

CHRISTIAN SERVICE UNIVERSITY
COLLEGE SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING AND FINANCE

**THE DETERMINANTS OF FINANCIAL LITERACY AMONG MARKET
WOMEN IN GHANA.**

BY
OWUSU ASAMOAH EMMANUEL
CHARITY BADU
FOSU RICHMOND
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**A PROJECT WORK SUBMITTED TO THE SCHOOL OF BUSINESS,
CHRISTIAN SERVICE UNIVERSITY COLLEGE, IN PARTIAL
FULFILLMENT OF THE REQUIREMENT OF THE AWARD OF
BACHELOR OF BUSINESS ADMINISTRATION (ACCOUNTING OPTION).**

JULY 2020

DECLARATION

We have read the university regulations relating to plagiarism and certify that this report is all our own work and do not contain any unacknowledged work from any other source. We also declare that we have been under supervision for this report herein submitted.

Name	Index Number	Signature	Date
Owusu Asamoah Emmanuel	10004525	.....	.....
Charity Badu	10002738	.....	.....
Fosu Richmond	10002918	.....	.....
Abena Konadu Frimpong	10002586	.....	.....
Janis Serwaa Krupa	10002569	.....	.....

SUPERVISOR'S DECLARATION

I hereby declare that the Preparation and Presentation of this dissertation was Supervised In accordance with the guidelines on supervision laid down by Christian Service University College.

Supervisor's Name

Mr. Etse Nkukporu

Head of Department

Mrs. Joyce Quartey

DEDICATION

This project work is dedicated to the almighty God for his wisdom, protection and guidance throughout the whole year academic work.

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ABSTRACT

The study focused on the determinants of financial literacy among market women in the SME sector in Ghana. A total of 145 market women in the SME sector participated in this study. These samples have been processed and analyzed using SPSS software version 21 and Microsoft excel. The study found that, out of the three determinants of financial literacy studied (age, education and income), two of the determinants (level of education and level of income) of the market women in the SME sector in Ghana have significant positive relationship with the level of financial literacy. The study also established that 67.5% of variation in the level of financial literacy can be explained by the determinants (age, education and income level) and the remaining 32.5% of the level of financial literacy are explained by other factors not captured in the multiple linear regression model. The study recommends to institutions such as Association of Ghana Industries (AGI), microfinance institutions and other regulatory bodies to educate market women in the informal sector on the basic financial concepts in order to boost their risk profile and enable them to access credit. The study is also limited to the Kumasi metropolis in the Ashanti region, however there are ten regions in the country hence this will inhibit the generalization of the findings. Future studies could consider other geographical locations in their quest to contribute to the subject area.

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CHAPTER ONE:

INTRODUCTION

1.0 Background of the Study

One of the biggest challenges of developing economies is women empowerment which can only be attained making women educated, finance liberated and independent. Financial literacy is the ability to know how money works in a daily business operations. Specifically, it involves the set of knowledge that enables an individual to make informed and effective decisions with the available financial resources at their disposal. In Ghana, women have enormous potential to contribute towards the growth of the economy, therefore financially independent women can be a great source of economic development.

The critical role and importance of women entrepreneurs for economic development has been documented (Adom, 2014; Adom and Williams, 2012; William, 2008). It is also significant to point out that female entrepreneurs contribute significantly to the socio-economic development of a country (Adom, 2014). This is because women represent large human capital required for sustainable economic development. Most of the women in this entrepreneurial businesses operate small and medium size enterprises (SMEs), most significantly in developing and emerging economies. According to Abor and Quartey (2010) and Adom and Williams (2012) women dominate the SMEs sector in Ghana. De Vita et al. (2014) also acknowledged that the contributions of female entrepreneurs is phenomenal globally. The massive contributions of SMEs for which women are in the majority to the socio – economic development of an economy through new job creation, entrepreneurship and innovation, gross domestic product, human resource development and poverty

alleviation is significant (Abor and Quartey, 2010; Akorsu and Agyapong, 2012). According to Eniola and Entebang (2015), the growth and sustainability of the SMEs sector is of concern to government and other relevant state agencies. Wise (2013) argue that SMEs financial literacy is critical for the establishment, growth and survival of small enterprises.

According to Oseifuah (2010), financial literacy among SMEs is very crucial as it enables them to undertake financial decisions. Also, Dahmen et al. (2014), posit that inadequate financial literacy knowledge among SMEs especially women puts the economy at risk. However, these economic units mostly women encounters many challenges in their management systems, lack of an efficient and effective financial management. Despite the significant contributions and the dominance of women in the SME sector in every economy, financial literacy among SMEs is a fairly fresh research field, most importantly in developing economies (Bruton, 2013). In Ghana, as in most developing countries, majority of research focused on investigating financial resource challenges since acquisition of capital is an important and common problems for many SMEs (Atkinson and Messy, 2012; Adomako et al., 2016; Dahmen et al., 2014).

Mainly due to this trend in mainstream SME research, amount of research studies analyzing financial literacy remained fairly low to date. In Ghana, studies on financial literacy focused on financial literacy among students, employees and the general population (Ansong and Gyensare, 2012; Mireku, 2015; Agyei, 2018; Borodich et al., 2010; Arrondel et al., 2014; Plakalovic, 2012). This has resulted in the scarcity of literature in the area of financial literacy among SMEs in developing economy, Ghana

and this calls for scholarly attention. To fill the gap in the literature and contribute to the existing body of knowledge with empirical evidence from a developing economy Ghana, this current study is designed to test the determinants of financial literacy among market women in Ghana.

