

UNIVERSITY OF CAPE COAST

FINANCIAL LITERACY OF SMALL BUSINESS OWNERS, FINANCIAL
RECORDS KEEPING AND ENTERPRISE PERFORMANCE IN THE
TARKWA-NSUAEM MUNICIPALITY

BY

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DECLARATION

Candidate's Declaration

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

Candidate's Signature Date.....

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Supervisors' Declaration

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

Supervisor's Signature Date.....

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ABSTRACT

The purpose of the study was to examine financial literacy of small business owners, financial records keeping and enterprise performance in the Tarkwa-Nsuaem Municipality of Ghana. Financial literacy level and operating performance of those enterprises as a measure of business economic performance was examined. In addition, the study examined financial records kept by small business owners. It was an explanatory study which employed quantitative methodology and survey strategy. Findings were based on responses from 120 small business owners, comprising 60 retailers, 30 artisans and 30 food manufacturers. Data was analyzed using Descriptive Statistics, Index Pool, Chi-square Test for independence, Independent Sample T-Test and Linear Regression. The study revealed that there is a weak positive correlation between the financial literacy and performance of small business enterprises. It came out from the results that most small business owners are confronted with some complicated financial decisions in running and managing their businesses. Most small business owners' lack of knowledge, skill and attitude to manage the finances of their organization in a professional way poses a significant obstacle to performance growth of sustainable small scale enterprises. Finally, it can be concluded that the financial literacy of small business owners have a significant influence on small business performance. Developments in the financial markets make financial literacy increasingly important for financial well-being. Therefore, in order to boost the financial literacy of small business owners within the municipality, policy makers should specifically design programs and workshops targeted at further enhancing the financial literacy levels of these owner-managers.

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DEDICATION

To my parents

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LIST OF ACRONYMS

GCB	Ghana Commercial Bank
GDP	Gross Domestic Product
GAX	Ghana Alternative Market
IPO	Initial Public Offer
MDG	Millennium Development Goals
MOFA	Ministry of Food and Agriculture
NBSSI	National Board for Small Scale Industries
NPM	Net Profit Margin
OECD	Organization for Economic Co-operation and Development
OIBD	Operating Income Before Depreciation
PACFL	President Advisory Council on Financial Literacy
ROA	Return On Asset
ROE	Return On Equity
SEC	Securities and Exchange Commission

CHAPTER ONE

INTRODUCTION

Financial literacy plays a major role in the economic development of the world's economies. This role is more vital in developing countries where poverty exist in pandemic proportions. Improved knowledge on financial issues is key in channeling resources to more productive use and is an important mechanism for enhancing household income and livelihoods (Atieno, 2001). Increasing knowledge on financial issues helps economic units to take advantages of economic opportunities that are available. It also reduce the financial risk and encourage the youth in investing in self-managed ventures. Lack of financial knowledge has been a major challenge to entrepreneurs across the world.

Background to the Study

The development of small businesses is considered as the key condition in promoting equitable and sustainable economic development in Africa. These small businesses are usually more labour intensive and highly linked to the local industries; they contribute to skill development in entrepreneurship and the spread of technology and as a result are very important in ensuring broad based economic growth on equitable basis (Bahar, 2001). The sector has been the source of livelihood to most of the poor households in the developing countries. Small Businesses account for over 60% of GDP and over 70% of total employment in low-income countries, while they contribute over 95% of total employment and about 70% of GDP in middle-income countries (Ayyagari, Beck & Demirguc-Kunt, 2003). In Ghana, 85% of the manufacturing, retailing and artisans' related employment

comes from Small Businesses; they contribute 70% to GDP, constitute 92% of all businesses and make up 80% of the private sector (Abor & Quartey, 2010).

In Ghana, a key strategy the government has adopted for increasing employment and production is to take measures to improve the capacity of the private sector as a means of accelerating the growth of small businesses (Adomako-Ansah, 2012). Small business also referred to as one man business occupy the biggest sector of the employment base and are the bedrock of the local private sector in Ghana. Successive Governments in Ghana have adopted various strategies aimed at improving the financial capacity of Small Business Owners for financial growth, business growth, among others to enable them increase production and hence employment (Adomako-Ansah, 2012).

Government again realizing the socio-economic importance of the Small Business Enterprises, set up National Board for Small Scale Industries (NBSSI) in 1981 as an apex body aiming at building the capacity of individual business owners for the development of Small Scale industries in Ghana. It was established in 1985 by an Act of Parliament of the Third Republic of Ghana (Act 434 of 1981). This was because government viewed the sector as having the potential to contribute substantially to reducing the high unemployment rate and contributing to the growth of the economy of Ghana.

Also the introduction of Ghana Alternative Market (GAX) rules in 2013 by Ghana Stock Exchange with approval from the Securities and Exchange Commission (SEC) aimed at affording small business owners the opportunity for securing long term capital, broaden their investor base and provide liquidity for their businesses. In addition, enterprises may enjoy other incentives including pre initial public offer (IPO) financing, underwriting and

access to a revolving fund to support the cost of raising capital and deferment of up-front fees.

Small Businesses account for a significant share of economic activity in Ghana and can play an important role in achieving the Sustainable Development Goals (MDGs). The sector is characterized by low levels of financial education and training of the self-employed. Small Business Owners who are into food manufacturing, retailing, and other processing sectors are viewed as costly and highly risky entities by the key players in the financial sector and as a result, many of the commercial banks refuse to grant them credit. These Small Businesses who could contribute a major role in job creation and sustainable economic development are therefore marginalized. Nevertheless, for any financial institution to bind themselves for the disbursement of loan facility to any organization, they require efficient and reliable information concerning cash inflow to assess the financial sustainability of such enterprise. Mutegi and Phelister (2015) affirm that financial literacy facilitates decision making processes such as payment of bills on time, proper debt management which improves the credit worthiness of potential borrowers to support livelihood, economic growth, sound financial systems and poverty reduction. Furthermore, it provides superior mechanism of one's financial future, more effective use of financial products and services, and reduced susceptibility to overenthusiastic retailers or fraudulent schemes.

The long-term goal for Small Businesses is to maximize their contribution to the country's economic and social development with respect to production, income distribution, employment and the closer integration of people in the rural areas with the national economy. Ghana Commercial Bank

(GCB) recognizing the socio-economic importance of Small Businesses piloted a financial scheme for retail businesses, food manufacturers and other artisans to ensure the development of strong and viable small business enterprises in the country. Interestingly, Barclays Bank Ghana Ltd embraced the idea and opened a branch in Accra near the Liberation circle to be solely in charge of small business enterprises (Adomako-Ansah, 2012).

To critically see the cash inflow and outflow of the businesses concerned, as well as the production of other financial records are kept and reported accurately, financial knowledge is required to detail out every single transaction undertaken by the businesses during the period. To address these issues, an efficient financial knowledge and skill is essential to business owners of all sizes and type. The financial knowledge will be beneficial on the day-to-day activities of the businesses.

Statement of the Problem

Some studies (OECD 2013; MOFEP 2012 & Programme for International Studies Assessment [PISA], 2012) suggest that improved literacy rates lead to increased financial literacy and eventually financial well-being. Even though there may be some more fundamental reasons for a business failing to start or progress, the lack of financial knowledge and skill and lack of financial records keeping are the most immediate reasons. As a result the growth of small businesses is weakened. The real problem is the ability to use knowledge, records and skills to manage financial resources effectively for a lifetime of financial wellbeing. Lusardi and Mitchell (2011) report that improved knowledge in financial literacy education is very pivotal in the fight against poverty.

Financial literacy and financial records keeping have attracted a wide range of interest from policy makers and scholars over the years and as a consequence, it is defended that the financial literacy and financial records keeping should be seen as public policy objective in order to improve welfare through better decisions making and mitigate the asymmetry between the final consumer and the financial institutions (Huston, 2010).

These concerns were rapidly expanded to include scientific community and nowadays, it is noticed a huggid growth of research based on financial literacy matters, mostly in relation with the financial records keeping and accurate financial literacy levels, which are seen as indicators to sustain the need for financial education (Huston, 2010). Another reason for this recent growth in research is related to the effects of reducing fear associated with exposing business secret if adequate financial records are kept.

In a developing economy like Ghana, Small Business Enterprises play very important roles in the economic development of the country. Small Business Enterprises may include; retailers, artisans, food manufacturers, services and production firms, agro-based organizations among others. In effect, efficient management of these Small Businesses and proper monitoring of day-to-day transactions of the business requires accurate financial knowledge, managerial skills and accurate financial records.

