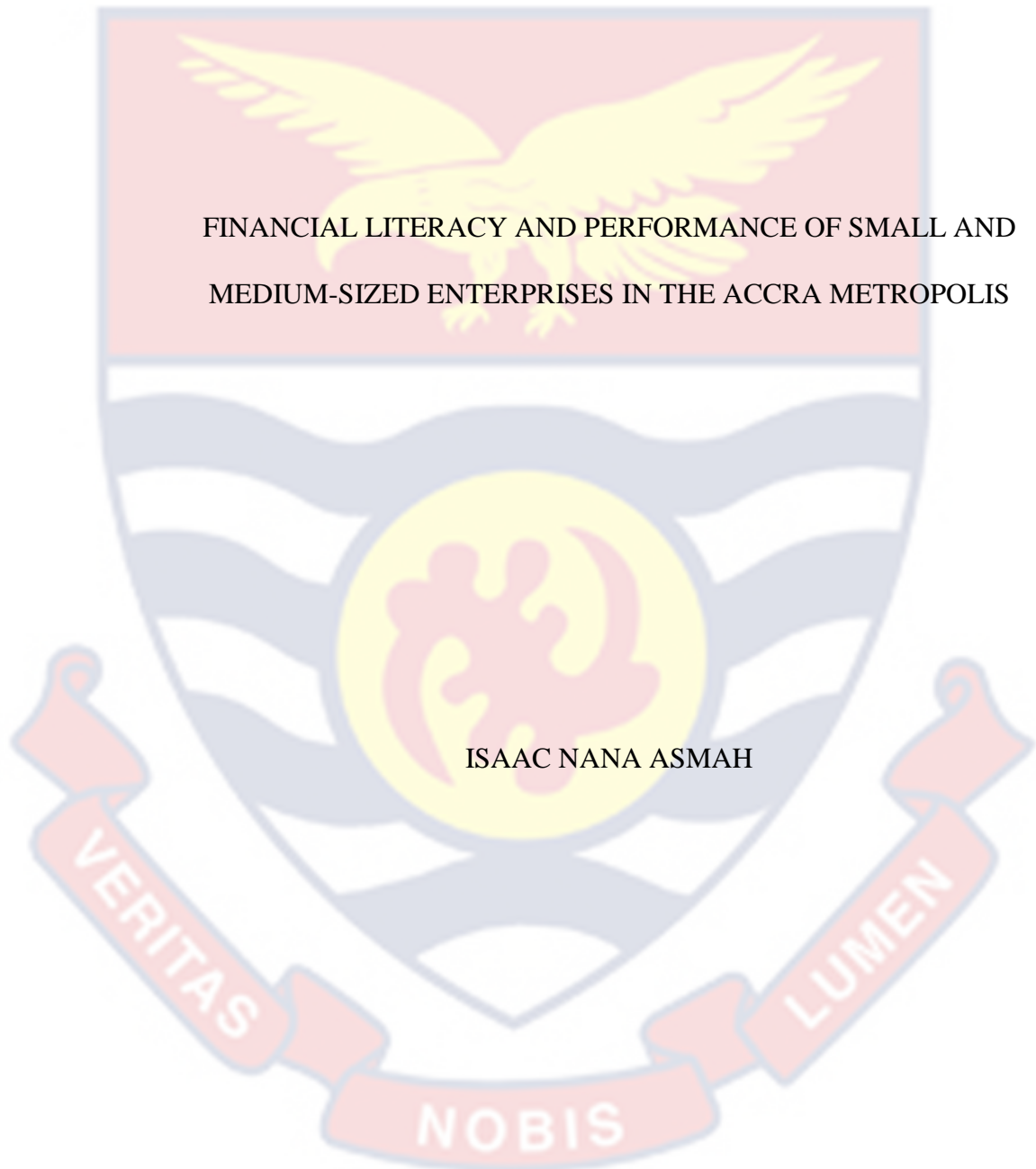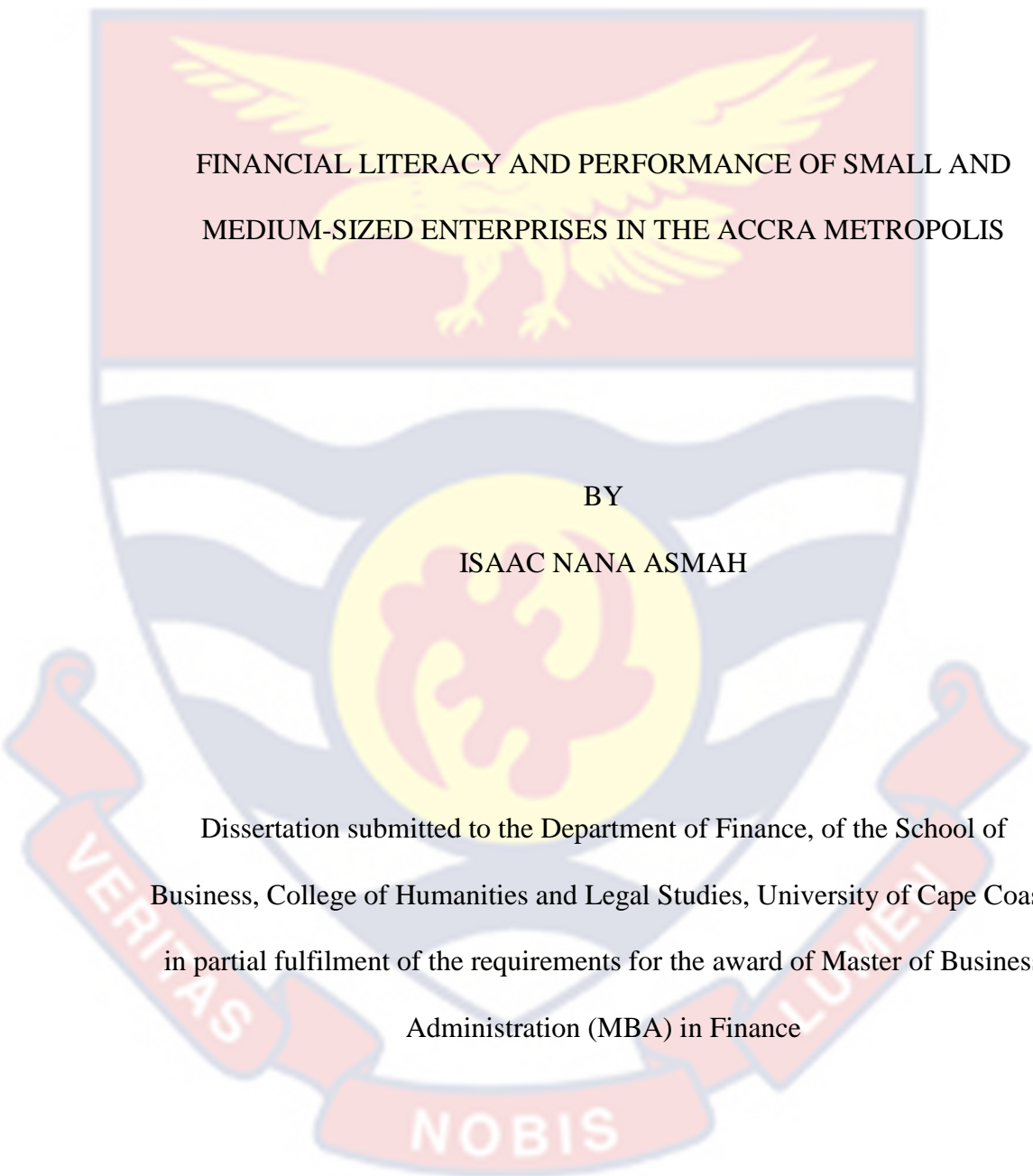UNIVERSITY OF CAPE COAST

FINANCIAL LITERACY AND PERFORMANCE OF SMALL AND

MEDIUM-SIZED ENTERPRISES IN THE ACCRA METROPOLIS

ISAAC NANA ASMAH

2023

UNIVERSITY OF CAPE COAST

FINANCIAL LITERACY AND PERFORMANCE OF SMALL AND

MEDIUM-SIZED ENTERPRISES IN THE ACCRA METROPOLIS

BY

ISAAC NANA ASMAH

Dissertation submitted to the Department of Finance, of the School of

Business, College of Humanities and Legal Studies, University of Cape Coast,

in partial fulfilment of the requirements for the award of Master of Business

Administration (MBA) in Finance

2023

DECLARATION

Candidate's Declaration

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

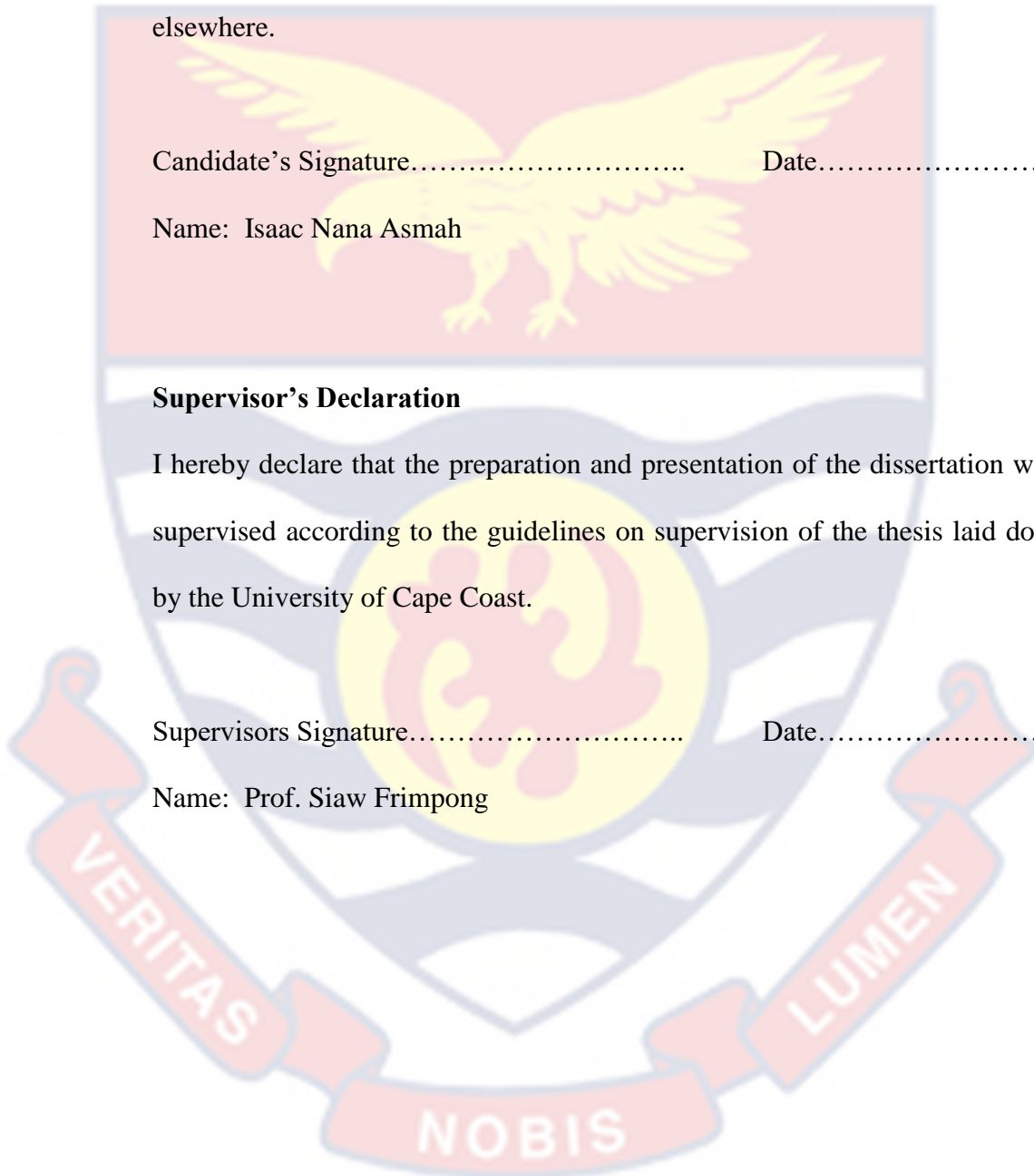Candidate's Signature……………………..   Date……………………..

Name: Isaac Nana Asmah

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised according to the guidelines on supervision of the thesis laid down by the University of Cape Coast.

Supervisors Signature……………………..   Date……………………..

Name: Prof. Siaw Frimpong

ABSTRACT

Research into financial literacy and how it influences the growth and profitability of SMEs has shown that owner inadequate financial knowledge has caused a large number of businesses to fail around the world. The goal of this study was to find out how managers' financial literacy affect the performance of SMEs in the Accra Metropolis, Ghana. In line with the positivist paradigm, the study used an explanatory design. A questionnaire was given to 306 SMEs to get information from them. Using descriptive statistics and inferential statistics, the collected data were analysed with the help of the SPSS (version 26) software. The study found that the owners of SMEs in Accra Metropolitan Assembly have a high level of financial literacy. Also, both knowing about money and having a good attitude about it have a big positive effect on how well SMEs do financially. Even so, financial knowledge does not have much of an effect on how well SMEs do financially. Also, the way SME owners handle their money does not harm their businesses very much. So, it is a good idea to help SME owners who do not know much about money learn more about it. By doing this, these SME owners can improve their knowledge of money and learn how to run their businesses well, which will help them be successful. Also, it is very important to help SME owners develop good financial habits.

KEYWORDS

Financial attitude

Financial awareness

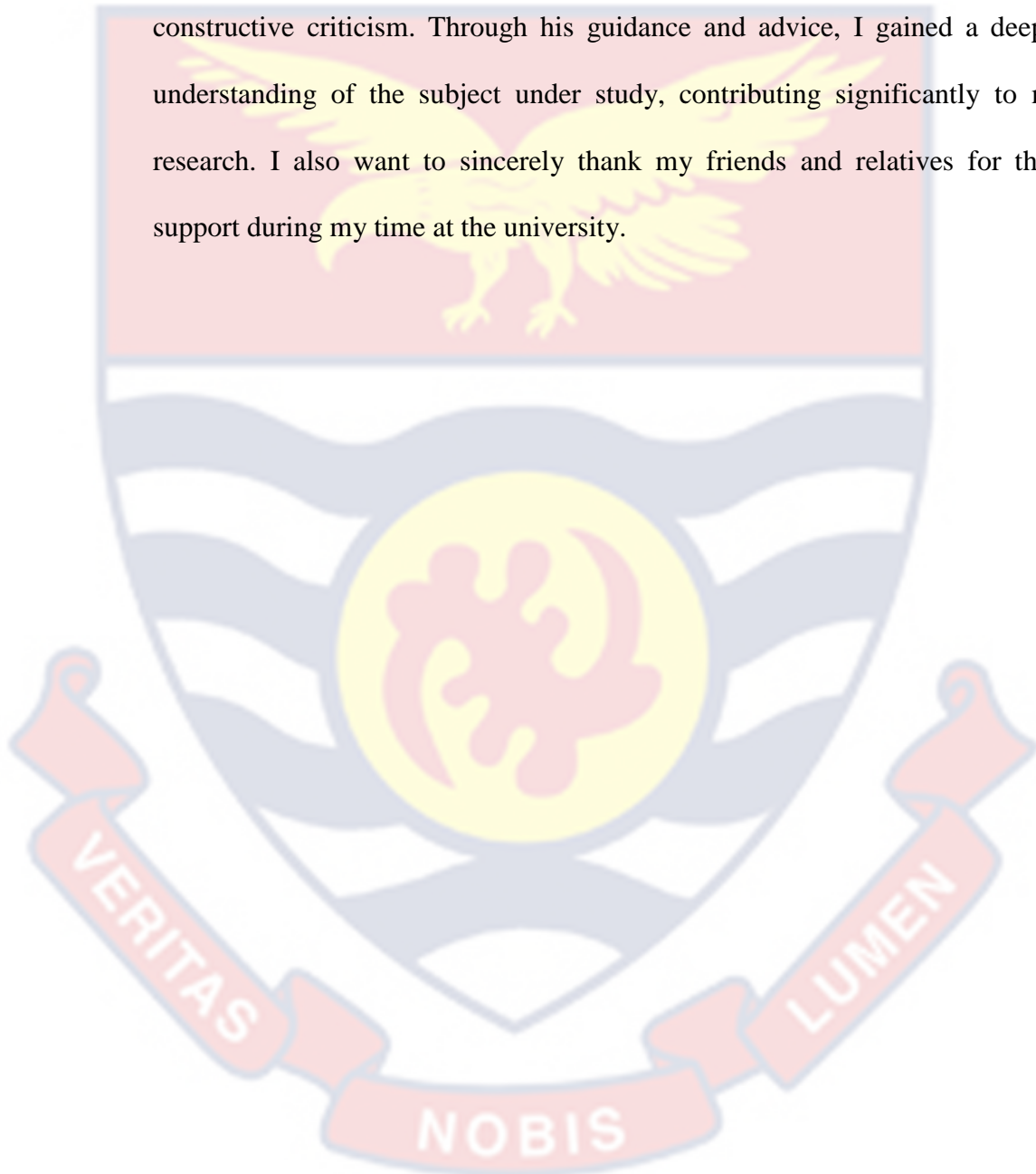Financial knowledge

Financial literacy

Financial performance

Small and medium-scale enterprises

ACKNOWLEDGEMENTS

I would like to sincerely thank the management fraternity of Cape Coast University for allowing me to study at their prestigious university. I also want to acknowledge my supervisor, Prof. Siaw Frimpong, for his patience and constructive criticism. Through his guidance and advice, I gained a deeper understanding of the subject under study, contributing significantly to my research. I also want to sincerely thank my friends and relatives for their support during my time at the university.

v

DEDICATION

This dissertation is dedicated to my family

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ACRONYMS

GDP   Gross Domestic Product

OECD   Organisation for Economic Co-operation and Development

ROA   Return on Assets

ROE   Return on Equity

ROI   Return on Investment

ROS   Return on Sales

SMEs   Small and Medium-sized Enterprises

CHAPTER ONE

INTRODUCTION

The success and sustainability of Small and Medium Enterprises (SMEs) play a pivotal role in driving economic growth and development in emerging economies like Ghana. In recent years, there has been increasing recognition of the importance of financial literacy in shaping the performance and outcomes of SMEs. Financial literacy is seen as a critical factor influencing the decision-making processes and operational efficiency of SME owners and managers. Understanding the relationship between financial literacy and SME performance is essential for policymakers, practitioners, and stakeholders aiming to foster a conducive environment for SME growth and entrepreneurship. Therefore, this thesis seeks to explore the effect of financial literacy on SMEs' performance in Accra Metropolitan. By examining the relationship between financial literacy and various performance indicators such as profitability, growth, and resilience, this study aims to provide valuable insights into the mechanisms through which financial literacy impacts SME outcomes. The findings of this research are expected to contribute to both academic literature and practical policy-making initiatives aimed at promoting SME development and economic growth in Accra and Ghana at large.