1.1 Statement of the Problem

The critical role and importance of women entrepreneurs for economic development has been documented and contribute to the socio- economic development of nations (Adom, 2014; Adom and Williams,2012; William, 2008). According to Abor and Quartey (2010) and Adom and Williams (2012) women dominate the SMEs sector in Ghana. This sector contributes over 90% of the businesses and account for 50 to 60% of employment, contribute about 70% to Ghana's Gross Domestic Product (GDP) in most African countries (Ahiawodzi and Adade, 2012; Abor and Quartey, 2010). Yet, market women in developing economies face a number of problems such as lack of financial management skills which places significant constraint on their business development (Adomako et al., 2016). According to Sucuahi (2013), Lack financial literacy would hinder the business of SMEs for which women are in the majority. Prior studies in financial literacy in Ghana focused on university students (Mireku, 2015; Ansong and Gyensare, 2012; Agyei, 2018). This has resulted in the scarcity of literature in the area of financial literacy among SMEs in developing economy, Ghana and this calls for scholarly attention. To fill the gap in the literature and contribute to the existing body of knowledge with empirical evidence from a developing economy Ghana, this current study is designed to test the determinants of financial literacy among market women in Ghana

1.2 Objectives of the Study

The study seeks to find out the determinants of financial literacy among market women in Ghana. Specifically, the study seeks:

1. To ascertain the influence of age on the level of financial literacy among market women in Ghana.
2. To determine the influence of education on the level of financial literacy among market women.
3. To ascertain the influence of income on the level of financial literacy among market women in Ghana.

1.3 Research Questions

1. What is the influence of age on the level of financial literacy among market women in Ghana?
2. What is the effect of education on the level of financial literacy among market women in Ghana?
3. What is the effect of income on the level of financial literacy among market women in Ghana?

1.4 Significance of the Study

This research work is important and timely for a number of reasons. First, the study contributes to the existing literature on determinants of financial literacy among SMEs specifically market women in Ghana. In a developing economy like Ghana, research work has concentrated on other sectors of the economy with little attention to the SME sector which contributes significantly to the growth of the economy, yet no previous study has considered the determinants of financial literacy among market

women in the SME sector. This implies that, this study is being conducted for the very first time.

Second, the SME sector in developing economies have a lot of challenges, notably among them is lack of capital to start businesses which scholars have attributed several reasons. This research work intends to contribute to discussions on these issues, and in particular, within the context of SMEs contributions in the developing economies. Additionally, the outcomes of the research will provide evidence of SMEs knowledge in personal finance for the development of guidelines for implementing an effective financial literacy program. This improve the quality of life of the people and growth of businesses in Ghana. Fourth, the result will inform and shape policies and regulation concerned with financial wellbeing towards SMEs sector growth and survival.

Finally, information on determinants that influence the financial knowledge reported in this research work can aid policymakers, governments, managers of SMEs, and investors who constantly make policies to promote and empower women in the SME sector in Ghana.. This study is therefore not only important to these stakeholders, but also timely due to the important contributions of women towards job creation and revenue generation to government through payment of taxes and their contribution to gross domestic products of developing economies.

1.5 Scope of the study

The study is scoped in Ashanti region with particular focus on market women in the Kumasi metropolis. The reason being that Ashanti region is the second largest business hub in Ghana.

1.6 Organization of the Study

This study was divided into five chapters. Chapter one consisted of the background of the study, the problem statement, research objectives and questions of the study and the significance of the study, scope and limitation of the study. Chapter Two includes review of relevant literature (both empirical and theoretical in the area of financial literacy). Chapter three provides details on the research design and research techniques guides the facilitating the study. In addition, Chapter Four was devoted to data analysis and discussion of findings. Chapter Five provides the summary of findings, conclusions and recommendations for the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter contains review of relevant literature related to the issues and variables under study. The study covers the following areas; theoretical review, meaning and overview of financial literacy, overview of market women in the SMEs sector, and empirical review of relevant literature. This theory that underpinned the study is the Resource Based View theory.

2.1 Resource Based View theory (RBV)

The resource based view postulate that organizations are bundle of resources and that organizations are ‘combiners’ of valuable, heterogeneous, imperfect and mobile resources (Yang and Konrad, 2011). The main idea of the RBV is that a firm can achieve sustained competitive advantage and eventual superior growth and performance if it acquires and controls valuable, rare, inimitable and non-substitutable resources and capabilities, as long as it has the ability to absorb and apply them (Barney et al., 2011). Resources such as assets, capabilities, organizational processes, information and knowledge can help generate sustained competitive advantage. A growing body of scholarly work suggests that the internal capabilities of the firm should be examined to explain firm performance (Bloom and Smith, 2010). As indicated by Siemens (2010), the configuration of a firm’s capabilities enables the firm to efficiently pursue its growth.

2.2 Meaning and Overview of Financial Literacy

Lusardi and Mitchell (2011) conceptualized financial literacy as the knowledge of basic financial concepts and ability to do simple calculations. Jorgensen and Savla, (2010), defined financial literacy as “the ability to evaluate the new and complex financial instruments and make informed judgments in both choice of instruments and extent of use that would be in their own best long-run interests”. A widely accepted comprehensive definition by Organization for Economic Co-operation and Development (OECD) conceptualized financial literacy as “knowledge and understanding of financial concepts and risks, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life” (Klapper and Oudheusden, 2015).

OECD focused on three basic comprehensive dimensions of financial literacy: financial knowledge, financial behaviour and financial attitude (Atkinson and Messy, 2012). The following scholars posit that individuals with high financial literacy perform better in terms of numeracy (Lusardi and Mitchell, 2011; Atkinson and Messy, 2012; Agarwalla et al., 2013; Jariwala et al., 2016; Yu et al., 2015), savings (Atkinson and Messy, 2012; Klapper et al., 2012; Agarwalla et al., 2013; Jariwala et al., 2013), earnings on savings, identifying bank accounts giving higher interest rates (Deuflhard and Inderst, 2014), risk diversification (Lusardi and Mitchell, 2011; Atkinson and Messy, 2012; Agarwalla et al., 2013) and risk tolerance (Jariwala et al., 2013; Yu et al., 2015). 2012; Agarwalla et al., 2013), usually borrow at low cost and pay attention to fees (Bucher-Koenen et al., 2016), feel more empowered to take

investment decisions and experience controlled spending behaviour (Jariwala et al., 2013).

Usually highly financially literate individuals possess debt literacy (Lusardi and Tufano, 2015), understand the concept of interest compounding (Lusardi and Mitchell, 2011) and time value of money (Atkinson and Messy, 2012; Agarwalla et al., 2013). Huston (2012) found that financially literate credit card holders, with no intention to use card as a borrowing instrument, were not concerned about borrowing cost, instead only those who used credit cards as borrowing instrument, were twice likely to exhibit low cost borrowing behaviour. Low level of financial literacy is the most prevalent phenomenon in all parts of the world as reported by research from around the world (Lusardi and Mitchell, 2011; Bucher-Koenen et al., 2016).

