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FINANCIAL LITERACY AWARENESS AMONG SME'S IN WESTERN DIVISION OF FIJI

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Abstract:-

The purpose of this study is to measure the level of financial literacy awareness of the entrepreneurs of small and medium-sized enterprises (SMEs) in Western Division of Fiji. This study had used financial planning, analysis and control, book-keeping, understanding of funding sources, business terminology, finance and information skills and use of technology to measure the financial literacy awareness among the entrepreneurs. The data collection method was quantitative, closed ended questions were used rather than matrix questions. Data was gathered through the use self-administered questionnaire. A Likert scale questionnaire development method was used to gather data for analysis purpose. The results suggest a low level of financial literacy awareness by SMEs owners. Recommendations to improve financial literacy are suggested.

Key words:-*Financial Literacy, entrepreneurs, small and medium enterprises (SMEs)*

1. INTRODUCTION

1.1 Background to the research

In developed and developing countries, Small and Medium enterprises (SMEs) have been a great factor towards a country's job creation and economic growth. SMEs have largely contributed to economic diversification and also play a key role for private sector development. In Fiji, SMEs have been considered as potential for socioeconomics development (Fiji Institute of Applied Studies 2010). According to 2004 economic survey by the Fiji Bureau of Statistics, it has been found out that there are 7,061 enterprises. From these finding 48% were micro enterprises and another 24% registered as small enterprises which made the SME sector 72% of the total (Fiji Bureau of Statistics Economic Survey 2004). The percentage for registered companies has increased to 79% after including medium enterprises.

Small and medium sized entrepreneur normally start off with very little capital. In Fiji, irrespective of the gender, age and education level, a person starts a business when he/she is interested in the product or to extend the family business. In the context of a small business, the Reserve Bank of Fiji (2013) defines a small enterprise that has a turnover or total assets between 30,000 FJD to 100,000 FJD and employs between 6 and 20 employees whereas a medium enterprise is any enterprise that has a turnover or total assets between 100,000 FJD to 500,000 FJD and employs between 21 to 50 employees. Financial literacy is keeping proper track of finances, planning ahead/ or budget, choosing financial products, staying informed, and financial control.

In Fiji, the government had setup National Centre for Small and Micro Enterprises Development (NCSMED) in 2002 to support creation and development of SMEs in Fiji. Under this centre, there are various workshop that is conducted for instance marketing, product development, customer service, procurement, book keeping and records management and export readiness training.

Various authors have proposed several definitions of financial literacy. According to Huton (2010) financial literacy is the measuring of how well an entrepreneur can understand and use their personal finance information. An entrepreneur's ability and confidence is normally needed to use their financial knowledge to make financial decisions. A financially literate SME owner/manager is someone who knows what the most suitable financing are and financial management options for his/her business at the various growth stages of his/her business.

The United States Agency for International Development (2009) defines a financially literate SME owner/manager as a person who knows what are most suitable financing and financial management options for his/her business at the various growth stages of the business. The owner or managers has knowledge on how to obtain the most suitable products and services and interacts with confidence with the suppliers of their products and services.

1.2 Research Problem

Entrepreneur financial literacy is an important determinant of the performance of small and medium enterprises. This implies the ability to read, analyze, manage, understand and write about financial measure of a particular firm. The entrepreneur in Fiji generally has some prior knowledge of the small business start off as he or she has either worked in paid employment or worked in the family business for years. Various researches have been conducted on developing micro finance (Kinivuwai L), problems and development issues of SMEs (Prasad, Ashna A. and Singh, Gurmeet (2013)) but so far there has not been any investigation on level of financial literary awareness among SMEs in Fiji. Thus this is the basis of my research, to measure the level of financial literacy awareness of the owners and/ or managers of small and medium-sized enterprises (SMEs) in Fiji.

1.3 Research Objective

1.3.1 To identify the relationship between type of business and financial planning, budgeting and control.
1.3.2 To identify the relationship between education and book keeping or record keeping.
1.3.3 To identify the relationship between education and the knowledge about the funding sources available.
1.3.4 To identify the relationship between education and understanding of business terminology.
1.3.5 To identify the relationship between education and finance and information related skills of the entrepreneur.
1.3.6 To identify the usage of technology in different types of business.

1.4 Hypothesis

1.4.1 There is a relationship between type of business and financial planning, budgeting and control.
1.4.2 There is a relationship between education and book keeping or record keeping.
1.4.3 There is a relationship between education and the knowledge about the funding sources available.
1.4.4 There is a relationship between education and understanding of business terminology.
1.4.5 There is a relationship between education and finance and information related skills of the entrepreneur.