Background to the study

Over the period, there have been several definitions for SMEs. Despite this, there is no universally accepted definition of small and medium enterprises. This is because various scholars define it from different angles and points of view. The World Bank defines small and medium enterprises as "any

1

firm that has an employee size of up to 300 and an annual sale of not up to US$15 million". The National Board for Small-Scale Industries (NBSSI) provides the following operational definition for SMEs:

A small business is any business that employs up to 29 people. Small business is divided into micro small and medium enterprises. Micro enterprises employ up to 5 employees with fixed assets (excluding land and building) not exceeding the value of $10,000; small enterprises are those employing between 6 and 29 employees or having fixed assets excluding land and building not exceeding $100,000 and; a medium-sized enterprise employ between 30 and 99 employees with fixed assets of up to $1m (Agyapong, 2010, p. 198).

Small and Medium enterprises (SMEs) are vital contributors to the overall performance of an economy (Fikade, 2017). Small and medium-sized enterprises (SMEs) constitute the dominant presence in the global business landscape and are recognised as significant catalysts for job creation and economic expansion, especially in developing nations and emerging markets (UNCTAD, 2016). They not only offer job and income prospects to a significant number of individuals but also lead in technological advancements and the expansion of exports. Small and medium-sized enterprises (SMEs) serve as an effective means of exchanging goods and services and promoting trade. They also encourage the efficient use of resources by promoting savings and allocating them to activities that yield the highest profits. Additionally, SMEs play a role in monitoring investments and ensuring good corporate

governance. Furthermore, they help to mitigate risks by offering a variety of financial instruments (Abara & Banti, 2017).

Additionally, they serve as catalysts for economic growth, innovation, and enhanced aggregate productivity. The significance of SMEs in Ghana's economy cannot be overstated. Amoako's (2012) study showed that SMEs make up a big part of Ghana's gross domestic product (GDP) and are responsible for about 85% of jobs thereby serving as the foundation for the growth of larger enterprises, and playing a crucial role in the development of numerous countries.

As a result, to ascertain the profitability of a company, SME owners and managers must possess a comprehensive understanding of financial affairs. Financial literacy is the possession of skills, knowledge, and the ability to make financial decisions that optimize an individual's well-being (Adam, 2017). Also, Kefela (2011, p. 12) defines financial literacy "as the knowledge and comprehension of financial concepts and the ability to use that knowledge to make personal and financial decisions." The financial ideas include things like credit/borrowing, insurance, and savings. People and SMEs must also be aware of annual financial reports, corporate prospectuses, and simple and compound interest rates to save, invest and borrow (Sarigul, 2014).

The Ministry of Finance in Ghana has identified a significant gap in the financial literacy levels of SMEs (Small and Medium Enterprises) in the country. According to the Ministry's assessments and initiatives, many SMEs lack a fundamental understanding of key financial concepts, which impacts their ability to make informed financial decisions and effectively manage their businesses. Studies conducted by the Ministry of Finance have indicated that

3

the average financial literacy score among Ghanaians is relatively low. For example, as of 2021, the average financial literacy score in the country was 12 out of a total score of 21 (Ministry of Finance, 2023). This suggests a notable deficit in understanding important financial topics such as inflation's impact on money value, interest computations, and awareness and utilization of financial products and services.

Furthermore, a significant number of SME actors or firm owners lack knowledge and comprehension regarding effective financial management (Satiti, 2020). Many small and medium-sized enterprise (SME) participants often neglect the protocols for overseeing their financial affairs and seldom engage in practices such as saving, investing, and insuring certain assets (Satiti, 2020). In addition, a large body of research has highlighted the need for SME owners to have a firm grasp of financial matters (Satiti, 2020; Nkundabanyanga & Kasozi, 2014); Esiebugie, Richard, & Emmanuel, 2018). According to Nkundabanyanga and Kasozi (2014), individuals exhibiting such an attitude are more inclined to proficiently and conscientiously handle their financial matters.

Financial literacy includes a wide range of competencies including skills, behaviours, awareness, attitudes, and knowledge, as defined by the Organisation for Economic Co-operation and Development (OECD). The aforementioned definition elucidates that the examination of financial literacy necessitates a focus on three paramount dimensions: knowledge about money, habits related to money management, and attitudes toward money. Atkinson and Messy (2012), put forth a limited set of three dimensions of financial

4

literacy. These dimensions were chosen based on their strong justification and widespread use in existing scholarly works.

According to the findings of Bhushan and Medury (2014), it is imperative to prioritise the enhancement of financial literacy across different generations to foster the cultivation of positive financial attitudes. Financial behaviour encompasses the range of human actions that pertain to making financial decisions and managing money. This includes activities such as developing and maintaining a suitable budget plan, ensuring timely payment of bills, and engaging in consistent saving practices (Kalekye & Memba, 2015; Bhushan & Medury, 2014).

According to Sanderson (2015, pp. 6), financial literacy is "the capacity to use one's knowledge and skills in the context of financial decision-making and resource management." To make sound investment decisions that are in line with an individual's financial goals, it is imperative to possess a thorough comprehension of the diverse range of financial products offered by financial institutions (Eniola & Entebang, 2017). People in today's society who deal with money generally agree that financial literacy is a necessary skill. Further, it is crucial to the long-term financial and economic success of nations and societies. This has led many nations to develop all-encompassing plans for introducing financial literacy programmes (Tali, 2016).

Studies have shown that financial literacy enhances the performance of SMEs (Gusman, Soekarno & Mirzanti, 2021; Togun, Ogunrinade, Olalekan, & Jooda, 2022). For example, the study by Gusman, Soekarno and Mirzanti (2021) revealed that founders with strong financial knowledge and low impulsivity may make better decisions in the workplace which positively

impacts their performance. Also, Togun, et al., (2022) found that financial literacy has a large positive impact on the performance of SMEs. These studies show that financial literacy is an important aspect of SME performance and there is a potential for SME owners to engage in financial literacy practises, either knowingly or unknowingly, within their businesses.

However, the extent to which these practices are evident in these businesses, particularly those situated in the Accra Metropolis, a significant hub for SMEs in Ghana, remains uncertain. A surprising finding is that people do not have faith in financial literacy's ability to improve business performance over the long term. One clear example of this is the widespread practice of using past work history as a qualification standard for SME managers. Given these factors, investigating how managers' financial literacy influences the performance of SMEs in Ghana is an important area of inquiry.

Statement of the Problem

Both developing and developed economies recognise the importance of SMEs in the promotion of economic growth. However, financial literacy is an important determinant of SME growth (Agwu & Emeti, 2013; Alese, 2017). Several studies have been conducted on the effect of financial literacy on the management and performance of SMEs (Kartini, & Wijaya, 2023; Gusman, Soekarno & Mirzanti, 2021; Togun, Ogunrinade, Olalekan, & Jooda, 2022). The study by Kartini and Wijaya (2023) aimed to describe the level of financial literacy that can influence the movement of micro, small, and medium enterprises. The study showed that experience, economic status social culture and environment, self-efficacy, and attitude affect financial literacy.

6

However, the study was conducted in Indonesia and also failed to examine the impact of financial literacy on the performance of SMEs.

Again, Gusman, Soekarno and Mirzanti (2021) studied the impact of founders' financial behaviour traits and literacy on SME performance. This study revealed that founders with strong financial knowledge and low impulsivity may make better decisions in the workplace, hence financial knowledge of owners impacts positively their performance. However, this finding may not reflect the situation of SMEs in Ghana since the study was conducted in Indonesia. In another study conducted in Nigeria by Togun, Ogunrinade, Olalekan, and Jooda, (2022), the researchers found that financial literacy has a large positive impact on the performance of SMEs.

Due to the important role financial literacy plays in the performance of SMEs, the SME sector in Ghana has attracted significant attention from researchers. In 2017, Akoto, Appiah, and Turkson examined the financial literacy of cocoa farmers in Ghana. The researchers found that cocoa farmers have lower levels of financial knowledge. Similarly, Frimpong, Agyapong and Agyapong (2022) assessed the financial literacy, access to digital finance and performance of SMEs in the Central Region of Ghana. The researchers found that financial literacy positively affects SME performance. Though these studies were conducted in Ghana, they were not conducted in Accra Metropolis and therefore the findings may not reflect the situation in Accra.

Furthermore, it is worth noting that these studies have not conducted a thorough examination of all facets of financial literacy in Ghana. The existence of these knowledge gaps prompted the initiation of the current study. While many studies have looked at the financial success of SMEs, others have

7

not taken the time to assess their financial literacy. The primary goal of this study is to fill a knowledge gap by examining the connection between financial literacy and SME success.

Purpose of the Study

The primary goal of this research is to assess how SME performance in the Accra Metropolitan Area of Ghana is affected by the level of financial literacy among business managers.

Objectives of the Study

Specifically, this research aimed to:

1. Determine the level of financial literacy among Accra, Ghana's SME owners;

2. Analyse how SME performance in the Accra Metropolitan Area is affected by the financial knowledge of the SME owners;

3. Analyse how SME performance in the Accra Metropolitan Area is affected by the financial behaviour of SME owners;

4. Examine the impact of financial awareness of SME owners on SME performance in the Greater Accra Area; and

5. Determine how the financial attitudes of SME operators affect SMEs' performance in the Accra Metropolis.

Research Questions

The study was based on the following research questions:

1. What is the level of financial literacy among SME operators in the Accra Metropolis?

2. What is the effect of financial knowledge on SMEs' performance in the Accra Metropolis?

8

3. What is the impact of financial behaviour on SMEs' performance in the Accra Metropolis?

4. What is the effect of financial awareness on SMEs' performance in the Accra Metropolis?

5. To what extent do the financial attitudes of SME operators affect SMEs' performance in the Accra Metropolis?

Significance of the Study

The primary purpose of this research is to offer useful information to academics, owners of SMEs, and policymakers about the effect of financial literacy on the performance of SMEs. Firstly, the study will help policymakers and other researchers to know about the level of financial literacy among SME owners in the Accra Metropolis. This will inform stakeholders about the need to train SME owners to improve their financial literacy which will help them improve their performance. Again, the study will determine the effect of financial knowledge, financial behaviour, financial awareness and financial attitudes of SMEs on their performance. These will inform SME owners and other stakeholders about the effects of their financial literacy on their performance.

Delimitations

SMEs in the Greater Accra Region were the focus of this research. As a result, the findings obtained from the analysis were extrapolated to SMEs operating within the Metropolis. Financial literacy, financial knowledge, financial attitude, financial awareness, and financial behaviour were also included as independent variables in the present investigation. The present study employs a quantitative methodology, distinguishing it from prior

9

investigations that have examined the same phenomenon through a combination of quantitative and qualitative methods, as well as those that have solely utilised qualitative approaches. The researcher used a cross-sectional descriptive survey to compile information from SMEs all over the Accra Metropolitan Area.

Limitations

There are caveats to this study that stem from the nature of the data collection tool used, the structure of the investigation, and the methods employed to analyse the gathered information. In this investigation, the researcher used a questionnaire with only closed-ended questions to collect data. These questions have been designed in a manner that may limit respondents to select predetermined response options, thereby potentially inhibiting their ability to express their perspectives. However, past studies had used the same questionnaire and its reliability had been confirmed hence it did not affect the results of this study. Also, collecting data from the SMEs was nearly difficult since they were not willing to respond to the study instrument. It was made clear to them, however, that their participation in the study was strictly voluntary and for academic purposes only. Even though collecting qualitative data could be helpful for the study, the research design favoured collecting quantitative data and analysing it with quantitative tools. The quantitative data used in this study was deemed sufficient for its aims, so this shortcoming did not affect the findings.

Organisation of the Study

The research was organised into five distinct chapters. Chapter One, entitled "Introduction," offers a comprehensive overview of the study by

10

addressing various crucial components. The components encompassed in this study consist of the background, problem statement, study objectives, research questions, significance, as well as delimitations and limitations. Chapter Two of this study presents a thorough analysis of the extant literature that serves as the basis for the present investigation. This chapter comprises a comprehensive examination of a relevant theory, an analysis of the conceptual framework, and a thorough review of empirical studies about the research objectives. Chapter Three provides a detailed explanation of the methodologies utilised in carrying out the study. The chapter provides a comprehensive examination of several key components of the research. These components encompass the selected research approach, study design, study area, sampling procedures, research instruments, data collection methods, and data processing and analysis techniques. In this study, Chapter Four provides an exposition of the results obtained and subsequently engages in discussions about these findings. In contrast, Chapter Five encompasses a comprehensive overview, definitive conclusions, and insightful recommendations that serve the purpose of informing policy decisions and providing guidance for future research endeavours.

CHAPTER TWO

LITERATURE REVIEW

Introduction

The literature on financial literacy and its impact on the performance of SMEs is thoroughly reviewed in this chapter. The chapter focuses on a thorough analysis of pertinent theories that form the basis of the research. A conceptual review that seeks to clarify the many notions supporting the study comes after this theoretical review. In addition, an empirical review is conducted to provide a thorough analysis of earlier studies that are consistent with the goals of the current study. In addition, a conceptual framework outlining the links between the variables used in the inquiry is presented in this chapter.

Theoretical Review

The theory that underpins this study is the Dual Process Theory. The Dual Process Theory was developed by Peter Wason and Jonathan Evans in 1974. According to the dual-process theory (Lusardi & Mitchell, 2011), both intuitive and cognitive processes have a significant influence on financial decision-making. The inquiry arises as to whether the acquisition of financial literacy invariably results in optimal outcomes. Researchers have looked at the connection between financial literacy and behaviour and have proposed a two-step process. According to Lusardi and Mitchell (2011) and Glaser and Walther (2013), the existence of either intuition (system 1) or cognition (system 2) affects the actions made by people with financial literacy. Intuition is defined as the cognitive ability to acquire knowledge without relying on logical reasoning or deductive inference.

On the other hand, cognition refers to the comprehensive sequence of operations involved in the transformation, reduction, elaboration, storage, retrieval, and utilisation of sensory input. Cognition encompasses a range of cognitive processes that are engaged in diverse mental activities, including but not limited to comprehension, decision-making, problem-solving, and arithmetic and reasoning (Chan & Park, 2013). Individuals exhibiting a heightened level of cognitive abilities derive pleasure from engaging in cognitive processes, demonstrate aptitude for analytical thinking, and possess superior memory retention and information retrieval capabilities.

Dual Process Theory (DPT) is a framework that examines the relationship between financial literacy and the performance of Small and Medium-sized Enterprises (SMEs). It identifies two cognitive systems: System 1 and System 2. System 1 processing involves intuitive and automatic decision-making in fast-paced business environments, where financial literacy guides quick judgments and instinctive responses to financial challenges. Higher levels of financial literacy enable SME managers and owners to make informed decisions about pricing strategies, cash flow management, and resource allocation, contributing to improved performance outcomes.

System 2 processing involves more deliberate and analytical decision-making when faced with complex financial issues. Financial literacy is essential for critically evaluating options, conducting thorough analyses, and devising strategic plans. Proficient financial literacy enables SMEs to interpret financial statements, assess investment opportunities, and devise long-term financial strategies, leading to sounder decisions aligned with business objectives, leading to enhanced performance metrics like profitability, growth,

13

and sustainability. By leveraging the Dual Process Theory, the researcher delves deeper into the mechanisms through which financial literacy influences SME performance. The researcher can explore how the interplay between intuitive (System 1) and analytical (System 2) decision-making processes shapes the utilization of financial knowledge within SMEs.

Conceptual Review

Concept of Small and Medium-Scale Enterprises (SMEs)

Diverse schools of thought and scholars utilise diverse terminology, which contributes to the lack of consensus over how to define SMEs. These variations encompass diverse factors, including firm size, capital investment, employee count, market share, and annual revenue. In the United Kingdom, the United States, and Canada, among others, SMEs are typically classified by their annual revenue, amount of invested capital, and number of employees. Nevertheless, there are notable distinctions when considering the Ghanaian context.

SMEs refer to business entities that generate revenues below predetermined thresholds. The current criteria define "Micro" businesses as having a workforce of fewer than ten people, "small" businesses as having between 51 and 250 people, and "medium" businesses as having between 51 and 500 people. According to Williams (2010), SMEs are required to employ a workforce ranging from 20 to 500 individuals. Aremu and Adeyemi (2011) note that the definition of an SME might shift depending on several factors. The importance of SMEs in driving economic development is increasingly being acknowledged. Carsamer (2009) says that cars are the main reason a country's economy grows. SMEs are very important to economic growth and

14

development because they bring in tax money and create jobs in a wide range of industries, especially in the mining and agriculture sectors. SMEs are the backbone of the economy and are an important part of how the economy works as a whole. According to Aremu and Adeyemi (2011), the role of these entities is crucial in the process of stabilising an economy that is experiencing instability.

SME expansion and development are crucial to fostering equitable and sustainable economic growth across Africa, including in Ghana. The economic development sector holds promise for generating employment opportunities and alleviating poverty in urban areas across many developing nations. In the Ghanaian context, SMEs are commonly known as one-man businesses and are considered to be of utmost importance within the economy. The government of Ghana has, over the years, adopted several policies and programmes designed to increase the economic security of SME owners. These strategies have been designed to foster financial growth, promote business expansion, and stimulate increased production and employment (Abor & Quartey, 2010).

Small and Medium-Scale Enterprises' Performance

How well a business or organisation completes its tasks is what we mean when we talk about its performance. Enterprise management is the systematic approach employed to oversee and regulate the performance of an organisation. The primary metric that organisations should assess is the efficacy of their value delivery to customers and other stakeholders (Moullin, 2007).

