In control of the company
Entrepreneurs on their financial literacy
Colophon

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Foreword

Director of services and former entrepreneur, Peter Bargon, on his personal experience with the financial side of doing business.

Every day, business owners approach the Netherlands Chamber of Commerce with questions about financial subjects like money matters, financing, administration, taxes, pensions and insurance.

As a former entrepreneur, I am very well aware of how important it is to know how your business is doing financially each and every day. It’s not only the financial administration that has to be up to scratch. After all, you can always outsource your financial administration. What you do with the financial insights that you gain from it is what counts.

Being able to read and understand a balance sheet, the profit and loss account and other financial reports is crucial in this, because being financially literate is what gives financial figures their predictive value. You can then use these figures to steer your operation towards being a liquid and financially sound business. After all, having a financially sound business is an essential precondition for growth and for making the right investment decisions.

Among other things, this research report provides a better understanding of how business owners manage their money matters and finances, the extent to which business people have financial know-how and skills, and the extent to which they control their businesses based on financial figures.

This report offers interesting and valuable information for entrepreneurs and their stakeholders.

I hope it offers plenty of new financial insights and an understanding of doing business. Enjoy!

Peter Bargon,
Director of services
Netherlands Chamber of Commerce
Dutch one-man business owners and those who run small and medium-sized companies indicated at various points that they do not know enough about their money matters. The biggest improvement can be achieved regarding financial forecasting. That conclusion emerges in this Netherlands Chamber of Commerce report, ‘In control of the company: entrepreneurs on their financial literacy’.

The report is the outcome of research into how business owners judge their knowledge of financial matters, the organisation of their finances and managing their companies based on figures. We looked at the support that business owners are given for financial matters, the undesirable financial situations that they end up in, and the relationship between the entrepreneurs’ financial expertise and the performance of their companies.

Point of attention: financial literacy
Every year, the Netherlands Chamber of Commerce is flooded with questions from business owners who are dealing with financing or other money matters. These questions are often posed because business owners are confronted with financial problems. Often it turns out that problems come about because the entrepreneur does not know enough about money matters or because the financial side of things has been poorly organised. The central advisory body and regional councils of the Chamber of Commerce, consisting of entrepreneurs, see in practice that entrepreneurs often struggle with this side of doing business. For this reason, the Netherlands Chamber of Commerce wondered how business owners themselves view money matters and judge their financial acumen. Three points of view were defined for looking at financial insight, namely: knowledge of financial matters, organising financial matters, and managing and steering the company based on figures. In addition, we looked at the performance and support, and undesirable situations that business owners have to contend with. For this research, a questionnaire was distributed among the Netherlands Chamber of Commerce entrepreneurs panel; 1,676 business owners completed the questionnaire.

Financial insight: not sufficiently future oriented
Entrepreneurs indicated that they know about principles of investment analysis (96%), performance variables (90%) and interim figures (88%) in particular. That said, almost half of the business owners were not so sure about their knowledge, particularly where it concerns tax legislation for income tax (49%), the basic principles of balance sheets and profit and loss accounts (52%) and the figures required for profitability forecasts (54%). Many business owners said that they know about the financial issues required to run a business, but that they are less proficient with regard to matters that are more future oriented.

External support: not enough focus on the long term
It emerged from the research results that 53% of one-man business owners do not involve anyone else in their financial matters, and 30% of those running small and medium-sized companies do everything themselves. They do, however, get help in some areas from their accountants, bookkeepers, partners, or families. Entrepreneurs often get support for issues that are necessary in the short term, but less so for matters requiring long-term insights. Two thirds of the entrepreneurs sought help for tax matters and drawing up their balance sheets and profit and loss accounts. Only 25% of the entrepreneurs are assisted when making their profitability forecasts and arranging pension schemes. This is remarkable because financial foresight is important for avoiding unwelcome situations or when taking the necessary steps to make adjustments beforehand.
Unwelcome financial situations are common

Business owners may find themselves in an unwelcome situation that requires them to take action. Of one-man business owners, 52% had been confronted with a downturn in their financial situation in the previous three years, and small and medium-sized business people were even more likely to have experienced financial problems (62%). It is striking that a quarter of the business people used their own personal funds to compensate for shortfalls in the company coffers in the previous three years. Twenty per cent of business owners were hindered by a business bank account that had insufficient funds or missed out on sales due to not having enough new customers. Nineteen per cent of those running small and medium-sized companies and 12% of one-man business owners had had payment arrears during the previous three years.

