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Assessing Financial Literacy of Employed and Business People in AMBO, Ethiopia: Evidence for Policy Makers

Sunitha Kumaran[1]

Abstract

Financial market today is flooded with sophisticated and complex financial products thereby individuals require a greater degree of financial literacy to select appropriate financial products and avail financial services. The purpose of the study was to assess the financial literacy and awareness of financial products of employed and business people in AMBO, Ethiopia. Descriptive research was adopted for the study. From the total population of 10,031 employed and business people in AMBO, 371 adults aged 18 to 79 were interviewed using a structured and a standardized questionnaire developed by OECD. Financial literary is the sum of the scores of three constructs namely: Financial Knowledge, Financial Behavior and Financial Attitude. Results reveal that the financial knowledge score is 46%, financial attitude score is 60%, financial behavior score is 52%. The overall financial literacy score is 54% in the town. There is a wide gap between awareness and holding of credit, investment products and current account.

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Keywords: Financial Literacy; Financial Knowledge; Financial Attitude; Financial Behaviour; OECD; Financial Inclusion.

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[1] Department of Finance & Banking, College of Business Administration, Dar Al Uloom University, Kingdom of Saudi Arabia.

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1 Introduction

1.1 Background of the study

Financial literacy is defined as the possession of the set of skills and knowledge that allows an individual to make informed and effective decisions in handling financial resources. A sound understanding of financial concepts allow people to pass through the complicated financial system. People with apt financial literacy are known to make informed financial decisions and demonstrate excellence in money management.

Not only is financial literacy important to individual and their families, but low levels of financial literacy can have wider implications on the economy. The financial crisis and aftermath showed the increasing complexity of a financial system and participants' inability to understand and cope with has been a challenge (Zakaria.S, 2013). Increasing attention to financial literacy encompass the greater complexity and evolution of the financial landscape, the transfer of broad range of (financial) risks to consumers, rising number of participants and the limited ability of a regulator alone to protect consumers. The negative spillover effects of low levels of financial literacy and potential implicit costs for the society and the economy at large have mandated regulators to focus on prudent programs to educate consumers. International organizations such as G20 has highlighted the importance of financial literacy in its High Level Principles on Consumer Protection and Financial inclusion.

Organization for Economic Co-operation and Development (OECD), its International Network for Financial Education (INFE), and the World Bank have pioneered in developing principles, best practices, survey instruments, diagnostic tools, measurement and evaluation techniques for financial literacy.

An increasing number of countries have state-run programs to develop and implement national strategies for financial education. In spite of the considerable international and national efforts taken to improve financial literacy, much remains to be done. OECD survey of 30 countries found that "overall levels of financial literary, taken as a combined scores on knowledge, attitude and behavior are relatively low. The average score is just 13.2 out of a possible 21, showing significant room for improvement.

According to OECD 2016, financial literacy levels are compositely affected by financial knowledge, financial attitude and financial behavior – in some cases knowledge is an issue, in countries like Latvia and Estonia financial behavior is particularly problematic, while countries such as Poland and Croatia may need to target knowledge alongside behavior, to ensure that their populations understand the principles of financial literacy and become more active money managers, whilst the British Virgin Islands and Malaysia are among the countries that need to strengthen financial knowledge in their populations to help individuals fully understand the decisions they are making (OECD.2016).

Access to finance is basic to enhance the level of financial literacy of the people. The miss match of awareness to access is a problem. Access without awareness or awareness without access, no significant change will come. In Ethiopia, according to Hussein P.R.2015, Banks have increased their branches from 220 in 1995 to 2208 in 2014. The extensive branch opening operation undertaken by banks during 2010-2014 enable Ethiopia to reduce average number of people per bank branch to 39,402 in 2013/14 from 125,574 in 2008/09. Banking facilities are concentrated in the capital city of the country, Addis Ababa, followed by Harari region and Dire Dawa administrative state. However, the most populated region like Oromia has only 2-branch bank per 1000km. The growth and success of Microfinance Institutions (MFI) as a development organization has been remarkable in a short span of time. MFIs have met the financial needs of un-served or underserved markets using lending through group based guarantee and compulsory deposit making of clients. On June 2014, the number of microfinance institution operating in the country to reached 31 from 22 in 2004.

The Ethiopian Insurance Sector is largely untapped. The insurance sector consists of one state owned insurance corporation and sixteen private owned insurance companies at the end of June 2014. Insurance companies operated in the country have grown from 8 in 2004 to 17 in 2014 and had 332 branches at the end of June 2014. They opened 138 new branches within half of a decade period that covers from June 2009 to June 2014 (Hussein .P.R. 2015). Despite the rising number of insurance companies, the majority of Ethiopians are not covered under insurance.

Many International organizations and state-run bodies has published data on financial literacy of countries, including Africa too, but almost none on Ethiopia. With the emergence of new government and policy initiatives in Ethiopia, it is crucial for the government to know the financial literacy and financial inclusion level of its citizens. Based on these studies, meaningful indicators can be developed to design national strategies to improve people's financial literacy and inclusion. Despite policy agreement on the need to fill these gaps, analysts and policymakers have much to learn about the most cost effective ways to build financial knowledge in the population at large. AMBO a separate Woreda in Central Ethiopia, located in the West Shoa Zone is a highly populated town and the presence of divergent people and institutions has made it the right choice for the study. AMBO region, in Ethiopia is the capital city of West Shoa zone. The city has the presence of wider network of financial institutions better than other cities found in the nearby zone. Currently there are more than 12 banks, 5 micro finances, and 2 insurance companies in the region. Majority of AMBO residents are employed with government organizations or run small-scale business units. Indigenizing financial knowledge has important implications for welfare, and this perspective offers insights into programs intended to enhance levels of financial knowledge in the larger Ethiopian population. The study focuses on measuring the financial literacy of employed and business people in AMBO town to provide empirical evidences, which could highlight potential research areas and policy issues.

1.2 Objectives of the study

1.2.1 General objective

The major objective of the research is to assess the financial literacy of employed and business people in AMBO Town.

1.3.2 Specific Objectives:

1. to assess the financial knowledge of the employed and business people ,
2. to assess the financial behavior of the employed and business people ,
3. to assess the financial attitude of the employed and business people,
4. to measure the level of awareness on financial products and services among the employed and business people, and
5. to identify measures/programs to enhance the level of financial literacy by the Government and Financial service providers.

2 Review of Literature

2.1. Definition of financial literacy

The OECD/ INFE has defined financial literacy as ‘A combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing OECD. (2011)

American Institute of Certified Public Accountants (2003) defines financial literacy as the ability to effectively evaluate and manage one’s finances in order to make frugal decisions in order to reach life goals and achieve financial well-being.

Lisa. B (2012) states that the findings of financial literacy may have different implications depending on the income level of the country. In high-income countries, for instance, financial literacy is complement to consumer protection.

M. Gowri (2015) summarizes definitions given by different researchers. Financial knowledge is the understanding of interest calculations, relationship between inflation and return, inflation, risk and return, and the role of diversification in risk reduction. Financial behavior assesses how the individual deals with money. It includes prompt payment of bills, framing proper planned budgets and monitoring it, continuous saving habits etc... Financial attitude influences the behavior of the individual. Financial attitude is the opinion of the individual about the belief in planning their propensity to save and consume. Therefore, the combination of financial knowledge, attitude and behavior determines the level of financial literacy of an individual.

