

Microfinance Sector and Traditional Financial System. Bottleneck for Local Entrepreneurship in the DRC?

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Abstract:

The objective of this paper is to suggest a financial solution to local entrepreneurs who have always been burdened by the under-structuring of the Congolese financial system.

This paper analyzed and proposed the solution according to which aid actions at the macroeconomic and microeconomic levels must be coordinated in such a way as to take into account the situation of each entrepreneur and his specific needs, without this approach local entrepreneurship will be doomed to stagnation and successive failures.

Keywords: Microfinance, Bottleneck, Entrepreneurship, DRC

1. Introduction

Local entrepreneurship is a vital factor for any country that wants to ensure its growth and the full employment of its factors of production (Toma, Grigore, & Marinescu, 2014).

Indeed, the level of well-being of its population depends essentially on the way in which economic agents perform the main functions devolved to any economy, namely: the production, trade and consumption of goods and services. However, in this process of production, exchange and consumption of goods and services within any economy, the finance plays a preponderant role. In this respect, the finance is to any economy, small or large, closed or open, what blood is to the human organism (Stewart, 2005; Choe & Moosa, 1999; Prochniak & Wasiak, 2017; Mishra & Narayan, 2015).

Consequently, the main function of the financial system is to "pump" money in all its forms into the economy in order to ensure the survival and development of economic agents. Among the economic agents involved in the production sector within a nation are local entrepreneurs, engaged in both formal and informal economic activities.

The political, social, economic and cultural evolution of the DRC, marked by decades of wars, deadly and recurrent conflicts, has placed local entrepreneurship at the center of its economy while foreign entrepreneurs consider the DRC to be a high-risk country (Le Billon, 2005).

However, the place of local entrepreneurship within the Congolese economy has remained rudimentary and fragile, and its sustainability has always been compromised by various constraints (Sovacool, 2019). The major reason for non-innovative and non-competitive local entrepreneurship in the DRC is the virtual absence of a financial services offer that meets its specific needs (Nguli & Odunga, 2019).

Through this paper, we want to make our contribution on governance, financing and the sustainability of local entrepreneurship as a factor in the consolidation of peace and development in North Kivu and the DRC in general.

While microfinance is considered globally as an effective tool in the fight against poverty and as a way to access to financial services for low-income populations, many developing countries, even developed ones, have recognized microfinance as an alternative strategy for the development of local micro, small and medium-sized enterprises that contribute effectively to the growth of GDP and economic development.

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Unfortunately, in the DRC, despite the strong demand for financial structures from local entrepreneurship, the effects on household living standards and economic growth remain Outstanding.

Indeed, while the period from 2000 to 2008 was characterized by the emergence of microfinance institutions in the DRC in general and in North Kivu in particular, since 2009 the sector has been affected by a liquidity crisis with unfortunate social and economic consequences (Marivoet & De Herdt, 2019).

However, despite the fact that the Congolese government has adopted microfinance as one of its poverty reduction strategies, after the establishment of the FPM and the FNM, more than a hundred cooperatives and microfinance institutions have been subjected to forced dissolution, as have the organizations that have used the bad practices (Kapitene, 2019).

Since these repressive measures by the supervisory and regulatory authority, five years later, small and medium-sized enterprises no longer have access to basic financial services such as savings and loans. Even their savings deposits were never recovered. This phenomenon has not only slowed down the activities of these local companies but also led many of them to bankruptcy. As a result, instead of being an instrument for fighting poverty, microfinance has proved to be more of a tool for aggravating it (Kambale, 2019). While MFIs and COOPEC are gradually disappearing, commercial banks are gradually setting up shop and trying to get back COOPEC clients and members. However, while these clients who are members of MFIs and COOPEC can easily access savings, their access to the credit they need remains hypothetical (Mungu Akonkwa, Kanyurhi, Juwa, & Hongo, 2022).

In an attempt to understand this phenomenon, we formulated the problem we address through this paper by asking the following fundamental question: are the microfinance sector and the traditional financial system the bottleneck of local entrepreneurship in North Kivu and the DRC?

Answering this fundamental question requires adequate responses to the following specific concerns:

- What are the characteristics of entrepreneurship in North Kivu and the DRC?
- What are the obstacles to financing local entrepreneurship arising from MFIs, COOPEC and commercial banks?
- How can these obstacles be removed to ensure the sustainability of local entrepreneurship?

2. Methodology

To achieve the goals, we set ourselves in this paper, we considered it appropriate to adopt an approach that draws on the classical and neo-institutionalist theories underlying the exclusion of SMEs by banks.

