UNIVERSITY OF CAPE COAST

INFLUENCE OF FINANCIAL LITERACY ON SMALL AND MEDIUM-SIZED ENTERPRISES' ACCESS TO FINANCE: A CASE STUDY OF AWUTU SENYA EAST MUNICIPALITY, GHANA.

AGNES ASARE

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BY

AGNES ASARE

Dissertation submitted to the Department of Business Studies of the College of Distance Education, University of Cape Coast, in partial fulfilment of the requirements for the award of Master of Business Administration in Accounting

NOVEMBER 2023

DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature ……………………………Date ………………………..

Name: Agnes Asare

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on the supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature …………………………… Date ………………………….

Name: Mr Patrick Darkwa

ABSTRACT

Financial literacy has been recognized as a crucial skill set essential for the establishment, management, and prosperity of small and medium-sized enterprises. Its importance in aiding entrepreneurs to make prudent financial decisions, particularly in securing external funding for business growth, has gained prominence. This study sought to explore the influence of financial literacy on Small and Medium-sized Enterprises' access to finance in Awutu Senya East Municipality. A sample of 333 participants were selected for the study utilizing a stratified selection method. Questionnaires were employed in collecting data. The study employed multiple regression and independent-samples t-test for the data analysis via the Statistical Package for Social Sciences Version 22. The study found that financial literacy indicators such as financial negotiation skills, budgeting skills and debt management skills positively influence access to finance. This suggests that financial literacy is crucial to the ability of small and medium-sized enterprises to acquire financing. Finally, the result shows that degree of financial literacy of male owners is greater than that of female owners of small and medium-sized enterprises. This demonstrates a significant gender gap still exists in financial literacy, particularly among owners of small and medium-sized enterprises in Awutu Senya East Municipality. It was recommended that owners should enroll in financial literacy programs offered by entrepreneurial skill development groups to gain the knowledge and expertise they need to make informed financial decisions. Special emphasis should be place on financial negotiation skill, budgeting skills and debt management skills if the access to finance by small and medium-sized enterprises is to be improved significantly.

KEY WORDS

Access To Finance

Awutu Senya East Municipality

Budgeting Skills

Debt Management Skills

Financial Literacy

Financial Negotiation Skills

Small And Medium-Scale Enterprises

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DEDICATION

To my family

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LIST OF ACRONYMS

ANOVA	Analysis of Variance
ASEMA	Awutu Senya East Munipal Assembly
ASIC	Australian Securities and Investment Commission
GDP	Gross Domestic Product
IEA	Institute of Economic Affairs
MTDP	Medium Term Development Plan
NBSSI	National Board for Small Scale Industries
OECD	Organisation for Economic Co-operation and Development
SME	Small and Medium-sized Enterprises

CHAPTER ONE

INTRODUCTION

Financial literacy has been recognized as a crucial skill set essential for the establishment, management, and prosperity of small and medium-sized enterprises (SMEs) (Otieno, 2016). The importance of financial literacy in aiding entrepreneurs to make prudent financial decisions, particularly in securing external funding for business growth, has gained prominence (Potrich & Vieira, 2018). This subject has garnered increasing attention from policymakers in both developed and emerging economies. One of the primary objectives of financial literacy is to empower SMEs to make informed financial choices, addressing their financial concerns, as highlighted by (Eniola & Entebang, 2017). In Ghana, SMEs play a pivotal role in the economy, yet they face a multitude of challenges, with limited access to finance and a lack of financial knowledge and understanding ranking among the most pressing issues, as underscored by (Musah, 2017).

Consequently, it is imperative for small business owners and entrepreneurs to invest in financial education. Such an investment equips them not only to secure adequate financial resources but also to efficiently and effectively manage their enterprises. The principal aim of this research is to investigate the impact of financial literacy on SMEs' ability to access financing within the Awutu Senya East Municipality. This section provides an overview of the study, encompassing its background, identification of the problem, the study's purpose, objectives, research inquiries, significance, scope, and the structure of the study.

Background to the Study

On a global scale, Small and Medium-sized Enterprises (SMEs) are recognized as pivotal drivers of economic growth, poverty reduction, and job creation (Chimucheka & Rungani, 2011). Governments worldwide prioritize the development of this sector. Research in Namibia by Mukata and Swanepeol (2017) and Iguna and Sazita (2018) revealed that SMEs contribute to 20% of total employment and approximately 11% of GDP. In developing countries, SMEs' role in employment and GDP seems relatively moderate, with estimates indicating that the informal sector, primarily comprising SMEs, employs 48% of the total labor force and contributes 37% to GDP (Murangi, 2022). In Ghana, the industrial landscape is prominently characterized by SMEs, which are reported to account for roughly 85% of the nation's employment (Aryeetey, 2001; Awiagah et al., 2016). The development of SMEs enhances competition and augments the overall flexibility of the country's industrial structure (Mircevska, 2015).7

Despite the substantial contributions of SMEs to the socio-economic development of developing nations, particularly Ghana, this sector grapples with a host of persistent challenges (Amoah et al., 2022). These issues include volatile government policies, severe undercapitalization, elevated operational expenses, a lack of clear government support, and difficulties in obtaining credit from financial institutions and banks (Aryeteey, 2008; Maliti & Mwewa, 2015). Among these challenges, the most prevalent and formidable obstacle hindering the success of SMEs is the issue of financing (Hillary, 2017). Access to financial resources provides SMEs with opportunities to expand their businesses and adopt advanced production technologies, ultimately enhancing their competitiveness (Arthur, 2019). Nevertheless, SMEs globally face a significant hurdle in securing initial and expansion capital from conventional commercial banks (Arthur, 2019). This predicament is even more acute in developing countries, particularly Ghana, where both the accessibility and cost of credit remain prohibitively high (Arthur, 2019).

Financial literacy encompasses the knowledge and competencies needed by individuals to navigate the complexities of the financial system effectively (Stolper & Walter, 2017). It empowers individuals to make informed decisions concerning their personal and family finances. Financial literacy, as described by Ganesan et al. (2020), involves understanding money and financial products, enabling people to make educated choices about managing their finances. This proficiency extends to the ability to make well-informed judgments and take effective actions in financial matters (Dewi et al., 2020). According to the OECD (2008), financial literacy should not be limited to investors but also encompass customers. Both groups should possess knowledge of financial products and concepts, enabling them to assess financial risks in their decision-making process and take appropriate actions to enhance their financial well-being. In essence, financial literacy plays a crucial role in helping individuals recognize essential financial issues and behaviors that facilitate the effective management of their financial resources (Kulathunga et al., 2020).

Financial literacy include skills in financial negoriation, budgeting abilities, and debt management techniques as covered by this study. Financial negotiation literacy refers to the ability to effectively navigate and negotiate financial transactions, terms, and agreements to achieve favorable outcomes while managing risks and optimizing financial resources (Atkinson, 2017). Budgeting abilities encompass the skill to create, manage, and adhere to a budget, enabling individuals to allocate and control their financial resources wisely, achieve financial goals, and maintain financial stability (Kumar et al., 2023). Finally, debt management techniques involve strategies and knowledge for effectively handling and minimizing debt (Abdullah et al., 2019).

The role of finance and its accessibility, which empowers both individuals and businesses to pursue their desired endeavors, is increasingly acknowledged as a pivotal component of economic development (Lucumay, 2015). Access to finance signifies the availability of reasonably high-quality financial services at reasonable costs, with the definition of "reasonable quality" and "reasonable cost" being relative to established standards, encompassing both monetary and non-monetary aspects (Patwardhan, 2018). Furthermore, access to finance can be described as the absence of obstacles, whether in the form of pricing or non-pricing barriers, when it comes to utilizing financial services (Beck & Demirguc-Kunt, 2006). As articulated by Adomako et al. in 2016, financial access entails the capability to secure financial support for SME business operations. In the context of this study, access to finance is conceptualized as the ability to obtain financial assistance from financial institutions to facilitate business operations and the satisfaction derived from the services provided.

It is well acknowledged that small and medium-sized enterprices (SMEs) can grow and flourish by having access to financing. Funding enables SMEs to go through profitable investments to enlarge their jobs and to get modern technologies (Banerjee, 2014; Quainoo, 2011). Due to the wide range of functions that SMEs perform, it is crucial to foster an environment that is conducive to their growth. The biggest obstacle to the expansion and survival of their companies continues to be funding (Taiwo & Falohun, 2016). Financial services are still not widely available or used in many nations, including Ghana (Danquah et al., 2017). Limited financial knowledge and an inability to recognize new financial products could be the causes of the lack of suitable financing mechanisms (Adomako et al., 2016; Giesbert et al., 2011).

More bankruptcies raise the possibility that small business owners might not understand their mortgage terms or how much interest their loan might incur (Lusardi & Mitchell, 2014). When engaging in specific activities to obtain resources and develop those resources, SMEs need flexible capabilities like financial literacy (Stadler et al., 2013). Financial wellbeing can only be attained by having the insight, information, abilities, mindset, and conduct that are necessary to make sensible financial decisions (Çera et al., 2021). When deciding where to seek assistance, where to get funding, and how to negotiate better credit terms, financial decision-making is anticipated to be aided. With the ambition for financial or economic well-being on daily basis, SMEs' access to credit and other types of investment heighten the relevance of financial literacy (Mutengezanwa, 2018).

Financially literate people can compare different financial products, make the best financial decisions, and avoid fraudulent activities (Kawamura et al., 2021). The expansion of SMEs is eventually facilitated by financial literacy among SME owners, who are more likely to communicate with creditors with ease and make minimal management mistakes (Njoroge, 2013). Awutu Senya Senya East Municipality is one of the prolific SMEs concentrated in Ghana. As part of the Municipal Medium Term Development Plan (MTDP), the Municipal is attempting to foster a supportive climate for SMEs/private sector for employment generation. However, the SMEs' inability to access financial products in the Municipality could stem from their low level of financial knowledge. Hence, a study on how financial literacy influences SMEs' access to finance is crucial for their development.

