

# A Research on Determining the Financial Literacy Attitudes and Behaviors of Entrepreneurs

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# Introduction

- Individuals may have to follow the income-expenditure-savings balance rather than turning their income into consumption habits in order to survive.
- Having enough knowledge about financial instruments, decisions about where, when and how to obtain the financial resources needed, and in which investments to use the provided funds are not only the concerns or motivations of individuals who have high level commercial relations, but also the different segments of the society such as housewives and university students in today's rapidly changing World, especially with lots of uncertainties surrounding the markets following COVID-19 pandemic



# The Importance of Financial Literacy

- With the globalization, the variety and density of products offered are increasing.
- The monthly earnings of many individuals are at a certain level or not compatible with the rapid change.
- The increasingly complex market structure may compel individuals to make reasonable decisions in the financial field as well.
- Therefore, determining financial awareness and financial literacy levels is very important to help individuals make the right decisions. Because financial literacy skills are critical for individuals to make effective financial decisions and manage potential risks that they may encounter.



# Financial Literacy

- Although different definitions are made in the literature on the concept of financial literacy, financial literacy can be defined briefly as “the ability of individuals to manage their budget by acting smartly in their financial decisions” (Biçer, Altan, 2016: 1502).
- Knowledge of Financial Concepts, Ability to Communicate about Financial Concepts, Aptitude in Managing Personal Finances, Skill in Making Appropriate Financial Decisions and Confidence to Plan Effectively for Future Financial Needs five categories were created (Remund, 2010).



# Financial Literacy

- Huston (2010) argues that financial literacy is a component of human capital.
- Lusardi (2012) has suggested that mathematical skills and financial literacy are lifelong skills necessary to succeed in today's conditions.
- Remund (2010: 284) argues that “Financial literacy is a measure of the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finances through appropriate, short-term decision-making and sound, long-range financial planning, while mindful of life events and changing economic conditions”





# Literature Review

- Lusardi (2008b: 2) emphasizes that financial literacy affects financial decision making involving ignorance of basic financial concepts associated with poor borrowing, lack of participation in the stock market, and poor retirement planning.

Some other research has shown that financial literacy has significant effects on determining financial behavior.

- For example, those with low financial literacy are less likely to participate in the stock market (Van Rooij et al. 2007; Lusardi, 2008b), their retirement plans are lower (Lusardi & Mitchell, 2006; Lusardi & Mitchell, 2007; Lusardi, 2008b; Lusardi & Mitchell (2011a) and that they could face bad borrowing (Lusardi & Tufano, 2009).
- Lusardi (2008a) and Lusardi & Mitchell (2013) argue that financial literacy significantly determines the financial behavior of households. Similarly, Şahin and Barış (2017) have shown that financial literacy has a positive effect on saving behavior.



# Literature Review

In a significant part of the researches, low financial literacy level is observed to be higher in certain groups;

- ❖ Lusardi et al. (2010) found that less than a third of young adults have basic knowledge about interest rates, inflation and risk diversity, and found that financial literacy is low.
- ❖ Lusardi (2008b) found that those with a low level of education, women, African-Americans and Hispanics showed low literacy.
- ❖ Lusardi and Mitchell (2011b) stated that women are less financially knowledgeable than men; although higher education level has a strong relationship with financial knowledge, it showed that financial literacy tends to decrease even at the highest education level.
- ❖ Klapper et al. (2015) stated that women in both developed and developing countries have weaker financial skills than men.
- ❖ The financial literacy grade consistent with these findings, women in Turkey is low compared to men. Although decreased levels of financial literacy in older age groups in Turkey, the financial literacy levels of individual's increases as per capita income increases (CMB, 2015).



# Literature Review

- Although the vast majority of research focuses on the level of financial literacy in the USA (Lusardi & Mitchell, 2007, 2009); financial ignorance has become the concern of most of the countries in the world.
- Klapper et al. (2013) investigated the effect of the participants' financial literacy level on their financial behavior during the economic crisis in Russia. Researchers have found that financial literacy is positively involved in financial markets but negatively related to the use of informal borrowing resources.
- In a study by Lusardi and Mitchell (2011b), it has been shown that it is common even in countries where financial markets are well developed, as in Germany, the Netherlands, Sweden, Italy, Japan and New Zealand.





# The Research on Financial Literacy in Turkey

- The research carried out by Baysa and Karaca (2016) in the province of Tokat determined that the financial literacy level of bank customers is low.
- Biçer and Altan (2016) stated that financial attitudes and behaviors of university students, including spending, attitude, perception and interest dimensions, do not differ by gender.
- According to another study conducted in Turkey, Fettahoğlu (2015), participants have the basic knowledge about financial literacy, but have inefficiencies on the vehicles that require complex and knowledge.
- Güler and Tunahan (2017), on the other hand, found that there is no relationship between financial literacy and borrowing behavior, but there is a relationship between financial literacy and demographic characteristics and savings behavior, and finally, more than half of the households' financial literacy is low.



