

Personal Financial Management Practices Among Gambians

Ebrima B Sawaneh, FCCA
www.businessingambia.com
ebsawaneh@gmail.com

Executive Summary

The ability to manage personal finances is of utmost importance for individual and family wellbeing. People are most likely to avoid financial problems if they keep track of their financial transactions, have a plan and make informed decisions. Financial literacy is an essential step toward financial freedom which requires the development of good financial habits through practice and self-discipline.

This study seeks to assess personal financial management practices among Gambians.

The survey finds that many Gambians are not observing the basic personal financial management practices such as budgeting, saving, risk management or good credit management. This poor financial management can be associated with low financial education in the country. Even with the excellent access to financial services in the Gambia, financial education is increasingly necessary for individuals to ensure their wellbeing and the smooth functioning of financial markets and the economy.

Therefore, this paper recommends, amongst others, the involvement of the Gambia's regulators, policymakers, academics as well as the private sector in the further study, design, and implementation of financial literacy programmes in the Gambia.

Table of Contents

Executive Summary	ii
Table of Contents	iii
Acknowledgment	iv
1.0 Introduction	1
2.0 Objectives	3
3.0 Methodology	4
4.0 Analysis of the Results	7
5.0 Conclusion	27
6.0 Survey limitations	29
7.0 Recommendation	30
About the Author	31
Reference	32
Appendix 1: Questionnaire	34
Table of Tables and Figures	36

Acknowledgment

The preparation of this report has taken many efforts. However, it would not have been possible without the kind support and help of the respondents who shared their views. The author would like to extend sincere appreciation to the respondents and other authors whose work are referenced in this report.

1.0 Introduction

The importance of personal financial management has gathered increasing attention in both the developed and developing world. In 2008, the United States government set up a council on financial literacy to promote programs that improve financial education and helping increase access to financial services.

In the developing world, the Central Bank of Nigeria developed a Financial Literacy Framework (FLF) in January 2013. The framework articulates a strategic direction for a multi-stakeholder approach to the delivery of financial education programs across various target groups in Nigeria. Similarly, since January 2009, Ghana has an approved National Strategy for Financial Literacy and Consumer Education in the Microfinance Sector (Nicholas Gyabaah, 2009).

The result of household surveys in other countries which demonstrated a relationship between financial literacy and household well-being motivated most of these policy developments. Households with low levels of financial literacy tend to borrow at higher interest rates, less likely to acquire assets and participate less in the formal financial system compared the households who are more financially literate.

It is also recognized that financial literacy can facilitate wealth building by increasing the probability of investing (Guiso and Jappelli, 2008). Furthermore, financial literacy has essential consequences for debt-related decisions. Lusardi and Tufano (2009) found evidence that less literate consumers tend to transact at a high cost, incurring higher fees and using high-cost credits. Those individuals also tend to have excessive debt and a higher probability of credit default.

A better understanding of how the financial system works and what it offers as well as how to utilize the financial products by the participants of an economy can help to create a viable financial system and in turn, enhance economic development (Faboyede et al. 2014).

Financial literacy programs have been identified as one of the low-cost interventions which can help improve household financial decision making and ultimately increase savings (Cole et al. 2014).

The information from this study can be used to do a national baseline survey about financial literacy among Gambians. Furthermore, the study can also support the need for educational interventions that focus on improving financial literacy in the Gambia.

2.0 Objectives

The study aimed to conduct an evaluation of Gambians knowledge of the basic financial literacy concepts and the assessment of current personal finance management practices among Gambians.

NB: The author also plans to use the result of the study in his forthcoming book about personal financial management.

3.0 Methodology

This section describes the methodology used in the survey: the sample, the survey method, the questionnaire design, and the implementation of the survey and the methods used to report and analyze the results.

3.1 Target Population

Although the survey was targeted at the Gambian residents, the author aimed to randomly collect response from 250 people of 18 years and above. The survey questions were displayed through an online portal which was available to everyone with access to the internet. Out of the 167 respondents, there were 139 Gambian residents.

3.2 Survey Method

The best method for this type of survey can be through personal interviews, through face-to-face. However, as individual project work with budget constraints and the purpose of the study, the author decided to use a self-completion online survey. Moreover, some people will likely give the correct response to sensitive questions like bank balance through an anonymous survey.

The author had informed the respondents that the result of the study would be used in his forthcoming book about personal financial management. As a way of appreciation, a free eBook about career growth was offered for participants to download as soon as they completed the survey questions.

3.3 Questionnaire Design

The study data were collected through an online questionnaire which contained structured quantitative questions.

The survey questions were set for a closed response answers to make the answering and analysis simple. Some of the questions were adapted from the OECD 2012 Programme for International Student Assessment (PISA) financial literacy skill test. PISA assesses the

extent to which students near the end of compulsory education have acquired key knowledge and skills that are essential for full participation in modern societies.

The questionnaire is provided in Appendix 1 of this report. It includes eight sections to address the objective of the study.

- 1) *Section A* of the study asked about the basic personal information such as gender, age range, education level, marital status, and employment status.
- 2) *Section B* focuses on the participant's savings status as well as their satisfaction with that status using a response scale of 1 to 5.
- 3) *Section C* asked if the participants have a personal budget and budget was defined within the question.
- 4) *Section D* aims to test the participant's ability to perform basic calculation and their understanding of the effect of inflation and compound interest.
- 5) *Section E* was about the sources of income of the participants. The authors wanted to access if the participants solely rely on one source of income.
- 6) *Section F* is about the types of insurance products used by the participants.
- 7) *Section G* focuses on financial position assessment. The aim is to understand if the participants review their financial position and how frequent.
- 8) *Section H* relates to the borrowing habits and specifically participants reasons for borrowing. The aim is to assess if they borrow to consume or invest.

3.4 Data collection

The online survey was created through Google Form which provides a unique website address. The form was integrated to the author's website through which respondents accessed the survey for self-completion. The survey link was made available between 25 July 2018 to 30 Sept 2018. All responses were anonymous.

3.5 Response Statistics

Table 1 Summary of targeted and actual responses

Item	Description	Number	%
Target response	Number of participants the author aimed	250	
Actual response	Total number of participants	167	66% of the target
Total response within the target population	Participants who are based in the Gambia	139	83% of the response
The total response outside the target population	Respondents who indicated residing outside the Gambia.	25	17% of the response

In total 167 responses were received. However, only 139 respondents indicated the Gambia as their country of residence. Therefore, data analysis was conducted based on the data of the 139 respondent who are based in the Gambia.

Table 2 Respondents by Country

Country	No.	%
Europe/USA	19	11.38%
The Gambia	139	83.23%
Other African countries	4	2.40%
Others	5	2.99%
Total	167	100.00%

3.6 Data analysis

The survey data was analyzed using the Microsoft Excel and Google Sheet. The online survey form was linked to a Google Sheet from which the data was downloaded to Microsoft Excel. This approach helps to avoid data entry error.

The data analyses were presented in tables and charts to help with reading and interpretation.

4.0 Analysis of the Results

4.1 Respondents Profile

This section analyzed the respondents' profile by gender, age group, education, and marital status.

Gender: More than three-quarter of survey respondents are males. This gender imbalance is not out of sync due to unequal access to technology and classrooms. Many researchers have reported a variety of ways in which women are lagged behind men in the ownership of technology and the development of technological skills. For example, men owned and use computers and the Internet more than women, spend more time online and take more technology classes.