Statement of the Problem

It is expected of individuals living in developing nations, especially business owners and managers, to be financially literate to engage in good financial and saving practices in their operations (Ardjouman, 2014). However, this is rarely the case for most SME owners in Awutu Senya District because most owners lack the basic knowledge of numeracy in financing decisions. Consequently, it is challenging for SMEs in Awutu Senya to transition into large-scale enterprises (Abor & Quartey, 2010). Obtaining startup and expansion capital financing from conventional commercial banks presents a substantial difficulty for the majority of SME owners in the Awutu Senya District, according to the researcher's interactions with them. As a result, there is a shaky foundation for industrialization and long-term development.

The researcher further found that owners of SMEs in Awutu Senya are financially illiterate and financially unaware of other aspects of financial issues. Everyone interested in the growth of SMEs in Awutu Senya should be concerned about their financial literacy level. Financial literacy aids managers of SMEs, petty traders and the general public to assess financial items and decide with knowledge as to how to source, manage and repay funds in a way that is sustainable for their businesses (Sabana, 2014). Fessler, Schurz, Wagner, and Greater financial literacy, according to Weber (2007) prediction will help people navigate complex credit markets.. This postulates that financial literacy cannot be ignored when discussing the issue of SMEs' access to finance.

Commercial banks often find financing SMEs unappealing because these enterprises are perceived as high-risk ventures with limited profit potential, even when they present attractive investment opportunities (Khan, 2020). The restricted access to funding is closely linked to insufficient financial literacy, as a significant portion of SMEs rely on personal savings and private checking accounts to manage their business finances (Mabula & Han, 2018). Consequently, the primary reason for more than 97% of SMEs avoiding banking institutions is attributed to their inadequate financial knowledge and the absence of proper SME training for effective resource management (Murangi, 2022). Until recently, other researchers have raised concerns about SMEs owners' financial literacy (e.g., Fatoki, 2014; Nunoo & Andoh, 2012; Plakaloviæ, 2015). The financial illiteracy of SME owners has been a major obstacle to their access to financial services (Kirschenmann & Norden, 2012).

As the significance of financial literacy and financial accessibility continues to grow in economies worldwide, these concepts have garnered substantial attention in previous research efforts. Fernandez (2015) examined the levels of financial literacy among SMEs in Portugal and assessed their influence on company performance. In South Africa, Fatoki (2014) focused on assessing the financial literacy of micro-enterprise owners, while also investigating the ability of these enterprises to secure external financing. Additionally, Chimucheka and Rungani (2011) delved into the challenges of bank financing accessibility and the dearth of financial management knowledge, particularly in the context of SMEs in the Buffalo Municipality.

In Ghana, Adamako et al. (2016) established a connection between access to finance and firm growth, with financial literacy acting as a moderator in this relationship. However, these studies predominantly explored the concepts of financial literacy and financial access in isolation and within different contexts. Moreover, research in the Ghanaian context remains relatively scarce. Therefore, an opportunity exists to further explore and comprehend the underlying relationship between the financial literacy of SME owners and their capacity to access finance within the broader Ghanaian economy. By evaluating the impact of financial literacy on the ability of SME owners to access finance in the Awutu Senya region, this study addresses a crucial gap in existing research.

Purpose of the Study

The goal of the study is to ascertain how financial literacy affects small and medium-sized businesses' access to financing in Awutu Senya East Municipality.

Research Objectives

1. Investigate the effect of financial negotiation skills of SME owners on access to finance in Awutu Senya East Municipality.
2. Examine how SME owners' budgeting abilities affect their ability to obtain financing in the Awutu Senya East Municipality.

3. Assess how debt management techniques affect SME owners' access to financing in Awutu Senya East Municipality.
4. Analyze whether there exists a significant disparity in financial literacy between male and female business owners in the Awutu Senya East Municipality.

Research Questions

1. What is the effect of financial negotiation skills of SME owners on access to finance in Awutu Senya East Municipality?
2. What is the effect of budgeting skills of SME owners on access to finance in Awutu Senya East Municipality?
3. How does debt management policy affect the ability of SME owners in Awutu Senya East Municipality to acquire financing?
4. What is the extent of the difference in financial literacy levels between male and female business owners in the Awutu Senya East Municipality?

Significance of the Study

The significance of this study spans various dimensions, contributing to knowledge, practice, policy, and theory. First, this study adds to the existing body of knowledge by exploring the relationship between financial literacy and SMEs' access to financing in the specific context of the Awutu Senya East Municipality. It provides empirical evidence and insights that can enhance our understanding of the critical role financial literacy plays in the success of small and medium-sized businesses. Also, by uncovering the impact of financial literacy on access to financing, this research can guide small business owners, policymakers, and financial institutions in the Awutu Senya East Municipality. It offers practical recommendations for improving financial literacy programs and policies aimed at fostering SME growth and economic development.

In addition, the findings of this study can inform the development of targeted policies and initiatives to promote financial literacy among SMEs in the region. Policymakers can use this research to design interventions that address the specific challenges faced by business owners in Awutu Senya East Municipality, ultimately fostering economic growth. Finally, this study contributes to the theories of financial literacy by providing empirical data that can refine and expand existing models and frameworks. It may lead to the development of more comprehensive theories related to financial literacy and its impact on SMEs, with potential applicability beyond the study's specific context.

Delimitations of the Study

The study is confined to the Awutu Senya East Municipality in Ghana and does not encompass SMEs in other regions or countries, which may have distinct economic conditions and financial literacy levels. The research is also conducted within a specific time frame, which may not account for long-term changes or developments in financial literacy and SME financing practices. The study involves a limited number of SMEs, potentially excluding smaller or larger businesses in the area. In addition, the research primarily relies on surveys and interviews, which may not cover all aspects of financial literacy comprehensively. Other data sources, such as financial institution records, are not considered. Finally, factors beyond the scope of this study, such as national economic policies, global economic conditions, and geopolitical events, are not examined, although they may influence SMEs' access to financing.

Limitations of the Study

There is a possibility of sampling bias due to resource constraints and limited access to SMEs in the Awutu Senya East Municipality. This could impact the representativeness of the sample. The study therefore employs random sampling techniques to ensure a more representative selection of SMEs within the municipality. Also, the study relies on self-reported data from SME owners, which may introduce response bias and potential inaccuracies in reporting their financial literacy levels and access to financing. To enhance data reliability, the researcher cross-verified self-reported data with financial records and conducted validation checks to minimize response bias. Finally, the findings may have limited generalizability beyond the specific geographic and cultural context of the Awutu Senya East Municipality, making it challenging to apply the results to broader regions or countries. While the findings may be region-specific, the study made efforts to compare its results with existing research from other areas to provide a broader perspective.

Organization of the Study

This study involves five chapter, with the first chapter contextualising the study and its problem. The second chapter contains a thorough overview of the relevant literature and provides a conceptual framework for the pertinent concerns, including both theoretical and empirical difficulties connected to financial literacy and access to financing. Chapter three specifies the research methods, involving approaches to data gathering and analysis. The findings are presented and discussed in the fourth chapter, with recommendations and conclusions presented in the final chapter.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter provides the relevant literature on financial literacy and financial access. To do this, the chapter covers with a discussion on the theories underpinning the study as well as a review of empirical works by prior researchers and the definition of a number of general key terms pertaining to SMEs.

Theoretical Review

Credit rationing theory

This theory offers a framework for examining inefficiencies in the financial market. Credit rationing happens when some loan applicants who seem to be equally qualified get approved while others do not get approved (Mutezo, 2015). Information asymmetry, or the fact that one party frequently lacks sufficient knowledge of the other party to effectively trade in capital sectors, is cited by the theory's proponents as the primary factor contributing to financial market dysfunction (Davies & Giovannetti, 2018). Borrowers have varying chances of repaying their loans, but because banks cannot distinguish between good and bad borrowers, prices (interest rates) serve as a screening device (Davies & Giovannetti, 2018). This results in either adverse selection (selecting potential borrowers who are unlikely to pay) or moral hazard (influencing borrowers' behavior so that loans taken are less likely to be repaid).

Banks are worried about the risks involved in making loans to businesses as well as about earning interest on those loans (Rostamkalaei & Freel, 2016). But if a risk-neutral company is divided over two initiatives at a particular interest rate because of the systemic risk problem, a rise in interest rates makes the company select the venture with a high failure probability but larger expected returns (Gompers, 2022). Several authors attempted to draw Credit Rationing Theory to a conclusion on a variety of issues. Khan et al. (2021) claimed in their research that the major reasons small firms have such little recourse to institutional credit are weak financial institutions in several developing and emerging nations, a lack of flexibility, and a lack of expertise with small-scale lending. Contrarily, Nkuah et al. (2013) concluded that information asymmetry constitutes a moral hazard, with SMEs perceived as risky borrowers being shut out of the mainstream of potential borrowers.

According to the credit rationing theory, SMEs' information asymmetry may result from a lack of financial expertise (Hoque et al., 2016). Their capacity to receive credit from the financial market may be impacted by their incapacity to choose the appropriate financial products or services, access, and objectively evaluate financial advice (Hussain et al., 2018). Additionally, SMEs' involvement in the financial market may be diminished by financial illiteracy which affects on-time bill payment, responsible debt management that builds creditworthiness, effective budgeting, and ethical financial negotiation (Mutengezanwa, 2018). Consequently, financial literacy affects a borrower's capacity to repay his debt, which over time affects a firm's ability to service its loan obligations (Tuyisenge et al., 2015). Because it identifies some of the factors influencing SMEs' access to credit, this theory is important to this study.

The theory posits that even when borrowers are creditworthy, they may face restricted access to financing due to asymmetric information between borrowers and lenders (Hidayat & Pok, 2021). In the context of the study, SMEs with limited financial literacy may struggle to effectively communicate their creditworthiness to financial institutions. This lack of financial literacy can lead to a situation where SMEs, although viable borrowers, are perceived as risky by lenders, resulting in credit rationing (Mpofu & Sibindi, 2022). The theory suggests that enhancing the financial literacy of SME owners may alleviate credit rationing. If SMEs can better articulate their financial needs, demonstrate their creditworthiness, and understand the lending process, they are more likely to access financing (Anshari et al., 2021).

