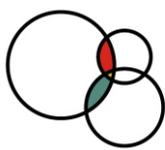


2018

NIGERIAN MSME FINANCIAL LITERACY SURVEY



Supported by



Small & Medium Enterprises Development Agency of Nigeria

In partnership with

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INTRODUCTION

Financial literacy is essential for entrepreneurs to run their businesses effectively, efficiently and profitably. It enables entrepreneurs financially plan, manage their business finance, manage financial risk and cash flow, and identify and seek appropriate financial support. Over the last 18 years, FATE Foundation has supported Nigerian entrepreneurs to start, grow and scale their businesses and one of the key insights on this journey is that financial literacy is a critical knowledge gap faced by Micro, Small and Medium scale Enterprises (MSMEs) in Nigeria.

Given that financial literacy is not effectively emphasised in the Nigerian curriculum at the post-basic and tertiary level, most entrepreneurs particularly at the micro and small enterprise levels often struggle with understanding the financial rudiments of running a sustainable business such as record keeping, cash flow management, preparing projections and taxation. This deprives them of the advantages presented by using strategic financial information to make critical decisions that will positively impact their business and help ensure continued growth.

To improve our understanding of the financial literacy gaps amongst Nigerian entrepreneurs, FATE Foundation, in association with the Association of Chartered Certified Accountants (ACCA) Nigeria, asked 6,500 MSMEs about their level of financial literacy. This research also asked those entrepreneurs who have undertaken financial literacy training the benefits from having done so.

This survey provides key insights from our MSME respondents and will serve as the basis of the discussions for our 2018 Policy Dialogue Series. We will incorporate the feedback from the deliberations of the Policy Dialogue into the findings from a separate survey we carried out with Financial Literacy training and support providers and insights from our stakeholder session with key MSME Access to Finance Providers.

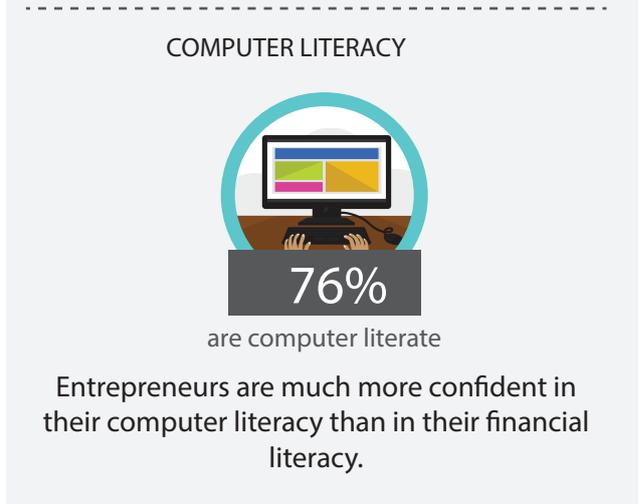
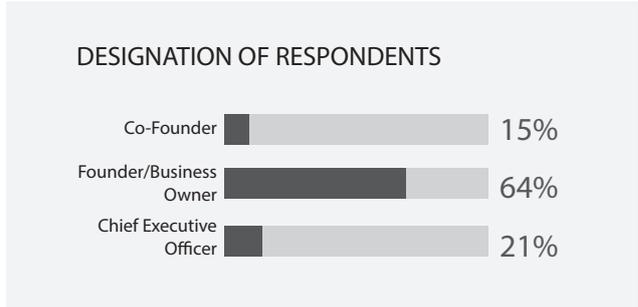
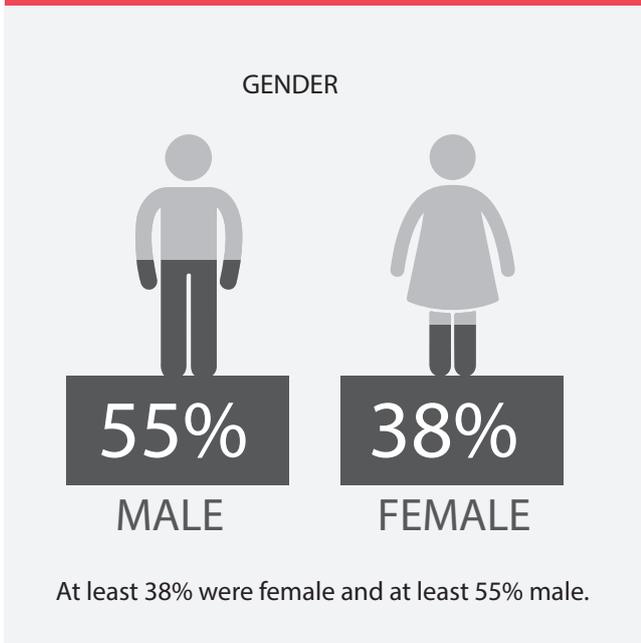
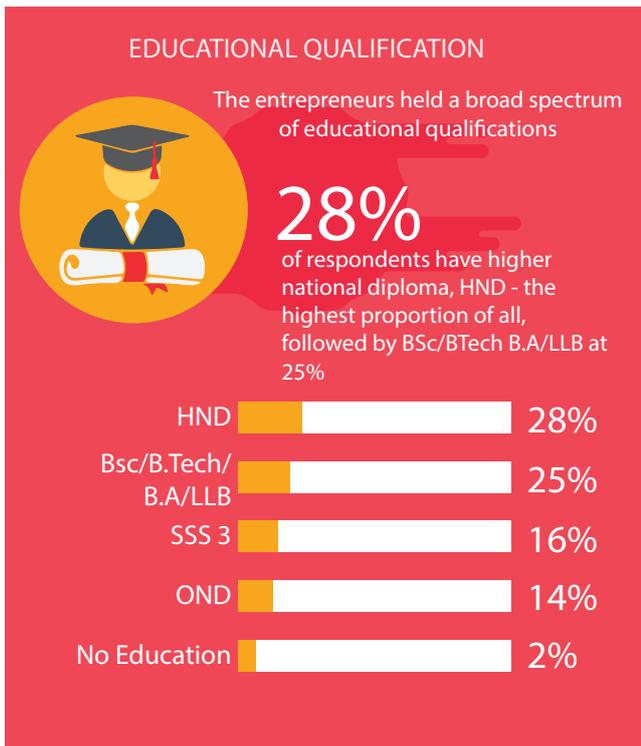
These findings will serve as input into the Report on “How to Better Enable Nigerian MSMEs with Financial Literacy” which is being developed with the technical and knowledge partnership of ACCA Nigeria and will provide recommendations on policy and program design and implementation strategies to consider. The Report which will be launched in August 2018 will also include recommendations for MSME Financial Literacy Curriculum content and delivery guidelines for those in the entrepreneurship ecosystem providing learning and support structures for MSMEs.

We strongly believe that success in improving the way financial literacy knowledge and support to Nigerian entrepreneurs is provided will significantly and positively impact the sustainability and growth of Nigerian enterprises.