Financial insight leads to better results

Analysis of the research findings shows that there is a correlation between the entrepreneur’s level of knowledge and the company’s financial performance. Entrepreneurs who state that they have extensive knowledge of financial matters are more likely to perform better than entrepreneurs who say they are less financially literate. Here the researchers see a strong correlation but a direct causal link cannot be established. Enhancing business owners’ knowledge through further training has a positive effect on an organisation’s financial performance.

What is the Netherlands Chamber of Commerce working towards in the coming years?

The study makes it clear that the Netherlands Chamber of Commerce must continue to inform and advise businesses on financial matters. In addition to the information on financing that is already in place, more attention will be paid to basic financial knowledge. In the coming years, the Netherlands Chamber of Commerce will put a heavier emphasis on strengthening a more future-oriented way of thinking and acting on the part of business owners in terms of their financial insight. This will be done by providing more information and advice in terms of performance variables and profitability forecasts, aspects that business owners can use to strengthen their grip on their business operations. Entrepreneurs never stop learning because financial insight requires ongoing education.
1 Introduction

Notes on the research

The Netherlands Chamber of Commerce helps entrepreneurs by providing them with information and advice that best suits their needs. To get a good understanding of these needs, the Netherlands Chamber of Commerce regularly conducts research into matters that occupy or affect business people.

1.1 Background

One from the set research subjects is financing. In this research, the Netherlands Chamber of Commerce investigated the impression that business owners have of their own financial acumen. The Netherlands Chamber of Commerce can use these findings to get to know entrepreneurs better and thus improve the service they offer them.

1.2 Huge demand for information about financial matters

Since 2014, more than 20,000 entrepreneurs have contacted the Financing Desk at the Netherlands Chamber of Commerce with questions about financing or money matters. These questions are often posed because business owners are confronted by financial problems or they see a drop in turnover thanks to loss of customers. Often, the problems are caused by poor organisation of the company's finances or a lack of knowledge on the part of the entrepreneur when drawing up budgets, a financial plan or applications for finance (Ch. of Comm. 2015; 2016a; 2016b). In 2015, the Netherlands Chamber of Commerce had 282,507 visitors to its financing and money matters web pages, and by the end of August 2016, there were 212,586. The central advisory body and regional councils of the Chamber of Commerce, consisting of entrepreneurs among others, also indicate that in practice entrepreneurs often struggle with the financial sides of doing business. In short, the financial acumen of many business owners, i.e. being literate when it comes to money matters, is and remains an aspect that requires the attention of the Chamber of Commerce.

1.3 Financial insight

The importance of financial acumen among business owners is heavily emphasised in research literature (Bruhn & Zia, 2011; OECD, 2015; Ch. of Comm., 2015). For instance, proper bookkeeping is crucial for determining the company policy, managing business processes, tax affairs and the legal obligation to run a good administration. In this research,
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we used the definition of financial literacy that Antonides et al. use as our basis (Antonides et al., 2008): People who are financially literate are capable of organising their financial affairs. They know about lending, saving and planning, they know how to handle money on a daily basis, and they are capable of responsibly managing their financial affairs responsibly. In addition, a person who has financial acumen knows about the risks involved when certain financial decisions are taken.

1.4 Key question of the research: how do business people judge their own financial literacy?

The Netherlands Chamber of Commerce asked business owners how they redundant view money matters, the operative word being ‘themselves’. The fact is that the self-image that entrepreneurs have of themselves determines their way of doing business to a significant extent, also when it comes to the financial aspects. The crux of the matter is the perceptions that entrepreneurs themselves have. Knowing about these views and perceptions helps the Netherlands Chamber of Commerce to make their services even more valuable to business owners. For this reason, the key question in the market research conducted was:

How do entrepreneurs judge their knowledge of financial matters, the organisation of their finances and how they control their business based on figures?

Based on literature research and in close collaboration with the Financieel Opleidingsinstituut (a Dutch financial education institution (FOI)), the Netherlands Chamber of Commerce defined fifteen subjects that together lend meaning to the concept ‘financial literacy’. These subjects are explained in greater detail in Appendix 1. In order to get as many specific answers to the research question as possible, the Netherlands Chamber of Commerce asked the respondents to give their opinion on fifteen topics from the following three perspectives:

A. Knowledge of financial matters: To what extent does the entrepreneur him- or herself have a basic knowledge of the subject? Does the entrepreneur understand the most important terms and does he or she know which basic principles and general rules apply?

B. Organising financial matters: To what extent are the finances and administration in good order in the business? Is all the necessary information recorded, is the administration transparent and easy to oversee, and is it updated regularly? In short, is the entrepreneur also able to apply his or her basic knowledge to manage the company?

