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IMPROVING FINANCIAL LITERACY AMONGST NIGERIAN MSMEs

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We believe that accountancy is a cornerstone profession of society that supports both public and private sectors. That's why we're committed to the development of a strong global accountancy profession and the many benefits that this brings to society and individuals.

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About FATE Foundation

FATE Foundation is Nigeria's foremost enterprise development organization. We were founded in 2000 by Mr. Fola Adeola (Founder & Pioneer MD/CEO, GTBank) to harness the strong entrepreneurial culture of Nigerians by providing the business incubation, growth and accelerator support required to fully explore their innovative potential.

Our goal is to enable aspiring and emerging Nigerian entrepreneurs start, grow and scale their businesses while also facilitating the development of an enabling business environment and thriving ecosystem. Through our research and policy advocacy strategies, we drive conversations around key entrepreneurship issues using data backed information as means to influence policy design and implementation.

Our annual research reports which examine key thematic areas impacting micro, small and medium enterprises are deliberated on by entrepreneurship ecosystem stakeholders at our annual policy dialogue programme, and outcomes of the conversations enable us to collaborate with public and private sector ecosystem stakeholders to drive policy changes.

To view our research publications to date, please visit www.fatefoundation.org/research/



IMPROVING FINANCIAL LITERACY AMONGST NIGERIAN MSMEs

The limited financial literacy of Nigeria's wider population represents an economic challenge and restricts the development of its MSME sector.

This report details convincing evidence of the importance of financial literacy for MSMEs and recommends the expansion of financial literacy training in Nigeria, in particular for entrepreneurs in charge of MSMEs.

Foreword



Aisha Abubakar
Former Honourable Minister
of State at the Ministry
of Industry, Trade and
Investment, Nigeria

I am pleased to write the foreword to the study on improving financial literacy amongst Nigerian MSMEs conducted by the FATE Foundation, in association with ACCA Nigeria. This study validates the importance of financial literacy in building sustainable businesses in Nigeria.

FATE Foundation has continuously supported the Federal Ministry of Industry, Trade and Investment in championing an Accelerated skills development of the MSMEs sub sector towards an increased contribution of MSMEs to the Gross Domestic Product (GDP) of Nigeria. The support given by FATE Foundation towards the repositioning of the National Council on MSMEs is much appreciated.

Financial literacy is now globally recognized as a major life skill and a factor of economic and financial stability. Financial literacy encompasses knowledge, cognitive skills, and attitudes to financial matters. Financially literate entrepreneurs are more likely to better manage their businesses than those that are not financially literate. A more financially literate MSMEs sector would spur attendant externalities to the economy, such as improved entrepreneurship capacity, private entrepreneurship and linkage with financial services, and a more efficient use of financial services and resources.

This timely study gives an overview of financial literacy in Nigeria and also provides in-depth discussions of various strategies of improving financial literacy in Nigeria. A standard guide for the development of a harmonised Financial Literacy curriculum by players in the entrepreneurial eco-system has been designed by FATE Foundation and ACCA and presented in this publication. We are going to encourage the adoption of this template in financial literacy education by the Nigeria entrepreneurial ecosystem.

The implementation of the findings of this study will ensure rapid improvement in financial literacy and hence promote inclusive and sustainable growth within the MSME ecosystem that will position the MSME sub-sector as a catalyst of economic growth and job creation.

It is our belief that this publication will spur the development of a policy framework for Financial Literacy education in Nigeria.

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Defining MSMEs

Nigeria's definition of MSMEs is based on both the number of staff enterprises employ as well as the value of their assets (excluding land and buildings).

CATEGORY	EMPLOYEE SIZE	ASSETS (NGN MILLION) (excluding land and buildings)
Micro enterprises	Less than 10	Less than 5
Small enterprises	10 – 49	5 to less than 50
Medium enterprises	50 - 199	50 to less than 500

An enterprise can of course have assets that would classify it as small (eg over NGN50m) but an employee size that would classify it as a micro (eg less than 10). In such a scenario the employee size category takes precedence and the enterprise would be defined as micro. This is because employee size is considered a more stable category than asset values, which are subject to inflationary pressures.

Executive summary

This report details convincing evidence of the importance of financial literacy for MSMEs (micro, small and medium-sized enterprises). The limited financial literacy of Nigeria's wider population represents an economic challenge and seriously restricts the development of its MSME sector.

Financial literacy for entrepreneurs involves having the knowledge required to plan and manage business finances; identify funding requirements and prepare the documentation required; manage financial risk; understand the financial and economic landscape in relation to the business; and comply with financial regulation.

A survey of Nigeria's MSME entrepreneurs – conducted by the FATE Foundation, in association with ACCA Nigeria – shows that the vast majority of MSMEs in Nigeria have limited financial literacy.¹ This is despite most entrepreneurs recognising that greater financial literacy would assist them in running their businesses more efficiently. The limited levels of financial literacy among entrepreneurs in Nigeria are a significant factor in the equally low levels of access to external finance. However, those entrepreneurs who have undertaken financial literacy training reported significant benefits from having done so.

This report recommends the expansion of financial literacy training in Nigeria, in particular for entrepreneurs in charge of MSMEs. For this approach to be successful, however, more entrepreneurs need to be persuaded of the benefits of financial literacy training.

Standardisation of Business Development Service Providers (BDSPs) and financial literacy training programmes would raise the quality of education and allow all entrepreneurs to broadly access the same level of training regardless of where they acquire it. Financial literacy training should include the development of business plans, understanding the differences between available types of external finance and their suitability for various types and sizes of business. There should also be a wider range of options available in terms of how financial literacy is taught.

The provision of practical learning opportunities is a crucial factor in the success of financial literacy training. Continuous support should be available after the financial literacy training has taken place to ensure that entrepreneurs continue to use the knowledge gained.

**ENTREPRENEURS WHO
HAVE UNDERTAKEN
FINANCIAL LITERACY
TRAINING REPORTED
SIGNIFICANT BENEFITS
FROM HAVING DONE SO.**

”

¹ Respondents to the survey included a small number of accountants who would have been likely to possess a higher level of financial literacy skills than most entrepreneurs.

**CONTINUOUS SUPPORT SHOULD
BE AVAILABLE AFTER THE
FINANCIAL LITERACY TRAINING
HAS TAKEN PLACE TO ENSURE
THAT ENTREPRENEURS CONTINUE
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”

Recommendations

The following recommendations for further action are based on the findings that emerged through both direct engagement with Nigerian entrepreneurs and the survey that was undertaken as part of this project.

- A. Expand the provision of financial literacy training.** There is clear and strong evidence that financial literacy underpins business success. It is essential for the health of Nigeria's economy that there is a significant increase in financial literacy for the population as a whole, but especially for entrepreneurs, including those in charge of MSMEs.
- B. Demonstrate the importance for financial literacy.** The need for financial literacy training will not gain acceptance until more entrepreneurs recognise their own knowledge gaps – and consequently their need for financial literacy training. Unfortunately, the research reveals a culture of denial among many MSME entrepreneurs. Action is needed to persuade a greater number of entrepreneurs that financial literacy is a key that opens the door to wider investment opportunities. This means that investors themselves also need to be clearer with MSME entrepreneurs about where their skill gaps and training needs lie.
- C. Standardise BDSPs and a national financial literacy curriculum.** There is a need to standardise both BDSPs and approaches towards financial literacy training programmes so that entrepreneurs are given the same level of education regardless of where they acquire it. There should be clear distinctions made in the provision of basic, intermediate and advanced financial literacy learning. At the basic level, entrepreneurs should be able to understand basic bookkeeping activities.
- D. Focus on key areas in financial literacy.** Key areas in the provision of financial literacy training should include the development of business plans and understanding the different types of external funding available, as well as their suitability for businesses.
- E. Provide practical learning opportunities.** The availability of practical learning opportunities is a crucial factor in enhancing the quality of financial literacy training. Entrepreneurs should be able to take a financial literacy class to develop applications for obtaining external finance.
- F. Establish feedback mechanisms to provide continuous support.** Continuous support should be available for entrepreneurs after they have accessed financial literacy training in order to ensure effective and continuous development.
- G. Greater diversity in programme options and policy responses.** There should be a wider range of options for teaching financial literacy. These should include:
 - intermittent sessions (such as professional in-house training programmes); and
 - a practical foundational curriculum in bookkeeping.