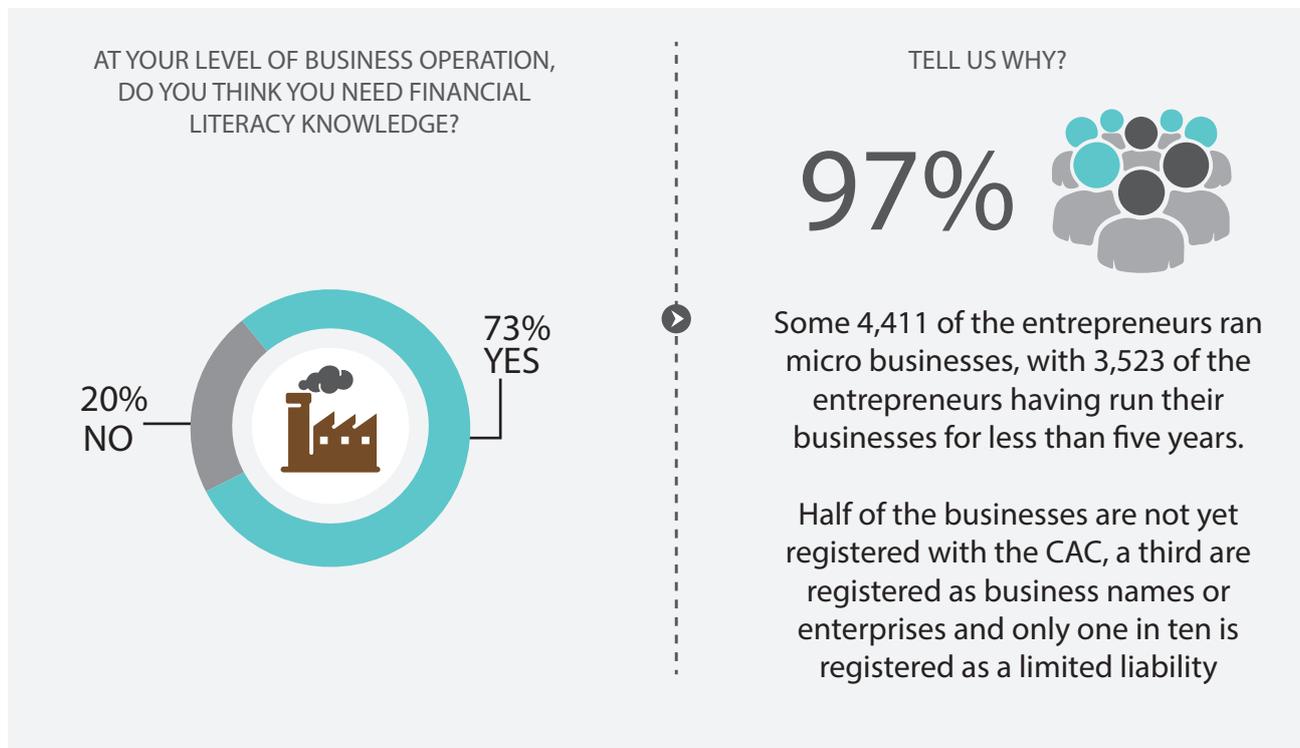
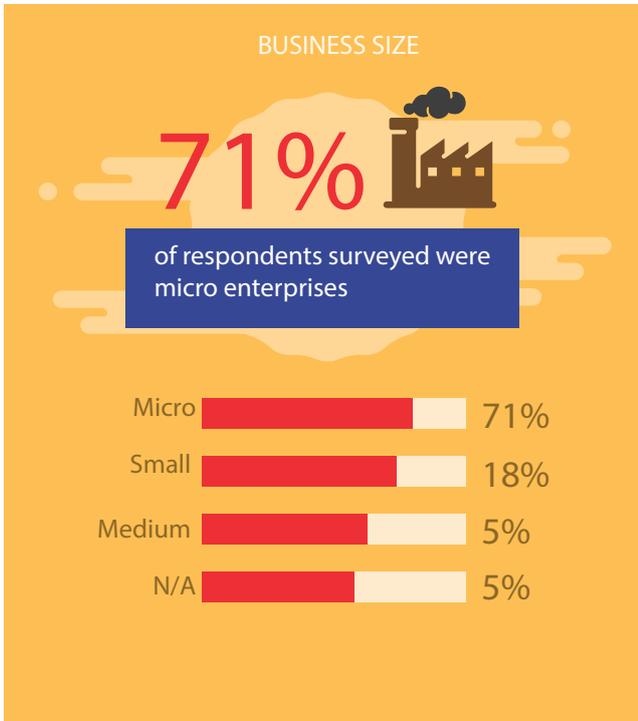
Adenike Adeyemi

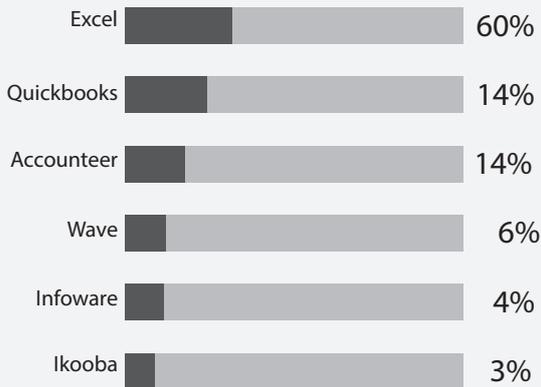
Executive Director, FATE Foundation





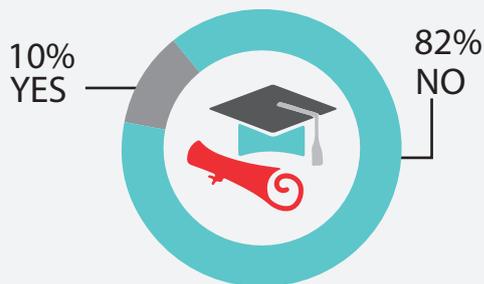
The vast majority of the 6,500 MSMEs surveyed in Nigeria have limited financial literacy, with most entrepreneurs recognising that greater financial literacy would assist them in running their businesses more efficiently.



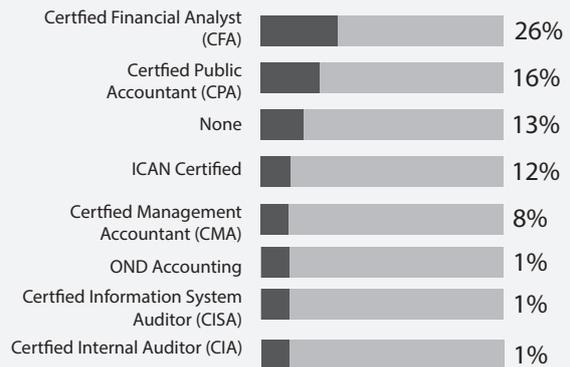


MOST OF THE MSME RESPONDENTS INDICATED USING EXCEL AS THEIR MAIN MEDIUM/TOOL FOR RECORDING FINANCIAL TRANSACTIONS AND DEVELOPING FINANCIAL REPORTS.

DO YOU HAVE ANY ACCOUNTING QUALIFICATION/CERTIFICATION/ DEGREE?



ONE IN TEN OF THOSE SURVEYED HAD AN ACCOUNTING QUALIFICATION, INCLUDING A CERTIFICATE OR DEGREE.

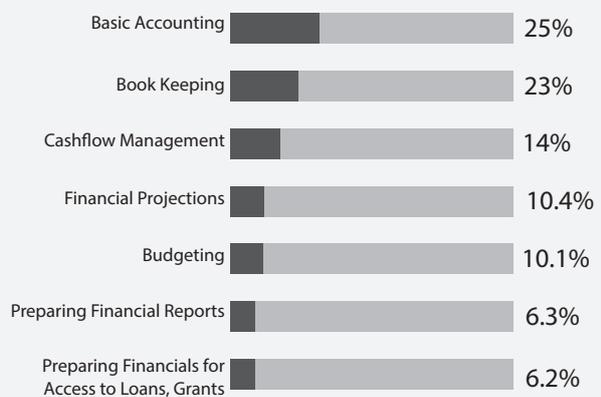


HAVE YOU TAKEN ANY FINANCIAL LITERACY COURSE?