The long-term goal for Small Business Enterprises is to maximize their contribution to the country's economic and social development with respect to production, income distribution, employment and the closer integration of rural areas with the national economy. However, the system put in place by

most Small Business Enterprises does not provide the necessary guidelines and procedures for proper financial records keeping.

Improper financial records keeping by Small Business Enterprises may result in over or under estimation of profit. In spite of the proliferation of such businesses in Ghana, Ghana Revenue Authority (GRA) still report low domestic tax generation from Small Business Enterprises. For this reason flat rate or tax stamp was introduced by VAT authorities in February, 2005, to regulate a realistic tax from the Small Business Enterprises (Abor, & Quartey, 2010).

It is in view of these issues raised by the government and other financial institutions that has called for this research to find out why the owners of the small businesses are not ready to ensure that proper financial records are kept. Also, the major research done so far is mainly focused on firms, leaving a gap for the analysis of the levels of financial literacy among small business owners (Adomako & Danso, 2014).

The link between financial literacy of small business owners, financial records keeping and the performance of enterprises is of immense interest from the policy viewpoint in many nations and investment communities. The performance of Small Business Enterprises may be correlated with financial literacy level. Thus the two vital questions from empirical viewpoint are whether financial literacy of small business owners and performance are in any way related, and if so what is the kind of relationship. Secondly, whether the financial literacy of small business owners influence the real variables in a considerable manner and again if so, what is the kind of correlation?

In many developed economies financial literacy controls the real sectors massively but in the Ghanaian context financial literacy appears rather superfluous in this respect. This is due to the fact that the boundary conditions are less examined in a developing country context. Conversely, over the period of time; governments and other stakeholders' involvements have attempted to discount such "bull effect" and have made positive contributions in the performance of Small Business Enterprises. This drive is prompting a thorough study to delve into the questions posed above (Abor & Quartey, 2010).

Financial literacy is important for individuals and investors because it will enable them understand and master financial products and services. Atkinso and Messy (2011) suggested that the low level of financial literacy of individuals and investors was one of the causes of the recent financial crises. Lusardi and Mitchell (2011) add that individuals need financial skills to survive in today's volatile economic environment. This is because less financially literate individuals are less likely to make good financial decisions, less likely to keep financial records to manage customer and vendor account and more likely to have more costly debt. It stands to reason that the performance of an enterprise depend on the financial literacy of the owner.

Considering the importance and contributions of small business enterprises to the national economy and the little attention that scientific community has given to the measurement of financial literacy levels among small business owners in the developing economies, the study is fulfilling the gap by assessing the financial literacy among small business owners in the Tarkwa-Nsuaem Municipality in the Western Region of Ghana. Also whether

the results would be correlated with actual performance of the Enterprises, as a measure of the business economic performance.

Purpose of the Study

The purpose of the study is to assess the financial literacy of small business owners, financial records keeping and enterprise performance in the Tarkwa-Nsuaem Municipality.

Research Objectives

The study seeks specifically to achieve the following objectives:

1. Assess the type of financial records kept by the Small Business Owners in the Tarkwa-Nsuaem Municipality;
2. Identify problems encountered by Small Business Owners in keeping financial records in the Tarkwa-Nsuaem Municipality;
3. Examine opportunities available to Small Business Owners for keeping proper financial records in the Tarkwa-Nsuaem Municipality;
4. The level of financial literacy among owners of Small Business Enterprises in the Municipality; and
5. Analyze the relationship between owners' financial literacy and performance of Small Business Enterprises in the Tarkwa-Nsuaem Municipality.

Research Questions

The following questions emerged based on the research objectives above:

1. What type of financial records are kept by Small Business Owners in the Tarkwa-Nsuaem Municipality?
2. What problems are encountered by Small Business Owners in keeping financial records in the Municipality?

3. What opportunities are available to Small Business Owners for keeping proper financial records in the Municipality?
4. What is the level of financial literacy appropriate for managing Small Business Enterprises in the Municipality?
5. Is there a relationship between owner's financial literacy level and operating performance of those organization?

Significance of the Study

Financial literacy which includes financial records keeping is a worldwide concern. Complicated financial products, low level of awareness and lack of knowledge about financial matters make the need for financial literacy significant (Gowri, 2014). The study examines whether the performance of a small enterprise in the Tarkwa-Nsuaem Municipality depends on the financial literacy of the owner. Investors and potential investors will get to understand the impact financial literacy of business owners will have on the performance of their enterprises.

It will also assist local enterprises to understand that good financial records keeping practices of the small business owner may present opportunities for good financial decision making, identification and correction of errors to increase profitability, proper budgeting and business loan application. The study is useful as it will provide the appropriate policy responses needed to keep businesses under control in order to improve on its performance. This will eventually lead to increase in investment and hence economic growth.

Research analyst, individual investors, portfolio managers, foreign and institutional investors will also benefit from this study as it will assist them in

understanding the financial literacy of small business owner-enterprise performance relationship in a less developed market economy like Ghana. In addition to being useful as a source of information, it may also arouse interest for further studies in this area or related fields.

Finally, the study could help the entrepreneurs to access their own performance with regards to the management of their business and hence eliminate wastes.

Delimitations

The study uses about 2,000 individuals who manage small businesses such as retailers, artisans and food manufacturers in the Tarkwa-Nsuaem Municipality.

Limitations

Tarkwa-Nsuaem Municipality is made up of one Urban Council and five Zonal Councils namely; Tarkwa Urban Council, Simpa, Benso, Dompim, Nsuta and Nsuaem Zonal Councils. The study was limited by concentrating only on small businesses in Tarkwa, the municipal capital. This was due to the fact that businesses in Tarkwa accounts for more than 70% of all small businesses in the municipality and also its proximity to the researcher. However, it is worth nothing that this limitation did not in any way affected the validity and the reliability of the study.

Organization of the Study

The study is made of five chapters. Chapter One is the introduction, which include the background of the study, statement of the problem, purpose of the study, research objectives, research questions, significance of the study, delimitation, limitation and organization of the study. Chapter Two deals with

the review of related literature on the topic and discusses other people's views about the topic as well as identified in literature regarding the research objectives. Chapter Three describes the methodology employed for the research. Chapter Four deals with results and discussion of the study whilst Chapter Five provides the summary, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

Introduction

The chapter reviews relevant literature on financial literacy of small business owners, financial records keeping and enterprise performance and also findings made so far about owners' financial literacy. The review is organized under the following: Empirical review, importance of records keeping, problems associated with records keeping, assessment of enterprise owners' financial literacy levels, financial literacy and enterprise performance and summary of the literature review.

Theoretical Review

Theory of Behavior and Personal Finance Education

Braunstein and Welch (2002) indicated that financial behavior can be improved while acquiring additional information a decade ago but it is not automatic because research has shown that even when individuals and households have accurate financial information they do not always act in ways consistent with their best financial interests. Although there are few studies on financial behavior (Lusardi et al. 2009; Sherraden et al. 2009), mostly financial education is focused on enhancing knowledge, attitude and skills in related areas of personal finance, such as money management, banking, credit, saving, investment, insurance, and taxes rather than behavior (Coussens 2006; McCormick 2009; Vitt et al. 2005).

When the importance of behavior is acknowledged, financial behavior is often presumed to follow from improved understanding of financial

concepts. This theory will help in understanding the effect of financial literacy on entrepreneur's behavior and its implication to their business performance.

Conceptual Review

Financial literacy, for several years, does not have an absolute definition at literature, though, recently, Atkinson and Messy (2012) have provided an embracing and widely accepted definition of financial literacy assembling three core pillars: financial knowledge, behaviors and attitudes. Everywhere in the world, the media and the public in general used various terms as synonymous to define the concept of financial literacy, for example financial capacity, financial culture, financial knowledge and financial education (Huston, 2010). Furthermore, previous studies disclosed that in certain countries around the world, there was a certain trend to consider the studies related with financial knowledge as a good approach of financial literacy (Atkinson & Messy, 2012).

Notwithstanding, literature could not present a consensus correlated with the widespread definition of financial literacy, the definition found were considered around the same basis and around the same goal; the individual financial wellbeing. An instance of the financial literacy basis is possible to see through the definition presented by the authors Schagen and Lines (1996), and they define financial literacy as “the ability to make informed judgments and to take effective decisions regarding the use and management of money”. The President Advisory Council on Financial Literacy (PACFL, 2008), convened to “improve financial literacy among all American”, defines financial literacy “As the ability to use knowledge and skills to manage financial resources effectively for a lifetime financial well-being”.