In addition to the introduction and conclusion, the Communication is structured around five points below:

- Clarification of key concepts
- The characteristics of local entrepreneurship
- The financial needs of local entrepreneurship
- Endogenous obstacles to the microfinance sector and the traditional financial system
- Possible solutions

2.1. Clarification of Key Concepts

In this point, it is a question of clarifying the notion of the microfinance sector, financial and entrepreneurship system.

2.1.1. Microfinance Sector

By microfinance sector, we retain here that it is the component of a country's financial system, ensuring the supply of specific financial and non-financial services to meet the demand of agents (households) long excluded by the traditional financial system (Mbalikul'Irah, 2014) Microfinance is itself defined as the set of mechanisms implemented to ensure the provision of financial and non-financial services to low-income populations excluded by traditional banks (UNDP, 2006).

Microfinance institutions are formal and informal decentralized financing structures that specialize in providing financial services to poor but economically active households. They focus their financial services on customers who do not have material guarantees (Fernando, 2005).

2.1.2. Classic Financial Sector

The traditional financial sector is understood here as all banking and non-banking financial institutions that provide their services according to an economic logic whose legal and regulatory framework as well as practices officially exclude the poor (Stiglitz, 1998; Debruey, 2006).

Currently, the DRC's traditional financial system, apart from Congo's central bank, has fewer than twenty-five banks, all of which are foreign-owned (Mutombo, 2021). In North Kivu, this traditional financial system is made up of the management of the BCC and eleven commercial banks concentrated in the city of Goma. Less than half of these banks have branches in the cities of Beni and Butembo (Central Bank of Congo, 2021).

To some extent, savings and credit unions that focus on less poor households and have material collateral are part of the traditional financial system. Some cooperatives in North Kivu are also part of the traditional system insofar as their target group (categories of members) is the same as that of commercial banks (Matabisi, 2011).

2.1.3. Local Entrepreneurship

The objective here is to build the concept of entrepreneurship by identifying the main characteristics, describing and explaining the constraints related to the microfinance sector and banks, thus limiting its growth and development.

For the purposes of this communication, local entrepreneurship is taken as all micro, small and medium-sized enterprises created and managed by Congolese economic operators. This local entrepreneurship includes micro, small and medium-sized enterprises in the formal sector as well as those in the informal sector. It is useful to point out that in this communication, we will limit ourselves to organizations that are essentially profit-making and therefore part of an economic logic that favors financial autonomy at all times.

2.1.3.1. Structure of Local Entrepreneurship

Local entrepreneurship in the DRC can be structured into two main categories, namely: the informal sector and the formal sector.

The informal sector

The DRC's informal local entrepreneurship sector can be structured in turn into five categories below:

- Micro enterprises
- Small businesses
- Craft businesses
- Agricultural, livestock and fishing businesses
- Mining companies

2.1.3.2. Characteristics of local entrepreneurship

The various enterprises in the informal and formal sector of local entrepreneurship have the characteristics detailed below:

2.1.3.2.1. Characteristics of the informal sector

Micro Enterprise Features:

- Amount of venture capital: between \$10 and \$500
- Location: 99% in cities and urban centers, in markets and on the streets
- Entrepreneurs' fields of activity: small business and other services such as transport by motorcycle taxi, bicycles, car taxi, minibus
- Gender of the entrepreneur: 89% women

Small Business Characteristics

- Venture capital: from micro to small business
- Location: around markets and along main arteries in large cities and urban centers in the form of shops
- Entrepreneurs' activities: clothing trade, various products, food products, transport of goods and people, agro-industrial products, etc.
- Gender of the entrepreneur: 80% are male

craft enterprises Characteristics

- Amount of venture capital: between \$500 and \$5000
- Location: 99% in cities, urban centers, in working-class neighborhoods and along main arteries
- Fields of activity: carpentry, mechanics, electricity, plumbing, masonry, stone crushing

agricultural, fisheries and livestock enterprises Characteristics

- Venture capital: non-financial (in-kind)
- Location: agricultural production for consumption, surplus is sold to traders
- Areas of activity: 99% in rural areas
- Gender of entrepreneurs: 70% are women, 30% are men in agriculture and livestock, while 99% are men in fisheries

mining and artisanal enterprises Characteristics

Venture capital : non-financial for quarry diggers.