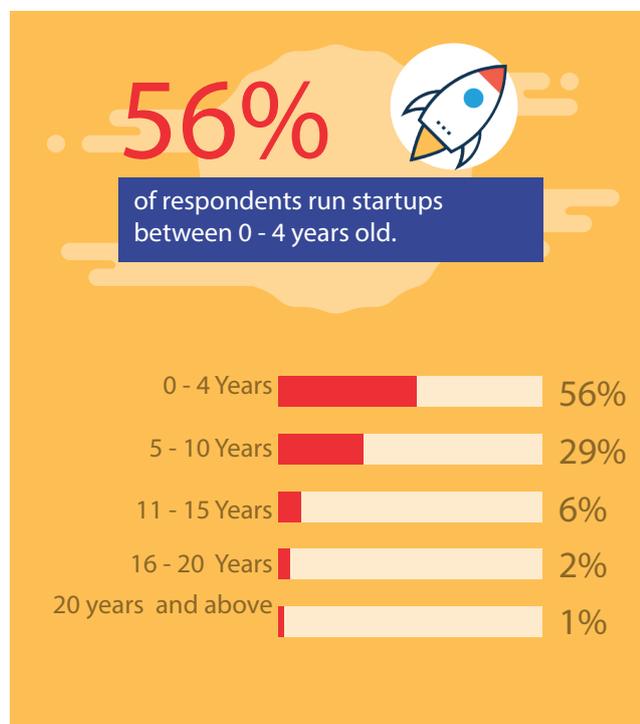
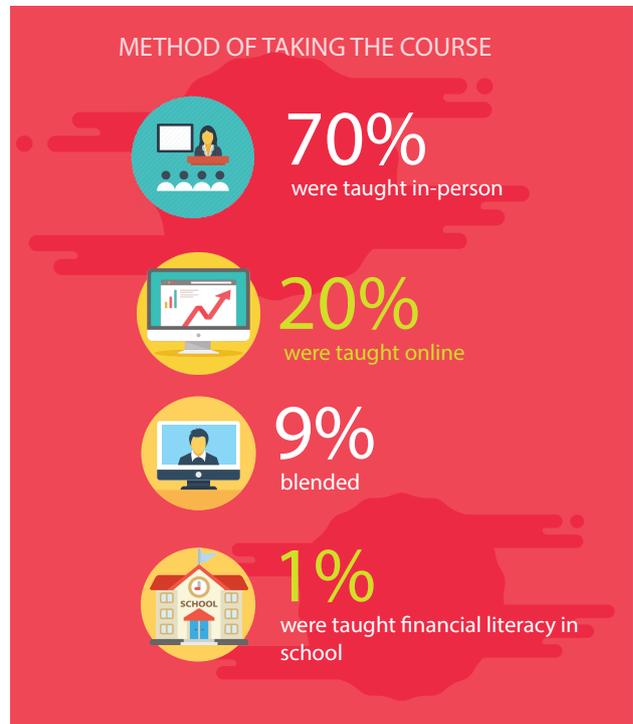
ONLY **20%** of respondents **have taken** a financial literacy course or been part of an entrepreneurship training

70% **have not taken** a financial literacy course or been part of an entrepreneurship training

TOP 8 COURSES TAKEN BY 20% OF RESPONDENTS



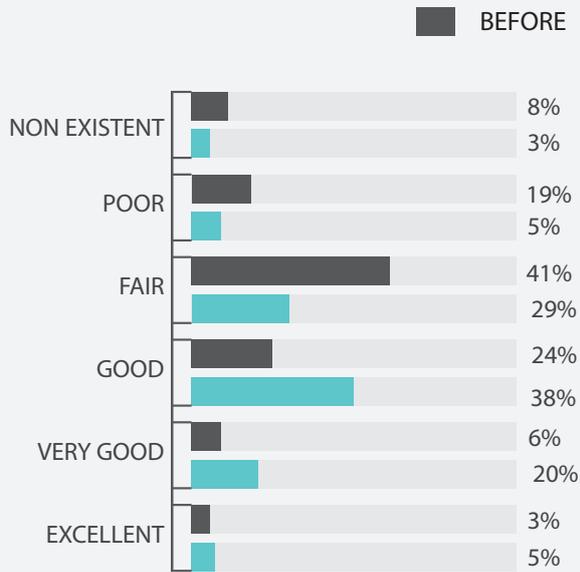
Financial Literacy Course length varied. More than a quarter (27%) of respondents who had attended a financial literacy course did so for two or three days, while almost a quarter (24.2%) attended a course lasting a month or longer. But a similar number (24%) attended a course of just one day. Some 7% attended a course lasting one to two weeks and 8% attended a course lasting two to four weeks.



Most of the courses were taught in-person (70%). Compared to 20% taught online, 9% taught in a blended environment and 1% in school.

Most of the businesses surveyed are young. More than half (56%) are less than five years old, while 29% are between five and ten years old and 6% are 11 to 15 years old. 2% are between 16 and 20 years old and 1% were founded more than 20 years ago.

FINANCIAL LITERACY SKILLS BEFORE vs. AFTER TRAINING



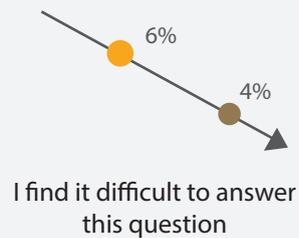
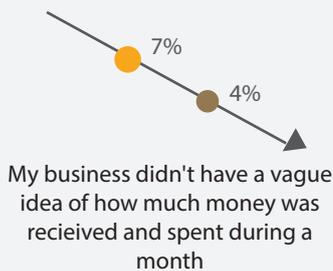
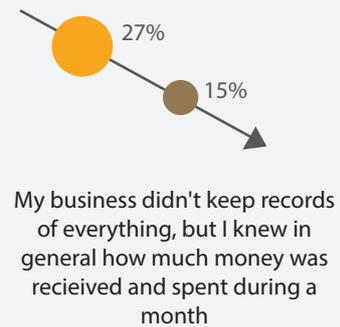
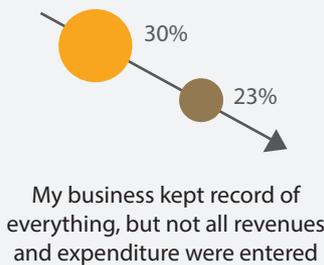
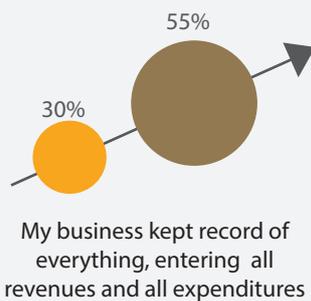
There were strong benefits to entrepreneurs from having attended financial literacy courses. Those who regarded themselves as having 'excellent' financial literacy skills rose from 3% to 5%; those considering themselves as having 'very good' financial literacy skills jumped from 6% to 20%, and those who rated themselves as 'good' rose from 24% to 38%.

Conversely, those with 'non-existent' skills fell from 8% to 3% and those with 'poor' financial literacy skills dropped from 19% to 5%.

