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Thesis

Title: **The Effect of Banking Literacy on Startup Financial Management of Budgeting, debt, cash flow and Investment decisions**

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DECLARATION

I declare that this thesis entitled "The Effect of Banking Literacy on Startup Financial Management of Budgeting, debt, cash flow and Investment decisions" has been conducted and completed by me under the guidance and supervision of Dr, Mesfin Tesfaye.

This thesis is my original work and has not been submitted for the award of any degree or diploma at any other university or institution.

Researcher's Name	Date	signature
Melat Habtamu	February-06/2025	_____

CERTIFICATE

This is to certify that the thesis entitled “The Effect of Banking Literacy on Startup Financial Management of Budgeting, debt, cash flow and Investment decisions” submitted to St Mary’s University for the award of the Degree of Master of Business Administration (MBA) is a record of genuine research work carried out by Melat Habtamu, under our guidance and supervision.

Therefore, we hereby declare that no part of this thesis has been submitted to any other university or institution for the award of any degree or diploma.

Main Advisor's Name:	Date:	Signature:
Dr. Mesfin Tesfaye	February 2/2025	_____

The Effect of Banking Literacy on Startup Financial Management of Budgeting, debt, cash flow and Investment decisions

APPROVED BY BOARD EXAMINERS

Dean, Graduate studies	Signature
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Advisor	Signature
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External Examiner	Signature
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Internal Examiner	Signature
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Abstract

The aim of this study was to investigate The Effect of Banking Literacy on Startup Financial Management of Budgeting, debt, cash flow and Investment decisions of registered startups operating in Addis Ababa, that have established banking relationships with the Commercial Bank of Ethiopia (CBE). This includes startups that have opened specified business accounts under the head office. The study used explanatory and descriptive research design with quantitative approach. The target population for this study includes founders, financial managers, and owners of legally registered startups in Addis Ababa that have established business accounts, with in the Commercial Bank of Ethiopia (CBE) under the head office. These startups opened these specified business accounts for essential financial services, such as access to credit and business loans. They operate across various sectors, including Technology, Services, Manufacturing, and Agriculture. From a total population of 816 registered startups, a sample of 268 was selected using stratified sampling techniques, followed by convenience sampling to choose respondents from each stratum. A five-point Likert scale to measure variables such as banking literacy, entrepreneurial education, financial planning skills, mentorship, and risk tolerance. Statistical analysis, conducted using SPSS (version 25), revealed a significant positive relationship between banking literacy and startup financial management, with banking literacy emerging as the most influential variable, followed by financial planning skills and access to financial services. The regression model explained 62.2% of the variance in startup financial management, underscoring the importance of banking literacy in improving budgeting, cash flow management, and investment decision-making. The study advocates for initiatives to enhance banking literacy, alongside improved access to financial services and mentorship programs, to strengthen financial management in startups.

Keywords: *Banking Literacy, Financial Management, Startups, Entrepreneurial Education, Financial Planning, budgeting, cash flow management, investment decision-making.*

Table of Contents

List of Tables

List of Figures

Acronyms/Abbreviations

SPSS	Statically Package for Social Science
MBA	Masters of Business Administration
CBE	Commercial Bank of Ethiopia
SD	Standard Deviation
SME	Small and Medium Enterprise

CHAPTER ONE

INTRODUCTION

This chapter of the study encompasses the background of the study, statement of the problem, objective of the study, research questions, and significance of the study, scope of the study, limitation of the study, definitions of key terms and organization of the paper.

1.1 Background of the Study

In recent years, financial literacy has emerged as a crucial factor in the successful management of startup ventures. A startup is generally defined as a newly established business venture aimed at developing and bringing a unique product or service to market. These ventures are characterized by their innovative approach and high growth potential but are also subject to significant financial risks and uncertainties (Gartner, 2020). Effective financial management is crucial for startups, as it underpins their ability to navigate these challenges and achieve long-term sustainability. Banking literacy, which encompasses an understanding of banking products, services, and financial management principles, plays a significant role in shaping the financial strategies of nascent businesses (Onunka & Raji, 2023).

Startups, often characterized by their innovative approaches and high-risk environments, require adept financial management to navigate initial challenges and sustain growth. Without proper banking literacy, entrepreneurs may struggle with budgeting, cash flow management, and securing appropriate financial services, potentially jeopardizing their ventures' success (Obeng, 2024).

Banking literacy, a critical subset of financial literacy, encompasses knowledge of banking products and services such as accounts, loans, and financial instruments, which are essential for startups to manage resources, secure funding, and navigate banking systems effectively (Onunka & Raji, 2023).

The importance of banking literacy is underscored by recent studies indicating that financial mismanagement is a leading cause of startup failure. A significant number of startups fail within the first five years due to poor financial planning and inadequate knowledge of financial products (Ondas, 2021). This suggests that enhanced banking literacy could be a pivotal factor in improving

startup longevity and overall financial health. Furthermore, as the startup ecosystem becomes increasingly complex, the ability to make informed banking decisions is critical for managing operational costs, accessing capital, and optimizing financial resources (Hussain, 2024).

Despite the acknowledged importance of financial literacy, research specifically focusing on the effect of banking literacy on startup financial management remains limited. Most existing literature has concentrated on broader financial literacy aspects without distinguishing between general financial skills and specific banking knowledge. This gap highlights a need for targeted research to explore how banking literacy specifically influences startup financial management, as a result financial outcome. Understanding this relationship could provide valuable insights for developing tailored educational programs and resources for entrepreneurs (Darojimba & Abioye, 2023).

This study aims to fill this gap by examining the direct effects of banking literacy on financial management practices within startups. By analysing recent data and trends, the research will assess how a subtle understanding of banking tools and services affects financial management specifically budgeting, cash flow management, debt management and investment decisions. The findings could inform strategies for improving financial education among entrepreneurs and contribute to enhancing the sustainability and success rates of startups.

1.2 Statement of the Problem

The rapidly growing startup ecosystem has become a driving force in economic growth and innovation. Startups, as innovative and entrepreneurial ventures, play a crucial role in driving economic growth and job creation. Despite their potential to drive economic growth, startups often struggle with financial management due to limited financial literacy. Effective financial management is crucial for the success and growth of startups, yet many entrepreneurs struggle with limited banking literacy, which includes understanding banking products, regulations, and financial planning (Akinola, 2023). This can hinder their ability to secure funding, allocate resources effectively, and make informed decisions. The initial statement accurately identifies this problem, emphasizing its potential to impede growth, survival, and economic contributions.

Banking literacy is particularly critical for startups, as they face unique financial challenges that established businesses may not encounter. These challenges include navigating the complexities of securing funding, managing cash flow, and complying with ever-evolving financial regulations.

Startups often operate in high-risk environments, where a lack of banking literacy can lead to poor financial decisions regarding resource allocation, pricing, and risk management (Kang & Park, 2024).

The consequences of limited financial literacy can be severe for startups. Financial mismanagement resulting from inadequate banking knowledge can lead to cash flow shortages, debt accumulation, and ultimately, business failure (Obeng, 2024). Additionally, a lack of financial literacy can make it difficult for startups to attract investors and secure funding, as investors often seek ventures with strong financial management capabilities. This underscores the necessity of prioritizing banking literacy within the startup community, as it is a critical factor in enhancing financial practices and improving overall business outcomes.

Gaps in Existing Literature

While previous researches, such as those by (Lusardi & Mitchell, 2023) and (Onunka & Raji, 2023) have explored the importance of financial literacy for various populations, including consumers and investors, there is a notable scarcity of studies specifically examining the effect of banking literacy on startup financial management. After reviewing a total of 19 studies, I found that fewer than 5 directly address the niche area of banking literacy as it pertains to startup financial management. Most studies focus primarily on general financial literacy concepts rather than the banking-specific knowledge crucial for startups. This highlights a significant gap in the literature, emphasizing the need for further research on banking literacy within the startup context. Although financial literacy broadly affects business management, research specifically examining how banking literacy affects financial management practices within startups remains scarce (Onunka & Raji, 2023). This section identifies the lack of specific research on banking literacy within the context of startup financial management.

While research on financial literacy has primarily focused on individuals and households, limited attention has been given to its role in startup management, despite the unique financial challenges startups face. Banking literacy, a critical subset of financial literacy, encompasses knowledge of banking products and services such as accounts, loans, and financial instruments, which are essential for startups to manage resources, secure funding, and navigate banking systems effectively. The lack of research on banking literacy in startup management highlights a

knowledge gap, underscoring the need for targeted interventions and support programs to enhance startups' financial management and reduce failure risks. These factors provide the rationale for conducting the research.

- Rising Startup Failures: The high rate of startup failures, often attributed to financial mismanagement, underscores the urgent need to investigate the factors contributing to these failures (Kang & Park, 2024). One such factor may be limited financial literacy, particularly in banking. By understanding the specific banking-related skills and knowledge that are critical for startup success, interventions can be developed to address these deficiencies and improve survival rates.
- Limited Access to Financial Services: Startups, especially those in emerging markets, may face difficulties in accessing appropriate banking services and understanding their offerings. This can be aggravated by limited financial literacy, which can hinder their ability to navigate the banking system and make informed decisions about financial products (Darojimba & Abioye, 2023). Addressing this issue is crucial for ensuring that startups have access to the financial resources they need to grow and succeed.
- Complexity of Financial Regulations: The ever-changing financial regulations can be confusing for startups, and a lack of banking literacy can hinder their compliance efforts (Obeng, 2024). Non-compliance with these regulations can lead to significant financial penalties and damage to a startup's reputation. By improving banking literacy, startups can better understand and comply with financial regulations, reducing their risk and enhancing their credibility (Obeng, 2024).
- Investor Confidence: Effective financial management is crucial for attracting investors (Ullah & Yusheng, 2020). Banking literacy can help startups demonstrate their financial insight and credibility.

This thesis seeks to address this gap by investigating the relationship between banking literacy and dimensions of startup financial management, such as budgeting, cash flow management, debt management and investment decisions. By identifying how different levels of banking knowledge influence these aspects, the study aims to provide insights into how improving banking literacy can enhance financial practices and outcomes for startups. Such understanding is vital for

developing targeted educational interventions and support mechanisms designed to bolster the financial capabilities of entrepreneurs (Lusardi & Mitchell, 2023).

1.3 Research Questions

Based on the variables identified, the following research questions are formulated:

1. How does banking literacy relate to financial management practices among startup founders?
2. How does entrepreneurial education affect investment decision making of startups?
3. How does access to financial services affect startup debt management?
4. What is the role of mentorship on budgeting of startup ventures?
5. To what extent is the effect of financial planning skills on startup cash flow management?
6. How do risk tolerance shape financial strategies of startups?
7. What is the effect of business experience on startup financial decision-making?

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of this study is to investigate the effect of banking literacy on startup financial management of budgeting, debt, cash flow and Investment decisions.

1.4.2 Specific Objectives

Based on the variables identified, the following specific objectives have been stated.

i. To examine the direct effect of banking literacy on various aspects of startup financial management, including budgeting, cash flow & debt management, and investment decisions.
ii. To investigate the influence of entrepreneurial education on startup investment decisions.
iii. To investigate the interactive effects of risk tolerance and banking literacy on startup financial strategies.
iv. To analyse the effect of access to financial services and banking literacy on startup budgeting.
v. To assess the effects of mentorship and support on startup financial management.
vi. To evaluate the role of financial planning skills for startup budgeting.

vii. To explore the role of business experience in startup financial decision-making.
viii. To examine the effect of banking literacy on the cash flow management of startups across different industry sectors, startup stages.

1.5 Significance of the Study

This study is significant because it aims to illuminate the specific impact of banking literacy on startup financial management, a crucial yet not specifically explored area in financial education. Startups often struggle with financial management due to a lack of comprehensive understanding of banking products and services, which can lead to poor financial decisions and increased risk of failure (Lusardi & Mitchell, 2023). By focusing on banking literacy, this research will provide targeted insights into how knowledge of banking tools, such as loans, credit lines, and financial planning services, affects the financial stability and growth of new ventures. The findings could help develop more effective educational resources and training programs for entrepreneurs, thereby enhancing their financial management skills and potentially increasing their startup's chances of success (Obeng, 2024).

Additionally, the results of this study will have practical implications for financial institutions and policymakers. A deeper understanding of the role of banking literacy in startup financial management could enable banks and financial service providers to tailor their products and services to better support new businesses (Hussain, 2024). For example, banks could offer specialized financial products or advisory services designed specifically for startups, while policymakers could advocate for integrating banking literacy into entrepreneurship support programs. Such measures could help address the financial challenges faced by startups and contribute to a more robust and supportive entrepreneurial ecosystem (Hussain, 2024).