2.1.2 Importance of Financial Literacy

According to the American Institute of Certified Public Accountant, the primary goals of financial education is to equip individuals with the capability to navigate a complex array of financial products, including pensions and mortgages, and to make sound financial decisions. The importance of doing so has been underscored in recent years by the financial crisis and the continued shifting of retirement planning responsibilities from the public sector to individuals. Peoples' contribution towards retirement savings accounts determines the quality of life they will expect when retired. In order to take advantage of the new system it is important to be knowledgeable about investing, understand financial language; understand personal risk tolerance, taxation regulations and many more.

The financial market today is flooded with sophisticated and complex financial products. Technological innovations, competition, economic developments and increased access to financial markets are some reasons for the rising complexity of financial products. Financial products sold in bundles often consisting of products or services that are not needed for the customer, nor are they understood by him, but for which the customer still pays money. Although financial advisors' services exist, not many people use them, due to irrational confidence in personal financial knowledge.

In low-income countries, however, financial outreach is much more limited, and more sophisticated consumer products are typically accessible only to a small percentage of the population. The role of financial literacy in increasing access to and take-up of financial services therefore receives more focus. Another important distinction is that people in low-income countries rely more on microenterprise for their livelihood. Acquiring managerial capital, or business skills and knowledge, is thus a more relevant component of financial capability than for the typical wage-earning worker in a developed country. (AICPA, 2003).

Education alone is not enough to improve the situation, because financial literacy comprises not only of good theoretical knowledge, but also depends on habits, positive attitudes and behavior. Proactive approach from the government is crucial if we want to affect peoples' attitudes and behavior. Government plays an important role in promoting financial literacy and increasing public awareness through various campaigns and media channels (Deniss R 2015).

The outcomes of the research on financial literacy on developing countries by The International Bank for Reconstruction and Development/The World Bank (2009) can help to prepare consumers for tough financial times, by promoting strategies that mitigate risk such as accumulating savings, diversifying assets, and purchasing insurance. Financial literacy also reinforces behaviors such as timely payment of bills and avoidance of over-indebtedness that help consumers to maintain their access to loans in tight credit markets.

Deniss R(2015) highlighted that several environmental developments over the past years such as : changes in the pension system, financialisation of the economies and the liberalization of the financial sector – have made it essential for an individual to be financially literate in order to improve financial well-being.

Atkinson M (2012) observed that savings rates have decreased for the past years. Many people prioritize short-term wants over long-term goals, which makes future at risk. The absence of an emergency fund increases the chances of indebtedness and bankruptcy to occur when unexpected events, such as job loss, happen. In addition, saving has become psychologically difficult because of the constant pressure of advertisements that encourage spending and consumption. At the same time, liberalization of the financial sector made loans easily available. People are tempted to finance their purchases with borrowed money, due to lack of financial planning or desire to live above their means.

Norman (2010) asserted that a financially literate person is one who can allocate finances objectively or wisely without being influenced by behaviors and impulsiveness, which many scholars argue, can undermine the tenets of financial literacy.

2.2 Findings on financial literacy

A research done by OECD in 2016, across 30 countries including 17 OECD countries, participated in this international survey of financial literacy, using the OECD/INFE toolkit to collect cross-comparable data. In total, 51,650 adults aged 18 to 79 were interviewed using the same core questions, in 30 languages. This report provides high-level highlights of the survey’s findings focusing on relevant aspects of financial knowledge, behavior, attitudes and inclusion, and insights into the financial literacy of the population. On an average, just 56% of adults across participating countries and economies achieved a score of at least five out of seven (considered to be the minimum target score), compared with an average of 63% across OECD countries, indicating that many adults around the world are currently unable to reach the minimum target score on financial knowledge. Across participating countries and economies, on average just one in two (51%), respondents achieved the minimum target score of at least six out of nine on financial behavior. The average across participating OECD countries is only slightly higher, at 54%. More than four out of five people in France achieved the minimum target score of six out of nine on financial behavior (85%). This compares favorably to the average across all participating countries and contrasts starkly with Hungary, where one in four achieved such a score. On average, just

50% of adults across participating countries and economies achieved the minimum target score for financial attitude (that is, one that shows a tendency to favor the longer term), compared with an average of 55% across OECD countries. In Jordan; Hong Kong, China and Poland, fewer than three in ten people indicated an attitude that tends to favor the longer term. In contrast, in Albania, Hungary, Portugal, Canada, Norway and New Zealand, more than six in ten did so (OECD, 2016).

Robert A (2016) worked on Assessing the Level and Impact of Financial Literacy on African Americans. Findings of this study support efforts to make financial education mandatory in high schools and colleges. The State of Ohio, with support from parents, should make personal finance or finance-related courses mandatory for graduation since this study brought to light a strong connection between financial education and knowledge in financial matters, positive attitudes and behaviors toward financial matters. It also suggested that the overall financial literacy level of African-Americans is generally low. The study established that knowledge in personal finance is affected by certain demographic characteristics such as gender, experience, and work history. Findings of this study has the potential of assisting policymakers, regulators, and educators in devising appropriate mechanism to increase the level of financial literacy not only among African-Americans but also amongst other ethnic groups.

Lisa Xu B (2012) in Ghana, one of the higher-income countries in the region, only 56 percent of adults use any kind of financial product. This figure rises to 81 percent in Lesotho, but falls to just 22 percent in Mozambique. It is interesting to note that Pakistan has a very similar access profile to Tanzania; both countries have high levels of financial exclusion, and use of informal products is about three times more prevalent than use of formal products.

Financial literacy data from the Fin Scope surveys is limited in that it generally focuses only on awareness of financial products and providers, and not on other dimensions of financial literacy, such as numeracy or capability. Finding related to the demographic breakdown of this survey and, other correlates of financial literacy results shows that: Women have lower levels of financial literacy; financial literacy is indirectly related to age, directly related to higher levels of income and educational attainment. In low-income countries, surveys show that: Financial literacy is correlated with having a bank account and more demand for insurance products.

The World Bank Development Research and the Fin Scope surveys (2014) finds that in Africa, there exists disparities by gender in terms of access to financial services, which could also translate into disparities in levels of financial literacy. In Malawi, for instance, 17 percent of females hold bank products compared to 21 percent of males. A similar difference is found in many other countries, including Mozambique, South Africa, and Zambia, although the picture varies by type of service and country. When they do have access to finance, females are often more likely than males to rely on informal versus formal services.

One of the key questions that arise in developing countries is whether financial literacy and financial access are linked. In fact, in most countries surveyed by Fin Scope (2014), the primary reason cited for not having a bank account is lack of income or the inability to maintain a minimum balance, rather than lack of knowledge.

In Malawi (2014), only 19 percent of the population has a formal bank account of which less than 10 of percent respondents cite financial literacy-related reason, 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 percent 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 percent) reports that they did not know how to open an account.

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 is, how it works, or how to buy it. In Malawi, almost 50 percent of adult's did not know the purpose of insurance products. Many people rely on family and community support 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 (Lisa B 2012).

Xu and Zia (2012) in their paper review financial literacy levels across the globe, state that the survey results of Sub-Saharan Africa indicate that a large proportion of the population in countries such an Mozambique, Malawi and Nigeria lack awareness of basic financial products and concepts such as savings accounts, interest on savings, insurance and loans.