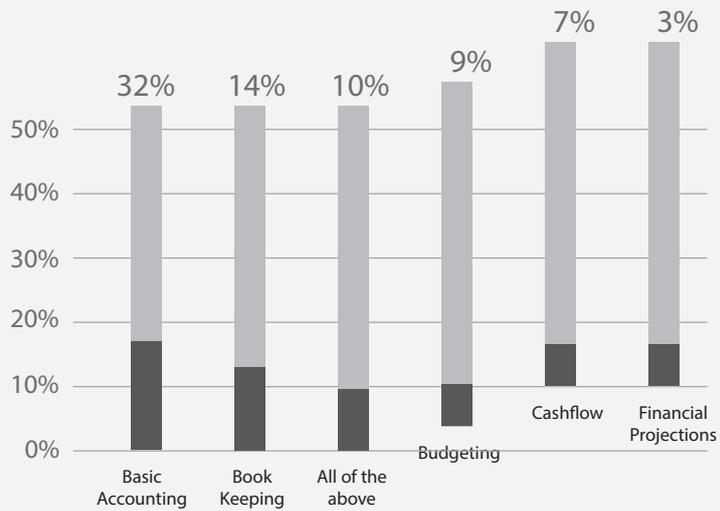
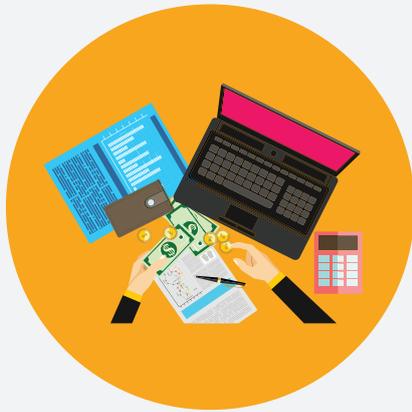
RECORD KEEPING HABITS BEFORE vs. AFTER COURSE



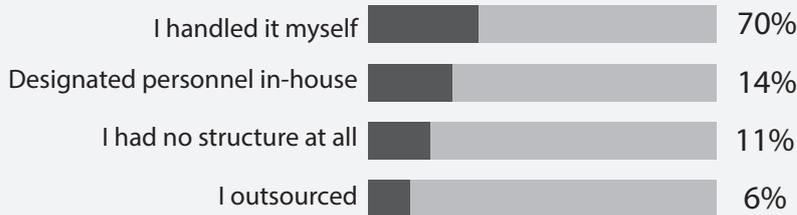
Record keeping improved for those who undertook financial literacy training. Those who now record all items of revenue and expenditure rose from 30% to 55%, while those who did not record all items fell from 30% to 23%.



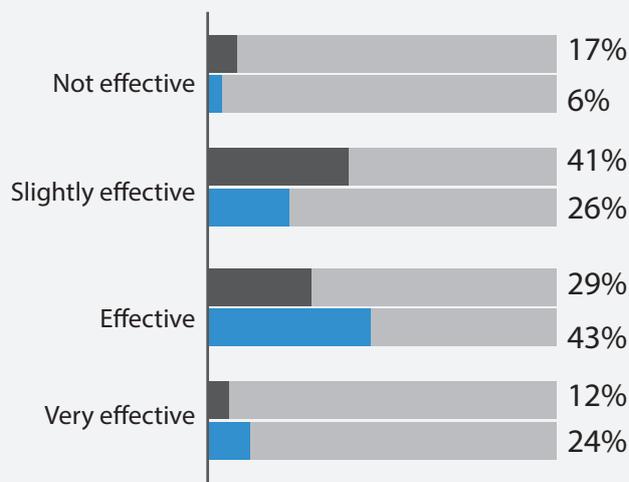
MOST OF THE MSMEs SURVEYED STRUGGLED TO CARRY OUT FINANCIAL LITERACY RELATED FUNCTIONS FOR THEIR BUSINESSES



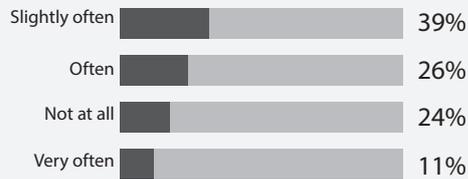
MOST OF THE MSMEs SURVEYED HANDLED THEIR BUSINESS FINANCE/ACCOUNTING THEMSELVES PRIOR TO TAKING A FINANCING LITERACY COURSE AND WHICH THEY DEEMED INEFFECTIVE



PRIOR TO YOUR FINANCIAL LITERACY CLASS/COURSE, HOW EFFECTIVE WAS YOUR METHOD OF HANDLING FINANCE/ ACCOUNTING ASPECT OF YOUR BUSINESS?

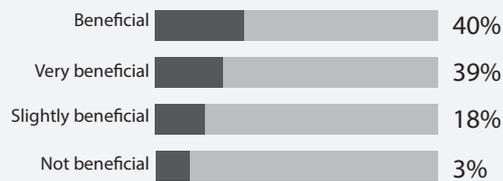


BEFORE TAKING A FINANCIAL LITERACY COURSE/ CLASS, HOW OFTEN DID YOU USE KEY FINANCIAL REPORTS TO MAKE BUSINESS DECISIONS?



It was clear from the survey that restricted levels of financial literacy affects decision-making capacity.

AFTER TAKING A FINANCIAL LITERACY COURSE/ CLASS, HOW BENEFICIAL HAS THE FINANCIAL LITERACY GAINED BEEN TO YOUR BUSINESS?



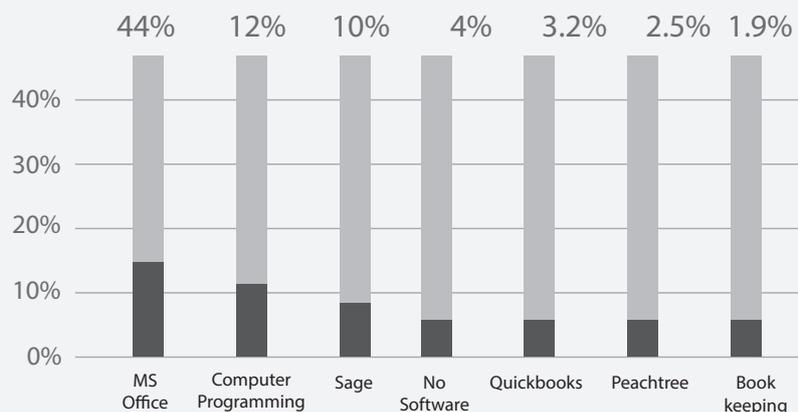
Most of those respondents who attended financial literacy courses said they gained from doing so. Some 79% regarded the training as being either 'beneficial' or 'very beneficial'

DID THE FINANCIAL COURSE/CLASS INCLUDE TRAINING ON ANY APPLICATION, TOOL OR SOFTWARE?

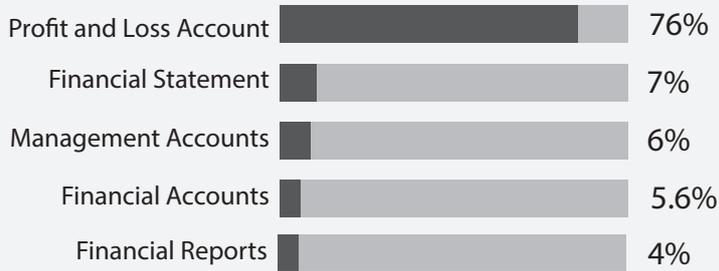


There was apparently little attention in most of the training to the use of software to improve financial reporting.

