rue du Ghana Tunis,
Belvedere BP322 1002 Tunis, Tunisia
Tel: +216-7110-3571
E-mail: h.abubakar@afdb.org
E-mail: habibauwal@yahoo.com*

ABSTRACT

Purpose: As financial literacy is gaining momentum both in developed economies with sophisticated financial systems and developing countries with low levels of financial services, this research seeks to establish a formal relationship between financial literacy and access to finance and what impact both have for developing an entrepreneurship society in Africa. The purpose of the study is to analyse the level of financial literacy in Africa based on previous studies and evidence from financial literacy surveys, with the aim of establishing how financial literacy impacts entrepreneurship development in Africa. The study specifically looks at how financial literacy affects the household behaviour regarding financial decision-making, as well as the gender gap in financial literacy. It also focuses on the relationship between financial decision-making and gender as well as access to finance with the aim of carefully examining the implications on entrepreneurship development.

Design/methodology/approach: To attain the above objective, the study employed a mixed methodology research design where both quantitative and qualitative methods were used. A survey method on financial literacy, conducted by: (Finscope, OECD)¹ was thoroughly analysed in addition to previous work on entrepreneurship development, financial literacy, access to finance and poverty reduction in Africa.

Findings: The results show that the difficulties in access to finance, access to market, policy support and entrepreneurship culture are the main problems and constraints on entrepreneurship development in Africa which has a very strong implication for financial literacy on the continent particularly on Micro

¹The FinScope surveys were administered by the South African organization FinMark Trust and was launched with initial funding from the DfID. An international OECD study was published in late 2005 analysing financial literacy surveys in OECD countries.

Small And Medium Enterprises (MSMEs). Other important problems include unfavorable investment climate, absence of entrepreneurship training programmes, unfriendly investment business environment, gender gap and lack of value chain in the entrepreneurship ecosystem.

Research limitation: The paper is limited to the established survey and mainly concentrates on Africa.

Practical Implication: African governments and other development partners should re-evaluate their intervention programmes to strengthen financial literacy skills while simultaneously supporting entrepreneurship development by promoting an entrepreneurship culture through the right policy that will actively stimulate the development of entrepreneurs that will contribute to entrepreneurship ecosystems and ultimately enhance Africa's economic development.

Originality/Value: This paper aims at enhancing understanding of entrepreneurship development and financial literacy in Africa and will help policy-makers and researcher fill the missing gap between financial literacy and entrepreneurship education. The recommendations made could significantly boost entrepreneurship activities as well as enhance financial literacy skills in the region, which can as well help increase access to finance on the continent.

Keywords: access to finance; Africa; entrepreneurship development; entrepreneurship ecosystem; financial literacy; financial skills; financial education.

INTRODUCTION

It is often argued that entrepreneurship offers a means through which people can have opportunities to economic prosperity. It is also seen as an avenue for employment, poverty reduction, national income and ultimately, economic growth in a country. However, 2.47 billion people in the world live in poverty with an income of \$2 or less a day and a larger percentage of this number are in Africa. However, the total population living in poverty is proving to be relatively stable, as indicated by the decline of these individuals from 2.59 billion to 2.47 billion between 1981 and 2008. Scholars and business organisations have recognised this population as a large potential market for selling a variety of goods and services with the ability to achieve full economic prosperity.

Entrepreneurs everywhere cite limited availability of finance as a major obstacle to their activities (Stein et al., 2010), but this constraint is especially obvious in Africa. According to the World Bank's Enterprise Surveys, about 45% of firms in Sub-Saharan Africa (SSA) identify access to finance as a key obstacle to their business, relative to 13% in OECD countries. This study seeks to specifically establish a strong linkage between financial literacy and access to finance and the impeding effect of the two on entrepreneurship development in Africa. We explored gender gap in financial education and its implication on financial behaviour on households. It worth mentioning that financial literacy is imperative for entrepreneurs to properly appraise risk and prospects between competitive options such as the need to understand certain key financial concepts. These concepts require financial literacy that is very relevant to successful business operation, particularly Micro Small and Medium Enterprise (MSME) micro and small and medium enterprises. However, access to finance is impeding this potentiality, particularly in Africa where the majority of people do not understand how different financial products work (in other words, they have a low financial literacy), making it practically difficult to have seed capital or expand a business venture.

LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

Financial literacy

Empirical evidence suggests that financial literacy has a positive impact on financial behaviour of households and individuals, particularly entrepreneurs. It is important to understand financial

concepts which will help in proper risk appraisals and prospects between competitive options, these concepts are paramount to business operation, such as, keeping track of expenses, revenue and investment choices. Overall, entrepreneurs need to plan the start-up of an enterprise and the fundamental for all of this is financial literacy. To date, there remains little generally accepted consensus on the definition and conceptual modelling of financial literacy. Nevertheless, financial literacy in either developed countries or developing countries is an important topic for discussion. OECD (2005) defined financial literacy as:

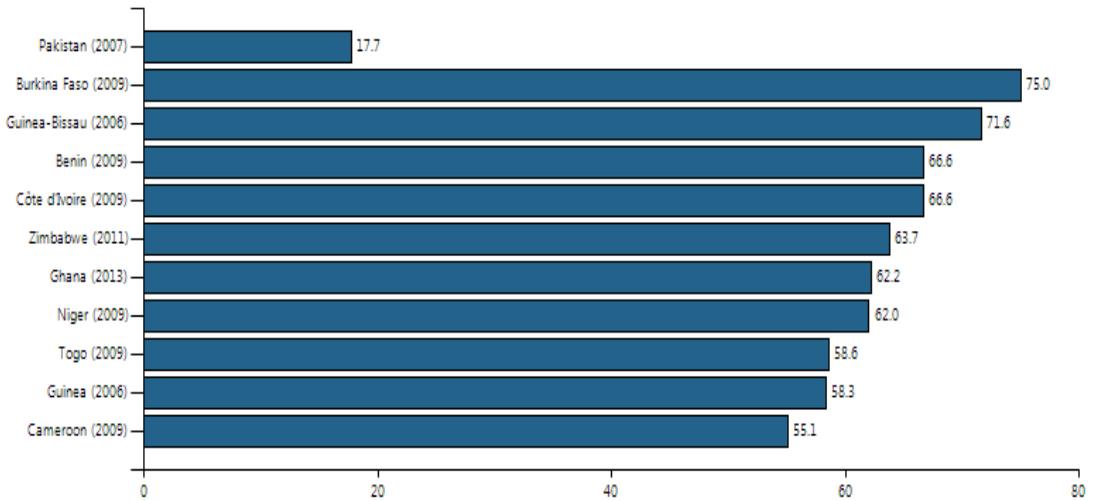
“The combination of consumers or investor understands of financial products and concepts and their ability and confidence to appreciate financial risk and opportunities, to make informed choices.”

Financial literate people are better at budgeting, saving money and controlling spending (Moore, 2003; Perry and Morris, 2005); handling mortgage and other debt (Campbell, 2006; Lusardi and Tufano, 2009); participating in financial markets (Christelis et al., 2010; Van Rooij et al., 2011; Yoong, 2010); planning for retirement (Lusardi and Mitchell, 2007a; Lusardi and Mitchell, 2008) and ultimately, successfully accumulating wealth (Stango and Zinman, 2009). The work of (Hammack et al., 2004; Marmot, 2005; Mackenbach et al., 2008; Shanks and Danziger, 2010) demonstrates a strong linkage between financial status and other important aspects of household well-being, notably low financial status correlates with poorer physical, mental and emotional health outcomes for all household members and lower educational attainment of children. Another important study (Cole et al., 2009) on financial literacy in Indonesia using randomised control trial points out that financial literacy positively correlates with demand for financial services.

ENTREPRENEURSHIP AND FINANCIAL LITERACY

As previously stated, for entrepreneurs to properly appraise risk and prospects between competitive options, it is necessary to understand certain key financial concepts. These concepts require financial literacy, which is very relevant to business operation, such as keeping track of expenses, revenue and investment choices. Overall need to plan the start-up of an enterprise and the fundamental for all this is financial literacy. While finance may not be the first or even the most important fundamental of entrepreneurship development – managerial capacity and markets come first – adequate capitalisation is one of the crucial building blocks. Access to capital can make small business start-ups possible, fund enterprise expansion and create important long-term investment. The lack of capital investments limits growth, forces reliance upon non-diversified operating funds, and often dooms promising ideas before maturing in the marketplace (REDF, 1996, p.249).

