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Entrepreneurship development and financial literacy in Africa

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Abstract

Purpose – The purpose of this paper 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. 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. 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) 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, small and medium enterprises. 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 limitations/implications – The paper is limited to the established survey and mainly concentrates on Africa.

Practical implications – 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 Finance, Entrepreneurship

Paper type Conceptual paper

Introduction

Raising seed capital can be overwhelming, expensive and discouraging, especially if one is approaching the wrong type of financier. Grants and equity equivalents are common forms of capital in the earliest stages. In Africa, normally the source for this capital comes from family and friends rather than bank and other non-bank financial institutions (NBFI). Although angel capital and crow funding are slowly finding its way in Africa through some established non-governmental organizations (NGOs) with the aim of supporting start up in micro level, yet this initiative is not sufficiently enough to

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accelerate the quick development of entrepreneurship, without adequate policy support from the government. Recent studies, as well as early research on entrepreneurship, have pointed towards a positive relationship between entrepreneurial development, economic growth, prosperity and wealth creation and the role of markets in driving this process. One of the most prominent factors that prevent many developing countries from advancing along the road towards a market economy is the nature of their institutional arrangement. The observation here is; developing countries institutional arrangements that support markets are either absent or weak. Entrepreneurs everywhere cite limited availability of finance as a major obstacle to their activities, but this constraint is especially obvious in Africa.

Scholars and policy makers have debated that entrepreneurship offers a means through which people can improve their well-being and gain 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 organizations have recognized this population as a large potential market for selling a variety of goods and services with the ability to achieve full economic prosperity.

Government is the key pillar for entrepreneurship development in any society through established rules and regulations, framework, enabling environment, capacity building and most a times financial support through the apex bank or credit grantee firms. Economic growth analyses tend to focus more on large corporation and neglect the role played by smaller firms, it is important to look at the relationship between large firms and micro and small enterprises when making macroeconomic analyses although this process can be complex due to lack of or and inadequate data particularly in Africa.

According to the World Bank's Enterprise Surveys, about 45 per cent of firms in Sub-Saharan Africa identify access to finance as a key obstacle to their business, relative to 13 per cent 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 enterprises (MSMEs). 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

The concept of financial literacy

Countries around the world are progressively identifying the significance of financial literacy and of investing resources in financial education. Governments and International organization are massively mobilizing resources in funding and building capacity in this area particularly in low-income countries and middle-income countries. But what is – financial literacy? The term can comprise from financial awareness, education or knowledge, including of products, institutions and concepts; financial skills, such as the ability to compute interest payments; and financial capability such as money management and financial planning. In practice, however, these notions frequently overlap with each other.

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. Organization for Economic Co-operation and Development (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); handling mortgage and other debt (Campbell, 2006; Lusardi and Tufano, 2008); participating in financial markets (Van Rooij *et al.*, 2011); planning for retirement (Lusardi and Mitchell, 2008); and ultimately, successfully accumulating wealth (Stango and Zinman, 2009). The work of Hammack *et al.*, Marmot, Mackenbach *et al.*, and Shanks and Danziger 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 on financial literacy in Indonesia using randomized control trial points out that financial literacy positively correlates with demand for financial services.