Availability of learning opportunities must be backed up by policies such as:

 - creating awareness around the importance of financial literacy;
 - provision for training practitioners of financial literacy programmes; and
 - public sector investment in relevant courses.

1. What is **financial literacy** for **entrepreneurs**?

Financial literacy for entrepreneurs involves having the knowledge required to undertake a broad range of activities integral to business success.

These include:

- planning and managing business finances;
- identifying funding requirements and preparing the necessary documentation;
- managing financial risk;
- understanding the business's financial and economic landscape; and
- complying with financial regulation.

Historically, one of the major challenges that Nigerian entrepreneurs have faced has been acquiring the right knowledge and skills around financial management. This is a significant factor in the low numbers of entrepreneurs who have been successful in obtaining external finance.

Moreover, skilled financial management is critical for putting a business plan into practice. Effective administration, compliance and cash flow management are also vital towards allowing businesses to grow sustainably.

Financial skills also let entrepreneurs track and measure performance, whilst also identifying potential challenges and opportunities in the future. These capabilities remain important throughout the life of a business. Financial management therefore needs to evolve continuously as the business grows and circumstances change. Indeed, successful, growing businesses will always take a proactive approach to financial management and make sure that they have the right capabilities.



2. Overview of financial literacy in Nigeria

Financial literacy is a challenge for the Nigerian economy. The Central Bank of Nigeria refers to the ‘high percentage’ of Nigerians whose low level of financial literacy represents a major barrier to their ability to manage their own financial resources effectively (Central Bank of Nigeria 2018).

The Central Bank has warned that until this changes many Nigerians will be unable to participate fully in the formal financial system and thereby contribute towards the development of the Nigerian economy.

The Central Bank also argues that financially literate consumers would benefit the Nigerian economy by increasing the demand for financial products. This in turn would support the creation of stronger financial institutions and the sustainability of the nation's financial services industry.

In order to achieve this outcome a Financial Literacy Framework (FLF) was developed by the Central Bank in 2013. This promoted a multi-stakeholder approach to financial education programmes, focusing on various target groups in Nigeria.

In addition, the Central Bank's Consumer Protection Department subsequently initiated several consumer education activities aimed at improving the financial literacy levels of consumers of financial services, including an awareness campaign across 12 states and six geo-political zones, which focused on basic financial awareness as well as promoting better understanding of consumer protection regulation.

Speaking at the FATE Foundation's fourth annual policy dialogue series on entrepreneurship in July 2018, Nigeria's then Minister of State for Industry, Trade and Investment, Hajiya Aisha Abubakar, has conceded that

the Government's efforts at unlocking access to external finance for MSMEs has not achieved the desired impact. This is largely because businesses have often been unable to provide the necessary information for investors and lenders, who need to be able to assess companies' creditworthiness before providing them with funding.

Ms Abubakar said: ‘A 2014 study showed the rejection rate of SME loan applications by commercial banks in Nigeria ranged from 50 to 90%. The reasons cited for this high rejection rate include poor documentation for accessing loans and limited knowledge of the business, which are clearly financial literacy-related issues’ (KPMG/EDC 2014).

This problem is common across many developing economies. The Organisation for Economic Co-operation and Development (OECD) explains: ‘Many MSMEs face a number of challenges, including regulatory hurdles and tax burdens, difficulties accessing finance and a lack of general guidance or support. Financial education can [therefore] be an important tool towards helping MSMEs and potential entrepreneurs to obtain access to finance and strengthen money management skills’ (Atkinson 2017).

Whilst globally MSMEs often have access to education, training or mentoring, initiatives are often fragmented and risk failing to target important groups. The OECD suggests that national strategies for financial education, where MSMEs are targeted as a specific group, would contribute to addressing some of the challenges they face.



3. Summary of research findings

To improve understanding of the financial literacy gaps among Nigeria's MSME entrepreneurs, the FATE Foundation, in association with ACCA Nigeria, held a number of engagement activities with entrepreneurs to understand their levels of financial literacy.

This included a survey of 6,200 which focused on those who have specifically undertaken financial literacy training about the benefits of having done so. ACCA Nigeria also held a roundtable discussion in June 2018 to obtain feedback from entrepreneurs on the survey findings.

The research indicates that the vast majority of MSMEs in Nigeria have limited financial literacy, and most of the entrepreneurs surveyed recognised that greater financial literacy would assist them in running their businesses more efficiently.

The FATE Foundation found that 82% of the entrepreneurs surveyed had no accountancy knowledge or background. Some 73% of respondents recognised they needed greater financial literacy skills, while 65% said this would help them run their businesses better. Only 20% of respondents said that financial literacy was not important for their business operation. Areas of significant difficulty were basic accounting, budgeting, financial projections and preparing financial reports.

FIGURE 1: Do you have any accounting qualification/certification/degree?

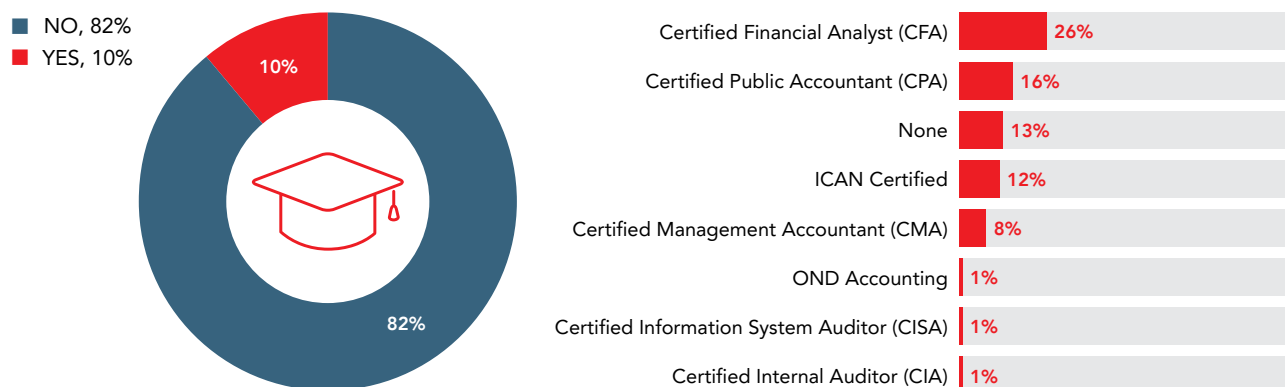
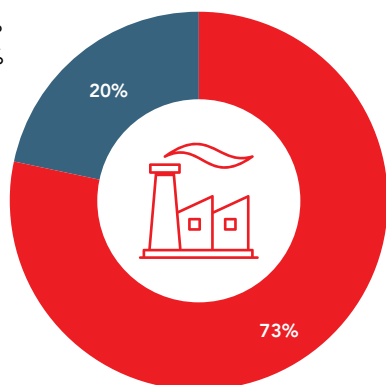


FIGURE 2: At your level of business operation, do you think you need financial literacy knowledge?