Besides, an example of financial literacy objective is likely to notice the definition presented by another author Remund (2010), which states that financial literacy is: “A measure of the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finance through appropriate, short-term decision-making and sound, long-range financial planning, while mindful of life events and changing economic conditions”.

OECD International network through the work developed by Atkinson and Messy (2012), provided a complete and widely accepted definition of financial literacy that include financial knowledge, financial ability and financial culture. The definition gathers three important concepts: knowledge, attitudes and behavior, which completely describes financial literacy and resulted in the following: “financial literacy is a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing” (Atkinson & Messy, 2012). The definition was on the basis of the most relevant work piloted by OECD in 14 countries (2012) from Latin America, Africa, West and East Europe and Asia.

The main progresses in Financial Literacy found at literature began after the subprime crisis in 2007, since it was concluded that the lack of financial culture worked as an aggravating factor of this crises (Huston, 2010). It was found that financial institutions were selling financial products without being able to fully understand its financial complexity and individuals were investing in a complex financial products without understanding fully its risks.

The recent developments in financial literacy research emphasis on personal finance issue, through the measure of the levels of financial literacy of the general public with the aim of justifying the need for financial education, which is believed, it will help to decrease the skewed information between citizens and financial institutions and, as a result, to improve the financial markets efficiency. Marcolin and Abraham (2006) review, compare and analyze past studies conducted in Australia, United States and United Kingdom associated with this matter during that period.

One of the main findings of these authors was concerned with the huge difference among financial literacy measurement of past studies, resulting in a difficulty in creating a true target for the results obtained in those different countries, identifying a gap for future research. The research also highlighted the financial literacy as a mainstay to support the need for financial education, since already at that time, financial illiteracy was being considered as one of the reasons for financial instability. The phenomenon has resulted in the introduction of the easy access to credit and the ready issue of visa cards, alongside with the fast growth of marketing of financial products. The main concern at the time was the final consumer protection from nonexistence of information, from financial institutions, and the main objectives of financial education was to inform customers in order to enable them make better decisions and to minimize their chances of being misinformed on financial matters. The competition between financial institutions in order to gain market share resulted in these asymmetric information.

Another and not less important, socio-economic happening that largely supports the need for financial education is noticed with Government's

encouragement for its citizens to take more self-responsibility for their retirement incomes. Governments around the world, concerned with this problem, are changing their course by encouraging citizens to take more responsibility for their retirement incomes and not be totally dependent on public pensions (Beal & Delpachitra, 2003).

In relation to financial literacy levels, Marcolin and Abraham (2006) emphasized a contradiction found out at the results of the studies explored, related with the low level of financial literacy among University Students when in general, past studies have shown that individuals with higher level of education have higher levels of financial literacy. In the years that followed the financial crisis, it was possible to witness to an increasing research related with financial literacy, due to the fact to being the financial illiteracy widely pointed as an aggravating factor of that crisis. And one of the major aims of this recent research is to sustain the need for financial education in order to protect final consumer from even more complex financial product available at market (Atkinson & Messy, 2012).

In the last couple of years, OECD has done major advances concerning with research on financial literacy, since it could provide a wide world accepted definition of financial literacy and also for the very first time a benchmark of financial literacy levels for 14 countries around the world (Atkinson & Messy, 2012). As a result of this globalization of financial literacy measure standards, it was stated that “financial illiteracy is widespread even when financial markets are well developed or changing rapidly”. (Lusardi & Mitchell, 2011).

Importance of Records Keeping

Wood (2005) asserts that record keeping is of importance to the manager, investors, bankers, other credit agencies and policy makers. He stated that records keeping enable the business owner to determine whether the business is operating at a profit or not and whether the business will be able to meet its commitments as it falls due. Malhortra (1991) stated that it is not possible for a person to remember the occurrence, events and other impacts on a business, therefore, transactions are recorded in certain books and later analyzed, interpreted and communicated to the parties interested in the information.

Boytoy (2009) asserts that record keeping is equally important in every economy, in business and even in the house. He says that lack of proper records and lack of understanding of business records are the most frequent causes of business failure. Therefore it is worth noting that records keeping will enable the small business owner to identify which of the records is kept up-to-date and whether the small business owner in the Tarkwa-Nsuaem Municipality is satisfied with the way financial records are kept in the business in order to identify and correct errors in the business to increase profitability and also to make good financial decisions.

Problems of Records keeping

To most of micro enterprises, records keeping is time and resource consuming. As a result, records of business transactions are kept at their convenience. Taking time to organize a good system is considered to be tedious and time consuming. They attribute poor records keeping to problems like;

- Lack of knowledge,
- Fear of exposing business secrets
- Fear of embezzlement by accounting staff
- Laziness and negligent.

Awiah (1996) expressed his view on poor financial records keeping among others as a result of lack of qualified personnel to maintain records of small scale enterprises despite their contribution in employment creation, contribution to GDP and reducing rural urban migration. This sounds reasonable that if things are done right, the small business owner can have access to business loan from the financial institutions, manage cash flow, pay bills and make deposits. It will also support the small business owner in the Municipality to manage customer and vendor accounts. It is important to note that even though records-keeping is important to the success of a business, businesses often neglect to keep accurate and up-to-date records.

Assessment of Business Owners' Financial Literacy Level

Around the world, the measurement of financial literacy is mainly concerned with personal finance issues of the general public (Walker & Brown, 2006). Lusardi and Mitchell (2011), in their work refer to the difficulty of measuring financial attitudes and financial behaviors in order to achieve financial literacy levels. Based on that and keeping in mind four key principles: simplicity, relevance, brevity and capacity to differentiate. They designed three questions which provide answers to three important economic concepts that individuals should have in order to make financial decisions which are: (1) understanding of interest compounding (2) understanding of inflation; and (3) understanding of risk diversification.

These questions have been used in several studies as a benchmark to allow for international comparisons of financial literacy levels, such as, Lusardi and Mitchel (2009); Behrman, Mitchell, Soo & Bravo, (2010); Lusardi and Mitchell (2011) Atkinson and Messy (2012). And they are:

(1) “Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?

- More than \$102
- Exactly \$102
- Less than \$102
- Do not know
- Refuse to answer

(2) Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?

- More than today
- Exactly the same
- Less than today
- Do not know
- Refuse to answer

(3) Please tell me whether this statement is true or false. ‘Buying a single company’s stock usually provides a safer return than a stock mutual fund’.

- True
- False

Do not know

Refuse to answer”

Despite the important information provided by the answers of those questions, the authors expressed another concern with the difficulty in establishing comparisons about the result of past studies, since the questions differ a lot across countries (Lasardi & Mitchell, 2011).

In order to overcome this difficulty, OECD has made so far the major improvements concerned with benchmarks for financial literacy levels. This organization proposed a complete questionnaire that includes questions about: Financial Knowledge, Financial Behaviour and Financial Attitudes (Atkinson & Messy, 2012). This questionnaire was piloted which aimed to gauge the levels of financial literacy in 14 countries around the world, and for the very first time, this organization was able to provide to the world a benchmark of financial literacy levels among 14 countries (Atkinson & Messy, 2012).

In Portugal, in 2010, Banco de Portugal studied the levels of financial literacy of Portuguese population through the implementation of a questionnaire which include some questions related with the understanding of interest compounding, understanding of inflation and understanding of risk diversification, according to the contribute of the authors Lusardi and Mitchell (2011). And the main goal of this project was to decrease the asymmetric information between citizens and financial institutions since, they believe that “more informed citizens able to better learn the information that is transmitted to them by financial institutions, helping to monitor markets” (Bensco de Portugal, 2010).

Finally, it is worth noting that the questionnaires used at the referred works were designed mainly to assess the levels of financial literacy for personal finance issues, even though they are key references in the assessment of financial literacy levels among small business owners.

Financial Literacy and Enterprise Performance

The development of small businesses is considered as the key condition in promoting equitable and sustainable economic development in Africa of which Ghana is no exception. The sector, in terms of economic development has a potential to provide for growth in employment and contribute towards reducing poverty among urban cities in most developing countries. In Ghana, small business is also referred to as one man business and thus occupy the biggest sector in the economy. Successive governments in Ghana have adopted various strategies aiming at improving the financial capacity of Small Business Owners for financial growth, business growth, among others to enable them increase production and hence employment (Abor & Quartey, 2010).