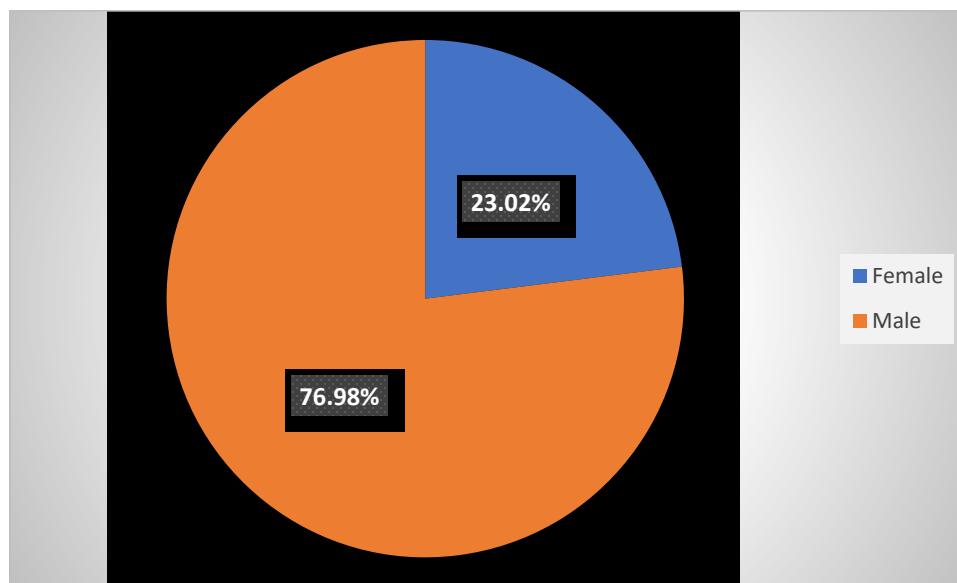


Figure 1 Respondents' Gender

Age Group: In the Gambia, individuals below the age of 18 are young and usually depends on their parents for their financial needs. Therefore, the survey targeted individuals above 18 years. However, the respondents are arranged into three groups namely Youths, Adults and the Old age. This categorization will help to understand the financial habit and knowledge of each age group.

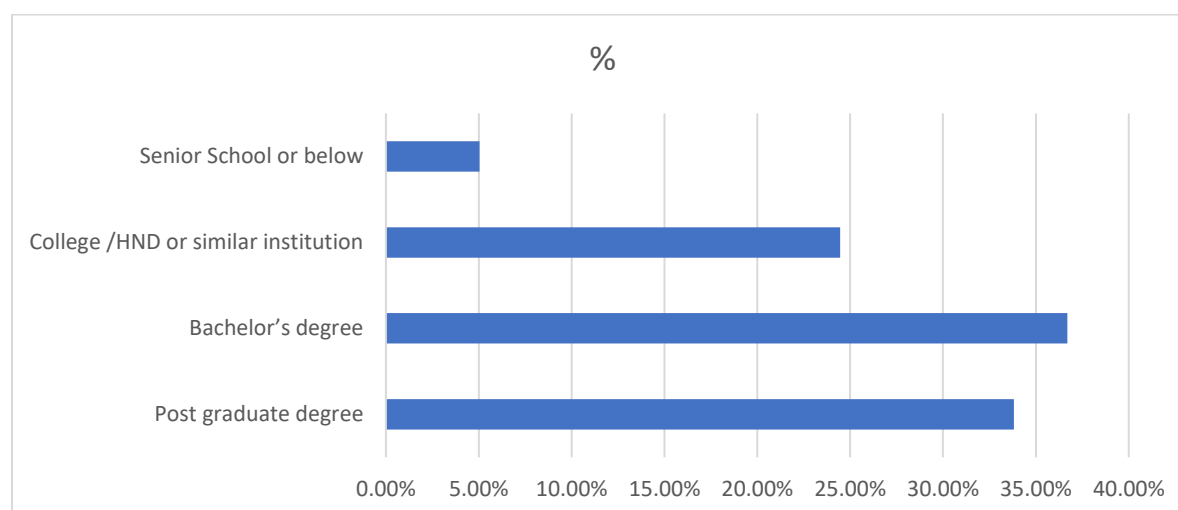
Table 3 Respondents by Age Group

Class	Age Group	No.	%
Youths	18 - 35 years	89	64.03%
Adults	36 - 65 years	49	35.25%
Old-Age	Above 65 years	1	0.72%
Total		139	100.00%

The analysis shows that 64.03% of the survey respondents are youths of which 74.16% are male, and 25.84% are females. The female representation was even poor at the adult level where only 18.37% of the respondents were females out of the 49 adult respondents. Only one person was above the age of 65 and was a male. Therefore, as we further analyze the findings, we will focus more on youths and adults.

According to the 2018 UNDP Human Development Index report, Gambia's life expectancy now stands at 61.40 years as of 2017 compared to 52.2 in 1990. The increase represents 9.2 years of life expectancy at birth. It means that most young people today will need to be able to support themselves for many years as life expectancy increases.

Education of Respondents: The respondents were also asked to state their highest level of education. Out of 139 utilized respondents, 70.50% have completed advanced education level, with at least a bachelor's degree.

**Figure 2: Respondents by Education Level**

The results indicate that 36.69% had a bachelor's degree, 24.46% had reached the college level, 33.81% had post-graduate education level, and only 5.04% had an education level of senior school or below. Although most of the survey respondents are word literate but are they financially literate? Do they practice some of the best personal financial practices?

Marriage Status: Marriage is an important social contract in the society as it led to raising family including the financial needs of the children even beyond the life of the parents. 69.78% of the respondents are married of which 70.10% have acquired a first degree, and 49.48% are youths. 31.50% are single, and there was no widow or widower. This shows that a large number of respondents possibly have children or are preparing to have one.

The T. Rowe Price's 2017 Parents, Kids & Money Survey found that troubling financial habits among kids were more frequently seen when parents have a troubling history with money. The 2015 OECD PISA report also concluded that parental engagement remains key in financial literacy. The results of the PISA study shows that students who have the chance to talk to their parents about money and saving also tend to have higher financial literacy. However, given that financial skills are strongly related to socioeconomic background, not all students can equally learn from their family.

Therefore, it is important to set policies that will improve parents' financial literacy and place all students on equal opportunities. In the Gambia, most parents would not discuss money issues with or in front of their children.

Employment Status of Respondents: Employment is one of the major sources of income for most people in the Gambia.

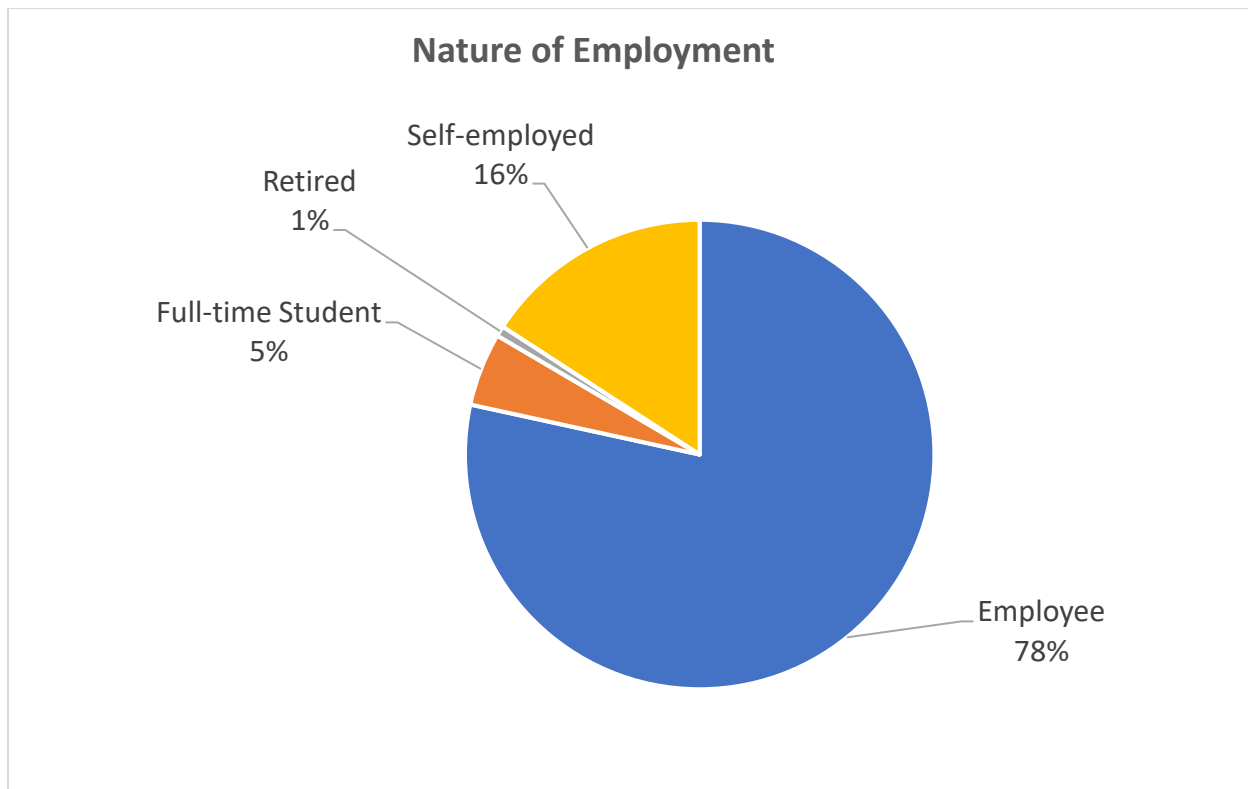


Figure 3: Respondents' by Employment Status

As expected, out of the 139 respondents, 94.24% earns income through employment and self-employment and 5.04% are students. Furthermore, 72.52% of the respondents who earn income through employment or self-employment are married, and 69.47% are educated beyond senior school.