Mohamad Fazli Sabri and Nurul Farhana Zakaria (2015) in their study on young Malaysian individuals find that respondents who had moderate levels of financial literacy, financial capability and financial well-being scored high in effort, money attitudes and had a low level of financial strain. Demographic characteristics such as gender, household income, financial literacy, retention-money attitude, financial strain and financial capability had significant influence on financial well-being.

Countries are giving special consideration to develop their citizens' literacy to finance. For instance in America, the growing need to provide Americans with financial education and capability has given birth to FLEC in 2003. Mandated with the power to increase consumer financial literacy and provide new consumer protections throughout the United States, the commission began work few years after its promulgation. For example, to increase research in the area of financial education and literacy, the Financial Literacy and Education Commission in 2008 developed a priority list of key research areas called research priorities (FLEC, 2011).

The findings by Mohamad F.S (2011) has implications for parents, university administrators, financial counselors, financial planners, educators, and students themselves. These findings could be used to develop financial education programs that would provide students with the knowledge and skills to better manage their finances and improve their financial well-being. It is clear from the results that perceived financial well-being differs by gender and ethnicity. This is important information for financial counselors and planners. Understanding these differences will help practitioners tailor advice and planning to the different needs of males and females, Chinese and Malay college students. Educators and university administrators should make sure that financial educational programs not only improve financial knowledge and promote responsible financial behaviors among college students, but also establish support structures that will help students increase their financial well-being

Candice A.T (2009) finds that students graduating from high school should have financial life skills they need to survive in their world. By instituting a Personal Finance class in a high school, the youth of today can have knowledge and skills to manage their finances and be aware of financial concepts as they relate to their everyday life.

Jamie W (2015) in his work on the effect of financial education on financial literacy and financial behavior notes that a person's income is significantly related to the long-term financial behaviors.

Government of most of the poverty ridden African developing countries, where high unemployment, low education enrolment, high vulnerability to socio economic shocks, low rate of personal and national savings, low investment are taking policy measures towards improving financial literacy. Existing evidences, suggest that financial inclusion policies implemented in African countries, notably through MFIs, expansion of commercial bank branches and introduction more technology driven products could leverage financial inclusion effort through a targeted client financial literacy education (Robert et al.,2013; Cole et al., 2014; Gine et al., 2014; Alex and Amos,2015)

The findings suggest that there are benefits to financial education, but the extent of the benefits may depend on the time horizon for changing financial behaviors. Financial education has the most positive relationship with financial literacy and long-term behaviors and a mixed relationship with short-term behaviors. (Jamie F 2015).

Financial literacy helps to identify exactly what the need is and helps to avoid purchase of unneeded financial products. In conclusion, the financial knowledge status of African-Americans as revealed in this study strongly supports the need for workable financial education programs that would teach financial concepts to students and consumers to boost their financial competency for making informed decisions about financial products.

3 Research Methodology

The study is descriptive in nature with both qualitative & quantitative approach. Proportionate simple random sampling was applied to choose the respondents from the sample and purposive sampling was used to choose respondents between the age group of 18-79 years. A customized OECD/INFE Financial Literacy Core Questionnaire was adopted to meet the status and context of the study area. Statistical analysis was does using SPSS Version 20. The target population included 10,031 people from AMBO town, employed with government and private organisation including business heads.

AMBO is a separate Woreda in Central Ethiopia and is located in the West Showa Zone of the Oromia Region. AMBO has the presence of a diversified and largest presence of Micro and Small Enterprises (Survey Data 2016: Agriculture, Manufacturing, Construction, Service, Trade etc.), Government and Private Institution (Town /District/Zonal Administration, Research centers, CSA , Electric Power Authority, Ethiopian Telecommunication, Banks, Insurance, Schools, Universities etc.,). AMBO is one of the power zone of the Oromia region in National Politics, with the highest influence in deciding on the Head of the country and its policy makers. As of 2016, with a capital flow of 23.6 million Ethiopian birr, AMBO demographics demonstrate that 30% of the population are employed in Government / Private Sector, 25% of the population are first/second generation entrepreneurs and that for the majority of the population Agriculture is the primary source of income. The growing rate of graduates, research centers private and public universities pictures a promising future and justifies the inclusion of AMBO as the research area.

Krejcie & Morgan's model was used to arrive at a sample size of 371 respondents. The sampling units were chosen from 2 categories namely I) government employees and II) private employees which includes: Small and Micro Enterprises

(SMEs), Private Institutions and Traders. The final sample of 371 consisted of 235 male and 136 female respondents.

4 Analysis

4.1 Financial Knowledge

A financially literate person holds rudimentary knowledge of simple financial concepts and the ability of apply numerical skills in personal financial decision-making. A set of 6 questions were included in the core questionnaire to measure a person's knowledge on concepts such as: simple and compound interest, inflation, risk and return, tax rates, diversification and ability to apply numerical skills in computing interest, income after tax etc.

The financial knowledge score obtained by summing the correct responses (1 for correct response and 0 in all other cases) is reported out of 100. As per the standard set by OECD, scores above 75% are high scores.

Table: 1 summarizes the scores of the respondents on Financial Knowledge across six key financial concepts. The results obtained shows that only 46% of the population were able to define and apply the financial concepts correctly.

Table 1: Financial Knowledge Scores

Questions on Financial Knowledge	**Score**
Simple interest	44
Compound interest	40
Risk & Return	59
Inflation	71
Diversification	59
After tax returns	5
Overall financial knowledge	**46**

Majority of the respondents did not know the concept of simple interest and compound interest and more than half of the residents could not calculate the interest component accurately. People found it harder to calculate the interest and then add it to the principle. Individuals (59%) were most likely to have understood the concept of risk and return and were able to establish the relationship. The concept of inflation appears to be widely understood; indeed 71% of the people gave the correct response. It indicates that most respondents knew that high inflation meant higher cost of living and low spending power. Savings account is the primary and the only mode to hold their savings. This could be due to non-availability or lack of awareness or lack of reachability to financial products in the financial market. The worrying low level of awareness (59%) about the benefits of diversification is a cause of concern. Majority of the people does not understand the importance of diversifying their savings. The phenomena of tax is not something new to both the employed and business sector. However, a notably large proportion of the people failed to calculate their after tax monthly salary returns. Given the fact that majority of the people are government employees who receive monthly salary after tax deductions. The knowledge of the people on basic financial constructs is very less and hence the overall financial knowledge level of 46% fails to meet the standard set (>75%) by OECD).

4.1.1 Variations in Financial Knowledge Score by Socio-Demographics

The section briefly highlights the distribution of financial knowledge scores of respondents across important socio-demographic factors such as gender, age, education level and work status.

Gender: The analysis by socio-demographics shows important gender differences, in financial knowledge, which are further explored.

Table 2: Financial knowledge scores by gender

FINANCIAL CONCEPTS	Gender		Chi-square value	Sig. *
	Female	Male		
SIMPLE INTEREST	51	112	3.9691	**.046**
COMPOUND INTEREST	53	97	0.2746	.600
RISK & RETURN	81	137	0.0118	.913
INFLATION	84	179	9.6511	**.002**
DIVERSIFICATION	75	142	1.0871	.297
AFTER TAX MONTHLY SALARY	6	15	0.6672	.414

Only a small proportion of the female respondents were able to define concepts such as interest, risk and return, inflation and diversification. The presence of microfinance institutions and inclusion of large population into the schemes has definitely affected the respondents' knowledge on financial concepts.