Scholars have delineated the concept of overall performance through diverse approaches, encompassing both qualitative and quantitative

15

perspectives. According to Eniola and Entebang (2015), enterprise performance refers to the capacity of an entrepreneur to surpass the predetermined objectives established for the business. There exist various approaches to conceptualising business performance. Gentry and Shen (2010) say that both monetary and non-monetary metrics can be used to measure how well a business is doing.

Eniola and Entebang (2015) assert that the evaluation of SME performance is commonly employed as a means to assess its well-being within a particular timeframe. Performance optimisation is a major focus for micro, small, and medium businesses. The capacity to effectively execute modifications in the management of perceived market opportunities and environmental factors, alongside specific managerial elements, plays a significant role in driving strategic enhancements in firm performance. Furthermore, it is imperative to consider various factors such as product innovation, creativity, proactiveness, technological change, and networking when aiming to achieve strategic enhancement in a company's performance.

Concept of Financial Literacy

In 2011, the Australian Securities and Investments Commission (ASIC) found that most people agreed that financial literacy was important for economic growth and security. There still needs to be a clear and concise description of financial literacy. Existing literature offers a range of definitions for the term "financial literacy." Due to the freedom given to academics and authors in the field to articulate and examine financial literacy, several definitions have emerged (Remund, 2010). The words "financial literacy," "financial education," and "financial knowledge" are often used

16

interchangeably, as Yoong, See, and Baronovich (2012) and Howlett, Kees, and Kemp (2008) point out. Huston (2017) says that the idea of financial literacy is more than just getting educated and knowledgeable about money, which goes against what was said before.

Anthes (2004) said that personal financial literacy is the ability to understand, assess, control, and talk about financial situations that affect one's material well-being. OECD (2013) says that financial literacy is a set of skills and knowledge that are needed to make good financial choices and reach one's financial goals. According to this meaning, to be financially literate, you need to think about what you know, what you do, and what you think about money. Atkinson and Messy (2012) say that a good assessment of financial literacy can be done on just three aspects. This recommendation is supported by the rationale that these dimensions have been extensively employed in existing literature, indicating their validity and widespread acceptance. In contrast, the present study incorporated a novel construct, namely financial awareness, which was derived from existing literature sources.

Scholarly investigations into the financial literacy of SME owners offer slightly different conceptualizations than the popular focus on understanding savings and borrowing matters, risk diversification, inflation, and compounding. To make business decisions with financial implications, a small business proprietor must possess the ability to analyse and assess the information presented in the financial statement.

Financial literacy is a crucial skill that small business owners must possess. It encompasses the capacity to comprehend and interpret essential financial statements, along with the proficiency in numerical analysis to make

17

well-informed assessments and strategic choices about the allocation and administration of funds (Brown et al., 2006). To be financially literate, as defined by Dahmen and Rodrguez (2004), is to be able to make sense of, and use, financial statements from businesses to calculate key financial ratios for use in evaluating and managing that business. When discussing one's financial situation, the meaning of "financial literacy" becomes clear. However, when attempting to define financial literacy for small businesses, the task becomes more challenging. This is due to the need to establish a connection between the information contained in financial statements and the corresponding behaviour, which must be considered within the broader context of an individual's overall financial literacy and conduct to be regarded as credible (Abakah-Yawson, 2018).

In the literature on financial literacy in business, SME owners' financial knowledge has not been given enough attention. This makes it hard to come up with a good description. Personal finance and financial literacy are two separate but related concepts. Because small business owners play such a significant role in the economies of countries like Ghana and others, efforts to improve their financial literacy are of critical importance. In the context of owner-employees, it is frequently observed that the business proprietor tends to prioritise the daily operational aspects of the business, rather than dedicating attention to the long-term strategic considerations. Here is where the benefits of learning about money management become most apparent. The financial problems that entrepreneurs face are shown in Brown et al.'s (2006) educational programme. Dahmen and Rodrguez's (2014) explanation of the

18

link between financial literacy and small business success may show that there is a link between financial literacy and small business success.

The financial literacy of Canadian small enterprises was examined by Sage (2012). The study polled 300 small business owners and found that their expectations and understanding of financial and resource management were highly correlated. The majority of respondents said they needed more education about tax payment, financial planning, and cash flow. On the flip side, they reported greater assurance in their abilities to deal with customers, vendors, and the company's finances generally. However, respondents also admitted they needed improvement in areas including tax preparation, marketing strategy, and financial planning. Whether or not the results of the 2012 Sage Canadian Survey are meaningful depends on how well the respondents understand financial statements. This comprehension aligns with their financial knowledge, which serves as a crucial foundation for attaining precise levels of financial literacy. The survey conducted by an educational institution included questions designed to assess the frequency of individuals' technology usage and utilisation of accounting software.

Brown et al. (2006) conducted research on small business owners/operators during their first year in business. To enhance the provision of services for emerging small enterprises comprising less than ten personnel, the study draws upon a programme entitled "Training in Business Basics." The study encompassed the provision of educational modules on fundamental finance to a total of 147 small businesses located in the United Kingdom within the initial three years of their establishment. The research suggests that business owners will no longer need the services of accountants and financial

19

advisors if they have a thorough understanding of their financial situation. This is because they can make sound economic choices.

Increased financial literacy helps individuals better prepare for and manage their financial futures and make use of a variety of financial goods and services. Siekei, Wagoki, and Aquilars (2013) found that when dealing with a large and educated population, regulatory bodies tend to prioritise quality and efficiency enhancements. One compelling factor is that financially literate consumers exhibit a heightened inclination to seek improved financial products at fair prices, thereby fostering a state of robust competition among financial product providers (Siekei et al., 2013).

Dimensions of Financial Literacy

To effectively navigate the financial realm, individuals must possess a fundamental understanding of financial terminology and concepts (Huston, 2017). One alternative definition of financial literacy (Potrich, Kelmara, & Wesley, 2016) is the capability to prudently manage one's income, expenditures, and savings.

Financial knowledge

According to the Organisation for Economic Co-operation and Development (OECD), an individual's financial literacy is greatly influenced by the individual's level of financial knowledge. Inflation, risk, return, and interest rates are only a few of the many factors to consider (OECD, 2017). According to Sanderson (2015), financial literacy refers to an individual's command of the information and abilities essential for sound financial decision-making. Financial education classes in schools have been proposed as a way to help young people develop sound financial habits. According to

20

Amagir et al. (2018), there exists a proposition that an increased level of financial knowledge has the potential to influence individuals' risk perceptions in the context of investment.

Financial behaviour

According to Zeynep (2015), the ability to make appropriate decisions regarding cash management, precautionary measures, and opportunities for budget planning are all part of the broader concept of financial behaviour. A previous study has repeatedly shown that an individual's financial behaviour is related to their level of financial literacy (Hung, Parker, & Yoong, 2009). The ability to make educated financial decisions that increase wealth and decrease risk is commonly used as a working definition of good financial behaviour, which applies to both enterprises and individuals. These activities facilitate the augmentation of financial assets, the avoidance of debt, the provision of retirement funding, and the insurance coverage of significant life events.

Financial awareness

In this context, "financial awareness" refers to a person's familiarity with and command over a wide range of financial mix tactics, as well as their knowledge of and relationships with a variety of external service providers. Realising a company's financial goals requires knowing how to invest wisely and having a solid grasp of the financial products offered by financial institutions. The capacity to recognise, establish, and execute novel systems to align organisational performance with the objectives of the firm, in light of evolving economic circumstances, is referred to as business owners' awareness (Sulaiman, 2014). Awareness is a component that falls within the purview of management, wherein the manager assumes responsibility for the overall

21

welfare of the company. The financial well-being of individuals is contingent upon their ability to comprehend, analyse, manage, and engage in discussions regarding diverse financial matters (Lusardi & Tufano, 2009; Rahmandoust, Shah, Norouzi, Hakimpoor & Khani, 2011; Vitt et al., 2001).

Financial attitude

Applying sound financial principles to one's decision-making and resource management to create and maintain value is what is meant by "financial attitude" (Latif, Razak, & Lumpur, 2011). It is generally agreed that one's financial attitude is a major determinant of how well they handle their finances. Additionally, the cultivation of financial literacy may be shaped by an individual's perspective regarding matters about money. Abiodun (2016) asserts that possessing accurate information is crucial for business owners as it enables them to enhance their financial prospects. Cultivating appropriate financial attitudes, such as a propensity to embrace risk, educational interventions, and an emphasis on the here and now rather than on the long term, can lead to improved financial literacy.

Empirical Review

There have been mixed results from previous research into the correlation between financial literacy and the health of small businesses. There exists a contingent of individuals who posit a correlation between the aforementioned concepts, whereas an opposing faction maintains divergent perspectives.

Level of Financial Literacy among SMEs

In Nairobi County, Kenya, Njoroge (2013) examined what makes SMEs successful. The research methodology involved conducting interviews

22

with a sample of 79 entrepreneurs who were registered and operating their businesses in Nairobi County, Kenya's capital. To gauge the participants' financial acumen and gauge the success of their SMEs, a battery of questions was administered. Evidence of a link between financial education and the success of small enterprises was sought in the data analysis. Overall, the majority of business owners scored above the mean, suggesting that all of the small enterprises examined possessed some degree of financial literacy. Successful business owners have often demonstrated a comprehensive understanding of the financial sector. A significant proportion of entrepreneurs who experience limited success primarily operate within the informal economy, characterised by comparatively sluggish growth rates and a reduced degree of financial literacy. The present study revealed a significant correlation between financial literacy and business success in Nairobi County. The significance of financial literacy is underscored as a crucial determinant of small business prosperity within both the formal and informal sectors. The results of this study suggest that business owners and entrepreneurs would benefit greatly from improving their literacy levels. The subsequent analysis of the financial literacy instruments employed in the original study yielded comparable results.

In a study conducted by Dahmen and Rodriguez (2014), a survey was administered to a sample consisting of 14 small business owners situated in the state of Florida. The main objective of this research endeavour was to assess the participants' level of financial knowledge and investigate the extent to which they integrate financial statements into their decision-making processes. The primary objective of the survey was to gather data about two

23

principal areas of interest, specifically financial knowledge and financial behaviour. Additionally, the survey sought to explore individuals' attitudes toward financial matters. In their study, Dahmen and Rodriguez found a noteworthy association between inadequate financial literacy and the occurrence of financial challenges in the context of entrepreneurship. The current study suggests that an enhanced comprehension of personal finance can mitigate specific difficulties.

Dawuda (2015) investigated the habits of small businesses in Ghana's Bolgatanga Municipality when it came to keeping financial records. Researchers concluded that a lack of internal control procedures, qualified accounting staff, and poor record-keeping practices all played roles in the demise of these companies. The empirical evidence presented in this study underscores the significance of these factors in contributing to the failure of small businesses within the municipality. The results showed that business owners of smaller establishments had trouble using financial statements to identify trends that would indicate how well their businesses were doing. As a result, they struggled to make reliable predictions and gain a thorough understanding of the current economic climate. Dawuda (2015) suggests that there is a chance of failure for the business.

Financial Literacy and SMEs Performance

According to Chepngetich (2016), a strong correlation exists between financial literacy and the performance of SMEs. Prior research has demonstrated that the financial literacy of a company's owners and managers has a substantial influence on its operational outcomes. The impact of financial literacy on SMEs has been examined in prior studies, as

24

demonstrated by Chu, Wang, Xiao, and Zhang (2017). The findings of the study indicate that there exists a positive and statistically significant relationship between financial literacy and the success of SMEs.

In a study conducted by Akoto (2017), an examination was carried out in the Southeast region of Nigeria to evaluate the extent of financial literacy possessed by managers of SMEs. The main objective of this study was to examine the relationship between financial literacy and the efficacy of businesses in managing their finances, budgeting, and monitoring their savings. This study examined the profitability of SMEs in the Southeast region of Nigeria, as well as the relationship between managerial financial literacy and profitability. Researchers used a questionnaire created for the express purpose of gauging participants' knowledge of financial management, record-keeping, budgeting, and savings. In addition to an inquiry regarding the mean monthly profitability of the organisation, the survey includes inquiries about the workforce size and the duration of employment for each individual. Abia, Anambra, Ebonyi, Enugu, and Imo, which make up the Southeastern geopolitical zone of Nigeria, were the primary focus of the study. From a pool of 550 questionnaires, data was collected from 498 respondents. The findings of this study highlight the importance of expanding access to financial education for small enterprises in Nigeria's South-East. The enterprises of financially illiterate people often fail due to inadequate cash flow management and a lack of savings. This research aims to examine the economic success of small and SMEs to fill a gap in the existing knowledge. This research was prompted by the lack of coverage in the existing literature on this topic.

25

Eniola and Entebang (2017) researched to determine the extent to which business owners and top managers in SMEs demonstrate competent financial management. The researchers in this study used a random sample technique to recruit SME owners and managers from the southwest area of Nigeria. The effect of financial literacy on this population was investigated using structural equation modelling (SEM). The level of knowledge, awareness, and attitude demonstrated by the business owner or finance management regarding financial matters have a direct bearing on the company's performance, making the topic of financial literacy one of great importance.

Eniola and Entebang (2017) conducted a study to examine the impact of financial literacy on the expansion of small businesses. The findings of this study contradict previous research, suggesting that there is a limited association between financial literacy and the long-term sustainability of small enterprises. Insufficient levels of financial literacy and restricted financial inclusion have been identified as factors that hinder the operational efficiency of small businesses. Mwithiga (2016) found that there was a limited or negligible correlation between financial literacy and the performance of SMEs.

In Kwale County, Kenya, Chepkemoi et al. (2017) examined the results of a financial literacy programme on small companies. From Kwale's three sub-counties (Kinang, Matuga, and Msanbweni), 74 SMEs were randomly selected for this study. This descriptive survey employed questionnaires and in-person interviews to gather data. Kwale County, home to the Kenya Coastal Development Project, was represented by SMEs in the

study. The results demonstrated that providing financial education to SMEs boosted their productivity and bottom line. This research lends credence to the idea that financial literacy is directly linked to the prosperity of micro, small, and SMEs. It has been proposed that financial institutions like banks provide specialised training for SMEs so that they can make better use of the financial solutions at their disposal. The present study exclusively employed questionnaires as the primary method for data collection from participants, in contrast to the previous study that utilised both questionnaires and interviews.

Garg and Singh (2018) aimed to learn more about how demographic factors like gender, age, household income, and marital status, affect young people's knowledge of personal finance. The researchers also hoped to learn more about broader connections between participants' financial literacy, mindset, and actions. Global economies are emphasising financial literacy education to better serve their citizens. This effort is being made so that people will have the tools they need to make educated choices about their finances.

Mutiso and Muigai (2018) conducted a study in Kenya and discovered a significant association between financial literacy and the performance of small enterprises. The impact of financial literacy on the performance of small businesses in Kenya was investigated by Gathungu and Sabana (2018). Their study revealed a significant relationship between financial literacy and the success of small businesses in the country. In addition to employing the student t-test, Okanta (2018) utilises an analysis of variance (ANOVA) to investigate the influence of financial literacy on the performance of small businesses in Nigeria. The study's findings indicate that financial literacy significantly influences the success of small businesses.

27

Moreover, a multitude of methodologies have been employed in prior research endeavours to investigate the impact of financial literacy on the performance outcomes of SMEs. In their study, Khadijah and Wan (2019) aimed to investigate the extent to which financial literacy influences the performance of small businesses in the Bauchi metropolis of Nigeria. The results indicate a positive association between the level of financial literacy among SME owners and the overall performance and prosperity of their respective companies. The study conducted by Usama and Yusoff (2018) aimed to examine the relationship between financial literacy and business success in Nigeria. The research findings indicate a robust correlation between financial literacy and the attainment of business success.

The effect of financial literacy on the output of SMEs in Trans Nzoia County, Kenya was studied by Cherugong (2015). The research team in Trans Nzoia County set out to examine how SMBs benefited from increased financial literacy. This research looks at how SMBs in Trans Nzoia County are affected by the level of financial literacy among their employees. Descriptive research methods were used by the investigator. The study recruited 85 SMEs through a stratified random sampling process. Hardware store owners, clothes boutique owners, and owners of other types of retail businesses were all included in the study's sample. Field administration of questionnaires was part of the research methodology. The information was analysed using SPSS 20 (Statistical Package for the Social Sciences). Descriptive statistics were then utilised to properly summarise the results. The study found that small enterprises that have been around for at least five years, have at least three full-time employees, have had yearly revenue growth of at least 10%, and

have a firm knowledge of financial problems are more likely to be successful. A strong correlation between financial literacy and SME financial performance was also discovered. The study's findings suggest that, rather than using a cookie-cutter approach, providers of financial literacy training should tailor their offerings to the specific needs of SMEs.

SMEs in Benue State, Nigeria, were analysed in a study by Esiebugie et al. (2018) to determine the effect of financial literacy on business success. According to the results, local SMEs did better when their leaders had a deeper understanding of financial matters. The current investigation was based on the Dual-Process theory. The findings of this study were obtained through an extensive survey of 154 participants, which encompassed data from primary and secondary sources. The data underwent analysis through the application of descriptive statistics, specifically employing frequency and simple percentages. To further examine the link between the model's variables, a multiple linear regression analysis was carried out. SMEs have been shown to benefit from a strong association between financial literacy and business success, as shown by regression analysis. However, it is concluded that the impact of their financial behaviours on performance is negligible at best. According to the results, a company's financial literacy has a major impact on its bottom line. This is especially true for SMEs.

Attamah (2019) conducted an examination of financial literacy within the SME sector in Nigeria. This study employed secondary sources as a means of extracting insights from scholarly articles, in contrast to the present study, which utilises quantitative methods to gather data from primary sources and subsequently employs statistical techniques for analysis. The dual-process

29

theory posits that business success is contingent upon the acquisition of financial literacy, thereby necessitating its integration into various facets of a company's operations. It is imperative to promote the inclination of entrepreneurs to engage in a comprehensive examination of the impact of their financial knowledge, behaviour, and attitude on the performance of their business.