4.2 Financial Satisfaction and Savings Habit

The financial satisfaction of the survey participants was assessed as well as the balance in their savings or any short-term investment accounts.

Financial condition

Using the Likert scale of 1 to 5, participants were asked to rate their satisfaction with their current financial status considering their assets, debts, and savings. One being extremely dissatisfied and five being extremely satisfied.

The results are presented in the Figure below:

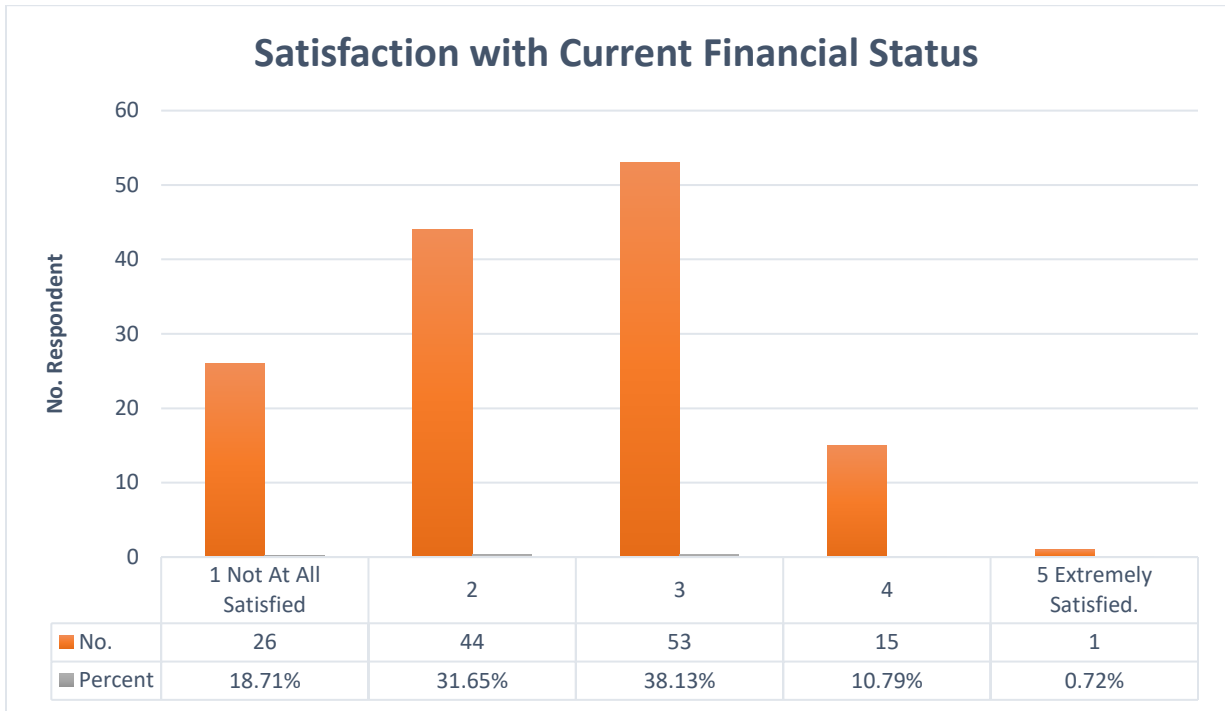


Figure 4: Financial Satisfaction of Respondents

On a scale of 1 to 5, respondents’ mean satisfaction with their personal financial condition was 2.43 with over 50.36% of respondents answering between the rate of 1 and 2. The result indicates that half of the respondents are not satisfied with their current financial condition. 11.51% rated themselves at a higher score of 4 and 5 while 38.13% are on the middle satisfaction rate of 3.

Out of the 70 respondents (50.36%) who are not satisfied, 64.29% are youths who are in employment and 62.86% are also married. Interestingly, 62.5% of the respondents who are satisfied are adults. The average satisfaction rate of the male respondents was 2.467 compared to 2.313 for the females. Similarly, the educated participants are more satisfied with the mean rate of 2.349 among graduates while 1.919 was the average for non-graduates.

Savings Culture

Measuring satisfaction can be subject to respondents' emotion and values. However, a measure of their current savings and short-term balance might give some indication of their savings culture. Therefore, respondents were asked to indicate their savings and short-term investment balance.

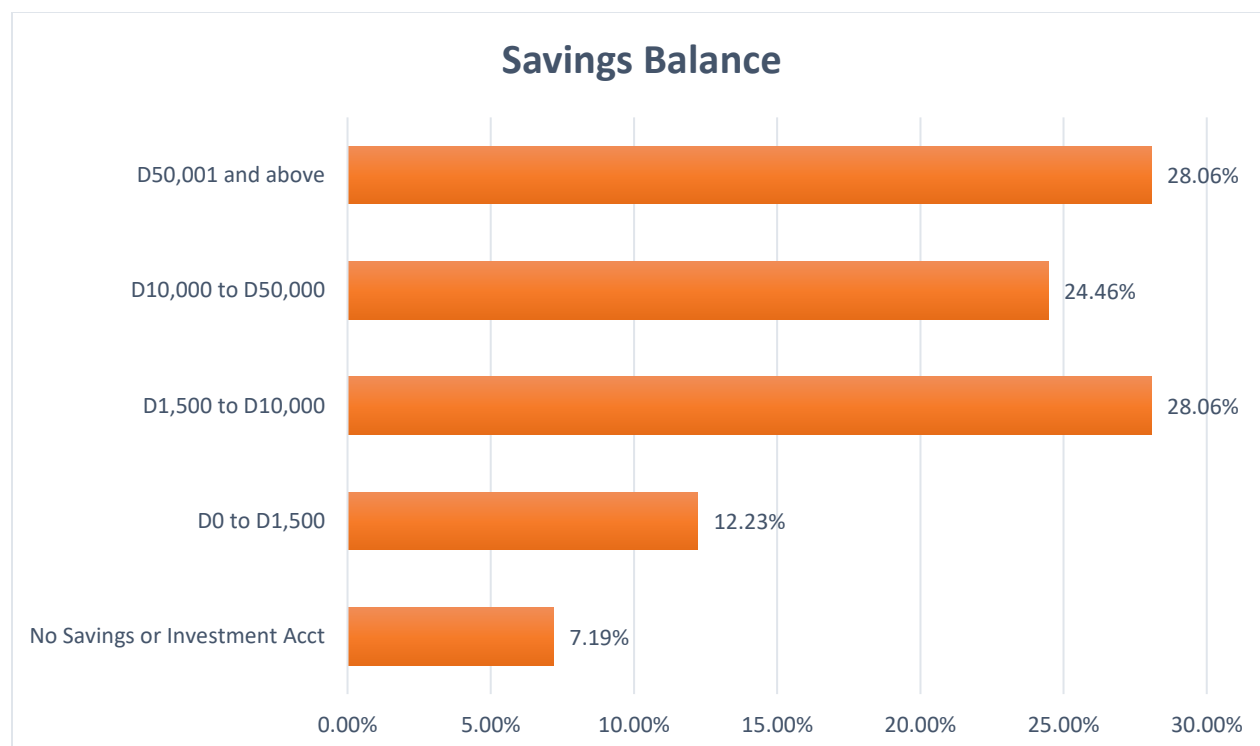


Figure 5 : Saving and Short-term Investment balances

Out of 139 respondents, 71.94% do not have more than D50,000 (USD1,000) in their savings and short-term investment accounts. Over 40.29% of the respondents have less than or equal to D10,000 (USD200) in their savings accounts while 7.19% have no savings or investment account.

Of the 70 respondents who were not satisfied with their financial conditions, 87.14% do not have more than D50,000 in their savings and short-term accounts, and 61.43% are university graduates. This analysis gives some indication that even the most educated individuals in the Gambia are not doing well on matters of savings and investment.