People across Africa have many economic strength, but most a times fail to turn them into market opportunities. Evidence suggests that many factors are responsible for this and they negatively affect entrepreneurship and market-based solution to poverty. McMullen (2010) is of the opinion that entrepreneurship sets out to delineate a market-based approach to inclusive growth for the poor. The author focuses on the role of institutions as barriers or facilitators to market-based solutions to poverty as he seeks to outline the potential role of developmental economics in entrepreneurship; Baumol (1990) clearly illustrates that sound institutional policy is the key to determining successful entrepreneurial activities of a country or nation through prevailing rules and regulation. The works of Easterly (2006), Fligstein (2001) and North (1990) outline the prominent factors in Africa and other developing economies that hinder entrepreneurship development toward a successful and functional market economy. The major factor are the type of institution and policy support which are, most of the time, weak or even absent, therefore, making it difficult for full market participation and achieving global value chain (Figure 1).



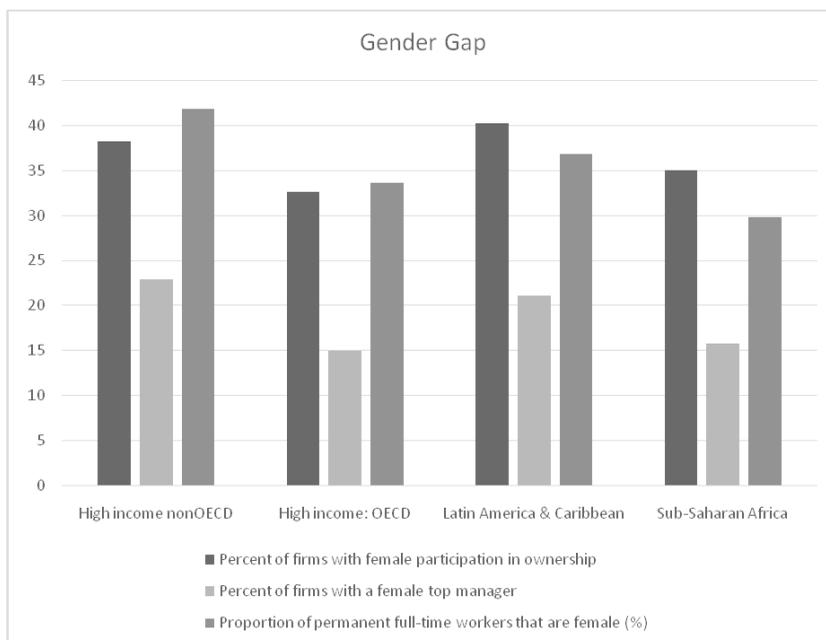
Source: World Bank Enterprise survey.

Figure 1 (%) Percentage of people having access to finance as constraint to business

This positive assessment of entrepreneurship has led policy-makers to focus time and resources on programmes to boost entrepreneurship development. For instance, US policy-makers have called for more government support of entrepreneurs to help the country regain a competitive lead in the global economy (Baumol and Strom, 2007; Schramm, 2006). The European Union's Lisbon Declaration of March 2000 explicitly identifies entrepreneurship as the key to the European Union becoming the most competitive world region (Naude, 2008), although cross-country comparisons are limited by the shortage of internationally comparable data on entrepreneurship. The 2010 World Bank Entrepreneurship Snapshots which measure new firm entry in the formal private sector in 112 economies, make a valuable contribution. Klapper and Love (2010) use this datasets to find a positive and significant relationship between income level and new firm entry. However, an important drawback is the exclusion of the informal sector where the majority of Africa's entrepreneurship activities take place. These type of entrepreneurs are (Baumol, 2010) replicative entrepreneurs (also known as necessity entrepreneurs and survival entrepreneurs) rather than Schumpeter (1934) innovative entrepreneurs who introduce new technology or bring an existing idea to a new market through creative destruction and driving force for economic growth.

ENTREPRENEURSHIP, FINANCIAL LITERACY AND GENDER GAP

Surprisingly, while the need for financial literacy is generally acknowledged, the importance of gender dimension remains a subject for debate. It is often argued that lack of financial access hinders entrepreneurs in Africa, and prevent women's participation in the modern economy given the lack of basic financial skills and financial services provision, in particular, access to finance (Honohan and Beck, 2007) which is important to firm growth, especially MSMEs (Beck et al., 2005). However, credit is not the only constraint on female entrepreneurs. Recent evidence shows that access to saving services can also increase enterprise investment for female (Dupas and Robinson, 2013). Broad access to financial services is important for the economy at large, its constraints reduce the efficiency of capital allocation and intensifies income inequality by blocking the flow of capital to individuals with investment opportunities and business ideas which may have high returns. Generally, gender differences in access and use of financial services can have a direct negative impact on the overall economy.