IF YES, PLEASE SPECIFY THE KIND OF APPLICATION, TOOL OR SOFTWARE YOU WERE TRAINED TO USE AND THE TRAINING YOU WERE GIVEN?



WHICH OF THE FOLLOWING WAS THE COURSE ABLE TO HELP YOU UNDERSTAND, PREPARE AND USE?



The clearest improvements from the financial literacy training were in the understanding, preparing and use of profit and loss accounts .



WHICH OF THE FOLLOWING HAVE YOU OBSERVED IN YOUR BUSINESS SINCE GAINING FINANCIAL LITERACY KNOWLEDGE?



From the survey, it is evident that financial literacy training improved the MSMEs confidence as well as their skills. Some 41% said they now have a better understanding of their business and feel more confident as a business person.

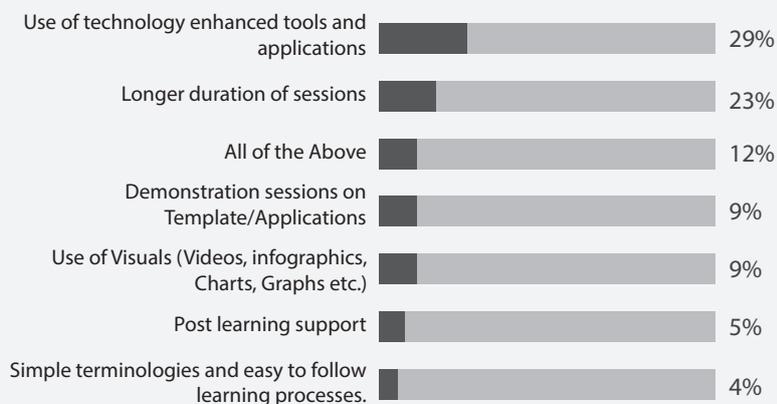
Suggestions were made about how to improve the content of the training. Some 20% of those attending courses or classes believe that basic accounting could have been taught better. Other areas of possible improvement were financial projections; preparing financial reports; preparing financial to access finance; tax computations; and book-keeping. Some 10.6% believed that all of these activities could have been taught better.

WHAT COULD HAVE BEEN TAUGHT BETTER?



There were suggestions on how the training could have been delivered better. Some would have liked improved use of technology enhanced tools and applications and demonstrations while some would have liked longer sessions.

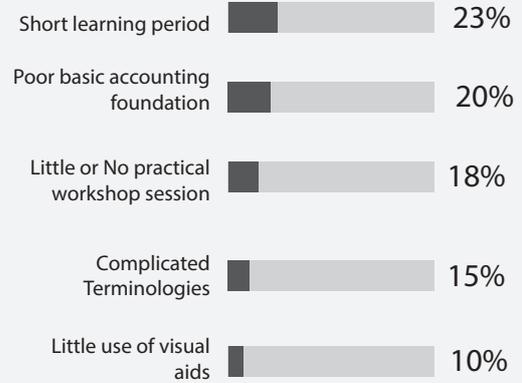
HOW COULD YOUR FINANCIAL LITERACY LEARNING EXPERIENCE HAVE BEEN BETTER



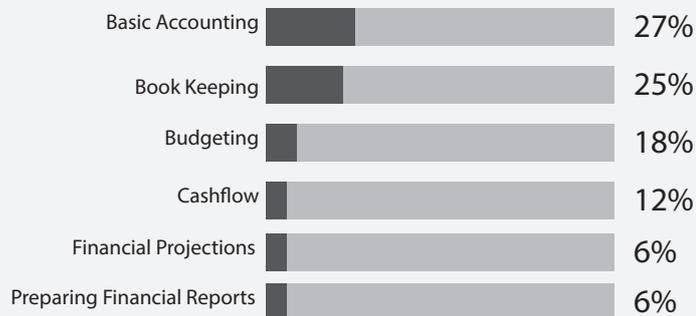
WHAT PART OF THE COURSE WAS DIFFICULT TO UNDERSTAND?



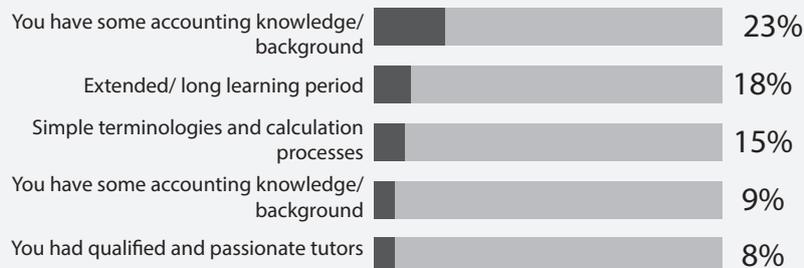
WHY WAS IT DIFFICULT?



WHAT ASPECT OF FINANCIAL LITERACY DO YOU FIND EASY TO UNDERSTAND?

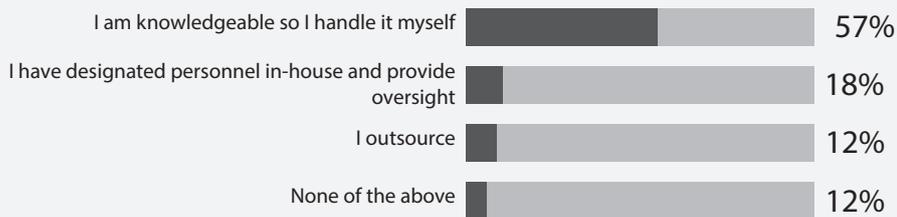


WHY DO YOU FIND SUCH ASPECT(S) OF FINANCIAL LITERACY EASY TO UNDERSTAND?

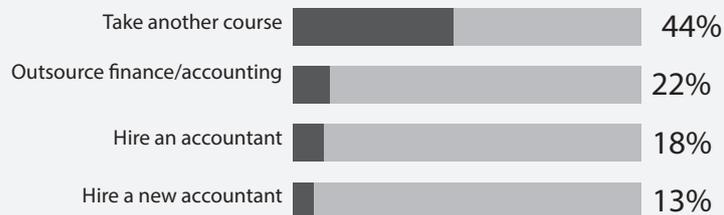


Evidence of the benefits of the training were also clear from respondents' responses in respect of what they would do differently in the future. Some 44% said that to further improve the finance and accounting aspects of their business they would take another course. Other responses were that 22% would outsource the finance or accounting role, 18% would hire an accountant and 13% would hire a new accountant. Some 57% of respondents said that following the training they are now sufficiently knowledgeable to handle the finance and accounting side of the business themselves.

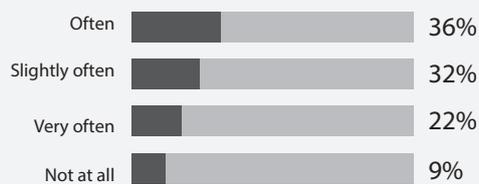
FOLLOWING YOUR FINANCIAL LITERACY/ COURSE, HOW DO YOU NOW HANDLE THE FINANCE/ACCOUNTING ASPECT OF YOUR BUSINESS?