Age: Knowledge of individuals increases with age and experience. The following tables presents and discusses the financial knowledge scores of respondents based on age.

Table 3: Financial knowledge scores by age

FINANCIAL CONCEPTS	Age Group of House Hold			Chi-square	Sig.
	18-29 YOUNG AGE	30-39 MIDDLE AGE	40-79 ABOVE MID AGE		
SIMPLE INTEREST	62	53	48	.815	.665
COMPOUND INTEREST	66	56	28	12.341	**.002**
RISK & RETURN	82	77	59	.430	.807
INFLATION	94	91	78	.844	.656
DIVERSIFICATION	71	89	57	8.843	**.012**
AFTER TAX MONTHLY SALARY	8	7	6	.032	.984

Young aged people were more familiar with most of the financial concepts. Comparatively middle-aged respondents have a sound knowledge on constructs such as inflation and diversification.

Education level: The level of education is an important determinant of financial literacy. Education policy set by a country plays an important role in imparting in its citizens knowledge, skills and experience in financial education and personal finance management right from the secondary education to increase the competencies of households, which is beneficial for the economy and the country.

The questionnaire captures detailed information about each respondent's highest level of education. Several categories have been combined in order to provide a clear insight into how financial knowledge scores varies according to whether an individual has completed primary & secondary school / diploma-certificate courses or has continued formal education to obtain undergraduate or postgraduate degrees.

Table 4: Financial knowledge scores by education level

FINANCIAL CONCEPTS	3)Education Level of House Hold			Chi-square value	Sig. *
	Primary school and secondary school	Certificate and Diploma	Undergraduate and Post Graduate		
SIMPLE INTEREST	9	56	98	2.626	.269
COMPOUND INTEREST	15	61	74	6.287	**.043**
RISK & RETURN	12	79	127	2.219	.330
INFLATION	12	92	159	12.120	**.002**
DIVERSIFICATION	21	88	108	11.158	**.004**
AFTER TAX MONTHLY SALARY	0	7	14	2.112	.348

The proportion of correct response by respondents with increased levels of education is relatively higher. The difference in financial knowledge is significant across financial constructs namely: Compound interest, Inflation and Diversification.

Work status: Financial literacy is a key determinant of retirement planning (Lusandi & Mitchell, 2007). Today, employees are facing various challenges from the increasing availability of financial information /products and in meeting financial responsibilities. The acute knowledge on financial products may result in incompetency in utilizing financial products, poor retirement planning leading to economic hardship later.

Table 5: Financial knowledge scores by education level

FINANCE CONCEPTS	5)Current Working situation		Chi-square value	Sig. *
	Private Institution SME and Business units	Gov.Org		
SIMPLE INTEREST	49	114	5.028	**.025**
COMPOUND INTEREST	78	72	26.515	**.000**
RISK & RETURN	79	139	.005	.943
INFLATION	90	173	1.834	.176
DIVERSIFICATION	80	137	.033	.857
AFTER TAX MONTHLY SALARY	4	17	2.892	.089

People employed in Government Organizations scored higher than those engaged in business or working in private organizations. The difference in financial knowledge is significant across financial constructs namely: Simple Interest and Compound interest.

Table 6: Distribution of Financial knowledge scores by socio-demographics

SOCIO-DEMOGRAPHIC VARIABLES		FINANCIAL KNOWLEDGE		F ratio	Sig.
		LOW SCORE	HIGH SCORE		
GENDER	Female Male	133 221	4 13	1.373	0.241
AGE	18-29 30-39 40-79	130 124 100	6 6 5	0.017	0.991
EDUCATION	Primary & secondary school Certificate and Diploma Undergraduate and Post Graduate	24 136 194	1 4 12	1.700	0.427
WORK STATUS	Private Institution / Business units Government Organisations	132 222	3 14	2.703	0.100

In the survey, only 4% of the men achieved the standard set by OECD (>= 75% as high scorers) while the remaining scored less than 75%. Very few women (3%) gained a high knowledge score. The difference in financial knowledge scores of men and women is statistically insignificant at 0.05 level. Only 5% of the people from all age group scored high, while 95% scored less than the standard. The financial knowledge level of young and middle aged population is relatively higher than the above middle age group. The observation is opposite of the traditional belief that knowledge increases with age. Formal education, fast phase of change in technologies, innovation in financial products and services and cognitive deterioration would have affected the scores of the above middle-aged people. However, as the difference in financial knowledge scores across age group is statistically insignificant at 0.05 level. Scores of highly educated individuals are higher. Only 4.5% of the people from all education levels achieved the high score while 95.5% scored less. However, some people have achieved high scores despite low levels of education, indicating that high levels of financial knowledge are possible even amongst those who have not completed formal education. The difference in the financial knowledge scores across the different education levels is not significant. Only 5% of the people from all education levels scored the standard set by while 95% scored less than 75%. People working in government organizations gained overall high financial knowledge scores. Most of the people in government organizations also run their own business units, where they need to make business/finance decisions, aim at accumulating wealth and plan for retirement. However, the difference in the financial knowledge scores across the work status is insignificant.

None of the socio demographic variables showed significant difference in scores, nevertheless, it is not a conclusion, as gender biases in access to economic products and services were observed during the course of the survey, and differences in knowledge level of educated and government employed people exists and it therefore needs further detailed studies.

4.2 Financial Attitude

Attitude of an individual towards finances influences the financial behavior towards managing money and personal financial decision-making. Diener and Seligman (2004) has stated that money has four symbolic values namely: status, respect, freedom and luxury. Cross-sectional studies have established a positive relationship between these values and person well-being. Schwarz and Diener (2007) examined the link between individual's attitude towards money and satisfaction. The results indicate that individual's life aspirations is the most determinant for the perception on money and well-being.

If people hold a negative attitude towards savings for their future, they are less likely to choose savings products. Similarly, if they give importance to short-term wants over long-term security, then they are less likely to provide for emergency and have a high risk of outliving their resources during retirement.

The study included three scaled attitudinal questions focusing on attitude towards money and particularly towards future planning. People with average scores higher than three are said to hold positive attitude and vice-versa.

Table 7: Financial Attitude scores

FINANCIAL ATTITUDE SCORE	N	Minimum	Maximum	Mean	Std. Deviation
ATTSCORE	371	1.00	5.00	3.0943	.96881

The average score (3.09) across the three attitudinal scales suggest that AMBO residents are more likely to hold a neutral attitude towards money and long-term future planning. The respondents are distributed equally across the two attitude groups. There is indeed a slightly higher inclination among people to hold negative attitude and preference on money and long-term security. Majority of the people agree that money is there to be spent and hence do not care about saving and maintaining long-term financial security.

Further examination of scores for each attitude questions provides an in-depth view on the financial attitude. The average score for the first attitude statement is 2.90. A majority (60%) of the people agreed with the statement that they tend to live today and not worried about tomorrow. This is highly worrying because it signals the lack of saving attitude and long-term security among the residents. The average score for the second attitude statement is 3.0 suggesting that majority of the respondents found equal satisfaction in spending and saving. The third attitude statement relates specifically to people’s attitude towards money here a large proportion (42%) were conservative and completely disagreed that money is there to be spent. 28% of the people were ambivalent in their decision and hence put themselves at 3 on the attitude scale.