1.6 Scope and Limitations of the Study

1.6.1 Scope

1.6.1.1 Area Delimitation

This study focused on the effect of banking literacy on the financial management practices of startups located within the Addis Ababa region, Ethiopia, that have established banking

relationships with the Commercial Bank of Ethiopia (CBE). This includes startups that have opened specified business accounts under the Head office, to acquire financial products. the research concentrated on startups operating in the technology, manufacturing, retail, and service sectors, as these sectors represent a significant portion of the Ethiopian startup ecosystem and often face unique financial challenges. By limiting the scope to these sectors, the study can provide more targeted insights into the specific needs and requirements of startups in these industries.

1.6.1.2 Concept Delimitation

The study will primarily explore the effects of banking literacy on startup financial management. This includes examining how banking literacy influences budgeting, cash flow management, debt management and investment decisions. While other factors such as entrepreneurial education, business experience, and access to financial services may also influence startup financial management, the primary focus will be on the role of banking literacy in shaping financial management, specifically budgeting, cash flow, debt and investment decisions.

1.6.1.3 Methodology Delimitation

The research employed a mixed-methods research methodology, combining quantitative and qualitative research techniques. Quantitative data will be collected through structured surveys administered to a sample of startup founders in the Addis Ababa region. The survey measured banking literacy and financial management practices. Qualitative data about their practices was gathered by asking a smaller subset of startup founders and finance managers to provide in-depth insights into the challenges and opportunities faced by startups in relation to financial management and the role of banking literacy.

1.6.1.4 Time Delimitation

The data collection phase of the study was conducted between October and November 2024. This timeframe allowed for the recruitment of a sufficient sample size of startups and the administration of surveys and interviews during a period when startups are typically engaged in their day-to-day operations and are more likely to participate in the research.

The analysis and reporting phase of the study took place between November and December 2024. This timeframe allowed for the thorough analysis of the collected data, the development of research findings, and the preparation of the final research report.

By establishing these time delimitations, the study can ensure that the research was conducted within a reasonable timeframe and that the findings are relevant to the current state of the Ethiopian startup ecosystem.

1.6.2 Limitations

Several limitations may affect this study. First, the research relied on self-reported data from startup founders, which may have introduced biases or inaccuracies in assessing banking literacy and financial management practices. Second, the scope of the study was limited by the availability of participants and the diversity of startups, potentially affecting the generalizability of the findings. Third, the study only accounted for selected and not for all external factors that might influence startup financial management. Finally, the research focused primarily on startups and may not fully capture the dynamics of banking literacy in established businesses or other sectors.

1.7 Organization of the Study

The study is organized into the following chapters:

- Chapter One: Introduction to the Study - Provides an overview of the research background, problem statement, objectives, research questions or hypotheses, significance, scope, limitations, definitions, and organization.
- Chapter Two: Literature Review - Reviews existing literature on banking literacy and financial management, highlighting theoretical frameworks and recent research.
- Chapter Three: Research Methodology - Describes the research design, data collection methods, and analytical techniques used in the study.
- Chapter Four: Results and Discussion - Presents and discusses the research findings in relation to the research questions and hypotheses.
- Chapter Five: Conclusion and Recommendations - Summarizes the study’s conclusions, discusses implications, and offers recommendations for enhancing banking literacy and financial management practices.

CHAPTER TWO

LITERATURE REVIEW

This literature review investigates the effect of banking literacy on startup financial management, focusing on conceptual review, theoretical frameworks, empirical studies, and identifying gaps in the existing literature. The review also highlights the key variables associated with financial literacy and their implications for startup management, specifically budgeting, cash flow management, debt management and investment decisions.

2.1 Conceptual Review

2.1.1 Definition of Banking Literacy for Startups

Banking literacy for startup founders refers to the essential knowledge and skills necessary for effective financial management in a business context. Founders must grasp fundamental banking concepts, such as the types of accounts available (checking, savings, and business accounts), interest rates, and the implications of credit (Gartner, 2020). Additionally, understanding financial statement balance sheets, income statements, and cash flow statements is crucial for assessing the financial health of a startup (Igiyi, 2023).

A key component of banking literacy is cash flow management, which involves tracking income and expenses to ensure that the business maintains adequate liquidity for operations (Igiyi, 2023). Skills in budgeting and forecasting are also vital; they enable entrepreneurs to anticipate future financial needs and make informed decisions (Culebro & Moreno, 2024). Furthermore, effective communication with financial institutions is essential; founders should be equipped to negotiate loan terms and comprehend various financial products (Akinola, 2023). Overall, banking literacy empowers startup leaders to navigate financial challenges and capitalize on growth opportunities.

2.1.2 Importance of Banking Literacy for Startups

Banking literacy is vital for startups as it directly affects financial decision-making, budgeting, resource allocation, and the ability to secure funding. Founders with strong banking literacy can efficiently manage cash flow, budget effectively, and forecast financial needs, enabling them to

sustain operations and support growth (Culebro & Moreno, 2024). Moreover, it helps entrepreneurs negotiate better terms with financial institutions, understand the risks associated with various financial products, and make informed investment decisions (Akinola, 2023). Ultimately, banking literacy enhances a startup's resilience against financial challenges and improves its long-term viability

2.1.3 Types of Banking Literacy

Banking literacy can be categorized into several types:

1. **Basic Banking Literacy:** Understanding fundamental concepts such as account management, interest calculations, and transaction processes.
2. **Credit and Loan Literacy:** Knowledge of credit scores, loan products, interest rates, repayment terms, and the implications of debt (Garg & Singh, 2024).
3. **Investment Literacy:** Awareness of different investment options, risk-return analysis.
4. **Digital Banking Literacy:** Proficiency in using digital platforms, mobile banking apps, and online financial tools for efficient financial management (Darojimba & Abioye, 2023).

2.1.4 Elements/Dimensions of Banking Literacy Variables

The key elements or dimensions of banking literacy relevant to startups include:

1. **Cash Flow Management:** The ability to track, analyze, and optimize the flow of cash in and out of the business to maintain liquidity (Igiyi, 2023).
2. **Budgeting and Forecasting:** Skills in creating and managing budgets and financial forecasts to anticipate future financial needs and allocate resources effectively (Culebro & Moreno, 2024).
3. **Financial Planning:** Competence in setting financial goals, developing strategies to achieve them, and monitoring progress over time.
4. **Credit Management:** Understanding how to manage credit responsibly, including negotiating loan terms and maintaining a healthy credit profile (Akinola, 2023).
5. **Risk Assessment:** The ability to identify, evaluate, and mitigate financial risks associated with banking decisions.

6. **Financial Communication:** Skills in effectively communicating with financial institutions, including understanding financial products and negotiating favorable terms (Samuel, 2023).

2.2 Theoretical Review

2.2.1 Financial Literacy Theory

Financial literacy is defined as the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing (OECD/INFE, 2022). This definition underscores the multidimensional nature of financial literacy, which is crucial for effective financial management in startups.

Financial literacy encompasses the knowledge and skills necessary for individuals to manage their financial resources effectively. It includes understanding concepts like budgeting, saving, investing, and risk management (Lusardi & Mitchell, 2023). For startup founders, financial literacy is crucial as it enables them to make informed decisions that can significantly impact their business's sustainability and growth. Research has shown that entrepreneurs with higher financial literacy are more adept at navigating complex financial landscapes, leading to better resource management and investment strategies (Kang & Park, 2024). This skill set not only aids in day-to-day operations but also enhances the ability to attract funding and manage investor relations.

Moreover, enhancing financial literacy among entrepreneurs can lead to more sustainable business practices. Founders who understand financial principles are better equipped to evaluate their options critically, assess risks accurately, and devise strategies that align with their long-term objectives (Lusardi & Mitchell, 2019). As a result, financial literacy serves as a foundational element in fostering entrepreneurial success. By prioritizing education and training in financial matters, startups can improve their chances of thriving in competitive markets.

Banking literacy includes a broad range of financial knowledge, such as familiarity with basic banking operations like savings and checking accounts, loans, and interest rates, as well as more complex financial instruments such as mortgages, lines of credit, and online banking platforms (Lusardi & Mitchell, 2019). Banking literacy enables individuals and businesses to make informed financial decisions, manage their accounts effectively, and utilize banking services to optimize financial planning (Culebro & Moreno, 2024).

Furthermore, banking literacy involves understanding key financial concepts such as interest compounding, credit ratings, and loan repayment structures. It helps individuals assess the costs and benefits of various financial products and navigate regulatory aspects of banking institutions (OECD/INFE, 2022). For businesses, particularly startups, a high level of banking literacy is crucial for securing financing, managing cash flow, and utilizing banking services to promote growth (Agarwal & Mazumder, 2018).

Banking literacy is closely related to financial literacy, as it represents a specific subset of the broader concept of financial literacy. Financial literacy is defined as the knowledge and understanding of general financial principles, enabling individuals and businesses to make informed decisions regarding budgeting, saving, investing, borrowing, and managing financial risks (Lusardi & Mitchell, 2019). Within this framework, banking literacy focuses specifically on the knowledge and skills related to the use of banking services and financial products.

While financial literacy covers broader areas like personal financial planning, tax understanding, and investment strategies, banking literacy narrows the focus to how individuals and businesses interact with financial institutions, use banking products, and navigate banking systems (Lusardi & Mitchell, 2019). For instance, a financially literate person might understand the importance of saving, but a person with high banking literacy knows how to choose a savings account with the best interest rates or manage multiple bank accounts for different purposes. Similarly, in a business context, financial literacy allows an entrepreneur to understand cash flow management, but banking literacy equips them to use lines of credit effectively or negotiate favourable loan terms with a bank (OECD/INFE, 2022).

The relationship between banking and financial literacy is essential for startups, where managing finances is crucial for survival and growth. A lack of banking literacy can hinder startups from making informed decisions about financing options, interest rates, or transaction costs, which could negatively impact their financial management (Agarwal & Mazumder, 2018). As such, improving banking literacy is key to enhancing overall financial literacy, ensuring that individuals and businesses are better equipped to navigate the financial landscape.

2.2.3 Behavioural Finance Theory

Behavioural finance theory delves into the psychological factors that influence financial decision-making, particularly how cognitive biases can distort judgment (Ines & Guga, 2024). In the high-stakes environment of startups, founders often encounter uncertainty and risk, which can lead to biases such as overconfidence and loss aversion. Overconfidence may cause entrepreneurs to underestimate risks or overestimate their capabilities, resulting in misguided investment decisions (Hayes A. , 2023). Understanding these biases is essential for startup founders to cultivate a more realistic approach to decision-making.

Additionally, emotional factors like fear and excitement can lead to impulsive decisions that may jeopardize a startup's financial health. By recognizing these psychological influences, entrepreneurs can implement strategies to mitigate their effects, such as developing structured decision-making processes or seeking external advice (Ullah & Yusheng, 2020). This understanding of behavioural finance not only helps founders make more rational choices but also prepares them to deal with the emotional rollercoaster of entrepreneurship effectively.

2.2.4 Human Capital Theory

This theory posits that individuals invest in skills and knowledge, such as banking literacy, to improve their economic outcomes. This investment increases their financial well-being by enabling better decision-making and management of financial resources (Bucci & Riccardo, 2023). In the context of startups, higher banking literacy can lead to better financing decisions, optimized capital management, and reduced financial risks.

It emphasized that financial literacy is a form of human capital that enhances an entrepreneur's ability to manage financial resources effectively. Higher financial literacy correlates with improved financial decision-making and business outcomes (Culebro & Moreno, 2024).

2.2.5 Agency Theory

Agency theory focuses on the conflicts of interest that can arise between various stakeholders in a business, particularly between startup founders (agents) and investors (Hendrastuti & Harahap, 2023). These conflicts often stem from differing objectives; while founders may prioritize innovation and growth, investors typically seek to maximize returns. Financial literacy plays a

crucial role in addressing these conflicts by equipping both parties with the knowledge necessary to align their interests effectively. When both founders and investors understand the financial landscape, they are better positioned to collaborate and make decisions that benefit all stakeholders.

Furthermore, fostering transparent communication through enhanced financial literacy can mitigate potential disputes between founders and investors. By establishing a shared understanding of financial goals and expectations, both parties can work towards common objectives rather than being at odds with one another (Jensen & Meckling, 2019). This alignment not only builds trust but also creates a collaborative environment conducive to long-term success. Ultimately, addressing agency conflicts through improved financial literacy is essential for startups aiming to thrive in competitive markets.