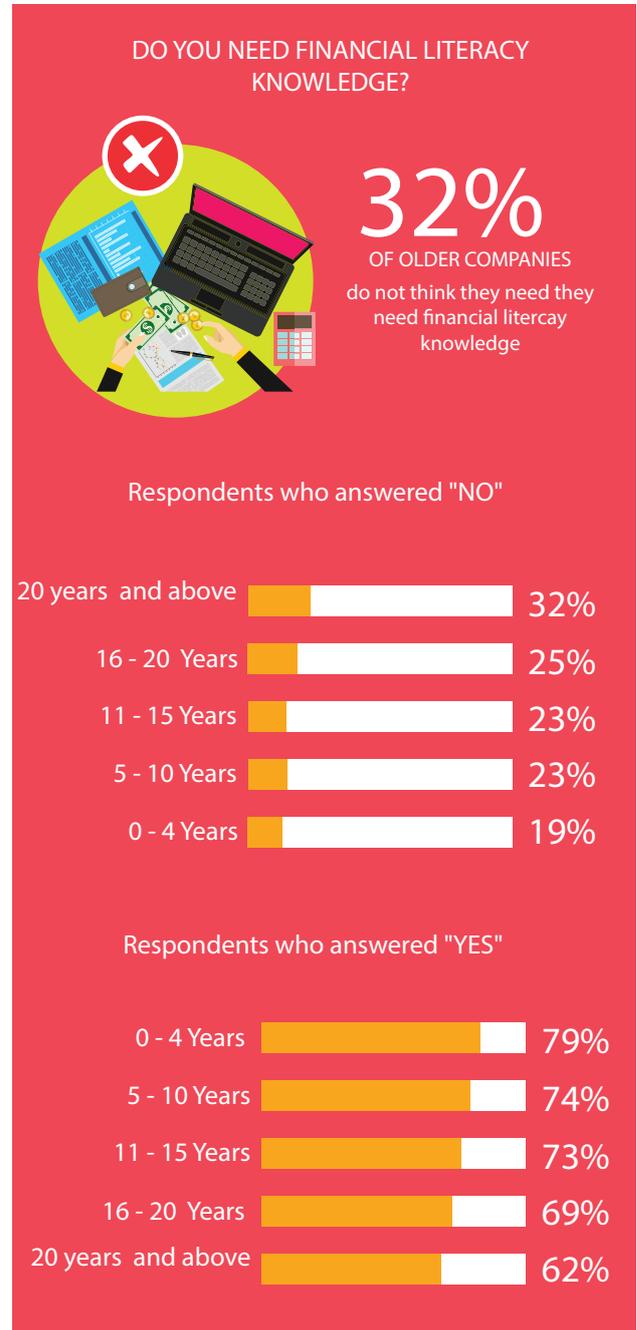
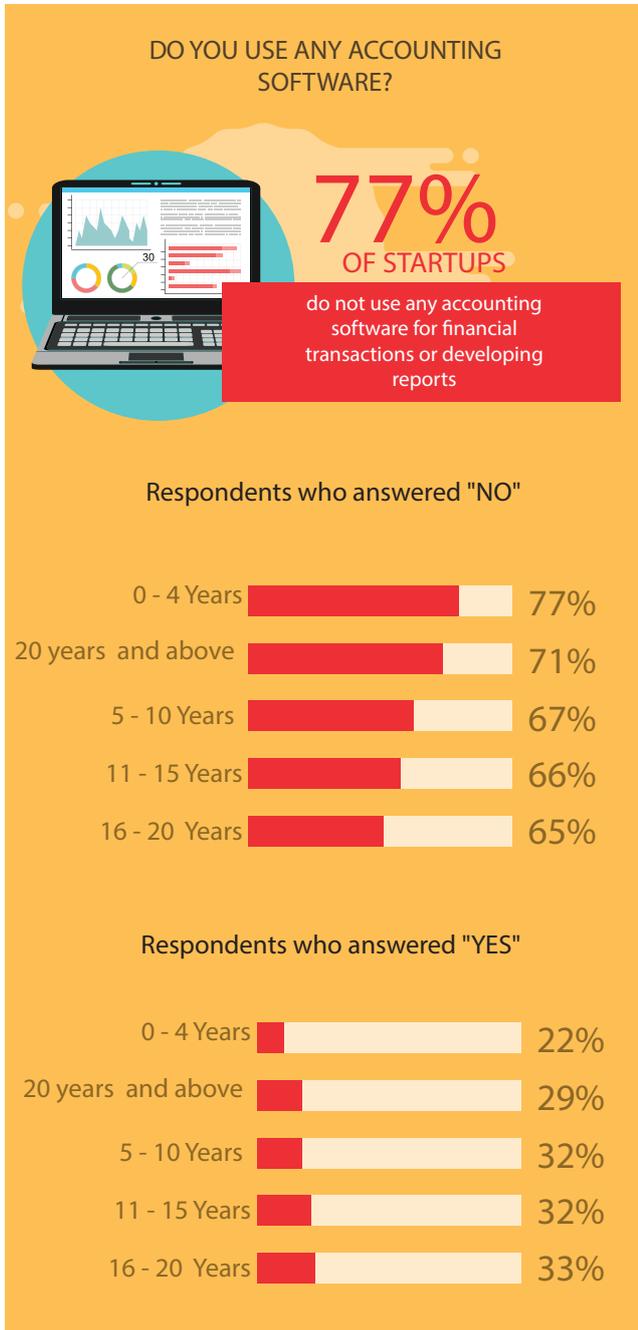
WITH YOUR NEWLY ACQUIRED FINANCIAL LITERACY KNOWLEDGE, WHAT WOULD YOU DO DIFFERENTLY TO IMPROVE THE FINANCE/ACCOUNTING ASPECTS OF YOUR BUSINESS?



FOLLOWING YOUR FINANCIAL LITERACY COURSE/CLASS, HOW OFTEN DO YOU USE KEY FINANCIAL REPORTS TO MAKE BUSINESS DECISIONS?



Most young businesses – less than five years old – believe they had non-existent financial skills before taking the financial literacy training. Most of those whose businesses were more than 20 years old believe they already had excellent financial literacy skills.