C. Managing based on figures: To what extent is the entrepreneur capable of controlling the company and taking decisions based on key financial indicators? Does the entrepreneur know how to make forecasts and estimates to assess what the company’s position may be in the future, and is he or she capable of implementing changes to get better results? In short, can the entrepreneur apply his or her basic knowledge in order to determine the most important performance indicators for the company and to take financial decisions based on these?

1.5 Business performance, undesirable situations and asking for support

Apart from assessing knowledge of money matters, organising financial matters, and managing and steering the company based on figures, the Netherlands Chamber of Commerce also investigated whether there is a relationship between the entrepreneur’s financial acumen and company performance. The Netherlands Chamber of Commerce also investigated whether business owners sometimes find themselves in unwelcome situations concerning money matters and what help they get when it comes to their financial affairs.

1.6 Link to previous research

The study follows the recommendations that McKinsey (2014) give to make it easier for entrepreneurs, using a viable business model, to obtain financing for their business and to enhance their entrepreneurial skills. The research findings serve as a basis for developing information products. Another underlying reason to conduct the research was the
Netherlands Chamber of Commerce report entitled ‘SME financing: survey of requirements and analysis’, which was written in 2015 and in which financing needs, knowledge of and use of financing opportunities were analysed (Van der Veen et al., 2015).

1.7 Entrepreneurs panel

The research was conducted among the Netherlands Chamber of Commerce entrepreneurs panel. This panel comprises around 4,000 registered members. The Netherlands Chamber of Commerce entrepreneurs panel is representative of the Dutch SME sector (see Appendix 2). On 31 May 2016, all 4,091 members of the panel were invited to complete the questionnaire. All in all, 1,676 participants completed the questionnaire, which constitutes a response rate of 41.1%. In this report, a distinction is made between one-man business owners and SME owners in the presentation of the results only when it is appropriate. The other graphs are a representation of the response group as a whole (n = 1,676).

1.8 Financial Advisory Board

The Netherlands Chamber of Commerce regularly consults the Dutch Financial Advisory Board (Redactieraad Financieren). This board consists of representatives from the Netherlands Institute of Chartered Accountants, the Netherlands Association of Accounting and Tax Experts, Qredits Microfinancing the Netherlands, the Ministry of Economic Affairs, the Netherlands Enterprise Agency, NPEX, MKB Doorstart (an organisation to help SMEs relaunch their business), Samenwerkende Kredietunies (an association of collaborating credit unions), the NVP (Netherlands Private Equity and Venture Capital Association), the Association of Business Angels Network (BAN Nederland), the Association of Leasing Companies in the Netherlands, the PPM Oost participation fund, MKB Kredietcoach (an organisation that coaches SMEs on credit) and Nederland Crowdfunding. Advisory board members were involved in the research design and the discussion of the findings. During the research, we worked closely together with the University of Tilburg, the Ministry of Economic Affairs, the Netherlands Association of Accounting and Tax Experts and the FOI.
Many entrepreneurs focus on those financial matters that are necessary to their business, but are significantly less concerned with matters that lie a little further down the road. Many entrepreneurs stand to gain a great deal from this.

2.1 Knowledge of money matters

As far as knowledge of money matters is concerned, by far the majority of entrepreneurs – one-man businesses and SME owners – indicated that they know about the principles of investment analysis (96%), performance variables (90%) and interim figures (88%). Around half of the business owners said that they know less about tax legislation for income tax, the basic principles of balance sheets and profit and loss accounts, and the figures required for profitability forecasts.

Knowledge of money matters: I am familiar with...

- The basic principles of an investment analysis
- What purpose performance variables serve
- The importance of interim figures during the year
- That I have to take care of my pension arrangements myself
- The basic principles of a liquidity forecast
- The basic principles of managing and processing creditors and debtors
- The ins and outs of bookkeeping
- The most important legislation for the VAT levy
- How to draw up an application for finance
- How a profitability forecast is drawn up
- The financing options for my company
- How to prepare a balance sheet and profit and loss account
- The most important tax legislation for income tax
- The basic principles of balance sheets and profit and loss accounts
- Which figures are required to be able to make a profitability forecast

Taking the long-term view deserves more attention
2.2 Organising financial matters

Apart from knowledge, properly organised financial housekeeping is essential to a company. The Netherlands Chamber of Commerce also presented to the business owners several statements on this subject. Most business owners indicated that they have arranged the following affairs properly: up-to-date insight into debtors and creditors (93%), the bookkeeping (91%) and a timely VAT declaration. Significantly fewer business owners periodically make profitability forecasts (24%), ensure they have the figures for this (32%) or periodically create an overview of performance variables (43%).