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# METHODOLOGY



# Methodology

- **Objective:** The main objective of this research is to determine the financial literacy attitudes and behaviors of entrepreneurs registered with the Trade Exchange, Kirikkale in Turkey
- **The sample of the research:** The number of members of the Commodity Exchange is 170 people (<http://www.kirikkaletb.org.tr/>). 50 questionnaire forms were distributed to the entrepreneurs who formed the sample of the research. After missing and inadequate surveys, 38 remaining surveys were included in the analysis.
- **Scale:** In the first part of the questionnaire, there are questions related to demographic features including questions such as gender, age, education level. In the second part of the survey, the scale developed by Sarıgül (2015) is included. “Financial Literacy Attitude and Behavior Scale” consists of 4 factors: spending, perception, interest, attitude and 14 items in total.



# Methodology

## Hypotheses

- H1: Financial literacy level varies significantly with age
- H2: Financial literacy level differs significantly from e-commerce transaction
- H3: Financial literacy level differs significantly according to the status of benefiting from grant / credit support scheme(s).
- H4: Financial literacy level varies significantly according to the number of staff employed
- H5: Financial literacy level differs significantly from education level
- H6: Financial literacy level varies significantly according to turnover amount
- H7: Financial literacy level varies significantly according to the type of business



# Results

Table 1: Information about Participants

	N	%
<b>Gender</b>		
Female	1	2,6
Male	37	97,4
Total	38	100
<b>Age</b>		
25 and below	2	5,3
26-34	7	18,4
35-44	10	26,3
45-54	10	26,3
55-64	9	23,7
<b>Education Level</b>		
High School	14	36,8
Under Graduate	10	26,3
Graduate	10	26,3
<b>Business Type</b>		
Family	27	71,1
Partnership	9	23,7
<b>Did You Have a Grant/Credit Support Scheme(s)?</b>		
Yes	8	21,1
No	30	78,9
<b>Do You Do Exporting?</b>		
Yes	1	2,6
No	37	97,4
<b>Do You Have Any Production / Trade Activities Outside the City?</b>		
Yes	15	39,5
No	23	60,5
<b>Turnover in 2019</b>		
1. 000-29.999 TL	6	15,8
30.000-60.000 TL	2	5,3
61.000-99.999 TL	2	5,3
100.000 TL and above	26	68,4
<b>Number of Employees</b>		
0-10	35	92,1
11 and above	2	5,3
<b>Do You Do e-Commerce?</b>		
Yes	16	42,1
No	22	57,9

# Results

**Table 2: Financial Literacy Levels of Participants**

	Statements	Mean	Level
<b>Spending</b>	Shopping is very important for my happiness.	3,40	Medium
	Money is for spending, not for saving.		
	I find it difficult to control my spending.		
	I don't understand how my money runs out.		
<b>Attitude</b>	Money must be kept around the corner for unplanned expenses	4,24	High
	I make weekly and monthly spending plans.		
	I compare prices when shopping.		
	When I buy something, I consider my financial situation.		
<b>Perception</b>	Financial planning and budgeting are essential for those who have a lot of money.	3,53	Medium
	It is not necessary to plan spending for short periods such as daily and weekly.		
	Whatever I do, there is no change in my financial situation.		
<b>Interest</b>	Money-related issues are complex.	3,76	High
	I would like to study finance.		
	I watch the economic and financial news of newspapers and televisions.		
<b>Financial Literacy Attitudes and Behaviors</b>		3,74	High

# Results

Table 3: One-Way ANOVA Test Findings for the Differentiation of Financial Literacy Level by Age

		Sum of Squares	df	Mean Square	F	Sig.
Spending	Between Groups	6,435	4	1,609	2,988	,033
	Within Groups	17,769	33	,538		
	Total	24,204	37			
Attitude	Between Groups	3,204	4	,801	1,260	,305
	Within Groups	20,982	33	,636		
	Total	24,186	37			
Perception	Between Groups	7,884	4	1,971	,962	,441
	Within Groups	67,589	33	2,048		
	Total	75,474	37			
Interest	Between Groups	2,776	4	,694	1,678	,178
	Within Groups	13,648	33	,414		
	Total	16,424	37			
Financial Literacy	Between Groups	2,434	4	,608	2,623	,052
	Within Groups	7,654	33	,232		
	Total	10,088	37			

When Table 3 is analyzed, it is seen that attitude, perception and interest levels from the sub-dimensions of financial literacy and financial literacy do not differ by age. On the other hand, the level of spending, which includes the behavioral dimension of financial literacy, shows a significant difference by age ( $p < 0.05$ ). In other words, the financial literacy levels of entrepreneurs' spending behavior differ significantly from each other depending on age.