1.5 Justification for the research

The importance of this research is to find out whether the SMEs owners operating their business in Western Division of Fiji are financially literate. Being financially literate, the entrepreneurs will be able to operate their business successfully by better managing their financial transactions and keeping updated financial records which would contribute to their business growth.

1.6 Methodology
A total of 50 samples of SMEs were selected randomly. These SMEs were contacted through phone for submitting of the questionnaires. The questionnaires were hand delivered and were collected after two days. After collection of the questionnaire, the data was analysis through using Statistical Package for the Social Science (SPSS) software. The data was analyzed through independent test, cross tabulated and the later it was tabulated.

1.7 Definitions
Financial Literacy - is the ability to understand how money works in the world: how someone manages to earn or make it, how that person manages it, how he/she invests it (turn it into more) and how that person donates it to help others.

Entrepreneurs - a person who organizes and operates a business or businesses, taking on greater than normal financial risks in order to do so.

Small and Medium scale enterprises (SMEs) - are non-subsidiary, independent firms which employ less than a given number of employees.

1.8 Key Assumptions
The researcher assumes that the respondents have given correct and quality information since they were not forced to participate and they were informed that the study is entirely academic related.

2. Literature review
2.1 Small and Medium scale enterprises (SMEs) and Financial Literacy
Small and Medium scale enterprises (SMEs) are non-subsidiary, independent firms which employ less than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union. SME's are quickly growing in Fiji in terms of self-employment (Reserve Bank, 2014). People are indulging in small businesses in order to live their daily lives.

It is very important that people who indulge in SME's have a better knowledge of financial literacy in order to have a successful business. This research aims to find out the level of financial literacy awareness amongst SME's in the Western Division of Fiji. In Fiji, promoting a favorable environment for the development of Small and Medium Scale Enterprises (SMEs) is seen as critical. SMEs are regarded as primary drivers for job creation and GDP growth. They greatly contribute to economic diversification and social stability and also play an important role in private sector development. The SME sector is recognized as one of the key sectors in the economy, which has the potential of helping achieve the "Stimulating and Growth for Development and Job Creation" agenda of the government.

In Fiji, there is a lack of knowledge amongst SME's on Financial Literacy. The Reserve Bank of Fiji (RBF) organizes workshops for SME's but to a lesser participation group. It is very important that the NGO's and the government organize workshops for SME's at a large scale. There are also many factors that derail the idea of financial awareness to SME's i.e. Literacy level, ability to express and share, culture and competition. The results of most of these research revealed that, the SME market was perceived by banks and financial institution as risky, costly, and difficult to serve ,With the advances in information and communication technology, the cost differential of serving poor customers has fallen (United Nations, 2006) and financial institutions now perceive significant opportunities in the SME sector. Survey data from multiple studies show that banks have begun to target SMEs as a profitable segment.

Financial literacy has attracted increasing attention in both the developed and developing world due to its role in financial decision. It also plays a vital role for SME's in Fiji. In January 2008, The United States government set up a President's Advisory Council on Financial Literacy. The council was tasked to promote programmes that would improve financial education at all levels of the economy. This was to improve access to and utilization of financial services. In the same way Fiji has a National Centre for Small and Micro Enterprise development (NCSMED).

In the developing world, the Indonesian government declared 2008 as "the year of financial education" with a stated goal of improving access to and use of financial services by increasing financial literacy. Similarly, in India, the Reserve Bank of India launched an initiative in 2007 to establish Financial Literacy and Credit Counseling Centers throughout the country which would offer free financial education and counseling to urban and rural populations.

2.3 Research Questions
In Ghana, the financial literacy week celebrated each year proves the recognition the government of Ghana accords financial literacy. The critical questions that need to be answered are: Do owners of SMEs possess enough level of financial literacy? Does the level of financial literacy significantly explain their demand for financial service? While many studies have provided documentary evidence suggesting that financial literacy education is effective, there is surprisingly little rigorous, academic evidence. With the exception of Cole, Sampson, and Zia (2009), which used two surveys from two of the most populous countries in the world (Indonesia and India), to show that financial literacy is an important predictor of financial behavior in the developing world, we are aware of no completed study testing the significance of financial literacy in utilising basic financial services particularly in sub-Saharan Africa and for that matter Ghana. Fiji

should also have programmes on financial literacy at a larger scale. Schools do run financial literacy programmes but to only meet the curriculum proposed by the Ministry of Education Fiji.