The results show that 50.46% and 68.18% of the employees and self-employed respondents have more than D10,000 in their savings accounts respectively. However, 22.73% of self-employed have no savings account or less than D1,500 compared to 17.43% of the employees. This reveals that those who are employed save more than those who are self-employed. It is not quite surprising as the self-employed generally have poor access to credit for their small businesses. Therefore, they tend to invest most of their monies into the business.

When we compare the savings pattern between male and female, it shows that females save more than males. 62.5% of the female respondents have more than D10,000 in their savings account compared to 49.53% of males. However, 9.38% of female respondents have no savings account compared to 6.54% of males.

Similarly, the adults are saving more compared to the youths. 10.11% of the youths (18-35 year) have no saving or short-term investment account compared to the 2.04% of the adults. In the same direction, only 46.07% of the youths have more than D10,000 in their savings account while the adult group was 63.27% on the same metric.

Table 4: Analysis of Financial satisfaction, savings balance to respondents' profile

	% Not Satisfied with Financial Condition	% Less than D50,000 Savings/Investment Balance
Gender		
Male	77.14%	88.00%
Female	22.86%	22.00%
Age		
18- 35 Yrs	77.14%	73.00%
36- 65 Yrs	22.86%	27.00%
> 65 yrs	0.00%	0.00%
Education		
Postgraduate degree	20.00%	26.00%
Bachelor's degree	41.43%	40.00%
College /HND or similar	30.00%	27.00%
Senior School or below	8.57%	7.00%

4.3 Personal Budget

The ability to balance monthly income and expenses is one of the most important goals for most families. However, the steps to achieve this goal requires planning and implementation through a personal or family budget. Financial experts recommend a personal budget to manage expenses and save some money effectively.

The participants were asked if they prepared a personal budget. The term personal budget was defined in this question.

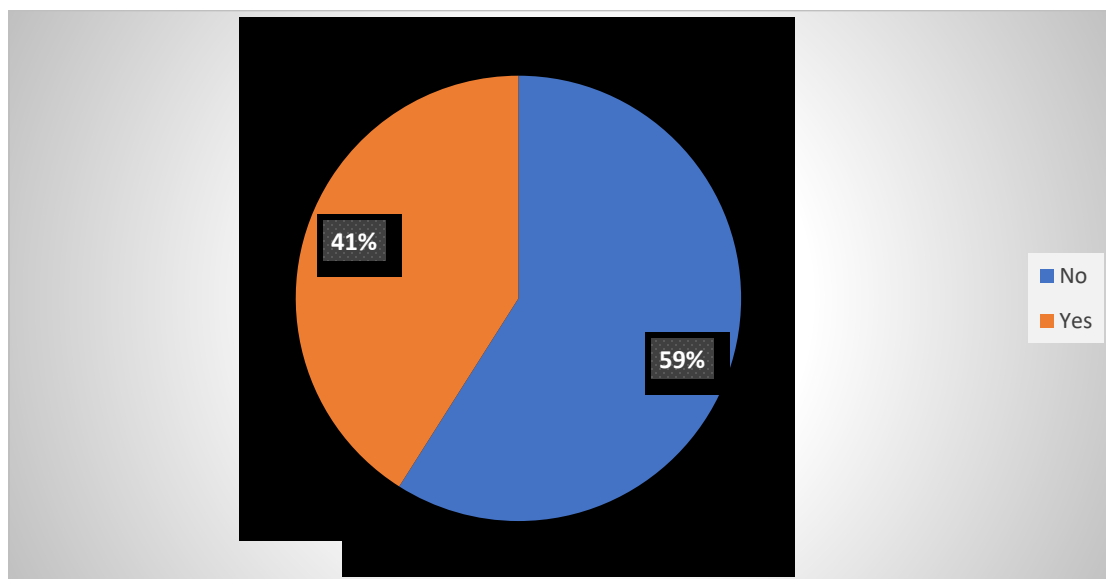


Figure 6: Percentage of respondents who prepares a budget

In the total of 139 respondents, 58.99% says they do not prepare a personal budget. Considering the concept of the personal budget as a tool for managing expenses, it shows that most of the respondents do not plan on how to spend or allocate their money.

Out of the total of 82 respondents who do not prepare a budget, 90.24% are not very satisfied with their current financial conditions (rating of 1 to 3). Furthermore, 57.32% of the respondents who do not prepare a budget have less than D10,000 in their savings or short-term investment accounts, and only 20.73% has more D50,000 in their accounts.

The analysis shows some close relationship between education and the need for a personal budget. As indicated in the table below, the percentage of respondents who confirmed that preparing a personal budget is higher among the respondents with higher education.

Table 5: Respondents who prepare a budget by education level

Do the respondent has a Personal Budget?	No	Yes
Postgraduate degree	40.43%	59.57%
Bachelor's degree	60.78%	39.22%
College /HND or similar institution	76.47%	23.53%
Senior School or below	85.71%	14.29%

40.43% of the postgraduate respondents have no budget while 76.47% of the college or HND holders has no budget. Among those respondents with a first degree and above, 51.02% have no budget while the respondents with a college or HND qualification and below 78.48% has no budget.

Interestingly 57.30% of youths have no budget compared to the 63.27% of the adults. Similarly, 55.67% of the married respondents do not prepare budget compared to 66.67% of the unmarried. Only 14.29% of the student respondents said they prepare budget while 40.91% and 42.20% of the self-employed and employees prepare budget respectively.

4.4 Financial Literacy

The OECD International Network on Financial Education (2011) 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.'

The above definition confirms that for one to achieve financial wellbeing, it is important to make a sound decision which can be achieved through skills and behavior. Financial

literacy is important as it allows individuals to make educated financial choices and plan (Faboyede et al 2014).

Furthermore, the 2008 financial crisis and the current complex financial environment highlights the importance of financial literacy for individuals and economic growth. A Global Financial Literacy Survey conducted by the Standard & Poor Ratings conclude that about two-thirds of people in the world lack financial literacy, and lower socioeconomic status was strongly associated with financial illiteracy (Klapper et al., 2015).

Financial literacy is important for an individual household to effective decisions about investment and borrowing. There is a growing number of complex financial products with the different risk profile. It is also important for individuals to acquire the basic knowledge and skills that will help them to invest, save and make right credit decisions.

In a study conducted by Mahdzan and Tabiani (2013) about the impact of financial literacy on individual's savings in Malaysia, it was concluded that financial literacy is an important determinant of individual savings and if any government want to increase savings, it should promote financial literacy. "People who are financially literate have the ability to make informed financial choices regarding saving, investing, borrowing, and more" (Klapper et al., 2015).

Through a survey of the most populous countries in the world, India, and Indonesia, Cole et al. (2010) present evidence that financial literacy is an important predictor of financial behavior in emerging market countries. These correlations are also documented in developed countries and have influence decisions of governments, institutions to promote financial literacy to expand the financial system. In a study conducted by Behrman et al. (2012), it was concluded that financial literacy is positively and significantly associated with total net wealth.

Financial literacy can be measured using the basic knowledge of interest rates, interest compounding, inflation, and risk diversification (Klapper et al., 2015). Therefore, to assess the respondents' financial literacy level, we asked them to estimate the impact of compound interest and inflation on a savings account.

Question: Suppose you had D10,000 in a savings account and the interest rate was 8% per year. After 2 years, how much do you think you would have in the account if you left the money to grow?