Source: World Development Indicator.

Figure 2 Gender gap and firm ownership

There is significant theoretical evidence elaborating a possible gender gap in access to financial services (Aterido et al., 2013). Firstly, there might be taste discrimination, where men dominate the financial system. Secondly, there may be statistical discrimination where persons with lower education can have barriers to entry into the formal market with women being disadvantaged. Thirdly, the traditional role of distribution in the society with women focusing on household activities and men on market economy. Analysing this gender bias has an important policy implication. The gender gap has made many Non-Governmental Organizations (NGOs) to collaborate with various government agencies in Africa to support micro credit institution with a focus on women (Figure 2).

A recent study by the World Bank (2013) reported that there is gender difference in capital start-ups in Africa, the median capital for male entrepreneurs is twice more than that of women entrepreneurs, and this clearly shows that women face a higher entry barrier than men. Concerning business ownership, the studies showed 46% female and 22% of the female ownership participation are micro-enterprises, while women own only 18% of businesses. This indicated that the unconditional distribution of firms showed women bias. However, this evidence is difficult to interpret in a casual way, putting forward financial constraints, growth and the size of the firm.

MEASURING FINANCIAL LITERACY IN AFRICA

Unlike health literacy, that is typically measured using one of the three standardised tests, there are currently no standardised instruments to measure financial literacy. Marcolin and Abraham (2006) identified the need for research focused specifically on the measurement of financial literacy. Typically, financial literacy and/or financial knowledge indicators are used as inputs to model the need for financial education and explain variation in financial outcomes such as savings, investing and debt behaviour. Far fewer studies specifically emphasise measurement of financial literacy as an objective (Figure 3).

COUNTRY (YEAR OF SURVEY)	USE FINANCIAL PRODUCTS			CURRENTLY SAVE OR PUT MONEY AWAY	BORROWED MONEY IN PAST 12 MONTHS	USE AN INSURANCE PRODUCT	AWARENESS ("HAS NEVER HEARD OF...")					
	TOTAL	FORMAL	INFORMAL				SAVINGS ACCOUNT	INTEREST ON SAVINGS	INSURANCE	LOANS		
Southern Africa												
Swaziland (2011)	63%	50%	13%	66%	33%	22%†	--	--	--	--	--	--
Lesotho (2011)	81%	58%	23%	51%	66% ("have borrowed")	61%†	--	--	--	--	--	--
South Africa (2010)	77%	63%	14%	37% ("save regularly")	33% ("have credit product")	50%†	--	--	--	--	--	--
Mozambique (2009)	22%	13%	9%	20%	8%	5%	82%	90%	88%	22%	22%	22%
Botswana (2009)	67%	59%	8%	--	--	--	--	--	--	--	--	--
Zambia (2009)	37%	23%	14%	46%	24%	4%	--	--	--	--	--	--
Namibia (2007)	48%	47%	1%	45% §	15% §	18% §	--	--	--	--	--	--
Malawi (2008)	45%	26%	19%	74%	22%	3%	54%	66%	--	--	48%	48%
East Africa												
Kenya (2009)*	67%	41%	26%	52%	38%	7%	9% ("don't understand product")	49%	48% ("don't understand product")	--	--	--
Uganda (2009)	70%	28%	42%	67%	45% ("currently borrowing")	25%†	--	--	--	--	--	--
Rwanda (2008)	47%	21%	26%	54%	27%	82%‡	--	--	--	--	--	--
Tanzania (2006)	46%	11%	35%	--	--	--	27%	35%	25%	9%	9%	9%
West Africa												
Ghana (2010)	56%	41%	15%	64%	19%	5%	--	--	--	--	--	--
Nigeria (2008)**	47%	23%	24%	67%	7% ("currently borrowing")	2%	42%	36%	48%	22%	22%	22%
South Asia												
Pakistan (2009)***	44%	12%	32%	56%	35% (currently has a loan)	2%	--	--	--	--	--	--

* FinAccess. ** Access to Finance Survey. *** Access to Finance Study (A2FS). § Estimate for use of formal product only.

† In South Africa, this includes 45% who have funeral coverage, and 26% who use other products. In Lesotho, over a third of adults have funeral insurance. Funeral coverage is also common in Swaziland and Uganda.