The literature on small business owner's financial literacy provides marginally different definition, the major difference is associated with understanding the information provided in the financial statements. Instead of financial knowledge being focus only on the understanding of savings and borrowing issues, concept of risk diversification and inflation, and compounding. A small business owner need to be able to analyze and evaluate information provided in the financial statement to make decisions that have financial implications on the business

With reference to Brown et al (2006), financial literacy for small business owners must contemplate the ability to read and understand fundamental financial statements, as well as, the ability with numbers, in order to make informed judgments and to make effective decisions regarding the use and management of money. According to Pearl & Eileen (2004), they described financial literacy as “the ability to understand and use business financial statements to generate key financial ratios to evaluate and manage a business”.

Although the definition of financial literacy concerning personal finance matters be developed and widely accepted, the definition of financial literacy concerning small business is far more challenging, not only, in financial behavior but also for financial statements information, with emphasize on the analysis of financial information, which must be completely related with financial knowledge and behavior, at the instant of taking regular management decisions.

However, because financial literacy of small business owners is not given much attention, the literature does not provide an acceptable definition of financial literacy in business context. Differing to what happens with financial literacy for personal finance matters. Since small businesses occupy the largest sector around the world, which is also the case in Ghana, it is important not only provide the levels of financial literacy of general public, but also the financial literacy of small business owners. This is because, it is common to find its owner as owner-employee, which is mainly concentrating on the day to day activities of the business, leaving the strategic planning aspect of the business activity, where financial education could make the

difference, by improving business owners' financial skills. In fact, Brown et al (2006), with an educational program, evidence the rise of financial literacy among entrepreneurs, and Pearl and Eileen (2014) could evidence the relation between financial literacy and the success of small businesses by clearing the relation between financial literacy and the success of small businesses, and financial difficulties experienced by entrepreneurs.

Sage (2012) carried out a survey about Canadian Small Business Financial Literacy, with a sample of 300 small businesses, where perception, knowledge and habits scale of small business owners correlated with financial and resources management. The results of the survey provided the perception of the respondents about the areas they need to acquire more knowledge (financial planning, tax payment and cash-flow), the areas they feel more comfortable with (dealing with clients, dealing with suppliers and managing the finances of their businesses) and the areas where they fail has to do with (dealing with taxes, managing sales and marketing and managing the finances of the businesses).

Despite the interesting finding of Sage Canadian Survey in 2012, the respondents' perceptions are based on the specific understanding of financial statements, correspondent to the financial knowledge, which is very essential pillar to provide accurate levels of financial literacy. Also, some of the question of this survey were asked in order to understand the frequency of usage of technology and accounting software, which is reasonable considering the institution which carry out the study.

Brown *et al.* (2006) carried out a study based on financial literacy of small businesses owner-entrepreneurs in their first year of activity. The

foundation of the study is settled on a program called “Training in Business Basics”, particularly created for this population group of new small businesses with less than ten employees. The authors, in order to conduct their study, provided 147 small businesses of United Kingdom in their first three years of life with educational modules based on basic finance. The argument behind the study is on the conviction that small business owners with the adequate financial education will be less needed of accountants and financial advisors on trust, in order to understand the financial position of their companies and make informed financial decisions by their own.

Although, and similarly to Sage (2012), the major findings of these authors are mainly related to perceptions of financial awareness and literacy, their conclusion is that, even though the participants seems to be of the known of lack of financial literacy, still they did not perceive the importance of this matter in relation to other sides of running a small business. Pearl and Eileen (2014) surveyed 14 small business owners in Florida to determine their level of financial understanding and their usage habits of financial statements in making management decisions, which is nearly the same to say, that they were evaluating the levels of Financial Literacy. With reference to the study Small Business Financial Literacy is defined as the ability to understand and use business financial statements to make financial decisions in the day-to –day running and management of the business.

The questions used in the survey mainly focused on two of the three pillars that sustain the definition of financial literacy that were widely accepted according to the literature: Financial Knowledge and Financial Behaviors, excluding, Financial Attitudes. The authors concluded that there

was a clear connection between lack of financial literacy and financial difficulties experienced by entrepreneurs, and adequate financial education can partly reduce the financial difficulties.

Considering the studies found so far at literature about the financial literacy levels of small business owners, it is likely to notice that there is no one that could possibly serve as a benchmark for the present research. The gap in literature has contributed for this investigation, the main purpose is to: assess the financial literacy of small business owner in relation to enterprise performance, which is specifically designed to assess the financial records kept by small business owners, problems encountered in keeping those records and opportunities available for maintaining proper financial records.

To the best of my knowledge, there is no studies in the literature analyzing the relationship between the enterprise operating performance and the financial literacy of small business owners, the moderating role of financial records keeping, problems encounter in keeping the records and the opportunities available for maintaining proper financial records. This is quite normal due to the scare literature about financial literacy among small business owners.

The argument behind the study of the relationship between the variables are that; operating performance and business owners' financial literacy levels, is on the belief that a high level of financial literacy of a business owner should positively influence enterprise's operating performance, through their financial knowledge, attitudes, and behaviours.

The expected result of this relationship or, in other words, facing an expected positive correlation between the mentioned variables, will not only

strengthen the results obtained through the built questionnaire, but also, it will work as an evidence for the need for financial education towards small business owner.

The search for the operating performance model at literature was mainly concerned with the characteristics of those variables, the operating performance as dependent variable and the financial literacy levels as an independent variable and also measured as a rating on a scale of 5 to 1, where, in the study, 5 represents a very high financial literacy level and 1 a very low financial literacy level.

For this study an adaptation of Bauwhede (2009) model is used. Bauwhede analyses the relation between corporate governance compliance and operating performance for a set of large listed European companies. The model explains firm's operating performance, measured by Return on Assets (as a proxy), through the following variables: CG Comp, which is a rating proxying for the extend of compliance with international widely accepted practice regarding board structure functioning of firms; LEV, measured by leverage ratio; LNNTA, for firm dimension, measured by the natural logarithm of total assets; and an industry dummy variable.

The main variables of this model, operating performance and rating as a proxy to the extent of compliance with international best practices regarding, have similar characteristics to the variables that the study of the relation between operating performance and financial literacy of small business owners have. The operating performance as dependent variable is the same and it measure is the return on asset (ROA) which is designed by the division of operating income by the average of beginning-and -ending -period book

value of total assets. Where operating income according to Loughran and Ritter (1997), is defined as OIBD and measured as operating income before depreciation, amortization, and taxes, plus interest income.

This is the measure of operating performance most commonly used, among others, by the studies performed by Loughran and Ritter (1997), Deshmukh et al (2015), and Pearl & Eileen (2014). Although other authors go further by saying: “The ROA is clearly the preferred measure of performance because it is less affected by discretionary items than the ROE and the NPM”. – Bauwhede (2009). Where ROE is the return on equity measure, and NPM is not profit margin measure. The most relevant independent variable, a rating proxying for the extent of compliance with international best practices regarding board structure and functioning for firm in year similar to the present study, the rating is measured on a scale of 5 to 1.

Chapter Summary

This chapter discussed the theories that were used for the study. The link between the theories and their implication for the study was established. Based on the review of the literature, the gap in the knowledge that is the subject of the study was established. The next chapter will discuss the suitable methodology in undertaking the study.

CHAPTER THREE

RESEARCH METHODS

Introduction

The study examines financial literacy of Small Business Owners, Financial Records Keeping and enterprise performance in the Tarkwa-Nsuaem Municipality. It is an explanatory study which makes use of quantitative methodology and survey strategy. The chapter outlines the various tools, methods and procedures that were used to gather data to achieve the research objectives. The chapter further deals with research design, study area, population, sampling procedure, data collection instruments, validity and reliability, data collection procedures, data processing and analysis.

Research Design

Research design is the researcher's overall plan for obtaining answers to research questions (Amedahe & Asamoah-Gyimah, 2015). It provides the procedural outline for the conduct of any investigation. There are several types of research designs. The type of research design to use depends on the research questions that the study seek to answer. The descriptive design was employed to conduct this study. Descriptive design is a type of research which specifies the nature of a given phenomenon and determines and reports the way things are (Cooper & Schindler, 2003).

Descriptive design is suitable for the study because the study intends to assess and describe the financial literacy of small business owners in relation to enterprise performance. Some strengths of this design is that it provides accurate procedures which can aid in replication by other researchers. In addition, its approach of data collection can help describe the interplay among

the variables under study. Confidentiality is a primary weakness of descriptive research. Often, participants are reluctant to provide some information they think are confidential to them, and this gives them the opportunity to provide inaccurate responses.