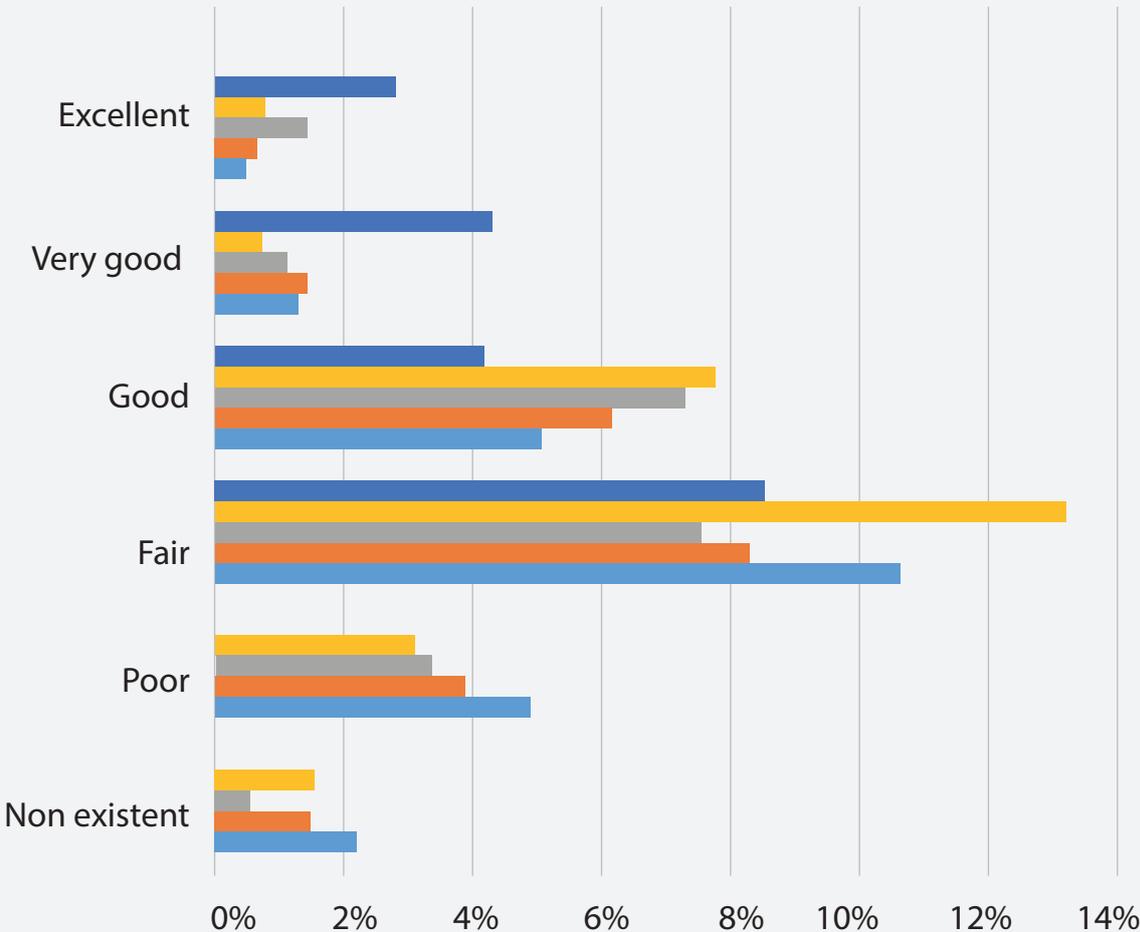
SELECTED RESPONSES ANALYSED BY HOW LONG RESPONDENTS HAVE BEEN IN BUSINESS

On a scale of 0 to 5, how would you rate your financial literacy skill before taking the financial literacy course?



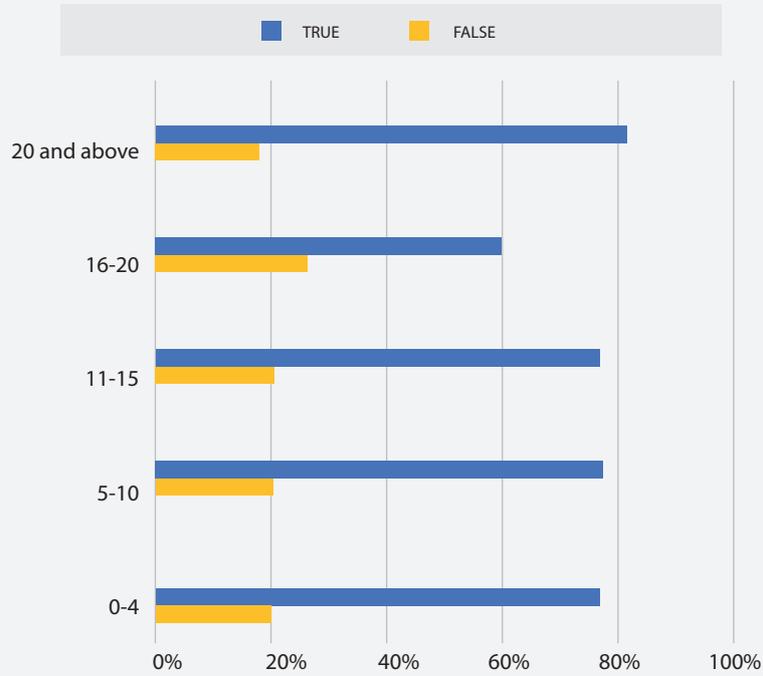
From the chart below, majority of companies who have operated for between 0 - 4 years (companies) believe they have non existent financial literacy skills before taking. Majority of respondents who have operated their companies for more than 20years believed they already had excellent financial literacy skills before taking a financial literacy course.

Fewer respondents whose companies have been in operation for 0 - 4years believed they had excellent financial literacy skills when compared to those who have been in operation for more than 20years.

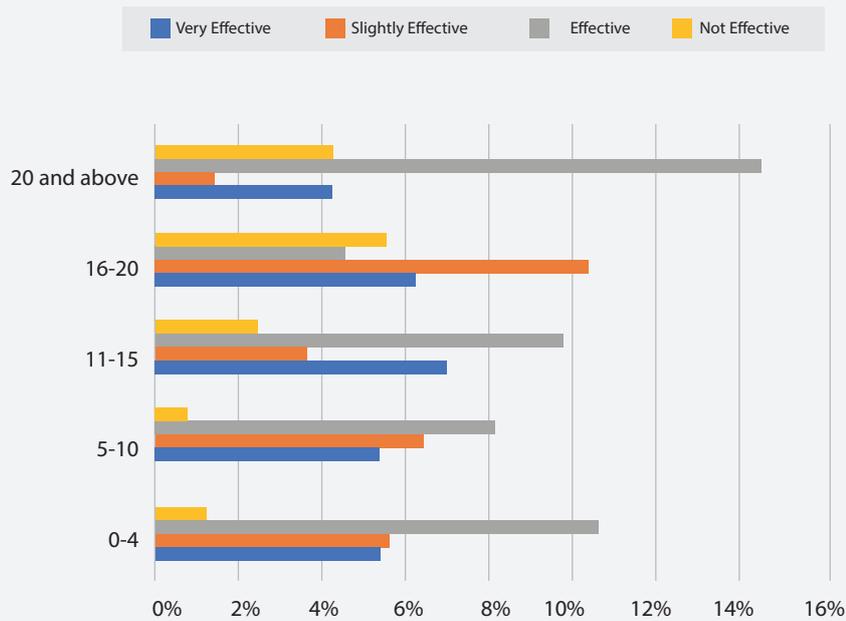


SELECTED RESPONSES ANALYSED BY HOW LONG RESPONDENTS HAVE BEEN IN BUSINESS

Have you taken any financial literacy course or class or been part of entrepreneurship training with financial literacy components.

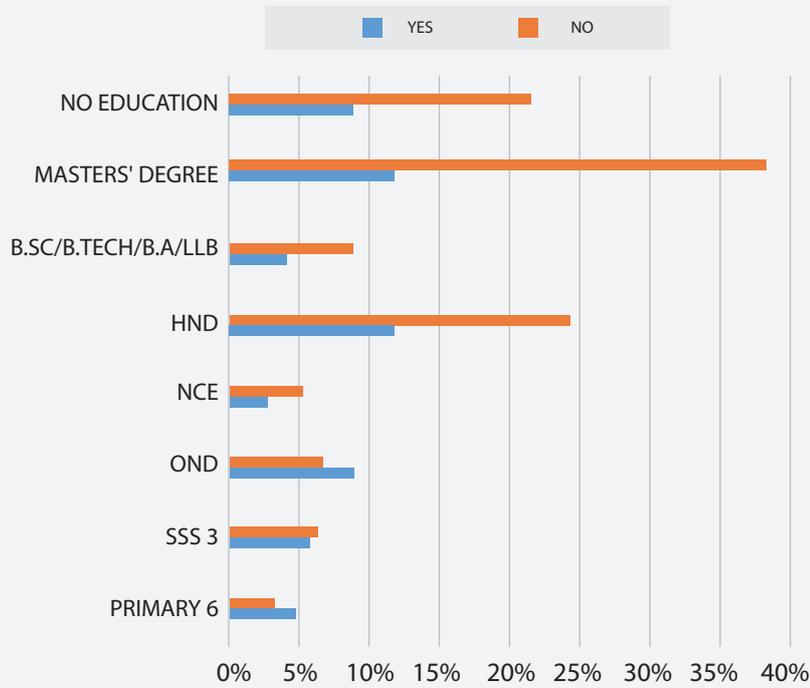


How effective is your new method of handling your Finance/ accounting aspect of your business?