2.2.1 Financial Knowledge

Financial knowledge is the individual understanding of financial concept (Huang et al. 2013) Huston (2010) identified four main components of financial knowledge: basic money concepts, saving or investment, borrowing and protection concepts. Herd et al. (2012) measured financial knowledge as the person's knowledge of his own financial situations, instead of basic financial concepts, and treated it as a pre-requisite to take financial decisions effectively. Individuals with high financial knowledge were more likely to better understand basic financial concepts (Remund, 2010; Lusardi and Mitchell, 2011; Atkinson and Messy, 2012; Agarwalla et al., 2013).

2.2.2 Financial attitude

Financial attitude is the pre-disposition to behave in a particular manner formed due to some economic and non-economic beliefs possessed by the individual on the outcome of certain behaviour (Remund, 2010). Attitude and preferences are treated as the significant components of financial literacy. Individuals with high financial attitude were more likely to have positive attitude towards planning, lower inflation, more propensity to save, high risk tolerance (Remund, 2010; Atkinson and Messy, 2012; Agarwalla et al., 2013).

2.2.3 Financial behaviour

The behaviour of an individual will affect their financial well-being. Therefore, it is imperative to capture evidence of behaviour dimension within the financial literacy measure. Individuals with high financial behaviour were more likely to save, pay bills on timely basis, prefer savings than borrowing (Klapper et al., 2012; Bucher-Koenen et al., 2016).

2.3 Importance of Financial Literacy

Financial ignorance carries significant costs. According to Lusardi and Tufano (2015), individuals who fail to understand the concept of interest compounding spend more on transaction fees, run up bigger debts, and incur higher interest rates on loans. Individuals with strong financial skills do a better job planning and saving for retirement (Lusardi and Mitchell, 2014). Also, bad financial decisions early in life can have disastrous consequences later in life and include huge debt, poor credit ratings and bad health (Fatoki, 2014). Glaser and Walther (2014) ascertain that financial literacy is important for several reasons. Financial literacy can help to prepare

consumers for tough financial times, by promoting strategies that mitigate risk such as accumulating savings, diversifying assets, and purchasing insurance. Financial literacy also helps to improve behaviour such as the avoidance of over-indebtedness. Financial literacy enables people (individuals and business owners) to make better financial decisions and to understand and manage risk. Financially literate consumers and business owners help to reinforce competitive pressures on financial institutions to offer more appropriately priced and transparent services (Fatoki, 2014). Market women in the SME sector are faced with a huge array of financial products and services. Financial literacy can help to improve saving behaviour, wealth accumulation, retirement planning and debt management and manage debt (Lusardi and Mitchell 2011; Ludlum et al. 2012). In addition, financial literacy impacts on access and payment of loans. A good level of financial literacy can improve access to finance by new ventures (Wise 2013).

2.4 Assessment of financial literacy

Financial literacy can be measured in terms of self – assessment and objective measure like test scores. Under the first approach, respondents are asked to evaluate their literacy skills as well as to provide information about their attitudes toward financial decisions, knowledge and information. This approach has been used by Jappelli (2010), who performed an international comparison of literacy levels among 55 countries based on the indicator of financial literacy provided by IMD World Competitive Yearbook (WCY). The indicator is computed based on the survey of middle and top managers and business leaders, who are requested to evaluate on 0-10 scale the argument ‘Economic literacy among the population is generally high’. Jappelli (2010) shows that this indicator is an acceptable proxy for financial

sophistication since it is strongly correlated with the objective measures provided by the Survey of Health, Age and Retirement in Europe. The second approach of measuring financial literacy relies on the objective test which assesses the respondents' knowledge of financial terms, understanding of various financial concepts and ability to apply numerical skills in particular situations related to finance.

2.5 Overview of Small and Medium Enterprises (SMEs)

In Ghana, the Ghana Statistical Service (GSS) defines SMEs as enterprises that employ less than 10 people while those that employ more than 10 are classified as Large –Sized Enterprises. In addition, the National Board for Small Scale Industries (NBSSI) in Ghana used both the fixed asset and number of employee's criteria to define SMEs. According to the NBSSI, enterprises with not more than 9 workers, has plant and machinery (excluding land, building and vehicles) and not exceeding 10million cedis (US \$ 9506 using 1994 exchange rate) are considered as Small and Medium Sized Enterprises. Abor and Quartey (2010) used sole ownership and operational activities and sole management as some of the characteristics of SMEs. Small and medium scale enterprises (SMEs) play an important role in economic development and are often described as efficient and prolific job creators, the seeds of big businesses and the fuel of national economic engines (Ahiawodzi and Adade, 2012). Even in the developed industrial economies, SMEs sector is the largest employer of workers. Interest in the role of SMEs in the development process continues to be in the forefront of policy debates in most countries. Small enterprises in Ghana are said to be a characteristic feature of the production landscape and have been noted to provide about 70% of manufacturing employment of Ghana (Duffour,

2010). SMEs are also believed to contribute about 70% to Ghana's GDP and account for about 85% of businesses in Ghana (Ahiawodzi and Adade, 2012).

2.6 Small and medium enterprises (SMEs) and financial literacy

SMEs are described as efficient prolific job creator, the seed of big businesses and the fuel of national economic engine (Abor and Quartey, 2010). Financial literacy has been identified as one of the critical competencies required for successful management of SMEs (Mazzi, 2011). Although with massive contribution to the economy, the SMEs are still beset with the troubles of financial management. Oppong-Boakye and Kansanba (2013) point out that ineffective financial management can result in behaviours that make consumers vulnerable to severe financial crises.

It is important to improve financial literacy of SMEs so they would have positive attitudes to financial matters since they contribute greatly to the GDP and employment of the economy. Financial literacy positively impacts on the success of business ventures. Xu and Zia (2013) find that entrepreneurs with higher levels of financial literacy show better business performance and sales. Andoh and Nunoo (2011) find that the financial literacy of owners of SMEs is a very important factor in explaining utilization of financial services by SMEs. Low levels of financial literacy can prevent SMEs from understanding and assessing financial products from financial institutions (Fatoki, 2014).