Study Area

Tarkwa (the capital of Tarkwa-Nsuaem Municipality widely regarded as one of the commercial cities in Ghana because of the mining) was purposely selected as the study area based on its contribution to the growth the Ghanaian economy. The mining activities have attracted almost all the commercial banks in the country to establish branches in Tarkwa. The Municipality in terms of trade is strategically positioned to be able to transact business with all the Districts it shares boundaries with and this has also attracted migration into the Municipal capital. These immigrants have retail trading as their major occupation. The location of the municipality also makes transportation of goods and services easy to other districts and regions thereby boosting economic activities which in turn, lead to an increase in per capital income of people in the Municipality.

Population

Population according to Cresswell (2014) is the total collection of elements about which an inference is made. The main participants and business of the study were those related to retailing, manufacturing and artisans. Accurate data on small business availability in Tarkwa was not readily available from both the National Board for Small Scale Industries (NBSSI) and the Registrar General's Department. The study therefore assumed the population based on the operations of the small business

enterprises. In all one hundred and twenty (120) small business owners were considered. These were made up of sixty (60) retail traders, thirty(30) artisans and thirty (30) food manufacturers.

These were chosen because according to Tarkwa-Nsuaem Municipal Assembly bulletin for 2015, retail trading account for about 75% of employment followed by food manufacturers (10%). In effect, proprietors of small enterprises were the main participants in the survey. The traders in the municipality are mainly located in Tarkwa – the Municipal capital. This is because of the commercial nature of the town and Tarkwa alone account for about 70% of the entire population in the Municipality hence economic activities in the town is significantly high. The traders in the study were selected from the main markets and lorry parks in Tarkwa because they are easily accessible. The artisans were also sampled from mechanic shops, tailoring shops and hairdressing shops in Tarkwa – the Municipal capital. Food manufacturers were also sampled from Tarkwa.

Sample Size and Sampling Procedure

According to Fowler (2009), a sample is a subset of a population selected to participate in a research study. Sample is a group of participants selected from a population, and are studied to make a generalization to the population. A sample is chosen because the study cannot be done using the entire population. Kothari (2004) stated that researchers should select the largest sample possible so that it is representative of the population.

Looking at the geographical coverage of the study area which is very broad and the kind of population involved, the researcher zoned the study area into three (3) segments where twenty (20) each of the food manufacturers and

artisans and forty (40) retailers were conveniently selected from each group of the population. To ensure a fair representation of each member of sample population, the convenient sampling procedure was used. In selecting a representative, the researcher haphazardly selected a representative of artisans, retailers and food manufacturers from shop to shop. These procedures were considered because they were more convenient, easy to sample, less costly and can be set up very quickly and reliable in identifying entrepreneurs with their various activities.

Data Collection Instruments

There are several types of instruments used in data collection. Questionnaire was used as the data collection instrument. Fowler (2009) viewed questionnaire as a method of data collection which asks respondents to give written or verbal response to a written set of questions. Questionnaire was used because it is a quick and convenient method of data collection. The questionnaire was self-designed.

The questionnaire was made up of five sections labelled from “A” to “E”. Section “A” elicited background information of respondents, Section “B” consisted of information on financial records, Section “C” solicited for information on opportunities that exist for maintaining proper financial records, Section “D” solicited for information on level of financial literacy and Section “E” solicited for information on enterprise performance.

Validity and reliability

Validity of the instrument is the extent to which the instrument measures what it purports to measure. In order to ensure that the questionnaire measures exactly what it purports to measure (content validity), the

questionnaire was given to the supervisor and other lecturers who are experts to vet to ensure that the questionnaire was valid and reliable.

Reliability of an instrument is the extent to which the items on the questionnaire hang together in their quest to measure a particular construct. In order to estimate the reliability of the instrument, a pilot testing was done with 20 small business owners in Asebu in the Abura-Asebu-Kwamankese District of the Central Region of Ghana. This is because, it was essential to pre-test to guarantee the reliability and validity of the study outcome and also to ensure that nothing will hinder the instrument's ability to collect data in an orderly and economical manner (Creswell, 2014).

Reliability and validity are necessary in the establishment of credibility of the findings of the study (Pallant, 2011). Some of the respondents had challenges with some of the questions especially the open ended questions. This allowed the researcher to adopt multiple choice and Likert scale questions and only adopted one open ended question. It took three weeks in conducting the pre-testing and the researcher also considered proximity.

Data Collection Procedures

The questionnaires were self-administered. The researcher visited the small business owners in Tarkwa for data collection and it was usually done in the afternoon between the hours of 1:00pm to 3:00pm when business is slow. Primary data was collected from the informal sectors. The questionnaires were handed over to the business owners after which some were collected the same week, while others were retrieved two to three weeks after. Upon giving out the questionnaire, some respondents sought for clarification to some of the questions for which answers were given. Telephone interviews were also used

especially where there was geographical and time constraints. The researcher used a period of two months for the data collection.

Data Processing and Analysis

The data collected was coded and entered into Statistical Product for Service Solution (SPSS) version 16 and analysed descriptively. Key words in each question of the questionnaire were given exclusive name and number assigned to them as codes. Codes were also assigned to the response categories in the scale before data inputs. Descriptive statistics such as frequencies, mean score and percentages were used for data analysis. In addition, simple linear regression was also used to explore relationship between the variables.

The data was screened to ensure that every information was entered accurately. The other questions that were open-ended were analysed by listing all the vital response given by the respondents. They were then considered based on their relevance to the research. This gave the general ideas about the problem in question. The next section is about the data analysis techniques used for the various objectives of the study.

Assess the type of financial records kept by Small Business Owners in the Municipality

Descriptive statistics were used for this objective which sought to assess the type of financial records kept by the small business owners in the Municipality. According to Healey (2010), the central purpose of descriptive statistics is to summarise data. This was done using frequency, percentage and cross tabulation. These were used to describe the type of financial records kept

by the small business owners in order to help in decision making by policy makers.

Identify problems encountered by Small Business Owners in keeping financial records in the Tarkwa Municipality.

Descriptive statistics were used for this objective which sought to identify problems encountered by small business owner in keeping financial records in the Tarkwa Municipality. According to Healey (2010), the central purpose of descriptive statistics is to summarise data. This was done using frequency, percentage and cross tabulation. These were used to describe the problems encountered by small business owner in keeping financial records in the Tarkwa Municipality.

Opportunities available to Small Business Owners for keeping proper financial records in the Municipality.

Descriptive statistics were also used for this objective which sought to describe opportunities available to small business owners for keeping proper financial records in the Tarkwa-Nsuaem Municipality. According to Healey (2010), the central purpose of descriptive statistics is to summarise data. This was done using frequency and percentages. These were used to describe the opportunities available to small business owners for keeping proper financial records in the Tarkwa Municipality by small business owners in order to help in decision making by policy makers.

The level of financial literacy appropriate for managing small business enterprise in the Tarkwa-Nsuaem Municipality

Descriptive statistics were used again for this objective which sought to describe the level of financial literacy appropriate for managing small

business enterprise in the Tarkwa-Nsuaem Municipality. According to Healey (2010), the central purpose of descriptive statistics is to summarise data. This was done using the mean which is the measure of central tendency and its appropriate measure of dispersion which is the standard deviation.

An important characteristic of the mean is that it is an expected value, which is explicitly defined and it gives one figure on the average which would be used to describe the level of financial literacy appropriate for managing small business enterprise in the Tarkwa Municipality by small business owners. Knowing this average figure could help in decision making by policy makers. Thus, descriptive statistics simply describes what the data shows based on the sample (Adam, 2015). The scale of measurement used for the objectives which are continuous also permit the use of the mean.

Analyse the relationship between Owners financial literacy level and operating performance of those enterprises as a measure of business economic performance.

This study used simple linear regression for analysing the inferential statistics for this objective. Regression analyses permits one to summarise the linear relationship between an independent and a dependent variable (Healey, 2010). It is used to predict the value of a variable based on the value of another variable. The main aim of regression is to provide approximations of values of the dependent variable from values of the independent and to obtain measures of the error involved in using the regression line as a basis for estimation (Adam, 2015). The linear regression model was specified following the variant of Sabri, Cook, Shelley, Hira, Garasky and Swanson (2011).