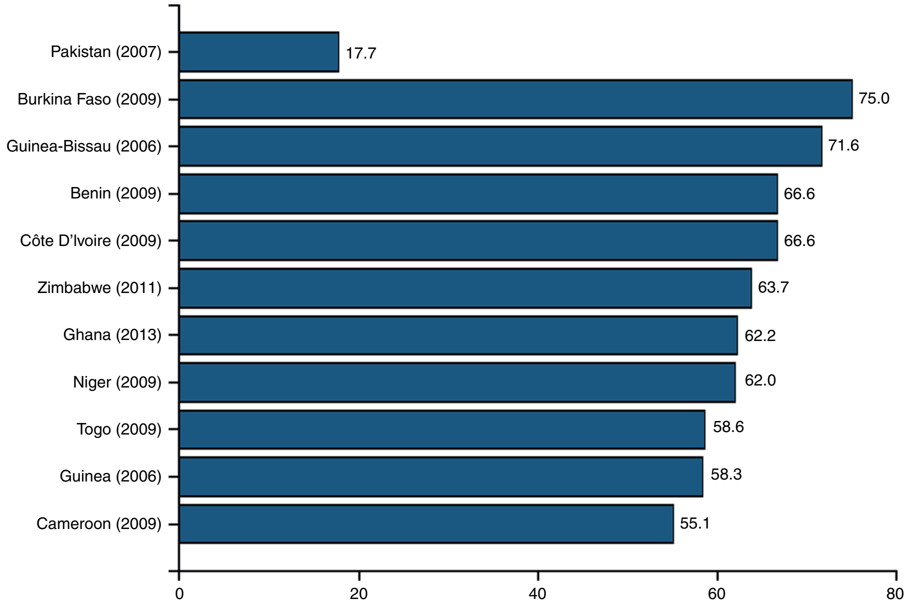
Entrepreneurship and financial literacy

The high persistence of unemployment, working poverty, in Africa, had prompted policy makers to scale-up their support in promoting productive entrepreneurship and small and medium enterprises with the aim of achieve high economic growth and job creation. The lack of access to credit, particularly as a result of inadequate knowledge and awareness on different financial products in addition to lack of awareness and knowledge of different financial product who how they work, high collateral and the weak application of the rule of law makes it difficult to access credit from banks and NBFI in Africa. This is in line with the structure of the financial sector specifically; the weak implementation of the legal framework makes banks require high collateral, leaving the financial needs of many potential entrepreneurs unaddressed.

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 capitalization 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

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 North (1990) outline the prominent factors in Africa and other developing economies that hinder entrepreneurship development towards 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).

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 (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, although



Source: World Bank Enterprise survey

Figure 1.
Percentage of people having access to finance as constraint to business

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 use this data sets 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.

Female entrepreneurs and financial literacy

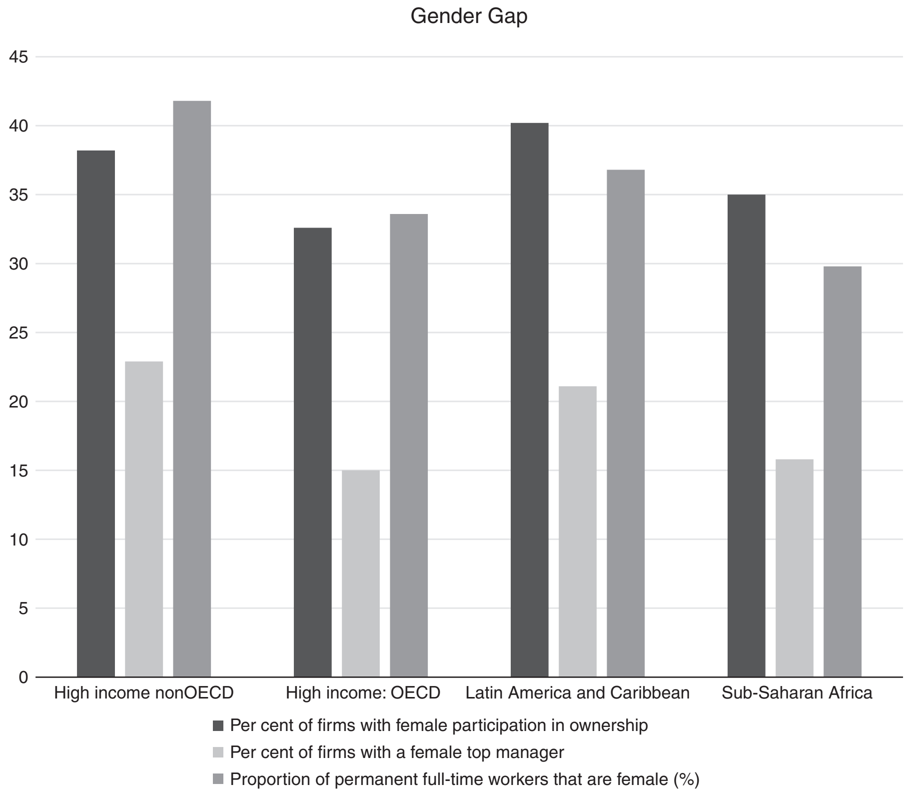
Surprisingly, while the need for financial literacy is generally acknowledged, the importance of gender dimension remains a subject for debate. It is often argued that lack of financial access hinders entrepreneurs in Africa, and prevent women's participation in the modern economy given the lack of basic 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. 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.