■ NO, 20%
■ YES, 73%



97% OF RESPONDENTS SAID IT WOULD HELP THEM RUN THEIR BUSINESSES MORE EFFICIENTLY AND THE FINANCIAL PART IS KEY TO THE GROWTH OF ANY BUSINESS.

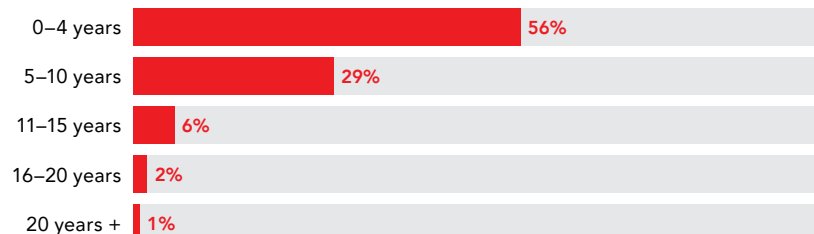
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At least **38%** of the survey respondents were female

Some 4,411 of the entrepreneurs ran micro businesses, with 3,523 of them having run their businesses for less than five years. Half the businesses were not yet registered with the corporate affairs commission, one-third were registered as business names or enterprises and only one in ten was registered as a limited liability company.



Most of the businesses surveyed were young. More than half of the firms surveyed – 56% – were less than 5 years old, while 29% were between 5 and 10 years old and 6% were 11 to 15 years old. Just 2% were between 16 and 20 years old and a mere 1% were founded more than 20 years ago.

FIGURE 3: How old is your business?

56% OF RESPONDENTS RUN STARTUPS BETWEEN 0-4 YEARS OLD.

”

Entrepreneurs were much more confident in their computer literacy than in their financial literacy. Some 76% of the respondents considered themselves to be computer literate. Mobile/smart phones were the device of choice for most entrepreneurs, with 53% saying they use mobile phones, 28% using laptops, 4% using desktops and just 2% tablets.

Excel was the most popular bookkeeping system, used by 60% of respondents. Quickbooks was used by 14% of respondents, as was Accounteer. Some 6% used Wave; 4% used Infoware; and 3% used Ikooba.



76% OF RESPONDENTS ARE COMPUTER LITERATE.

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Type of device used  **53%** use mobile phones



28%
use laptops



4%
use desktops



2%
use tablets

Entrepreneurs held a broad spectrum of qualifications.

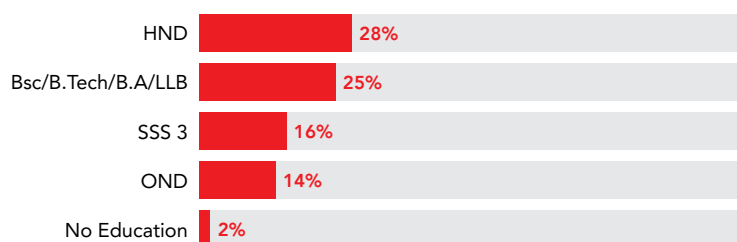
Some 28% had been awarded a higher national diploma (HND); 25% had a bachelor's degree (BSc, BTech, BA, or LLB); and 16% an SSS3 (a certification of three years of senior secondary school education). A small minority – 2% – said they had had no education.

One in ten of those surveyed had an accounting qualification, including a certificate or degree. Of these, 26% were certified financial analysts (CFAs); 16% were certified public accountants (CPAs); 12% were certified by the Institute of Certified Accountants of Nigeria (ICAN); and 8% were certified management accountants (CMAs).

An Ordinary National Certificate (OND) in accounting was held by 1% of survey respondents, as were qualifications as a certified information systems auditor (CISA) and a certified internal auditor (CIA).

Only 20% of the respondents said they had received financial literacy training (70% admitted they had not).

Of those who had had financial literacy training, 25% had studied basic accounting; 23% book-keeping; 14% cash flow management; 10.4% financial projections; 10.1% budgeting; 6.3% preparing financial reports; and 6.2% preparing applications for external finance and grants.

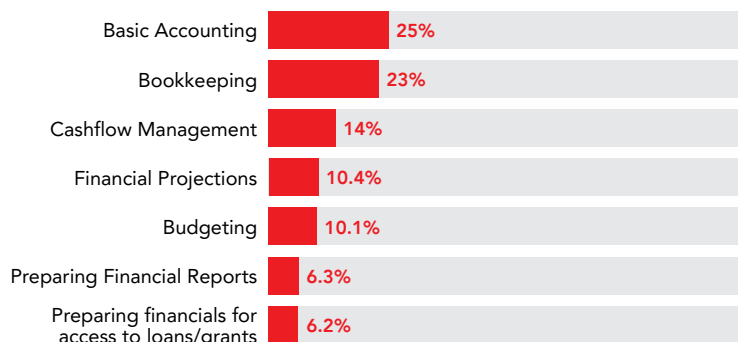
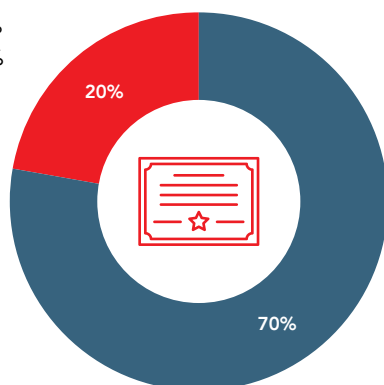
FIGURE 4: Education / qualification

28% OF RESPONDENTS HAVE HIGHER NATIONAL DIPLOMA (HND) – THE HIGHEST PROPORTION OF ALL, FOLLOWED BY BSC/BTECH/B.A/LLB AT 25%

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FIGURE 5: Have you taken a financial literacy course?

■ NO, 70%
■ YES, 20%

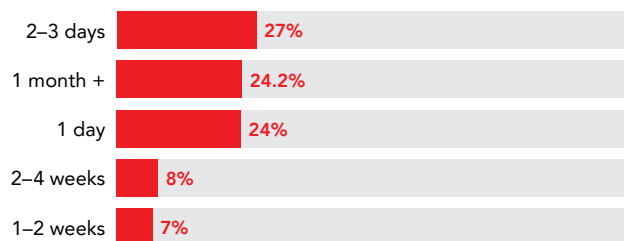


Course length varied. More than one-quarter (27%) of respondents who had attended a financial literacy course did so for two or three days, while almost as many (24%) had attended a course lasting a month or longer. But a similar number (24%) had attended a course lasting just one day. Some 7% had attended a course lasting one to two weeks and 8% one lasting two to four weeks. Most of the courses were taught in class – 70% were taught in this way, compared with 20% taught online, 9% taught in a multi-disciplinary environment and 1% in school.

Michael Oye, representing Bank of Industry (BOI), noted that entrepreneurs tend to think that formal education equates to financial literacy, which is not the case. While people with a science or mathematical background are comfortable with numbers and can get the calculations right, this does not translate to business success. Financial literacy goes beyond the knowledge of calculations, even though that is an essential part.

**27% OF RESPONDENTS
ATTENDED TRAINING
THAT LASTED A
MAXIMUM OF 3 DAYS**

FIGURE 6: Training duration



Method of taking the course



70%
were taught in-person



20%
were taught online



9%
combined



1%
were taught financial
literacy in school

There were strong benefits to entrepreneurs from having attended financial literacy courses.

Among those who had taken a financial literacy course:

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

Record keeping improved among those who undertook financial literacy training. Among those who had, the proportion who recorded all items of revenue and expenditure rose from 30% to 55%, while the proportion who did not record all these items fell from 30% to 23%.