Linear Regression Model

The linear regression model that was used to analyse the relationship between owners financial literacy level and operating performance of those enterprises as a measure of business economic performance follows;

$$E_p = \beta_0 + \beta_1 F_l + \mathcal{E} \dots \dots \dots (1)$$

Where:

- E_p = dependent variable, enterprise performance
 β_0 = intercept or slope
 F_l = independent variable, financial literacy level
 β_0 to β_1 = coefficient of the independent variables.
 \mathcal{E} = error term

Constructs were developed for enterprise performance, and financial literacy level based on the questionnaire used for the study. The use of linear regression demands that certain assumptions are met. These include a linear relationship between the independent and dependent variable. Also the scale of measurement for the dependent variable should be interval whereas the independent variable can be measured on an ordinal or nominal scale. Moreover, larger samples are needed for linear regression, typically greater than or equal to 30 cases there should be no multicollinearity but there should be homogeneity of variance.

Chapter Summary

This chapter stated the selected research design and justified it in terms of the research objectives and questions. It also discussed the study area, the sampling procedure, the data collection instruments, data processing and analysis. The next chapter covers results and discussion of the study.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

The preceding chapter presented the research methods employed for the study. This chapter, however, focuses on the data collected and analyzed in accordance with the objectives and research questions. This chapter begins with analysis of the background information of the respondents and then follows with the analysis of responses to address the research questions. Descriptive statistics such as frequencies, percentages, means and standard deviations were employed.

Background Information of Respondents

The background information of the respondents studied included, sex, age bracket, educational level, schedule of work and form of business. In order to put the study into context, these background information were studied to serve as the basis for differentiation with regards to financial literacy of small business owners in relation to enterprise performance. The background information of the respondents is captured in Table 1.

It can be observed from Table 1 that 40(50%) of the respondents are males while 50% are females. Most 33(41.2% of the respondents fall within the age bracket 30-39 years. This was followed by 21(26.3%) of the respondents who fell within the age brackets 20-29 years. Only five percent of the respondents fell within the age bracket 60 years and above.

Table 1 further captures the distribution of respondents' highest educational qualification. Approximately, 23(29%) of the respondents have had primary/junior high school/Middle school education. About (28%) of the

respondents have had university/polytechnic education. Barely, six percent of the respondents have not had any formal education.

Fifty percent of the respondents indicated that their form of business is retail/wholesale. One quarter of the respondents said that their form of business is manufacturing, while the remaining 20(25%) of the respondents indicated that they are artisan. Majority (76.2%) of the respondents said they personally established their business. This was followed by 12(15%) of the respondents who indicated that they inherited the business. Approximately eight percent said they are managing the business.

Majority (54%) of the respondents indicated that they do not have employees but 46% of the respondents responded in the affirmative. Of the 46% of the respondents who answered in the affirmative, 35% of them had between 1-5 employees. Ten percent had between 6-10 employees. A further follow up on the respondents who said they do not have employees revealed that about 33% of them said the size of the business is small, 16% of them indicated that it is not necessary to have employees, while five of the 46% said they cannot pay the employees should they employee them.

Table 1: Background Information of Respondents

Background Information	Frequency	Percent
<i>Sex</i>		
Male	40	50.0
Female	40	50.0
<i>Age Bracket (years)</i>		
10-19	1	1.3
20-29	21	26.3
30-39	33	41.2
40-49	9	11.2
50-59	12	15.0
60 and above	4	5.0
<i>Level of Education</i>		
Primary/JHS/Middle	23	28.7
Secondary	15	18.8
College/Technical/Vocational	15	18.8
University/Polytechnic	22	27.5
No Formal Education	5	6.2
<i>Form of Business</i>		
Retail/Wholesale	40	50.0
Manufacturing	20	25.0
Artisan	20	25.0
<i>Mode of Business Acquisition</i>		
Established personally	61	76.2
Managing	7	8.8
Inherited	12	15.0
Source: Field survey, Yawson (2018)	N = 80	

Type of Financial Records kept by Small Business Owners in the Tarkwa-Nsuaem Municipality

Disposition toward monetary matters and practices is an imperative indicator of financial conduct among many small business owners. Therefore, qualities and convictions toward good financial records and practices affect money related basic leadership and reflected in a person's financial practices and propensities. In this regard, research objective one sought to identify the type of financial records kept by the small business owners in the Tarkwa-Nsuaem Municipality. The distribution of the respondents who keep financial records of the business transaction is captured in Table 2.

From Table 2, majority (68.8%) of the respondents affirmed that they keep financial records on their business transactions but 31.2% said they do not keep financial records on their business transactions. Further analysis of the respondents who said they keep financial records showed that 66.3% of them do keep documentary records while the remaining 2.5% keep memory records. Of the 31.2% respondents who said no to keeping financial records on the business transactions showed that 20% of them have no idea and the remaining 11.3% said they have no time to keep the financial records.

The above finding is consistent with Wood's (2005) assertions, as he pointed out that asserts that record keeping is of importance to the manager, investors, bankers, other credit agencies and policy makers. Wood further stated that records keeping enable the business owner to determine whether the business is operating at a profit or not and whether the business will be able to meet its commitments as it falls due.

Table 2: Keeping of Financial Records

Response	Frequency	Percent
Yes	55	68.8
No	25	31.2
Total	80	100.0

Source: Field survey, Yawson (2018)

Table 3 presents the distribution of the type of financial records kept by the 68.8% respondents who opined that they keep financial records. Majority (52.5%) of the 68.8% respondents indicated that they keep financial records on cash sales. This was followed by approximately eight percent who indicated that they keep financial record on credits sales. However, 7.5% suggested that they keep financial records of cash, credit sales and cash purchases.

The above finding is consistent with Malhortra's (1991) view that it is not possible for a person to remember the occurrence, events and other impacts on a business, therefore, transactions are recorded in certain books and later analyzed, interpreted and communicated to the parties interested in the information. Similarly, Boytory (2009) asserts that record keeping is equally important in every economy, in our business and even in the house. He says that lack of proper records and lack of understanding of business records are the most frequent causes of business failure.

Table 3: Type of Financial Records Kept by Small Business Owners

Response	Frequency	Percent
Cash sales	42	52.5
Credit sales	6	7.5
Cash, credit sales and cash purchases	6	7.5
Cash purchases	1	1.3
Total	55	68.8

Source: Field survey, Yawson (2018)

Table 4 presents the distribution of respondents' view on the type of financial records kept by the respondents relative to its currency. From the table, 55% of the 68.8% respondents who stated that they kept financial records did indicate that their cash sales financial records are up to date. This was followed by five percent of stated that their cash sales, credit sales and credit purchases are all up-to-date. Approximately, four percent stated that their credit purchases financial records are up-to-date.

Table 4: Records kept up-to-date

Response	Frequency	Percent
Cash sales	44	55.0
Cash sales, credit sales and credit purchases	4	5.0
Credit sales	4	5.0
Credit purchases	3	3.8
Total	55	68.8

Source: Field survey, Yawson (2018)

Table 5 shows that 27.5% of the respondents expressed the view that their means of keeping financial records is the cash book, about 26.3% of the respondents suggested that they use small note book (computer) in keeping

financial records of their business transaction. Barely three percent of the respondents expressed the view that they keep receipt book only.

Table 5: Means of Keeping Financial Records

Response	Frequency	Percent
Cash book	22	27.5
Small note book (computer)	21	26.3
Receipt book	5	6.3
All of the books	5	6.3
Receipt received book	2	2.5
Total	55	68.8

Source: Field survey, Yawson (2018)

Table 6 presents the distribution of respondents view on who keeps the financial records of their business transactions. It is evident from the Table that majority (62.5%) of the respondents who said they kept financial records asserted that they keep the records themselves but the remaining six percent expressed the view that their employees keep the business transactions record for them.

Table 6: System of Financial Records Keeping?

Response	Frequency	Percent
Myself	50	62.5
Employees	5	6.3
Total	55	68.8

Source: Field survey, Yawson (2018)

Most (27.5%) of the respondents in a follow up question indicated that they are satisfied with the way financial records are kept in the business while

the remaining 26.3% responded that they are not satisfied with the way financial records are kept in the business as shown in Table 7.

Table 7: Satisfaction with Financial Records Keeping

Response	Frequency	Percent
Yes	22	27.5
No	21	26.3
Total	55	68.8

Source: Field survey, Yawson (2018)

From Table 8, it is evident that majority (63.8%) of the respondents expressed the view that it is not difficult to record business transactions while the remaining 36.3% responded in the affirmative.