‡ Reflects access to government-sponsored medical insurance. Use of other types of insurance products is 0-1%.

Figure 3 Finscope survey result on access to finance and financial literacy in SSA and Pakistan

Various intervention programmes have been implemented across Africa with the aim of improving knowledge and awareness of financial services as well as deepening access to finance for people at the bottom of the pyramid living on \$2 or less a day. However, measuring financial literacy is paramount as the important thing is to assess the behaviour of individuals on financial issues. Lusardi and Mitchell (2007b, 2008, 2011a) note that while it is important to assess how financially literate people are, in practice, it is difficult to explore how people process economic information and make informed decisions about household finances. As discussed in the introduction, improving financial literacy for entrepreneurs may be as important as improving the same for consumers in the developing world.

FinScope's household surveys do not contain questions related to business literacy, but they have launched a separate series of surveys of businesses, which do contain relevant questions. For instance, according to a survey of businesses in Zambia in 2010, almost 73% of MSMEs are prevented from accessing finance because of inadequate business records. The report notes that helping MSME owners keep business records, identify more profitable lines of business, develop business plans, and improve general business administration could allow them to increase productivity and make it easier for them to access financial services. Access to finance is also a problem for small businesses relative to larger enterprises, and particularly for the majority of small businesses that are unregistered. On the other hand, the returns on education for enterprise owners are high—one year of additional education will apparently boost labour productivity by 10%. The returns to financial literacy education and other forms of capacity building might therefore be high as well.

As the survey results indicate, a large proportion of the population in countries such as Mozambique, Malawi and Nigeria lack awareness of basic financial products and concepts such as savings accounts, interest on savings, insurance and loans. In Malawi, where only 19% of the population has a formal bank account, these reasons account for the overwhelming majority of responses. Less than 10% of respondents cite financial literacy-related reasons, such as not knowing how to apply for an account. (It is possible, however, that perceptions of minimum required balances, for instance, may be incorrect.) At the same time, almost 80% had either never heard of savings accounts or did not know what they were, and the figure is lower for current or checking accounts. Income-related reasons are also predominant in Rwanda, Namibia and Tanzania, although a higher percentage of adults in Tanzania (21%) also said that they did not know how to open an account. In an attempt to provide a more definitive answer, Honohan and King (2009) use data from FinScope surveys to estimate the impact of various potential determinants of having a bank account. They include a variable for financial sector knowledge (a normalised index of the number of products from a given list that a respondent claims to know), which might be regarded as a weak proxy for general financial literacy. They find this variable to be positive and significant when controlling for country fixed effects, but the sign is reversed without the fixed effects. Hence, no clear correlation can be drawn. Regardless, while the role of financial literacy in determining bank account ownership is rather unclear, it could prove to be a greater constraint in other areas such as the take-up of insurance products. Indeed, the FinScope surveys indicate that basic awareness of insurance is low in many low-income countries in Africa. Only 4% of Ghanaians have formal insurance, and an even smaller percentage has informal insurance. While two-thirds of those surveyed cited affordability as the main reason for not purchasing insurance, more than a quarter of individuals also reported reasons such as not knowing what insurance was, how it worked, or how to buy it. In Malawi, almost 50% of adults did not know that insurance products could protect you when you have a problem. Many people rely instead on support from their family and community or loans to cover costly medical and burial expenses. Half of those surveyed in both Nigeria and Mozambique had never heard of insurance or insurance products at all (Figure 4).

COUNTRY (YEAR OF SURVEY)	Q1. COMPOUND INTEREST*	Q2. INFLATION*	Q3. RISK DIVERSIFICATION*	SURVEY SAMPLE	SOURCE
High-income					
United States (2009)	65%	64%	52%	1,488	Lusardi and Mitchell (2011b)
Italy (2006)	40%	60%	45%**	3,992	Fornero and Monticone (2011)
Germany (2009)	82%	78%	62%	1,059	Bucher-Koenen and Lusardi (2011)
Sweden (2010)	35%**	60%	68%	1,302	Almenberg and Säve-Söderbergh (2011)
Japan (2010)	71%	59%	40%	5,268	Sekita (2011)
New Zealand (2009)	86%	81%	27%**	850	Crossan et al. (2011)
Netherlands (2010)	85%	77%	52%	1,324	Alessie et al. (2011)
Upper-middle-income					
Russia (2009)	36%**	51%**	13%**	1,366	Klapper and Panos (2011)
Romania (2010)	24%**	43%	--	2,048	World Bank CPFL program
Azerbaijan (2009)	46%**	46%	--	1,207	World Bank CPFL program
Chile (2006)	2%**	26%	46%	13,054	Behrman et al. (2010)
Lower-middle-income					
Indonesia (2007)	78%	61%	28%**	3,360	Cole et al. (2010)
India (2006)§	59%	25%	31%**	1,496	Cole et al. (2010)
West Bank & Gaza (2011)	51%	64%**	--	2,022	World Bank CPFL program