Itunu, Oladipo and Ayo-Oyebiyi (2020) set out to investigate the connection between small firms' financial literacy and their standing in the Lagos Business Directory in Nigeria. The study utilised a descriptive survey as its research methodology. The 376 SMEs from the Lagos Business Directory were selected through a technique of purposive sampling. The study used the mathematical method proposed by Yamane (1967) to determine the necessary sample size. Data was collected from a total of 190 SME entrepreneurs through the administration of closed-ended questionnaires. Subsequently, the collected data was subjected to analysis. In terms of financial literacy, the results show that the vast majority of SME owners and operators are only able to do basic arithmetic with a calculator, such as adding and subtracting. This research suggests that many owners of small businesses operate with a narrow set of financial competencies. This study examines the effect of financial literacy on the output of SMEs by analysing the participants' financial knowledge, behaviour, and attitude. Success in the economy is strongly correlated with financial literacy, responsible behaviour, and an optimistic mindset. The study's findings suggest that financial education might be a useful resource for SMEs.

Financial literacy, defined as "awareness, attitude, and knowledge," was studied by Tuffour et al. (2020) to determine its impact on the growth of small enterprises in Ghana's La Nkwantanang Madina Municipality. The study's goal was to determine if there was a correlation between financial literacy and better managerial performance. The research team wanted to see how firm owners' financial knowledge affected their managerial skills. To empirically test hypotheses derived from the variables of interest, the researchers used primary data collected from small business owners. A total of 200 small-scale managers participated in the study's primary data collection, which involved the administration of structured questionnaires. The information was analysed using a structural equation model. Based on the findings of this research, it appears that financial literacy can have a major effect on the success of firms in a variety of functional and strategic areas. Awareness, attitudes, and knowledge are the three pillars of financial literacy, and they have been linked to positive economic and social outcomes. Therefore, managers and owners of small businesses must participate in programmes designed to improve their financial literacy. This study's research technique has the potential to be replicated, which will be beneficial for SMEs in the Accra Metropolitan Area.

Togun et al. (2022) examined Financial Inclusion and SMEs' Performance: Mediating Effect of Financial Literacy. This research investigates the role of financial literacy as a mediator between financial inclusion and the performance of small and medium-sized enterprises (SMEs). By employing a targeted sampling methodology, we procured small and medium-sized enterprises (SMEs) that have been operational for a minimum

31

of five years and are duly registered with SMEDAN. A straightforward random sampling technique was employed to choose 250 operators or administrators of SMEs for the research. Using structural equation modelling (SEM), the data were analysed. The findings indicate a statistically significant and positive correlation between financial inclusion and the performance of SMEs. Moreover, empirical evidence suggests a direct correlation between financial literacy and financial inclusion. In addition, the findings indicate that financial literacy significantly improves the performance of SMBs. Additionally, it has been discovered that financial literacy partially mediates the relationship between financial inclusion and SME performance.

Fatmawati (2023) studied the relationship between financial literacy and financial inclusion in increasing the performance of Angkringan SMEs in Bekasi. This study uses a questionnaire technique by collecting data from a research sample of 60 respondents. The study used convenience sampling sampling techniques and a quantitative approach was adopted for the study. Data obtained was analysed using regression analysis. The study revealed that financial literacy positively affects the performance of Angkringan SMEs in Bekasi.

In 2023, a study was conducted by Rahmajati and Kusuma on the endeavours made to enhance the performance of small and medium-sized enterprises (SMEs) in Purwokerto via financial literacy, financial inclusion, and digitization. The purpose of this research is to determine how financial inclusion, financial literacy, and digitization impact the performance of SMBs. This is a quantitative investigation that collects data via survey. Responses were gathered via the Internet from SME administrators in the city of

32

Purwokerto. By employing multiple regression analysis, the data were examined. The research sample comprised 118 participants who were selected through a method of convenient sampling. The results indicate that financial inclusion, financial literacy, and digitization have a positive impact on the performance of SMEs. The findings underscore the criticality of enhancing financial literacy, financial inclusion, and digitization within the SME sector of Purwokerto. The results underscore the critical importance of financial literacy, financial inclusion, and digitization in bolstering the viability and effectiveness of small and medium-sized enterprises (SMEs) in Purwokerto.

In another study, Parmitasari (2023) examined the "Sustainability and Performance of Small and Medium Businesses: The Role of Financial Literature." This study employs a quantitative research approach, utilising both primary and secondary data sources. The study population consisted of small and medium-sized enterprises (SMEs). A total of 82 registered SMEs and 50 unregistered SMEs were selected as samples using the saturated sample technique. The study employed Structural Equation Modelling (SEM) using SmartPLS as the data analysis technique. The findings of this study demonstrate the impact of financial literacy on the sustainability and performance of small and medium-sized enterprises (SMEs). Financial literacy significantly enhances the long-term viability of small and medium-sized enterprises (SMEs). Studies also indicate that possessing financial literacy has a beneficial impact on the performance of small and medium-sized enterprises (SMEs).

Financial Behaviour and SMEs Performance

Eko (2022) investigated the role of financial behaviour as a mediator between financial literacy and financial attitudes and the investment decisions of MSMEs. By way of mediating financial behaviour, this study seeks to examine the effect of financial literacy and financial attitudes on investment decisions. The research focus was on small and medium enterprises located in Malang City, East Java, Indonesia. A sample size of 100 individuals was selected for the study. Structural equation modelling (SEM) was utilised as the analytical technique. The conclusion posits that investment decisions are influenced by both financial literacy and attitude. According to the results of this research, investment choices are contingent on the confidence and capability of proprietors of micro, small, and medium-sized enterprises (MSMEs) to utilise financial literacy or expertise and manage future finances. The financial behaviour of MSME proprietors is influenced by their capacity to manage investment resources, as evidenced by their aptitude for formulating budget plans. The inability of financial behaviour to mitigate the effect of financial attitudes on investment decisions suggests that MSMEs will be unable to estimate operational costs in the future due to financial management attitudes. This circumstance hinders the ability of MSME proprietors to execute their operations by their budgetary strategies, thereby impacting their overall performance.

Sedalia and Butar-Butar (2017, March) conducted a study to analyse the financial behaviour and performance of small and medium-sized enterprises (SMEs) in the coastal area of Medan City. This study aimed to investigate the financial performance of small and medium companies (SMEs)

34

located in the coastal area of Belawan in Medan City. This study employed a sample of 60 participants to examine the impact of financial management behaviour, including habits, field, and capital, on financial performance. This study employed a dummy variable to ascertain the extent of financial performance disparity between males and females. The research employed descriptive and regression analysis as the research methodologies, with SPSS serving as the analytical software. The findings indicate that habits, field, capital, and gender all have substantial impacts on financial performance when considered together. To some extent, habits have a notably beneficial impact on financial performance. The field does not have a substantial impact on financial performance. Capital has negligible impact on financial success, but the dummy variable indicates that men exhibit lower financial performance compared to women.

Purwidianti, Tubastuvi, Darmawan and Rahmawati (2022) conducted a study titled "Does Financial Behaviour Mediate the Relationship between Financial Literacy and Financial Experience towards Financial Performance of Small Businesses?" An innovative aspect of this research is to examine the function of financial behaviour as a mediating variable. The study's sample consisted of 91 small and medium-sized enterprises (SMEs) situated in Purwokerto, Indonesia. This study presents empirical evidence demonstrating the beneficial impact of financial literacy on the financial behaviour and financial performance of small and medium-sized enterprises (SMEs). This study has not found evidence to support the idea that financial behaviour plays a role in moderating the association between financial literacy and financial

experience on the financial performance of small and medium-sized enterprises (SMEs).

The aforementioned studies though examined the role of financial behaviour on the performance of SMEs, the sample size used for the study was not large enough considering all SMEs in the locality where the study was conducted. This therefore limited the findings of the study. Hence, this study will fill this gap by using a larger sample and also consider the effects of financial awareness and attitude on the performance of SMEs.

Financial Attitude, Awareness and SMEs Performance

Hidayati, Wahyulina and Suryani (2021) examined the "effect of financial attitude and financial knowledge on company performance with financial decisions as intervening variables." This study employs a quantitative methodology and is classified as explanatory research. All SME participants were located on Lombok Island. Non-probability sampling was utilised to select the SMEs that had previously exported and were engaged in the pottery industry; judgment sampling was employed. From the current population, samples can be obtained from 35 (Thirty-Five) SMEs. Questionnaires were utilised as the method of data collection for this study. Utilising GSCA (Generalised Structured Component Analysis) statistical tools, the acquired data will be processed as required to accomplish the research objectives and test hypotheses. Financial Knowledge and Attitude had a positive and statistically significant impact on Financial Decision-Making, according to the findings. The relationship between financial decisions and company performance was found to be negative and statistically

36

significant, with financial decisions not serving as a mediator between financial attitude and financial knowledge and company performance.

In their study, Makdissi, Nehme, and Chahine (2020) investigated the impact of financial culture on the financial performance of small and medium-sized enterprises (SMEs). The aim of a quantitative study is to gather measurable and observable data. The objective of this research is to elucidate, regulate, depict, and forecast phenomena and occurrences through the systematic observation of events and empirical evidence. This approach relies on quantitative research methods or tools that enable the gathering of data with theoretically guaranteed validity and reliability. The study's findings indicate a robust association of 79.1% between the financial culture and financial performance of small and medium-sized enterprises (SMEs). This finding indicates a correlation between the financial culture and the financial success of small and medium-sized enterprises (SMEs).

Maswin and Sudrajad (2023) analysed the effects of the determinants of Financial Literacy on the performance of Bandung City SMEs. The study used correlation and regression analysis to analyse the objective of the study. The study found that financial knowledge, financial behaviour, and financial attitudes have a positive and significant effect on MSME performance. The coefficient of determination test showed that financial literacy accounts for 78.3% of the influence on financial performance, with the remaining influenced by other variables.

Conceptual Framework

The conceptual framework serves as a visual depiction of the interrelationships and interdependencies between the independent variables

37

and the dependent variables under investigation in the study. The dependent variable in this study is the performance of SMEs, while the independent variables include the financial knowledge, attitude, behaviour, and awareness of the participants. The examples are depicted in Figure 1.

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 ┌─────────────────────────────┐
 │      FINANCIAL LITERACY     │
 └─────────────────────────────┘
 ┌─────────────────────────────┐        ┌─────────────────────┐
 │   Financial Knowledge       │──────→ │  PERFORMANCE OF     │
 │                             │        │       SMES          │
 │   Financial Behaviour       │──────→ │                     │
 │                             │        │   Market share      │
 │   Financial Awareness       │        │ Customer satisfaction│
 │                             │        │   Sales growth      │
 │   Financial Awareness       │──────→ │                     │
 └─────────────────────────────┘        └─────────────────────┘
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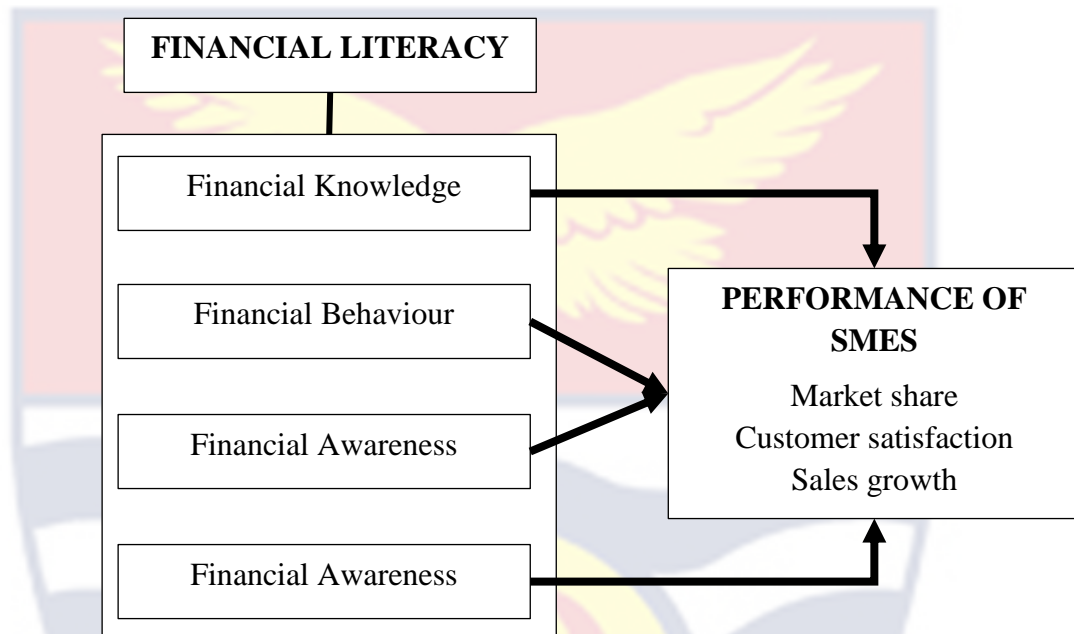
Figure 1: Conceptual Framework (Asmah, 2023)

This model incorporates various factors, namely financial knowledge, financial behaviour, financial awareness, and financial attitude. The model proposes that the performance of SMEs is influenced by several factors, namely their level of financial knowledge, financial behaviour, financial awareness, and financial attitude. This section provides the foundation for the conceptual framework and presents the hypotheses that clarify the connections among the variables. SME operators who possess a significant level of financial acumen are more inclined to secure financing options, which can be facilitated through the development of a feasible business plan

Figure 1 depicts the proposed causal model that aims to predict the performance of SMEs. The financial literacy of Small and Medium-sized

Enterprises (SMEs) significantly influences their performance in various aspects. Primarily, enhanced financial literacy among SME owners and managers empowers them with the necessary skills and knowledge to make informed financial decisions, manage resources effectively, and navigate the complexities of the business environment. With a solid understanding of financial concepts, such as budgeting, cash flow management, financial planning, and investment evaluation, SMEs can optimize their financial resources and allocate them strategically to support growth and sustainability initiatives. Additionally, financial literacy enables SMEs to capitalize on market opportunities, optimize pricing strategies, and make strategic investments that drive growth and competitiveness. In essence, a strong financial literacy foundation equips SMEs with the agility and resilience needed to thrive in an increasingly competitive marketplace.

Gaps Identified

The literature examined in this study provides comprehensive information regarding financial literacy and its influence on the performance of SMEs. The research investigations were carried out in various nations, encompassing Ghana. However, it is worth noting that none of the previous studies have been conducted specifically in the Accra Metropolis. This creates a significant gap in the existing literature, which this study aims to address. Moreover, the studies exhibited a range of data collection and analysis methods. However, this particular study aims to delve into the quantitative data collection method and employ statistical analysis techniques. To date, no studies have examined all four dimensions of financial literacy as defined by the OECD. However, the present study aims to investigate each of these

dimensions individually and collectively, to determine their impact on the performance of SMEs. Finally, it should be noted that not all previous studies have taken into account the financial performance of SMEs. Therefore, the primary objective of this study is to contribute to the existing literature by examining the performance of SMEs.

Chapter Summary

The focus of the current study was to examine the financial literacy and performance of SMEs in the Accra Metropolis. The study employs the Dual Process Theory to examine the relationship between financial literacy and the performance of Small and Medium-sized Enterprises (SMEs). The study reviewed the concepts of SMEs, Financial Literacy and the dimensions of Financial Literacy. The study reviews empirical studies conducted on the topics and provides a conceptual framework showing how the variables in the study are related.
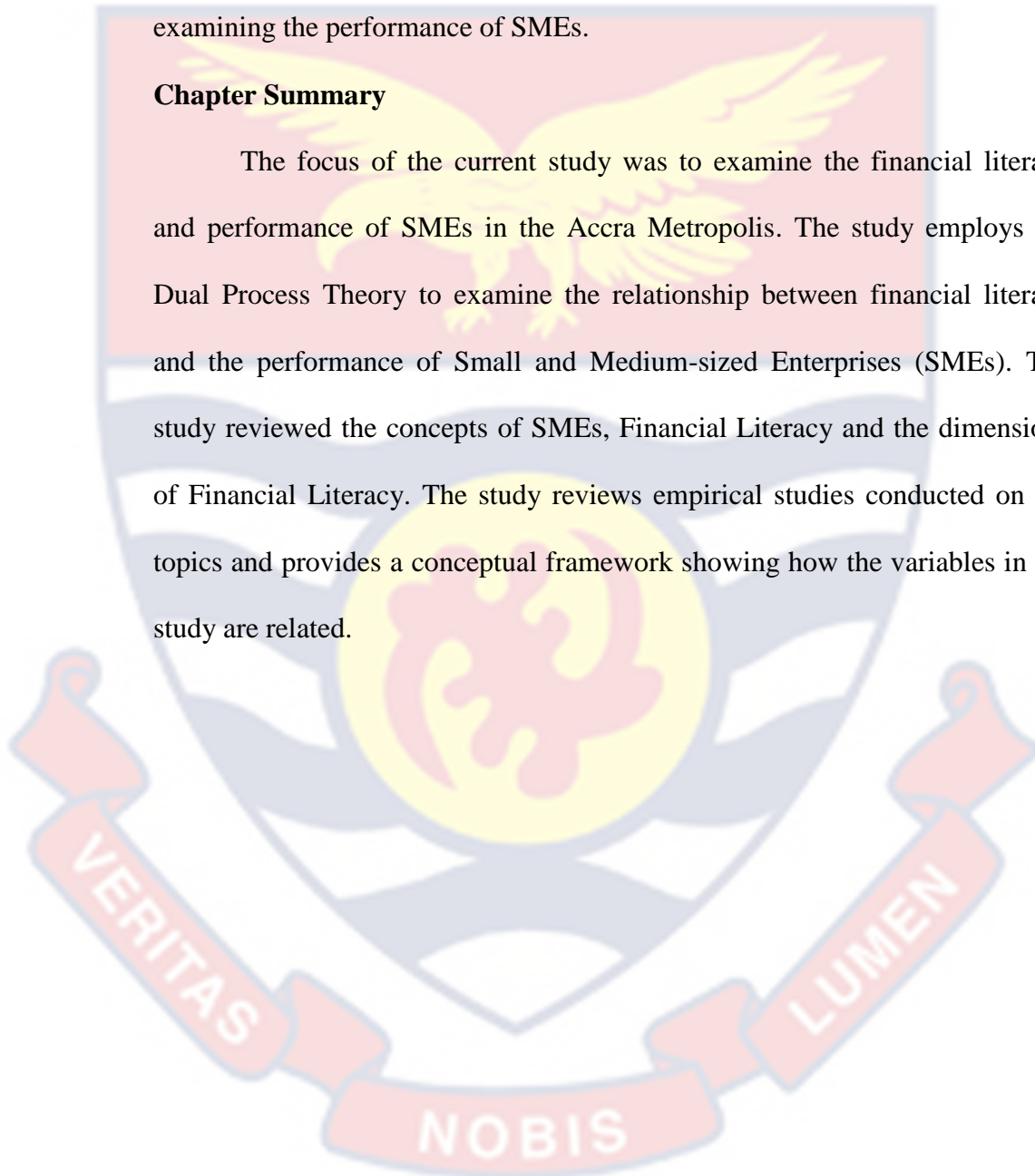
CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter examines several key themes related to the research study, including the study area, research design, population, sample and sampling procedure, instruments used for data collection, and the subsequent data analysis process.