Entrepreneur financial literacy impacts small business by enabling entrepreneurs to distinguish between personal and business finances as well as enabling them to be competent buyers of financial products and services (Perra and Chand, 2015)

Lack of financial literacy is one of the common deficiencies among small business owners which contribute to the high failure rates among small businesses (Robb and Woodyard, 2011). Kumar (2013) established that even after controlling for other relevant variables, self-employed individuals in many developing countries performed worse than the general population on standardized assessments of their ability to monitor expenses, to budget, and to live within their means. Njoroge (2013) studied the relationship between financial literacy and entrepreneur success among SMEs and established that entrepreneurs had some level of financial literacy and that in some cases those in formal SMEs were highly financially literate. Wise (2011) studied the impact of financial literacy on new business survival and found that increases in financial literacy led to more frequent production of financial statements which contributed to more effective management of the enterprises.

Sieki et al. (2013), studied the effect of financial literacy education on performance of small firms and found out that training in financial analysis, budgeting and credit management improved the performance of SMEs. Barte (2012) studied the effect of financial literacy on the performance of SMEs in the fishing subsector and found that the fish vendors had low financial skills which affected the incomes and growth of this sector.

However, in many developing countries, majority of informal businesses have limited access to financial services and while many factors contribute to this, lack of financial

literacy has been identified as one of the factors that limits financial access. Nunoo and Andoh (2012) studied utilization of financial services by SMEs in Ghana and confirmed that financially literate SMEs owners were more likely to access and utilize financial services which in turn improved the performance of their enterprises. Wachira and Kihui (2012) also found that financial literacy influences financial access and that this had a negative influence on the performance of small enterprises in Kenya. Sabana (2014) examined the influence of financial literacy, information and transactions costs as factors driving demand for and use of savings accounts among low income individuals and established that compared to financial literacy, transaction costs influenced the uptake and utilization of bank accounts. An international survey of 301 financial service providers and investors confirmed that low levels of financial literacy are major barriers to financial inclusion because they lead to high transaction costs and restrict access to financial services (Gardeva et al, 2011).

2.7 Measuring Financial Literacy

There is no standardized measure of financial literacy (Abubakar, 2015). Sucuahi (2013) used record-keeping, budgeting, savings, financial skills to measure financial literacy. In this study the researcher adopts four topics to measure the financial literacy of SMEs (Sucuahi, 2013). Record keeping is a fundamental skill a business person must possess, since it provides important information necessary for decision making. This measure of financial literacy suggests the effective record systems considered to be critical in business operation since business owners cannot rely on their memory to summarize all transactions of the day.

Savings serves as economic security and also for accumulation of wealth to enhance standard of living. However, SMEs lack of necessary discipline and willingness in advancing their business skill including saving ethics. The financing skill, the third measure of financial literacy, is the ability to obtain capital from outside sources with minimal cost and payoff obligation. According to Assibey (2013), most SMEs are illiterate with respect to business financing. Budgeting, refers to the expenditure planning and cash flow analysis which is vital to the success and growth of business.

2.8 Financial literacy and women in the SME sector.

Van Scheers (2010) points out that the failure rate of small groceries shops (mainly micro enterprises) in South Africa points is between 70% and 80%. Adcorp (2012) as cited in Fatoki (2014) reveals that around 440,000 micro and small enterprises (including those in the retail sector) have closed in the last five years in South Africa. Freiling and Laudien (2013) argue that deficiencies in skill significantly contribute to the failure of new businesses. According to Naqvi et al. (2011), failure factors of SMEs include poor business and financial management incompetency. Drexler et al. (2010) point out that both individuals and entrepreneurs are asked to make difficult financial decisions in many aspects of life, whether in their personal finances or as business owners. A study conducted by Allgood and Walstad (2013), older people possessed low financial knowledge about the basic financial concepts. Filipiak and Walle (2015) showed a significant positive relationship between age and financial literacy. Filipiak and Walle (2015) argued that the root cause behind lower level of financial knowledge among women was mainly nurture and not nature, making low investment in acquiring financial knowledge or less use of mass media sources or low formal education.

Individuals with higher income tend to possess high financial knowledge (Filipiak and Walle, 2015). Alwee Pg Md Salleh (2015) found significant positive relationship between income level and financial literacy. In terms of educational attainment, higher education of the SMEs owner have a positive significant relationship with financial literacy (Filipiak and Walle, 2015). In contrast, some studies found that, there is no significant influence of education on financial financial literacy among SMEs owners (Huston, 2012). Filipiak and Walle (2015), found statistically significant relationship between education and the financial literacy. There is a significant association between education and financial literacy among SMEs (Bucher-Koenen et al., 2016). A study conducted by Ansong and Gyensare (2012), with sample of 250 undergraduate and postgraduate students found that age, gender and education are positively related to financial literacy. In a similar study on the determinants of financial literacy of micro entrepreneurs with sample of 100 respondents found that education of the micro entrepreneurs are positively and statistically related to financial literacy (Sucuahi, 2013).

2.8.2 Age and Financial Literacy

The older people are unable to keep accurate financial decisions, since the requires information processing skills (Finke et al., 2016). According to Lusardi and Mitchell (2011) age of the individual is a critical determining factor since middle age people have the highest level of financial literacy. In a similar study. Bhushan et al. (2013), found out that financially literacy is not affected by age.

The study therefore hypothesize that;

H0: Age does not influence financial literacy of market women in the SMEs sector.

2.8.3 Education and financial literacy

The level of education is a determinant of financial literacy (Fornero, and Monticone 2011). Financial education is an effective policy for targeting individual financial behavior (Hastings et al. 2013). According to Jappelli and Padula, (2011), higher level of financial literacy and education can enhance the standard of living of individuals. A study conducted found that education is positively related to financial literacy (Naudé, 2014). According to Walstad et al. (2010), people with university or higher level education are more financial literate than others with low level of education. Hence the study hypothesized that:

H0: The level of education does not influence the financial literacy of market women in the SMEs sector.

2.4.4 Income and financial literacy

Low income is connected with demographic factors which is also connected with financial literacy. According to Monticone (2010), higher incomes individuals are financially knowledgeable. In a similar study by Bucher-Koenen and Lusardi (2011), found out that low income earners require knowledge in financial literacy.

Hence the study hypothesized that:

H0: The level of income does not influence the financial literacy of market women in the SMEs sector.

Conceptual Framework of the Determinants of Financial literacy among market women in the SMEs sector.