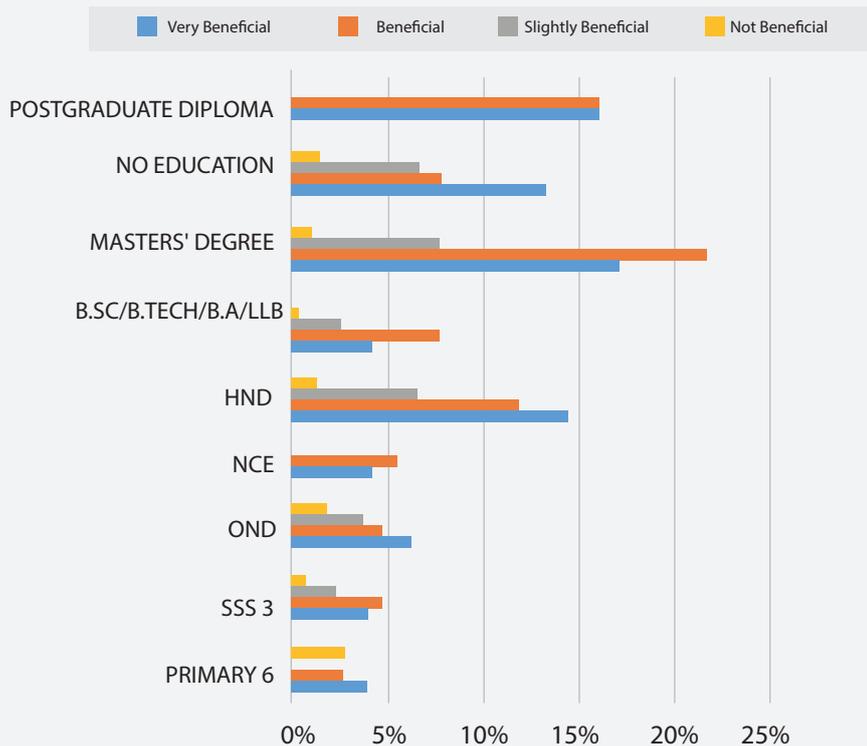


SELECTED RESPONSES ANALYSED BY THEIR HIGHEST EDUCATIONAL QUALIFICATION

Did the financial course/class include training on any application, tool or software?

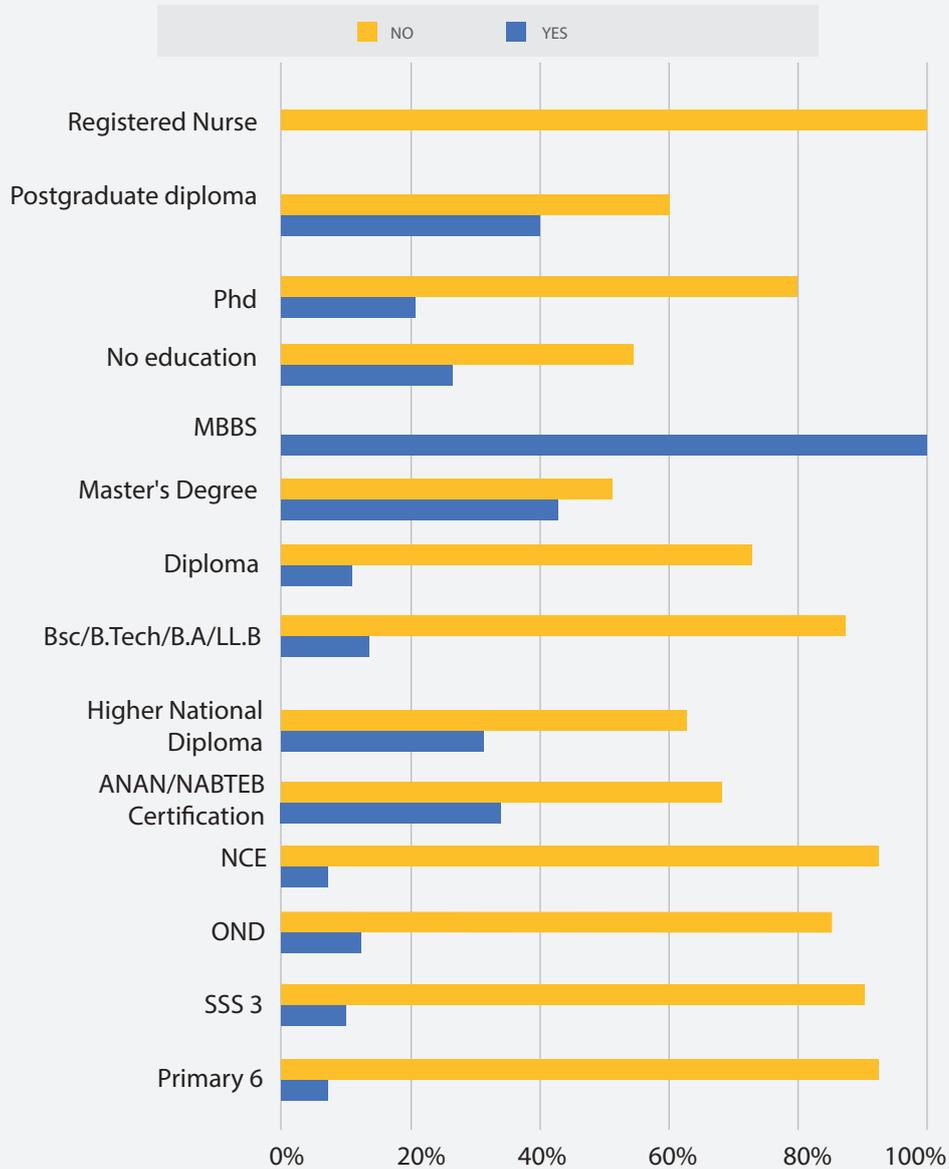


After taking a financial literacy course, how beneficial has the financial literacy gained been to your business?



SELECTED RESPONSES ANALYSED BY THEIR HIGHEST EDUCATIONAL QUALIFICATION

Have you taken any financial literacy course or class or been part of entrepreneurship training with financial literacy components.



Overall, the survey finds very strong evidence to back-up what might have been expected – that many Nigerian MSME entrepreneurs lack the financial literacy skills to build and sustain their businesses. Wider provision of financial literacy skills would strengthen the MSME base, leading to stronger businesses, with leaders who are better able to plan and manage their firms, and more capable of raising finance for their future development.

Those entrepreneurs who have attended financial literacy training have benefited from doing so and applied what they learnt by improving record keeping and financial planning. But there remains scope not just for expanding the provision of financial literacy training, but also for improving the delivery of some of the training and evaluating its content to ensure its relevance to micro-entrepreneurs.

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Infographics by





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