This research overall will look into the advantages of Financial Literacy amongst SME's in the Western Division. The paper will help NGO's and relevant authorities to vigorously start the awareness on financial education and also report that level of Financial Literacy amongst SME's.

3. Methodology
3.1 Research Design
The quantitative method undertakes systematic empirical studies which involve quantifying data through the assistance of mathematics and statistics (Bryman and Bell, 2007). The research was designed and conducted with a scope to gather information in quantitative approach. Entrepreneurs of successful SMEs are not very conducive to the idea that somebody checks about their level of financial literacy therefore the research was quite delicate. For this reason, quantitative approach, the structured questionnaires were used to gather the information. This approach proved to be very helpful. The questionnaires were personally administered on the registered entrepreneurs in Western Division of Viti-Levu, Fiji. The main reason for selecting Viti-Levu is that this is the largest island in Fiji and majority of the SMEs are found here.

3.2 Research Procedures
The sample size consisted of 50 SMEs, based on random selection and the owners/managers were given questionnaires. Since the data collection method was quantitative, closed ended questions were used rather than matrix questions. The respondents were given a questionnaire that includes 5-point type (Always, Often, Sometimes, Rarely and Never) responses as well closed-ended questions with options such as yes or no. The response set for the matrix questions would be very difficult for the average respondent to interpret or understand. Other reasons why closed ended questions were chosen are was that data analysis would be simple. The responsiveness can be directly compared and easily aggregated (easier to punch in numbers).

This sample has categorization of SMEs with a minimum number from each category: manufacturing, transportation, wholesale & retail, tourism and agriculture sectors were the main research areas. These entrepreneurs were owners of joinery shops, eateries, auto repair shops and garment manufacturing, retail shops, vegetable farming and poultry farming.

As this research is focused on financial literacy, the variables which measured are mainly record keeping, saving, financing skill, budgeting. Record keeping is a basic skill an entrepreneur should have. It is an important source of information for the business which will help in critical decision-making. (Gray, Sebstad, Cohen and Stack, 2009). This measure of financial literacy is considered to be critical in business day to day operation since entrepreneurs cannot rely on memory to summarize all the daily transactions. Saving enact as security and accumulation of wealth (Gokhale, 2000) for growth of the business, however entrepreneurs lack necessary discipline in advancing the business. Financing skill is important to obtain funding or capital from outside sources with minimum interest rate and payoff. Budgeting refers to the expenditure planning and cash flow which is very important for the success of the business operation and processes. However, Torres (2008) found that small business owners are not concerned about budgeting; their concern is more of the cash flow. Thus SME owners need to have a good knowledge on how to handle their revenues and expenditures to prosper their businesses.

Since the research produced numerical / quantitative data, statistical data analysis was carried out using SPSS:

Independent test
The independent-samples t-test compares the means between two unrelated groups on the same continuous, dependent variable.

Cross Tabulation
Cross-tabulation is a two (or more) dimensional table that records the number (frequency) of respondents that have the specific characteristics described in the cells of the table. Crosstabulation tables provide a wealth of information about the relationship between the variables.

3.3 Ethical considerations
The following ethical considerations were considered while under taking the research: Full consent was obtained from the participants prior to the study. The protection of the privacy of research participants was ensured. Adequate level of confidentiality of the research data was taken into consideration. Anonymity of individuals and organizations participating in the research was ensured.

4. Findings
4.1 Demographic Data about Entrepreneurs

Table 4.1 Types of Business

	Frequency	Percent	Cumulative Percent
Manufacturing	10	20.0	20.0
Transport	10	20.0	40.0
Wholesale, Retail	10	20.0	60.0
Tourism	10	20.0	80.0
Agriculture	10	20.0	100.0
Total	50	100.0	

Table 4.1 shows the different categories of business sectors to whom the questionnaires for this survey were distributed.

Table 4.2 Gender

	Frequency	Percent	Cumulative Percent
Male	37	74.0	74.0
Female	13	26.0	100.0
Total	50	100.0	

Table 4.2 shows the gender distributions of the SME business owners. There were 37 males and 13 females interviewed for this study.

Table 4.3 Income Range

	Frequency	Percent	Cumulative Percent
5000 to 10000	31	62.0	62.0
10000 to 15000	19	38.0	100.0
Total	50	100.0	

Table 4.3 shows that 62% of the SME business owners income range from $5000 to $10000, while 38% ranges from $10000 to $15000.

Table 4.4 Education

	Frequency	Percent	Cumulative Percent
Primary	25	50.0	50.0
Secondary	19	38.0	88.0
Tertiary	6	12.0	100.0
Total	50	100.0	

Table 4.4 shows that 50% of the respondents have primary education whereas 38% are secondary educated and 12% only tertiary educated.