Human capital theory

The theory of human capital posits that an individual's level of financial literacy is influenced by their financial knowledge, attitudes, skills, and behaviors (Lusardi & Mitchell, 2014). This theory, suggests that investing in financial knowledge through training, exposure, and experience is instrumental in improving financial literacy and management (Eniola & Entebang, 2016). According to human capital theory, financial education enhances people's confidence and awareness, imparting valuable knowledge and skills that empower them to make sound financial decisions, ultimately enhancing their future financial well-being (Thomas & Gupta, 2021). Lusardi and Mitchell (2014) define human capital in financial literacy as the attributes acquired through financial education and experience, highlighting that financial literacy is indeed an investment in human capital.

This theory underscores the importance of financial education as a means to bolster the financial capabilities of a population (Refera et al., 2016). Embedding financial knowledge within individuals has significant implications for both financial well-being and policies aimed at elevating financial literacy levels among the broader population (Brüggen et al., 2017). The theory assumes that financial literacy enables investors to achieve higher expected returns on their assets, given a specific level of risk, potentially reaching the theoretical maximum on the mean-variance frontier (Yankey, 2016). Eniola and Entebang (2016) further elucidate the link between investing in financial training, individuals' financial literacy, and their financial well-being. This theory distinguishes between general education and financial literacy (Yankey, 2016). Over time, studies have explored the rates of financial returns associated with financial literacy. Brüggen et al. (2017) discovered that financial attitudes and behaviors are critical factors in explaining how the application of financial literacy can enhance financial well-being.

The Human Capital Theory is highly relevant to the study on the influence of financial literacy on access to finance by SMEs, as it provides a foundational framework for understanding the relationship between financial education and individuals' financial capabilities (Marginson, 2019). The theory underlines the significance of investing in financial knowledge, skills, and attitudes through education and experience (Ameliawati & Setiyani, 2018). In the context of the study, this theory helps explain how SME owners' financial literacy levels are shaped by their exposure to financial education and practical financial experiences. The theory posits that financial education enhances confidence and awareness, enabling individuals to make informed financial decisions (Eniola & Entebang, 2017). In the study, this concept is vital, as it suggests that SME owners with higher financial literacy may have an advantage in accessing and managing finances effectively (Hussain et al., 2018).

Conceptual Review

Concept of SMEs

Definitions of SMEs have varied across geographical regions. In its 1987 Ghana industrial census, the Ghana Statistical Service categorised companies in Ghana as small scale firms if they had fixed assets under $100,000 and 5 to 29 employees, and medium scale companies if they had 30 to 99 employees (Emmanuel, 2017). Gure and Karugu (2018) contend that since it is the most consistent across industries, the definition of SMEs based on turnover has the most advantages over those based on employment or assets.

Additionally, Kanyanula and Quartey (2000) have advised against using the asset-based definition of SMEs due to valuation issues and the volatile nature of the Ghanaian cedi. The definition chosen reflects the circumstances in Ghana and enables the study to include a larger number of SMEs. Additionally, the employee principle used in this study is consistent with the NBSSI's definition of SMEs. Therefore, in this study, any company with fewer than nine employees was categorized as a micro or small business, those with between ten and 29 employees as medium-sized businesses, and those with thirty or more employees as large-sized businesses.

SMEs are a flexible and changing notion (Olorunshola, 2003). López and Aybar (2000) assert that the SME sector is particularly significant because it strengthens the participation of the private market and offers the vital foundations for manufacturing and long-term wealth creation. SMEs are regarded as the innovation's heart and soul. This is due to the fact that entrepreneurial activities have led to wealth creation (Amanamah, 2016). In the area of employment, SME's are quite important. SMEs are a key force in the advancement of innovation, economic dynamism, and social inclusion worldwide (Subhan et al., 2013). These businesses have been acknowledged as the catalysts for achieving the growth goals of developing nations. SMEs are estimated to be responsible for 60% of all jobs in Ghana and around 50% of the nation's total output. SMEs are vital for reducing pressure and enhancing wellbeing, claim Lopez and Aybar (2000). By encouraging the emergence of more small-scale businesses, SMEs also promote to long-term industrialization.

A requirement for any long-lasting industrialization in Ghana is likely to be the rise of fully modern SMEs (Abisuga-Oyekunle et al., 2020). SMEs can also have an exceptional function in creating social assets because they are accustomed to functioning in unorganized and varied markets (i.e., they are frequently "entrenched" in local communities), which is one of the additional contributions they make to the economy, according to Hendy (2003). Compared to large corporations, where expansion typically entails a greater level of automation and machinery, jobs are more expected to rise as a result of SME growth. As a result, supporting SME will help to reduce poverty (Beck et al., 2013).

Since SMEs constitute an overwhelming majority of large organizations. It follows that today's SMEs are tomorrow's big businesses, and their growth must be fostered (Andersen et al., 2022). As a result, SMEs are frequently seen as the breeding ground for homegrown entrepreneurship and the source of numerous small investments that otherwise would not have occurred (Aryeetey & Ahene, 2004). Most countries, especially those that are developing, depend heavily on SMEs. In emerging economies, formally recognized SMEs contribute about 45% and 33% to employment and GDP, respectively (Emmanuel, 2017).

Access to credit

A person's or a business's capacity to obtain financial services is referred to as credit access (Lubanga, 2016). Financial services include bank details, payment methods, loans, and insurance. It is also possible to refer to someone's or a business's ability to obtain financial services as their utilization of credit or funding. The results of earlier empirical studies are consistent with this definition (Nkuah et al., 2013). In support of the existing definitions, Goodman et al. (2016) asserted that credit accessibility is a measure of the likelihood that a customer in need can obtain a loan at a specific time, a process that involves two steps and depends on two factors. Consumers who require credit must move from demand to application, then from application to origination, in order to obtain a mortgage (Thomas, 2000).

SMEs have historically had their creditworthiness evaluated solely on the basis of how well credit-granting institutions have applied the fundamental principles of lending (Munro, 2013). Several studies showed that, even though these factors may vary slightly from one credit institution to the other when assessing a potential borrower, the bottom line is that most of them occur during credit assessment (Serrano-Cinca et al., 2016).

According to Berger and Udell (2002), three key criteria—financial statements, asset base, and relationships—are taken into consideration when lending to small businesses. The fundamental goal of lending based on financial statements was to evaluate data from the financial statements and the main signals as a lending cue (Cassar et al., 2015). The quality of the collateral offered triggers asset-based lending. Okoth (2013) claims in his research on the difficulties in funding SMEs in Kenya that corporate banks and other financial institutions use conventional risk analysis criteria to evaluate loan applications, which has a detrimental effect on SMEs. These criteria according to Okoth have been summarized in 5Cs which may act as a general guideline in the lending business.

The 5Cs were explained as follows by Siaw (2014): Capital: This suggests that the client must appear to be in good financial standing before any credit is granted. The term "capacity" means that the borrower must show that they have the financial means to refund (Siaw, 2014). Collateral is a type of security used to protect the goods or services that are provided on credit. Conditions include the state of the customer's industry as a whole and the general economic circumstances in the region or nation. Investigating the borrower's character falls under the category of character (Siaw, 2014). Information about the character of the borrower can also be accessed through credit agencies, trade references and interviewing the borrower. Nguyen, Polách and Vozňáková, (2019) found that collateral and assistance from the government were strong determinants of external credit accessibility whilst other creditworthiness variable and bookkeeping proved statistically insignificant.

Sources of Credit available to Small and Medium Enterprises (SMEs)

The economic growth of every country depends heavily on credit. It offers credit to cover operating expenses as well as start-up capital to businesses (Taiwo & Falohun, 2016). Ghanaian SMEs can obtain funding from both formal and unofficial sources. The formal sources such as banks were founded particularly to help domestic firms receive financing (Amala et al., 2023). Government funding or funding obtained with the aid of donor organizations are two additional official sources of funding. According to Ayyagari et al. (2017), Small and Medium Enterprises (SMEs) are prevented from obtaining credit by credit institutions' high interest rates, collateral requirements, and onerous and bureaucratic procedures.

Friends and some susu collectors are among the informal sources. Several credible research studies have demonstrated this. Longenecker et al. (2020) discovered that debt and equity financing continue to be the principal sources of funding for SMEs. Cecere et al. (2020) mentioned internal and external funding as another type of financing available to SMEs. Internal funding was defined as funds derived from receivable accounts, retained earnings, asset sales, savings, and so on (Cecere et al., 2020). Borrowings from banks, relatives, governmental and non-governmental organizations provided external funding (Cecere et al., 2020). According to Gichuki et al. (2014), small enterprises can generally launch with personal funds or loans from relatives and close companions rather than significant startup money or expensive technologies.

In a survey of SMEs in the United Kingdom (UK), 80 percent reported using external financing in the previous three years, but for new businesses, the percentage allocations were: personal savings percent, bank percent, and friends and family percent (Frid et al., 2016). Additionally, it was stated that access to credit for start-up businesses was a significant problem and that about 24% of SMEs used term loans (Frid et al., 2016). According to Wu et al. (2016) investigation into the sources of funding available to entrepreneurs, the three most significant were personal resources, friends and family, and other sources like banks. In Ghana, many financial support schemes such as the Venture Capital Trust Fund, Micro-Finance and Small Loan Centre, Export Development and Investment Fund and Business Advisory Fund have been established by both private and public individuals and institutions to support SMEs (Quaye & Sarbah, 2014).