Research Paradigm

Saunders, Lewis, and Thornhill (2009) assert that the research paradigm encompasses the fundamental principles and methodologies that guide researchers in their selection of research topics, approaches, theoretical frameworks, and interpretation of findings. The paradigm exerts influence over the researcher's research and cognitive processes (Bogdan & Biklen, 1982). Hence, the selection of an appropriate paradigm is a subjective decision made by researchers (Panagiotopoulos et al., 2011).

The present study is grounded in the positivist paradigm, which posits that knowledge is derived from sensory experience and can be acquired through observation and experimentation. The positivist paradigm approach to research is motivated by the objective of efficiently encompassing a broad spectrum of situations within a condensed timeframe. Therefore, despite the temporal constraints imposed on this study, the researcher anticipates an extensive examination of various scenarios within a restricted timeframe.

According to Tekin and Kotaman (2013), the utilisation of positivism in social and educational research involves several key components. These components include the formulation of hypotheses, the measurement of

41

variables through sampling, the collection of data via questionnaires, the analysis of data, and the drawing of conclusions. Positivists prioritise the pursuit of truth by emphasising rational cause and effect, as well as objective and value-free research processes (Cartwright & Montuschi, 2014). The researcher adopted a deductive positivist perspective and employed a questionnaire as the data collection instrument. Inferences and conclusions were subsequently drawn from the collected data.

Research Approach

Baiden (2019) posited that the research strategy encompasses three distinct types, namely quantitative, qualitative, and mixed research. The selection of one of these three overarching categories is contingent upon various factors, including the study's objectives, the research inquiries, and the accessibility and feasibility of obtaining the requisite data (Naoum, 2012).

The present study utilises a quantitative research methodology, which is consistent with the positivist paradigm. The reason for this is that the data that is gathered will be analysed objectively. The study's findings will be quantified through the use of statistical analyses. The adoption of this paradigm further demonstrates the researcher's autonomy from the research, thereby enabling a purely objective approach to be pursued. To ensure objectivity, the researcher limited their interaction with the research participants during the study, and the data collected was subsequently quantified. In this study, the researcher employs questionnaires as a data collection method to mitigate the potential influence of subjective biases on responses.

42

Research Design

Yin (2009) posits that the research design serves as a comprehensive framework for gathering data and establishing a systematic approach to investigating research inquiries, thereby facilitating the acquisition of answers to pertinent research questions. This study used a quantitative method and a explanatory research design. An explanatory research design is a valuable approach for studying causal relationships between variables. This design aims to identify and explain why certain phenomena occur by investigating potential cause-and-effect relationships (Sekaran, & Bougie, 2016). In the context of financial literacy and SME performance, an explanatory approach allows researchers to examine whether variations in financial literacy levels among SME owners or managers directly influence business outcomes such as profitability, growth, or resilience.

The strength of an explanatory research design lies in its ability to establish causal connections, which is crucial for informing policy and intervention strategies. By carefully controlling for other factors that might influence SME performance (e.g., industry type, economic conditions), researchers can isolate the impact of financial literacy. Statistical techniques such as regression analysis are often employed to analyze quantitative data collected through surveys or other measurement tools, providing empirical evidence to support conclusions about the relationship between financial literacy and SME performance.

Despite its strengths, there are important considerations and potential weaknesses associated with explanatory research designs (Sekaran, & Bougie, 2016). For instance, while statistical methods can help identify causal

43

relationships, they may not capture the full complexity of real-world interactions. Additionally, the reliance on quantitative data may overlook qualitative aspects that could be crucial to understanding the mechanisms linking financial literacy to SME outcomes, such as individual attitudes or cultural factors. In the study of financial literacy and SME performance, an explanatory research design is essential for generating evidence that can guide policy and practice. By producing robust findings on the impact of financial literacy, researchers contribute to the development of effective educational programs and support initiatives aimed at enhancing financial skills among SME stakeholders, ultimately fostering economic growth and sustainability.

Study Area

The current study was carried out within the confines of the Greater Accra Metropolis. The Accra Metropolitan Area (AMA) has functioned as the administrative and political centre of the Greater Accra Region since its inception in 1898. Accra, the capital city of Ghana, is situated within this geographical region. The city of Accra is geographically bordered by the Ga West Municipal, Ga South Municipal, the Gulf of Guinea, and La Dadekotopon Municipal to the north, west, and south, respectively. The total area of the subject in question is 139.674 square kilometres. This location boasts a diverse array of industries, encompassing manufacturing, oil and gas, financial and telecommunications, tourism, education, health care, and other essential sectors (Ghana Statistical Services, 2014).

Residents of the city have access to employment opportunities through the various institutions present within the locality. Individuals from various regions across the nation persist in frequenting these locations to engage in

commercial activities. The city's employment landscape is characterised by the significant presence of primary, secondary, and tertiary sector jobs, collectively accounting for approximately 50% of all available employment opportunities (Ghana Statistical Services, 2022). Various vocations such as trade, construction, fishing, farming, service, and manufacturing are among the occupations pursued by individuals in this particular context. In recent times, it has been observed that the principal revenue streams for indigenous communities have traditionally emanated from the domains of fishing and agriculture. The rapid growth of SMEs in the area of the city known as the Metropolis has led to research into their financial skills and their ability to thrive in a very competitive business environment. Hence, the current investigation was undertaken (Ghana Statistical Services, 2022). Figure 2 illustrates the cartographic representation of the Accra Metropolis.
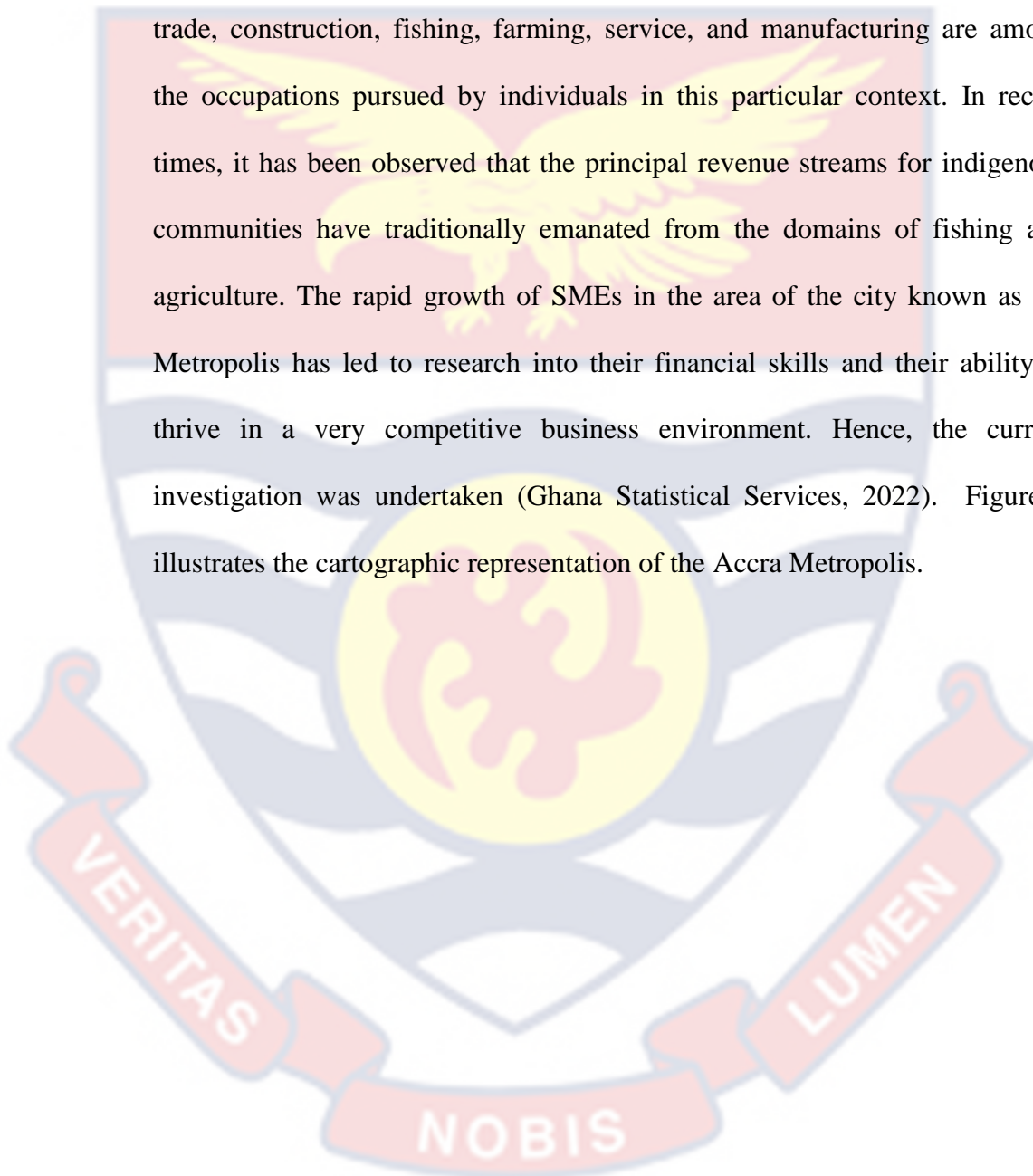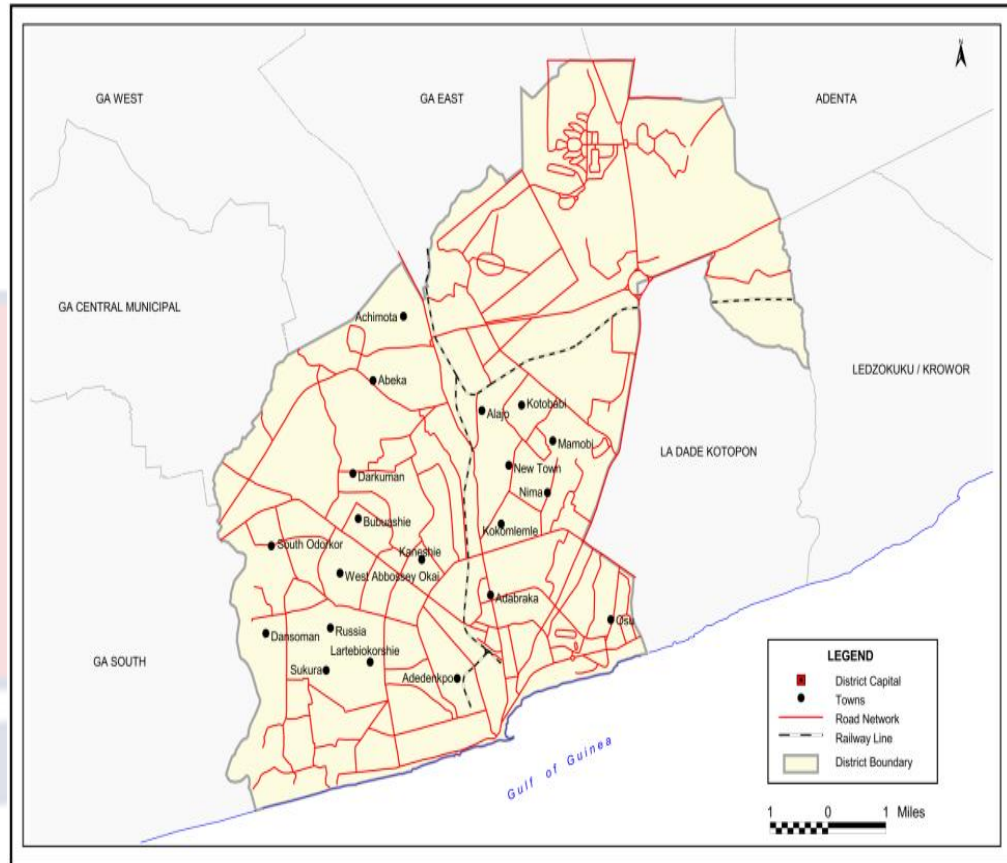
Figure 2: Map of Accra Metropolis

Source: Ghana Statistical Services (2014)

Population

In this study, the research was done on all of the SMEs in the Accra Metropolis. The Registrar General's Department and the Ghana Investment Promotion Council chose these businesses because they are legal and have been recognised. This research study primarily concentrated on the target demographic comprising individuals who hold the position of owners or managers within the Accra Metropolis, specifically within the registered SMEs. The population of SMEs in the Metropolis was more than 1800 according to the Accra Metropolitan Assembly (2023) however, study sampled the predominant ones (wholesale/Retail, Manufacturing and Artisan) as indicated in a study Appiah-Gyimah and Boohene (2019). Appiah-Gyimah

46

and Boohene (2019) study sampled more than 890 SMEs in the Metropolis and observed that the majority of them fall under wholesale/Retail, Manufacturing and Artisan. Thus, the current study used these three classifications of SMEs. The population of SMEs under this category were about 1500. Hence, the study used a population of 1500.

Sample and Sampling Technique

The researcher used Krejcie and Morgan's (1970) table to select the sample to make sure it correctly reflected the characteristics of the whole population. For this study, 306 SMEs were selected as the sample. Therefore, the managers, owners, and operators of these SMEs were chosen to participate in the survey and provide responses to the questionnaire items. In addition, the random numbers generated by the Excel software were employed in the process of selecting the SMEs. For the method, a full list of all the listed SMEs in the Metropolis was put together with help from the Metropolitan Assembly. However, instead of selecting from all SMEs in the Metropolitan, the researcher decided to select the predominant SMEs in the areas. The predominant SMEs were put into three categories; Wholesale/Retail, Manufacturing, and Artisan.

Table 1: Sample Size

Form of business	Population	Sample
Wholesale/Retail	460	$= \dfrac{460}{1500} \times 306 = 94$
Manufacturing	496	$= \dfrac{496}{1500} \times 496 = 101$
Artisan	544	$= \dfrac{544}{1500} \times 544 = 111$
Total	**1500**	**306**

Source: Fieldwork (2022)

Table 1 shows the population of SMEs in the three categories. Stratified sampling techniques were employed to determine the number of SMEs to select from the three categories. After that, a method for making random numbers was used.

Data Collection Instrument

The data employed in this investigation was acquired through the administration of a questionnaire. The survey instrument consisted of two distinct sections. The initial phase of the study encompassed the collection of demographic data from the participants, while the subsequent phase sought to elicit their viewpoints on the variables under investigation. The current study utilised a collection of variables obtained from the OECD (2013) to assess different constructs, such as the extent of financial literacy, financial knowledge, financial behaviour, financial awareness, and financial attitude. The researchers employed these constructs as measurement items in the study.

The constructs, namely Financial Knowledge, Financial Behaviour, Financial Awareness, and Financial Attitude were obtained from the OECD (2013) and assessed using a 5-point Likert scale, which ranged from 1 (indicating strong disagreement) to 5 (indicating strong agreement). The construct of Financial Knowledge was composed of a total of nine items, while the construct of Financial Behaviour consisted of nine items as well. The construct of Financial Awareness comprised eight items, and the construct of Financial Attitude consisted of 10 items. The present study employed a self-designed questionnaire intending to evaluate the performance of SMEs. The performance of SMEs was measured using three indicators (increase in market share, increase in customer satisfaction and increase in sales growth), where

48

participants were asked to rate their level of agreement on a scale from 1 (strongly disagree) to 5 (strongly agree).

Validity of the Instruments

To ensure the instruments' face and content validity, experts' opinions were sought from the supervisor, lecturers, and peers. Consultations with the supervisor, other lecturers, and peers aided in the identification of errors and offered the opportunity to modify and improve the instrument.

Reliability of the Instruments

Reliability refers to the degree to which findings exhibit consistency over time and accurately reflect the entire population under investigation. The determination of instrument reliability was conducted through the utilisation of Cronbach's Alpha coefficient. According to Nunnally and Bernstein (1994), it is generally recommended to aim for reliability values of 0.7 or above. Table 2 displays the outcomes of the reliability analysis.

Table 2: Reliability of Constructs

Variable	Cronbach's Alpha
Financial Knowledge	0.913
Financial Behaviour	0.875
Financial Awareness	0.70
Financial Attitude	0.898
SMEs performance	0.931

Source: Fieldwork (2022)

From Table 1, all the reliability coefficients are equal to or greater than 0.70; hence, the instrument was deemed reliable for the data collection.

Data Collection Procedures

Before initiating the data collection process, a formal letter of introduction was acquired from the Department of Finance at the University of

49

Cape Coast. This letter was subsequently dispatched to the respective study units involved in the research endeavour. To obtain the necessary permissions and facilitate the execution of this study, a copy of the research proposal was distributed to the diverse group of managers representing SMEs. The questionnaires were disseminated to the participants through a self-administered distribution method. Following the distribution of the questionnaires, the researcher allocated 14 days for the respondents to fulfil the completion of the questionnaire. It was expected that the respondents would take their time and respond appropriately to the questionnaire. After the 14th day, the questionnaire was received and cleaned for data analysis.

Data Processing and Analysis

The data collected through the questionnaires was processed using Statistical Product for Service Solution (version 26), an analysis programme. This software was employed to perform tasks such as data cleaning, coding, and data entry. The demographic data was analysed using descriptive statistics, specifically frequency and percentages. The questionnaire data for the research question was analysed using descriptive statistics, specifically means and standard deviations. Additionally, inferential statistics, specifically linear regression, were employed in the analysis. Each construct's reliability was calculated using the Cronbach alpha. 3.