4.2.1 Variations in Financial Attitude Score by Socio-Demographics

Gender: Available evidences on financial attitude suggest that gender is likely to affect an individual’s ability to save money in the short and long term. Moreover, women are more responsible in keeping track of their finances than men but lack financial knowledge and skills in choosing financial products appropriately.

Age, Education & Work Status: With increase in age and experience, individuals tend to develop positive attitude towards money management and towards future planning. Educated and employment status of an individual brings out a change in attitude towards money management and towards future planning.

The distribution of scores across socio-demographics are further explored in the following table.

Table 8: Distribution of Financial Attitude scores by socio-demographics

SOCIO-DEMOGRAPHIC VARIABLES		FINANCIAL ATTITUDE		F ratio	Sig.
		LOW SCORE	HIGH SCORE		
GENDER	Female Male	68 118	69 116	0.0216	0.883
AGE	18-29 30-39 40-79	64 69 53	72 61 52	0.9697	0.616
EDUCATION	Primary & secondary school Certificate and Diploma Undergraduate and Post Graduate	15 70 101	10 70 105	1.0749	0.584
WORK STATUS	Private Institution /Business units Government Organizations	58 128	77 108	4.3663	0.037

It is evident that both men and women hold a neutral attitude towards managing money and in establishing long-term security. 31% of the male respondents gained high score, while only 19% of the women scored high on attitude scale. Lack of resources, limited access to funds and financial services, lack of knowledge, over confidence, economic uncertainty etc., likely to have affected the attitude score of the people. Attitude scores are equally distributed across people of all age groups, but technically young and middle aged respondents (35%) scored high on attitudinal scale. Access to education and employment opportunities, likely to have enabled people to develop a positive attitude from the upper age groups. Strikingly educated people (28%) and employed people hold a positive attitude towards saving and long term planning, which is a good sign to the economy. Except the current work status, none of the socio demographic variables showed significant difference in scores, nevertheless, it is not a conclusion, as a more detailed study with a larger population is needed to support the claims.

4.3 Financial Behaviour

Behavior of a person will have a significant impact on his/her financial wellbeing. The positive outcomes of financial literate person is driven by behaviors such as: increasing savings, using credit wisely, long term planning, choosing the right financial products etc. The study captures the information about an individual's money management, financial planning, purchase decisions, credibility in paying bills, setting financial goals and watch over financial status. The respondents are scored out of 9 in the behavior statements, for showing evidence of financial behaviors; the scores are re-scaled from 0 to 100 for reporting purposes. According to OECD, the minimum target score is 6 out of 9 on this measure.

Table 9: Financial Behaviour scores

Descriptive Statistics

Financial Behaviour Scores	N	Minimum	Maximum	Mean	Std. Deviation
FINBEH	371	0	100	51.74	12.265

The average score for financial behavior is 52% and fails to meet the minimum target score (67%). This implies that an average AMBO resident fail to show an overall positive financial behavior. A detailed analysis of the financial behavior are discussed in the following section:

Table 10: Financial Behavior Statement scores

Financial Behavior Statements	**Positive Behavior**	
	number	%
Checking for Affordability	352	95%
Pay bills on time	331	89%
Close watch on financial affairs	289	78%
Set Long term and work towards achieving them	293	79%
Responsible and has a house hold budget	213	57%
After shopping around and using independent info or advice	3	1%
Has not borrowed to make ends meet	40	11%
Has been actively saving	208	56%

The most desirable behavior of a financially literate person will be to check on affordability to spend on a purchase. The first behavior statement shows that a majority (95%) people typically did check on their affordability before a potential purchase. Financial literacy requires financial discipline to meet financial commitments and thus avoid problems of fines or reducing credibility. Statement 2 captures the financial discipline of the person. A majority of 89% respondents were paying their bill on time, which is a positive behavior. The third behavior statement asks respondents as to how often they keep a close personal watch on their financial affairs, as this is an important behavior to know how individuals keep themselves guarded from fraudulent activities, unexpected expenses or authorized withdrawals etc. A majority of 78% of the respondents agreed to the statement suggesting that they understood the importance of keeping a track of their finances and indeed watch over their financial affairs more frequently. The fourth statement relates to setting long-term plans and their efforts to reach their goal, saving money for certain future expenses such as education fees, wedding expenses, asset purchases, retirement fund, business needs etc. A majority of 79% of the people observe this behavior. A small proportion of respondents (14%) put themselves at the midpoint on the behavior scale, stating that these people do not consistently work towards long term goals , while the remaining 7% opinion that setting goals was not something that they do. The fifth behavior statement provides us with information about the extent to which an individual takes responsibility for household finances and budgeting. The combined score states that an individual who takes the responsibility for household finances would be actively using a budget. The scores show that only 57% of the respondents practice both the behaviors while the others make a budget plan but fails to take the responsibility for the household finances.

The way people choose financial products is also a determinant of financial literacy. It is implicit that when people use independent advice or shop around through informed decision, they are more likely to choose products that match their needs and less likely, they end up buying inappropriate products or become a prey to swindle. Hence, people who looked for various available products/considered several products and those who made an independent decision exhibit a positive financial behavior. Accordingly, in the study a majority of 99% of the respondents exhibit an unfavorable behavior as they made active financial product choices by not considering alternatives and by using dependent information advice.

Saving behavior is an imperative part of financial literacy as it ensures financial security and reduces the reliance on credit. As can be seen only 56% of the respondents reported that they had been saving cash at home, banks, family circles, informal savings club, buying investment products, buying property or livestock. A financially disciplined person will have back up strategies set to overcome uncertain financial needs and avoid using credit especially to cover basic needs. However, it is not always possible to prevent fund shortfalls and reliance on credit to cover essentials is an unhealthy practice. More than ¾ (89%) of the population report an unfavorable behavior as they had borrowed to buy essentials in the last 12 months, while (47%) indicate a worrying vulnerability to unstable income and foresee a risk of high debt.

Table 11: Financial Behavior scores

FINANCIAL BEHAVIOR		Frequency	Percent	Valid Percent
	UNFAVOURABLE BEHAVIOUR	299	80.6	80.8
	FAVOURABLE FIN BEHAVIOUR	71	19.1	19.2

Only 19% of the respondents meet the minimum target score of >67% for positive behavior set by OECD. Majority (81%), of the respondents exhibit an unfavorable financial behavior in one or more of the following characteristics: failing to check for affordability before a purchase, never paying bills on time, does not keep a close watch on financial affairs, set long term goals and never works towards achieving them. does not own the responsibility of financial affairs and hence do not practice household budgets, shop around without prior information, does not consider various alternatives and finally mostly borrow to make ends meet.

4.3.1 Variations in Financial Attitude Score by Socio-Demographics

Gender, Age, Education & Work Status: Women are more responsible than men and expected to demonstrate a favorable financial behavior. Financial behavior is expected to smooth around with increase in age and experience, education and employment status of an individual are expected to bring out the best behavior. These findings were further analyzed by examining the distribution of scores across socio-demographics.

Only 7% of the female respondents and 13% of the male respondents hold a positive financial behavior. Gender does not have a significant impact on financial behavior of the residents. People with favorable financial behavior are equally distributed across the age groups (7% each) and education status. Government employees are more responsible and hence exhibit a significant favorable financial behavior, when compared to private and businesspersons.