The framework was adapted from Sucuahi (2013) who operationalized the determinants of financial literacy to be age, education and income. This is illustrated in figure 2.1 below.

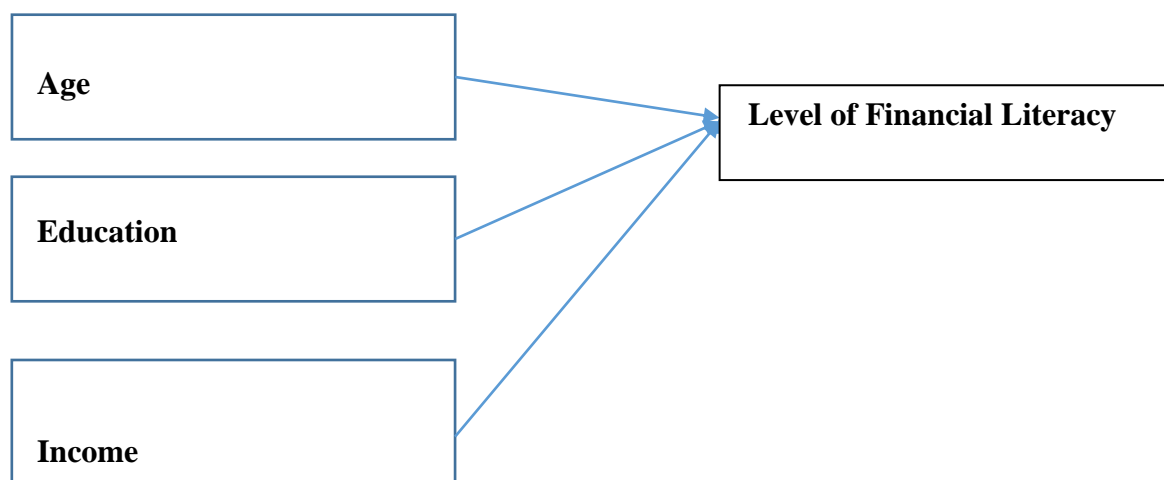


Figure 2.1: Conceptual Framework of the Determinants of Financial literacy among market women in the SME sector.

Source: Adapted: Sucuahi (2013)

CHAPTER THREE:

RESEACH METHODOLOGY

3.0 Introduction

This chapter provide details of the methodology that will be employed for the study covering the research approach; research design; sources of data; and sampling design, which includes the study population, sampling size and sampling technique. Details of data collection instruments and data analysis are included in this chapter.

3.1 Research Design

A descriptive and explanatory research design is adopted for the purpose of this study. The purpose of descriptive research design is to explain the demographic characteristics of the respondents. This is also to ascertain the mean and standard deviation. The aim of explanatory research is to test hypothesis to provide explanation to certain relationship between the determinants of financial literacy among market women in the SME sector .

3.2 Study Population

The target population of the study consists of all market women in the SME sector in the Kumasi metropolis in the Ashanti region of Ghana. The sample from Kumasi implies that, it is the hub of business activities in the region.

3.3 Sample Size and Sampling Procedure

The study uses a sample size of about 145 respondents which includes fish mongers, hair soloon, dressmakers, and provision store owners and women in other business operations in the market at the time the survey was conducted. The sample size is

appropriate because Kent (2007) suggests that a sample size of 100 respondents and above is acceptable in quantitative studies. The respondents are sampled using convenience sampling since it is difficult to obtain a sampling frame.

3.4 Data Collection

The researcher went to the kejetia market in the Kumasi metropolis to collect data from the market women. This data is a Primary data and was collected using structured questionnaire. The questionnaire was self-administered to the market women during their working hours. Respondents were asked to indicate their degree of how they were influenced by each of the items on a five point Likert scale.

3.5 Data Analysis

Statistical Package for Social Scientists (SPSS) version 21.0 data analysis software was used. The data was coded and entered using Microsoft excel spread sheet tools. The study further used multiple linear regression whereby the variable of interest was financial literacy as dependent variable and the factors such as age, education and income as the independent variable.

3.5.1 Simple Regression model

The simple regression function that includes the dependent and the independent variables for this study was computed. This model was adapted from the study of Sucuahi (2013).

The model is presented below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where β = regression coefficient (parameter of the function)

Y= Level of financial literacy was measured using financial management practices, investment appraisal techniques, time value of money and risk and returns on a five point Likert scale.

X1= Age of the respondent,

X2= Level of Education of the respondent,

X3= Income of the respondent

ϵ = error term or random variable

3.6 Reliability and Validity of Data

The reliability of the data was assessed using Cronbach's Alpha. Reliability within the ranges of 0.6 to 0.9 is acceptable (Nunnally and Bernstein, 1994). The study adapted the questionnaire of Sucuahi (2013). Again a pilot survey was conducted to establish their validity. The questionnaire was further discussed with supervisor for updates before going to the field to collect data.

3.7 Ethical Consideration

Ethical issues was taking into consideration in conducting this research work. In this study, the respondents was informed with all important information for them to participate freely in the research. Again the respondents was assured of the confidentiality of their information and data collected was used purposely to achieve the objective of the research.

CHAPTER FOUR:

DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter contains analysis of data and discuss findings from descriptive statistics, reliability analysis (Cronbach's Alpha) and the results from multiple regression analysis.

4.1 Response Rate

The number of questionnaires administered was 150, out of which 145 was retrieved thereby making a response rate of 96.7%, which is an adequate response rate for statistical reporting. This is illustrated in Table 4.1.

Table 4.1: Analysis of response rate

Description	Frequency	Percentage
Returned	145	96.7%
Not returned	5	3.3%
TOTAL	150	100

Source: field work, 2020.

4.2 Statistics of Demographic Profile of Respondents

Descriptive statistics gives an overview and summary of the respondent's demographic details and their knowledge about financial literacy among market women in the SME sector in the Kumasi metropolis. Table 4.2 depicts the demographic responses of the respondents used in this study.

4.2.1 Gender

All the 145 respondents in the study are women. This is because the study focused on the determinants of financial literacy among market women in the SME sector in the Kumasi metropolis in the Ashanti region of Ghana.