Table 4.5 Employees

	Frequency	Percent	Cumulative Percent
1 to 5	31	62.0	62.0
6 to 10	17	34.0	96.0
10 to 15	2	4.0	100.0
Total	50	100.0	

Table 4.5 shows that majority of SMEs employs 1 to 5 employees which is 62%, while 34% is 6 to 10 employees and rest are from 10 to 15.

4.6 Influence of Types of Business on Financial Planning, Budgeting and Control

Table 4.6 Independent test of type of business and financial planning, budgeting and control

		Sig.	t	df
Finacial Objectives	Equal variances assumed	.120	-1.604	48
	Equal variances not assumed		-2.063	21.055
Budget Preparation	Equal variances assumed	.144	-.345	48
	Equal variances not assumed		-.386	16.173
Comparison of FO & Performance	Equal variances assumed	.096	-1.302	48
	Equal variances not assumed		-1.385	15.028

Table 4.6 shows the difference in the type of business and financial planning, budgeting and control. The results denote that the p value of the variables used to measure financial planning, budgeting and control are more than the level of significance ($p \leq 0.05$), thus the null hypothesis is accepted stating that there is no significant difference between the type of business and financial planning, budgeting and control.

4.7 Influence of Education on Book Keeping and Record Keeping
Table: 4.7 Independent test of education and book keeping or record keeping

	Sig.	t	df
Sales Book	.205	-.546	48
		-.589	6.777
Purchase Book	.001	-4.425	48
		-12.091	43.000
Expense Book	.000	-2.545	48
		-1.350	5.229
Fixed Asset Register	.054	-.859	48
		-2.348	43.000
Stock Book	.250	-2.525	48
		-2.104	5.883
Cash Book	.000	-2.191	48
		-5.986	43.000
Debtors Book	.250	-2.525	48
		-2.104	5.883
Creditors Book	.250	-2.525	48
		-2.104	5.883
Accounting Package	.000	-9.191	48
		-3.162	5.000

Table 4.7 shows the difference in the education and book keeping or record keeping. The results denote that the p value of the 5 out of 9 variables (sales book, fixed asset register, stock book, debtors book and creditors book) used to measure book keeping or record keeping are more than the level of significance ($p \leq 0.05$), thus the null hypothesis is accepted stating that there is no significant difference between education and book keeping or record keeping, however the p values of the 4 out of 9 variable (purchase book, expense book, cash book, accounting package) is less than the level of significance thus H_1 is accepted and stated that there is a significance difference between education and the four variables.

4.8 Influence of Education on Knowledge of Funding Sources

Table 4.8 Independent test of education and Funding Sources

	Sig.	t	df
Business Bank Account	.132	-.823	48
		-.576	5.544
Daily Banking	.000	-14.533	48
		-5.000	5.000
Requirements Commercial bank	for .000	-1.386	48
		-3.786	43.000
Check Websites	.000	-1.386	48
		-3.786	43.000
Prepare business plan	.277	-.524	48
		-1.431	43.000

Table 4.8 shows the difference in the education with knowledge of funding sources. The results denote that the *p* value of the 2 out of 5 variables (business bank account and prepare business plan) used to measure funding sources are more than the level of significance ($p \leq 0.05$), thus the null hypothesis is accepted stating that there is no significant difference between the differences in the education and funding sources, however the p values of the 3 out of 5 variable (daily banking, requirement for commercial banks and check websites) is less than the level of significance thus H_1 is accepted and stated that there is a significance difference between education and the three variables.

4.9 Influence of Education and Understanding Business Terminology

Table 4.9 Independent test of education and Understanding Business Terminology

	Sig.	t	df
Stock	.000	-14.533	48
		-5.000	5.000
Debtor finance	.000	-14.533	48
		-5.000	5.000
Inflation rate	.000	-4.596	48
		-1.581	5.000
Exchange rate	.000	-4.596	48
		-1.581	5.000

Table 4.9 shows the difference in the education with understanding of business terminology. The results denote that the *p* value of the variables used to measure understanding business terminology are less than the level of significance ($p \geq 0.05$), thus the H_1 is accepted stating that there is a significant difference between the differences education and understanding business terminology namely stock, debtor finance, inflation rate and exchange rate. However other 10 business terminology (savings, loan, investment, taxes, insurance, interest rate, credit card, hire purchase, business plan and tax rate) were well understood by the respondents. Thus the independent test does not account for the ten variables since all responded yes to the question.