Table 12: Distribution of Financial Behaviour scores by socio-demographics

SOCIO-DEMOGRAPHIC VARIABLES		FINANCIALBEHAVIOUR		F ratio	Sig.
		LOW SCORE	HIGH SCORE		
GENDER	Female Male	111 188	25 47	0.0902	0.764
AGE	18 – 29 30 – 39 40 – 79	111 104 84	25 25 22	0.105	0.949
EDUCATION	Primary & secondary school Certificate & Diploma Under / Post Graduate	18 116 165	7 23 42	1.949	0.378

WORK STATUS	Private Institution / Business units	116	19	3.586	0.045
	Government Organizations	183	53		

4.4 Developing an Overall Measure of Financial Literacy

Scores of financial knowledge, behavior and attitude are summed up to arrive at the overall level of financial literacy of the residents. The scores can take values between 1 – 21. The combined score is implicitly weighted, with the most heavily weighted factor being financial behavior, followed by financial knowledge and attitude. The financial literacy score are set at 3 levels. The distribution of financial literacy score is presented below:

Table 13: Financial Literacy scores

Financial Literacy Scores		Frequency	Percent	Mean Score
Valid	HIGH SCORE >14	20	5.4	
	AVG SCORE 10.5 - 14	241	65.0	54.4
	LOW SCORE = <10.5	110	29.6	

The average score of financial literacy of majority of AMBO residents is 54% and only 5.4% obtained the high score standard set by OECD. Figure presents the distribution of literacy scores.

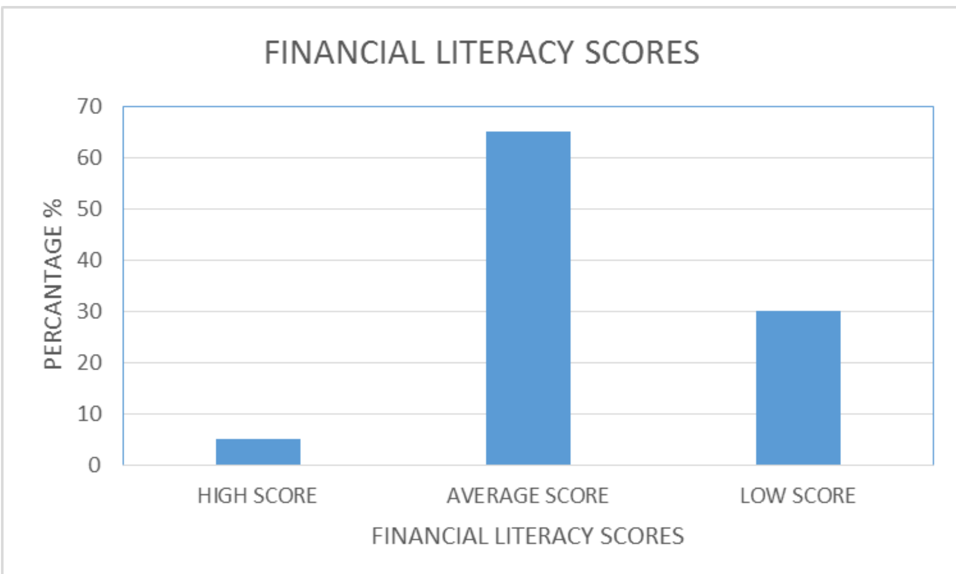

Figure 1: Distribution of Financial Literacy scores

4.4.1 Variations of Financial Literacy Scores by Socio- Demographics

Financial literacy scores of male respondents is higher than female. Youngsters hold a higher level of financial literacy than the other age groups. The financial literacy scores of educated and employed with government organisations is higher. The difference in financial literacy scores is significant across gender, educational level and work status of the people.

Table 14: Distribution of Financial Literacy scores by socio-demographics

		FINLITSCRAGRP			F ratio	Sig.
		HIGH SCORE	AVG SCORE	LOW SCORE		
GENDER	Female Male	7 13	79 162	51 59	4.6329	0.032
AGE	18-29 30-39 40-79	9 8 3	93 77 71	34 45 31	1.3022	0.273
EDUCATION	Primary & secondary school Certificate and Diploma Undergraduate and Post Graduate	1 4 15	18 93 130	6 43 61	0.571	0.043
WORK STATUS	Private Institution / Business units Government Organizations	3 17	99 142	33 77	8.183	0.017

4.4.2. Segmenting the population

Table 15 and Figure 2: summarizes the proportion of respondents achieving high score on each of the three financial literacy components.

Table 15: Distribution of High scores on Financial Literary Constructs

		HIGH FINLITERARY	HIGH FINBEHAVIOUR	HIGH FATTITUDE	HIGH FINKNOWLEDGE
GENDER:	OVERALL	**5%**	**19%**	**50%**	**5%**
	MALE FEMALE	3% 2%	12% 7%	32% 18%	3.5% 1%
AGE	YOUNG MIDDLE ABOVE MIDDLE AGE	2% 2% 1%	7% 7% 6%	19% 17% 14%	1.6% 1.6% 1.3%
EDUCATION	PRIMARY SEC AND DIPLOMA GRADUATE	.2% 1% 4%	2% 6% 11%	2.6% 19% 29%	.3% 1% 3.2%
WORK STATUS	PRIMARY SEC AND DIPLOMA	.3% 5%	5% 14%	21% 29%	.5% 4%