4.2.2 Age

The age range is from 18 years and to 50 years and above. Most of the respondents belong to the age group 31-40 years obtain a frequency of 61 representing 42.1%. This is followed by age group 25-30 years obtain a frequency of 41 representing 28.3%, whereas there are 39 respondents representing 26.9% belonging to the age group 18-24 years. Meanwhile, about 2 respondents each representing 1.4% belonging to the age groups between 41-50 years and 50 years and above. The dominant age group of 31 – 40 years is an indication that in Ghana, younger people tend to be the more active and willing to participate in entrepreneurial activities.

4.2.3 Educational Qualification

On the part of educational qualification, most of the respondents 97 representing 66.9% have high school certificates, this is followed by 31 representing 21.4% have diploma certificates. Meanwhile, 16 respondents representing 11% have undergraduate certificate holders and interestingly 1 respondent representing 0.7% have postgraduate certificate. The outcome of the results could mean that most of the respondents have some level of education.

4.2.4 Income level

Finally, most of the respondents, 59 representing 40.7% are within the income range of GHc 1001-2000. This is followed by 50 respondents representing 34.5% are within the income bracket of GHc 500 and above, 25 respondent constituting 17.2% Are in the income category of GHc 501-1000. Those respondents within the income range of above GHc 2000 obtain a frequency of 11 representing 7.6%.

Table 4.2, below indicates the summary of demographic profile of respondent who participated in the research work

Table 4.2: Demography of respondent

Demographic variables	Frequency	Percentage
Gender		
Male	0	0
Female	145	100
Total	145	100
Age		
18-24 years	39	26.9
25-30 years	41	28.3
31-40 years	61	42.1
41-50 years	2	1.4
Above 50 years	2	1.4
Total	145	100
Educational Qualification		
High school	97	66.9
Diploma	31	21.4
Undergraduate	11	11
Postgraduate	1	0.7
Total	145	100
Income		
500 and below	50	34.5
501-1000	25	17.2
1001-2000	59	40.7
Above 2000	11	7.6
Total	145	100

Source: Field Survey, 2020.

4.3 Results for knowledge about Financial Literacy

This section provides statistics results on how respondents respond to questions to ascertain their knowledge about their level of financial literacy. The options given to respondents were Yes or No. The results are shown in Table 4.3.

Table 4.3: Knowledge about Financial Literacy

ITEMS	Frequency		Percent	
	Yes	No	Yes	No
Do you have personal bank account?	100	45	68.9	31.03
If you guarantee a loan for a friend, then you become responsible for the loan payments if your friend defaults	102	43	70.3	29.7
A personal budget will help me prioritize my spending	125	20	86.2	13.8
An investment with high returns is likely to be highly risky	112	33	77.2	22.8
In Ghana, listed shares are traded on the Ghana Stock Exchange	82	63	56.6	43.4
I have purchase insurance to cover my business	47	98	67.6	32.4
Treasury bill is a short-term investment	93	52	64.1	38.9

Source: Fieldwork, 2020.

The detail explanations to the summary in Table 4.3, on the knowledge of respondents about financial literacy are below:

4.3.1 Do you have personal bank account

The result show that, out of 145 respondents, 100 of the respondents representing 68.9% do not have bank accounts while the rest 45 respondents representing 31.03% have bank account. This could imply that most of these small businesses do not have the necessary documentations to operate a business account and as such may also have limited knowledge about banking products and services made available to them.

4.3.2 If you guarantee a loan for a friend, you become responsible for loan payment if your friend defaults

The result show that, out of 145 respondents, 102 respondents representing 70.3% are in the known that when they guarantee a loan for a friend and in the event of default

the guarantors will be held liable. The remaining 43 respondents representing 29.7% have no idea of the liability clause involved in as a guarantee to a loan.

4.3.2 A personal budget will help me prioritize my spending

The result show that, out of 145 respondents, 125 of the respondent representing 86.2% indicated that “a personal budget will help me prioritize my spending” and 20 of the respondent representing 13.8% indicated that personal budget do not help them prioritize their spending. This could imply that most owners of small businesses are sensitive to budget.

4.3.3 An investment with high returns is likely to be risky

The result show that, out of 145 respondents, 112 respondents representing 77.2% are aware of the risk and return relationship. The remaining 33 respondents representing 22.8% have little knowledge about the risk return relationship. This could mean that market women in the SMEs sector are aware of the risk and return relationship.

4.3.4 In Ghana, listed shares are traded on the Ghana Stock Exchange

The result show that, out of 145 respondents, 82 respondents representing 56.6% indicated that “In Ghana, listed shares are traded on the Ghana Stock Exchange”. The remaining 63 respondent representing 43.4% show that they have little or no knowledge of shares traded on the stock exchange.

4.3.5 I have purchase insurance to cover my business

The result show that 98 respondents representing 67.6% purchase insurance cover for their business and the remaining 47 respondent representing 32.4% do not purchase

insurance cover for their business. The result could imply that owners of small and medium businesses purchase micro insurance to cover some of their activities.

4.3.6 Treasury bill is a short- term investment

The result show that, out of 145 respondent 93 respondents representing 64.1% have knowledge of Treasury bill as a short- term investment. The remaining 52 respondents representing 38.9% who do not have knowledge of Treasury bill as short- term investment.

4.4 Descriptive Statistics of scale items

Descriptive test is being used to analyze and abridge the questions which are based on dependent and independent variables. The item on each constructs is measured against a five point Likert scale. The mean (M) and standard deviation (SD) of the items are illustrated in Table 4.4.