*Percent answered correctly for each of the questions displayed in the box on page six. Questions are similarly worded across surveys except where noted.

**Q1: Swedish and Chilean respondents were asked to give the exact answer in a substantially more difficult question: "Suppose you have 200 SEK in a savings account. The interest is 10 per cent per year and is paid into the same account. How much will you have in the account after two years?" Russian, Romanian, and Azerbaijani respondents were asked a slightly harder question: "Let's assume that you deposited 100,000 rubles in a bank account for 5 years at 10% interest rate. The interest will be earned at the end of each year and will be added to the principal. How much money will you have in your account in 5 years if you do not withdraw either the principal or the interest: more than 150k rubles, exactly 150k rubles, or less than 150k rubles?"

**Q2: In Russia and the West Bank and Gaza the following was asked: "Let's assume that in 2010 your income is twice as now, and the consumer prices also grow twofold. Do you think that in 2010 you will be able to buy more, less, or the same amount of goods and services as today?"

**Q3: This result for Italy is taken from the 2008 survey (which uses a different sample), since a comparable question was not asked in 2006. New Zealanders were asked a much more difficult (and ambiguous) question: "Which one of the following is generally considered to make you the most money over the next 15 to 20 years: a savings account, a range of shares, a range of fixed interest investments, or a cheque account?" Russian respondents were asked: "Which is the riskier asset to invest in: shares in a single company stock, or shares in a unit fund, or are the risks are identical in both cases?" In Indonesia and India: "Do you think the following statement is true or false? For farmers, planting one crop is usually safer than planting multiple crops."

§Gujurat only; not nationally representative.

Figure 4 Selected financial literacy survey around the world

FINANCIAL LITERACY AND FINANCIAL BEHAVIOUR

Behaviour is the vital component of financial literacy and the most important. The positive outcomes from being financially literate are driven by behaviour such as planning expenditure and building up a financial safety net. Several studies showed that financial literacy is positively related to self-beneficial financial behaviour. Hilgert et al. (2003) added financial behaviour and financial literacy questions to the nation-wide Survey of Consumer Finances. They formed a Financial Practices Index-based on behaviour in four variables: cash-flow management, credit management, savings and investment practices. Comparing the results of this index with scores on the financial literacy quiz, they found that those who were more financially literate had higher Financial Practices Index scores, indicating that financial knowledge is related to financial behaviour.

A variety of evidence indicates that financial literacy has strong correlation with investment behaviour. Volpe et al. (2002) find, in a survey of online investors, that older male investors with graduate degrees have higher investment literacy. Calvet et al. (2009), analysing Swedish households, find that financial sophistication increases with financial wealth and household size, and is positively correlated with holding risky assets. Several studies have moreover found causal effects of financial literacy on investment behaviour. Van Rooij and Lusardi (2007), in an analysis of Dutch survey data, find a causal effect of financial literacy on stock market participation. Abreu and Mendes (2010), in a survey of Portuguese investors, find that higher levels of education and financial literacy have a positive impact on portfolio diversification, while Guiso and Jappelli (2009) find similar results for Italian investors. Further behaviour questions provide us with information about the extent to which an individual takes responsibility for household finances and budgeting (Figure 5).

- 1) Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?
 - More than \$102
 - Exactly \$102
 - Less than \$102
 - Do not know
 - Refuse to answer

- 2) Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?
 - More than today
 - Exactly the same
 - Less than today**
 - Do not know
 - Refuse to answer

- 3) Please tell me whether this statement is true or false. "Buying a single company's stock usually provides a safer return than a stock mutual fund."
 - True
 - False**
 - Do not know
 - Refuse to answer

* Correct answers in bold.