FIGURE 7: Financial literacy skills before vs after training

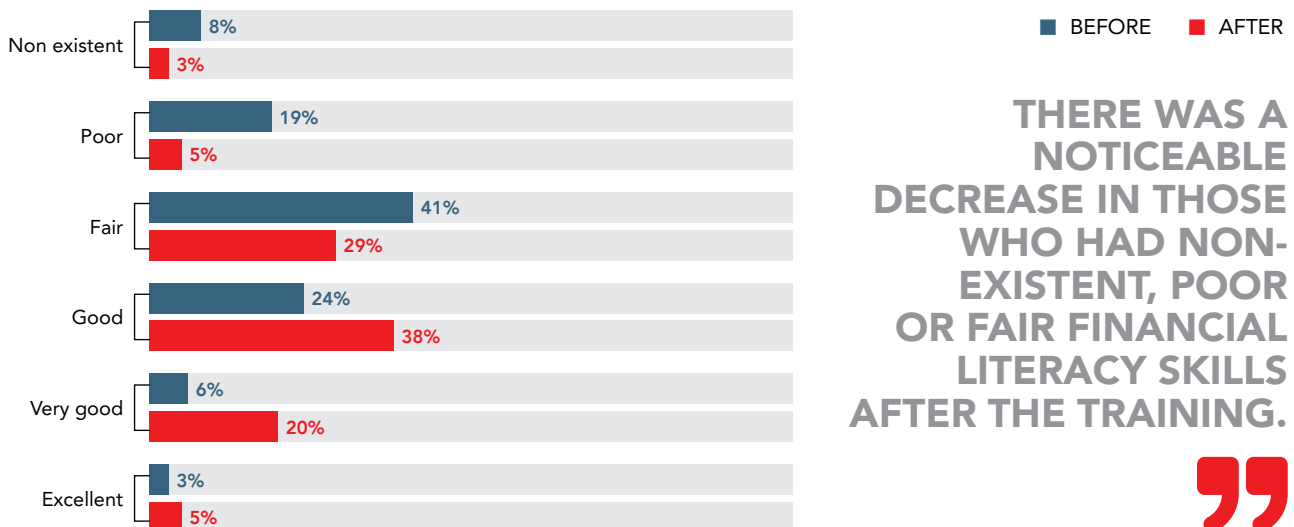


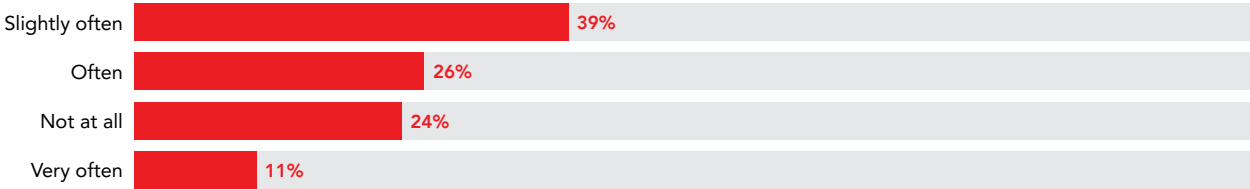
FIGURE 8: Record keeping habits before vs after course



Restricted levels of financial literacy appear to affect decision-making capacity. Only 11% of respondents, prior to undertaking the training, had used key financial reports 'very often' to make business decisions, with another 26% saying they 'often' used these reports. One in four never used key financial reports when making business decisions.

Most of those respondents who had attended financial literacy courses said they had gained from doing so. Some 79% regarded the training as being either 'beneficial' or 'very beneficial', with only 18% regarding it as 'slightly beneficial' and a mere 3% saying it was 'not beneficial'.

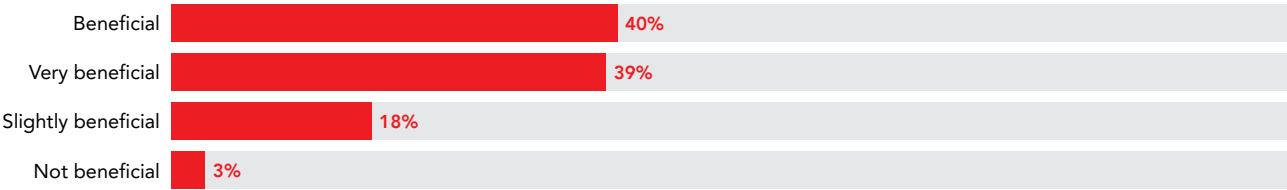
FIGURE 9: Before taking financial literacy course/ class, how often did you use key financial reports to make business decisions?



11% OF RESPONDENTS, PRIOR TO UNDERTAKING THE TRAINING, HAD USED KEY FINANCIAL REPORTS 'VERY OFTEN' TO MAKE BUSINESS DECISIONS.



FIGURE 10: After a financial literacy course/ class, how beneficial has the financial literacy gained been to your business?



Stephen Amodu, representing Lagos State Employment Trust Fund (LSETF), added that despite large amounts of information on financial literacy being freely available to entrepreneurs, most tended to focus on activities other than acquiring financial literacy. Mr Amodu also noted that entrepreneurs are impatient for commercial success and don't see financial literacy knowledge as an important component towards achieving this. Indeed, some outsource the finance role, while others do not pay attention until they encounter problems.

Stakeholders discussed the fact that donors and partners are more interested in reaching numbers that looked good in reports to their boards rather than paying for in-depth, quality financial literacy training that will require time and expenditure. This helps to explain the prevalence of poor-quality financial literacy training currently being provided to some organisations in Nigeria.

Another challenge is poor transparency. Many entrepreneurs are reluctant to disclose the true state of their business finances.

Training tended to pay little attention towards the use of software. While 34% of those who had attended courses or classes said these had included training in applications, tools or software, some 66% reported that they did not. For those who were given training, Microsoft Office was the most common focus (44%), followed by computer programming (12%) and Sage (10%).

The clearest improvements from the financial literacy training were in the understanding, preparing and use of profit and loss accounts – with 76% of respondents who had attended courses or classes stating that this had improved. There were much lower levels of improved understanding in the use of financial statements (7% improvement), management accounting (6%), financial accounting (6%) and financial reporting (4%).

FIGURE 11: Did the financial course/class include training on any application, tool or software?

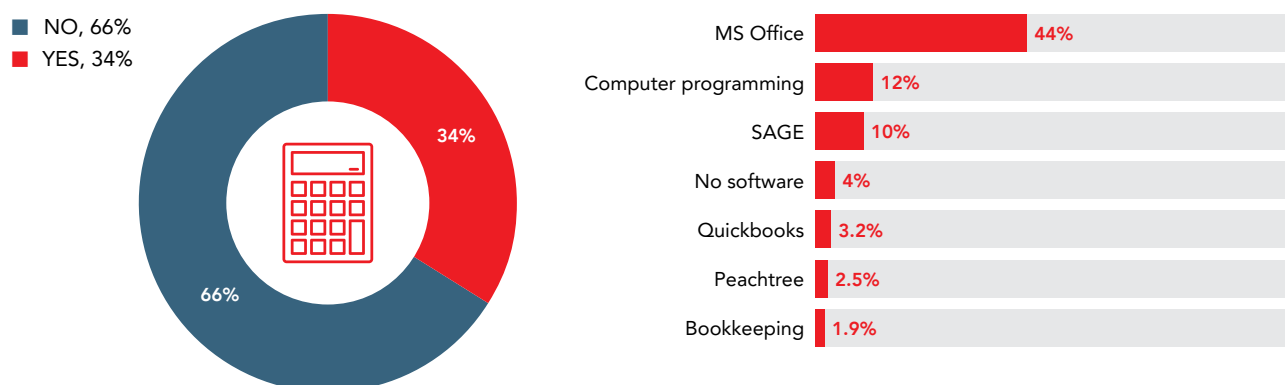
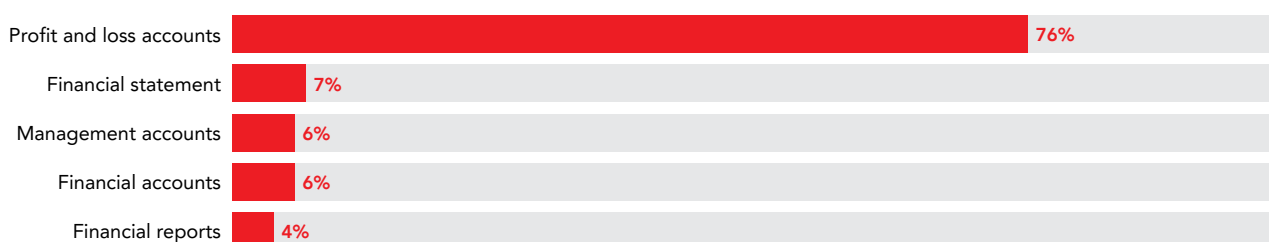