Table 4.4 Descriptive Statistics of scale items

Measurement items	N	Mini	Maxi	Mean	Std Deviation
GENDER					
I can keep business record and still take care of my children as a woman	145	1	5	3.11	1.191
As a woman I am able to save money at the bank	145	1	5	2.58	1.245
My responsibilities as a woman make it possible to save the little I have at the bank.	145	1	5	3.12	1.205
I keep records as a woman because I will use it to take loan from the bank	145	1	5	3.54	1.285
AGE					
I am able to keep good records as a young entrepreneur	145	1	5	4.41	.804
I am able to keep good record because of my old age in business	145	1	5	4.35	.534
I have opened a bank account for my business because I am still young	145	1	5	4.27	.690
I have open bank account for my business because of my old age	145	1	5	4.39	.531
EDUCATION					
My high level of education of education influence my records keeping for my business	145	1	5	4.28	.741
My low level of education of education influence my records keeping for my business	145	1	5	4.43	.685
Intensive financial education in my business environment encourages me to open bank account for my business	145	1	5	4.39	.593
Inadequate financial education in my business environment encourages me to open bank account for my business	145	1	5	4.05	.785
Record keeping is difficult for me because I had no formal education	145	1	5	4.39	.738
INCOME					
I can save with the bank because I earn higher income	145	1	5	1.91	.950
I can save with the bank for future because what I earn from my business is inadequate	145	1	5	3.28	1.367
I keep records because my business transactions are high	145	1	5	3.92	1.205
I keep records due to my small proceeds from the business	145	1	5	3.68	.957
LEVEL OF FINANCIAL LITERACY					
Financial management practices					
I regularly set aside money each month for saving	145	1	5	2.34	1.431
I set aside money for future needs/ wants	145	1	5	4.01	.957
I compare prices when shopping for major expenses	145	1	5	4.00	.979
I always keep track of my expenditure and income	145	1	5	4.06	.984
Investment appraisal techniques					
I consider projects which have the highest net present value	145	1	5	3.87	1.016
I transact businesses with the shortest payback period	145	1	5	4.03	.905
I consider tax, inflation to evaluate investment proposal	145	1	5	3.81	.995
Time value of money					
I always receive down payment for goods sold	145	1	5	4.13	.802
I consider interest rate and inflation before I take loan from financial institutions	145	1	5	3.99	.854
I add little margins on the prices of goods sold on credit	145	1	5	4.21	.832
Risk and returns					
I invest in businesses with high returns	145	1	5	4.02	1.102
I consider exchange rate before I export or import goods	145	1	5	3.99	.986
I compare returns on investment to the treasury bill rate	145	1	5	3.68	1.111
Valid N	145				

Source: Field work, 2020.

From the analysis in Table 4.4 above, the lowest mean and standard deviation was related to the income item “I can save with the bank because I earn higher income” (M, 1.91, SD, 0.95). This implies that most of the respondents disagree to the statement, hence level of income does not influence their savings habit. However, the results of the analysis also reveals that most of the respondent agree to the statement on the education item “My low level of education influence my record keeping”.

This statement obtain the highest mean and standard deviation (M, 4.43, SD, 0.69) and this implies that little level of education help SMEs owners to keep records.

4.5 Descriptive Statistics for Variable Reliability

From table 4.5, the reliability analysis is performed using Cronbach’s Alpha. All the scale items meet the Cronbach’s threshold of above 0.6 by Nunally and Bernstein (1994).

4.6 Regression Analysis and Hypothesis Testing

This model is adapted from the study of Sucuahi (2013).

The model is presented below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where β = regression coefficient (parameter of the function)

Y= Level of financial literacy was measured using financial management practices, investment appraisal techniques, time value of money and risk and returns on a five point Likert scale and was coded (**FLEVEL**) in **SPSS Version 21.0**

X1= Age of the respondent and was coded (**AGE**)

X2= Level of Education of the respondent, and was coded (**EDUCATION**)

X3= Income of the respondent, and was coded (**INCOME**)

ε = error term

Table 4.5 Regression coefficients

		Coefficients ^a			
		Unstandardized Coefficients	Std. Error	Standardized Coefficients	t
Model		B		Beta	
1	(Constant)	.083	.013		6.330
	AGE	.151	.113	.119	1.338
	EDUCATION	.076	.110	.059	.688
	INCOME	.120	.071	.141	1.699

a. Dependent Variable: FLEVEL

The researcher uses the SPSS version 21 to code, enter and compute the measurements of the multiple linear regression for the study. The established multiple linear regression equation becomes:

$$Y = 0.083 + 0.151X_1 + 0.076X_2 + 0.120X_3 + \varepsilon$$

Where:

Constant = 0.083, shows that if, age of the respondent, education level of the respondent, and income of the respondent are all rated as zero, the level of financial literacy among market women in the SME sector would be 0.083.

X₁= 0.151, the result show that age is positively related to financial literacy (B= 0.151). This is consistent with the study conducted by Filipiak and Wale (2015). However, age of the respondent is not statistically significant with p- value of 0.10 which is higher than the significant level of 0.05. This implies that age of the market women in the SMEs sector does not influence the level of financial literacy in Ghana. This results is not consistent with previous study conducted by (Allgood and Walstad, 2013), who found that older people possessed low financial knowledge about the basic financial concepts, inflation, and interest compounding and risk diversification.

X2= 0.076, the educational attainment is statistically significant and related to its level of financial literacy (p-value = 0.00). Education has positive relationship with financial literacy (0.076), which indicates that, education has a high predictive influence on financial literacy among Ghanaian women in the SME sector. This is consistent with the study conducted by Lusardi (2010) that financial illiteracy is predominant among individuals who have low education. This was evident in the study where most of the respondents agree (M, 4.05, SD, 0.785) to the statement “adequate financial education in my business environment encourages me to open business account for my business”.

X3= 0.120, the result show that, the income level of the respondent positively influence their level of financial literacy (B= 0.120) and is statistically significant at 0.05 significant level with p-value less than 0.05. This was evident in this study, where most of the respondent agree (M, 3.92, SD, 1.205) to the statement “I keep records because my business transactions are high”. The findings in this study is consistent with (Filipiak andWalle, 2015; Alwee Pg Md Salleh, 2015).

4.7 The Outcome of Hypothesis Testing

Table 4.6: Shows the summary of the hypothesis of the study at 0.05 significance level.

Hypothesis	Results	Decision	Literature Evidence
H0: Age does not influence financial literacy of SMEs	P > 0.05	Fail to Reject	(Allgood and Walstad, 2013),
H0: The level of education does not influence the financial literacy of SMEs	P < 0.05	Rejected	Lusardi (2010)
H0: The level of income does not influence the financial literacy of SMEs	P < 0.05	Rejected	((Filipiak and Walle, 2015; Alwee Pg Md Salleh, 2015).

Source: Field work, 2020

CHAPTER FIVE:

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides an overview and summary of findings, conclusion from the research findings based on the objective of the study. Recommendations are given based on the findings. It also provides future research direction and limitations of the study.