Figure 5 Financial Literacy Questions (Lusardi and Mitchell, 2011b)*

DISCUSSION AND CONCLUSION

It is often debated that exposing the public to financial literacy skills will help raise awareness of the usefulness of various financial services and pave the way as to how they can be managed to yield optimal result. To date, little success has been registered. This is similar to studies by the OECD on financial literacy, which established that financial inclusion still remains low, implying that financial literacy is yet to achieve its intended objectives. We explore various literature to establish the strong linkage between financial literacy and access to finance and the impeding effect of the two on entrepreneurship development. It also aims at proving that financial literacy has a very strong relationship with entrepreneurship development. We further looked at the influential factor on financial behavior of household as well as the gender gap in financial literacy. Elaborating on women often facing unequal economic and financial opportunities with respect to men in developed and developing countries. A number of factors and barriers appear to affect women's financial opportunities. Gender differences in financial literacy are correlated with differences in socio-economic conditions of men and women, suggesting that limited access to education, employment and formal financial markets not only reduce women's financial well-being *per se*, but also limit the extent to which women can improve their knowledge, confidence and skills relating to economic and financial issues.

We further analysed the financial literacy survey conducted by both OECD and Fin Scope whose results indicate that awareness of and access to different financial products can vary greatly by country. It further demonstrates that lack of awareness of financial products and institutions is likely a major barrier to take up of financial products. Moreover, it underscores that most people cite lack of income and savings as the primary reason for not having a bank account and/or use of any financial product. Fin Scope surveys on access to finance in Africa indicate that business literacy among entrepreneurs may be low, based on lack of record-keeping and other factors. With regard to increasing financial access and take-up of financial services, such as savings accounts, financial education may not be as beneficial as other interventions, such as subsidies (Cole et al., 2011). Some have also argued that consumer protection measures may be more effective than improving individual financial literacy in preventing fraud. Other studies indicate that behavioural factors, such as impatience, may play a bigger role in financial outcomes than financial illiteracy (Hastings and Mitchell, 2011). However, more research needs to be done on how to effectively target those with lower levels of financial literacy.

The analysis in this study reveals a number of challenges in promoting entrepreneurship in Africa and issues on access to finance, gender gap and financial literacy. Most surveys indicate that women, youth, the elderly, and those with lower incomes and educational attainments are less likely to be financially literate. Many surveys also indicate disparities between urban areas and rural areas, as well as geographical regions, and differences by race, ethnicity, employment status and a variety of other factors.

In spite of the need for ongoing research, the survey evidence and programme described in this paper should provide a useful starting point for policy-makers in designing programme intervention on financial education programmes for both consumers and entrepreneurs. Surveys have indicated certain areas of universal concern, such as lack of awareness of certain basic financial products, but also that financial literacy needs and desires vary widely across the region. In light of this diversity, it becomes especially important to tailor both the content and the format of financial education programmes to their target audience, as well as to consider complementary interventions to reach the end goal, whether it be improving financial access or enhancing enterprise productivity. There is also the need to identify and target vulnerable populations considering supply-side failures.