FIGURE 12: Which of the following was the course able to help you understand, prepare and use?



THE CLEAREST IMPROVEMENTS FROM THE FINANCIAL LITERACY TRAINING WERE IN THE UNDERSTANDING, PREPARING AND USE OF PROFIT AND LOSS ACCOUNTS.

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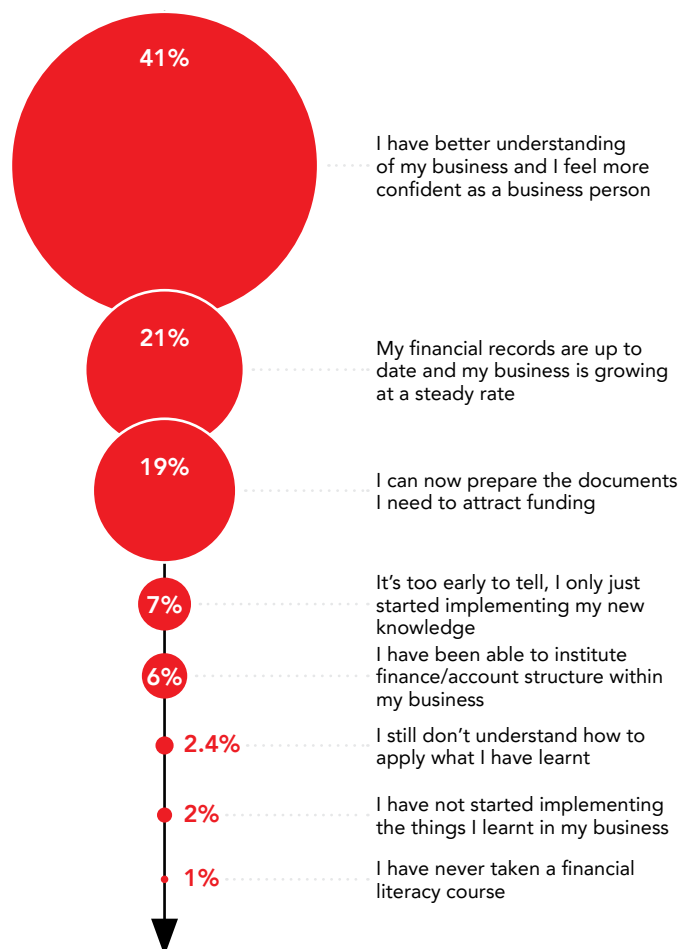
Financial literacy training improved entrepreneurs' confidence as well as their skills. Some 41% said they now had a better understanding of their business and were more confident as business people. When surveyed, 21% said that their financial records were up to date and their business was growing at a steady rate, while a slightly smaller number (19%) reported that they could now prepare the documents they needed to attract funding. A few respondents (6%) said that they had been able to institute finance or account structures in their businesses.

Comparatively few respondents reported only limited benefits from course or class attendance. Some 7% said it is too early to tell; 2.4% said they do not understand how to apply what they have learnt; and 2% said they have not yet begun to implement what they have learnt.

**41% OF RESPONDENTS
SAID THEY NOW
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WERE MORE CONFIDENT
AS BUSINESS PEOPLE.**

”

FIGURE 13: Which of the following have you observed in your business since gaining financial literacy knowledge?



Respondents suggested ways of improving the content of the training. Some 20% of those attending courses or classes argued that basic accounting could have been taught better. Other areas of possible improvement were financial projections (cited by 12.8% of those respondents who had attended training); budgeting (10.6%); preparing financial reports (10.6%); preparing applications to access external finance (10.24%); tax computations (7.5%); and bookkeeping (6.3%). Some 10.6% stated that all these activities could have been taught better.

20% OF THOSE ATTENDING COURSES OR CLASSES ARGUED THAT BASIC ACCOUNTING COULD HAVE BEEN TAUGHT BETTER.

”

There were suggestions on how the training could have been delivered better. Respondents stated the following:

- 29% would have liked improved use of technology-enhancing tools and software applications;
- 9% would have liked more demonstrations provided on software applications and another 9% wanted use of visuals, such as videos, infographics, charts and graphs;
- Almost one-quarter (23%) would have liked longer sessions and 5% wanted subsequent support after they had received their initial training;
- 4% would have preferred the terminology to have been simpler and that the courses had been easier to follow; and
- An additional 12% wanted all these aspects of training to be improved.

FIGURE 14: What could have been better thought out?

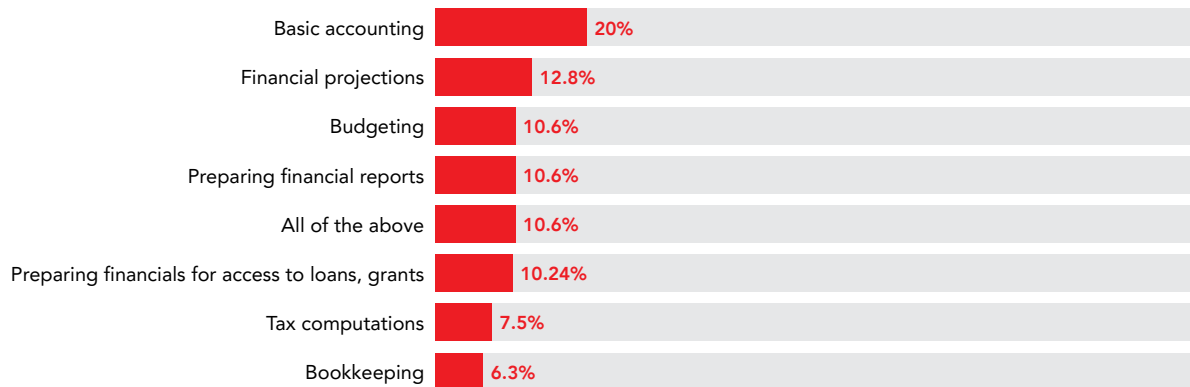
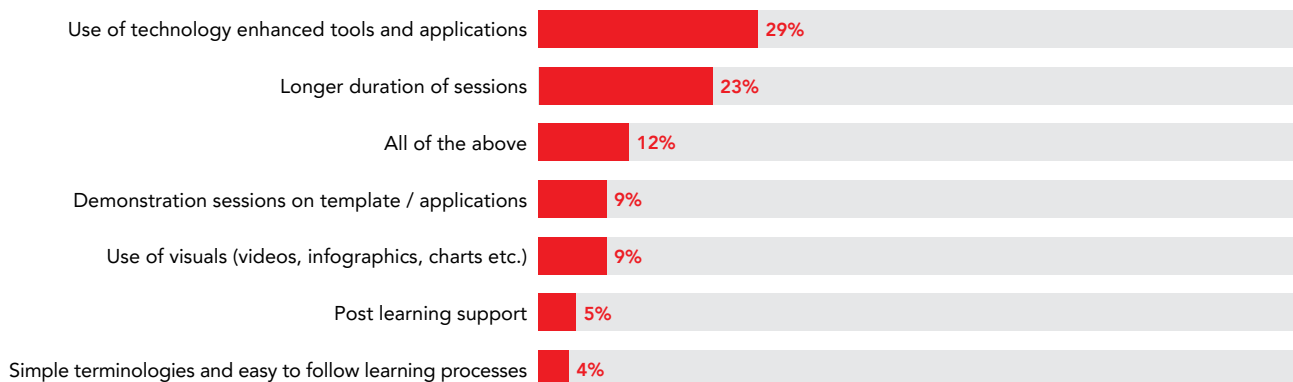


FIGURE 15: How could your financial literacy learning experience have been better?