5.2 Summary of Findings

The main focus of this research work was to ascertain the determinants of financial literacy among market women in the SME sector in Ghana. A total of 145 market women in the SME sector participated in this study. These samples have been processed and analyzed using SPSS software version 21 and Microsoft excel. The study found that, out of the three determinants of financial literacy studied (age, education and income), two of the determinants (level of education and level of income) of the market women in the SME sector in Ghana have significant positive relationship with the level of financial literacy. The study also established that 67.5% of variation in the level of financial literacy can be explained by the determinants (age, education and income level) and the remaining 32.5% of the level of financial literacy are explained by other factors not captured in the multiple linear regression model.

The findings of this current study are consistent with study results of other researchers documented in literature (Filipiak and Walle, 2015; Alwee Pg Md Salleh, 2015; Allgood and Walstad, 2013).

5.3 Conclusions

The lack of financial literacy has been one of the hurdles that contributes to the failure of some SMEs notably women entrepreneurs in the developing context as opposed to their counterparts in the developed world. This study in an attempt to provide a panacea to the inadequate level of financial literacy among market women in the SME sector in Ghana found that, the level of education and the level of income of the market women in the SME sector influence their level of financial literacy.

5.4 Recommendations

First, the study recommends to institutions such as Association of Ghana Industries, microfinance institutions and other regulatory bodies to educate women in the SME sector on the basic financial concepts in order to boost their risk profile and enable them to access credit. Financial institutions can play a very important role in financial literacy due their frequent interactions with women in the SME sector on financial matters.

Second, the study recommend to academicians to intensive scholarly works to add to the scant literature in the subject area relating to financial literacy among women in the SME sector in the developing context.

Third, women entrepreneurs should develop interest in keeping good records which could lead to worth maximization which will attract investors in the sector.

Finally, government through it policy interventions should develop training programs directed at boosting the knowledge of women in the SMEs sector in the area of financial literacy.

5.5 Limitation and Future Research

There are many determinants of financial literacy in literature but this study is limited to three factors such as age, education and income. Future studies could explore other determinants of financial literacy. The study is also limited to the Kumasi metropolis in the Ashanti region, however there are sixteen (16) regions in the country hence this will inhibit the generalization of the findings. Future studies could consider other geographical locations.

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APPENDICES

CHRISTIAN SERVICE UNIVERSITY COLLEGE UNDERGRADUATE

Questionnaire

This survey seeks to elicit responses on the topic “**The determinants of financial literacy among MARKET WOMEN IN KUMASI**” Information provided for the purposes of this research will be treated confidentially and used for academic purposes only. Please take a few minutes to fill out this questionnaire by ticking (✓) where appropriate. Thank you.

SECTION A: Background/ Demographic data of respondents

1. **Gender:** Male () Female ()
2. **Age:** 18- 24 years () 25-30 () 31-40 () 41-50 () Above 50 years ()
3. **Educational Qualification:** High school () Diploma () Undergraduate () Postgraduate ()
4. **Income in GHC:** 500 and below () 501-1000 () 1001-2000 () Above 2000 ()

SECTION B: Knowledge about Financial literacy

1. Do you have personal bank account? Yes () No ().
2. If you guarantee a loan for a friend, then you become responsible for the loan payments if your friend defaults Yes () No ()
3. A personal budget will help me prioritise my spending
Yes () No ()
4. An investment with high returns is likely to be highly risky
Yes () No ()
5. In Ghana, listed shares are traded on the Ghana Stock Exchange. Yes () No ()
6. I have purchase insurance to cover my business. Yes () No ()
7. Treasury bill is a short-term investment. Yes () No ()

**SECTION C: Measuring Instrument for the Determinants of Financial Literacy
among MARKET WOMEN IN KUMASI.**

On a scale of 1-5, please Tick [√] the response that reflect your level of agreement or otherwise in each of the under listed statements.

1= Strongly Disagree (SD) 2=Disagree (D) 3= Neutral (N)

4=Agree (A) 5=Strongly Agree (SA)

No.	STATEMENTS	1	2	3	4	5
	GENDER					
1.	<i>I can keep business record and still take care of my children as a woman</i>					
2.	<i>As a woman I am able to save money at the bank</i>					
3	<i>My responsibilities as a man make it possible to save the little I have at the bank.</i>					
4.	<i>I keep records as a man because I will use it to take loan from the bank</i>					
	AGE					
5	<i>I am able to keep good records as a young entrepreneur</i>					
6.	<i>I am able to keep good record because of my old age in business</i>					
7.	<i>I have open a bank account for my business because I am still young</i>					
8.	<i>I have open bank account for my business because of my old age</i>					
	EDUCATION					
10.	<i>My high level of education of education influence my records keeping for my business</i>					
11.	<i>My low level of education of education influence my records keeping for my business</i>					
12.	<i>Intensive financial education in my business environment encourages me to open bank account for my business</i>					
13.	<i>Inadequate financial education in my business environment encourages me to open bank account for my business</i>					
14	<i>Record keeping is difficult for me because I had no formal education</i>					
	INCOME					
15.	<i>I can save with the bank because I earn higher income</i>					
16.	<i>I can save with the bank for future because what I earn from my business is inadequate</i>					
17.	<i>I keep records because my business transactions are high</i>					
18.	<i>I keep records due to my small proceeds from the business</i>					
	LEVEL OF FINANCIAL LITERACY					
	Financial management practices					
19.	<i>I regularly set aside money each month for saving</i>					

20.	<i>I set aside money for future needs/ wants</i>					
21.	<i>I compare prices when shopping for major expenses</i>					
22.	<i>I always keep track of my expenditure and income</i>					
	<i>Investment appraisal techniques</i>					
23.	<i>I consider projects which have the highest net present value</i>					
24.	<i>I transact businesses with the shortest payback period</i>					
25.	<i>I take into account tax, inflation to evaluate investment proposal</i>					
	<i>Time value of money</i>					
26.	<i>I always receive down payment for goods sold</i>					
27.	<i>I take into account interest rate and inflation before I take loan from financial institutions</i>					
28.	<i>I add little margins on the prices of goods sold on credit</i>					
	<i>Risk and returns</i>					
29.	<i>I invest in businesses with high returns</i>					
30.	<i>I consider exchange rate before I export or import goods</i>					
31.	<i>I compare returns on investment to the treasury bill rate</i>					