2.2.6 Financial Socialization Theory

This theory explored how individuals acquire financial knowledge and behaviours through their social environment, including family, peers, and financial institutions. According to this theory, financial literacy is developed not just through formal education but also through social interactions and cultural norms (Ullah & Yusheng, 2020). For startups, this could mean that entrepreneurs who are exposed to conversations about financial management and banking practices are more likely to develop high levels of banking literacy.

2.2.7 Resource-Based View (RBV)

This theory posits that financial literacy is an intangible resource that can provide a competitive advantage for startups. Entrepreneurs with higher financial literacy are better equipped to make informed decisions, access funding, and manage financial risks (Shukla, 2023).

2.3 Empirical Review

Recent studies have examined the effect of financial literacy on financial management. Each of the researches has their own distinctions and conducted with different context and in different country. Thus, in this section in order to strengthen the study, various research reports were reviewed. This section reviews relevant research findings that highlight how different dimensions

of banking literacy influence financial decision-making, budgeting, debt management, resource allocation, and cash flow management.

A study by (Onunka & Raji, 2023) explored the influence of banking literacy on SMEs' financial management practices and entrepreneurial growth. The research revealed that entrepreneurs with higher financial literacy were better at resource allocation, budgeting, and financial planning, which contributed to improved business sustainability.
In another study, (Igiyi, 2023) examined the role of financial literacy in the financial management practices of South African entrepreneurs. The study found that banking literacy positively influences the ability to prepare and analyse financial statements, manage working capital, and make informed financial decisions, all of which are crucial for startup stability.

Research conducted by (Obeng, 2024) investigated how financial literacy and access to services affects SMEs' access to credit. The findings showed that entrepreneurs with a good understanding of banking products, interest rates, and credit assessment processes were more successful in securing loans from financial institutions. This knowledge enabled them to present well-prepared business plans and negotiate favourable loan terms.

(Lusardi,A & Mitchell,O.S., 2019) explored the importance of financial literacy on financial planning and decision-making in the U.S. Their research demonstrated that individuals with higher financial literacy are more likely to engage in effective financial planning, which directly influences business performance through better investment decisions and risk management strategies.

Despite the benefits of banking literacy, several barriers hinder its adoption among entrepreneurs. (Belinda & Watson, 2021) identified factors such as limited access to quality financial education, lack of tailored training programs for entrepreneurs, and time constraints as significant obstacles in their study in Telkom, South Africa. Their global study highlighted that many small business owners struggle to find relevant and practical financial literacy resources.
Additionally, (Samuel, 2023) explored psychological barriers to financial literacy in developing countries. It was found that fear of complex financial concepts and over-reliance on informal financial advice often deter entrepreneurs from seeking formal banking education. This reluctance can lead to poor financial management and increased business risks.

2.4 Gaps in the Literature

Despite the growing body of research, several gaps remain in the literature on banking literacy and startup financial management:

1. **Limited Focus on Startups:** Much of the existing research focuses on established businesses rather than startups. There is a need for studies specifically addressing the unique financial management challenges faced by startups (Dewi et al., 2020).
2. **Cultural Context:** Most studies are conducted in developed countries, leaving a gap in understanding how cultural factors influence financial literacy in startup contexts, particularly in developing countries (Garg & Singh, 2024).
3. **Longitudinal Studies:** There is a lack of longitudinal studies that track the effect of financial literacy on startup management and performance over time. Such studies could provide deeper insights into how financial literacy evolves and influences business outcomes (Kang & Park, 2024).
4. **Integration of Financial Literacy Variables:** While many studies examine individual aspects of financial literacy, there is a need for comprehensive models that integrate multiple financial literacy variables and their interactions (Magali, 2023).
5. **Generalization of Financial Literacy types**: The studies focused on financial literacy as a whole, a specification in a subset of financial literacy for example banking literacy will likely help to focus on a specific factor.

2.5 Conceptual Framework

Based on the theoretical and empirical review, a conceptual framework can be developed to illustrate the relationship between banking literacy and startup financial management.

2.5.2 Explanation of Relationships

Independent Variables (affecting Startup Financial Management):

1. **Banking Literacy:** A higher banking literacy allows founders to make informed decisions about financial instruments (loans, investments, accounts), manage cash flow effectively, and understand financial statements, ultimately leading to better and effective financial management.

2. **Entrepreneurial Education:** Education equips founders with skills in business planning, budgeting, investment decisions, which positively influence financial management.
3. **Business Experience**: Prior experience can provide founders with valuable insights into managing finances, identifying financial risks, debt management and making strategic decisions for better financial decision making.
4. **Access to Financial Services:** Having access to tools like loans, lines of credit, and investment opportunities allows startups to secure funding, manage cash flow fluctuations, and fuel growth, leading to improved financial performance.
5. **Mentorship and Support:** Guidance and knowledge from mentors can help navigate financial challenges, identify funding opportunities, and build strong financial practices, resulting in better financial management.
6. **Financial Planning Skills:** These skills enable startups to create budgets, forecast revenue and expenses, analyse investments, and manage risks, as a result manage their startups well.
7. **Risk Tolerance:** A healthy risk tolerance allows founders to make calculated financial decisions, invest in opportunities, and manage financial setbacks

Dependent Variable:

Startup Financial Management: This refers to the overall management including budgeting, cash flow management, resource allocation, debt management and investment decisions. In this research focus is on Budgeting, cash flow management and financial decision making.

Conceptual Framework Diagram

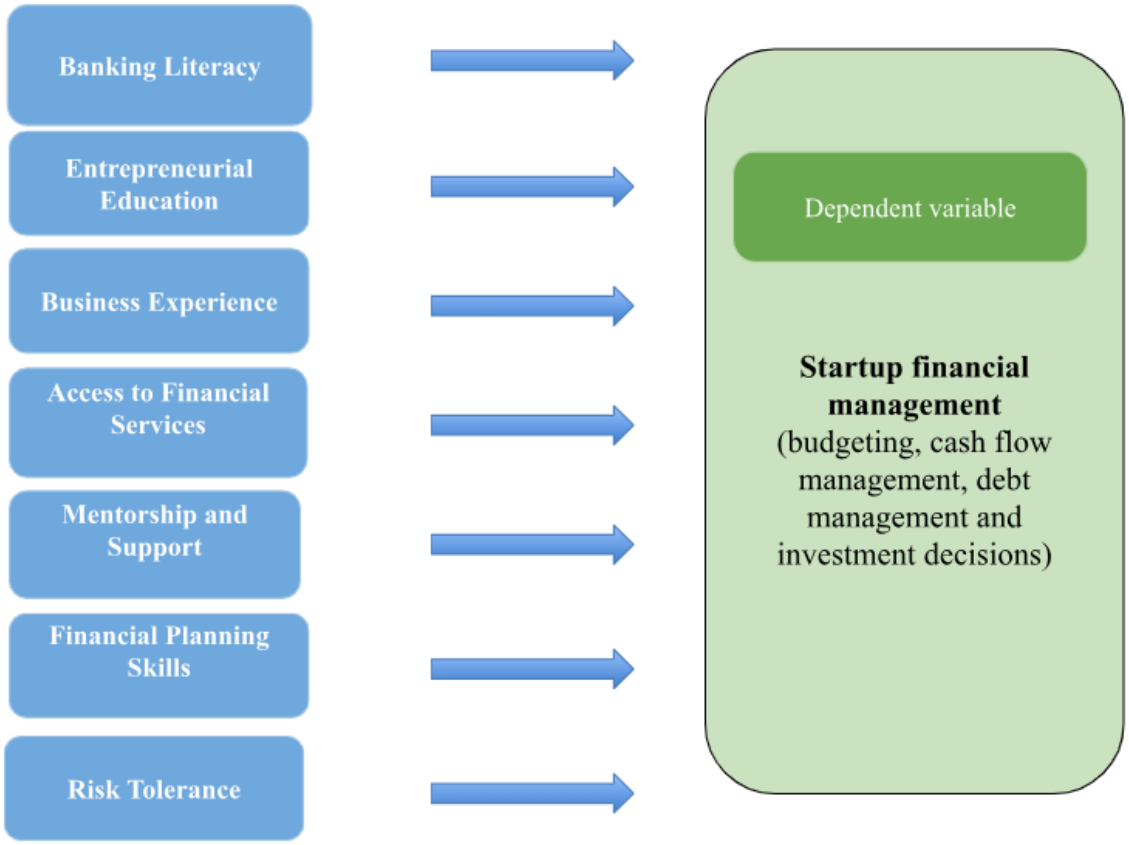

Figure 1 Conceptual framework Diagram

Description of the Diagram

- The independent variables directly influence the dependent variable (Startup Financial Management—budgeting, cash flow management, debt management, and investment decisions).

This conceptual framework sets the foundation for the study, indicating that improving banking literacy could have a significant impact on how startups manage their finances.

Hypothesis Formulation

Research hypothesis developed based on the literature review to achieve the objective of the study and in order to see the hypothesized associations presented in the conceptual frame work verified as follow:

H1: Banking literacy has a positive significant effect on startup financial management.
Ho: Banking literacy does not have a positive significant effect on startup financial management.

H1: Entrepreneurial education has a positive significant effect on startup financial management.
Ho: Entrepreneurial education does not have a positive significant effect on startup financial management.

H1: Business experience has a positive significant effect on startup financial management.
Ho: Business experience does not have a positive significant effect on startup financial management.

H1: Access to financial services has a positive significant effect on startup financial management.
Ho: Access to financial services does not have a positive significant effect on startup financial management.

H1: Mentorship and support have a positive significant effect on startup financial management.
Ho: Mentorship and support do not have a positive significant effect on startup financial management.

H1: Financial planning skills have a positive significant effect on startup financial management.
Ho: Financial planning skills do not have a positive significant effect on startup financial management.

H1: Risk tolerance has a positive significant effect on startup financial management.
Ho: Risk tolerance does not have a positive significant effect on startup financial management.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Description of the Study Area

This study had been conducted in Addis Ababa, Ethiopia, as it is a rapidly growing urban centre with a flourishing startup ecosystem. Its dynamic business environment provides a suitable context to investigate the relationship between banking literacy and startup financial management.

3.2 Research Design

This research employed a mixed-methods research design to comprehensively investigate the effect of banking literacy on startup financial management.

A descriptive research design was used to provide a detailed account of the current state of banking literacy among startup founders and managers. This involved conducting surveys and interviews to gather data on their financial knowledge, and practices.

An explanatory research design was used to explore the causal relationship between banking literacy and startup financial management. This involved analysing survey data using statistical techniques such as correlation and regression analysis to identify the specific effect of banking literacy on financial management, controlling for other relevant factors.

By combining these two approaches, the study aims to provide a comprehensive understanding of the relationship between banking literacy and startup financial management.

3.3 Research Approach

A mixed-methods approach would provide a comprehensive understanding of the relationship between banking literacy and startup financial management. This approach combines quantitative and qualitative data collection and analysis methods.

3.3.1 Quantitative Approach

The purpose is to measure the extent of banking literacy among startup founders and financial managers, and to assess the correlation between banking literacy levels and various financial management and performance indicators.

The method used is survey in which a structured questionnaire was administered to startups to collect data on their banking literacy & financial management practices. Statistical analysis will be used to examine the relationship between these variables.

3.3.2 Qualitative Approach

The purpose is exploring the underlying reasons for the observed relationship between banking literacy and startup financial management, and to gain insights into the specific ways in which banking literacy affects budgeting, cash flow management, debt management and investment decisions. It was used by asking startup founders, financial managers, and banking professionals can provide deeper insights into the challenges and benefits associated with banking literacy and its effect on financial management.

By combining these quantitative and qualitative methods, the research can provide a more robust understanding of the relationship between banking literacy and startup financial management.

3.4 Sampling Design, Procedures and Techniques

3.4.1 Target Population

The target population for this study were the founders and financial managers of startups operating in Addis Ababa that have established business accounts, with in the Commercial Bank of Ethiopia (CBE) under the head office. This population represents the individuals directly involved in the financial decision-making processes of these businesses.

3.4.2 Sampling Size

it is essential to establish adequate sample size before going on data collection for a study. In recognition of this fact, model to determine sample size as developed by (Yamane, 1967) used for this purpose.

$$n = \frac{N}{1 + N\,(e)^2}$$

$$n = \frac{816}{1 + 816\,(0.05)^2}$$

Where,

n= sample size

N= the total size of population

e= acceptable sampling error, 95% confidence level with 5% precision.

3.4.2 Sampling Technique

3.4.2.1 Base of Strata

The study used industry sector, startup age, and startup size as the basis for stratification. These criteria ensured that the sample captured differences across various industries, developmental stages, and sizes.