Table 8: Difficulty in Recording Business Transactions

Response	Frequency	Percent
Yes	29	36.3
No	51	63.8
Total	80	100

Source: Field survey, Yawson (2018)

Problems encountered by Small Business Owners in keeping Financial Records in the Tarkwa-Nsuaem Municipality

Financial literacy plays a major role in the economic development of the world's economies. This role is more vital in developing countries where poverty exist in pandemic proportions. Improved knowledge on financial issues is key in channeling resources to more productive use and is an important mechanism for enhancing household income and livelihoods. In this light the second research objective sought to identify the problems encountered by small business owners in keeping financial records in the

Tarkwa-Nsuaem Municipality. The distribution of the responses is illustrated in Table 9.

Table 9 captures the distribution of responses in relation to the problems that small business owners encounter. Most of the responses (33.6%) were attributed to lack of knowledge, this was followed by fear of embezzlement by accounting staff (23.5%). Approximately, 22% of the responses were in favour of ‘respondent cannot pay accounts staff’. However, 21.1% of the responses suggested that small business owners fear exposing their business secret.

Table 9: Problems Encountered in Keeping Financial Records

Challenges	Frequency	Percent
Lack of knowledge	40	33.6
Fear of embezzlement by accounting staff	28	23.5
Cannot pay account staff	26	21.8
Fear of exposing business secrets	25	21.1
Total	119 *	100

Source: Field survey, Yawson (2018) * *Multiple responses*

Opportunities available to Small Business Owners for keeping proper Financial Records in the Tarkwa-Nsuaem Municipality

Financial literacy has become very important in financing decisions of enterprises and their ensuing performance to promote growth and poverty reduction. Studies (Abor, & Quartey, 2010) suggest low levels of financial literacy among advanced and emerging economies and few people are able to understand basic financial concepts. In this regard the third research objective sought to examine the opportunities available to small business owners for

keeping proper financial records in the Tarkwa-Nsuaem Municipality. Table 10 presents the distribution of the responses in relation to the opportunities that exist for maintaining proper financial records.

From Table 10, most (16.7%) of the responses emanating from the small business owners suggest that good financial decision making opportunities exist for maintaining proper financial records. About 15.4% of the responses can be attributed to opportunities in business loan application. This was followed by approximately, 15% of the responses in favour of ‘identified and correction of errors to increase profitability’. Fourteen percent of the responses show that opportunities exist in maintaining proper financial records in proper budgeting. The above finding is consistent with Abor and Quartey (2010) views as he initiated that poor financial records keeping among others as a result of lack of qualified personnel to maintain records of small scale enterprises despite their contribution in employment creation, contribution to GDP and reducing rural urban migration.

Table 10: Opportunities for Maintaining Proper Financial Records

Opportunities	Frequency	Percent
Good financial decision making	75	16.7
Business loan application	69	15.4
Identified and correction of errors to increase profitability	66	14.7
Proper budgeting	64	14.3
Good cash flow, paying bills and making deposits	61	13.6
Managing customer and vendor accounts	58	12.9
Corporate tax obligation	56	12.5
Total	449 *	100.0

Source: Field survey, Yawson (2018) * *Multiple responses*

Assess the Level of Financial Literacy that is Appropriate for Managing Small Business Enterprises in the Tarkwa-Nsuaem Municipality

Increasing knowledge on financial issues helps economic units to take advantages of economic opportunities that are available. It reduce the risk and encourage the youth in investing in self-managed ventures. But lack of financial knowledge has been a major challenge to entrepreneurs across the world. The fourth research objective sought to assess the level of financial literacy that is appropriate for managing small business enterprises in the Municipality. The distribution of respondents view is illustrated in Tables 10 to 15.

From Table 11, about 35% of the respondents correctly answered the question posed on ‘imagine that you have to wait a year to receive a VAT refund of GHS 200.00’. ‘In a year’s time will you be able to buy/spend’. The remaining 65% of the respondents did not answered the question correctly.

Table 11: VAT Refund of GH¢ 200

Response	Frequency	Percent
More	29	36.3
The same amount	3	3.8
Less than I could buy today	28	35.0
Don't know	20	25.0
Total	80	100.0

Source: Field survey, Yawson (2018)

Table 12 presents the distribution of the respondents views on the question suppose ‘you put GH¢1,000.00 into a savings account with a guaranteed interest rate of 2% per year’. Approximately 38% of the

respondents answered the question correctly (GHS 1020). The remaining majority (62%) of the respondents answered the question wrongly.

Table 12: Amount in Account at the end of the first year

Amount	Frequency	Percent
20	6	7.5
120	2	2.5
10020	2	2.5
1020	30	37.5
1120	1	1.3
1200	15	18.8
1240	1	1.3
No Response	23	28.8
Total	80	100.0

Source: Field survey, Yawson (2018)

From Table 13, about 34% of the respondents correctly answered the question, how much would be in the account at the end of five years as a follow up to the preceding question. While majority (66%) of the respondents answered the question wrongly.

Table 13: Amount in Account at the end of five years

Response	Frequency	Percent
More than GHS 1100.00	25	31.3
Exactly GHS 1100.00	27	33.8
Less than GHS 1100.00	8	10.0
Don't Know	20	25.0
Total	80	100.0

Source: Field survey, Yawson (2018)

Majority (77.5%) of the respondents answered the question, high inflation means that the cost of living is increasing rapidly high, but the remaining 22.5% of the respondents answered the question wrongly as depicted in Table 14.

Table 14: High inflation means high Cost of Living

Responses	Frequency	Percent
Yes	62	77.5
No	6	7.5
Don't know	12	15.0
Total	80	100.0

Source: Field survey, Yawson (2018)

Table 15 shows the financial index distribution. From the Table approximately 28.8% of the respondent had a quarter of the questions correctly. Twenty six percent of the respondents answered half of the questions rightly. One quarter of the respondents answered three quarters of the questions correctly. About nine percent of the respondents answered all the questions posed to them correctly while 11.3% of the respondents could not answer any of the questions posed.

Table 15: Financial Literacy Index

Responses	Frequency	Percent
0	9	11.3
25	23	28.8
50	21	26.3
75	20	25.0
100	7	8.8
Total	80	100.0

Source: Field survey, Yawson (2018)

Relationship between owners' Financial Literacy Level and Operating Performance of Small Business Enterprises in the Tarkwa-Nsuaem Municipality

The development of small businesses is considered as the key condition in promoting equitable and sustainable economic development in Africa. The sector, in terms of economic development has a potential to provide for growth in employment and contribute towards reducing poverty among urban cities in most developing countries. In this regard the fifth research objective sought to analyze the relationship between owners' financial literacy level and operating performance of those Enterprises as a measure of business economic performance.

In order to analyse the relationship between owners' financial literacy level and operating performance, the standard simple regression was found to be more appropriate. The results indicate how well financial literacy predict operating performance of small business enterprises. It also indicates how much unique variance in the independent variables (financial literacy) explains the dependent variable (operating performance of small business enterprises) as reflected in Table 16.

Table 16: Regression analysis on Financial Literacy and Performance of Small Business Enterprises

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.350 ^a	.123	.096	.5367.907

Source: Field survey, Yawson (2018)

- a. Predictors: (Constant), Financial Literacy
- b. Dependent variable: Performance

From Table 17, the simple regression analysis (model summary) indicates that the independent variable met the entry requirement to be included in the equation. The R (.350) shows a weak positive correlation between the predictive variable (financial literacy) and the dependent variable (performance of small business enterprises). The Adjusted R-square value indicates that about (9.6%) of the variance in small business enterprises performance is explained by the financial literacy. This implies that (90.4%) of small business enterprises performance is explained by other variables apart from the financial literacy.

Table 17: Effect of Financial Literacy on Small Business Enterprises Performance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	132759914.253	1	132759914.253	4.607	.039(a)
Residual	950876152.890	33	28814428.875		
Total	1083636067.143	34			

Source: Field survey, Yawson (2018)

Table 18 shows the results of the effect of the financial literacy on performance. From the Table, a p-value of 0.001 implies that the financial literacy of small business enterprises owners have significant effect on small business enterprises performance, and thus there is a linear relationship between the two variables. This shows that the null hypothesis is rejected at an alpha value of 0.05. In other words, there is a significant effect of financial literacy on small business enterprises performance.