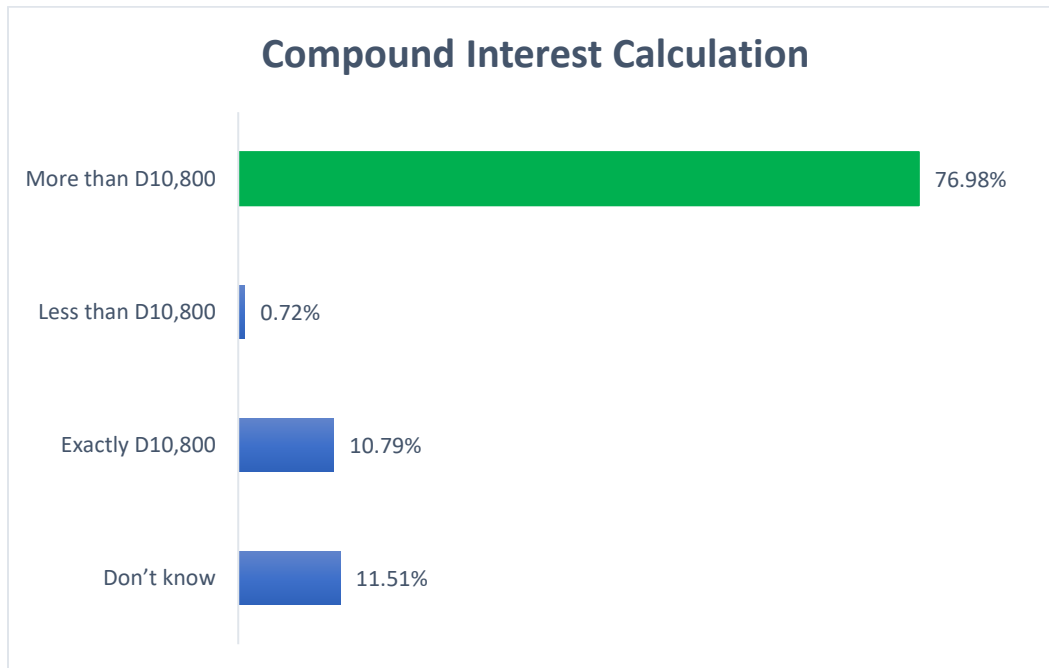


Figure 7: Results of respondents' calculation of compound interest

The above question was based on the principles of compound interest, which is part of the grade nine mathematics curriculum of the Gambia Upper Basic School.

The result shows that 23.02% of the participants were not able to correctly answer the question. Although there was a high percentage of success among graduates, however, out of the 32 respondents who could not answer, 56.25% were also graduates.

Furthermore, of all those who failed to answer the question correctly, 90.63% of them are not satisfied with their current financial condition as they rated their satisfaction at 3 and below out of 5-scale.

The survey respondents were asked about another financial calculation question which relates to the impact of inflation on savings.

Question: *Imagine that you deposited money in a bank account at 8% interest rate, while the annual inflation rate was 10%. Do you think the money from your account can buy more or less of goods and services on average now as a year ago?*

This second question aimed to assess if the respondents appreciate the effect of inflation on their savings and investment. The interest paid by the financial institutions is the nominal rate as it does not consider the effect of inflation.

The real return is the return an investor receives after considering the rate of inflation. In simpler math, *Real Return = Nominal Return less Inflation*. Therefore, using the above question, real returns is minus 2% (8%-10%).

If consumers understand the effect of inflation on their savings, they will likely not leave thousands of Dalasis in their savings account without a purpose. As of August 2018, Commercial banks in the Gambia were paying average 4.85% on retail deposits (Central Bank Data Warehouse) while the average inflation was about 7%. This means that the Gambian savers are making negative returns of 2.15% on their savings accounts.

The results of the question are presented below:

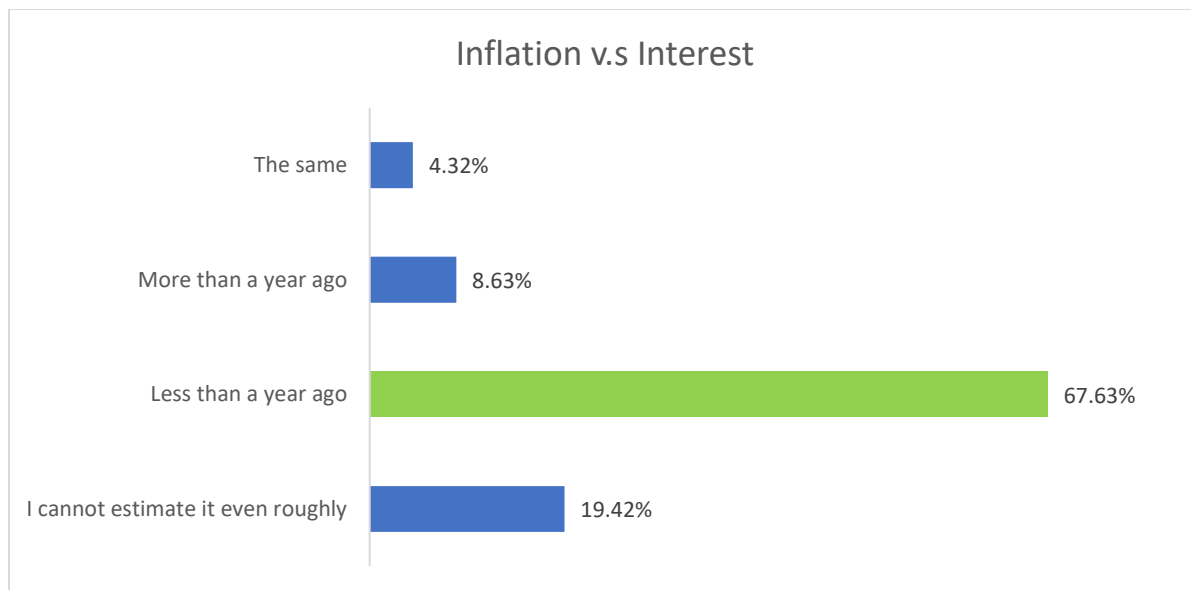


Figure 8: Result of respondents' understanding of inflation impact on savings

32.37% of the respondents did not get the right answer. 4.32% thinks the purchasing power of the savings balance will be same, 8.63% thinks it will grow, and 19.42% said they could not even estimate roughly.

26.53% and 46.34% of the graduates and non-graduate respondents respectively failed the test. Similarly, 32.11% of employee failed the test while 27.27% of the self-employed failed.

We summarised the respondents' answers to the two financial literacy question and are presented in the table below.

Table 6: Comparison of respondents' profile to financial literacy

Financial literacy summary	Employees	Self-Employed	Youths	Adults	Graduates	Non-graduates
Compound interest						
Correct	78.90%	77.27%	69.66%	89.80%	81.63%	65.85%
Don't know	21.10%	22.73%	30.34%	10.20%	18.37%	34.15%
Inflation						
Correct	67.89%	72.73%	61.80%	77.55%	73.47%	53.66%
Don't know	32.11%	27.27%	38.20%	22.45%	26.53%	46.34%

Overall, 60% of the respondents were able to answer both questions right. However, 16% of the respondents could not answer any of the two questions correctly while 24% validly answered only one question. If we are to mark the two questions on the rate of 50% per valid answer, the average score among the survey respondents would be 72.30%. This average is not good considering that 70.50% of the survey respondents are graduates. We might be concerned about how many Gambian makes suboptimal financial decisions in their everyday life.

Mandell (2008) and the JumpStart Coalition conducted a national survey to measure the financial literacy of young American adults, including high school seniors and college students. The survey proved that college students are more financially literate than high school students and that literacy increases with each year of college. The mean score for

all college students was 61.9 percent compared with just 48.3 percent for high school seniors.

Similarly, our study also found that financial literacy is positively related to formal education. High school and college graduates had an average score of 28.57% and 66.18% respectively in financial literacy test compared to the 71.57% and 84.04% average score for the bachelor and postgraduate degree holders respectively in the same test. Similarly, the average score among the youths was 65.73% while the adult respondents had 83.67% average score.

Female respondents had an average score of 56.25% compared to 77.10% for males. As reported by Klapper, Lusardi, and Oudheusden (2015), the financial literacy gender gap is found in both advanced economies and emerging economies. Women have weaker financial skills than men even considering variations in age, country, education, and income.

Considering the importance of inflation and compound interest, most likely the individuals who cannot answer these two questions will have difficulty making financial decisions.

4.5 Income Sources

Employment is the primary source of income for most educated people in the Gambia. Therefore, it was not surprising that 78.42% of the respondents are employees.

However, to save more money and build wealth, it is recommended for one to have multiple streams of income. It is a diversification strategy in case one of the sources failed to generate enough cash.

The survey respondents were asked to provide their sources of income.