Table 3: Summary of Data Analysis

Research Objective	Method of Analysis
Assess the level of financial literacy among SME operators	Frequency counts and percentages
Determine the effect of financial knowledge on SMEs' performance	Linear regression

Examine the impact of financial behaviour on SMEs' performance	Linear regression
Establish the effect of financial awareness on SMEs' performance	Linear regression
Determine how the financial attitudes of SME operators affect SMEs' performance	Linear regression

Source: Researcher's Construct

Ethical Considerations

First, the researcher will get everyone's permission to conduct the research following the research's ethical requirements. To this end, letters requesting permission were sent to the heads of the relevant SMEs. Second, the researcher took measures to protect the participants' privacy. The respondents were assured that no information about them would be shared or leaked in any way without their express permission. Participants were made aware that they could decline to take part in the study if they so desired. During the data collection phase, questionnaires were administered with the utmost candour. To protect the respondents' anonymity, the surveys could be completed in silence. All participants' anonymity and confidentiality were protected during the dissemination process. No one's real names were ever mentioned or revealed during the study.

Chapter Summary

The strategies used in the research were detailed in this section. The positivist paradigm was used, and from that, a descriptive survey strategy with a quantitative focus was developed for the study. The data was compiled via a survey with a 5-point Likert scale. The data collected were analysed using both descriptive and inferential quantitative statistics using SPSS version 26.

51

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents the findings and analysis of the research questions, which aim to assess the impact of financial literacy on the performance of small-scale enterprises in the Accra Metropolis, Ghana. The present chapter is structured into three distinct sections. This study begins by examining the demographic characteristics of the respondents in the first section. Subsequently, the results of the diagnostic analysis are presented in the second section. The findings about each research question that guided the study are explicated in the concluding section, wherein the data analysis results are presented. The concluding section of this chapter provides a comprehensive analysis of the existing literature that substantiates the findings presented in this study. Additionally, a succinct overview of the most significant outcomes is provided, highlighting their relevance and implications.

Results of Demographic Characteristics

This section provides an overview of the findings derived from the examination of the demographic information gathered from the participants. Table 4 displays the outcomes derived from the analysis of the demographic data about the participants.

Table 4: Demographic Characteristics of Respondents

Variable	Frequency	Percentage
Sex		
Male	162	52.9
Female	144	47.1

Age (years)		
20-29	55	18.0
30-39	92	30.1
40-49	85	27.8
50-59	25	8.2
60+	49	16.0
Highest level of education		
Primary/JHS/Middle School	36	11.8
Secondary	102	33.3
College/Technical/Vocational	136	44.4
University/Polytechnic	32	10.5
Form of business		
Wholesale/Retail	94	30.7
Manufacturing	101	33.0
Artisan	111	36.3

Source: Fieldwork (2022)

The demographic findings presented in Table 4 indicate that a majority of the respondents, specifically 162 (52.9%), identified as males. Conversely, the remaining 114 (47.1%) identified as females. Again, on the age categorisations of the respondents, 92(30.1%) of the respondents are aged 30-39 years, followed by 85(27.8%) of those aged 40-49 years. Additionally, 55(18.0%) of the respondents are aged 20-29 years, 49(16.0%) are 60 years and above, while the least proportion 25(8.2%) of the respondents were 50-59 years. In terms of the respondent's highest level of education, 136 (44.4%) have a college/technical/vocational degree, followed by 102 (33.3%) with a secondary school degree, 36 (11.8%) with a primary/junior high/middle school degree, and 32 (10.5%) with a university/polytechnic degree. Lastly, 111(36.3%) of the respondents operated artisan firms, 101(33.0%) were in manufacturing businesses, and 94(30.7%) were in wholesale/retail.

53

Main Results

This section presents the results main of the study. The results are presented per the research questions. The section presents the research questions and how each of them was analysed hypotheses. Preliminary analysis was conducted to ensure that the data obtained does not violate the assumption of linearity which is considered as the fundamental assumption of performing simple linear regression. In this case, the correlation analysis confirms the significant relationship between two or more variables. This study utilises the Pearson correlation coefficient (r). It depicts the correlation between dependent and independent variables, as shown in Table 5. However, correlation values might be negative or positive.

Table 5: Correlation Among the Constructs

	Performance of SMEs	FK	FB	FAw	FAt
Performance of SMEs	1				
FK	0.024	1			
FB	-0.060	0.701*	1		
FAw	0.482*	0.229*	0.120*	1	
FAt	0.611*	-0.019	-0.042	0.471*	1

*. Correlation is significant at the 0.05 level (2-tailed).

Note: FK = Financial Knowledge, FB = Financial Behaviour, FAw = Financial Awareness FAt: Financial Attitude

Source: Fieldwork (2022)

The correlation between the variables in Table 5 used for the study showed that financial knowledge has an insignificantly positive relationship and financial behaviour has an insignificantly negative relationship with the performance of SMEs. However, financial awareness and attitude have a

54

significantly positive relationship with the performance of SMEs in the Accra Metropolis.

Research Question One: What is the level of financial literacy among SME operators in the Accra Metropolis?

This question seeks to examine the level of financial literacy among SMEs operators in the SMEs in the Metropolis. To assess the level of SME operators about their financing literacy, the owners were presented with 8 questions to answer. For each question answered correctly, the owners score one (1) point otherwise zero (0). The descriptive statistics of the results are presented in Table 6.

Table 6: Frequency Counts of Score of Owners

Score	N	%
1.00	3	1.0
2.00	23	7.5
3.00	40	13.1
4.00	67	21.9
5.00	80	26.1
6.00	66	21.6
7.00	23	7.5
8.00	4	1.3
Total	**306**	**100**

Source: Fieldwork (2022)

The frequency counts of the scores of the owners on the financial literacy test showed that 3 (1.0%) of the owners had a score of 1, 23 (7.5%) scored 2, 40 (13.1%) scored 3 while a majority of 80 (26.1%) had a score of 5. Also, 4 owners had all questions correctly thus, scoring 8. To access their level, the scores were grouped into two categories (low-level and high-level). Scores below 4 showed that respondents had a low level of financial literacy whereas scores from 4 to 8 indicate a high level of financial literacy from the owners. The result is displayed in Figure 3.

55
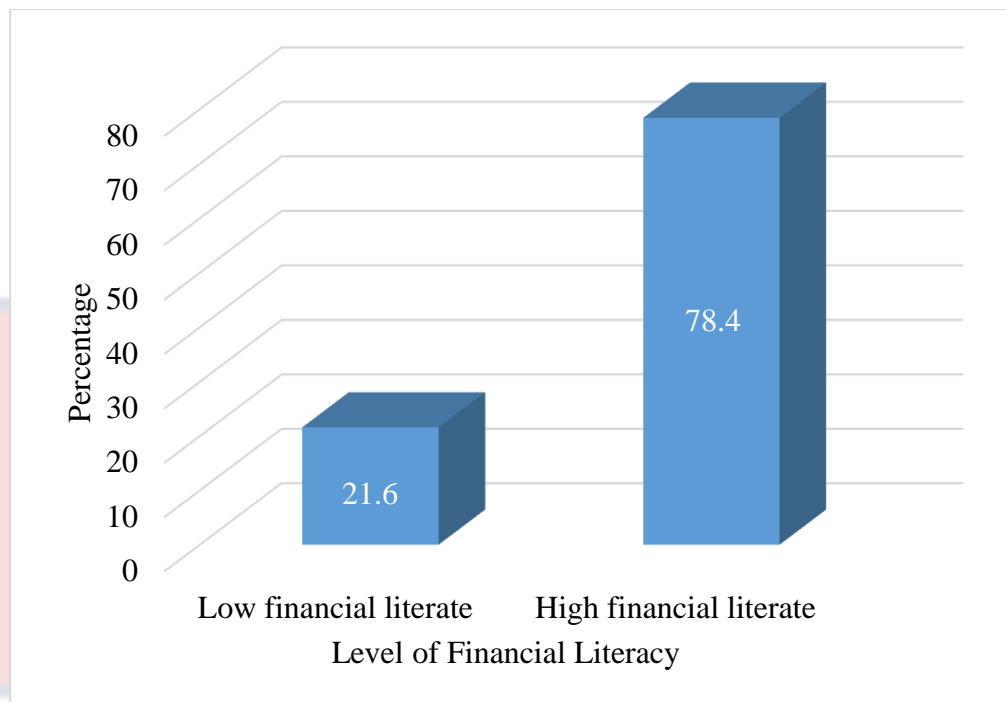
Figure 3: Financial Literacy Level of SME Operators

The data presented in Figure 3 indicates that a significant majority (78.4%) of the SME operators possess a high level of financial literacy. Conversely, a minority (21.6%) of respondents exhibit low levels of financial literacy.

Research Question Two: What is the effect of financial knowledge on SMEs' performance in the Accra Metropolis?

To answer this research question, the descriptive statistics of the responses on the financial knowledge and the performance of SMEs are presented before running a simple linear regression to answer the research question. The descriptive statistics of the responses on financial knowledge and SMEs' performance are presented in Tables 7 and 8 respectively. For means above 3.5, the respondents agreed with the statement whereas those below 3.5 showed that the respondents disagreed with the statements.

56

Table 7: Financial Knowledge of SME Owners

Statements	N	Mean	Std. Deviation
I know how to place a complaint if I think I am treated unfairly by a financial provider	306	3.9935	.94085
When a company obtains equity from an investor it gives the investor part of the ownership of the company	306	3.9444	1.02118
A balance sheet is a financial snapshot, taken at a point in time, of the firm's assets and liabilities	306	3.8824	1.07087
High inflation means that the cost of living is increasing rapidly	306	3.7843	.98141
I train myself when I want to learn more about dealing with business finances	306	3.7810	1.08088
Dividends are part of what a business pays to a bank to repay a loan	306	3.7288	1.06892
If a financial investment offers the chance to make a lot of money, likely, there is also a chance to lose a lot of money	306	3.6895	.99426
I know how to place a complaint if I think I am treated unfairly by a financial provider	306	3.6144	.96919
I train myself when I want to learn more about dealing with business finances	306	3.4739	1.01188

Source: Fieldwork (2022)

The results showed that the respondents agreed with the statements; "I know how to place a complaint if I think I am treated unfairly by a financial provider" (Mean = 3.9935, SD = .94085), "When a company obtains equity from an investor it gives the investor part of the ownership of the company" (Mean = 3.9444, SD = 1.02118), "A balance sheet is a financial snapshot, taken at a point in time, of the firm's assets and liabilities" (Mean = 3.8824, SD = 1.07087).

Also, respondents agreed that high inflation means that the cost of living is increasing rapidly (Mean = 3.7843, SD = .98141), I train myself when I want to learn more about dealing with business finances (Mean = 3.7810, SD

57

= 1.08088) and "Dividends are part of what a business pays to a bank to repay a loan" (Mean = 3.7288, SD = 1.06892). However, they disagreed that "I train myself when I want to learn more about dealing with business finances" (Mean = 3.4739, SD = 1.01188). The results in Table 8 showed the descriptive statistics of the respondents about the performance of SMEs.

Table 8: Performance of SMEs

Statement	Mean	Std. Deviation
In the past 12 months, my business experienced an increase in sales growth	3.7582	1.00508
In the past 12 months, my business experienced an increase in customer satisfaction	3.6569	1.01298
In the past 12 months, my business experienced an increase in market share	3.5850	.99555

Source: Fieldwork (2022)

The results in Table 8 showed the descriptive statistics of the respondents from the owners of SMEs about the performance of their business in the past 12 months. The results showed that respondents averagely agreed that their business experienced an increase in sales in growth (Mean = 3.7582, SD = 1.00508), an increase in customer satisfaction (Mean = 3.6569, SD = 1.01298) and an increase in market share (Mean = 3.5850, SD = .99555). They revealed that the SMEs sampled for the study performed well in the past 12 months. However, it is important to determine how the financing knowledge of the owners influences their performance.

To determine the effect of financial knowledge on SMEs' performance in the Accra Metropolis, a Simple Linear Regression with a significance level of 5% was used. The decision was made based on the significance level of 0.05, where p-values less than this threshold indicated rejection of the null hypothesis. Conversely, p-values greater than 0.05 indicated a failure to reject

58

the null hypothesis, thereby suggesting support for the alternative hypotheses. In addition, it should be noted that the utilisation of unstandardized beta (β) coefficients allows for the examination of the relationship between independent variables and the performance of SMEs. In the context of this study, a negative beta (β) coefficient is indicative of an adverse influence of the independent variables on the performance of SMEs. Conversely, a positive beta (β) coefficient suggests a favourable impact of the independent variables on SME performance. The results of the current analysis are presented in Table 9.

Table 9: ANOVA[a] (Financial Knowledge and SMEs' Performance)

Model	Sum of Squares	df	Mean Square	F	Sig.	R Square
Regression	.160	1	.160	.180	.672[b]	.001
Residual	270.285	304	.889			
Total	**270.444**	**305**				

The results presented in Table 9 showed that the F-statistic (F = .180, df = 304, p>0.05) indicates that the model is not fit to measure the influence of financial knowledge of SME owners on the performance of SMEs in the Accra Metropolis. This was because the p-value of the F-statistic was bigger than the predetermined significance level of 0.05. Hence, the financial knowledge of SME owners does not influence the performance of SMEs in the Accra Metropolis.

Research Question Three: What is the impact of financial behaviour on SMEs' performance in the Accra Metropolis?

To answer this research question, the descriptive statistics of the responses on the financial behaviour of SMEs are presented before running a simple linear regression to answer the research question. The descriptive

statistics of the responses on the financial behaviour of SMEs are presented in Table 10. For means above 3.5, the respondents agreed with the statement whereas those below 3.5 showed that the respondents disagreed with the statements.

Table 10: Financial Behaviour of SMEs

Statements	Mean	Std. Deviation
I follow changes in economic factors to adjust the course of business operations	3.8137	.94154
I have thought about how I will fund my retirement or maintain myself when I will no longer work due to old age	3.6961	.94216
I use bank loans to finance my business	3.5000	.90264
I keep track of the financial records of the business in electronic format (e.g., MS Excel or dedicated software)	3.4837	.89885
I decide whether to invest based on the financial data of the business	3.4510	.99468
I use money that my business has set aside for emergencies when I discover that most of the equipment that I need to operate the business has been stolen/broken	3.3464	1.03588
I keep secure data and information about the business	3.3301	1.07072
I forecast the profitability of the business regularly	3.2614	1.09407
I compare the cost of different sources of finance for the business	2.6111	1.06313

Source: Fieldwork (2022)

The results on the financial behaviour of SMEs showed that the respondents agreed with the statements; "I follow changes in economic factors to adjust the course of business operations" (Mean = 3.8137, SD = .94154), "I have thought about how I will fund my retirement or maintain myself when I will no longer work due to old age" (Mean = 3.6961, SD = .94216) and "I use bank loans to finance my business" (Mean = 3.5000, SD = .90264).

60

However, they disagreed with the statements; "I keep track of the financial records of the business in electronic format" (e.g., MS Excel or dedicated software) (Mean = 3.4837, SD = .89885), "I decide whether to invest based on the financial data of the business" (Mean = 3.4510, SD = .99468) and "I use money that my business has set aside for emergencies when I discover that most of the equipment that I need to operate the business has been stolen/broken" (Mean = 3.3464, SD = 1.03588). Also, they disagreed with the statements; "I keep secure data and information about the business" (Mean = 3.3301, SD = 1.07072), "I forecast the profitability of the business regularly" (Mean = 3.2614, SD = 1.09407), "I compare the cost of different sources of finance for the business (Mean = 2.6111, SD = 1.06313).

To determine the impact of financial behaviour on SMEs' performance in the Accra Metropolis, Simple Linear Regression with a significance level of 5% was used. The decision was made based on the significance level of 0.05, where p-values less than this threshold indicated rejection of the null hypothesis. Conversely, p-values greater than 0.05 indicated a failure to reject the null hypothesis, thereby suggesting support for the alternative hypotheses. The results of the current analysis are presented in Table 11.

Table 11: ANOVA (Financial Behaviour and SMEs Performance)

Model	Sum of Squares	df	Mean Square	F	Sig.	R Square
Regression	.987	1	.987	1.114	.292[b]	.060
Residual	269.457	304	.886			
Total	270.444	305				

Table 11 shows the result of the regression analysis conducted. The results revealed that the F-statistic (F = 1.114, df = 304, p>0.05) indicates that the model is not fit to predict the influence of the financial behaviour of SME

61

owners on the performance of SMEs in the Accra Metropolis. This was because the p-value of the F-statistic was bigger than the predetermined significance level of 0.05. Hence, the financial behaviour of SME owners does not influence the performance of SMEs in the Accra Metropolis.

Research Question Four: What is the effect of financial awareness on SMEs' performance in the Accra Metropolis?

To answer this research question, the descriptive statistics of the responses on the financial behaviour of SMEs are presented before running a simple linear regression to answer the research question. The descriptive statistics of the responses on the financial awareness of SMEs are presented in Table 12. For means above 3.5, the respondents agreed with the statement whereas those below 3.5 showed that the respondents disagreed with the statements.

Table 12: Financial Awareness by SME Owners

Statement	Mean	Std. Deviation
I have heard Business loan from a bank	3.9967	1.04489
I have heard about Crowdfunding	3.8987	1.03680
I have heard about Bank overdrafts for business	3.8693	.95946
I have heard about Trade credit	3.8170	1.06779
I have a current or savings account at a bank, post office, credit union or other traditional financial institution with a physical branch	3.7941	.98185
I have heard about life insurance for the owner	3.7908	.96939
I have heard about Peer-to-peer lending	3.7582	1.13673
I have heard about business income insurance	3.7157	1.01830

Source: Fieldwork (2022)

The results on the financial awareness of SMEs showed that they agreed that they have heard of a business loan from a bank (Mean = 3.9967, SD = 1.04489), crowdfunding (Mean = 3.8987, SD = 1.03680), Bank

62

overdraft (Mean = 3.8693, SD = .95946) and trade credit (Mean = 3.8170, SD = 1.06779). Also, they are that they are aware of life insurance (Mean = 3.7908, SD = .96939), Peer-to-peer lending (Mean = 3.7582, SD = 1.13673) and business income insurance (Mean = 3.7157, SD = 1.01830).