There is significant theoretical evidence elaborating a possible gender gap in access to financial services. First, there might be taste discrimination, where men dominate the financial system. Second, there may be statistical discrimination where persons with lower education can have barriers to entry into the formal market with women being disadvantaged. Third, 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 NGOs to collaborate with various government agencies in Africa to support microcredit institution with a focus on women (Figure 2).

A recent study by the World Bank 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 per cent female and 22 per cent of the female ownership participation are micro-enterprises, while women own only 18 per cent 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.

Are African women disadvantaged in access to financial services? Yes, but the reasons seem to lie mainly outside the financial sector, in other dimensions related to female participation in the modern market economy.

Women are disadvantaged among many dimensions, including participation in the labour force and education, which has repercussions for their participation in the



Source: World Development Indicator

Figure 2.
Gender gap and firm ownership

modern market economy, including the formal financial sector. Policies to expand access to financial services by women have to address these other dimensions if women are to reap the benefit of financial services as much as men.

Measuring financial literacy in Africa

Unlike health literacy, that is typically measured using one of the three standardized tests, there are currently no standardised instruments to measure financial literacy. Marcolin and Abraham 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 emphasize measurement of financial literacy as an objective (Table I).

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 (2007, 2008, 2011a) note that while it is important to assess how financially literate people are, in practice, it is

Country (year of survey)	Use financial products: Total (%)	Formal (%)	Informal (%)	Currently save or put money away (%)	Borrowed money in past 12 months (%)	Use an insurance product (%)	Awareness ("Has Never Heard Of…"): Savings account (%)	Interest on savings (%)	Insurance (%)	Loans (%)
Southern Africa										
Swaziland (2011)	63	50	13	66	33	22[e]	–	–	–	–
Lesotho (2011)	81	58	23	51	66 ("have borrowed")	61[e]	–	–	–	–
South Africa (2010)	77	63	14	37 ("save regularly")	33 ("have credit product")	50[e]	–	–	–	–
Mozambique (2009)	22	13	9	20	8	5	82	90	88	22
Botswana (2009)	67	59	8	–	–	–	–	–	–	–
Zambia (2009)	37	23	14	46	24	4	–	–	–	–
Namibia (2007)	48	47	1	45[d]	15[d]	18[d]	–	–	–	–
Malawi (2008)	45	26	19	74	22	3	54	66	–	48
East Africa										
Kenya (2009)[a]	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[e]	–	–	–	–
Rwanda (2008)	47	21	26	54	27	82[f]	–	–	–	–
Tanzania (2006)	46	11	35	–	–	–	27	35	25	9
West Africa										
Ghana (2010)	56	41	15	64	19	5	–	–	–	–
Nigeria (2008)[b]	47	23	24	67	7 ("currently borrowing")	2	42	36	48	22
South Asia										
Pakistan (2009)[c]	44	12	32	56	35 (currently has a loan)	2	–	–	–	–

Notes: [a]Fit Access; [b]access to Finance Survey; [c]access to Finance Study (A2FS); [d]estimate for use of formal product only; [e]in South Africa, this includes 45 per cent who have funeral coverage, and 26 per cent who use other products. In Lesotho, over a third of adults have funeral insurance, funeral coverage is also common in Swaziland and Uganda; [f]reflects access to government-sponsored medical insurance. Use of other types of insurance products is 0-1 per cent

Table I.
Finscope survey result on access to finance and financial literacy in Sub-Saharan Africa and Pakistan

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 per cent 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 boosts labour productivity by 10 per cent. 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 per cent of the population has a formal bank account, these reasons account for the overwhelming majority of responses. Less than 10 per cent 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 per cent 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 per cent) 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 normalized 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 per cent 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 per cent 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 (Table II).