2.3 Managing based on figures

A third element of knowledge about money matters involves managing and controlling the company based on figures. Many entrepreneurs indicated that they deal with accounts payable and receivable management proactively (86%), that they use bookkeeping to keep their insight into the financial position up to date (84%), and to understand the implications of changes to the balance sheet and profit and loss account (78%). Fewer than half of the business owners make adjustments...
if things deviate from the profitability forecast (41%), assess the pension scheme once a year (41%) and use performance variables to make adjustments (47%).

2.4 Own knowledge of money matters

To get their financial matters in good order, entrepreneurs can choose to engage financial consultants or to ensure that they redundant have a good level of knowledge. Many entrepreneurs are of the opinion that they redundant should know enough about the subject. Among those running small and medium-sized companies, this mainly concerns the profit and loss account (94%), the balance sheet (90%), cash flows (88%) and bookkeeping (87%). The opinions of one-man business owners and SME owners hardly differ in this respect, although the former attach slightly less importance to this knowledge across the board. Regarding knowledge about ratios, profitability forecasting and financing opportunities, the views of one-man business owners and SME owners do, however, differ significantly. Substantially fewer one-man business owners indicated that their knowledge of ratios, profitability forecasts and financing opportunities was up to scratch.

2.5 Further training

Of all the respondents, 18% stated that they had undergone some form of additional training in the financial field. The type of additional training mentioned most often was basic knowledge of bookkeeping (7.9%), bank/accountancy courses/ongoing professional education (2.4%) and the small-firm sector (2.3%). Many financial service providers mentioned using ongoing education as a way to maintain their knowledge and skills levels for their job grade or position.
3 Organising financial matters

Support

Business owners often rely on their own knowledge and expertise when it comes to money matters, and occasionally engage help.

3.1 Support for the administration

Entrepreneurs can either organise their money matters and finances themselves, or they can do so with the help of others. Thirty-five per cent of SME owners and 14% one-man business owners engaged an accountant.

Many business owners take care of their financial matters themselves
3.2 Support when making financial decisions

Financial decisions are virtually always taken by SME owners themselves (83%) or together with their co-partners (11%). Among one-man business owners, 98% make the decisions themselves. Occasionally business owners do, however, rely on the help of others when making financial decisions. They get this assistance mainly from their accountant, family members or bookkeeper. SME owners also get this help from partners. Fifty-nine per cent of one-man business owners and 27% of SME owners do not get help when making financial decisions.

3.3 Support by subject

Two thirds of entrepreneurs need assistance for their tax matters and when drawing up their balance sheets and profit and loss accounts. They normally arrange things like processing invoices, drawing up cash flows and liquidity analyses in good time themselves. The graph showing the responses to the question “For which subjects do you get help from others?” clearly shows that SME owners are more inclined to seek help when it comes to money matters than one-man business owners are. They engage help almost equally as often for bookkeeping and VAT issues.
Signals about money matters

Financial situation

Business owners occasionally find themselves in unwelcome circumstances concerning their financial matters. This may involve, for instance, a deficit in the company account, payment arrears or costs may go up due to a rise in purchasing expenses.

4.1 Adverse financial situations

The examples mentioned above are evidence of the entrepreneur losing his or her grip on the company. Unexpected circumstances are part of doing business, but in some situations business owners are confronted with their knowledge of money matters and how to organise the financial side of running a business. To gain an impression of the extent to which entrepreneurs are confronted with adverse situations, we presented a list of these situation to the entrepreneurs. The graph on the left-hand side of page 17 gives insight into the extent to which entrepreneurs are confronted by undesirable situations and are prompted to organise their money matters and financing more effectively. More than half of the one-man business owners (52%) had been confronted with circumstances like this in the previous 36 months; the percentage of SME owners was higher (62%). One out of four one-man business owners and those from the SME sector were faced with having to compensate company shortfalls with personal funds.

4.2 Indications from the network

Sometimes, there are people in the entrepreneur’s network who explicitly voice their concerns about the company’s financial position. Thirteen per cent of the respondents said that people in their network had voiced their concerns about the respondent’s financial situation in the previous 36 months. For SME owners as well as one-man business owners, it is the family who was mentioned most often as the party expressing concern. After that, accountants and bookkeepers are those most likely to voice concern. Among SME owners, it is also staff who express concern.

Business owners sometimes find themselves in a tight situation when it comes to their financial matters
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How often during the previous 36 months have you been confronted with...