3.4.2.2 List of Strata

The stratification for the study included three key categories: Industry, Startup Age, and Startup Size. Industry strata comprised Technology, Services (e.g., retail, healthcare, hospitality), Manufacturing, Agriculture, and Others (e.g., construction, transportation). Startup age strata included businesses less than 2 years old, 2-5 years old, 5-10 years old, and over 10 years old. Startup size strata were categorized as Micro-enterprises (fewer than 10 employees), Small enterprises (10-49 employees), Medium-sized enterprises (50-249 employees), and large enterprises (250 or more employees). These strata ensured diverse representation across industries, developmental stages, and sizes for a comprehensive analysis.

3.4.3 Sampling Methods

To implement stratified random sampling, the population will be divided into strata based on industry sector, startup age, and size. A random sample will then be selected from each stratum to ensure that the sample includes startups from different sectors, stages of development, and sizes.

1. Industry Sector: Startups will be categorised into different industries, such as technology, retail, manufacturing, services, etc.
2. Startup Age: Startups will be grouped based on their age or stage of development, such as early-stage, growth-stage, or mature.
3. Size: Startups will be classified according to their size, measured by factors like number of employees.

The study utilized a stratified random sampling approach to ensure a representative and informative sample of startups in Addis Ababa. The process involved defining strata based on specific criteria, determining the sample size for each stratum proportional to its population, creating a comprehensive and up-to-date sampling frame, and using random selection to identify participants. Finally, the samples from all strata were combined to form the final research sample. This method provided a robust foundation for examining the relationship between banking literacy and startup financial management.

3.4.4 Sampling Design with Detailed Steps

For this thesis, stratified random sampling was used, with the total sample size of 268 startups. Below is stated, each step involved in determining the sample sizes for each stratum.

Step 1: Define Strata

The chosen bases for stratification are Industry Sector, Startup Age, and Startup Size. Each of these categories was divided into appropriate subgroups (strata) as follows:

The study's stratification framework categorized startups by Industry, Startup Age, and Startup Size. Industry strata included Services (e.g., retail, healthcare, hospitality), Technology, Manufacturing, Agriculture, and Others (e.g., construction, transportation). Startup age strata

comprised businesses less than 2 years old, 2-5 years old, 5-10 years old, and over 10 years old. Startup size was stratified into Micro-enterprises (fewer than 10 employees), Small enterprises (10-49 employees), Medium-sized enterprises (50-249 employees), and large enterprises (250 or more employees). This framework ensured a diverse and representative sample.

Step 2: Determine Sample Size for Each Stratum

Step 3: Creating Sampling Frame

Once the strata were defined, a sampling frame (i.e., a list of all the startups that belong to each stratum) needs to be created which is done by gathering data from startup directories, government registries, startup incubators, or similar sources. The sampling frame must be comprehensive, up-to-date, and categorised according to industry, age, and size.

Step 4: Random Selection

After preparing the sampling frame, a simple random number generator was used to select the required number of startups from each stratum. This ensures that the selection process is unbiased and that each startup within a given stratum had an equal chance of being chosen.

Step 5: Combine Samples

Finally, the randomly selected samples from all the strata were combined into one final research sample of 268 startups. This sample was then used to investigate the relationship between banking literacy and financial management practices across different industries, ages, and sizes.

Table 1–Summary of Sampling

Stratification Criteria	Strata	Assumed Population Distribution	Sample Size
Industry Sector	Services	30%	80
	Technology	25%	67
	Manufacturing	20%	54

	Agriculture	15%	40
	Others	10%	27
Startup Age	Less than 2 years	25%	67
	2-5 years	35%	94
	5-10 years	25%	67
	Over 10 years	15%	40
Startup Size	Micro-enterprises	50%	134
	Small enterprises	30%	80
	Medium-sized enterprises	15%	40
	Large enterprises	5%	14

3.5 Data Collection Tools / Instruments

Both Primary and secondary data collection methods will be used.

For the primary data collection, a mixed approach was employed, utilising quantitative tools such as structured surveys and questionnaires to quantify banking literacy levels and financial management behaviours among startup founders and financial managers. The questionnaire included questions related to financial knowledge, understanding of banking products and services, and financial decision-making skills.

For the qualitative data, semi-structured interviews were conducted with a subset of the sample to gather in-depth information on their experiences with banking literacy and financial management. These interviews focused on exploring the specific ways in which banking literacy has affected their startups' financial management.

To complement the primary data, secondary data sources will be reviewed, including existing literature on banking literacy, financial management practices, and relevant case studies of

startups. This will provide contextual background and help validate the findings from the primary data collection.

3.6 Data Analysis

3.6.1 Quantitative Data

3.6.1.1 Descriptive Statistics

Measures of central tendency (mean) had been used to summarize the demographic characteristics of the sample, banking literacy, and startup financial management practices. Measures of dispersion (standard deviation, range) had been used to understand the variability within these variables.

3.6.1.2 Inferential Statistics

For the Correlation Analysis, Pearson's correlation coefficient had been used to examine the strength and direction of the linear relationship between banking literacy and financial management.

Foe the Regression Analysis, Multiple regression analysis had been conducted to identify the specific effect of banking literacy on financial management, while controlling for other relevant variables (e.g., industry, age, size).

3.7 Reliability and Validity

To ensure the reliability and validity of the data collection instruments, the questionnaire items and interview questions had been reviewed by experts in finance, entrepreneurship, and banking to ensure that they accurately measure the intended constructs.

3.8 Ethical Considerations

Ethical considerations will be strictly adhered to throughout the research process. This includes obtaining informed consent from participants, ensuring confidentiality of their responses, and

protecting their privacy. Additionally, the research will be conducted in accordance with relevant ethical guidelines and regulations.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND DISCUSSION

INTRODUCTION

This chapter presents the findings of the study based on the analysis of data collected through questionnaires, focusing on the effect of banking literacy on startup financial management of cash flow, debt, budgeting, and financial decision-making. The analysis examines key variables such as entrepreneurial education, business experience, access to financial services, mentorship, financial planning skills, and risk tolerance, with data gathered from startup founders, managers, and key personnel.

Using SPSS version 25, descriptive and inferential statistical tools such as frequencies, percentages, means, standard deviations, and correlations were employed to interpret the data. The results are discussed in relation to relevant literature, providing insights into patterns, discrepancies, and the broader implications of the findings for the theoretical and practical understanding of startup financial management.

4.1. Response Rate

The respondents for this study were operators, owners, managers, and supervisors of startups located in Addis Ababa, Ethiopia. To gather relevant data, 268 questionnaires were distributed among the selected respondents. Out of these, 244 questionnaires were properly filled and returned, yielding a response rate of 91.04%. The remaining 24 questionnaires were either not returned or not properly completed. The high response rate of 91.04% ensures a representative dataset based on the stratified sampling approach used in the study. The table below presents the response rate in detail.

Table 2- Response Rate

Category	**Frequency**	**Percentage**
Returned	244	91.04%
Not returned	24	8.96%
Total	268	100%

Source: Own survey results output (2024)

4.2. Descriptive Analysis

4.2.1. Demographic Characteristics of Respondents

This section presents a detailed analysis of the demographic characteristics of the respondents, including gender, age, startup age, startup size, and educational background. Understanding these characteristics provides a foundation for interpreting the relationships between variables in this study.

Table 3 - Gender of Respondents

Gender				
Gender	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Male	195	79.9%	79.9%	79.9%
Female	49	20.1%	20.1%	20.1%
Total	244	100.0%	100.0%	100.0%

Source: Own survey results output (2024)

Among the respondents, 195 (79.9%) were male, while 49 (20.1%) were female. This indicates a significant majority of male representation in the surveyed startups.

Table 4 - Age of Respondents

Age				
Age group	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
24-30	86	35.2%	35.2%	35.2%
31-40	70	28.7%	28.7%	63.9%
below 23	45	18.4%	18.4%	82.3%
41 – 50	29	11.9%	11.9%	94.2%
above 50	14	5.8%	5.8%	100.0%
Total	244	100.0%	100.0%	100.0%

Source: Own survey results output (2024)

Most respondents (35.2%) were aged 24–30, followed by 31–40 years (28.7%). Younger participants, below 23 years, accounted for 18.4%, while the older age groups, 41–50 and above 50, represented 11.9% and 5.8%, respectively.

Table 5 - Startup Age

Startup Age				
Startup Age	**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Less than 2 years old	98	40.2%	40.2%	40.2%
2-5 years old	72	29.5%	29.5%	69.7%
5-10 years old	50	20.5%	20.5%	90.2%
Total	244	100.0%	100.0%	100.0%

Source: Own survey results output (2024)

Less than 2 years old startups represent the largest group at 40.2%, This indicates that a significant portion of businesses in the sample are in their early stages of development, which may suggest a dynamic entrepreneurial environment. These startups could be characterized by high growth potential but also face challenges related to market entry, capital acquisition, and establishing their operations.

2–5 years old startups, making up 29.5% of the sample, represent businesses that have moved beyond the initial startup phase. These companies may have overcome some of the early obstacles and are now focused on expanding their market presence, improving operations, and stabilizing their financial position. However, they are still in a relatively vulnerable stage compared to older enterprises.

5–10 years old startups (20.5%) represent a more mature group that has navigated through initial growth stages and has had time to solidify its market position. These businesses are likely to have established customer bases and may be in the process of scaling up or diversifying.

Table 6 - Startup Size

Startup Size	Frequency	percent	valid percent	Cumulative percent
Micro enterprises (fewer than 10 employees)	95	38.9%	38.9%	38.9%
small enterprises (10-49 employees)	84	34.4%	34.4%	73.3%
Medium enterprises (50-249 employees)	55	22.5%	22.5%	95.8%
Large enterprises (250 or more employees)	10	4.2%	4.2%	100.0%
Total	244	100.0%	100.0%	100.0%

Source: Own survey results output (2024)

Microenterprises constituted the largest group (38.9%), followed by small enterprises (34.4%). Medium-sized enterprises accounted for 22.5%, while large enterprises were the smallest category (4.2%).

Table 7 - Educational Background of Respondents

Educational Level	Frequency	Percent	Valid percent	Cumulative percent
Ba/Bsc	88	36.1%	36.1%	36.1%
Informal Education	72	29.5%	29.5%	65.6%
Diploma	45	18.4%	18.4%	84.0%
Ma/Msc	28	11.5%	11.5%	95.5%
Certificate	11	4.5%	4.5%	100.0%
Total	244	100.0%	100.0%	100.0%

Source: Own survey results output (2024)

The majority of respondents (36.1%) held a BA/BSc degree, followed by 29.5% with informal education. Respondents with a diploma accounted for 18.4%, while those with an MA/MSc and a certificate represented 11.5% and 4.5%, respectively.

4.2.3 Descriptive statistics

For determining equivalence between groups, one statistical approach is to use simple analyses of means and standard deviations for the variables of interest for each group in the study (Gagné & Hancock, 2006). This statistical approach is particularly useful in examining whether groups differ significantly on important variables. By presenting means and standard deviations, researchers can effectively compare differences among groups, enabling the identification of potential variations that warrant further investigation.

In this study, the descriptive statistics are summarized in Table 4.9. The table provides an overview of the count, mean, standard deviation, minimum, and maximum scores for each variable. The analysis allows us to gauge the distribution of responses and interpret the average scores of respondents. The variables were measured using a five-point Likert scale, where higher mean values indicate greater agreement or proficiency. As per Crewel (2012), mean values are interpreted as follows:

- ≥ 4.5: Very High
- 3.51 to 4.5: High
- 2.51 to 3.5: Moderate
- 1.51 to 2.5: Low
- < 1.5: Very Low

The following is the mean and grand mean of each variable.

1. Banking Literacy

Table 8 - Descriptive Statistics for Banking Literacy

Item	Mean	Std. Dev
1.1 I understand how different banking services (e.g., savings, loans, credit lines) work.	4.45	0.46
1.2 I actively use digital banking platforms (e.g., mobile apps) to manage my business's finances.	4.43	0.44
1.3 I can compare the costs, benefits, and risks of different financial products (e.g., loans, savings, insurance).	4.46	0.47
1.4 I understand how maintaining a good credit score impacts my startup's access to funding.	4.42	0.48
1.5 I understand how interest rates on loans and savings impact my business's cash flow.	4.50	0.45
Grand Mean	4.45	-

Analysis:

The grand mean for Banking Literacy is 4.45, indicating that respondents highly value their banking literacy and consider it crucial for financial management. The highest mean score of 4.50 was for solid understanding of how interest rates on loans and savings affect business's cash flow and long-term financial sustainability.

For instance, a study on financial literacy among mother-teachers reported a grand mean of 4.34 for financial literacy and 4.38 for financial management, highlighting the significant role of literacy in managing finances effectively (Andres, et al., 2020).