Evidence of the benefits of the training was also clear when respondents were asked what they would do differently in the future:

- Some 44% said that to improve the finance and accounting aspects of their business they would take another course;
- 22% would outsource the finance or accounting role; and
- Some 57% of respondents said that following the training they were now sufficiently knowledgeable to handle the finance and accounting side of the business themselves.

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

Employers were surveyed about the level of support provided to MSMEs in Nigeria. One-third said that they provided support through one-to-one consultations;

for 12% it was a mix of in-person training, support programmes, business advisory services and one-to-one consultations; while 10% said that they provided that same mix, plus the development or provision of technology, such as relevant software or applications.

The research finds very strong evidence to support the view that 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 able to plan and manage their firms better, and more capable of raising finance for their future development.

Those entrepreneurs who have attended financial literacy training have benefited from doing so and have 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.

FIGURE 16: Following your financial literacy course, how do you now handle the finance/accounting aspect of your business?

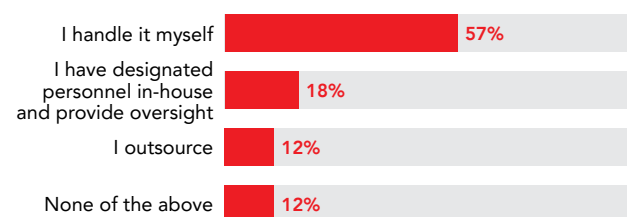


FIGURE 17: With your newly acquired financial literacy knowledge, what would you do differently to improve the finance/accounting aspects of your business?

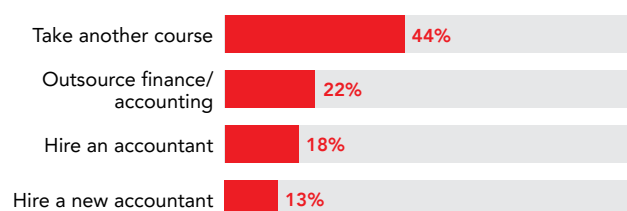


FIGURE 18: Do you need financial literacy knowledge? Respondents who answered NO

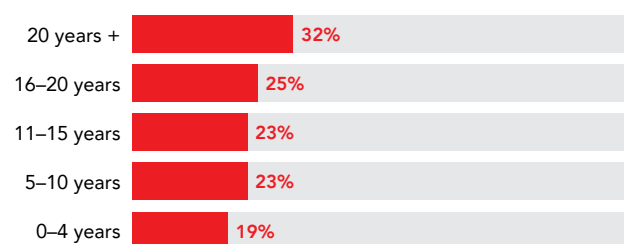
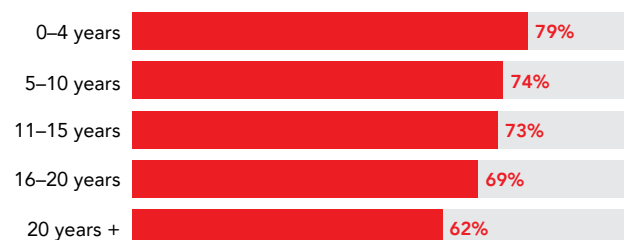


FIGURE 19: Do you need financial literacy knowledge? Respondents who answered YES





4. Approaches to **improve financial literacy**

A range of different initiatives have been undertaken in Nigeria to improve financial literacy among MSMEs.

The FATE Foundation, in collaboration with ACCA Nigeria, has taken a leading role in promoting financial literacy training programmes among the country's MSMEs. Specifically, the two organisations signed a memorandum of association in 2017 to accelerate the development of new entrepreneurial initiatives.

This approach was further extended later in 2017 through a partnership between the FATE Foundation and Facebook for 'digital enablement', called the 'Aspiring Entrepreneurs: Digital Programme'. This provides a four-week digital-focused enterprise-training programme for 320 young entrepreneurs across seven major cities.

The FATE Foundation has also launched a ScaleUp Lab Accelerator programme, called 'Accelerating Growth of High Potential Businesses', which is supported by the African Capital Allowance (ACA) Foundation (FATE Foundation 2018). This initiative seeks to boost the financial literacy of high-potential agribusinesses. Its objectives are to identify early stage high potential start-up entrepreneurs within the agribusiness sector and position them for growth; to improve the success rate of high-potential, high-impact start-up agribusinesses; and to create opportunities for agriculture start-ups to scale up, create jobs and improve livelihoods.

FATE Foundation also runs the msmehub.org online platform, which provides digital materials to help Nigerian entrepreneurs to manage and scale their businesses better. The hub is set to be expanded through the introduction of new interactive tools, such as a tax calculator and a funding finder that entrepreneurs can easily access.

Other FATE Foundation programmes scheduled to be released include an additional digital platform – supported by the Youth Business Initiative (YBI) and Accenture – to provide virtual business advisory support for thousands of Youth Entrepreneurs across Nigeria; an e-learning full course entrepreneurial skills certificate

programme; and the dissemination of research findings on scaling up businesses and financial literacy.

Training providers who contributed to the survey mentioned a range of further activities which contribute towards improving levels of financial literacy in Nigeria. This included the availability of a range of advisory and consultation services for MSMEs. They noted that the most effective learning methods tended to be those who utilised workshops and follow-on support sessions. The easier aspects of financial literacy courses covered bookkeeping. More difficult aspects covered financial projections, cash flow management, financial reporting, and tax computation.

Outside of Nigeria, similar economies have adopted a variety of financial literacy programmes. In Rwanda, German Technical Cooperation (GTZ) and Banque Commerciale du Rwanda (BCR) provide courses on financial management and reporting for SMEs, with the aim of enabling them to allow their banks to perform better risk assessment. In Bolivia, Honduras, Nicaragua and El Salvador, the Swiss Development Cooperation Agency operates a financial literacy programme for low-income households and microfinance institutions, which is not SME-focused but has assisted families to set up small firms. In South Africa, research by USAID identified the need for financial literacy training, but warned that the low level of computer literacy would hinder the ability of financial literacy programmes to achieve sufficient outreach.

Equally, ACCA's flagship online learning programme, ACCA-X, is an online learning programme to support learners anywhere who are interested in accountancy and business. It offers online courses in accountancy, finance and business, and is designed on the basis that high-quality accountancy tuition should be both flexible and affordable.

To support MSMEs, the FATE Foundation has also developed a sample curriculum proposal for financial literacy for entrepreneurs that can be found in Appendix 3 of the report.

Conclusion

Nigeria has an opportunity to be the most dynamic, as well as the largest, economy in Africa. But, currently, this opportunity is significantly restricted by limited financial literacy.