# Results

Table 4: T-Test Findings for Differentiation of Financial Literacy According to E-commerce Status

Financial Literacy	Mean	Std. D.	F	Sig.	t
Yes	3,81	,62636	5,464	,025	,636
No	3,70	,44138			,602

Table 5: T-Test Findings by Financial Literacy Benefit Status in Grant / Credit Support Scheme(s)

Financial Literacy (Attitude)	Mean	Std. D.	F	Sig.	t
Yes	4,69	,45806	8,592	,006	1,801
No	4,13	,84525			2,515

According to the results presented in Table 4, the financial literacy levels of entrepreneurs differ significantly depending on their status of performing e-commerce transactions.

When Table 5 is analyzed, it was found that the attitude level of the financial literacy attitudes and behaviors of entrepreneurs varies significantly according to the status of benefiting from the grant / credit support offered by various institutions and organizations.

## Results

Table 6: T-Test Findings for the Differentiation of Financial Literacy by Number of Employed Personnel

Financial Literacy (Attitude)	Mean	Std. D.	F	Sig.	t
Yes	4,26	,83785	4,319	,045	,439
No	4,00	,35355			,920

When Table 6 is analyzed, it is observed that entrepreneurs' level of the financial literacy varies significantly according to the number of staff employed.

In Table 3, Table 4, Table 5 and Table 6, only data on demographic characteristics in which financial literacy differs significantly are presented. The demographic characteristics of the financial literacy do not differ significantly that are not shown in the tables are the education level, the type of business, the state of the production outside the province and the amount of turnover. It was determined that the level of financial literacy did not differ significantly according to the type of business ( $p = ,190$ ), the status of engaging in provincial production ( $p = ,869$ ), the amount of turnover ( $p = ,669$ ) and the level of education ( $p = ,475$ ).





## Results

- If we look at the average of the financial literacy level of entrepreneurs according to the level of education, the level of financial literacy related to spending behavior is the most postgraduate ( $X = 3.75$ ), the attitude dimension is the highest among those who have the postgraduate education level ( $X = 4.35$ ) and similar perception ( $X = 3.87$ ) it is determined that it has the highest level of postgraduate education.
- The group with the highest financial literacy level in terms of interest is the ones with university education level ( $X = 3.90$ ). In terms of age, the total financial literacy level is highest in the 25 and below age groups ( $X = 4.21$ ), and in the 35-44 ( $X = 3.96$ ) and 26-34 ( $X = 3.95$ ) age groups, respectively. While the average of spending and interest in financial literacy belongs to individuals under the age of 25, the average is for individuals between the ages of 26-34 and the perception dimension between the ages of 35-44.



## Conclusion and Discussion

- The issue of financial literacy has become an agenda in most developed and underdeveloped countries, regardless of the presence of the developed financial market and high economic development.
- As the variety of financial products and consumption increases, the need for budget management skills also increases. It is possible for people to make more reasonable decisions on consumption, borrowing, investment and savings should they have high financial literacy.
- With this research, it is aimed to contribute to financial literacy research in Turkey which has a limited number of research papers present. In the study, it was aimed to determine the financial literacy attitudes and behaviors of entrepreneurs registered in Kırıkkale Commodity Exchange. Our findings first show that the levels of attitude, perception and interest do not differ from the sub-dimensions of financial literacy and financial literacy by age.



## Conclusion and Discussion

- The second finding shows that the attitude dimension of financial literacy differs according to the status of businesses performing e-commerce transactions. Financial literacy levels of businesses with e-commerce transactions were higher than those without (3.81) (3.70). This finding may be due to the fact that e-commerce entrepreneurs must have higher levels of financial literacy due to the nature of e-commerce, because they have more knowledge about legal regulations and international trade and have more risks. In this framework, the hypothesis H2 has been supported.
- Another finding is that the financial literacy attitude dimension differs significantly according to the status of benefiting from grant / credit support scheme(s). The financial literacy average of business owners benefiting from grant / credit support scheme(s) is higher. Therefore, the H3 hypothesis was also supported.
- H4 hypothesis, which is assumed that financial literacy level varies significantly according to the number of personnel employed, also found support.



## Conclusion and Discussion

- With this study, the financial literacy attitudes and behaviors of the entrepreneurs registered in the Commodity Exchange were tried to be examined.
- In the literature, financial literacy and financial awareness levels of students, households and young people are generally examined.
- In this study, determining the financial literacy level of entrepreneurs who are members of the commodity exchange, which is at the heart of the trade will contribute to the literature.
- It is clear how important the number and quality of entrepreneurs is for a country and the added value to be created has both foreign trade and domestic trade.
- The high number of entrepreneurs, who are one of the most important driving forces of production in terms of employment in the country, and the strength of the quality level, also determine the place of countries in both economic and social indices. Therefore, it is hoped that this research will provide a literary contribution to some other studies, since knowing the level of qualification of entrepreneurs will create descriptive information for country administrations.

**Thank you for attention**