4.10 Influence of Education and Finance and Information Related Skills of the Entrepreneurs
Table 4.10 Independent test of education and Finance and Information Related Skills of the Entrepreneurs

		Sig.	t	df
Accounting/ Book Keeping	Equal variances assumed	.000	4.703	48
	Equal variances not assumed		2.415	5.204
Business Plan	Equal variances assumed	.000	5.287	48
	Equal variances not assumed		2.326	5.104
Computer literacy	Equal variances assumed	.000	4.726	48
	Equal variances not assumed		2.190	5.134
Internet usage	Equal variances assumed	.000	4.726	48
	Equal variances not assumed		2.190	5.134

Table 4.10 shows the difference in the education and Finance and Information Related Skills of the Entrepreneurs. The results denote that the *p* value of the variables used to measure Finance and Information Related Skill of the Entrepreneurs

are less than the level of significance ($p \geq 0.05$), thus the H_1 is accepted stating that there is a significant difference between education and Finance and Information Related Skill of the Entrepreneurs.

4.11 Usage of technology in different types of business
Table 4.11 Cross tabulation of Type of Business with Usage of Technology

	Type of Business				
	Manufacturing	Transport	Wholesale, Retail	Tourism	Agriculture
Business email	10.0%	10.0%	100.0%	100.0%	100.0%
Internet Access	20.0%	10.0%	100.0%	100.0%	30.0%
Website	0.0%	0.0%	0.0%	0.0%	0.0%

Table 4.11 shows the percentage of usage of the three variables (business email, internet access and website) of technology in each type of business. For variable business email 10% respondents from manufacturing and transport had official business email account. 100% respondents from wholesale/retail, tourism and agriculture had official business emails. For internet access wholesale/retail and tourism showed 100% respondents had access to internet while 20% from manufacturing, 10% for transport and 30% from agriculture had access to internet. The results show that none of the business under the study had official website for their business.

5. Conclusions and implications
Financial literacy has positive impacts on entrepreneurs to make good financial decisions and business survival. The main objective of this study was to measure the level of financial literacy awareness of the owners. There were a total of 50 randomly selected SMEs from different business sectors (manufacturing, transport, wholesale/retail, tourism and agriculture). This study used financial planning, analysis and control, book keeping, understanding of funding sources, business terminology, finance and information skills and access to technology to measure the financial literacy of entrepreneurs.

5.2 Influence of type of business on financial planning budgeting and control.
The study reveals that type of business does not have any influence on the financial planning, budgeting and control

5.3 Influence of education with book keeping or record keeping
The study reveals that education has influence on 5 variables of book keeping and record keeping which are (sales book, fixed asset register, stock book, debtors book and creditors book), however the results show that there is an influence on (purchase book, expense book, cash book, accounting package) but there is a weak relationship of education on these variables.

5.4 Influence of Education on knowledge of funding sources
The study reveals that education does not influence having official business bank account and preparing the business plan. The results denote that education influences daily banking, requirement for commercial banks and checking websites of the financial institutions, however there is a weak relationship of education on these variables.

5.5 Influence of Education on understanding of business terminology
The study reveals that education influences four business terminology used in the study stock, debtor finance, inflation rate and exchange rate, however majority of the business terminology are well understood by the entrepreneurs.

5.6 Influence of Education on Finance and Information Related Skills of the Entrepreneurs
The study reveals that education influences finance and Information Related Skills of the Entrepreneurs in terms of all variables that were used to measure finance and information Related Skills of the Entrepreneurs namely accounting/ record keeping, business plan, computer literacy and internet usage.

5.7 Usage of technology in different types of business
The study shows the technology is widely used in wholesale/retail, tourism and agriculture. Most of the manufacturing and transport business do not have official business emails however all wholesale/retail, tourism and agriculture business under study had official business email account. All wholesale/retail and tourism business has access to internet but less than 30% of the manufacturing, transport and agriculture had access to internet. No business under study had websites.

5.8 Implications for policy and practice
Some of the implications after this study are as follows:
The government could organize more workshops aimed at creating awareness on importance of financial literacy among SMEs as it would enhance the use of funds and allow owners/managers to better administer their businesses and reduce the failure rate of these SMEs. More of the short courses, seminars and workshops can be conducted by National Centre for Small and Micro Enterprises Development where getting access to funds to manage the expenses of their business and also to expand it further.

Furthermore, a policy can be put in place to mandate the SMEs to keep proper financial records or it should be supervised by a body that is, their accounts to be examined by a relevant authority as this will allow proper management of funds within the organization. Also, more timely monitoring of SMEs will not allow them to drift away from the course of establishment.

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