Concept of financial literacy

The importance of financial literacy is being recognized by researchers and a wide range of stakeholders. Financial literacy has many different definitions (Stolper & Walter, 2017). Financial literacy primarily refers to the capacity to make wise decisions when handling cash (Australian Securities and Investment Commission [ASIC], 2003). It can also be used to help people make decisions about their borrowing, investing, budgeting, spending, and saving. According to Goyal and Kumar (2021), there are two ways to define financial literacy. Taken broadly, financial literacy involves insights into how financial considerations influence society decisions. The basics of money management are the focus of a constrained definition of financial literacy (Gallery et al., 2011).

Financial literacy is knowledge of basic economic and financial concepts, as well as the ability to use knowledge and other financial skills to manage financial resources effectively for one's financial wellbeing for a lifetime (Bilal & Zulfiqar, 2016). Those who have a strong understanding of finances are better equipped to manage the financial system (Klapper et al., 2013). A person's ability to make smart economic decisions is made possible by having a certain level of financial literacy (The Institute of Economic Affairs [IEA], 2012). Financial literacy, according to the OECD, includes the capacity and assurance of investors and customers to detect fiscal dangers and prospects, make intelligent choices, be aware of options for support, and take other beneficial actions that enhance their economic well-being (Wiener et al., 2005).

It is the capacity to comprehend, evaluate, handle, and report about private finance situations affecting material well-being (Taft et al., 2013). It enables one to plan ahead of time and respond completely to life events that have an impact on everyday financial choices, such as changes in the overall economy. According to Schuhen et al. (2022), definitions of financial literacy include the following elements: being competent, trained, and notified about issues pertaining to assets and cash, financial services, savings, loan, insurance, and taxation.

Dimensions of financial literacy

Financial negotiation literacy

Insurance, investing, managing money, using credit, and saving money are just a few examples of the many issues that fall under the umbrella of financial literacy (Rashid, 2018). It is the capacity of a customer or investor to understand financial ideas, products, and prospects (Atkinson & Messy, 2012) and negotiate a deal on money with other people to come to an agreement. A person's financial literacy may affect how financial disclosures are interpreted and how they affect investment decisions, according to recent research (Krische, 2019).

There are four outcomes: win-win, lose-lose, lose-win, and win-lose, as well as no outcome. The term "win-win" refers to a situation in which both parties in a negotiation get something they desire or need if not everything. They have both good feeling about things and willing to talk about them again. This is the best desirable negotiation outcome (Krische & Mislin, 2019). Lose-lose is a negotiation conclusion in which none of the parties obtain what they desire. When one player gets what she wants and the other gets nothing, it's called a lose-win situation (Krische & Mislin, 2019). The loser will almost certainly refuse to negotiate with the winner again. If neither person wins or loses, there is no outcome. They decide not to pursue the negotiations any further (Krische & Mislin, 2019). Financial literacy can influence a person's decision-making both before and during a negotiation. Financially illiterate negotiators could be less inclined to strike up a conversation and make their demands known (Krische & Mislin, 2019).

Budgeting literacy

Budgeting literacy refers to an individual's or organization's capacity to understand, create, manage, and make informed decisions regarding budgets (van Helden & Reichard, 2019). It encompasses a range of skills, knowledge, and competencies related to financial planning and allocation of resources (Finke & Huston, 2014). At its core, budgeting literacy involves grasping fundamental financial concepts, such as income, expenses, savings, and debt. It also encompasses the ability to construct a budget that aligns with one's financial goals, whether at the personal or business level (Ifeanyi & Rena, 2018). This includes setting priorities, estimating income, forecasting expenses, and identifying areas for potential savings or investment.

Budgeting literacy is not solely about number crunching; it also involves cultivating prudent financial behaviors and attitudes (Barr & McClellan, 2018). This includes discipline in adhering to a budget, the ability to adapt in the face of changing circumstances, and the skill to evaluate financial decisions against budgetary constraints (Barr & McClellan, 2018). The implications of budgeting literacy are far-reaching. For individuals, it can lead to improved financial stability, reduced stress, and increased opportunities for savings and investment (Siekei et al., 2013). In the business context, budgeting literacy is vital for effective financial management, resource allocation, and strategic planning (Klačmer Čalopa, 2017). In an era of complex financial choices, budgeting literacy is an empowering tool that equips individuals and organizations with the capability to make sound financial decisions, navigate economic uncertainties, and work toward their financial objectives (Ayhan, 2019).

Debt management literacy

While obtaining and communicating facts for a bank loan, a group of actions and components known as credit and debt management are strategically tied to one another (Emerenini & Nnanna, 2015). The practice of managing debt involves using a third party's assistance to pay off debts. It is best if a debt management plan is established to further facilitate the setup of debt (Emerenini & Nnanna, 2015). Savings refers to a portion of a person's income that is not utilized for consumption, whereas investment refers to a portion of the savings that is used for beneficial economic activity (Dwiastanti, 2015). And the risk is something that occurs because of uncertainty.

Debt literacy refers to the capacity to employ a basic grasp of interest accumulation to routine financial choices, leading to the capacity to make simple critical decisions debt agreements (Lusardi & Tufano, 2015). The offered definition focuses on three key elements: knowledge, application, and debt issues. In addition to knowledge and application, financial literacy encompasses a wide range of skills (Lusardi & Tufano, 2015). Debt issues include the characteristics of debt goods or contracts. Debt literacy, thus, can be described as the understanding and application of financial literacy to debt-related issues such as credit cards, loans, interest rates, and fees (Lusardi & Tufano, 2015).

Empirical Review

Financial literacy and access to finance

Kaiser and Menkhoff (2016) discovered that financial literacy positively affected conduct in general, the effects were minimal. This can be explained by the fact that the consequences of financial literacy vary greatly and depend on the target group being studied. In a latest report by Lyons and Kass-Hanna (2021), financial inclusion was evaluated using borrowing and saving patterns. Higher financial literacy increased people's propensity to formal borrow and engage in good saving habits in MENA countries. They tended not to take out supplemental loans.

In the United States, Lusardi and Scheresberg (2013) discovered expensive credit products and established that the majority of high-cost borrowers were identified as individuals who lacked numeracy abilities and/or awareness of basic financial concepts, according to the study. Furthermore, the survey discovered that borrowers aged 18 to 34 were high-cost borrowers. In Kenya, Musundi (2014) discovered a minimal level of financial literacy among estate investors. To keep up with the needs of the increasingly complicated financial markets and goods, the study advised customers to increase their financial literacy.

According to Disney and Gathergood (2013), borrowers with low financial literacy have a larger percentage of high-cost credit than those with higher literacy. In conclusion, inadequate financial literacy is linked to larger debt loads, higher costs, loan defaults, and loan delinquency. The microfinance clients in Embu County and how their level of financial literacy influences their ability to arrive at wise financial choices are the main subjects of Kariuki's (2012) research. The study concentrated on three different facets of financial literacy: understanding of financial origins, understanding of monetary activities, and understanding of cash technology. The 2,168 members of the county's 25 registered microfinance institutions were the target group. The study's findings indicate a significant association between the two factors.

Mutegi et al. (2015) looked at how financial literacy training provided by Equity Bank Foundation SMEs' debt payments. Out of 300 people in Ngara, Nairobi County, the study used questionnaires to concentrate on 30 small and micro businesses. The study examined the effectiveness of planning, credit control, and recordkeeping as measures of financial literacy. The study's findings revealed a link between the indicated competencies and SMEs' ability to repay loans.

Financial negotiation skills and access to finance

In the Midlands of the United Kingdom, Hussain, Salia, and Karim (2018) considered financial literacy's corellation with credit availability and business growth. 37 individuals were randomly selected for the study. One finding was that one of the most important tools for SME owners in improving their financial strategic decisions is financial literacy. In order for SMEs to grow, financial literacy is also required to lower monitoring costs and optimize a firm's capital structure. The study's conclusions support the notion that financial literacy will improve SMEs' capacity to provide financial data, which will enhance their capacity to obtain outside finance.

In their study, Krische and Mislin (2020) explore the influence of financial literacy on negotiation behavior within employment contexts. Through studies involving undergraduate business students and adults sourced online, the findings reveal that higher financial confidence encourages negotiation initiation, while greater financial knowledge correlates with the level of participants' initial offers.

Nunoo and Andoh's (2012) empirical study investigates the relationship between financial literacy and the utilization of financial services among small and medium entrepreneurs in Ghana. Through survey data analysis, the research reveals a modest level of financial literacy among SME owners. Significantly, financially literate entrepreneurs were found to be more inclined to use financial services, with operating bank accounts being the most common choice. These findings underscore the pivotal role of financial literacy in fostering SMEs' access to and utilization of financial products, highlighting crucial policy implications.

Budgeting skills and access to finance

Kefela (2010) delves into the vital role of financial literacy in empowering consumers and promoting access to finance in developing nations. By enhancing a bank's presence in local communities and enabling consumers to make well-informed financial decisions, this research underscores the importance of financial education. Through encouraging prudent financial behaviors such as saving, budgeting, and judicious use of credit, the study reveals that improved financial literacy not only influences individuals' economic futures but also contributes substantially to their overall well-being.

Frimpong (2018) provides valuable insights into the relationship between financial management practices and access to external finance for Micro, Small, and Medium Manufacturing Enterprises (MSMMEs) in Ghana. Utilizing logistic regression on a substantial sample size, the study reveals compelling evidence. Specifically, the study demonstrates that effective financial practices, including the preparation and utilization of financial information, business plans, and capital budgeting, significantly enhance MSMMEs' likelihood of accessing external finance.

Debt management skills and access to finance

Okello Candiya Bongomin et al. (2017) present a significant contribution to the understanding of SME growth in developing economies. Their study, conducted among 169 SMEs in Uganda, illuminates the pivotal role of financial literacy as a moderator between access to finance and SME growth. Through rigorous analysis, they establish a positive and substantial moderating effect of financial literacy in the relationship between finance accessibility and SME growth.

In their study, Adomako et al. (2016) delve into the nuanced dynamics of access to finance and firm growth in the context of Ghanaian small and medium-sized enterprises (SMEs). Grounded in the resource-based view, their research uniquely incorporates financial literacy as a crucial moderator. Surveying 201 SMEs, their empirical investigation reveals a significant and positive enhancement: financial literacy strengthens the relationship between access to finance and firm growth.