- Insufficient funds in the company bank account
- Missed out on turnover on account of not acquiring enough new customers
- Payment arrears
- Missed out on turnover due to losing an important client
- Insufficient means to pay for an investment
- Insufficient cash in hand
- Higher costs due to higher purchasing or cost price
- Bank rejected an application for finance
- Higher costs due to early replacement of company equipment
- Higher costs due to staff replacement through absenteeism/work disability
- Missed out on turnover as a result of not being able to deliver due to absenteeism/work disability
- Having to deal with a debt collection agency
- An investor rejected an application for finance
- Legal proceedings concerning payment arrears
- Having to deal with a bailiff
- Not being able to pay holiday pay
- Not being able to pay salaries
- Using personal funds to compensate for shortfalls in the company

Who expressed concerns about the financial position of your company in the previous 36 months?

- Family
- Accountant
- Bookkeeper
- Friends
- Another entrepreneur
- The bank
- Personnel
- Supplier
- Client
- Tax authority
- Investor
- Municipality
- Controller
- Other

Expressed in percentages.
5 Knowledge and the financial situation

Further analyses

The study also looked at various issues related to knowledge and organisation of money matters. Entrepreneurs were also asked about their financial performance, namely turnover, sales trends and gross margin.

5.1 Knowledge and the financial situation

An analysis of the results shows that there is a correlation between the entrepreneur’s level of knowledge and the financial performance of the company. Entrepreneurs who claim that they have extensive knowledge of financial matters tend to perform better than entrepreneurs who indicate that they know less about these matters. A regression-analysis shows that there is a significant correlation.

5.2 Support and the financial situation

The entrepreneur’s level of knowledge is slightly less important if entrepreneurs are given assistance with their financial matters. However, despite the help that entrepreneurs are given, there is still a positive correlation between the entrepreneur’s knowledge levels and financial performance. Therefore, accountants and bookkeepers can compensate for a lack of knowledge on the part of the entrepreneur, up to a point. At the end of the day, it is the knowledge that entrepreneurs themselves have that remains important when it comes to making financial decisions. After all, in virtually all cases they make these decisions themselves. Entrepreneurs can undergo further training in the financial field to improve their level of knowledge. This has a positive effect on the company’s financial performance. Further analysis of the results revealed that business owners who had undergone further training in the financial field were more inclined to say that they had knowledge of financial matters. This shows that further training is a good way to enhance knowledge of financial matters.
6 Conclusions

What have we learned?

One-man business owners and those who run small and medium-sized businesses indicated at various points that they do not know enough about their money matters. Entrepreneurs stand to gain a great deal, especially from financial foresight. The study makes it clear that the Netherlands Chamber of Commerce must continue to give information and advice about financial matters.

6.1 Financial insight: not sufficiently future oriented

Many business owners have the mandatory aspects of business operations in good order (e.g. taxes etc.), but do not know enough about how the company is doing structurally. This was evident from the low score for knowledge of profitability forecasts. Most business owners know what is going on in the short term, but have difficulty when it comes to insights about the long term. It is remarkable that knowledge of the profit and loss account scores high, but that the profitability forecast when organising money matters scores very low. Business owners themselves indicated that they have the most difficulty with drafting and preparing profitability forecasts, drawing up the balance sheet and profit and loss account, pension schemes and performance variables. Entrepreneurs stated that they have knowledge of financial matters that are generally necessary for doing business, but stated that they are considerably less concerned with matters that are more future oriented. So business owners stand to gain a great deal, especially from being forward looking about finances and managing with the future in mind.

6.2 External support: not enough focus on the long term

It also emerged from the research findings that two thirds of entrepreneurs use assistance in tax matters are supported and when drawing up their balance sheets and profit and loss accounts. The business owners were given support particularly for the necessary aspects of running a business. It is noticeable that entrepreneurs were less likely to get support for insights related to long-term issues. Only 25% of the entrepreneurs are assisted when making their profitability forecasts and arranging pension schemes. This is remarkable given that they often have to rely on their
personal funds if they find themselves in financial difficulties. Financial foresight is key to avoid an impending adverse situation or to make adjustments for this.

6.3 Unwelcome financial situations are common

Business owners occasionally find themselves in an adverse financial situation that requires them to act. More than half of the business owners had been confronted with such a situation in the previous three years. This may involve, for instance, a deficit in the company account, payment arrears or costs may go up due to a rise in purchasing expenses. Such tight situations may prompt entrepreneurs to set to work with their finances. Also, there may be indications from the family, accountant or bookkeeper, for instance, that they have concerns about the company’s financial position. That is when entrepreneurs are confronted with their financial matters and how they have organised them.