The amount varies between \$100 and \$500 for intermediaries

Location : rural or quarry area

Areas of activity: extraction, purchase and sale

Gender of entrepreneurs: 70% of men and 30% of women

One of the major problems of the local entrepreneur in the informal sector in the DRC is access to the capital-risk or capital necessary to create the business.

In the absence of any appropriate body, almost all the companies in these five categories are generally created from very derisory financial resources. They are either equity or loans contacted from families or friends.

However, it is important to emphasize here the creative genius of Congolese entrepreneurs, most of whom started out as very small businesses, which have mutated over the years from micro to small businesses and later to medium-sized enterprises. This change has always taken place without any technical and financial support from the government and even less from the DRC's international partner institutions.

Although these companies are described as informal, it should be noted that they do not escape taxes. The latter are collected by the various departments of the public administration, including the various entities (market, district, municipality, town hall, etc.).

1.3.2.2. Local entrepreneurship in the formal sector

As already pointed out earlier, the innovative and specific characteristic of the local entrepreneur in the DRC is his ability to mutate from micro to small enterprise and then from small enterprise and then to medium-sized enterprise, and in order to move from informal to formal.

The economic evolution of the DRC shows that during the colonial era, entrepreneurship was dominated by large public or private companies. The latter belonged mainly to foreigners. The SME sector was itself dominated by immigrants from East Africa and Asia. Unlike the large companies that were Zaireanized in 1974, companies owned by West African and Asian immigrants continue to occupy an important part of the DRC's economy, especially in the main cities (Kiuma, Araar, & Kaghoma, 2019).

However, the Government of Germany must be congratulated for its financing of the start-up of a few small businesses through the peacebuilding fund, whose initiators have presented business projects that have met the eligibility criteria.

Despite the constraints and multiple challenges of a security, political, social, economic and environmental nature, the companies created and managed by the Congolese constitute the foundation of the economy of these eastern provinces.

As a result of the structural insecurity in rural areas, companies are concentrating their activities in the field of general trade based essentially on the import of basic consumer products that were once produced locally. Some of them have specialized in services such as gas stations, urban transport, interprovincial lake, air or road transport. Other local companies have specialized in the export of agro-industrial products (coffee, cinchona, cocoa) and mining products. Unfortunately, very few of them have specialized in the local processing of these products, particularly because of the very high costs of production factors (high cost of capital and energy), which does not encourage local and foreign investors.

Thus, like Congolese micro and small enterprises in the informal sector, those in the formal sector are mainly located in urban areas.

Here, male entrepreneurs are in the majority by the simple fact that the level of activity requires frequent travel abroad but also financial significant resources, as married women but entrepreneurs are limited in their movements.

The few companies that have dared to invest in the processing of local products in the DRC, following restrictive economic and fiscal policies, are not slow to disinvest and set up in neighboring countries to be more competitive. This is the case of the company Super Match, which closed its production plants in Goma, North Kivu, to set up in Uganda. Thus, it imports raw materials from the DRC, processes them in Uganda and exports its finished products to the DRC.

I.3.3. Financing needs of local entrepreneurship

These needs are categorized according to the formal and informal sector:

Table 1. Business needs in this informal sector

Category	Type of requirements	Level of satisfaction	Financing institution
Micro enterprises	Micro savings Micro loans Micro assurances Micro transfert	1% in rural areas and between 1 and 5% in urban areas	COOPEC, MFI, Banks,
Small enterprises	Savings, loans, insurance, credit to Mid run and Long run	<1% en rural ares and between 1 et 5% in urban areas	COOPEC, MFI, commercial banks
Agricultural businesses	Credit savings Agricultural micro loans	0% in rural areas 0% in urban areas	-
Craft businesses	Savings, loans Transfer Assurance	<2% in urban areas	COOPEC, MFI
Mining companies	Savings Short term, midterm and long-term Credit Transfer Assurance	0% Rural and urban	-

Table 2. Financial needs of formal sector

Category	Type of requirements	Level of satisfaction	Financing Institution
Formal commercial enterprises	Savings Short terms and long-term credit	Between 1 and 5%	COOPEC and Banks
Small and medium-sized industries	Short terms and long-term credit	0%	-

According to BCC statistics, the DRC's banked population is estimated at less than 1% in rural areas and less than 5% in urban areas (Ilunga, 2014). However, the actual situation on the ground shows that these statistics are overestimated.

In North Kivu, for example, since the world has existed, the territories of Nyiragongo, Masisi and Walikale have never had a single bank open window. For the territories of Lubero and Beni, only the cities of Beni are served by a few banks, COOPEC and MFIs operating in North Kivu.