Country (year of survey)	Ql. Compound interest (%)[a]	Q2. Inflation (%)[a]	Q3. Risk diversification (%)[a]	Survey sample	Source
High income					
USA (2009)	65	64	52	1,488	Lusardi and Mitchell (2011b)
Italy (2006)	40	60	45[b]	3,992	–
Germany (2009)	82	78	62	1,059	–
Sweden (2010)	35[b]	60	63	1,302	–
Japan (2010)	71	59	40	5,268	–
New Zealand (2009)	86	81	27[b]	850	–
The Netherlands (2010)	85	77	52	1,324	–
Upper-middle income					
Russia (2009)	36[b]	51[b]	13[b]	1,366	Klapper and Panos (2011)
Romania (2010)	24[b]	43	–	2,048	World Bank CPFL program
Azerbaijan (2009)	46[b]	46	–	1,207	World Bank CPFL program
Chile (2006)	2[b]	26	46	13,054	–
Lower-middle income					
Indonesia (2007)	78	61	28[b]	3,360	–
India (2006)[c]	59	25	!31[b]	1,496	–
West Bank and Gaza (2011)	51	64[b]	–	2,022	World Bank CPFL program

Notes: [a]Percent answered correctly for each of the questions displayed in the box on page six. Questions are similarly worded across surveys except where noted. [b]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 five years at 10 per cent 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 five 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". [c]Gujarat only; not nationally representative

Table II. Selected financial literacy survey around the world

Financial behaviour assessment

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.* 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.* find, in a survey of online investors, that older male investors with graduate degrees have higher investment literacy. Calvet *et al.* (2009) analyzing 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, 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.

Examination of financial literacy and financial behaviour studies revealed number barriers to constructing a standardized approach to measure financial literacy: such as the lack of universal conceptual definition of financial literacy, most studies used definitions with varying elements, such as: knowledge, ability and outcome. Another barrier is the interchangeable use of financial literacy and financial knowledge. This, however, limit the ability to conduct comparative analyses to measure financial literacy rates and the impact on financial behaviour. The most commonly used question of measuring financial literacy is not sufficient. Even though these questions, a may be used to measure and predict financial behaviours but it does not essentially indicate that individuals will behave in a way that many scholars and policy makers would consider optimal. Some certain key characteristics such as impulsiveness, behavioural biases, unusual preferences or external circumstances may also play and important role in poor financial decision making of individuals (Figure 3).

Discussion and conclusion

As stated earlier government is the pillar by enacting relevant policies and implementing them effectively and efficiently through rules and regulations. Government programmes help plug-in the resource and competence gaps of entrepreneurial, which are constituted by institutional and regulatory environment. Investment climate and enabling environment and developing an entrepreneurship framework condition that is align with the national development plan. Another important thing is capacity development through inculcating entrepreneurship culture in the society. This can improve and increase the supply of entrepreneurship ecosystem in the country. Although, not all characteristics of entrepreneurs are trainable. However, combination of capacities may be the missing gap in completing the aspect of entrepreneurial role and training can help eliminate this impeding gap.

Another important point is the level of financial. It is often debated that exposing the public to financial literacy skills will help raise awareness of the usefulness of various

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

Note: [a]Correct answers in bold

Figure 3.
Financial literacy questions (Lusardi and Mitchell, 2011)[a]

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 explores 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 behaviour 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 FinScope 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. FinScope 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.

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