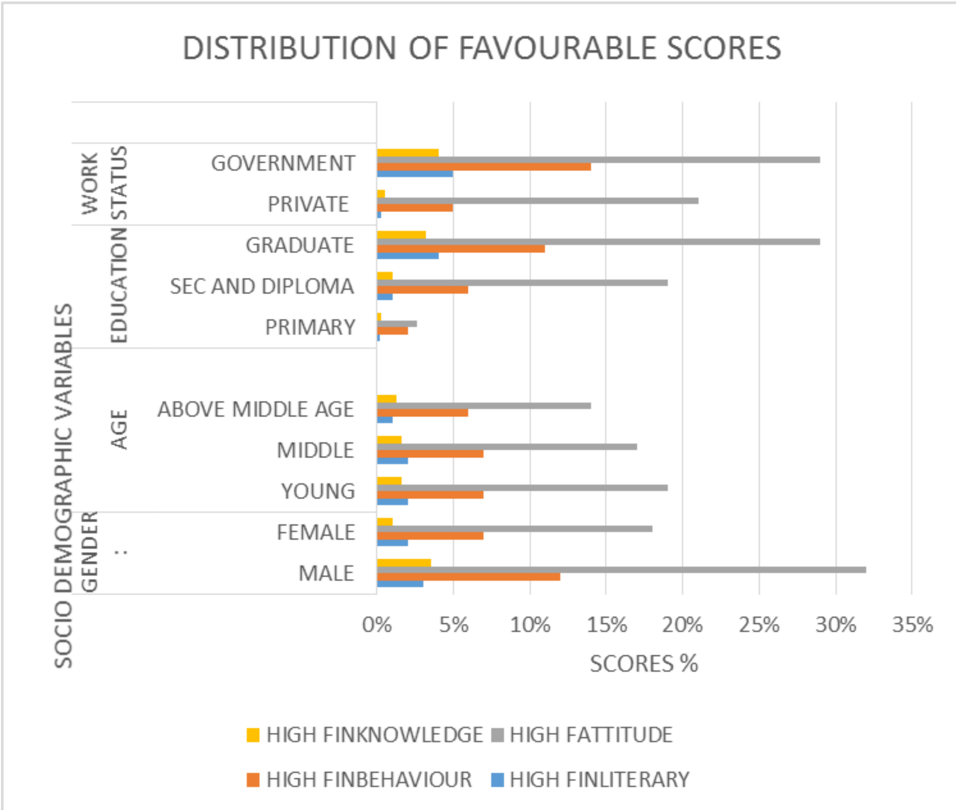

Figure 2: Distribution of High Scores across socio-demographics

4.5 Awareness of Financial Products

Today developed and developing countries understand the rising importance of financial inclusion, hence has recognised it as an important policy issue. Financial inclusion can only occur if products are available, and if people are aware of the products available. In turn, more products people are aware of; more they tend to hold/use the financial products. In this regard, people need to be aware of the financial market place to identify suitable products. The respondents choose products that they have heard of from a list of products. An awareness score based on the count of products was developed i.e. with respondents who know of at least 5 products. The core focus of OECD is on the demand side of the financial products, because the supply side data identifies only the provision of services and fails to describe the public awareness and demand for the products. The current research at its infancy stage presents just an overall report on the demand side issues, including awareness and holding of financial products and the extent to which financial inclusion and financial literacy are associated with each other.

The products included in the study are grouped into four:

1. **Saving and retirement products**: awareness on saving, special saving account, and pension fund
2. **Credit products:** Secured bank loan, unsecured bank loan, Microfinance loan, mortgage loan, and credit card.
3. **Investment products**: Bonds and Insurance, and
4. **Current/business account**

4.5.1 Know and Hold Saving and Retirement Products

Table 16: Heard and hold saving and retirement products

SAVINGS & RETIREMENT PRODUCTS	Heard of				Hold			
	Yes	%	No	%	Yes	%	No	%
Saving account	367	99%	4	1%	363	99%	4	1%
Pension fund	290	78%	81	22%	225	61%	65	18%
Special Saving Account	117	32%	254	68%	22	6%	95	26%
Total		**70%**		**30%**		**55%**		**45%**

Table 16 shows that 70% of individuals know about saving and retirement products and only 30% lack awareness. Likewise, data shows that 55% of the respondents have not only heard of the products but also hold them. It is inferred that awareness on saving and retirement products are high because employees are liable to have a bank account to get their salary and they are also subjected to compulsory monthly contributing towards pension fund. The gap between awareness and registering of saving products is very less, which infers that majority of the households are covered by saving and retirement products.

4.5.2 Know and Hold Credit Products

Table 17: Heard and hold credit products

No.	CREDIT PRODUCTS	Heard of				Hold			
		Yes	%	No	%	Yes	%	No	%
1..	bank loan secured on property	210	57%	161	43%	49	13%	161	44%
2.	Unsecured bank loan on property	86	23%	285	77%	16	4%	70	19%

3.	Micro finance loan	261	70%	110	30%	89	24%	172	47%
4.	Mortgage	160	43%	211	57%	23	6%	137	37%
5.	credit card	117	32%	254	68%	6	2%	111	30%
	OVERALL		**45%**		**55%**		**10%**		**35%**

About 45% of the residents have heard of credit products and an equal majority of 55% lack awareness. Awareness on secured loans is about 57%, unsecured bank loans is 23%, mortgage loans is 43% and that of credit card 32%. The awareness of micro finance loan is high because of the intrusion of Micro Finance Institutions (MFIs) even in rural areas.

4.5.3 Know and Hold Investment Products

Table 18: Heard and hold Investment Products

No.	INVESTMENT PRODUCTS	Heard of				Hold			
		Yes	%	No	%	Yes	%	No	%
1.	Bonds	333	90%	38	10%	262	71%	71	19%
2.	Insurance	305	82%	66	18%	28	8%	277	75%
			86%		**14%**		**40%**		**47%**

86% of the people are aware of Investment products such as Bonds and Insurance. A majority of 71% who are aware of bonds also hold them. The countrywide promotion campaign by the Government to raise funds through bonds for the Renaissance Dam project has definitely increased the awareness among the people. However, for insurance out of 82.21% of the respondents who are aware of the Insurance product only 7.54% own it. The gap between awareness and holding of Insurance is high. It’s not just about affordability but non-availability of product to meet market needs, lack of customer education and less distribution are the factors that accounts for the low registration of insurance products.

4.5.4 Know and Hold Current Account

Table 19: Know and hold Current Account

No.	CURRENT ACCOUNT	Heard of				Hold			
		Yes	%	No	%	Yes	%	No	%
1.	Current Account	199	54%	172	46%	79	22%	120	33%
	Total		**54%**		**46%**		**22%**		**33%**

54% of the respondents have heard about current account and while the remaining 46.36% has not heard about the same. Only 22% are holding them. The gap between awareness and holding of current account is high. Table 20 and Figure 3 summaries the awareness and holding of financial products.

Table 20: Summary of data on awareness and holding of financial products

	FINANCIAL PRODUCTS	% product awareness	% product held
1	Saving and Retirement products	70%	55%
2	Credit products	45%	10%
3	Investment Products	86%	40%
4	Current Account	54%	22%
	Total	**64%**	**32%**

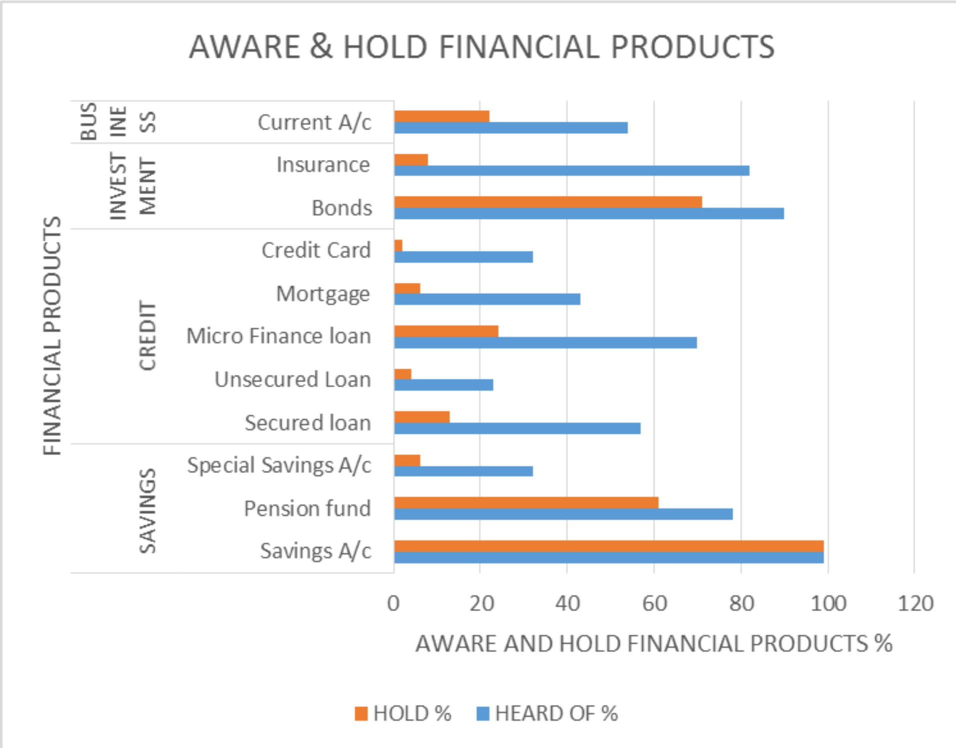

Figure 3: Distribution of High Scores across socio-demographics

The distribution provides a clear evidence that there is huge gap between the demand and supply side of financial products.