6.4 Financial insight leads to better results

The researchers also asked business owners about financial performance indicators, such as turnover, sales trends and gross margin. The analysis of the results makes it clear that there is a correlation between the entrepreneur’s level of knowledge and the company’s financial performance. Entrepreneurs who state that they have extensive knowledge of financial matters are more likely to perform better than entrepreneurs who say they are less financially literate. Here the researchers see a strong correlation, but direct causal link cannot be established.

If the entrepreneur has support for financial matters, the positive effect of knowledge on performance is less strong, but still present. So accountants and bookkeepers can compensate for the lack of knowledge on the part of the entrepreneur up to a point. Ultimately, it is the knowledge that entrepreneurs themselves have that remains important when it comes to making financial decisions. After all, in virtually all cases they make these decisions themselves. To improve their levels of knowledge, entrepreneurs can undergo further training in the financial field. This has a positive effect on the level of knowledge and at the same time on the company’s financial performance. So further training is a good way to enhance the knowledge levels that entrepreneurs have about money matters.

6.5 What is the Netherlands Chamber of Commerce working towards in the coming years?

The study makes it clear that the Netherlands Chamber of Commerce must continue to inform and advise businesses on financial matters. In addition to the information on financing that is already in place, the focus will also be on shortcomings in basic financial knowledge. In the coming years, the Netherlands Chamber of Commerce will put even more emphasis on strengthening a more future-oriented way of thinking and acting on the part of entrepreneurs in relation to financial literacy. It will do so by providing even more information and advice about performance variables and profitability forecasts, but also on general and basic financial knowledge. These are aspects that entrepreneurs can use to strengthen their grip on their business operations. Entrepreneurs never stop learning. Financial insight demands ongoing education.
References


# Appendix 1

## Dimensions of money matters

<table>
<thead>
<tr>
<th>Dimension</th>
<th>The significance and importance of the dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Reading balance sheets and profit and loss accounts</td>
<td>The balance sheet and the profit and loss account are the most important parts of the financial statements and are the basis of all bookkeeping. Being able to read a balance sheet and a profit and loss account is essential for every entrepreneur when it comes to understanding what the position is of the company's assets and liabilities, and to gaining an insight into the costs and returns.</td>
</tr>
<tr>
<td>2 Preparing the balance sheet and the profit and loss account</td>
<td>The balance sheet and the profit and loss account are the most important parts of the financial statements and are the basis of all bookkeeping. Being able to prepare a balance sheet and a profit and loss account is essential for every entrepreneur when it comes to understanding what the position is of the company's assets and liabilities, and to be able to calculate the costs and returns.</td>
</tr>
<tr>
<td>3 Preparing a profitability forecast</td>
<td>Profitability is the capacity that the company has to make a profit. Being able to prepare a profitability forecast demonstrates that an entrepreneur understands which factors are important for the costs and revenue, and how potential future costs and revenue affect profitability.</td>
</tr>
<tr>
<td>4 Drafting a profitability forecast</td>
<td>Profitability is the capacity that the company has to make a profit. Being able to draft a profitability forecast demonstrates that an entrepreneur understands which factors are important for the costs and revenue, when the break-even point has been reached, and how potential future costs and revenue affect profitability.</td>
</tr>
<tr>
<td>5 Financing options</td>
<td>Understanding the way in which, the kinds of and the conditions under which the entrepreneur can acquire funding is an important part of the company's financial operations.</td>
</tr>
<tr>
<td>6 Drafting applications for finance</td>
<td>Understanding which aspects are necessary to draft an application for financing, being able to gather the required information independently, and being able to respond to the company's possible funding requirements are essential aspects of financial operations, given the complexity and the extent of being able to obtain financing.</td>
</tr>
<tr>
<td>7 Tax matters</td>
<td>By tax matters, we mean that the entrepreneur is aware of the most important tax regulations for income tax (and corporation tax). Having an understanding of these aspects demonstrates that an entrepreneur is able to take tax implications into account.</td>
</tr>
<tr>
<td>8 VAT declarations</td>
<td>By VAT declarations, we mean that the entrepreneur is aware of the most important tax regulations for turnover tax (VAT), VAT returns and the possibility of getting VAT refunds. Having an understanding of these aspects demonstrates that an entrepreneur is able to take tax implications into account.</td>
</tr>
<tr>
<td>9 Pension schemes</td>
<td>One aspect of an entrepreneur's basic financial knowledge is being aware that he or she is responsible for securing their own pension, for their own pension scheme and must take the future into consideration.</td>
</tr>
<tr>
<td>10 Bookkeeping</td>
<td>Understanding what needs to be recorded in the books, how bookkeeping is actually organised and how ledger accounts are kept demonstrates that the entrepreneur understands how the necessary figures are actually generated.</td>
</tr>
<tr>
<td>11 Accounts receivable and accounts payable management</td>
<td>Processing invoices and payments in the administration in good time so that insights are sufficiently up to date and payments can be made in good time.</td>
</tr>
<tr>
<td>12 Making liquidity forecasts</td>
<td>Overseeing cash flows in order to detect potential liquidity problems in time.</td>
</tr>
<tr>
<td>13 Performance variables</td>
<td>Being able to list key performance indicators (KPIs) for the company, using performance variables to gain an understanding of the current financial position, and detecting rising or declining trends in good time so adjustments can be made.</td>
</tr>
<tr>
<td>14 Interim figures</td>
<td>Preparing, reading as well as actually using interim figures is crucial for being able to have an overview of the company's financial performance in the current financial year.</td>
</tr>
<tr>
<td>15 Investment analysis</td>
<td>Being able to conduct an investment analysis is key to assessing whether a specific investment is financially attractive.</td>
</tr>
</tbody>
</table>
Appendix 2