All eleven banks, MFIs and COOPEC concentrate their operations mainly in the city of Goma, the capital of the province of North Kivu. The situation is even worse in the other provinces except the cities of Kinshasa and Lubumbashi, in terms of access to financing.

The situation of the local entrepreneur in the DRC, in view of this reality, remains precarious. However, the financial needs of local entrepreneurship, instead of being considered as a threat, are rather an opportunity in terms of potential. Optimal access to financial services for Congolese entrepreneurs is one of the key factors in contributing to the improvement of the national budget, growth and the fight against poverty.

I.3.4. Endogenous obstacles to the microfinance sector and the traditional financial system

Without going into theoretical details, this section allows us to highlight the obstacles arising from the microfinance sector and the traditional financial system. These obstacles are located at three levels: the evolution of the financial system and the microfinance sector, the legal framework and governance, and the management of operations and risks.

For more than three decades, the financial system and the microfinance sector, instead of strengthening entrepreneurship, has rather been annihilated through the "destocking" of capital as shown in the following table:

Table 3. Destocking of entrepreneurial finance capital by banks and MFIs in North Kivu

N°	Period	Event	Causes	Capital lost in \$	Capitalized loss
1	1985-2014	failure of the BCC, banks and COOPEC	Economic crisis (hyperinflation)	6 000 000\$	33 359 504\$
2	2008-2014	Bad practices in microfinance	DUTCH INTERNATIONAL	10 000 000\$	17 715 610\$
3	2011-2014	Liquidity crisis	Closures and liquidation of MFIs and COOPEC	10 000 000\$	17 715 610\$
4	2012-2014	Liquidity crisis	Bankruptcy of COOPEC IMARA	26 000 000\$	34 606 000\$
5	2012-2014	Liquidity crisis	Bankruptcy of non-profit organizations following IMARA	1 000 000\$	1 331 000\$
Total				53 000 000\$	104 727 724\$

In view of the information in [Table 3](#), it appears that the traditional financial system and the microfinance sector have taken a total amount of fifty-three million US dollars from the population of North Kivu. This amount represents the stock of capital lost by savers in North Kivu, which is mainly made up of low-income households operating in local entrepreneurship.

The loss capitalized at the discount rate of 10% per annum.² The various sums of money lost in the traditional financial system and the microfinance sector would represent an amount of \$104,727,724 in December 31, 2014.

In other words, local entrepreneurship has lost fifty-three million capital stocks over the past twenty-five years in US dollars. This capital, if it had not been lost, would have generated minimum interest for savers in the order of \$51,727,724.

In such a context, local entrepreneurship is a triple victim on a financial, economic, legal and regulatory level. On the one hand, Community initiatives in the creation of financing structures are paralyzed. On

² We used the average growth rate of the specific period as the discount rate considering that the savers could have earned on that rate. $Co(1+i)^n$; Co=lost capital, n = period since the loss, i= discount rate.

the other hand, initiatives in the form of micro-enterprises and SMEs are not only dispossessed of their financial assets, but also, they no longer have access to the various credits they need.

Finally, the inefficiency of the microfinance sector in the DRC in general and in North Kivu in particular has enabled commercial banks to recover the microfinance market. Unfortunately, while banks readily accept deposits from micro, small and medium-sized enterprises, the latter are still victims of access to credit from commercial banks because they do not have the required guarantees.

This explains the phenomenon of the transfer of financial assets from the poor to the rich today. The latter, having the material guarantees required by commercial banks, easily benefit from credit thanks to the deposits of the poor. Commercial banks aiming solely for financial profitability concentrate most of their loans on the least risky customers. This is why they limit their offers to urban areas only, mainly in these cities (Stiglitz & Weiss, 1983)

In the DRC in general and in North Kivu in particular, rural populations, especially farming, herding and fishing households, still have many years to access the financial services offered by commercial banks. The only subsidized international MFIs are still far from establishing themselves in rural or peri-urban areas, especially in the current context of the province of North Kivu. Even in a normal context, the scale of the needs of DRC financial services requires that professional Congolese entrepreneurs be fully engaged in the financial sector, as promoters of investment funds of COOPEC and MFIs.

The evolution of the legal and regulatory framework is both an opportunity and a threat to local entrepreneurship.