The extended provision of financial literacy training for consumers is necessary for the development of the nation's financial services markets. It is similarly necessary for entrepreneurs, as this will create the foundations for the expansion of Nigeria's economy.

Financial literacy training is effective in providing the financial skills necessary for entrepreneurs to manage their businesses better and improve their access to funding sources. But greater standardisation of financial literacy training is also needed to ensure that it is of a sufficient standard for entrepreneurs. It is essential that more entrepreneurs take advantage of financial literacy training. While most of them do recognise the benefits of this, more needs to be done to persuade others.

To maximise the benefits of financial literacy training, it is important that it enables entrepreneurs to directly apply what they learn to their own business development. The focus of the training should therefore be on its practical application in participants' businesses. This should be followed up by continuous support, to ensure that entrepreneurs continue to use the knowledge gained. There should be a wider range of options for teaching financial literacy. The training should include preparing bank-friendly business plans and understanding the funding types available and their suitability for different types and sizes of business.



Appendix 1: Case studies

EDOBONG AKPABIO, CEO AND MANAGING DIRECTOR OF VISIONAGE AGRO-TECH FARM LIMITED.

What challenges has your business experienced from limited financial literacy skills?

An inability to respond to statutory obligations promptly and regularly – annual reports, tax payments, etc; poor presentation of new project proposals; an exposure to arbitrary charges by the professionals.

What benefits has your business received from being upskilled via a particular industry or government initiative?

Knowledge; a confidence boost; better work performance; better responses to obligations.

How has improvement in financial literacy contributed towards your business growth?

An increased ability to deal with clients and investors; the ability to provide training and mentoring to younger entrepreneurs; better understanding of economic issues.

How has technology helped to improve your financial literacy skills?

Technology has helped a great deal, especially as I didn't study any numeric discipline previously and hated any subject with 'figures'. Instead of having to grapple with complex accounting exercises, technology has made it easy to record and interpret my accounting.

After my Aspiring Entrepreneurs Programme (AEP), delivered by the FATE Foundation in 2006, I kept my books using Excel for a very long time until I could afford to purchase and subscribe to Peachtree.

ADETOLA ADEBOWALE IS CREATIVE DIRECTOR OF WAPA APPAREL. WAPA has manufactured shirts and other garments since 2005.

What challenges has your business experienced from limited financial literacy skills?

We haven't had any major financial literacy challenges essentially because we had an in-house accountant from the onset. My wife is a chartered accountant and oversees the administrative and financial aspects of the firm. Right from the onset our books and financials have been well organised and correctly managed.

What benefits has your business received from being upskilled via a particular industry or government initiative?

In December 2012, we won the maiden edition of the MTN Business Plan Competition with a grant of 20 million naira.

In October 2014, we were awarded a grant of 10million naira by the federal government through the Federal Ministry of Finance's YouWin 3 window. This enabled us to acquire state-of-the-art garment-making equipment. This greatly improved our production process and delivery. We also benefited from a World Bank collaboration with the Ministry of Trade and Investment and this initiative helped me to undertake a programme at Lagos Business School. We were able to access a Lagos State Employment Trust Fund (LSETF) loan because we met the necessary financial literacy requirements.

How has improvement in financial literacy contributed towards your business growth?

I attended the Fate Foundation's AEP programme and my acquired knowledge has helped me: to interpret our finances; with bookkeeping; to know if the company is financially healthy; and to forecast future challenges. With my acquired financial skills and my wife's experience we haven't had any difficulty in accessing funds, either locally or internationally.

How has technology helped to improve your financial literacy skills?

After the financial literacy class, I was better able to understand the basics of a financial report, I can make deductions and I am able to query a financial document that is not too technical. I have basic Excel skills and I am also able to develop formulas, which I can use as templates to do my accounting. I can also work on production cost and overhead cost, while my wife handles the more technical financials. The Excel software makes it easy for me to interpret our financials and accurately apportion profit.

TOKI MABOGUNJE IS FOUNDER AND PRINCIPAL CONSULTANT AT TOKI MABOGUNJE AND CO. (TMC).

The company was established in 2000 and has been in operation for 18 years. It has about 5000 customers in its database. Toki is a business development consultant interested in the growth and management of SMEs in Africa.

What challenges has your business experienced from limited financial literacy skills?

As a consultancy, we understood the importance of financial literacy and so we had an in-house accountant and an external auditor. Following the recession, which hit the continent in 2011, most SMEs were negatively affected and their ability to pay for our consultancy services was damaged. This meant we did not have the capacity to keep our accountant because of our reduced income. We decided to acquire the skill ourselves: our auditors trained us and we acquired Peachtree software.

What benefits has your business received from being upskilled via a particular industry or government initiative?

We haven't benefited from any particular government initiative. All upscaling has been self-financed. However, we collaborated with FIRS [Nigeria's Federal Inland Revenue Service] in 2011 to create tax education awareness.

How has improvement in financial literacy contributed towards your business growth?

Financial literacy helped us stay on top of our business and keep track of our payables and receivables. It has also helped us to interpret our finances more effectively, in order to see if our business strategy can respond to any potential financial challenge we may be faced with. Because we could interpret our finances better we were subsequently more able to find innovative ways of serving our clients to accommodate their reduced income. Financial literacy is critical to the success of any business.

How has technology helped to improve your financial literacy skills?

Technology has helped improve our business because we can check our accounts in real time and also get the information we need to make informed decisions in real time. You have to have the financial literacy skills to use the software. The software has helped us to have real-time information. The software summarises information and indicates where we need to make changes.

LAOYE JAIYEOLA IS CEO AND DIRECTOR OF THE NIGERIAN ECONOMIC SUMMIT GROUP (NESG),

an organisation dedicated to achieving sustainable economic development in the national interest through private sector initiatives.

What challenges has your business experienced from limited financial literacy skills?

It has been enormous; school doesn't prepare anyone for finance literacy. Due to the lack of knowledge and perhaps awareness, people don't know the distinction between their personal and business finances and that is the core of the problem we face in Nigeria.

As a result, business loans are not properly managed and in some cases we have entrepreneurs who are quite good with their finances, however they lack the ability to report their finances, hence their inability to access funding. People don't know the difference between being profitable and being liquid so they can't scale up.

What benefits have you observed from individuals being upskilled via a particular industry or government initiative?

I have heard of a few initiatives. However, what I think is critically missing is an institution that prepares business

owners through different phases of growth, such as micro to medium. There are no specific or well-laid plans to support private sector development in Nigeria. This is one of the areas we are looking at in NESG: how do we hand-hold business owners and enable them to grow beyond sole trading?

Do you think we will develop more effective initiatives through collaboration rather than the various standalone initiatives we have currently?

Certainly that is how NESG functions: through collaboration with institutions and our volunteering system. The current reality is duplication of scarce resources, particularly human capabilities. If we pull together we can leverage our individual strengths. There are currently too many initiatives, so it is time to challenge institutions to open up more – we can't create sustainable initiatives in our little silos.

At NESG, two maxims I learnt early are: we pay to serve; and we don't care who takes the glory so long as the job is done. We need an improved mindset where the crux of our creations is synergy. The time to collaborate is now.

How have improvements in financial literacy contributed towards growth?

I have a long-term mindset in improving economic growth through financial literacy, as change will take time. However, I commend the efforts of institutions such as Junior Achievements who are 'catching them young' and FATE Foundation's work with aspiring entrepreneurs.

It is one thing to include financial literacy in our school curriculum, however we need to evaluate whether this is being delivered effectively. There is a long road to travel and I am quite hopeful we will record milestones on this journey.

How has technology helped to improve financial literacy skills?