REFERENCES

- Atkinson, A. and Messy, F. (2012) 'Measuring financial literacy: results of the OECD/International Network on Financial Education (INFE) pilot study', *OECD Working Papers on Finance, Insurance and Private Pensions*, No. 15, OECD Publishing, Available at: <http://dx.doi.org/10.1787/5k9cfsf9ofr4-en>.
- Baliamoune-Lutz, M. (2010) 'Policy reform and entrepreneurship in developing countries', Chapter 9 in W.A.Naudé (Ed.). *Entrepreneurship in Economic Development*, Palgrave Macmillan.
- Beck, T. and Demirgüç-Kunt, A. (2008) 'Access to finance: an unfinished agenda', *The World Bank Economic Review*, Vol. 22, No. 3, pp.383–396.
- Beck, T. and Iacovone, L. (2013) 'Access to finance in Sub-Saharan Africa: is there a gender gap?' *World Development*, Vol. 47, pp.102–120, Available at: <http://dx.doi.org/10.1016/j.worlddev.2013.02.013>.
- Brixiova, Z. (2010) 'Unlocking productive entrepreneurship in Africa's least developed countries', *African Development Review*, Vol. 22, No. 3, pp.440–451.
- Demirguc-Kunt, A. and Klapper, L. (2012) 'Measuring financial inclusion: the global index', *World Bank Policy Research*, WP 6025, Available at: http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469372&piPK=64165421&menuPK=64166093&entityID=000158349_20120419083611.
- Honohan, P. (2004) 'Financial sector policy and the poor', *Working Paper*, No. 43, Washington, DC: World Bank.
- Honohan, P. and Beck, T. (2007) *Making Finance Work for Africa*, Washington, DC: World Bank.
- International Finance Corporation (IFC) (2011) *Strengthening Access to Finance for Women-Owned SMEs in Developing Countries*, International Finance Corporation, Washington, DC, Available at: http://www1.ifc.org/wps/wcm/connect/a4774a004a3f66539f0f9f8969adcc27/G2o_Women_Report.pdf?MOD=AJPERES.
- Klapper, L. and Panos, G.A. (2011) 'Financial literacy and retirement planning: the Russian case', *Journal of Pension Economics and Finance*, Vol. 10, No. 4, pp.599–618, October, Available at: <http://journals.cambridge.org/action/displayAbstract?fromPage=online&aid=8403939>.
- Lusardi, A. and Mitchell, O. (2011a) 'Financial literacy around the world: an overview', *Journal of Pension Economics and Finance*, Vol. 10, pp.497–508, doi:10.1017/S1474747211000448.
- Lusardi, A. and Tufano, P. (2009) 'Debt literacy, financial experiences, and over indebtedness', *NBER Working Paper*, No. 14808, Available at: <http://www.nber.org/papers/w14808>.
- Lusardi, A. and Mitchell, O. (2011b) 'Financial literacy and retirement planning in the United States', *Journal of Pension Economics and Finance*, Vol. 10, pp.509–525, doi:10.1017/S147474721100045X.
- Lusardi, A., Mitchell, O. and Curto, V. (2010) 'Financial literacy among the young', *Journal of Consumer Affairs*, Vol. 44, No. 2, pp.358–380, Available at: <http://onlinelibrary.wiley.com/doi/10.1111/j.1745-6606.2010.01173>.
- Mair, J. and Marti, I. (2009) 'Entrepreneurship in and around institutional voids: a case study from Bangladesh', *Journal of Business Venturing*, Vol. 24, No. 5, pp.419–435.
- McMullen, J.S. (2010) 'Delineating the domain of development entrepreneurship: a market-based approach to facilitating inclusive economic growth', *Entrepreneurship Theory and Practice*, Vol. 34, pp.185–215.
- OECD (2012) *Closing the Gender Gap: Act Now*, Paris: OECD, doi: 10.1787/9789264179370-en.
- Raquel, F., Mullen, J., Zamarro, G. and Zissimopoulos, J. (2010) 'What explains the gender gap in financial literacy', *RAND Working Paper*, No. WR-762, June 2010, Available at: http://www.rand.org/content/dam/rand/pubs/working_papers/2010/RAND_WR762.pdf.
- REDF (2008) *Social Return on Investment (SROI) Collection (2000)* Available at: <http://www.redf.org/publications-sroi.htm>.
- Rob, A., Van Rooij, M. and Lusardi, A. (2011) 'Financial literacy and retirement preparation in the Netherlands', *Journal of Pension Economics and Finance*, Vol. 10, pp.527–545.
- Shane, S. and Venkataraman, S. (2000) 'The promise of entrepreneurship as a field of study', *Academy of Management Review*, Vol. 25, No. 1, pp.217–226.
- Shetty, N.K. (2008) 'Microfinance for micro enterprise development: an inquiry for a new paradigm', *Journal of Financial Economics*, Vol. 6, No. 1, pp.89–98.
- Webb, J.W., Kistruck, G.M., Ireland, R.D. and Ketchen Jr., D.J. (2010) 'The entrepreneurship process in base of the pyramid markets: the case of multinational enterprise/nongovernment organization alliances', *Entrepreneurship Theory and Practice*, Vol. 34, pp.555–581.

BIOGRAPHICAL NOTES

Habib Auwal Abubakar is Development Expert working for the African Development Bank, Tunis, Tunisia. He hold a Master's Degree in Development Policy, from Korea Development Institute School of Public Policy and Management (KDI School) South Korea, Postgraduate Diploma in Banking and Finance from School of African and Oriental Study, University of London, United Kingdom. His Area of interest include Entrepreneurship Development, Private Sector Development, Finance and Development, Social Entrepreneurship, Small and Medium Size Enterprises, Knowledge Management, African Development and Macroeconomic Policy.