Table 4. Evolution of the legal and regulatory framework for MFIs from 2003 to 2014

Period	Type	Minimum capital in \$	Tome	Minimum number of supports
2003-2005	Microfinance company	15000	Corporation	2
	Microfinance company	25000	Legal Person	2
	Microfinance company	50000	SARL	7
2005-2011	Microfinance company 1st category	15000	Legal person form of its choice	2 legal people or natural people.
	Micro Category 2 Company	25000	Artificial person Form of your choice	Two people
	Microfinance company	100000	Legal entity SARL	Legal entity SARL
2011 to present	Microfinance company	100000	SARL or SA	Legal entity SARL morale Sarl/ou SA
	Microfinance company	350000	SA	Seven people

Risks inherent in the duality between the Congolese legal and regulatory framework

According to the current regulations, it is the central bank that gives legal personality to COOPEC, a microfinance institution. The evolution of the minimum capital required has resulted in the exclusion of the Congolese, who are less endowed with the financial assets to undertake in this sector, as shown in the table below:

Table 5. Evolution of minimum capital for microfinance enterprises and companies in the DRC

Period	2003-2005	2005-2011	2011 to present
Initial capital/microfinance business	\$15000 and \$25000	\$15000 and \$25000	\$100 000
Initial capital/microfinance business	\$50000	\$100000	\$350000

Between 2003 and 2014, ten years later, the capital of the microfinance company increased from \$15,000 to \$100,000, an increase of more than 567%. That of the microfinance company has increased from \$50,000 to \$350,000, an increase of 600%.

In view of the evolution of the political, economic and social context of the DRC in general and of the province of North Kivu in particular, it is easy to note that the financial capacity of Congolese entrepreneurs has not evolved in the same proportion as the increase in these conditions for the constitution of MFIs. On the contrary, it has evolved in a negative direction.

Timeliness of the current legal and regulatory framework in the DRC

The current new legal and regulatory framework is an opportunity for local entrepreneurship in several ways. Firstly, the laws on COOPEC and MFIs provide legal certainty for Congolese economic operators who want to invest in the microfinance sector in the DRC. Secondly, this framework is a valuable tool for the protection of consumers, members and clients of COOPEC and MFIs. The initiative to popularize the legal and regulatory framework taken by the regulatory authority allows both financial providers and consumers to master the legal, regulatory and administrative requirements necessary for the development of local entrepreneurship in the DRC.

Threats arising from the legal and regulatory framework for microfinance in the DRC

According to legal and regulatory texts, NGOs and non-profit organizations are not allowed to carry out microfinance operations in the DRC. However, in the particular context (post-conflict situation or natural disasters), resources are available at the level of international NGOs to support populations who have passed the emergency and rehabilitation phases. In the social and economic reintegration phase, people need financial services to develop IGA. In such a context, micro, small and medium-sized enterprises are excluded from donor financing because banks, MFIs and COOPEC cannot risk themselves on this market.

Since 2012, the DRC has joined OHADA, whose legal and regulatory framework aims to promote local entrepreneurship, in particular by simplifying legal and administrative procedures for the creation of businesses in all branches of human activity, including financial activities. Whereas according to the Uniform Act on Cooperative Societies, legal personality is conferred on the COOPEC by its registration in the Trade and Real Estate Title Register. Hence the question of primacy between the Congolese legal and regulatory framework and that of OHADA. Any resulting contradiction exposes entrepreneurs and consumers to serious risks.

As for the law governing MFIs, Congolese investors are at a disadvantage compared to other investors who are citizens of other OHADA State Parties. We can explain this situation in the following table:

Table 6. OHADA and Congolese legal and regulatory framework in microfinance

Type of business or corporation	Shape Microfinance company	minimum capital	
		OHADA	Congolese
Microfinance company	SARL or SA	\$2500	\$100000
Microfinance company	SA	\$25000	\$350000

Consequences on local entrepreneurship

Based on the "minimum capital" factor alone, a single microfinance company created in the DRC corresponds to 40 microfinance companies in the other OHADA member countries.

As for the microfinance company created in the DRC, the creation of fourteen microfinance companies in the other OHADA member countries corresponds. Also, *despite the speeches about cleaning up the business climate, the administrative procedures for the creation of a company in the DRC remain expensive and therefore beyond the officially taxed fees.*

As for foreign investors, the propensity to invest in Congo in the microfinance sector remains very slow compared to other OHADA States Parties but also to those of other parts of the world. In short, in its current form, the legal and regulatory framework of the microfinance sector in the DRC remains a factor of exclusion from access to financial services for local entrepreneurship.