To determine the effect of financial awareness on SMEs' performance in the Accra Metropolis, Simple Linear Regression with a significance level of 5% was used. The decision was made based on the significance level of 0.05, where p-values less than this threshold indicated rejection of the null hypothesis. Conversely, p-values greater than 0.05 indicated a failure to reject the null hypothesis, thereby suggesting support for the alternative hypotheses. The results of the current analysis are presented in Table 13.

Table 13: ANOVA[a] (Financial Awareness on SMEs' Performance)

Model	Sum of Squares	df	Mean Square	F	Sig.	R Square
Regression	62.714	1	62.714	91.778	<.001[b]	.232
Residual	207.730	304	.683			
Total	**270.444**	**305**				

The results in Table 13 showed that the F-statistic (F = 91.778, df = 304, p < 0.05) indicates that the model is fit to predict the influence of financial awareness of SME owners on the performance of SMEs in the Accra Metropolis. This was because the p-value of the F-statistic was smaller than the predetermined significance level of 0.05. Hence, the financial awareness of SME owners does influence the performance of SMEs in the Accra Metropolis. Table 13 also shows that the degree to which financial awareness explains variation in SMEs' performance is 23.2%. Table 14 shows the coefficient of the regression analysis.

Table 14: Coefficient (Financial Awareness on SMEs' Performance)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.655	.318		2.059	.040
Financial Awareness	.786	.082	.482	9.580	<.001

a. Dependent Variable: SME Performance

Table 13 shows that there is a positive significant (β = .786, p < 0.001) influence of financial awareness on the performance of SMEs. Therefore, the model for predicting SMEs' performance by the level of their financial awareness is given;

$$SMEs' \ Performance = .655 + .786 * financial \ awareness$$

The model revealed a unit increase in SME owners' financial knowledge will result in an increase of .786 in their Performance. Similarly, a unit decrease in their financial awareness will lead to a .786 decrease in their performance.

Research Question Five: To what extent do financial attitudes affect SMEs' performance in the Accra Metropolis?

To answer this research question, the descriptive statistics of the responses on the financial attitude of SMEs are presented before running a simple linear regression to answer the research question. The descriptive statistics of the responses on the financial awareness of SMEs are presented in Table 15. For means above 3.5, the respondents agreed with the statement whereas those below 3.5 showed that the respondents disagreed with the statements.

Table 15: Financial Attitudes of SME Owners

Statements	Mean	Std. Deviation
I set long-term financial goals for the business and strive to achieve them	3.6405	.93818
I prefer to follow my instinct rather than to make detailed financial plans for my business	3.5000	.92772
I am confident in approaching banks and external investors to obtain business finance	3.4935	.97592
I prefer high-risk and high-yield projects rather than low-risk and low-yield projects	3.4706	.89486
I try to influence the state of my business finances in the future with my day-to-day behaviour	3.4412	.87486
I am prepared to persevere if business success does not materialise immediately	3.3725	.95046
I prefer to use financial companies that have a strong ethical stance	3.3497	1.03636
My business model and organisation take into account environmental, social and governance factors (ESG)	3.2974	.99167
The business allows me to turn my ideas into practice	3.1111	1.07768
I like to work for myself and be my boss	2.8758	1.09437

Source: Fieldwork (2022)

The results on the financial attitude of owners showed that they agreed with the statement; "I set long-term financial goals for the business and strive to achieve them" (Mean = 3.6405, SD = .93818), "I prefer to follow my instinct rather than to make detailed financial plans for my business" (Mean = 3.5000, SD = .92772). However, they agreed that to the statements; "I try to influence the state of my business finances in the future with my day-to-day behaviour (Mean = 3.4412, SD = .87486), "I am prepared to persevere if business success does not materialise immediately" (Mean = 3.3725, SD = .95046), "My business model and organisation take into account

65

environmental, social and governance factors (ESG)" (Mean = 3.2974, SD = .99167) and "the business allows me to turn my ideas into practice" (Mean = 3.1111, SD = 1.07768)

To determine the extent to which financial attitudes affect SMEs' performance in the Accra Metropolis, Simple Linear Regression with a significance level of 5% was used. The decision was made based on the significance level of 0.05, where p-values less than this threshold indicated rejection of the null hypothesis. Conversely, p-values greater than 0.05 indicated a failure to reject the null hypothesis, thereby suggesting support for the alternative hypotheses. The results of the current analysis are presented in Table 16.

Table 16: ANOVA[a] (Financial Attitude and SMEs Performance)

Model	Sum of Squares	df	Mean Square	F	Sig.	R Square
Regression	100.854	1	100.854	180.785	<.001[b]	.611
Residual	169.591	304	.558			
Total	270.444	305				

The results presented in Table 16 offer an evaluation of the appropriateness of the proposed model in assessing the influence of financial knowledge on the performance of SMEs. The suitability of the model for the sample is determined by examining the p-value of the F-statistic, which should be lower than the predetermined significance level of 0.05. Similarly, it is considered inappropriate to employ the model for the study when the p-value of the F-statistic exceeds the predetermined significance level of 0.05. Based on the results presented in Table 16, it can be deduced that the F-statistic (F = .180, df = 304, p<0.05) indicates that the linear regression model utilised in this research is effective in explaining the influence of financial attitude on the

66

performance of SMEs in the Accra Metropolis. Again, the results in Table 16 showed that the degree to which financial attitude explains variation in SMEs' performance is 61.1%. Table 17 shows the coefficient of the regression analysis

Table 17: Coefficient (Financial Attitude and SMEs Performance)

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.937	.207		4.517	<.001
Financial Attitude	.814	.061	.611	13.446	<.001

a. Dependent Variable: SME Performance

Table 16 shows that there is a positive significant (β = .814, p < 0.001) influence of financial attitude on the performance of SMEs. Therefore, the model for predicting SMEs' performance by the level of their financial attitude is given by;

$$SMEs' \text{ } Performance = .937 + .814 * financial \text{ } attitude$$

The model revealed a unit increase in SME owners' financial attitude will result in an increase of .814 in their performance. Similarly, a unit decrease in their financial awareness will lead to a .814 decrease in their performance.

Discussion of Results

It is well-known around the world that knowing how to handle money is important for economic and financial stability and progress. Scholarly research on the financial literacy of small business owners comes up with a few different ways to look at the importance of understanding inflation, savings and loans, risk diversification, and compounding. Small business

owners need to be able to analyse and assess the information in financial statements so they can make business decisions that affect their finances. So, the goal of this study was to figure out how managers' financial knowledge affected the performance of SMEs in Accra Metropolis, Ghana.

Level of Financial Literacy among SME Owners

The present study examines the level of financial literacy among operators of SMEs in the Accra Metropolis. The findings reveal that a significant proportion of the participants demonstrated a commendable level of proficiency in matters of finance. The level of financial literacy demonstrated by SME owners in the Accra Metropolis is indicative of their competence in managing their financial affairs. This comes about due to their high financial knowledge, behaviour and attitude. This could be seen when the SME operators demonstrated high levels of simple interest, compound interest, knowledge about the balance sheet, and asset return. This finding resonates with the finding by Akanno et al. (2017), who found that most SME owners in their study are financially literate. In contrast, prior investigations conducted by Rathnasiri (2015) and Sajuyigbe, Adeyemi, and Odebiyi (2017) have documented a significant dearth of financial literacy among the individuals encompassed within their respective study populations. Contrary to Okpara's (2011) assertion that small business entrepreneurs exhibit deficiencies in various financial skills, such as cash management, bookkeeping, and inventory management, and struggle to adequately monitor their daily operations, the results of this current study challenge these assertions.

68

Similar to Njoroge (2013), it was found that the small businesses that participated in the interviews demonstrated a certain level of financial literacy. The results indicated that a majority of the entrepreneurs achieved scores that surpassed the average. Entrepreneurs who have achieved notable levels of success have exhibited a thorough comprehension of financial matters. In contrast, less successful entrepreneurs demonstrated restricted expansion and a deficiency in financial literacy, with a majority operating within the informal sector. Again, these findings are in line with the study by Esiebugie et al. (2018) who reported that local SMEs did better when their leaders had a deeper understanding of financial matters.

However, the study contradicts the findings of Itunu, Oladipo and Ayo-Oyebiyi (2020) who set out to investigate the connection between SMEs' financial literacy and their performance. The research revealed that in terms of financial literacy, the results show that the vast majority of SME owners and operators are only able to do basic arithmetic with a calculator, such as adding and subtracting. This research suggests that many owners of small businesses operate with a narrow set of financial competencies.

Financial Knowledge and SMEs' Performance

The present study examines the impact of financial knowledge on the performance of SME operators in the Accra Metropolis. The findings indicate that there is a positive relationship between the financial knowledge possessed by SME operators and the performance of their respective SMEs. Although the magnitude of this impact may be deemed insignificant, it can be argued that SME owners who possess the knowledge of how to file a complaint in the event of perceived unfair treatment by a financial provider are more likely to

69

safeguard their firms against financial losses. The acquisition of this knowledge has the potential to positively impact the financial performance of firms. If you want to make an effective decision, you need to thoroughly understand the financial aspects of the situation, regardless of the subject matter (Robb, 2014). It affects important outcomes, such as borrowing, saving, investing, and even retirement income plans (Lusardi & Mitchell, 2014).

Again, the more knowledgeable SME operators are about financial literacy, the better their businesses perform. The less knowledgeable they become about financial literacy, the less likely their businesses will not perform well. The aforementioned finding aligns with the studies conducted by Khadijah and Wan (2019), Mutiso and Muigai (2018), and Esiebugie et al. (2018) wherein a notable association was discovered between the financial literacy of owners of SMEs and their overall performance. This revealed that SMEs experienced notable improvements in their performance as a direct consequence of their increased financial knowledge.

Again, the findings confirm the study by Eniola and Entebang (2017) who revealed that the level of knowledge, awareness, and attitude demonstrated by the business owner or finance management regarding financial matters have a direct bearing on the company's performance, making the financial literacy a great importance in SMEs performance. However, these findings contradict a different study by Eniola and Entebang (2017) who revealed that there is a limited association between financial literacy and the long-term sustainability of small enterprises. Insufficient levels of financial literacy and restricted financial inclusion have been identified as factors that hinder the operational efficiency of small businesses. Again, the findings of

this study support recent studies by Rahmajati and Kusuma (2023) and Parmitasari (2023). These results indicate that financial inclusion, financial literacy, and digitization have a positive impact on the performance of SMEs.

Financial Behaviour and SMEs' Performance

The performance of SMEs in the Accra Metropolis was negatively affected by the SME owners' financial behaviour. Positive behaviour towards finance in the form of keeping track of financial records is likely to improve the financial performance of businesses. This is possible because record keeping helps the firms to examine how much they have spent and how much income they have derived. This, in turn, informs their decision-making either to produce more or change their pricing strategies. According to Robb (2014), engaging in certain financial behaviours can be considered a "best practice." These behaviours include maintaining a sufficient emergency fund, regularly monitoring credit reports, refraining from overdrawing checking accounts, avoiding revolving debt, possessing a dedicated retirement account, and obtaining insurance coverage.

Therefore, it can be inferred that a rise in the financial behaviour of SME owners in the Accra Metropolis is expected to result in a decline in their firm's performance. Conversely, the greater the manifestation of unfavourable financial behaviour by SME owners, the higher the likelihood of their businesses performing favourably. This finding is likely because most SME operators cannot manage risk; hence, they move with whatever is trendy and has worked for them over the years.

Additionally, businesses need to set money aside for maintenance and repairs. This enables them to account for how much has gone into repairing

71

and maintaining equipment and not using business finances for other purposes. Accountkeeping also helps businesses to make investments as and when necessary because they tend to analyse the risks and profits involved before making any investment decisions. This finding aligns with the research conducted by Dawuda (2015). Based on the research findings, it has been observed that small-business owners face challenges in conducting financial analysis to identify patterns indicative of their companies' performance. Consequently, they encounter difficulties in accurately forecasting and comprehending the business landscape. The potential consequence of this situation is the potential for the company to experience failure.

Financial Awareness and SMEs' Performance

The financial awareness of SME owners in the Accra Metropolis positively affects the SMEs' performance. The awareness of several financial opportunities might help SME operators to take advantage of such opportunities. SMEs could likely thrive well when the right decisions are made about products. Therefore, business owners in the Accra Metropolis should expect better results if they raise their level of financial awareness. On the other hand, if they fail to do so, they can expect to see a decline in their company's profitability. This means that individuals' financial well-being is ultimately determined by their capacity to comprehend, analyse, manage, and discuss various financial issues (Lusardi & Tufano, 2009).

Based on the conceptual framework used in this study, it is expected that business owners will analyse their finances so they can make smart financial decisions for their businesses. However, inadequate execution of these analyses may result in businesses experiencing financial distress and

72

underperformance. Financial awareness is a person's ability to understand the different kinds of financial products that financial institutions offer and to make wise investment choices that help businesses reach their financial goals. Following Sulaiman's (2014) research, it is anticipated that business proprietors possess the knowledge and ability to recognise, establish, and execute novel systems to align with the organization's performance objectives, particularly in light of evolving economic circumstances.

Financial Attitudes and SMEs Performance

Data analysis suggests that business owners' optimistic financial attitude is a key factor in the success of their businesses. A favourable financial attitude is thus inferred to improve the overall performance of SMEs, while a pessimistic attitude is expected to have a negative impact. The findings of this study suggest that SME operators who acquire effective money management skills, as outlined in the proposed framework, are likely to experience improvements in various aspects of their businesses. These improvements include increased profitability, sales growth, market share, and customer satisfaction. There exists the potential for owners/managers possessing a greater degree of financial literacy to exhibit enhanced innovativeness in their utilisation of credit and debt, as well as demonstrate superior proficiency in budget management. Financial literacy has a significant influence on a company's performance, which includes financial aspects, as found by Tuffour et al. (2020). The study's authors found that when business owners of SMEs adopt a financially responsible mindset, their businesses benefit in monetary and non-monetary ways.

Chapter Summary

In this chapter, the study presented and discussed the findings from the survey of 306 SMEs in the Accra Metropolitan Area of Ghana. The purpose of this research is to analyse how SME performance is affected by managers' level of financial literacy. According to the findings, business owners of SMEs have a high level of financial literacy. Financial knowledge, awareness, and attitude about money all have a positive impact on the success of SMEs except the financial behaviour of SME owners.

74
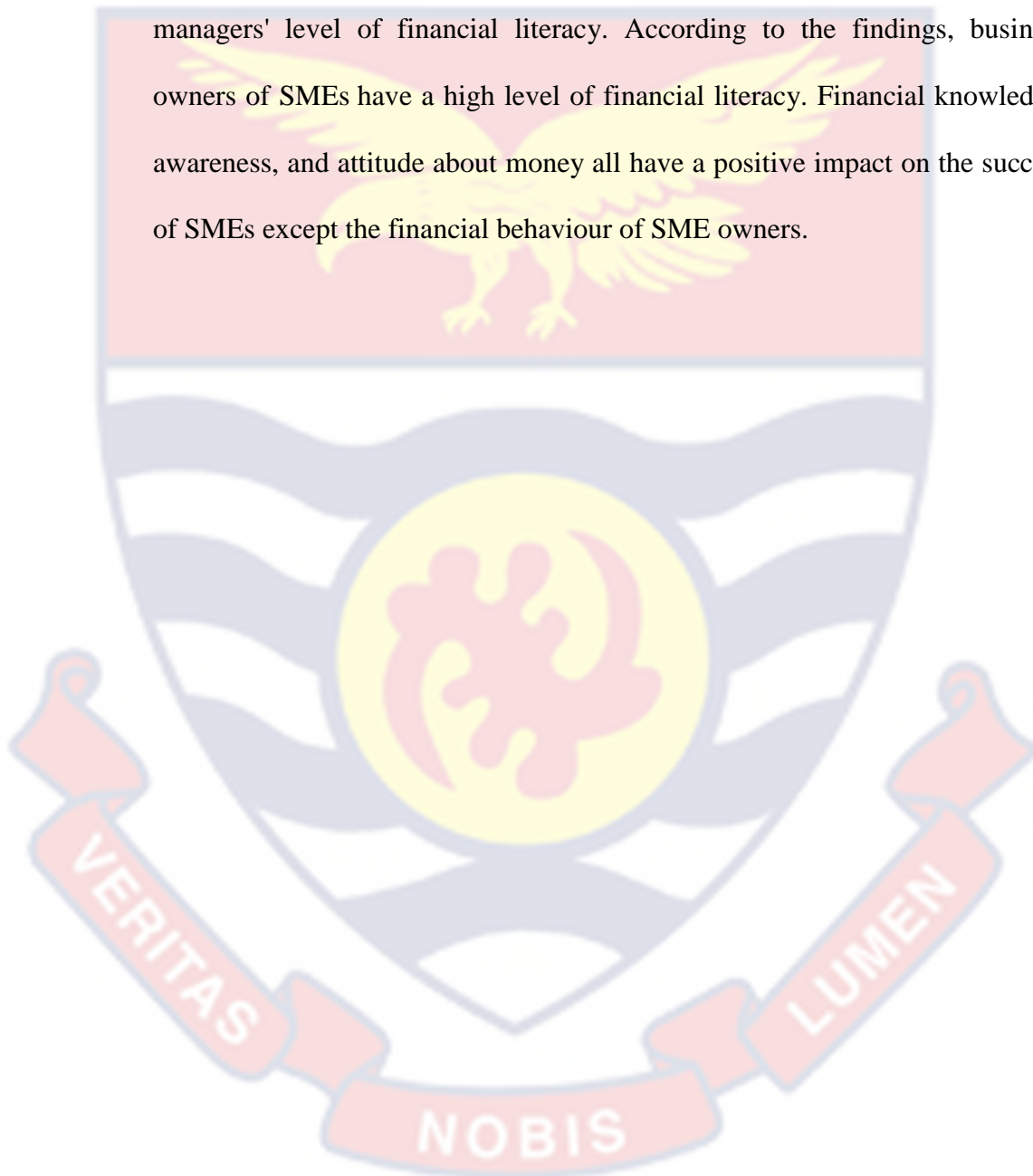
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter provides an overview of the research conducted and presents the main findings derived from the analysis of the collected data. In addition to presenting the findings, the chapter also encompasses the conclusions derived from the analysis and provides recommendations for informed decision-making. Ultimately, the investigation concluded by offering recommendations for future research endeavours.