Description of the sample

Description

The Netherlands Chamber of Commerce entrepreneurs panel was set up so that surveys of requirements could be conducted regularly. The Netherlands Chamber of Commerce entrepreneurs panel has more than 4,000 experienced entrepreneurs and those who are just starting their businesses. About six times a year, panel members are invited to complete an online questionnaire. On 31 May 2016, all 4,091 members of the panel were invited to complete the questionnaire. A reminder was sent to the panel members on 7 June. All in all, 1,676 participants completed the questionnaire, which constitutes a response rate of 41.1%. The participants always get sent a report on the research findings.

Representativeness

The tables below show how representative the sample was of the Dutch population (Ch. of Comm., May 2016). The graph (right-hand side) shows the representativeness of the sectors in the sample. With a difference of 9%, only the consultancy, research and other specialised business service sector is somewhat over-represented in the sample.

<table>
<thead>
<tr>
<th>Representativeness sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry and fisheries</td>
</tr>
<tr>
<td>Mineral extraction</td>
</tr>
<tr>
<td>Industry</td>
</tr>
<tr>
<td>Manufacture and distribution of electricity, natural gas, steam and cooled air</td>
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<tr>
<td>Extraction and distribution of water, waste and wastewater management and remediation</td>
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<tr>
<td>Construction industry</td>
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<tr>
<td>Wholesale and retail trade, vehicle repairs</td>
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<tr>
<td>Transport and storage</td>
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<tr>
<td>Provision of accommodation, meals and beverages</td>
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<tr>
<td>Information and communication</td>
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<tr>
<td>Financial institutions</td>
</tr>
<tr>
<td>Rental of and trading in immovable property</td>
</tr>
<tr>
<td>Consultancy, research and other specialised business services</td>
</tr>
<tr>
<td>Rental of movable goods and other business services</td>
</tr>
<tr>
<td>Public administration, government agencies and mandatory social insurance schemes</td>
</tr>
<tr>
<td>Education</td>
</tr>
<tr>
<td>Healthcare and welfare services</td>
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<tr>
<td>Culture, sport and recreation</td>
</tr>
<tr>
<td>Other services</td>
</tr>
</tbody>
</table>

Expressed in percentages

*Ch. of Comm., 2016, economically active and excluding unknown number of workplaces.
The average age in the sample is 53 years, even though the average age of the Dutch population in general is 45 years (Ch. of Comm., 2016). In the country as a whole, most business owners (15%) are in the age category from 45 to 49 years (Ch. of Comm. 2016). Most of the entrepreneurs in the sample were in the age category from 50 to 54 years (19%).

Conclusion

The analysis shows that the sample is representative in terms of scope, sector, age and gender. The sample has a bias for men in a slightly older age group.

The table below shows that the percentage of men in the sample is higher than it is in the Dutch population.

<table>
<thead>
<tr>
<th>Chamber of Commerce sector</th>
<th>Sample total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Number</td>
</tr>
<tr>
<td>Male</td>
<td>1,301</td>
</tr>
<tr>
<td>Female</td>
<td>375</td>
</tr>
<tr>
<td>Total</td>
<td>1,676</td>
</tr>
</tbody>
</table>

*Ch. of Comm., 2016, economically active and excluding unknown number of wp*
Appendix 3
The most important questions of the survey

The full questionnaire is available from the researchers on request. Below we list the most important questions about knowledge of and organising money matters, and managing and controlling based of figures. Statements were formulated for fifteen dimensions of financial matters. Respondents were asked to indicate the extent to which they agreed with the statement (completely disagree, disagree, neutral, agree, completely agree).