In their study focused on the Kumasi Metropolis of Ghana, Opoku-Mensah and Hayford Agbekpornu (2015) investigate the intricate factors influencing credit accessibility for agribusiness operators, utilizing a robust multi-stage sampling approach. Employing both qualitative and quantitative methods, their analysis, substantiated by the Logit model, highlights crucial determinants such as credit management skills, collateral possession, and firm size. Notably, challenges emerge, including high interest rates and unfavorable loan terms.

Gender and financial literacy

Potrich et al. (2018) addressed the crucial issue of gender disparities in financial literacy. Their study introduces a novel indicator to evaluate individual financial literacy levels and meticulously analyzes gender differences. Surveying 2,485 individuals in Brazil, the research reveals a prevalent low level of financial literacy across genders, with men exhibiting a slightly higher proficiency. Significantly, the study underscores the imperative to focus efforts on empowering women, especially those with lower education and income levels, emphasizing the need for targeted interventions in financial literacy to bridge gender gaps effectively.

Yu et al. (2015) delved into the intricacies of financial literacy among Hong Kong workers, employing a comprehensive phone survey conducted in 2015. Their research unveils a discernible gender gap in financial literacy, highlighting age, spousal support, risk tolerance, computational ability, and perceived financial knowledge as contributing factors. While a portion of this disparity can be attributed to differences in risk tolerance, computational ability, and self-reported financial knowledge, a gender difference persists even after accounting for these variables.

Bucher-Koenen et al. (2016) probe the gender gap in financial literacy, aiming to discern if it is rooted in knowledge or confidence disparities. Their innovative surveys reveal that while women exhibit lower confidence in their financial knowledge, the gender gap persists even when considering this aspect. Implementing a refined metric for knowledge assessment, the study showcases a reduced but lingering gender gap. Crucially, the research underscores the enduring importance of financial knowledge, indicating its pivotal role in shaping financial behaviors.

In their study on financial literacy in Ghana, Sarpong-Kumankoma et al. (2023) employ rigorous probit models and the Oaxaca-Blinder decomposition method. Their findings affirm a gender gap in financial literacy, with men generally more financially literate than women. Crucially, the research delves deeper, revealing that the gender gap is primarily due to unobserved behavioral and psychological traits, and cultural norms, rather than demographic or socio-economic differences. The study's implications are clear: targeted interventions are necessary.

Conceptual Framework

In the conceptual framework, financial literacy, which is the independent variable was proxied with financial negotiation skills, debt management skills and budgeting skills and access to credit was the dependent variable. The framework in Figure 1 demonstrates how financial negotiation, debt management, and budgeting literacy can all have an impact on access to credit. As a result, the framework below paints a clear picture of how the variables relate to one another.

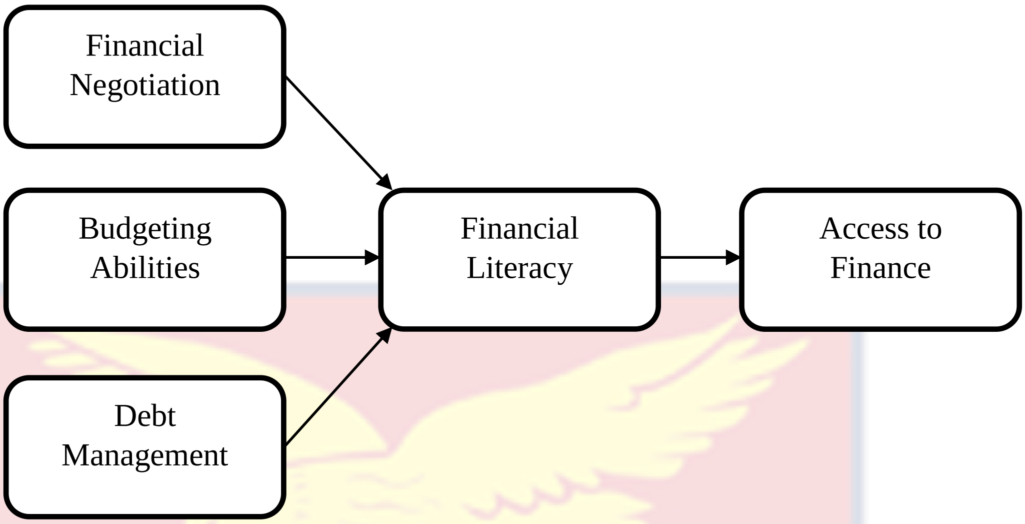

Figure 1: Conceptual Framework of the study
Source: Author's Construct (2021)

Chapter Summary

The chapter extensively examined existing literature and established hypotheses to explore the relationships between the dimensions of financial literacy and SMEs' access to finance. Detailed discussions were conducted on the theories related to the constructs and their potential implications. The works of other authors and scholars were thoroughly reviewed. Additionally, a conceptual framework was formulated as a significant part of this chapter.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter discusses the thorough and planned procedure the researcher utilized to meet the study's goals. The primary issues discussed in this chapter are the field, the design, the respondents, the selecting process, the information sources and gathering technique, the data analysis process, and ethical concerns.

Research Design

A research design entails system of principles for the investigation, which includes data gathering and analysis. Accurate outcomes and study proposal ideas might come from a strong research design (Pandey & Pandey, 2021). Exploratory, descriptive, and explanatory research designs are the three primary types. Explanatory research is conducted into the situation or subject in question when there are few or no preceding investigations where one might refer for information regarding a research issue or problem (Rahi, 2017). Instead of attempting to prove or disprove a hypothesis, this type of research looks for patterns, ideas, or hypotheses. Thus, exploratory research is useful to researchers when they need to gain fresh insight of an issue (Brown et al., 2020). In the case of this study which investigates the impact of financial literacy on SMEs' access to finance in the Awutu Senya East Municipality, the explanatory/causal research design was selected.

This design aligns with the study's overarching objective, which is to establish a causal relationship between financial literacy and SMEs' access to finance. While other research designs may provide descriptive or exploratory insights, an explanatory/causal design is specifically tailored to determine the cause-and-effect relationships within a given phenomenon (Saunders et al., 2015). Furthermore, in the context of the study's unique focus on the financial literacy of SME owners and its influence on their access to financing, an explanatory design allows for a deeper understanding of the intricate dynamics at play (Creswell & Creswell, 2017). This enables researchers to explore the causal pathways through which financial literacy impacts access to finance. This design empowers the study to go beyond surface-level observations and delve into the underlying mechanisms driving the relationship (Creswell & Creswell, 2017).

Research Approach

The selection of a quantitative research approach for this study, which investigates the impact of financial literacy on SMEs' access to finance in the Awutu Senya East Municipality, is a well-considered choice that aligns with the study's goals, nature, and the type of data required for robust analysis. This approach is best suited to produce representative, reliable, and generalizable data, which is essential for exploring relationships between variables (Creswell, 2014). In this study, the primary focus is on understanding the causal relationship between financial literacy (an independent variable) and SMEs' access to finance (a dependent variable). To rigorously test and analyze these relationships, quantitative methods and statistical procedures are indispensable (Ong & Puteh, 2017).

The development of a questionnaire as the research instrument is in line with the quantitative approach, as it allows for the systematic collection of quantitative data (Stockemer et al., 2019). This approach enables the study to measure financial literacy levels, access to finance, and other relevant variables numerically, facilitating statistical analysis (Rahi, 2017). Quantitative research is also characterized by its organized and structured nature, which is particularly advantageous for this study (Antwi & Hamza, 2015). It allows for the systematic testing of hypotheses, application of statistical procedures, and the presentation of findings in a structured and comprehensible manner (Queirós et al., 2017). The use of a larger sample size, as typically seen in quantitative studies, enhances the study's generalizability.

Study Area

The study's focus area was the Awutu Senya East Municipality. The Awutu Senya East Municipal is located in the Eastern part of the Central Region it shares common boundaries with Ga South Municipal Assembly (in the Greater Accra Region) at the east, Awutu Senya District at the north and Gomoa District at the West and South respectively (ASEMA, 2022). The municipality covers a total land area of about 108.004 sqkm. About 1.1 percent of the total land area of the Central Region. Kasoa, the municipal capital is located at the South Eastern part about 31km from Accra, the national capital (ASEMA, 2022). The Municipality, with its administrative center in Kasoa, stands out as a vibrant economic hub within the Central Region of Ghana. This region is characterized by a robust business landscape, with a diverse array of businesses and firms, particularly in the SME sector (Addae & Oppelt, 2019).

The municipality boasts a large and active population, which translates to a significant number of entrepreneurial ventures, both small and medium-sized (Arthur, 2019). This concentration of businesses reflects a dynamic economic environment where SMEs play a pivotal role. Furthermore, the municipality's reputation as a commercial epicenter makes it an ideal setting for this study. Its status as a bustling commercial and trading hub underscores the relevance of exploring the relationship between financial literacy and SMEs' access to finance. In such a thriving economic context, SMEs are not only numerous but also face the challenges and opportunities associated with financial management and securing external financing (Sallem et al., 2017). These assertions made the Awutu Senya East Municipality an apt choice for this study.

Population

According to Casteel and Bridier (2021), the population in research represents the group of individuals or entities from which the researcher seeks information and draws conclusions. The SMEs owners registered by the National Board for Small Scale Industries (NBSSI) under a single business permit with fewer than 20 employees and operating in the Awutu Senya District make up the target population. Thus, all officially registered SMEs in the Awutu Senya District are considered the population for this study. Approximately 2000 registered SMEs make up the entire target population (Ghana Statistical Service, 2014).

Sampling Procedure

Due to the difficulties for the investigator in gaining access to the complete target group, usually because of the population's vastness, time constraints, and cost associated, it is commonly unfeasible and universally acceptable not to take into consideration the overall population for a survey. Representative samples are required in every scientific study as a way to overcome the difficulty of gaining access to the entire population (Sanders et al., 2007).