Summary

The primary objective of this research was to analyse how managerial financial literacy affected the performance of SMEs in the Greater Accra Metropolitan Area. The research study utilised a descriptive research design that incorporated a quantitative approach, aligning with the positivist paradigm. The researchers employed Krejcie and Morgan's (1970) table to ascertain the suitable sample size for their study. As a result, 306 SMEs were selected at random to participate in the study. A questionnaire based on the OECD's (2013) instrument was used to collect the data from all of the participants. Descriptive statistics, such as frequency and percentages, as well as inferential statistics, such as multiple linear regression, were used to examine the data. The Statistical Product for Service Solution (SPSS) software, specifically version 26, was employed for this particular task.

Key Findings

The study revealed that a majority of SME owners, specifically 78.4%, possess a significant degree of financial literacy. Conversely, the remaining 21.6% of SME owners were found to have lower levels of financial literacy.

Also, the study showed that SME owners/managers know how to place a complaint if they think they are treated unfairly by a financial provider as well as training themselves when they want to learn more about dealing with business finances. The study found no significant impact of financial knowledge on the performance of SMEs in the Accra Metropolis.

Again, the financial behaviour of the respondents showed that they follow changes in economic factors to adjust the course of business operations and have thought about how they will fund their retirement or maintain themselves when they will no longer work due to old age. However, the study showed that financial behaviour does not influence the performance of SMEs in the Accra Metropolis.

Moreover, the study found that owners have a high level of financial awareness as they reported being aware of crowdfunding, bank overdrafts, trade credit etc. Also, the study revealed that there was a significant positive impact of financial awareness on the performance of SMEs in the Accra Metropolis.

Finally, the study revealed that owners set long-term financial goals for the business and strive to achieve them and also prefer to follow their instincts rather than make detailed financial plans for their business. Financial attitude positively affects SME performance significantly.

76

Conclusions

Based on the empirical evidence obtained from the study, the subsequent conclusions were drawn. Firstly, there is a high level of financial literacy among the owners of SMEs in the Accra Metropolis. This high literacy level of financial literacy is because the managers of the SMEs know how to access finance to run their businesses. They have the skills to manage money efficiently and effectively and analyse financial conditions by considering risks in financial portfolios. It is worth noting that financial literacy is a critical aspect of running a successful business, and the findings of the study suggest that SME owners in the Accra Metropolis are taking this aspect of their business seriously. By possessing a high level of financial literacy, SME owners are better positioned to make sound financial decisions, which can ultimately contribute to the growth and success of their businesses. However, it is important to remember that the 21.6% of SME owners who have a low level of financial literacy may face significant challenges in managing their businesses. This could put them at a disadvantage compared to their peers who have a higher level of financial literacy.

Secondly, the study highlights that SME owners/managers in the Accra Metropolis possess a practical understanding of their consumer rights. They are aware of how to voice complaints if they feel unfairly treated by financial providers. Additionally, the willingness of SME owners/managers to engage in self-training to enhance their knowledge of business finances underscores their proactive approach towards improving financial management skills. Despite the efforts of SME owners/managers to educate themselves and address grievances with financial providers, the study did not find a substantial

77

impact of financial knowledge on the performance of SMEs in the Accra Metropolis. This finding suggests that while financial literacy is essential, other factors may also influence SME performance, such as market conditions, access to resources, and operational efficiency.

Thirdly, the study reveals that SMEs in the Accra Metropolis exhibit certain positive financial behaviours, such as actively monitoring economic changes to adjust business operations and considering retirement planning. Despite these behaviours, the research indicates that financial behaviour alone does not significantly influence the performance of SMEs in this region. This suggests that while important, financial behaviours may not be the sole determinants of SME success or growth in the Accra Metropolis.

Again, the study highlights a positive correlation between financial awareness and the performance of SMEs in the Accra Metropolis. The more financially aware SME owners are about their finances, the more their businesses will grow, whereas a decrease in the financial awareness of SME owners is likely to lead to a decrease in the performance of their firms. The findings suggest that SME owners who possess a higher level of financial acumen are more likely to witness growth in their business, whereas a decline in financial awareness is linked to a reduction in firm performance. The aforementioned proposition implies that the level of financial consciousness plays a crucial role in shaping the prosperity and expansion of SMEs within the locality. SME owners can enhance their likelihood of success and elevate their business performance by cultivating financial awareness and making well-informed financial decisions.

78

Finally, the study showed that positive financial attitudes lead to the high performance of SMEs, whereas negative financial attitudes of SMEs result in low performance. The previously stated suggestion posits that the financial outlook of SME proprietors, encompassing their convictions, principles, and stance towards financial risk and investment, can exert an influence on the prosperity and expansion of their enterprises. Favourable financial attitudes may encompass actively pursuing financial prospects, maintaining a constructive perspective towards investments and financial hazards, and exhibiting a readiness to invest in the expansion and advancement of the enterprise. In contrast, unfavourable financial attitudes may encompass risk aversion or reluctance to undertake financial risks, or harbouring a pessimistic perspective towards financial investments and prospects.

Recommendations

The following recommendations were made from the findings and conclusions. The recommendations were made based on each research questions examined. Firstly, SME owners with a low level of financial literacy should be encouraged to understudy the highly financially literate SMEs so they can attain high levels of financial literacy and run their businesses successfully. By understudying highly financially literate SMEs, business owners can learn important financial management skills and best practices, which can help them make more informed financial decisions and operate their businesses more effectively. For example, they can learn how to manage cash flow, analyse financial statements, and identify financial risks and opportunities. This can help them to make better decisions around

79

investments, borrowing, and other financial matters, which can contribute to the long-term growth and success of their businesses.

Secondly, SME owners should continue to demonstrate positive financial knowledge so they can have access to finance and move their businesses forward. Although financial knowledge has a negligible impact on SME performance, it is still crucial for SME owners to keep expanding their financial literacy. This may contribute to their businesses' long-term success by enhancing their financial decision-making and general business acumen. The benefits to the economy could be substantial if policymakers and other stakeholders took steps to improve small business owners' financial literacy and knowledge.

Thirdly, SMEs should adopt a comprehensive business strategy that integrates financial behaviour with other critical aspects such as operational efficiency, market positioning, and customer engagement. A holistic approach to business management can enhance overall performance and sustainability. Risk management in business is crucial to the growth of SMEs. Hence the owners should be encouraged to exhibit high good behaviours towards their finances and businesses. This would help them achieve high growth and performance in their firms. Policymakers and other stakeholders may consider implementing programs to support SMEs in these areas to enhance their performance and contribute to the overall economic growth of the region.

Fourthly, being financially aware helps business owners analyse financial conditions; hence, SME owners who are not aware should get themselves trained so they know when to invest or not. This would help save them from incurring losses in their businesses. Therefore, it may be beneficial

80

for SME owners in the Accra Metropolis to invest in financial education and training programs to improve their financial awareness and skills. Policymakers and other stakeholders may also consider implementing initiatives to enhance financial awareness among SME owners in the region, as this could contribute to the long-term growth and sustainability of SMEs and the broader economy.

Finally, SMEs should always exhibit positive attitudes towards finances to manage money effectively. This would help them increase their profits and contribute to the growth of their firms. Therefore, it may be beneficial for SME owners to cultivate positive financial attitudes to improve the performance and success of their businesses. This can include seeking out financial education and training programs, engaging with financial advisors or mentors, and developing a positive and proactive approach toward financial decision-making. Policymakers and other stakeholders may also consider implementing initiatives to support SME owners in developing positive financial attitudes, as this could contribute to the long-term growth and sustainability of SMEs and the broader economy.

Suggestions for Further Studies

1. This study solely focused on the financial literacy of the SME operators hence factors that influence the financial literacy of the SME operators, such as age, sex, working experience and others, were neglected. It was, therefore, suggested that future research should look into these factors.

2. While the current study found a high level of financial literacy among SME owners, it did not explore the extent to which this financial

81

literacy translates into improved access to finance for SMEs. Future research could investigate whether there is a relationship between financial literacy and access to finance, and explore the mechanisms through which financial literacy may impact access to finance for SMEs.

82

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90

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95

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APPENDICES

APPENDIX A: QUESTONNAIRE FOR SMEs

UNIVERSITY OF CAPE COAST

DEPARTMENT OF HUMAN RESOURCE MANAGEMENT

Dear respondent,

This questionnaire investigates SMEs' financial literacy and performance in the Accra Metropolis. This research work is purely for academic purposes; hence, your honest and sincere response will contribute much to the research. Please be assured that your responses will be treated with anonymity and confidentiality. Please tick (√) or provide the appropriate response.

SECTION A: DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

1. Sex: [ ] Male   [ ] Female

2. Age: [ ] 20-29 years   [ ] 30-39 years   [ ] 40-49 years

   [ ] 50-59 years   [ ] 60+ years

3. Highest level of education: [ ] Primary/JHS/Middle School

   [ ] Secondary   [ ] College/Technical/Vocational

   [ ] University/Polytechnic

4. What form of business is your outfit?

   [ ] Wholesale/Retail   [ ] Manufacturing   [ ] Artisan

97

SECTION B: LEVEL OF FINANCIAL LITERACY

This section contains a set of questions to determine your financial literacy level. Kindly tick (√) the correct answer.

Use the information below to answer questions 1 and 2.

Imagine that someone puts GHS100 into a savings account with a guaranteed interest rate of 2% per year. They do not make any further payments into this account, and they do not withdraw any money.

1. How much would be in the account at the end of the first year once the interest payment is made?

   A. GHS 98

   B. GHS 100

   C. GHS 102

2. How much would be in the account at the end of five years [remembering there are no fees or tax deductions]?

   A. More than GHS110

   B. Exactly GHS110

   C. Less than GHS110

3. Which of these best describes a balance sheet?

   A. A financial snapshot, taken at a point in time, of the firm's assets and liabilities

   B. A record of profits and losses of the firm in a certain period

   C. A record of the flow of financial resources over time

4. Which of these best describes the Return-on-Assets ratio (ROA)?

   A. An indicator of the firm's capital structure

   B. An indicator of the firm's liquidity

98

C. An indicator of the firm's performance

5. Dividends are part of what a business pays to a bank to repay a loan

   A. TRUE   B. FALSE

6. When a company obtains equity from an investor, it gives the investor

   part of the ownership of the company

   A. TRUE   B. FALSE

7. If a financial investment offers the chance to make money, likely, there

   is also a chance to lose much money

   A. TRUE   B. FALSE

8. High inflation means that the cost of living is increasing rapidly

   A. TRUE   B. FALSE
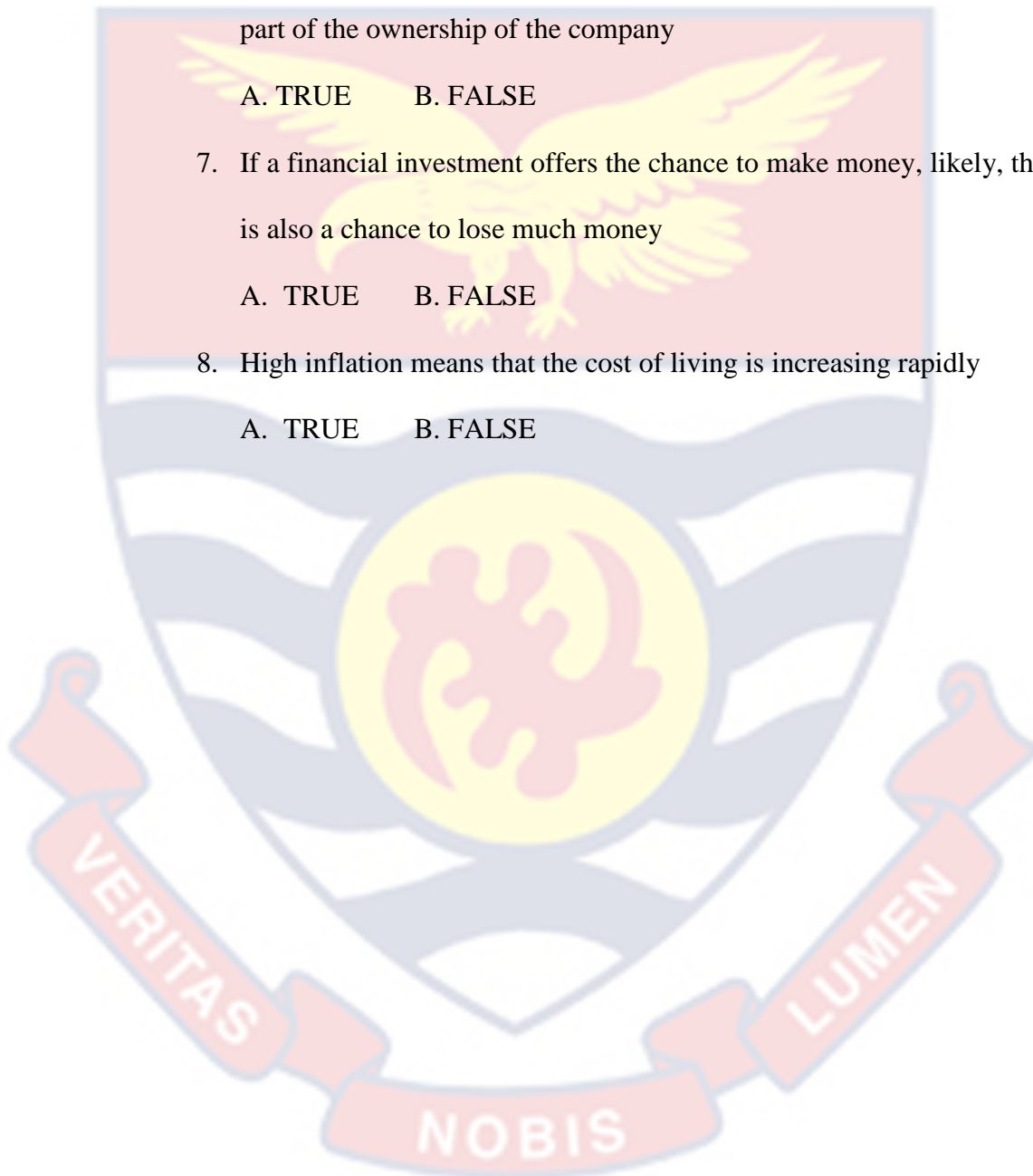
SECTION C: FINANCIAL KNOWLEDGE OF SMES

Please respond to the following items that sought to determine your financial knowledge while managing your firm. Please answer all questions in this section by ticking (√) your level of agreement on the statements.

Key: 1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, and 5 = Strongly Agree

s/n	Statement	1	2	3	4	5
1	I know how to place a complaint if I think I am treated unfairly by a financial provider					
2	I train myself when I want to learn more about dealing with business finances					
3	A balance sheet is a financial snapshot, taken at a point in time, of the firm's assets and liabilities					
4	Dividends are part of what a business pays to a bank to repay a loan					
5	When a company obtains equity from an investor, it gives the investor part of the ownership of the company					
6	If a financial investment offers the chance to make money, likely, there is also a chance to lose much money					
7	High inflation means that the cost of living is increasing rapidly					
8	I know how to place a complaint if I think I am treated unfairly by a financial provider					
9	I train myself when I want to learn more about dealing with business finances					

100

SECTION D: FINANCIAL BEHAVIOUR OF SMES

Please respond to the following items that sought to determine your financial behaviour while managing your firm. Please answer all questions in this section by ticking (√) your level of agreement on the statements.

Key: 1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, and 5 = Strongly Agree

s/n	Statement	1	2	3	4	5
1	I use bank loans to finance my business					
2	I keep track of the financial records of the business in electronic format (e.g., MS Excel or dedicated software)					
3	I have thought about how I will fund my retirement or maintain myself when I will no longer work due to old age					
4	I use money that my business has set aside for emergencies when I discover that most of the equipment that I need to operate the business has been stolen/broken					
5	I keep secure data and information about the business					
6	I decide whether to invest based on the financial data of the business					
7	I compare the cost of different sources of finance for the business					
8	I forecast the profitability of the business regularly					
9	I follow changes in economic factors to adjust the course of business operations					

SECTION E: FINANCIAL AWARENESS OF SMES

Please respond to the following items that sought to determine your financial awareness while managing your firm. Please answer all questions in this section by ticking (√) your level of agreement on the statements.

Key: 1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, and 5 = Strongly Agree

s/n	Statement	1	2	3	4	5
1	I have a current or savings account at a bank, post office, credit union or other traditional financial institution with a physical branch					
2	I have heard about Bank overdrafts for the business					
3	I have heard Business loan from a bank					
4	I have heard about Peer-to-peer lending					
5	I have heard about Trade credit					
6	I have heard about Crowdfunding					
7	I have heard about business income insurance					
8	I have heard about life insurance for the owner					

SECTION F: FINANCIAL ATTITUDE OF SMES

Please respond to the following items that sought to determine your financial attitude while managing your business. Please answer all questions in this section by ticking (√) your level of agreement on the statements. Key: 1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, and 5 = Strongly Agree

s/n	Statement	1	2	3	4	5
1	I set long-term financial goals for the business and strive to achieve them					
2	I am confident in approaching banks and external investors to obtain business finance					
3	I prefer high-risk and high-yield projects rather than low-risk and low-yield projects					
4	I try to influence the state of my business finances in the future with my day-to-day behaviour					
5	I prefer to follow my instinct rather than make detailed financial plans for my business					
6	I am prepared to persevere if business success does not materialise immediately					
7	My business model and organisation take into account environmental, social and governance factors (ESG)					
8	I prefer to use financial companies that have a strong ethical stance					
9	I like to work for myself and be my boss					

| 10 | The business allows me to turn my ideas into practice | | | | | |

SECTION G: PERFORMANCE OF SMES

This section assesses the performance of the firm over the past 12 months.

Regarding your firm, to what extent do you agree with the following statements?

Please answer all questions in this section by ticking (√) your level of agreement on the statements. Key: 1 = Strongly Disagree, 2 = Disagree, 3 = Undecided, 4 = Agree, and 5 = Strongly Agree.

s/n	In the past 12 months, my business experienced:	1	2	3	4	5
1	Increase in market share					
2	Increase in customer satisfaction					
3	Increase in sales growth					

104