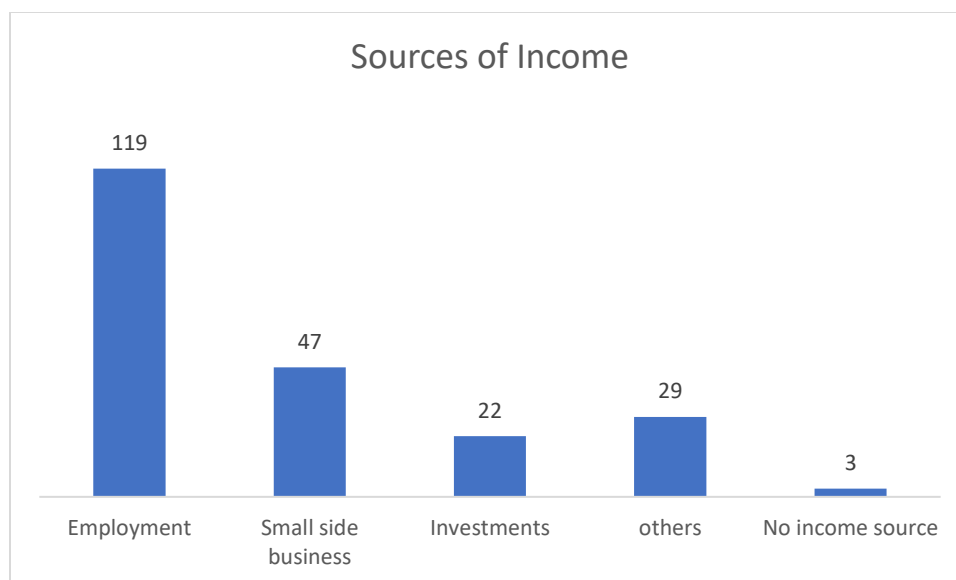


Figure 9: Respondents' Sources of Income

The result shows that 52.52% of the respondents have only one stream of income. Further analysis shows that 43.88% of the respondents earn from only employment income while only 25.18% earns from employment and small business. 55.01% of the youths and 44.90% of adults have only one source of income respectively. Additionally, 54.08% of the respondents who are graduates reported only one source of income and most from employment.

The survey shows some relationship between financial satisfaction and number of income streams. The respondents who have multiple income streams are generally satisfied with their financial condition than respondents with only one single income stream. It shows that 54.79% of the respondents with one source of income are dissatisfied with their financial condition while only 14.29% of the respondents with more than three income sources feel dissatisfied. Among the youths, 55.06% lives on one source of income compared to 46.94% with multiple streams of income.

Out of the 43.88% of total respondents who survives solely on their employment income, only 8.2% feels highly satisfied with their current financial condition.

When the savings and short-term investment balances of the respondents are compared to their streams of income, we found that the respondents with multiple income streams have higher balances in their accounts than those with just one income stream.

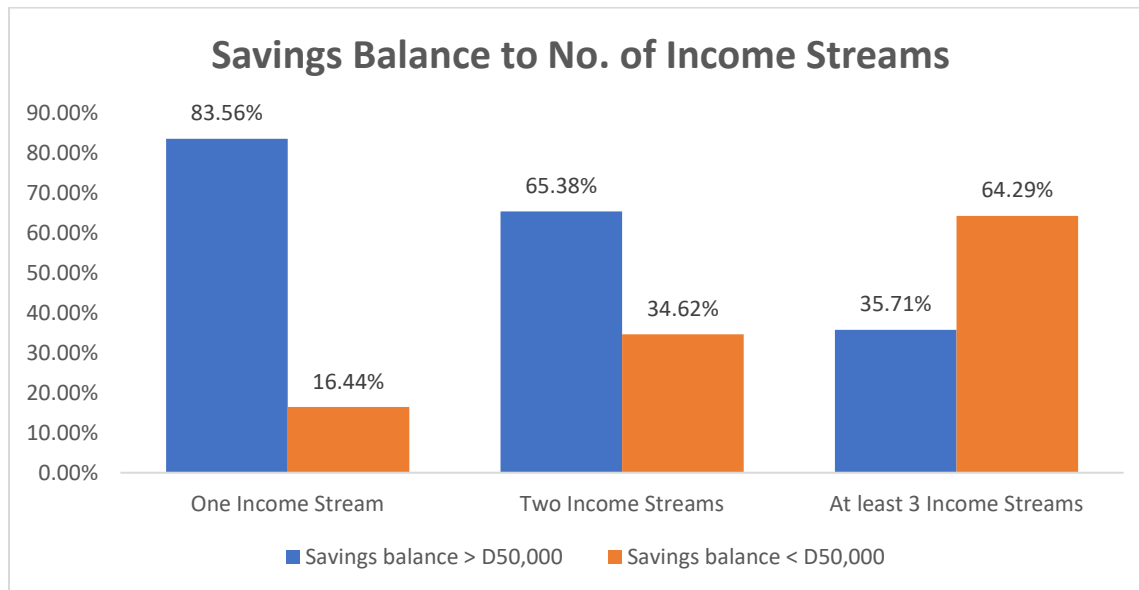


Figure 10: Savings balance compared to number of income sources

While 16.44% of the respondents with only one income stream have more than D50,000 (\$1,000) in their savings account, 64.29% of the respondents with at least three income streams have more than D50,000 in their short-term investment and savings accounts. The above graph and analysis show some positive relationship between the number of income streams and the savings account balance of the respondents.

4.6 Insurance

All forms of investments have some element of risk, and in some cases, the investors may lose all their money. However, risk management strategies and products can help individuals to minimize their investment risks. An insurance policy is an agreement in which buyer transfer risk of a specific loss event to the insurance company.

While education can play key role in consumers insurance buying decision, the cost and accessibility to insurance can also be critical.

The survey participants were asked about the types of insurance they had bought in the last 12 months.

Table 7: Insurance policies procured by respondents

Insurance	No.	% of respondents
Health insurance	18	12.95%
Motor vehicle	55	39.57%
Property	5	3.60%
Others	12	8.63%
No insurance	72	51.80%

Over half of the respondents (51.80%) have not bought an insurance policy in the last 12 months. Furthermore, 39.57% of respondents have bought motor vehicle insurance compared to 12.95% for health insurance and 3.6% for properties. The high level of motor vehicle insurance purchase can be related to the general observation that many Gambian employees buy vehicles even on credit basis, yet they have little or no savings balance.

Out of the 55 respondents who have bought motor vehicle insurance in the last 12 months, 70.91% are employees and 49.91% also bought vehicle insurance only.

When the respondent's education level is compared to the insurance purchased, 70.21% of the respondents with a post-graduate degree says they have bought at least one insurance product compared to 32.35% of the HND/College respondents. The respondent's education level, awareness, and income level may explain the gap between the two groups. However, 38.30% of the postgraduate respondents have bought motor vehicle insurance only while 14.71% for the HND/college respondents.

4.7 Self-assessment

One of the most important steps in personal financial management is self-assessment. It involves an assessment of one's financial position through the comparison of assets and

liabilities. Self-assessment may also include cash flow analysis to set expense management and income generation goals.

Peter Drucker, a Management thinker, is often quoted as saying that “you cannot manage what you cannot measure.” Drucker implies that we cannot assess success or failure in business unless success is defined and tracked. Without clear objectives, we are stuck in a constant state of guessing our positions.

Therefore, the respondents were asked how frequent they assess their financial position.

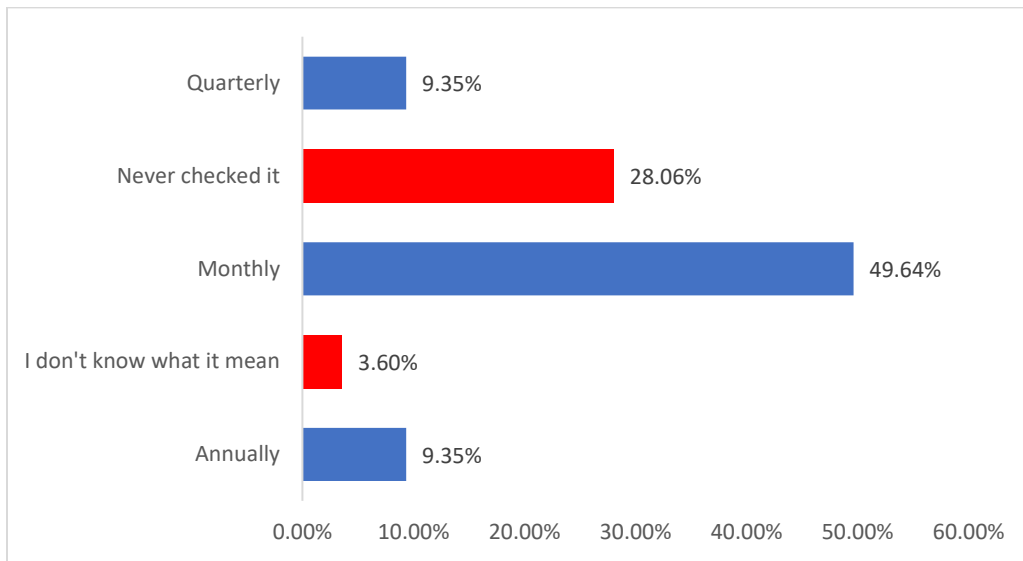


Figure 11: Frequency of respondents' self-assessment

68.35% of the survey respondents perform self-assessment at least once a year. Savings balance of the respondents was compared to their self-assessment, it was found that 60.00% of those who perform frequent self-assessment have more than D10,000 in their savings account compared to only 36.36% of the respondents who never checked or don't know what it means.