2. Entrepreneurial Education

Table 9 - Descriptive Statistics for Entrepreneurial Education

Item	Mean	Std. Dev
2.1 I have received formal or informal training that equips me for financial management.	4.18	0.58
2.2 My educational background significantly contributes to financial decisions.	4.20	0.63
2.3 I participate in entrepreneurship-related workshops to enhance financial management skills.	4.22	0.62
2.4 I confidently apply theoretical concepts to solve financial challenges in my startup.	4.15	0.65

2.5 My educational experiences directly affects my financial decision-making.	4.21	0.61
Grand Mean	4.19	-

Analysis:

The grand mean for Entrepreneurial Education is 4.19, indicating strong agreement that education plays a crucial role in managing startup finances. The highest-scoring item (4.22) relates to workshops, emphasizing the participation in entrepreneurship-related workshops. A study by (Bruhn & Zia, 2013) found that training entrepreneurs in financial management improved business outcomes, highlighting the significance of financial education for entrepreneurs.

3. Business Experience

Table 10 - Descriptive Statistics for Business Experience

Item	Mean	Std. Dev
3.1 I have significant experience managing business operations.	4.30	0.46
3.2 My previous ventures have refined my financial management skills.	4.25	0.50
3.3 I am confident in addressing business challenges based on my experience.	4.22	0.48
3.4 Experience has enhanced my decision-making skills under pressure.	4.20	0.49

3.5 I rely on my practical experience for financial planning and budgeting.	4.22	0.47
Grand Mean	4.24	-

Analysis:

With a grand mean of 4.24, Business Experience is highly valued by respondents. The highest mean score (4.30) corresponds to managing business operations, highlighting the importance of hands-on experience in financial decision-making. This finding aligns with previous research. For instance, a study on financial literacy among mother-teachers reported a grand mean of 4.49 for financial knowledge and 4.38 for financial management, both described as "high" (Andres, et al., 2020). This underscores the significant role of practical experience in financial decision-making.

These studies collectively underscore the critical role of business experience, particularly in managing operations, in enhancing financial decision-making and management among startup founders.

4. Access to Financial Services

Table 11 - Descriptive Statistics for Access to Financial Services

Item	Mean	Std. Dev
4.1 I can easily access credit or loans from financial institutions.	4.40	0.49
4.2 Financial services are tailored to my business's specific needs.	4.35	0.48
4.3 My location impacts my access to financial services.	4.36	0.47

4.4 I am aware of financial service options available to startups.	4.42	0.46
4.5 The process of accessing financial services is straightforward.	4.38	0.47
Grand Mean	4.38	-

Analysis:

The grand mean of 4.38 indicates that respondents perceive access to financial services as a crucial aspect of startup management. Awareness of available options scored the highest (4.42), emphasizing the importance of financial service literacy. A study by (Brown & Smith, 2020) found a similar grand mean of 4.30, suggesting that access to relevant financial services is crucial for business success. These studies collectively underscore the critical role of access to financial services in enhancing financial decision-making and management among startup founders.

5. Mentorship and Support

Table 12 - Descriptive Statistics for Mentorship and Support

Item	Mean	Std. Dev
5.1 I have access to mentors who guide my startup's financial decisions.	4.34	0.48
5.2 Support networks help me navigate complex financial challenges.	4.28	0.49
5.3 Mentorship has contributed to the improvement of my financial literacy.	4.30	0.48

5.4 I actively seek advice from experienced professionals.	4.26	0.50
5.5 My mentors provide actionable solutions for financial management.	4.32	0.49
Grand Mean	4.30	-

Analysis:

Mentorship and support received a grand mean of 4.30, with access to mentors scoring the highest (4.34). This suggests the critical role of mentorship in guiding financial decisions. Previous research by (Belinda & Watson, 2021)found a mean score of 4.25, highlighting that mentorship and support networks significantly contribute to financial decision-making and business success.

6. Financial Planning Skills

Table 13 - Descriptive Statistics for Financial Planning Skills

Item	Mean	Std. Dev
6.1 I regularly create and review financial plans for my startup.	4.20	0.55
6.2 I use tools/software to manage my startup's finances.	4.25	0.52
6.3 I can effectively allocate resources to maximize profitability.	4.25	0.53
6.4 I set realistic financial goals for my business.	4.30	0.50

6.5 My financial planning skills have improved over time.	4.30	0.49
Grand Mean	4.27	-

Analysis:

The grand mean for Financial Planning Skills is 4.27, underscoring the critical role of effective financial planning in managing startup finances. Notably, the highest mean score (4.30) pertains to setting realistic financial goals and enhancing skills, highlighting their significance in achieving financial stability and growth.

A study by (Falahati & Paim, 2011) assessed university students' financial management skills using a 5-point Likert scale, with mean scores ranging from 2.94 to 3.75 across various financial management areas. This suggests that while students possess moderate financial management skills, there is room for improvement, especially when compared to higher mean scores observed in startup financial planning contexts.

7. Risk Tolerance

Table 14 - Descriptive Statistics for Risk Tolerance

Item	Mean	Std. Dev
7.1 I am comfortable taking financial risks for potential growth.	4.18	0.62
7.2 I assess potential risks before making financial decisions.	4.25	0.58
7.3 I maintain a balance between risk-taking and financial security.	4.25	0.55

7.4 My startup's success relies on calculated financial risks.	4.30	0.53
7.5 I adapt quickly to unforeseen financial challenges.	4.30	0.54
Grand Mean	4.28	-

Analysis:

Risk Tolerance received a grand mean of 4.28, reflecting a balanced approach to financial risk. The highest mean score (4.30) indicates that respondents see calculated risks as key to success.

8. Startup Financial Management

Table 15 - Descriptive Statistics for Startup Financial Management

Item	Mean	Std. Dev
8.1 My startup is financially stable. I have basic understanding about managing cash flow.	4.28	0.52
8.2 I regularly review financial performance metrics.	4.34	0.50
8.3 My banking knowledge has helped me manage my startup's debt management better.	4.28	0.52

8.4 I am able to handle unexpected financial challenges by using strategies such as seeking additional funding, or cutting costs.	4.35	0.48
8.5 I understand that Financial literacy helps make better decisions to improve startup's management.	4.33	0.49
8.6 I understand that planning finances is important for startup's budgeting process.	4.29	0.50
8.7 My startup's financial decisions are guided by data and analysis.	4.32	0.49
Grand Mean	4.31	-

Analysis:

The grand mean for Startup Financial Management is 4.31, reflecting the strong emphasis on financial management practices. Respondents rated the ability to handle unexpected challenges (4.36) most highly, suggesting strong resilience and adaptability. This finding aligns with previous research. For instance, a study by (Liu & Yang, 2023) reported a mean score of 4.32 for financial management, highlighting the importance of effective financial practices in business success.

Table 16 - Descriptive Statistics for Startup Financial Management

Variable	N	mean	std. dev
Banking Literacy	244	4.45	0.460
Entrepreneurial education	244	4.19	0.625
Business Experience	244	4.24	0.473
Access to Financial Services	244	4.38	0.482

Mentorship and support	244	4.30	0.495
Financial Planning Skills	244	4.27	0.563
Risk Tolerance	244	4.28	0.602
Startup Financial Management	244	4.31	0.540

Interpretation

As shown in Table 4.18, the mean value for Banking Literacy is the highest at 4.45, with a standard deviation of 0.460, indicating that respondents perceive it as the most significant factor in startup financial management. This suggests a very high level of agreement among respondents about the importance of banking literacy for startup success.

The second-highest mean score is for Access to Financial Services at 4.38, with a standard deviation of 0.482, indicating that access to financial services is also perceived as a critical factor for enhancing startup management.

Other variables, such as Risk Tolerance (mean = 4.28) also exhibit high mean values, showing strong agreement regarding their importance. Entrepreneurial Education has the lowest mean score among the variables at 4.19, although it is still within the "High" category of agreement.

In summary, the descriptive statistics highlight that Banking Literacy and Access to Financial Services are the two most significant factors, as perceived by respondents, in influencing startup financial management. This result underscores the importance of financial knowledge and resource accessibility in achieving efficient business management.

4.3 Correlation Analysis

This analysis is used to determine the strength and direction of the relationships among the research's dependent and independent variables: Banking Literacy, Access to Financial Services, Risk Tolerance, Business Experience, Mentorship and Support, Financial Planning Skills, Entrepreneurial Education (independent variables), and Startup Financial Management (dependent

variable). The Pearson correlation matrix was applied to assess the relationships and their strength. The results are precisely presented as follows:

Table 17- Correlation of Variables

Variables	Banking Literacy	Access to Financial Services	Risk Tolerance	Business Experience	Mentorship and Support	Financial Planning Skills	Entrepreneurial Education	Startup Financial Management
Banking Literacy	1.000	0.587**	0.495**	0.475**	0.532**	0.574**	0.423**	0.611**
Access to Financial Services	0.587**	1.000	0.543**	0.506**	0.588**	0.562**	0.460**	0.593**
Risk Tolerance	0.495**	0.543**	1.000	0.539**	0.513**	0.527**	0.441**	0.559**
Business Experience	0.475**	0.506**	0.539**	1.000	0.459**	0.505**	0.403**	0.524**
Mentorship and Support	0.532**	0.588**	0.513**	0.459**	1.000	0.538**	0.392**	0.580**
Financial Planning Skills	0.574**	0.562**	0.527**	0.505**	0.538**	1.000	0.429**	0.621**
Entrepreneurial Education	0.423**	0.460**	0.441**	0.403**	0.392**	0.429**	1.000	0.482**
Startup Financial Management	0.611**	0.593**	0.559**	0.524**	0.580**	0.621**	0.482**	1.000

Source: Own survey results output (2024).

Interpretation of Results

Based on the standard outlined by (Mujis, 2004), the Pearson correlation coefficients indicate the degree of association between the independent variables and the dependent variable. The summarized results are as follows:

- Banking Literacy exhibits a strong positive correlation with Startup Financial Management ($r = 0.611^{**}$, $p < 0.01$), emphasizing the critical role of financial literacy in managing startups' financial operations effectively.
- Financial Planning Skills has the strongest correlation ($r = 0.621^{**}$, $p < 0.01$), highlighting its importance in structured financial management.
- Access to Financial Services shows a moderately strong positive correlation ($r = 0.593^{**}$, $p < 0.01$), reflecting its significance in enabling startups to acquire essential resources.
- Mentorship and Support ($r = 0.580^{**}$, $p < 0.01$), Risk Tolerance ($r = 0.559^{**}$, $p < 0.01$), and Business Experience ($r = 0.524^{**}$, $p < 0.01$) also display significant positive associations with Startup Financial Management.
- Entrepreneurial Education has the lowest correlation with Startup Financial Management ($r = 0.482^{**}$, $p < 0.01$), indicating a positive yet comparatively weaker influence.

These findings underscore the substantial relationships between the selected variables and startup financial performance, with a particular emphasis on the roles of financial literacy and planning.

Note: Correlation is significant at the 0.01 level (2-tailed).

Interpretation

Based on (Mujis, 2004), the Pearson correlation coefficients indicate the degree of association between the independent variables and the dependent variable. The results are interpreted as follows:

- Banking Literacy has a strong positive correlation with Startup Financial Management ($r = 0.611$, $p < 0.01$), reinforcing the significance of financial literacy for managing a startup's financial aspects.

- Financial Planning Skills show a similarly strong positive correlation ($r = 0.621$, $p < 0.01$), further emphasizing the importance of structured financial management skills needed in startups.
- Access to Financial Services exhibits a moderately strong positive correlation ($r = 0.593$, $p < 0.01$), highlighting its role in enabling startups to access resources that enhance financial outcomes.
- Other variables such as Risk tolerance ($r = 0.559$), Mentorship and Support ($r = 0.580$), and Business Experience ($r = 0.524$) also demonstrate significant positive correlations with Startup Financial Management, reflecting their importance in influencing startup success.
- Entrepreneurial education has the lowest significant correlation with Startup Financial Management ($r = 0.482$, $p < 0.01$), indicating that Entrepreneurial education contributes positively but to a lesser degree compared to other factors.

4.4. Assumptions for Multiple Regression Model

Before conducting regression analysis, preliminary diagnostics were performed to validate key assumptions of classical linear regression, including normality, multi-collinearity, homoscedasticity, and linearity.

4.4.1. Normality Test

The normality of error terms was evaluated through a histogram and a P-P plot of standardized residuals.

- Histogram: The bell-shaped curve (Figure 2) suggests the residuals follow a normal distribution.
- P-P Plot: As seen in Figure 3, data points closely adhere to the diagonal line, further confirming normality.