To make sure the sample represented the population, stratified sampling was used. Stratified sampling is best for a heterogeneous study, claim Mugenda and Mugenda (2003). Since the MSEs in Awutu Senya District fall into a variety of heterogeneous categories, this study focuses on those SMEs. It is best to use stratified sampling. Data from the NBSSI show that SMEs mostly operated in the manufacturing, service, hospitality, agro-processing, woodworking, and traditional craft sectors. Simple random sampling was used to select the participants from all of the groups mentioned. Because each SME had an equal chance of being sampled, simple random sampling helped to prevent bias (Mutiria, 2017).

Additionally, the simple random method is perfect for a heterogeneous study and permits inferential conclusions (Akrofi, 2016). To guarantee a representative sample of SMEs in Awutu Senya, 333 respondents were selected for the sample. The Yamane (1973) formula was used, with a 95% confidence interval and 0.05 margin of error. The following is the sample size calculation formula proposed by Yamane (1973):

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

Where; n = sample, N= population e = error margin

$$n = 2000/ \{1 + 2000(0.05)^2\}$$

$$n = 333$$

Thus, 333 respondents are the proper sample size for the study as per Yamane's (1973) formula.

Data Collection Instrument

Primary data gathered in the field served as the foundation for the study. Major knowledge areas regarding financial services, products, and concepts like transfers, credit/loans, investments, and savings were covered by a thorough questionnaire. The questionnaire was extended to also cover behaviour and attitude regarding financial products and services. Only closed-ended questions could be found on the survey. The selection of the questionnaire was made due to its popularity, usefulness in collecting survey data, availability of organized, summary statistics, and ability to be conducted without the author's participation (Cohen, Manion & Morrison, 2017). By completing surveys, participants have the chance to voice their thoughts and provide recommendations.

Last but not least, questionnaires were standardized, which facilitates comparing various responses from respondents and offers some anonymity. There were no open-ended questions on the questionnaire. In the closed-ended questions, the respondents were given a list of options from which to select. The first component of the questionnaires, which had four sections, focused on the demographic information of the respondents, and the next three sections were constructed according to the study goals. On a five-point Likert scale, the survey items were scored several times.

Mode of Data Collection

Within five days, the researcher personally delivered the surveys along with four research assistants. The questionnaire was chosen, given to the respondents during the initial visit by the researcher and her assistants, and time was allotted for its collection. To help the respondents complete the survey, a variety of respondents were contacted. The third visit was when the questionnaire was gathered. The author developed the tool; thus, it was field tested to evaluate its reliability and validity.

Data Processing and Analysis

Upon receiving the completed questionnaires, the responses were edited, coded, and then entered into the Statistical Package for Social Science (SPSS version 22.0), a widely recommended software for analyzing social science studies (Zikmund et al., 2012). The data underwent a comprehensive analysis using descriptive statistical techniques, including mean, standard deviation, frequency count, and percentage, as prescribed by Leedy & Ormrod (2010). Furthermore, to explore the relationships between variables, a multiple linear regression analysis was conducted to determine the extent to which the independent variables (the dimensions of financial literacy) explained the variance in the dependent variables (access to finance) (Zuur & Ieno, 2016). The results of these analyses were thoughtfully presented in tables and figures, in Chapter 4 in a clear and coherent manner. This allowed for an in-depth and chronological understanding of the research outcomes.

Empirical Model Specification

This section describes the multiple regression model that was employed to analyze the study's objectives. The multiple regression model is of the form;

Acc_Credit = b_o + b_1 BPS + b_2 FNS + b_3DMS +ε

Where Acc_Credit is Acess to credit

BPL is Budget preparation skills

FNL is financial negotiation skills

DML is Debt management skills

Ethical Considerations

Ethical considerations must be made when the research is planned, access to organizations and people is gained, and data is collected, analyzed, and reported (Saunders et al., 2007). The researcher enquired about the participant's willingness to participate and consent. Participants knew they could choose to participate in the research partially or entirely. They received assurances that their information would be kept private.

Chapter Summary

This chapter discussed the methodological approach adopted to guide the conceptual framework designed for the study. The explanatory/causal research design was adopted. The quantitative approach was discussed in line with the aim of investigating the impact of financial literacy on SMEs access to finance. Following this, the sampling, data collection and analysis procedures were discussed. Finally, the ethical principles that guided the study were also outlined.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

In this chapter, the study's findings are presented and debated. The main goal of this study was to ascertain how financial literacy affected SMEs' access to financing in the Awutu Senya East Municipality. The researcher used correlation, multiple regression analysis, and an independent t-test to analyze and interpret the responses in order to meet the study's goals.

Demographic Characteristics of Respondents

The demographic information for the study's participants is displayed in this section. The study's results showed that the Awutu Senya East Municipality had establishments that catered to the needs of dressmakers and tailors, hairdressers and barbers, chop bar owners, provision shops, licensed chemical sellers, garage workers, shoe and bread vendors, fishmongers, mobile phone dealers, and carpentry shops. The outcomes of the data collection are vividly shown in Table 1.

Table 1: Demographic Characteristics of Respondents

Demography	Category	Frequency	Percentage
Gender	Male	31	44.3%
	Female	39	55.7%
Age	18 – 30 years	28	40.0%
	31 – 40 years	28	40.0%
	41 – 50 years	12	17.1%
	51 – 70 years	2	2.9%
Level of Education	No Education	8	11.4%
	Primary	27	36.6%
	Secondary	29	41.6%
	Tertiary	6	8.6%

Source: Field Survey (2022)

Table 1 provides an insightful overview of the demographic composition of the participants engaged in this study, shedding light on their diverse backgrounds and characteristics. The study's sample revealed a gender disparity within the SME sector. Notably, 44.3% of the respondents were male, while the remaining 55.7% were female entrepreneurs. This gender distribution underscores the dominance of women in the SME sector, indicating a prevailing trend of gender insensitivity within the industry. This discrepancy can be attributed to the prevalence of women engaging in occupations that demand less physical effort, such as dressmaking, hairdressing, and various forms of produce retail.

The age groups of the SME operators were categorized into four segments: 18–30, 31–40, 41–50, and 51–70. According to Table 1, a significant portion of the respondents (40%) fell within the age brackets of 18–30 and 31–40. This data highlights the prevalence of young entrepreneurs within the SME landscape. Additionally, 17.1% belonged to the 41–50 age group, while a smaller percentage (2.9%) represented individuals aged 51–70.

Analyzing the educational background of the respondents, 41.6% of the 70 participants had completed secondary school, showcasing a substantial portion of individuals with a secondary education. Furthermore, 36.6% had completed elementary school, indicating a basic level of education among a significant portion of the respondents. Interestingly, 8.6% had received higher education, while 11.4% had no formal education. These findings emphasize the varied educational backgrounds of SME owners, highlighting the prevalence of at least basic education within this demographic.

Analysis of the Main Results

Test of Reliability

The study employed Cronbach's alpha to assess the consistency of the variables. Cronbach's alpha measures internal consistency, or how closely linked a set of things are with regard to one another. Reliability scores of 6.0 to 0.70 and higher are regarded by several researchers as satisfactory (Blumberg, Cooper, & Schindler, 2008; Malhotra & Birks, 2006). Table 2 shows the results.

Table 2: Reliability Test

	Cronbach’s alpha	Number of items
Access to Finance	0.840	8
Financial Negotiation Skills	0.872	5
Budgeting Skills	0.889	6
Debt Management Skills	0.863	6
Overall	0.885	43

Source: Field Survey (2022)

Table 2's Cronbach's alpha values are all within the allowable threshold, demonstrating the fairly substantial internal consistency of all the research variables. It shows the validity of every variable utilized in the research.

Regression Analysis

Assessment of regression analysis assumptions

To assess the results of the first, second, and third objectives, regression analysis was utilized in the study. The Shapiro-Wilk and Kolmogorov-Smirnov tests were used to determine normality prior to the regression result. Table 3 displays the outcome.

Table 3: Normality Test

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Access to Credit	0.111	16	0.200*	0.974	16	0.903

Source: Field survey (2022)

As can be seen in Table 3, the Kolmogorov-Smirnov and Shapiro-Wilk tests both had significant values higher than 0.05, meaning that the data is normally distributed.

Pearson Correlation Test

The study employed a Pearson correlation analysis to ascertain the association between markers of financial literacy and access to finance. The Pearson correlation tries to assess the strength and direction of the association between indices of financial literacy and access to capital. It is also utlized to determine whether the variables employed are multicollinear. For the absence of multicollinearity, it is advised that the Pearson correlation value should not be greater than 0.7. Table 4 presents the outcomes.

Table 4: Correlations

		AF	BS	FN	DMS
Access to Finance (AF)	Correlation	1	0.165**	0.044	0.138*
	Sig. (2-tailed)		0.003	0.421	0.012
Budgeting Skills	Correlation	0.165**	1	0.509**	0.624**
	Sig. (2-tailed)	0.003		0.000	0.000
Financial Negotiation	Correlation	0.044	0.509**	1	0.618**
(FN)	Sig. (2-tailed)	0.421	0.000		0.000
Debt Management Skills	Correlation	0.138*	0.624**	0.618**	1
(DMS)	Sig. (2-tailed)	0.012	0.000	0.000	

Source: Field survey (2022)

Table 4 displays the results of a Pearson Correlation study between financial access and financial literacy indicators. There is no evidence of multicollinearity in the results because the Pearson correlation analysis scores are less than 0.70. The results indicate that budgeting abilities have a favorable impact on access to funding. This implies that access to financing will expand along with budgeting skills. Financial negotiation abilities and access to money have a positive link; as economic elements increase, so will access to finance. The ability to manage debt well and financial access are positively correlated. As financial access increases, so will people's capacity to handle debt.

Effect of Financial Literacy Indicators on Access to Finance

Table 5 presents the regression result.