5 Key Findings and Discussions

5.1 Financial Knowledge

Financial knowledge affects key financial decisions not only during an individual's work life, but after retirement as well. Moreover, financial literacy is associated with retirement planning and greater retirement wealth accumulation. Hence, it is noteworthy that the more financial know - how a person has, better would be the financial capability during retirement. The overall financial knowledge level of the people of AMBO was 46% and it is far below the minimum standard (>75%) set by OECD. AMBO residents mostly lacked the ability and skill to calculate interest amount and their monthly tax remittance. The concept and principle relation between risk and return has been widely understood. The worrisome point is that majority of the people did not know the importance of diversifying their savings; and has led to poor money management. The financial knowledge content of male respondents, middle-aged population, educated and government employees were higher.

5.2 Financial Attitude

The average attitudinal score (3.09) across the three attitudinal score (5) suggest that AMBO residents are more likely to have a neutral attitude towards money and long-term future planning. Majority of the residents were conservative and opinioned that they tend to live today and not worried about tomorrow; lacked saving for rainy days and found equal satisfaction is spending and saving.

Both men and women lack financial knowledge and skills in choosing financial products appropriately and hold a neutral attitude towards keeping track of their finances. With increase in age and experience, both men and women tend to hold a neutral attitude towards money management and future planning. Respondents working in Government Organizations hold a more favorable attitude than those employed with private organizations or involved in business.

5.3 Financial Behaviour

The financial behavior score of the people is 52% and fails to meet the minimum target score of 67% set by OECD. The most desirable behavior of the people was to check on their affordability before a purchase, paying bills on time, keeping track of the financial affairs, setting long-term plans and taking responsibility of household finances. The respondents showed a less satisfactory behavior as most of them made active product choices by not considering alternatives and by using dependent information advice, lack of savings and are vulnerable to borrow for essentials and foresee a risk of high debt. Financial behavior did not vary across the gender and age of the respondents but differed in accordance to their education level and work status.

5.4 Financial Literacy

The financial literacy of majority of the people (54%) was low and only 5.4% obtained the high score standard set by OECD. There is a significant difference in financial literacy scores across gender, educational level and work status of the people. The overall low levels of financial literacy of the city, particularly point to the need of financial education tools in combination with behavioral insights and digital technology to improve financial knowledge and to support healthy behavioral changes.

Low levels of financial literacy (specifically financial knowledge) in the city, underline the importance of imparting financial education early in life and ideally in schools. This would enable the people to acquire relevant financial knowledge and enhance their confidence level, develop positive attitude to ensure financial well-being and encourage positive behaviors such as savings, long term planning etc. Improving applied numeracy is important for financial knowledge. The basic priority areas of knowledge are interest calculations, risk diversification that are particularly important to reduce risk.

Women hold a low level of financial knowledge and appear to more likely to use informal sources of financial advice and information. Hence, it is important to provide women with the opportunity to obtain unbiased and independent financial advice in accordance to their specific needs and level of understanding. Financial education programs can be clubbed with other training program given to women (life skills, health, business and job skills, access to employment, entrepreneurship opportunities, domestic violence etc.) would prove to be more effective. ("safe and smart saving products for vulnerable adolescent girls' project in Kenya and Uganda)

It is important to encourage positive financial behavior to improve financial resilience and to count on long-term benefits. It is possible to introduce user-friendly simple budgeting tools to households to help them maximize their opportunities and save money for long-term needs. People should be encouraged to make informed purchase decisions and look for realistic alternatives. Keeping an eye on people's attitudes may be difficult in the short run, but it is important to consider it when designing initiatives. Initiatives should first help people to meet their immediate needs and then show people how to save for long-term needs. Leveraging on community pressure, microfinance institutions, NGO or using technology to reach people are promising ways of helping people focus on the long term.

5.5 Awareness and Holding of Financial Products

Financial inclusion can only occur if products are available, and if people are aware of the products available. The survey points out that there exist huge gap between the demand and supply side of financial products. The current product holding is very low despite the availability of a handful of products. Low levels of financial literacy, lack of geographical proximity, less incentives to hold products etc., would account for the gap. Saving products were the most common of the four types of financial product held by respondents. Awareness on credit products was the least, it shows that the people lack awareness of ways to smooth income, deal with unexpected events, invest in future income streams and develop entrepreneurial ideas. In other countries, insurance may be seen as a wise investment to protect against risk, but striking low awareness on insurance products other than vehicle insurance in AMBO needs to be immediately attended.

5.6 Association Between Financial Knowledge, Behaviour, Attitude, Literacy and Awareness of Products

Policy level approaches and solutions to resolve current financial issues are used to harness the benefits of financial education with a view to improve levels of financial inclusion. This requires the united effort and support of policy maker, private sector, NGOs and others working on financial education and financial inclusion. Organisations such as NGOs/MFIs with access to marginalized communities appears to play an important role to ensure that financial education program/benefits reach the financial excluded. Financial education alongside access to financial products can help people to hold these products. Access to financially excluded groups can be “hard to reach”, hence information provided through radio/TV programs/message via mobile telephone can raise awareness and pave way for the development.

World Bank report suggests that the relationship between financial knowledge and financial services may work in two directions; while higher financial literacy might lead to broader financial inclusion, operating an account or using credit may also deepen consumer’s financial skills. Analysis of the relationship between behavior and knowledge suggests a positive association but this does not prove causation and much more research is needed to understand the nature of relationship. Positive relationship between attitudes and behavior. People with positive attitude towards long-term savings are more likely to exhibit favorable financial behaviors and vice-versa.

6 Conclusion

The results of the analysis provide evidence for policy makers to identify needs and gaps and aim to develop national policies and strategies to impart financial education programs. The overall low level of financial literacy is a reason for concern. Sizeable proportion of the people have some very basic financial knowledge, but lack understanding of other everyday financial concepts such as interest, tax calculations and diversification. Overconfidence, neutral attitude towards money has affected the financial behavior of most of the people. Women have lower levels of financial literacy than men do, it is essential to ensure that women are not left behind via special policy initiatives. Education and current work status has a positive impact on financial knowledge, attitude and behavior of the individual. While higher financial literacy might lead to broader financial inclusion, operating an account or using credit may also deepen consumers’ financial skills. There are many possible reasons for the gap between awareness and product holding that need exploring through more in-depth data collection. Despite the policy agreements to fill financial literacy gaps, analysts and policy makers have to develop most cost-effective ways to enhance financial knowledge in the population at large. Econometric models and experiments have done much to confirm the impact of financial literacy on financial well-being, but additional experimental research would be useful, to learn about the directions of causality between financial literacy and economic well-being. Policy makers should understand that though the cost of raising financial literacy are likely to be substantial, so too are the cost of people facing liquidity crunch, over indebted and poor.

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