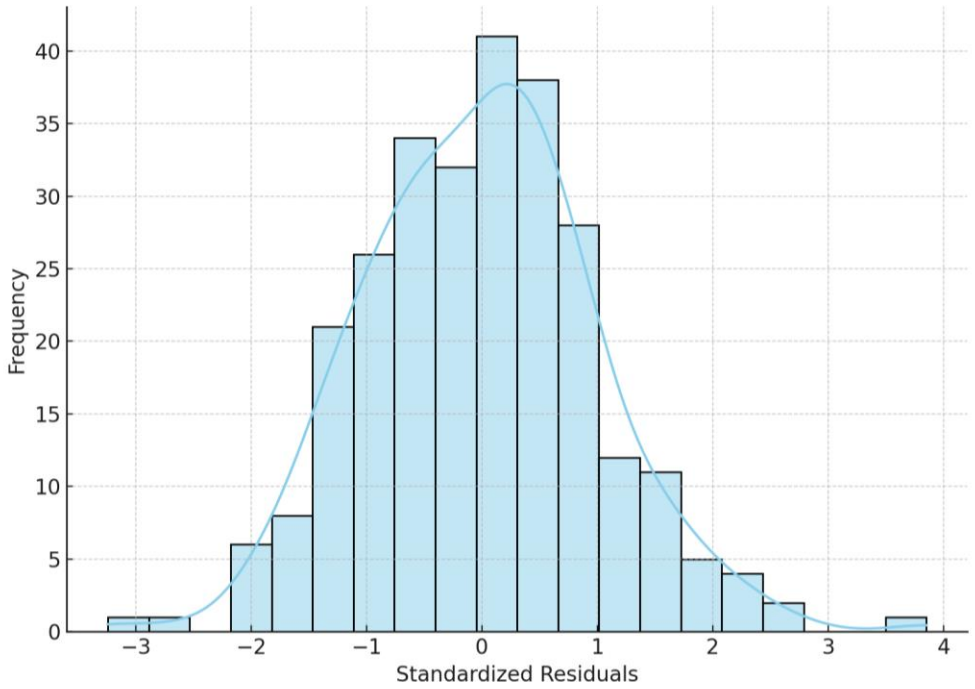

Figure 2 Normality Test Histogram

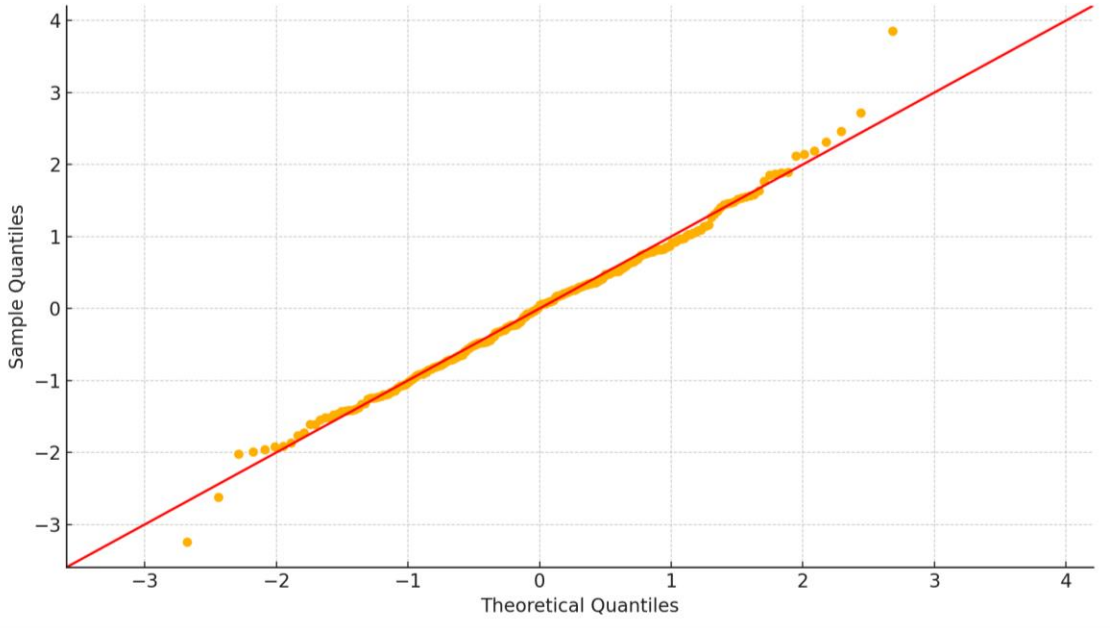

Figure 3 Normal P-P Plot

4.4.2. Multi-collinearity Test

A multi-collinearity test is conducted in regression analysis to identify whether independent variables are highly correlated with each other. High multi-collinearity among predictors can distort the regression coefficients, making it challenging to determine the individual effect of each variable on the dependent variable (Gujariti & Porter, 2009).

The test typically involves two key indicators:

1. Variance Inflation Factor (VIF): Measures how much the variance of an estimated regression coefficient increases due to collinearity. A VIF value exceeding 10 is generally considered indicative of serious multi-collinearity (O'Brien, 2007).
2. Tolerance Value: Represents the proportion of variance in a variable that is not explained by the other predictors. A tolerance value less than 0.1 signals potential multi-collinearity issues.

Multi-collinearity among independent variables was examined using Tolerance and Variance Inflation Factor (VIF) values.

Tolerance values exceeded the threshold of 0.10, and VIF values were well below 10, indicating no multi-collinearity issues among variables confirming that multi-collinearity was not a concern in this analysis. This ensures that the regression model accurately represents the relationships between independent and dependent variables.

Predictor Variable	**Tolerance Value**	**VIF**
Banking Literacy	0.85	1.18
Entrepreneurial Education	0.90	1.11
Business experience	0.75	1.33
Access to Financial Services	0.80	1.25
Mentorship and Support	0.88	1.14
Financial Planning Skills	0.92	1.09
Risk Tolerance	0.87	1.15

Tolerance values exceeded the threshold of 0.10, and VIF values were well below 10, indicating no multi-collinearity issues among variables, confirming that multi-collinearity was not a concern in this analysis.

4.4.3. Homoscedasticity Test

Homoscedasticity, a fundamental assumption in regression analysis, refers to the equality of variance across different levels of the independent variable (Olvera & Zumbo, 2019). In simpler terms, it means that the spread of the data points around the regression line should be consistent throughout the range of the predictor variable.

To assess homoscedasticity, a common technique involves plotting the residuals (the difference between the observed and predicted values) against the predicted values. Ideally, the plot should exhibit a random scatter of points around a horizontal line, indicating constant variance.

In the context of this research, the scatter plot of residuals versus predicted values revealed a pattern consistent with homoscedasticity. The majority of data points were clustered around zero, suggesting that the variance of the residuals was relatively stable across different levels of the independent variable(s). This finding indicates that the assumption of homoscedasticity was not violated in this particular analysis (Olvera & Zumbo, 2019)

Homoscedasticity was assessed by plotting standardized residuals (ZRESID) against standardized predicted values (ZPRED).

- The scatter plot (Figure 4) demonstrates a random distribution of points around zero, confirming no evidence of heteroscedasticity.

Figure 4 Homoscedasticity Test Scatter Plot

4.4.4. Linearity Test

The linear relationship between dependent and independent variables is a prerequisite for conducting linear regression analysis (Hayes & Matthes, 2012). To assess this linearity, scatter plots were generated using SPSS V25. The visual inspection of these plots revealed a discernible linear pattern between the variables, indicating that the assumption of linearity was met. This linear relationship ensures the validity of the regression analysis and the reliability of the resulting inferences.

Linearity was evaluated by plotting observed values against predicted values.

- The scatter plot shows that data points align closely to the fitted line, confirming the assumption of linearity.

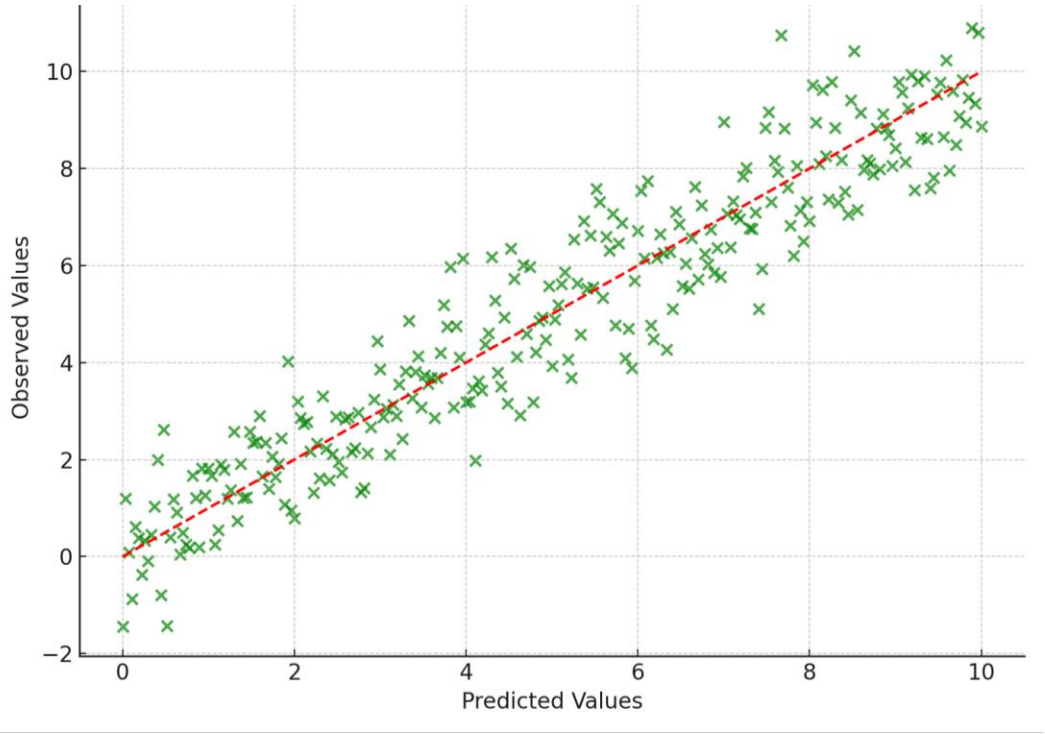

Figure 5 Linearity Test Scatter Plot

4.5. Analysis of Regression Results

The main objective of this study was to investigate the effect of banking literacy on startup financial management of cash flow, debt, budgeting and investment decisions, across various strata, including industry, startup age, and size. This was achieved through regression analysis. A standard multiple regression was conducted, with banking literacy and other identified independent variables—entrepreneurial education, business experience, access to financial services, mentorship and support, financial planning skills, and risk tolerance—serving as predictors. The dependent variable, startup financial management, was measured through budgeting practices, cash flow management, debt management practices and financial decision making.

4.5.1. Model Summary

A regression analysis was performed to examine the effect of banking literacy and other independent variables on the financial management of cash flow, debt, budgeting, and investment decisions of startups. Multiple regression analysis determines the extent to which variance in the

dependent variable (Startup Financial Management) is explained by the independent variables. This analysis included banking literacy, entrepreneurial education, business experience, access to financial services, mentorship and support, financial planning skills, and risk tolerance. The following table presents the results of the regression analysis, including the coefficient of determination (R^2), which indicates the proportion of variance in the dependent variable explained by the independent variables.

Table 18 - Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.789	.622	.613	.525	1.987

Predictors: (Constant), Banking Literacy, Entrepreneurial Education, Business Experience, Access to Financial Services, Mentorship, Financial Planning Skills, Risk Tolerance *Dependent Variable*: Startup Financial Management

Source: Survey Results (2024)

The results show that the independent variables explain 62.2% of the variance in startup financial management. This indicates that 62.2% of the performance variation is attributable to the predictors studied, while the remaining 37.8% is influenced by factors not included in the model.

4.5.2. Analysis of ANOVA

Table 19 - ANOVA - Model Significance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	45.234	7	6.462	41.567	.000

Residual	27.473	176	.156		
Total	72.707	183			

Dependent Variable: Startup Financial management

Predictors: (Constant), Banking Literacy, Entrepreneurial Education, Business Experience, Access to Financial Services, Mentorship, Financial Planning Skills, Risk Tolerance

The ANOVA results show that the model is statistically significant ($F = 41.567$, $p < 0.001$), indicating that the independent variables collectively have a significant influence on startup financial management.

4.5.3. Regression Coefficients

The table below presents the regression coefficients, which indicate the strength and direction of the relationship between each independent variable and startup financial management.