Table 5: Results of Financial Literacy Indicators on Access to Finance

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
Constant	0.599	0.427		1.402	0.167		
FN	0.189	0.084	0.225	2.249	0.029	0.729	1.372
BS	0.493	0.094	0.548	5.220	0.000	0.662	1.511
DMS	0.262	0.116	0.205	2.266	0.028	0.892	1.121

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.778[a]	0.606	0.584	0.52802	1.987

Where FN = Financial Negotiation, BS = Budgeting Skills and DMS = Debt Management Skills.
Source: Field Survey (2022)

The regression results of the impact of financial literacy on SMEs' access to finance are displayed in Table 5. Financial literacy indicators are thought to account for 60.6% of the variability in access to finance, according to the R square value of 0.606. This demonstrates that there may be additional elements, which the model did not account for, which need to be looked at in similar research if the expected 39.4% increase in access to finance is to be realized. The model's R value of 0.778 demonstrates an exceptionally good level of prediction. The findings of Table 5 showed that there was no autocorrelation between employee welfare and performance. This was determined using the Durbin-Watson criterion, which was set within the preset range of not less than 1.5 and not greater than 2.5. Finally, the VIF values show that the model does not exhibit multicollinearity because they are less than 10 (Alin, 2010).

Objective One: Investigate the effect of Financial Negotiation Skills of SME owners on Access to Finance

The first objective of the study sought to investigate the effect of Financial Negotiation Skills of SME owners on Access to Finance in Awutu Senya East Municipality. The result indicated that financial negotiation positively (0.189, $p \leq 0.029$) influence SMEs' access to finance. The result revealed that 1% financial negotiation will enhance SMEs' access to finance by 18.9% and it is significant at 5%. The implication of this result is that financial negotiation is an essential determinant of SMEs' access to finance. The study has therefore established that financial negotiation among SMEs causes substantial improvement in their access to finance.

Objective Two: Examine how SME owners' Budgeting Abilities affect their Ability to Obtain Financing

The second objective of the study sought to examine how SME owners' budgeting abilities affect their ability to obtain financing in the Awutu Senya East Municipality. From the results, Access to Financing for SMEs improved as a result of improved budgeting abilities. The coefficient of 0.493 suggests that, at a 1% significance level, a 1% improvement in budgeting abilities will result in a 49.3% increase in the availability of financing for

SMEs. This suggests that financial availability for SMEs is influenced by budgeting abilities.

Objective Three: Assess how debt management techniques affect SME owners' access to financing

The third objective of the study sought to assess how debt management techniques affect SME owners' access to financing in the Awutu Senya East Municipality. It was discovered that debt management skills had a favorable impact on SMEs' access to finance. The coefficient of 0.262 suggests that a 1% increase in debt management abilities will result in a 26.2% increase in the availability of financing for SMEs. This effect was significant at the 5% level of significance.

Objective Four: Analyze whether there exists a significant disparity in financial literacy between male and female business owners

Determining whether there is a noticeable and significant difference between the financial literacy of male and female SME owners in the Awutu Senya East Municipality was the study's ultimate objective. Because there were only two distinct groups in the study—male and female SME owners—an independent-samples t-test was used to achieve this research goal. In Table 6, the outcome of the independent sample t-test is displayed.

Table 6: Independent Sample T- test

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	T	Df	Sig. (2-tailed)
Equal variances assumed	6.945	0.011	-2.572	49	0.013
Equal variances not assumed			-2.593	42.945	.013

Mean Male = 3.630
Female = 3.508

Source: Field survey (2022)

The descriptive statistics (Mean value) from Table 6 demonstrate that male and female Business owners have different levels of financial knowledge. The results show that male small business owners are more financially literate than female small business owners. Using an independent sample t-test, it was determined whether this difference was statistically significant. Based on the results, Levene's test for the balance of variances is significant (F = 6.945, sig= 0.013). Hence, the null hypothesis that both samples come from populations with the identical variances is refuted. As a result, the T-Test for unequal variances was used. The T-value for the lack of equality of variances at the 5% level of significance is -2.593, and it is significant. As a result, there is a big difference between the financial literacy of male and female SME owners.

Discussion of Results

The study's main goal was to investigate how financial literacy affects small and medium-sized businesses' ability to acquire capital. This chapter's portion contains a discussion of the research results. The discussion is laid out per the study's goals.

Financial Negotiation Skills and Access to Credit among SMEs

To fulfill the first objective, multiple regression analysis was conducted. The results revealed that financial negotiation skills play a pivotal role in SMEs' access to credit. In the context of information asymmetry, SMEs with inadequate financial expertise might find it challenging to navigate the intricacies of financial products and services. The research underscores that honing financial negotiation skills significantly enhances SMEs' ability to secure funding. With a heightened understanding of financial intricacies, SME owners can confidently seek financial support from various legitimate sources, including digital platforms. This proficiency becomes a catalyst for SMEs' active participation in the financial market, enabling them to make informed decisions and engage in effective negotiations with financial service providers. Consequently, SMEs with enhanced financial negotiation skills are better positioned to expand and thrive.

This result is consistent with the study of Krische and Mislin (2020) that found that financial knowledge, subjective financial confidence, and negotiation skills impacts the initiation and outcome of negotiations. In this context, the negotiation for finance. The study also affirms the findings of Hussain et al. (2018) that financial literacy, that is, negotiation skills, improves SMEs' capacity to provide financial data, which will enhance their capacity to obtain outside finance. The finding of the study is also congruent with the study of Nunoo and Andoh (2012) that found that financially literate entrepreneurs are more inclined to negotiate and use financial services.

Budgeting Skills and Access to Credit among SMEs

Infering once again from the multiple regression analysis carried out in accordance with the second objective, effective budgeting skills were found to be foundational for SMEs' financial stability. The study illuminates the substantial impact of budgeting skills on accessing credit. SME owners adept in budgeting can make prudent financial decisions, ensuring timely bill payments and smart financial planning. Such behaviors enhance creditworthiness, making SMEs attractive to lenders. Budgeting proficiency not only influences an SME's ability to secure loans but also contributes to long-term financial health. SMEs with sound budgeting skills are more likely to manage their resources efficiently, minimizing financial risks and ensuring sustained growth.

This finding concurs with that of Hussain et al. (2018) that financial literacy improves SMEs' capacity to provide financial data, in the form of adequate and up-to-date budgets, which will enhance their capacity to obtain outside finance. The study further affirms the position that financial literacy is critical for promoting access to finance by creating incentives and environments that promote desired financial behaviours such budgeting and using credit wisely (Kefela, 2010). The findings of the study is also consistent with the findings of Frimpong (2018) that effective financial practices, including the preparation and utilization of financial information, business plans, and capital budgeting, significantly enhance MSMMEs' likelihood of accessing external finance.

Debt Management Skills and Access to Credit among SMEs

With regards to the third objective of the study, the ability to manage debt is deemed critical aspect of SMEs' financial literacy as found in the regression analysis conducted earlier. Research demonstrates that effective debt management skills significantly influence SMEs' access to credit. SME owners proficient in debt management exhibit timely repayment behaviors and strategic debt reduction plans. This responsible financial conduct enhances an SME's credibility and fosters positive relationships with lenders. Consequently, SMEs with strong debt management skills are more likely to secure loans and maintain a favorable credit history, which is imperative for long-term financial sustainability.

This result supports the findings of Okello Candiya Bongomin et al. (2017) who found that for SMEs to access finance to grow there is a need for financial proper debt management among SMEs owners. Also, the study affirms the position of Adomako et al. (2015) that proper debt management can improve the credit worthiness of potential borrowers to facilitate their access to finance and to support firm performance. This finding is alos consistent with the study of Opoku–Mensah and Agbekpornu (2015) that found that factors that significantly influenced credit accessibility for Agribusiness operators were the credit management skills, borrowing experience, and possession of collateral security.

Gender Differences in Financial Literacy among SME owners

The final objective was analysed through an independent-samples t-test. The study's findings indicate that male and female small business owners have very different levels of financial literacy. Particularly, men Business owners have higher levels of financial awareness than female SME owners. Although the roles of women in culture are gradually changing in several industries, there is still a sizable gender gap in financial literacy, especially among younger adults. Women's lower financial confidence and propensity to answer "don't know" could be another factor contributing to the gender gap in financial literacy that persists.

This finding is consistent with the study of Potrich et al. (2018) that found that the proportion of men is higher among those with a high level of financial literacy. This findings is also congruent with a study by Yu et al. (2015) which found a gender gap in financial literacy and suggest that it may be important to develop programs targeted specifically to women. This is also in line with the paper by Bucher-Koenen et al. (2016) that investigaed gender differences in the United States, Germany, and the Netherlands, and found a persistent gender gap in financial literacy that is independent of socioeconomic background as well as cultural and institutional context. The findings also affirm the position that men are generally more financially literate than women and is primarily due to unobserved behavioral and psychological traits, and cultural norms (Sarpong-Kumankoma et al., 2023).

Chapter Summary

This chapter presents the study's findings and related discussion. First, a presentation of the respondents' demographic details was made. All of the survey's items had respectable Cronbach's alpha scores. According to the study's estimated regression analysis results, financial literacy indicators like budgeting, debt management, and financial negotiation skills have a positive impact on financial access. This shows that a key factor in SMEs' capacity to acquire funding is financial literacy. A statistically significant disparity between male and female small business owners' levels of financial literacy was also revealed by the findings.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

Introduction

This chapter summarizes the key conclusions and findings and offers policy suggestions and areas for additional study. There are three sections to it. The key findings and conclusions are summarized in Section one, followed by policy recommendations in Section two, and areas for more research were also recommended in Section three.

Summary of the Study

The study's primary goal was to investigate how financial literacy affects SMEs' access to financing in the Awutu Senya East Municipality. The following were the research questions: What is the effect of financial negotiation skills of SME owners on access to finance in Awutu Senya East Municipality? What is the effect of budgeting skills of SME owners on access to finance in Awutu Senya East Municipality? How does debt management policy affect the ability of SME owners in Awutu Senya East Municipality to acquire financing? What is the extent of the difference in financial literacy levels between male and female business owners in the Awutu Senya East Municipality? The study utilized a quantitative approach and chose a sample of 333 participants using a stratified sampling. Data was gathered using a questionnaire, and frequencies, percentages, multiple regression used in the data analysis. To accomplish the final objective, independent-samples t-tests was also used.