We haven't used technology at all. Technology is so powerful that if leveraged we will see some commendable growth amongst the MSME community in Nigeria. Bringing technology closer to every person is important – for example, by creating apps in the main Nigerian languages. It is commendable what the banking sector has done with technology, as well as with some of the innovations in [the] health and agriculture sectors we have seen recently.

In the face of improved financial literacy, would you say accountants may be replaced or their roles may diminish?

I don't believe an accountant can ever [be] just a bookkeeper in today's business environment. They have a key role to play in improving financial literacy. Those accountants who choose to remain rudimentary will eventually be replaced.

Appendix 2:

About the research

Roundtable discussions

In order to obtain feedback on the survey findings, two roundtable discussions were held in June 2018. These were hosted both by ACCA Nigeria and the FATE Foundation. They brought together entrepreneurs and representatives from a number of relevant organisations providing funding and financial literacy learning. These included:

- ASPEN Institute of Development Entrepreneurs (ANDE) – **Joshua Adedeji**
- Lagos State Employment Trust Fund (LSETF) – **Stephen Amodu** and **Rotimi Asumah**
- Bank of Industry (BOI) – **Michael Oye**
- Junior Achievement (JA) Nigeria – **Justina Amu** and **Ugonna Achebe**
- Association of Chartered Certified Accountants (ACCA) – **Aderonke Adebule**
- Copernicus Institute of Sustainable Development, Utrecht University – **Sarah Tiba** and **Peter Roosende**
- FATE Growth Support – **Fatai Olayemi**
- FATE Foundation – **Amaka Nwaokolo** and **Adenike Adeyemi**

Survey

In 2018 the FATE Foundation launched a survey of MSMEs about their levels of financial literacy as well as the benefits of having undertaken relevant training. Respondents to the survey included a small number of accountants who would have been likely to possess a higher level of financial literacy skills than most entrepreneurs. The Nigerian Association of Small and Medium Enterprises (NASME), Enterprise Development Center (EDC), Abuja Enterprise Agency (AEA) and Olotusquare supported the promotion and distribution of the survey to respondents. All 36 states in Nigeria were covered with 6,200 people responding. This included representatives from over 60 organisations providing financial literacy learning support.

Appendix 3:

Curriculum proposal for financial literacy course for entrepreneurs developed by FATE foundation

The purpose of this curriculum guide developed by FATE Foundation is to identify learning suitable for equipping entrepreneurs with financial literacy skills.

We referenced the exposure draft of the CBN financial literacy framework where relevant.

It is proposed that the course starts with a general introduction on the necessity of financial literacy with Nigerian celebrity case studies of those who were affluent and lost it all due to being financially illiterate.

Key competencies for financial literacy applicable to an entrepreneur

Financial literacy course for Nigerian entrepreneurs is aimed at developing the following key competencies:

- Distinguish between his/her personal and business finances;
- Understand the basic accounting principles, terminology and building blocks;
- Understand the main financial statements, how they relate to one another and how they can be utilized as useful data to make business decisions;
- Appreciate budgeting as a planning and control tool;
- Differentiate between cashflow, revenue, profit and net worth;
- Anticipate the current and future financial needs of their business(es) under alternative scenarios;
- Be a competent buyer of financial services – understand how to review financial products, their costs and risks, and select what is suitable for the business;
- Assess the risks to which the business is exposed and prepare appropriate responses;
- Understand the decision-making process of Access to Finance providers, and thus appreciate how the business can become creditworthy or investment-ready;

- Relate the business's financial needs to Nigeria's macroeconomic environment, regulatory and fiscal framework – to appreciate the notions of regulatory and tax efficiency; and
- Exercise financial management, i.e. to use financial information to analyse business performance and create policies and controls that optimise this for their operations/processes.

Based on the above, core topics for the curriculum will include the following:

- Basic Accounting Concepts
- Bookkeeping
- Cash flow Management
- Financial systems
- Financial management
- Banking/Financial services for MSMEs and Funding options
- Credit reporting
- Selling and buying a business
- Insurance and risk management
- Tax planning and reporting – Regulations and policies

FATE Foundation defined Financial literacy to cover the following:

- planning and managing business finances;
- identifying funding requirements and preparing the necessary documentation;
- managing financial risk;
- understanding the business's financial and economic landscape; and
- complying with financial regulation.

Entrepreneurs can begin at a level appropriate to them and grow skills and confidence along the way, but Financial Literacy Basics should cut across for all irrespective of level.

1. Financial Literacy Course for Entrepreneurs – General Introduction

(compulsory for all entrepreneurs)

Course objectives:

At the end of this general introduction to financial literacy the entrepreneur is expected to have learnt/acquired skills on the following:

- The Importance of Financial Literacy
- Awareness of Basic Accounting concepts and principles and Bookkeeping Basics.
- Introduction to Income Statement, Balance Sheet and Statement of Cash Flows.
- Banking and relating with Financial Service providers

Course details:

- General Introduction to Financial Literacy
 - Why financial literacy matters
 - The CBN framework on Financial Literacy
- Entrepreneurship and Financial literacy: How financial literacy enables business growth
- Separating Business from Personal Finance
- Bookkeeping Basics
- Sourcing Financing for Your Business
- Digital Financial Products and Services
- Where to Get Help, when you need it.

2. Financial Literacy Course for Entrepreneurs – Beginner Level

Course objectives:

At the end of the beginner level course in financial literacy the entrepreneur is expected to have learnt/acquired skills on the following:

- Keeping and maintaining financial records
- Preparing and managing budgets
- Preparing and managing cash flows

Course details:

- Bookkeeping & Accounting Basics
 - Accounting Terminologies
 - Numeric Skills Required
 - Bookkeeping & Maintaining Financial Records
- Finance Fundamentals I: Budgeting
 - Budget Preparation Basics
 - Developing Start-up Costs
 - Developing a Yearly Operating Budget
- Finance Fundamentals II: Key Financial Reports
 - Income Statement (Inflow & Outflow)
 - Balance Sheet
- Finance Fundamentals III- Cashflow Management
 - The Importance of Cashflow
 - Preparing a simple Cashflow Statement
 - Making Cash projections
- Taxation and The Financial Regulation Environment for Nigerian Entrepreneurs

3. Financial Literacy Course for Entrepreneurs – Intermediate Level

Course objectives:

At the end of the Intermediate level course in financial literacy the entrepreneur is expected to have learnt/acquired skills on the following:

- Making financial projections and plans
- Simple Financial decision making
- Working with banks and providers of capital

Course details:

- Finance Fundamentals IV: Financial Projections
 - Developing a 1 – 3 Year Financial Projection
 - Working Capital Management
- Finance Fundamentals V: Financing Readiness
 - Financing Opportunities for the MSMEs
 - Debt and Equity Fundamentals
 - Loan Readiness based on Cashflow and Financial Projections
 - Preparing and Presenting a Financial Plan
- Credit Reporting
- Getting the Best out of Your Bank relationships

4. Financial Literacy Course for Entrepreneurs – Advanced Level

Course objectives:

At the end of the advanced level course in financial literacy the entrepreneur is expected to have learnt/acquired skills on the following:

1. Developing sustainable financial control and documentation processes that can stand test of time
2. Business growth, valuation, sales and acquisition through mergers
3. Tax planning and reporting

Course details:

- Management Accounting for Your Business
- Finance Fundamentals VI: Financial Operations & Reporting for your Business
 - Basic Finance Functions
 - How to Set up a finance function and team for your business
 - Basic Finance Policies, Processes and Procedures
 - Financial reporting for MSMEs (Using FIRS for MSMEs)
- Finance Fundamentals VII: Business Valuation
 - Valuation Basics
 - Buying and Selling Your Business
 - Due Diligence Basics
- Insurance and Risk Management
 - Tax Planning and Reporting

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