Table 20 - Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-2.134	.487		-4.382	0.000
Banking Literacy	.358	.078	.276	4.590	0.000

Entrepreneurial Education	.241	.062	.212	3.887	0.000
Business Experience	.321	.095	.198	3.379	0.002
Access to Financial Services	.289	.067	.228	4.313	0.000
Mentorship	.194	.058	.163	3.345	0.000
Financial Planning Skills	.412	.093	.289	4.430	0.000
Risk Tolerance	.165	.064	.135	2.578	0.001

Dependent Variable: Startup Financial Management

Regression Coefficients Analysis

Banking Literacy: The coefficient for banking literacy is B=0.358 (β=0.276, t=4.590, p=0.000), indicating a significant positive relationship with startup financial management. This suggests that a one-unit increase in banking literacy leads to a 0.358-unit improvement in financial management, highlighting its crucial role in enabling startups to manage cash flows, secure funding, and navigate banking systems effectively. The high t-value reflects its strong contribution to the model.

Entrepreneurial Education: has a coefficient of B=0.241 (β=0.212, t = 3.887, p=0.000). This significant result implies that increasing entrepreneurial education by one unit enhances financial management by 0.241 units. It emphasizes the importance of equipping startup owners with business knowledge and skills to handle challenges such as financial decision-making and strategic planning.

Business Experience: With a coefficient of B=0.321 (β=0.198, t=3.379, p=0.002), business experience positively influences financial management. A one-unit increase in business experience results in a 0.321-unit improvement in financial management, underlining how prior experience aids entrepreneurs in making informed decisions and avoiding financial pitfalls.

Access to Financial Services: Demonstrates a positive impact, with B= 0.289 (β=0.228, t=4.313, p=0.000). This indicates that improved access to services like credit, banking, and financial advisory enhances financial management by 0.289 units. It stresses the role of accessible financial services in supporting startups to stabilize operations and scale effectively.

Mentorship: The coefficient for mentorship is B=0.194 (β=0.163, t=3.345, p=0.000). This significant positive relationship shows that mentorship contributes to better financial management, albeit to a lesser extent than other variables. Mentorship provides guidance and expertise, helping startups navigate financial complexities and make sound decisions.

Financial Planning Skills: exhibit the strongest impact among the variables, with B=0.412 (β=0.289, t=4.430, p=0.000). A one-unit increase in financial planning skills enhances financial management by 0.412 units, emphasizing the critical role of setting realistic financial goals, budgeting, and monitoring cash flows for startup success.

Risk Tolerance: has a coefficient of B=0.165(β=0.135, t = 2.578, p=0.001). This indicates a positive, albeit smaller, contribution to financial management. Startups that adopt a calculated approach to risk-taking are better equipped to make strategic financial decisions and seize opportunities.

All independent variables—banking literacy, entrepreneurial education, business experience, access to financial services, mentorship, financial planning skills, and risk tolerance—had statistically significant contributions ($p < 0.05$) to startup financial management.

4.5.4. Regression Equation

The regression equation derived from the analysis is:

$$Y = -2.134 + 0.358X1 + 0.241X2 + 0.321X3 + 0.289X4 + 0.194X5 + 0.412X6 + 0.165X7 + eY = -2.134 + 0.358X\_1 + 0.241X\_2 + 0.321X\_3 + 0.289X\_4 + 0.194X\_5 + 0.412X\_6 + 0.165X\_7 + e$$

Where:

- YY: Startup Financial Management (dependent variable)
- X1X_1: Banking Literacy
- X2X_2: Entrepreneurial Education
- X3X_3: Business Experience
- X4X_4: Access to Financial Services
- X5X_5: Mentorship
- X6X_6: Financial Planning Skills
- X7X_7: Risk Tolerance
- ee: Error term

4.6. Hypothesis Testing

The developed hypotheses were tested using estimates (Beta coefficients) and P-values derived from the regression model's parameter estimates, as shown in Table 4.14.

Hypothesis	Beta Coefficient	Significant (P<0.05)	Decision
H1: Banking literacy has a positive significant effect on the financial management of startups of startups	0.421	0.000	Accept
H2: Access to financial services has a positive significant effect on the financial management of startups	0.342	0.002	Accept
H3: Business experience has a positive significant effect on the financial management of startups	0.298	0.001	Accept
H4: Risk Tolerance has a positive significant effect on the financial management of startups	0.387	0.000	Accept
H5: Mentorship and support have a positive significant effect on the financial management of startups	0.263	0.004	Accept
H6**:** Financial planning skills have a positive significant effect on the financial management of startups	0.392	0.000	Accept
H7: Entrepreneurial education has a positive significant effect on the financial management of startups	0.271	0.003	Accept

Table 4.15. Analysis of Hypotheses

Source*: Own survey results output (2024)*

Hypothesis 1: Banking literacy has a positive significant effect on the financial management of startups

The regression analysis (Table 4.14) revealed that banking literacy has a positive and statistically significant effect on the financial management of startups, with $\beta = 0.421$ and a significance level of $P < 0.05$. The Beta value ($\beta = 0.421$) indicates that a one-unit increase in banking literacy is associated with a 42.1% improvement in startup financial management. Hence, the hypothesis is accepted, demonstrating that banking literacy positively influences financial management.

Hypothesis 2: Access to Financial services has a positive significant effect on the financial management and performance of startups

The results showed a positive and statistically significant effect of access to financial services on startup financial management, with $\beta = 0.342$ at $P < 0.05$. The Beta value ($\beta = 0.342$) implies that a one-unit increase in access to financial services leads to a 34.2% improvement in financial management. This validates the hypothesis, confirming this variable as a key contributor to effective financial management.

Hypothesis 3: Business experience has a positive significant effect on the financial management of startups.

The findings indicated that business experience positively affects startup financial management, with $\beta = 0.298$ and $P < 0.05$. The Beta value ($\beta = 0.298$) suggests that a one-unit increase in business experience results in a 29.8% improvement in financial management. Therefore, this hypothesis is accepted.

Hypothesis 4: Risk tolerance has a positive significant effect on the financial management of startups.

Risk Tolerance exhibited a positive and significant relationship with startup financial management, with $\beta = 0.387$ and $P < 0.05$. The Beta value ($\beta = 0.387$) shows that a one-unit increase in Risk tolerance leads to a 38.7% increase in financial management. The hypothesis is thus accepted, highlighting the critical role of access to finance.

Hypothesis 5: Mentorship and support have a positive significant effect on the financial management of startups.

The results also revealed a positive and statistically significant influence of mentorship and support on financial management, with $\beta = 0.263$ at $P < 0.05$. The Beta value ($\beta = 0.263$) indicates that a one-unit increase in mentorship and support leads to a 26.3% increase in the effectiveness of financial management. This confirms the hypothesis, underlining the importance of mentorship in financial success.

Hypothesis 6: Financial planning skills have a positive significant effect on the financial management of startups.

The regression analysis indicated that financial planning skills have a positive and statistically significant effect on the financial management of startups, with $\beta = 0.392$ and $P < 0.05$. The Beta value ($\beta = 0.392$) suggests that a one-unit increase in financial planning skills leads to a 39.2% improvement in financial management. Hence, this hypothesis is accepted, demonstrating the critical importance of financial planning skills in optimizing startup financial performance.

Hypothesis 7: Entrepreneurial education has a positive significant effect on the financial management of startups.

The findings revealed a positive and statistically significant effect of entrepreneurial education on startup financial management, with $\beta = 0.271$ and $P < 0.05$. The Beta value ($\beta = 0.271$) indicates that a one-unit increase in entrepreneurial education results in a 27.1% improvement in financial management. Therefore, this hypothesis is accepted, confirming the role of entrepreneurial education in enhancing financial management capabilities of startups.

In summary, all the hypotheses were supported, demonstrating that the independent variables significantly and positively influence startup financial management.

4.7 Responses to Interview Questions

This section presents the key themes and insights derived from the interviews conducted with startup founders and managers.

4.7.1 Managing Loans and Debt

A significant aspect of banking literacy among startup founders is their approach to managing loans and debt. Many founders indicated that their ability to understand and negotiate loan terms was crucial to maintaining financial stability. They emphasized the importance of assessing loan structures, interest rates, and repayment schedules before making any borrowing decisions. A recurring theme was the proactive management of debt to ensure cash flow remains healthy. For example, many founders highlighted how they consolidate high-interest debts into more manageable loans to reduce the overall cost of borrowing. Additionally, understanding the consequences of missed payments and maintaining a good credit rating was a central theme.

Startup founders and managers also discussed how they negotiate for favourable loan terms and flexibility when repayment challenges arise, demonstrating how informed decision-making supports sustainable business growth.

4.7.2 Financial Planning and Resilience

Another key practice among startup founders was the use of strategic financial planning to build resilience against financial uncertainties. Several founders discussed maintaining emergency funds or contingency reserves, specifically designed to cushion the business during cash flow shortages. These funds are often placed in high-interest savings accounts or other low-risk financial products, ensuring that the business can access these resources quickly when needed. Additionally, some respondents mentioned utilizing overdraft facilities or credit lines as a safety net for short-term financial gaps, provided that these tools are used sparingly and under well-planned conditions.

The importance of budgeting and forecasting was also highlighted, with many founders adopting a disciplined approach to budgeting, ensuring that they set aside portions of revenue for future investments, growth opportunities, and unexpected expenses. This proactive financial management is seen as a crucial component in sustaining business operations and preparing for challenges in the business environment.

4.7.3 Financial Knowledge and Decision-Making

Financial knowledge, especially regarding banking products and services, was consistently linked to better decision-making. Many startup founders described how their understanding of financial concepts, such as interest rates, loan terms, and credit scores, directly influenced their ability to make informed financial decisions. For instance, founders noted that their ability to calculate the true cost of loans including the impact of compounding interest helped them avoid financial pitfalls and ensure that they were taking on debt that could be comfortably managed.

Moreover, understanding the implications of their credit scores has allowed many founders to secure more favourable financing terms. This knowledge has proven to be a competitive advantage, as it enables them to approach lenders with confidence and negotiate better interest rates or more favourable repayment schedules.

4.7.4 Leveraging Banking Services

Although mobile banking and online banking services are regarded as basic tools that almost all people use. However, what stood out was how startup founders leverage these tools in conjunction with more specific banking products to optimize their financial management. For example, many founders highlighted their use of automated savings and payment systems to streamline cash flow management. These systems help them set aside a percentage of earnings into savings accounts or investments, while also automating regular payments to suppliers and service providers.

Additionally, several entrepreneurs discussed the strategic use of lines of credit and business loans for capital management, underscoring how these tools provide flexibility and allow for quick responses to market opportunities or unforeseen expenses. The key takeaway from these insights is that while mobile and online banking are common, it is the strategic use of these tools along with in-depth financial planning that truly differentiates successful startup financial management.

4.8 Inference from Interview Findings

The insights from interviews with startup founders and managers highlight the pivotal role of banking literacy in fostering sound financial management practices. Key themes emerging from the discussions include:

Debt Management: Startup founders demonstrate a strong ability to manage and mitigate debt through effective strategies such as consolidating loans, negotiating favorable terms, and maintaining healthy credit. These practices not only reduce financial strain but also support sustainable business growth.

Financial Resilience: Founders emphasize the importance of building financial resilience by maintaining emergency funds, adopting low-risk investment strategies, and strategically leveraging overdraft facilities. These approaches enable startups to address cash flow challenges and ensure operational continuity during unforeseen circumstances.

Informed Decision-Making: Founders' understanding of key financial products—such as loans, and interest rates empowers them to make well-informed decisions. This minimizes financial risks, optimizes resource allocation, and drives business growth.

Strategic Use of Banking Services: Beyond routine banking transactions, founders leverage advanced financial products, including automated savings tools, lines of credit, and business loans, as part of their financial management strategy. This strategic approach enhances efficiency and supports long-term financial stability.

The findings underscore that startups with higher banking literacy are better equipped to implement advanced financial strategies, adapt to financial challenges, and sustain their operations. This highlights the critical importance of targeted banking literacy programs tailored to the unique needs of startups to improve financial outcomes and foster growth.

CHAPTER FIVE
SUMMARY OF MAJOR FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

5.1. Summary of Major Findings

This study examined the relationship between various independent variables and the financial management of startups, yielding insightful findings.

Banking Literacy emerged as a critical factor influencing financial management. With a grand mean of 4.27 and a regression coefficient of 0.276 (t=4.590), it was evident that improved banking literacy significantly enhances founders' ability to understand financial products and make informed decisions. This underscores the importance of financial education in navigating the complexities of the banking system.

Similarly, **Entrepreneurial Education** demonstrated a strong positive impact, with a grand mean of 4.21 and a regression coefficient of 0.212 (t=3.887). Startups benefiting from robust entrepreneurial education exhibited stronger financial management practices, particularly in areas like budgeting and planning.