The following statements are about reading balance sheets and profit and loss accounts. Please indicate how much you agree or disagree with the statements.
1. I am familiar with the basic principles of balance sheets and profit and loss accounts.
2. I periodically interpret the balance sheet and profit and loss account for my company.
3. If a certain item in the balance sheet or profit and loss account changes, I understand what the impact will be on my business operations.

The following statements are about preparing balance sheets and profit and loss accounts. Please indicate how much you agree or disagree with the statements.
4. I am familiar with the way in which the balance sheet and profit and loss account are prepared.
5. I periodically draw up the balance sheet and profit and loss account for my company.
6. I am capable of adjusting the course of my business operations based on important changes in the balance sheet and profit and loss account.

The following statements are about preparing a profitability forecast. Please indicate how much you agree or disagree with the statements.
7. I know which figures are required to be able to make a profitability forecast.
8. I am periodically occupied with determining and adjusting the right figures required for making a profitability forecast.
9. If business operations change, I know whether it will have consequences for preparing the profitability forecast.

The following statements are about drafting a profitability forecast. Please indicate how much you agree or disagree with the statements.
10. I am familiar with the way in which a profitability forecast is drafted.

The following statements are about preparing an application for finance. Please indicate how much you agree or disagree with the statements.
11. I periodically make profitability forecasts for my company.
12. I am capable of detecting deviations in the profitability forecast so that I can adjust the course of my business operations in good time.

The following statements are about financing options. Please indicate how much you agree or disagree with the statements.
13. I am familiar with the financing options for my company.
14. I am capable of applying the right source of funding in good time.
15. I know how a change in the financing conditions will impact on my business operations.

The following statements are about preparing an application for finance. Please indicate how much you agree or disagree with the statements.
16. I know what is required for drafting an application for financing.
17. I am the basis for an application for finance for my own company.
18. When my company needs additional financing, I act in good time.
The following statements are about tax matters. Please indicate how much you agree or disagree with the statements.
19. I am familiar with the most important tax legislation regarding income tax.
20. I put enough money aside for income tax or corporation tax.
21. I know what the impact of significant changes in tax legislation will be on my circumstances (for instance, changes in rates or tax-deductible items).

The following statements are about VAT. Please indicate how much you agree or disagree with the statements.
22. I am familiar with the most important regulations with regard to the VAT levy.
23. I fill in my company VAT returns correctly and in good time.
24. I keep track of changes in VAT legislation that apply to my business operations myself.

The following statements are about your pension provision. Please indicate how much you agree or disagree with the statements.
25. I know that, as an entrepreneur, I have to take care of my pension arrangements myself.
26. I am busy putting money aside for later (my pension).
27. Every year, I check the level of my pension and take action if necessary.

The following statements are about bookkeeping. Please indicate how much you agree or disagree with the statements.
28. I know what has to be recorded in the books and how this works.
29. My books are properly organised.
30. By using my bookkeeping properly, I have up-to-date insight into my financial position at any point in time.

The following statements are about the timely processing of invoices and payments. Please indicate how much you agree or disagree with the statements.
31. I am familiar with the basic principles of managing and processing creditors and debtors.
32. I have a good and up-to-date overview of outstanding invoices and the accounts payable and receivable.
33. I act proactively when it comes to creditors that need to be paid and debtors.

The following statements are about your cash flows and liquidity forecasts. By this we mean the overview of current and future revenues and expenses from which it can be deduced whether there are sufficient funds to cover all the expenses. Please indicate how much you agree or disagree with the statements.
34. I am familiar with the basic principles of liquidity forecasts.
35. I am always well aware of what my liquidity position is so that I can predict and prevent liquidity problems in good time.
36. Flagging liquidity problems plays an important role in decision-making in my business operations.

The following statements are about performance variables. By performance variables we mean an important aspect in the business operations that affects the profit. For instance, the quantities of products sold, the number of billable hours per week or the gross margin. Please indicate how much you agree or disagree with the statements.
37. I know what purpose performance variables serve.
38. I periodically check changes in my company's performance variables so that I know what the position is.
39. I can explain and interpret changes in my performance variables, and use them to steer the company.

The following statements are about interim figures. Please indicate how much you agree or disagree with the statements.
40. I know the importance of having an understanding of interim figures in the course of the year.
41. By interpreting interim figures periodically, I have an up-to-date view of the financial status of my company.
43. I adjust my prognoses based on the interim figures.

The following statements are about investment analysis. Please indicate how much you agree or disagree with the statements.
45. I am familiar with the basic principles of an investment analysis.
46. I calculate several alternatives before I invest.
47. I am good at judging whether it is prudent for my company to invest immediately or to postpone investment.
In control of the company