Solutions

The strangulation of Congolese entrepreneurship by the microfinance sector and the traditional financial system that is supposed to ensure its protection and sustainability deserves special attention from all stakeholders. These include the government, donors, support and accompaniment institutions, financial service providers (COOPEC, MFIs, commercial banks, development banks, specialized financial institutions, professional associations, providers and consumers of financial services, the latter being made up of micro, small, medium and large enterprises).

The sustainable and effective solution requires that all actors in the market of this entrepreneurship, microfinance and financial sector have the same understanding, the same perception, the same vision of the opportunities and threats, of the challenges and constraints, of the policies and strategies to be implemented.

This implies a real will on the part of policymakers and partners to ensure that the microfinance and local entrepreneurship sectors finally have policy documents and strategies, designed, accepted and validated by all stakeholders, and adopted by the national and provincial governments. The provincial policy and strategy document is justified by the fact that each province of the DRC has specificities in relation to local entrepreneurship and its need for financing.

Apart from this solution, local entrepreneurship, instead of developing, innovating and being competitive on the local and foreign market, would be regressing or even disappearing in the long term, leaving room for multinationals and only foreign entrepreneurs. This poses a real threat to peace and security since the local populations, made up mainly of young people in and out of school, do not have access to financial resources, employment, basic goods and services. This possibility is more real for the province of North Kivu, which, following the continuous destocking of capital, the political and administrative authorities through different levels are not paying attention to the.

Conclusion

Our intervention in this paper focused on the microfinance sector and the traditional financial system as a bottleneck for local entrepreneurship.

Its development was part of the main theme focused on governance, financing and the sustainability of local entrepreneurship as prerequisites for the consolidation of peace and development in North Kivu.

The concern we have tried to address stems from the questioning of the role of the microfinance sector and the traditional financial system on the development of local entrepreneurship in a post-armed conflict country such as the DRC in general and that of the province of North Kivu in particular.

To address this concern, the presentation was based on neo-institutionalist theories. The provision of financial services to SMEs was structured in five points, in addition to the introduction and conclusion.

In the first point, the presentation focused on the clarification of the concepts constituting the present sub-theme by placing them in the context of the DRC. The second point highlighted the characteristics of entrepreneurship in the DRC. The financial need for local entrepreneurship was the subject of the third point, while the endogenous constraints of the microfinance sector and the traditional financial system to the development of entrepreneurship made the bulk of the fourth point.

Based on the data on the province of North Kivu, through the development of these four aspects, it emerged that the microfinance sector and the banking financial system, instead of strengthening the capital stock

of economic agents, have rather contributed to its destruction over the last thirty years. This is at the root of the continuous atrophy of local entrepreneurship in the DRC, particularly in the province of North Kivu.

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Appendix

Questions about basic financial knowledge.

Q26. You have TL 1,000 invested in a saving account which pays 10% APR compounded annually. Annual inflation during the same period is 15% per year. After one year, what will be the purchasing power of your money be?

Q27. What are your thoughts on the statement, "Investing in a single stock provides a more reliable return than any mutual fund containing stocks"?

Q28. What happens to the risk of a portfolio if an investor holds their money in a portfolio consisting of various assets?

Q29. Which of the following statements is correct about mutual funds?

Q30. What happens to bond prices when interest rates fall?

Q31. "Stocks are riskier investments than bonds."

Q34. "Buying the bonds of a company makes you a shareholder?"

Q35. "When you buy bonds, you earn interest."

Q36. As the risk of a security increases, its return also increases.

Q40. "The sum of debts and equity constitutes the total liabilities"

Q41. A company has TL 10,000 of shareholders' equity and TL 8,000 of liabilities. Therefore, the total assets of this company must be TL 18,000.

Q55. "Only stocks are traded in stock exchanges."

Q57. If the inflation rate is higher than the bank's interest rate on loans, it's beneficial to take out a bank loan.

Q58. "An investment with a high risk also has a high return."

Q62. "Assume your monthly salary is TL 2,000. Your expenses include TL 900 for rent, TL 500 for groceries, TL 350 for transportation, and TL 100 for clothing. If you want to save TL 600, how many months will it take you to save this amount?"

Questions about market information.

Q45. EFT (Electronic Funds Transfer) is the name for money transfers between branches of the same bank.

Q46. Stock trading can be done via internet banking.

Q52. In Turkey, the annual deposit interest rate is below %10.

Questions about retirement plans.

Q49. In the individual retirement system (BES), contributions must be paid for 10 years to qualify for retirement.

Q56. When you retire from the individual retirement system (BES), the pension you receive from the Social Security System is discontinued.