Sumary of Key Findings

The key findings of the study are summarized as follows:

1. The study revealed that SMEs equipped with strong financial negotiation skills experience enhanced access to financing opportunities. This skillset significantly contributes to a positive variation (18.9%) in SMEs' ability to secure funding, emphasizing its pivotal role in the financial landscape of businesses.
2. Among the dimensions of financial literacy, budgeting abilities emerged as the most influential factor affecting SMEs' access to finance. The study demonstrates that SMEs with proficient budgeting skills exhibit a substantial increase (49.3%) in their likelihood to secure financial support, underscoring the critical importance of budgetary expertise.
3. The study also revealed that effective debt management skills significantly enhance SMEs' access to credit and financial resources. The research indicates that SMEs proficient in managing their debts experience a positive variation (26,2%) in access to finance, emphasizing the necessity of sound debt management practices for sustainable business growth.
4. A notable gender gap in financial literacy was identified within the Awutu Senya East Municipality. The findings indicate that male SME owners (M=3.630) possess higher levels of financial literacy compared to their female counterparts (M=3.508). This disparity highlights the need for targeted interventions to bridge the gender gap in financial knowledge among entrepreneurs in the region.

Conclusion

It is well acknowledged that small and medium-sized businesses can grow and flourish by having access to financing (SMEs). Gaining access to funding paves the route for SMEs to make lucrative investments that will increase their employment and provide them with cutting-edge technology. In conclusion, it has been established through data that financial literacy accounts for improvements in the availability of financing for SMEs in Ghana.

First, the study reveals the direct correlation between financial negotiation skills and increased access to financing for SMEs. SMEs equipped with proficient negotiation abilities significantly enhance their funding prospects. This emphasizes the pivotal role of negotiation expertise in securing financial resources. Businesses and entrepreneurs must therefore prioritize honing their negotiation skills. Financial institutions can also benefit from understanding the impact of negotiation skills, tailoring their offerings to suit businesses' needs effectively. This finding enriches the understanding of the specific skill sets that directly influence financial access. It provides a practical avenue for entrepreneurs to enhance their negotiation skills, creating a more informed and financially adept business community.

Also, the study underscores the importance of budgeting skills, revealing a substantial positive variation in financial access for SMEs proficient in budgetary expertise. SMEs with adept budgeting abilities significantly enhance their likelihood of securing financial support, emphasizing the critical role of budgetary expertise in facilitating financial access. This insight augments the knowledge base, emphasizing budgeting as a cornerstone for financial success. It offers a strategic direction for both entrepreneurs and financial institutions. Business owners and financial advisors should therefore work on enhancing budgeting skills.

Futhermore, it was revealed that effective debt management skills significantly improve SMEs' access to credit. SMEs proficient in managing their debts enhance their financial resources, highlighting the necessity of sound debt management practices for sustainable business growth. This discovery contributes essential insights into the relationship between debt management skills and financial access. It offers actionable guidance for SMEs, financial institutions, and policymakers. Entrepreneurs must therefore prioritize acquiring debt management expertise. Financial institutions can develop educational materials guiding businesses in managing their debts responsibly to be able to gain access to finance.

Finally, the study pinpoints a notable gender gap in financial literacy within the Awutu Senya East Municipality, with male SME owners exhibiting higher levels of financial literacy. This disparity underscores the urgency of targeted interventions to bridge the gender gap in financial knowledge among entrepreneurs in the region. Therefore, initiatives aimed at improving financial literacy must specifically address the gender divide. This revelation sheds light on a critical issue, prompting focused efforts to bridge the gender gap in financial literacy. It informs policymakers, educators, and organizations about the specific needs of female entrepreneurs, steering initiatives toward inclusivity and equality.

Overall, this study not only uncovers pivotal dimensions of financial literacy directly impacting SMEs' access to finance but also provides actionable insights for various stakeholders. By emphasizing negotiation skills, budgeting expertise, and debt management proficiency, businesses can enhance their financial access. Additionally, addressing the gender gap in financial literacy is imperative for fostering an inclusive entrepreneurial landscape. The study's multifaceted implications offer a roadmap for empowering SMEs, financial institutions, policymakers, and society at large, creating a more financially enlightened and equitable business environment in the Awutu Senya East Municipality.

Recommendations

The report underlines the importance of financial literacy in order to make access to credit, which is crucial for the growth of SMEs in developing markets, easier. Owners of SMEs should enroll in financial literacy programs offered by entrepreneurial skill development groups to gain the knowledge and expertise they need to make informed financial decisions.

Furthermore, it is strategically prudent for owners of SMEs to incorporate financial negotiation skills, budgeting skills and debt management skills in their choice of financial literacy programs if they are to improve their access to finance. This recommendation is rooted from the fact that financial negotiation skills, budgeting skills and debt management skills significantly predicted a positive variance in access to finance.

Finally, the government, civil society, National Board for Small Scale Industries should make the necessary input tangible or otherwise support female SMEs owners in their financial literacy training to close the gap in financial literacy. Based on this, female SMEs owners should be given incentives to attend seminars organized by financial institutions to improve their financial knowledge.

Suggestions for Further Research

To aid with generalization, a second study on the same subject ought to be carried out at more businesses nationwide to reinforce and consolidate existing knowledge on the influence of financial literacy on access to finance. Furthermore, a similar study of this kind should consider conducting interviewing SME owners as this current study used only questionnaire as research instrument.

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APPENDICES

UNIVERSITY OF CAPE COAST

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING

QUESTIONNAIRE

Dear correspondent,

I am researching the Influence of Financial Literacy on Small and Medium Enterprises Access to Finance. A Case Study of Awutu Senya East Municipality tailored to meet the partial fulfillment of the award of a Master's Business Administration Degree in Accounting. The research is entirely for academic purposes hence any information provided would be treated as confidential. It is therefore hoped that you would be as candid as possible because all the responses would be treated as confidential. I would be very grateful if you could assist in completing the following questionnaire for the study. Thank you for your understanding and co-operation.

SECTION A: Background Information

Please Tick (√) where appropriate

1. Sex: (a) Male [ ] (b) Female [ ]
2. Age: ……………………………………..
3. Level of education: (a) No education [ ] (b) Junior high [ ]
   (c) Senior high school [ ] (d) Training college [ ]
   (d) Polytechnic [ ] (e) University [ ]
4. What is your position in this enterprise? [ ] Owner [ ] Manager
   [ ] Owner and manager
5. Length of time in business: 0-5 years [ ] 6-10 years [ ]
   11-15 years[ ] 16 years and above [ ]

SECTION B: KNOWLEDGE OF SMES OWNERS ON FINANCIAL LITERACY

This section seeks data on the financial behavior of owner-managers in SMEs. Kindly indicate your level of agreement with each of the following statements, on the scale: Strongly Disagree **(SD)**, Disagree **(D)**, Neutral (**N),** Agree **(A)** or Strongly Agree

Financial Behaviour	**SA**	**A**	**N**	**D**	**SD**
Part of my income has been saved during the last 12 months					
I save more when my income increases					
I compare interest rates and other benefits when deciding to save my money					
I pay my debts in full to avoid further interest charges.					
When making decisions on loans and financial products, I make inquiries from different banks/companies.					
I make provisions for paying my obligations each month.					
I can estimate the amount to pay for goods on credit					
Financial Attitude					
I prefer purchasing goods since I feel better about that.					
Spending money is more satisfying than future savings.					
I will purchase goods that are necessary to me.					
I don"t think about the future, I prefer only the present.					
I worry a lot after I have made decisions on my money.					
It is difficult to prepare a spending plan for my family					
My money management will affect my future.					

SECTION C: ACCESS TO SMEs FINANCE

6. Please tick [√] the appropriate column to indicate whether you Strongly Disagree **(SD)**, Disagree **(D)**, Neutral **(N),** Agree **(A)** or Strongly Agree **(SA)** to the Statement.

Statements	**SA**	**A**	**N**	**D**	**SD**
You have applied for a loan in the past year					
Bank savings products are risk-free for our business					
Your application for a loan was successful					
The bank's financial services have increased our business.					
The loan products available are as needed.					
I prefer to make loans through cooperatives rather than through banks.					
You source all your finance from financial institutions only					
You are contented with the maximum amount of loan lent by financial institutions					

SECTION D: FINANCIAL LITERACY INDICATORS

For each of the following statements, indicate the extent to which you disagree or agree with the following statements. 1 representing strongly disagree and 5 representing strongly agree.

Please tick [√] the appropriate box to indicate your opinion on these statements.

Budget preparation Skills	**1**	**2**	**3**	**4**	**5**
1. I can plan the income and expenses of my business.					
2. I can compare the actual performance of my business to what was planned					
3. I can correct deviations such that what I planned for conforms to the actual in the next accounting period.					

4. I can plan the income and expenses of my family.					
5. I plan the income and expenses of my family such that it does not interfere with that my business.					
6. In my own opinion, budgeting will help reduce the probability of loan default.					
Financial negotiation skills	**1**	**2**	**3**	**4**	**5**
7. I can negotiate for best offers for my customers					
8. I can negotiate for best terms with my financial providers					
9. I can negotiate for best offers from my creditors					
10. I can negotiate terms with my business partners					
11. I can negotiate the best terms with retailers or wholesalers when I am purchasing items with my household.					
Debt management skills	**1**	**2**	**3**	**4**	**5**
12. I can discuss with financial providers during financial crises.					
13. I can maintain invoices and billings					
14. I can keep a short debtors collection period with my customers					
15. I can keep a longer creditors payment period with my creditors					
16. I always put in place strategies on how to manage my debt with my creditors					
17. I always put in place strategies on how to manage debt owed by my debtors					

Any comments/suggestions

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THANK YOU