As self-assessment of personal financial position involves some elements of basic calculation, an analysis was made between the self-assessment and respondent ability to assess the impact of inflation on their savings. 77.89% of the respondents who perform periodic assessment were able to correctly assess the impact of inflation on their savings

account while only 45.45% of the respondents who do not assess their finances were able to assess inflation impacts correctly.

The survey result also shows some relationship between education level and self-assessment. It was found that higher educated respondents appreciate the importance of self-assessment compared to the lower level. 77.55% of the graduate respondents said they do perform compared to the 46.34% of the non-graduates.

Table 8: Self-assessment compare to educational level

Education level	Perform Assessment
Senior School or below	14.29%
College /HND or similar institution	52.94%
Bachelor's degree	74.51%
Postgraduate degree	80.85%

The relationship of self-assessment to education level can be explained by the fact that higher education level may have learned some form of financial management in school or at the workplace.

4.8 Borrowing Habits

Financial well-being can be achieved through extra income, savings and managing expenses. However, these efforts can be wasted if individuals pile debts upon debts. Access to formal credit is often confined to the rich and educated who tend to be more financially savvy (Klapper et al., 2015), but the key question is, why do Gambians borrow money? There are two broad groups of debt: consumer debt and investment debt. Consumer debts are borrowing for individual consumptions while investment debts are used to buy assets such as properties, business, and other income generating assets.

The survey respondents were asked if they have borrowed money in the last three years and the purpose of their borrowing.

The results are presented below:

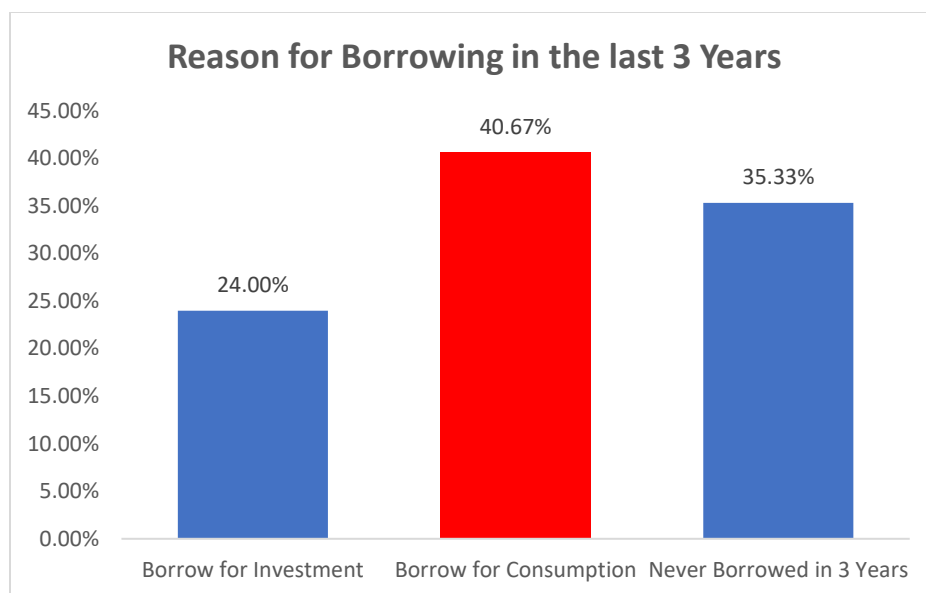


Figure 12: Reasons respondents borrow money

The result shows that 24% of the respondents said they have borrowed for investment while and 40.67% borrowed for consumption.

The analysis of respondents' profile shows that 44.94% of the young people (18-35 years) said they have once borrowed for consumption compared to the 36.76% of the adults. On the reverse side, 32.65% of adults and 21.35% of youths have borrowed to invest.

Furthermore, 43.88% of graduate respondents have borrowed to consume which is more than 36.59% of the non-graduates.

The survey shows that most employees have borrowed money for consumption when compared to the self-employed. 47.71% of employees said they have borrowed for consumption and only 26.61% borrowed to invest. On the other hand, among the self-employed, 18.18% borrowed to consumed, 22.73% for invest and 59.09% did not borrow in the last three years. The differences in this category can be explained by access to credit. In the Gambia, it is easy for employees to access credit as their stable income gives some confidence to lenders. The cash flows of self-employed are difficult to predict.

5.0 Conclusion

Financial freedom is important to economic growth as we all strive for a more inclusive society. However, financial freedom can be achieved through the application of the best financial management practices. For people to apply personal financial management practices they will need some form of financial education.

Many Gambians are not planning for their financial future. In the Gambia, 7-in-10 individuals do not have more than D50,000 in their savings and short-term investment accounts. Lack of savings means lesser funds in case of emergencies such as sickness, job loss or economic downturn.

Employment is the primary source of income for most educated people in the Gambia. However, the survey shows a positive relationship between the number of income streams and balance in the respondents' savings account. The respondents who have multiple income streams have higher savings account balances than those with only one source, particularly employment only.

The way most people manages personal finances - such as borrowing for consumption, no personal budget, lack of insurance - illustrates a lack of financial capability among many Gambians. In the Gambia, 41% of individuals reported borrowing for consumption in the past three years. Additionally, 59% of respondents said they do not prepare a personal budget while 52% did not buy any form of insurance compared to 40% who bought motor vehicle insurance in the last year. This means that most individuals spend their little income without cause for any planning and they borrow to consume. Wealth protection through insurance is not common among Gambians, and the few who buys insurance are mostly to protect motor vehicles where they have no choice but to comply with the law.

Gambians demonstrate low levels of financial literacy and have difficulty applying financial decision-making skills to real-life situations. The study participants were asked two questions covering aspects of inflation and compound interest. Only 60% of the respondents were able to answer both questions right. This average is not good considering that 70.50% of the survey respondents are graduates. The knowledge about

the effects of inflation and interest on personal finance is the core of effective financial decision making. Financial literacy has an impact on economic development, and financial literacy plays an essential role in creating a viable financial system (Faboyede et al 2014). Researchers have also found that adults who are financially literate are less likely to default on loans and more likely to save for retirement (Lusardi and Mitchell, 2014) as reported by Klapper et al. (2015).

A significant part of financial management practice is for individuals to have adequate savings, investments and feel satisfied with their financial conditions. The result indicates that half of the respondents are not satisfied with their current financial conditions. 11.51% rated themselves at a higher score of 4 and 5 while 38.13% are on the middle satisfaction rate of 3.

Ben Bernanke, the Former Chairman of the Federal Reserve of USA once said: “that a well-informed consumer, who can serve as their own advocates, are one of the best lines of defense against the proliferation of financial products and services that are unsuitable, unnecessarily costly, or abusive.”

6.0 Survey limitations

Most participants are likely to be based in the city as a website was used to collect responses. To conclude a more population generalization, a more comprehensive study across the country is suggested for future research. However, a countrywide study may give a worse result compared to this study as most of the uneducated Gambians are based in rural areas with little or no access to the internet.

7.0 Recommendation

This study shows that many Gambians are not practicing the basic personal financial management principles. However, with improved financial literacy, they might learn about the benefits and risks of investments, improve their current and future financial health. Overall, citizen knowledge and application of personal finance will impact the economy particularly wealth creation and even poverty as they judiciously use their limited incomes.