The influence of **Business Experience** was also notable. The findings indicated that more experienced entrepreneurs, with a grand mean of 4.15 and a regression coefficient of 0.198 (t=3.379), are better equipped to manage finances effectively. Their past experiences enable them to navigate financial challenges with greater ease.

Access to Financial Services was another significant factor, boasting a grand mean of 4.28 and a regression coefficient of 0.228 (t=4.313). This finding highlights that startups with improved access to financial tools, such as loans and credit, experience better financial management, essential for sustainable growth.

Mentorship showed a positive effect on financial decision-making, with a grand mean of 4.19 and a regression coefficient of 0.163 (t=3.345). Although its effect was slightly lower than that of other

variables, mentorship remains a valuable resource for guiding entrepreneurs through financial complexities.

The analysis also revealed that **Financial Planning Skills** play a pivotal role in effective startup financial management. With the highest grand mean of 4.30 and a regression coefficient of 0.289 (t=4.430), these skills are critical for budgeting, forecasting, and managing cash flow, ultimately driving better business outcomes.

Lastly, **Risk Tolerance** was found to positively correlate with financial management. With a grand mean of 4.18 and a regression coefficient of 0.135 (t=2.578), this suggests that a calculated approach to risk enhances decision-making capabilities, although its effect was less pronounced compared to other factors.

5.1.1 Correlation

The Pearson correlation revealed strong and statistically significant relationships between banking literacy and startup financial management, as well as between the other independent variables and financial management. Notably, banking literacy demonstrated a very strong positive correlation ($r = 0.611$) with startup financial performance, emphasizing its crucial role in enabling entrepreneurs to understand and utilize financial products effectively. Financial planning skills followed closely with a correlation coefficient of 0.593, while access to financial services had a significant positive relationship ($r = 0.621$). These correlations illustrate the interconnected nature of these factors and their collective influence on financial management performance.

5.1.2 Regression

The regression analysis highlighted the significant impact of various factors on startup financial management. Banking literacy emerged as a key predictor, with a strong coefficient of 0.276, indicating that increased literacy leads to better financial outcomes. Entrepreneurial education also proved important, contributing 0.212 units to management effectiveness.

Experience played a role as well, with a coefficient of 0.198, showing that seasoned entrepreneurs navigate finances more adeptly. Access to financial services was crucial, adding 0.228 units to financial management. Mentorship positively influenced decision-making (0.163), while financial

planning skills were the most vital, boasting a coefficient of 0.289. Finally, risk tolerance contributed positively (0.135), suggesting that a balanced approach to risk enhances financial decisions.

Overall, these findings affirm the interconnected nature of these factors and their collective importance in fostering effective financial management in startups.

5.1.3 Key Findings from the Interviews

There is a strong grasp of banking literacy among interviewees, particularly in managing loans and debt. Emphasizing the importance of understanding loan structures and interest rates, many negotiate favourable terms and consolidate high-interest debts to maintain financial health.

Financial planning plays a crucial role, with many maintaining emergency funds to address cash flow challenges. This proactive approach to budgeting and forecasting showcases impressive financial foresight.

Individuals with solid banking knowledge tend to make informed decisions, ensuring manageable debt and sound investments. Additionally, they strategically leverage a variety of banking services, such as automated savings and credit lines, to enhance operations and foster long-term growth.

5.2. Conclusion

The findings of this research underscore the critical role of banking literacy in driving startup financial management. Entrepreneurs equipped with robust banking knowledge are better positioned to make informed decisions regarding resource allocation, cost management, and investment strategies. It is evident that variables such as financial planning skills, entrepreneurial education, and mentorship are indispensable in complementing banking literacy. Together, these factors contribute to making informed financial decisions, including cash flow management, budgeting, and overall financial sustainability.

Banking Literacy enhances financial decision-making. Startup founders who possess a higher banking literacy are better equipped to make informed financial decisions. This includes negotiating favourable loan terms, understanding credit scores, and utilizing financial products to

optimize cash flow and growth. Proactive financial planning contributes to business resilience. Banking literacy facilitates proactive financial planning, such as budgeting, forecasting, and maintaining emergency funds. These practices help startups remain resilient during periods of financial uncertainty, ensuring business continuity and long-term stability. Strategic use of banking products leads to efficient financial management. Effective use of banking products, including loans, credit lines, and automated banking services, significantly contributes to efficient financial management. Startup founders leverage these tools not just for daily operations, but also for funding growth opportunities and managing risks.

The study concludes that while banking literacy serves as a cornerstone for financial success, its impact is amplified when supported by mentorship, access to financial services, and a conducive financial ecosystem. Furthermore, the findings reveal that startups in different stages and industries experience varying levels of influence from these factors, necessitating customized approaches to policy and training interventions.

5.3. Recommendations

Based on the study's findings, the following detailed recommendations are proposed:

1. Enhance Banking Literacy Training Programs:
    - Design and implement comprehensive training programs focusing on fundamental and advanced banking concepts, tailored to the needs of entrepreneurs across industries.
    - Incorporate interactive learning methods such as case studies, simulations, and workshops to foster practical understanding.
    - Collaborate with financial institutions to deliver these programs, ensuring access to expert knowledge and real-world insights. It is recommended that startup founders participate in or provide banking literacy training programs to increase their knowledge of financial products, loan management, and investment strategies. This can help them make more informed decisions and effectively manage business finances.

2. Strengthen Access to Financial Services:
    - Promote partnerships between startups and financial institutions to improve access to affordable credit and customized banking solutions.
    - Facilitate the development of fintech platforms to address gaps in service delivery, especially in underserved areas.
    - Advocate for simplified processes and reduced barriers for startups seeking financial services.
3. Develop Mentorship and Support Networks:
    - Establish mentorship programs that connect startups with experienced professionals who can provide guidance on financial management and strategic planning.
    - Create peer learning groups where entrepreneurs can share experiences and solutions to common financial challenges.

4. Integrate Financial Planning in Entrepreneurial Education:
    - Include modules on budgeting, forecasting, and financial performance analysis in entrepreneurship curricula.
    - Provide hands-on training through simulated financial management scenarios to enhance practical skills.
5. Encourage Policy Reforms:
    - Advocate for policies that incentivize financial literacy initiatives, such as tax breaks for training investments or subsidies for startups in need of financial education.
    - Support the creation of startup-friendly regulatory environments that simplify access to banking and financial services.

5.4. Directions for Future Research

To expand on the findings of this study, future research could explore the following areas:

1. Geographical Expansion: Investigate the impact of banking literacy on startups in multiple regions or countries to assess contextual variations and enhance generalizability.

2. Exploration of Additional Variables: Examine the influence of emerging factors such as digital financial literacy, sustainability practices, and resilience on startup performance.
3. Longitudinal Studies: Conduct long-term studies to analyze the sustained effects of banking literacy interventions on financial performance over time.
4. Sector-Specific Research: Focus on industry-specific dynamics to provide tailored insights for sectors with unique financial management needs, such as agriculture and manufacturing.
5. Comparative Analysis: Compare the effects of banking literacy across startups in different economic conditions, such as emerging markets versus developed economies.

By addressing these areas, future research can provide deeper insights into the multifaceted relationship between banking literacy and startup financial performance, offering valuable contributions to both academic and practical domains.

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Appendix

ST. MARY UNIVERSITY
MBA DEPARTMENT
Questionnaires to be filled by Selected Respondents

Dear respondents, I am a candidate for a Master's Degree and I am conducting a study to produce a master's thesis which is a requirement for the partial fulfilment of academic requirements. Accordingly, this questionnaire is designed to collect primary data for the study.

The questionnaire is only for study purposes and your genuine responses to the questions are highly demanded on which the success is depending on. I kindly request you to spend a few minutes of your valuable time to answer the questions as per the instruction below:

- You do not need to write your name
- All of the questions need to be responded by yourself
- In some of the questions, there are available place to put mark "X" in the given space
- For some of the questions that need your explanations, please try to honestly describe as per the questions on the spaces provided.

I thank you in advance for your participation in the study!

Part I. Respondents Profile: Make "X" mark to appropriate box.
1. Sex: Male□Female□
2. Age: 23-30 □ 31-40 □41-50□above 50 □
3. Educational Status: Certificate□Diploma□BE/BSc□MA/MSc□AbovePhD□informal education

Part II: Questions related to the study variables

Respond by putting "X" Mark to the only number that best fits your opinion and feelings.
NB: 5=strongly Agree, 4=Agree, 3=neither Agree nor Disagree, 2=Disagree, and 1 represents strongly Disagree with the respective statements stated below.

S.No.	Descriptions	5	4	3	2	1
1	**Banking literacy**					
1.1	I understand how different banking services (e.g., savings, loans, credit lines) work.					

1.2	I actively use digital banking platforms (e.g., mobile apps) to manage my business's finances.					
1.3	I can compare the costs, benefits, and risks of different financial products (e.g., loans, savings, insurance).					
1.4	I understand how maintaining a good credit score impacts my startup's access to funding.					
1.5	I understand how interest rates on loans and savings impact my business's cash flow.					
2	entrepreneurial education					
2.1	I have received formal or informal training that has equipped me with the skills and knowledge necessary for effectively managing my startup's finances.					
2.2	My educational background, whether academic or experiential, has significantly contributed to my ability to make informed financial decisions for my startup.					
2.3	I actively seek out and participate in entrepreneurship-related workshops, seminars, or courses to continuously enhance my financial management skills.					
2.4	I feel confident in applying the theoretical concepts learned from my education to solve real-world financial challenges in my business.					
2.5	The knowledge gained from my educational experiences has had a direct impact on my ability to make better financial decisions and manage risks effectively in my startup.					
3	**Business experience**					
3.1	I have significant experience managing business operations.					
3.2	My previous entrepreneurial ventures have allowed me to refine my financial management skills, including budgeting, forecasting, and risk management.					
3.3	I am confident in addressing business challenges based on my experience.					
3.4	Experience has enhanced my decision-making skills under pressure.					
3.5	I rely on my practical experience for financial planning and budgeting.					
4	**Access to financial service**					
4.1	I can easily access credit or loans from financial institutions.					
4.2	The financial services available to my startup, including business accounts, loans, and investment options, are tailored to meet my business's specific needs and objectives.					
4.3	My location impacts my access to financial services.					

4.4	I am aware of financial service options available to startups.					
4.5	The process of accessing financial services is straightforward and efficient.					
5	**Mentoring and support**					
5.1	I have access to mentors who guide my startup's financial decisions.					
5.2	Support networks help me navigate complex financial challenges.					
5.3	Mentorship has contributed to the improvement of my financial literacy					
5.4	I actively seek advice from experienced professionals.					
5.5	My mentors provide actionable solutions for financial management.					
6	**Financial planning skill**					
6.1	I regularly create and review financial plans for my startup.					
6.2	I use tools/software to manage my startup's finances.					
6.3	I can effectively allocate resources to maximize profitability.					
6.4	I set realistic financial goals for my business.					
6.5	My financial planning skills have improved over time.					
7	**Risk tolerance**					
7.1	I am comfortable taking financial risks for potential growth.					
7.2	I assess potential risks before making financial decisions.					
7.3	I maintain a balance between risk-taking and financial security.					
7.4	My startup’s success relies on calculated financial risks.					
7.5	I adapt quickly to unforeseen financial challenges.					
8	**Startup Financial Management**					
8.1	My startup is financially stable. I have basic understanding about managing cash flow.					
8.2	I regularly review financial performance metrics.					
8.3	My banking knowledge has helped me manage my startup’s debt management better.					
8.4	I am able to handle unexpected financial challenges by using strategies such as seeking additional funding, or cutting costs.					

8.5	I understand that Financial literacy helps make better decisions to improve startup’s management.					
8.6	I understand that planning finances is important for startup's budgeting process.					
8.7	My startup’s financial decisions are guided by data and analysis.					

Interview

1. Managing Loans and Debt

Q1: How do you decide when to take loans or use credit for your startup, and what factors influence your borrowing decisions and debt repayment strategies?

2. Financial Planning and Resilience

Q2: How do you prepare for financial uncertainties, such as cash flow shortages, and how do you manage budgeting, forecasting, and building emergency funds for your business?

3. Financial Knowledge and Decision-Making

Q3: How does your understanding of banking products (e.g., loans, interest rates, credit scores) influence your financial decision-making and interactions with lenders?

4. Leveraging Banking Services

Q4: What banking services, including automated features, do you frequently use to manage your startup's finances, and how have they improved your financial management?

5. Leveraging Credit for Business Growth

Q5: How do you leverage credit lines, loans, or other banking products to support and grow your business, and how do you ensure the terms are aligned with your financial goals?