The author offers the following recommendations:

1. Central Bank of the Gambia should conduct a national financial literacy survey and develop measures to promote financial education in the country.
2. The ministries of education supported by the Central Bank should work with the government to introduce personal financial planning into the curriculum of all tertiary institutions such as Gambia College, University of the Gambia, Gambia Technical Training Institute, Management Development Institute etc.
3. Financial literacy should be made available to the self-employed through projects and training, a seminar with other bodies like the Gambia Chamber of Commerce and Industry.

About the Author

Ebrima B Sawaneh, is a chartered accountant, blogger, and Amazon Bestselling Author.

Ebrima works as an accountant for a Lagos-based development and investment bank. He is passionate about personal development, empowerment, and education.

He is the Founder of Business-in-Gambia ([www. businessingambia.com](http://www.businessingambia.com)), an educational blog that teaches many young Africans about small business and personal finance management. He is also the President of Next Generation Foundation that provides educational support and training to young people in the Gambia.

Ebrima's expertise lies in finance, accounting, and banking. He taught these subjects at the Management Development Institute and Nusrat Management & Accountancy Training Centre for over five years. He also lectures Corporate Governance to MBA students on a part-time basis in Lagos.

He holds a BSc in Applied Accounting (Hons) degree from Oxford Brookes University and an MBA in Finance from Heriot-Watt University in Edinburgh in the UK. Ebrima is a Fellow of the Association of Chartered Certified Accountants (ACCA) and a Certified Islamic Finance Executive (CIFE).

<http://ebrimasawaneh.com>

www.businessingambia.com

Reference

OECD (2014), PISA 2012 Results: Students and Money: Financial Literacy Skills for the 21st Century (Volume VI), PISA, OECD Publishing.

Dixon L.J., Correa.T, Straubhaar.J, Covarrubias.L, Graber.D, Spence.J, Rojas.V (2014). Gendered Space: The Digital Divide between Male and Female Users in Internet Public Access Sites. Journal of Computer-Mediated Communication. Available at <https://onlinelibrary.wiley.com/doi/full/10.1111/jcc4.12088>

T. Rowe Price Group, Inc (2017). T. Rowe Price: Parents Are Likely To Pass Down Good And Bad Financial Habits To Their Kids. T. Rowe Price Group, Inc. Available at <https://www.prnewswire.com/news-releases/t-rowe-price-parents-are-likely-to-pass-down-good-and-bad-financial-habits-to-their-kids-300428414.html>

OECD INFE (2011) Measuring Financial Literacy: Core Questionnaire in Measuring Financial Literacy: Questionnaire and Guidance Notes for conducting an Internationally Comparable Survey of Financial literacy. Paris: OECD.

Mahdzan, N.S.M & Tabiani, S. (2013). The Impact of Financial Litreacy on Individuals Saving: an Exploratory Study in the Malaysian Context. Transformations in Business & Economics, Vol 12, No 1 (28), pp41-55.

Cole, S. A., Sampson, T., & Zia, B. (2011). Prices or knowledge? What drives demand for financial services in emerging markets? *Journal of Finance*, 66(6), 1933–1967. Accessed October 4, 2014, <http://www.hbs.edu/research/pdf/09-117.pdf>

Angel Gurría. (2017). Launch of PISA 2015: Volume IV Students' Financial Literacy? Organisation for Economic Co-operation and Development. Available at <http://www.oecd.org/education/launch-of-pisa-2015-volume-iv-students-financial-literacy.htm>

Mandell, L. (2008). The Financial Literacy Of Young American Adults: Results of the 2008 National Jump\$tart Coalition Survey of High School Seniors and College Students. Available at

<https://www.stockmarketgame.org/assets/pdf/2008%20JumpStart%20Financial%20Literacy%20Survey.pdf>

Lusardi, A.; Tufano, P. (2009). Debt Literacy, Financial Experiences, and Over indebtedness. National Bureau of Economic Research, Inc, NBER Working Papers: 14808.

Guiso, L.; Jappelli, T. (2008). Financial Literacy and Portfolio Diversification.

European University Institute. *Economics Working Papers*. European University Institute.

Faboyede, O.S, Ben-Caleb, E., Oyewo, B. and Faboyede, A. (2014) . Financial Literacy Education: Key To Poverty Alleviation And National Development In Nigeria. European Journal Accounting Auditing and Finance Research. Vol.3, No.1, pp.20-29. Available from <http://www.eajournals.org/wp-content/uploads/Financial-Literacy-Education-Key-to-Poverty-Alleviation-And-National-Development-In-Nigeria.pdf>

Central Bank of Nigeria. (n.d). Financial Litreacy. Available at

<https://www.cbn.gov.ng/Devfin/finliteracy.asp>

Gyabaah.N (2009). Ghana,,s National Strategy for Financial Literacy and Consumer Protection in the Microfinance Sector. Available from

https://www.mfw4a.org/fileadmin/data_storage/documents/other-internal-documents/Ghana_gyabaah.pdf

Caplan, Mary; Sherraden, Margaret; and Bae, Junghee (2018) "Financial Capability as Social Investment," The Journal of Sociology & Social Welfare: Vol. 45 : Iss. 4 , Article 9. Available at: <https://scholarworks.wmich.edu/jssw/vol45/iss4/9>

Behrman, J.R., Mitchell,O.S., Soo,C.K., and Bravo, D. (2012) " How Financial Literacy Affects Household Wealth Accumulation" National Center for Biotechnology Information, U.S. National Library of Medicine

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3554245/>

Klapper, L., Lusardi, A. & Oudheusden,P.V. (2015). Financial Literacy around the world: Insights from the S&P Global Finlit Survey. Available from https://gflec.org/wp-content/uploads/2015/11/3313-Finlit_Report_FINAL-5.11.16.pdf?x37611

Appendix 1: Questionnaire

Group	Question
Profile	<ol style="list-style-type: none"> 1. What is your gender? 2. What is your Age range? 3. What was the highest level of education that you completed? 4. What is your marital status? 5. What is your country of residence 6. Which of the following best describes your current employment or work status?
Savings Culture	<ol style="list-style-type: none"> 7. Thinking of your assets, debts and savings, how satisfied are you with your current personal financial condition? 8. What is the balance in your savings or short-term investment account?
Budget	<ol style="list-style-type: none"> 9. Do you have a personal budget? A personal budget is used to decide what share of your income will be used for spending or saving.
Financial calculation	<ol style="list-style-type: none"> 10. Suppose you had D10,000 in a savings account and the interest rate was 8% per year. After 2 years, how much do you think you would have in the account if you left the money to grow? 11. Imagine, that you deposited money in a bank account at 8% interest rate, while the annual inflation rate was 10%. Do you think the money from your account can buy more or less of goods and services on average now as a year ago?
Income Source	<ol style="list-style-type: none"> 12. What are your sources of income (mark all applicable options)
Insurance	<ol style="list-style-type: none"> 13. Which of the following insurance products have you personally bought in the last 12 months (mark all applicable options)
Self- assessment	<ol style="list-style-type: none"> 14. How often do you assess your personal financial position

Borrowing
Habits

15. Which of the following borrowing products have you used in the last 3 years?

Table of Tables and Figures

Table of Tables

Table 1 Summary of targeted and actual responses	6
Table 2 Respondents by Country	6
Table 3 Respondents by Age Group	8
Table 4: Analysis of Financial satisfaction, savings balance to respondents' profile	13
Table 5: Respondents who prepare a budget by education level	15
Table 6: Comparison of respondents' profile to financial literacy	19
Table 7: Insurance policies procured by respondents	23
Table 8: Self-assessment compare to educational level	25

Table of Figures

Figure 1 Respondents' Gender	7
Figure 2: Respondents by Education Level	8
Figure 3: Respondents' by Employment Status	10
Figure 4: Financial Satisfaction of Respondents	11
Figure 5 : Saving and Short-term Investment balances.....	12
Figure 6: Percentage of respondents who prepares a budget.....	14
Figure 7: Results of respondents' calculation of compound interest	17
Figure 8: Result of respondents' understanding of inflation impact on savings	18
Figure 9: Respondents' Sources of Income	21
Figure 10: Savings balance compared to number of income sources	22
Figure 11: Frequency of respondents' self-assessment.....	24
Figure 12: Reasons respondents borrow money.....	26

Personal Financial Management Practices Among Gambians

Title : Personal Financial Management Practices Among Gambians

Author : Ebrima Sawaneh

Date : 06 May 2019