Furthermore, Table 18 shows the contribution of financial literacy (independent variables) to small business enterprises performance. The β

values indicate the relative influence of the independent variable on small business enterprises performance.

Table 18: Financial Literacy Prediction on Small Business Enterprises Performance

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta (β)			
(Constant)	7700.246	2020.063			3.812	.001
Financial Literacy	-1832.312	853.633	-.350		-2.146	.039

Source: Field survey, Yawson (2018)

a. Dependent Variable: Small Business Enterprises Performance

The β value indicates that financial literacy has relative influence on small business enterprises performance ($\beta = -1832.312$, $p\text{-value} = 0.039$). A p -value of 0.039 associated with financial literacy shows that its contribution to small business enterprises performance is significant. This is because the p -value of 0.039 is less than the acceptable margin of error of 0.05. The above finding is consistent with the study of Fatoki (2014). Fatoki (2014) found that despite financial literacy having a positive correlation with MSE performance, a large majority of micro entrepreneurs had a low level of financial literacy negatively affecting the performance of their businesses. He further established that most micro-enterprises do not keep books of accounts that will allow them to extract useful accounting information due to lack of accounting and financial knowledge.

Similarly, Ezejiolor *et al.*, (2014) asserted that except for statutory demands, small businesses hardly give serious thoughts to the process of sound accounting and financial knowledge, yet the inadequacy and

ineffectiveness of accounting processes and financial knowledge have been responsible for untimely collapse of a host of them. Lack of business records results to information asymmetry which makes it difficult for financiers to quantify accurately the level of risk involved in a business opportunity so as to fix accurate interest rates which results to high transaction costs due to high cost of information gathering, screening and monitoring of these business.

Chapter Summary

The chapter discussed the results and findings based on the objectives of the study. It came out from the results that most small business owners are confronted with some complicated financial decisions in running and managing their business. Most small business owners' lack of knowledge, skill and attitude to manage the finances of their organization in a professional way poses a significant obstacle to performance growth of sustainable small and medium scale enterprises.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

The purpose of this chapter is to present the summary, conclusions and recommendations of the study. The summary outlines a brief overview of the study in light of the formulated objectives. The recommendations also present specific remedies to be implemented by agencies or bodies. The chapter further concludes with the direction for future research.

Summary of Findings

The study examined financial literacy of small business owners in relation to enterprise performance in the Tarkwa-Nsuaem Municipality. The first chapter introduces the study by exploring the background of financial literacy. Specifically, the study sought to assess the type of financial records kept by the Small Business Owners in the Tarkwa-Nsuaem Municipality. It further sought to identify problems encountered by small business owners in keeping financial records in the Tarkwa-Nsuaem Municipality.

The third and fourth objectives sought to examine opportunities available to small business owners for keeping proper financial records in the Tarkwa-Nsuaem Municipality and also ascertain the level of financial literacy that is appropriate for managing Small Business Enterprises in the Municipality. Lastly, the study analysed the relationship between owners' financial literacy level and operating performance of those enterprises as a measure of business economic performance.

In Chapter Two, scholarly works were reviewed on financial literacy of small business owners and financial performance of the enterprises. Review

were conducted on the importance of records keeping, problems of records keeping and assessment of business owners' financial literacy level. The results of the study were analysed and discussed within the context of the stated objectives while relating it to the literature reviewed. Given the purpose of this study, the nature and interactions between the variables examined as well as the need to establish a relationship, the quantitative approach was considered most appropriate and therefore adopted. The descriptive study design was employed.

Tarkwa, the capital of Tarkwa-Nsuaem Municipality was purposely selected as the study area based on the researchers familiarity and knowledge with the city. Moreover, the Municipality in terms of trade is strategically positioned to be able to transact business with all the Districts it shares boundaries with and this has also attracted migration into the Municipal capital. The population for this study comprised a total of one hundred and twenty (120) small business owners which is made up of sixty (60) retail traders, thirty (30) artisans and thirty (30) food manufacturers.

Examining the geographical coverage of the study area which is quite broad, the area was zoned into three segments where the convenient sampling procedure was adopted to select a total of 80 respondents, thus twenty (20) each of the food manufacturers and artisans and forty (40) retailers from each group of the population in order to ensure a fair representation. Questionnaires were used to collect data for the study. In order to estimate the reliability of the instrument, a pilot testing was done with 20 small business owners in Asebu in the Abura-Asebu-Kwamankese District of the Central Region of

Ghana. The items were administered by the researcher. The research instrument was designed with the assistance of the supervisor.

With respect to the first research objective which entailed assessing the type of financial records kept by the small business owners in the Tarkwa-Nsuaem Municipality. The following key findings emerged:

1. The study established that majority of the small business owners keep financial records on their business transactions. Most of them keep documentary records.
2. Most of the small business owners keep financial records on cash sales, this was followed by financial record on credits sales and the rest keep financial records of cash, credit sales and cash purchases.
3. Most of the small business owners indicated that they are satisfied with the way financial records are kept in the business. The business owners asserted that they keep the records themselves. It was also evident that the owners do not encounter much difficulty in recording business transactions.

The second research objective sought to identify problems encountered by Small Business Owners in keeping financial records in the Tarkwa-Nsuaem Municipality. The following are the key finding that emerged:

Most small business owners affirmed that lack of knowledge, fear of embezzlement by accounting staff, inability to pay accounts staff and fear exposing business secrets are some of challenges encountered by small business owners in keeping financial records.

The third research objective sought to examine the opportunities available to small business owners for keeping proper financial records in the Tarkwa-Nsuaem Municipality. The following key finding was discovered

Most of the small business owners indicated that good financial decision making opportunities exist for maintaining proper financial records. This was followed by business loan application. The least opportunity identified was corporate tax obligation.

The fourth research objective sought to ascertain the level of financial literacy that is appropriate for managing small business enterprises in the municipality. The following key findings emerged.

Only a few of the small business owners answered a quarter of the questions correctly. Twenty six percent answered half of the questions rightly. One quarter of the respondents answered three quarters of the questions correctly. Nine percent answered all the questions correctly while eleven percent could not answer any of the questions correctly.

The final research objective sought to establish the relationship between owners' financial literacy level and operating performance of those Enterprises as a measure of business economic performance. The following key findings emerged.

1. The R (.350) shows that there is a weak positive association between financial literacy and the performance of small business enterprises. The R -square value indicates that about twelve percent of the variance

in small business enterprises performance is explained by the financial literacy.

2. The study reveals that financial literacy has relative influence on small business enterprises performance ($\beta = -.1832.312$, $p\text{-value} = 0.039$). The $p\text{-value}$ (0.039) associated with financial literacy shows that its contribution to small business enterprises performance is significant.

Conclusions

Most small business owners are confronted with some complicated financial decisions in running and managing their day-to-day businesses. Most small business owners' lack of knowledge, skill and attitude to manage the finances of their organization in a professional way poses a significant obstacle to performance growth of sustainable small and medium scale enterprises.

First, the study majority of the small business owners keep documentary records of their business transaction. This finding imply that the owners have some form of idea relative to keeping documentary financial records, such that when they are equipped with more knowledge on modern ways of keeping these records it will propel them to manage their business.

Most small business owners affirmation of fear of embezzlement by accounting staff, inability to pay accounts staff and fear of exposing business secrets implies that there is no strong commitment on the part of the owners as they believe that their financial records may be used for other purposes hence their refusal to keep these records. The owners indicated that good financial decision making opportunities exist for maintaining proper financial records. This finding gives the indication that when the owners are given the needed

training and education on prudent ways of keeping financial records their decision making opportunities will be enhanced to propel the business growth.

The study documented a significant positive relationship between financial literacy and the performance of small business enterprises. This implies that improvements in financial literacy of small business owners were positively associated with improvement in financial performance. However, financial literacy has relative influence on small business enterprises performance. It can therefore be concluded that the financial literacy of small business owners have a significant influence on small business performance.

Recommendations

Based on the summary and conclusion, the following recommendations were made to help enhance financial literacy among small business owners within Tarkwa-Nsuaem Municipality.

1. In order to boost the financial literacy of small business owners within the municipality, policy makers should specifically design programs and workshops targeted at further enhancing the financial literacy levels of these owner-managers.
2. The local authorities within assembly should liaise with academia in the tertiary institutions to organize workshops, seminars and conferences to equip and provide the small business owners with the necessary facilities and skills needed to effectively and efficiently manage the business.
3. The study further recommends that small business owners within Tarkwa-Nsuaem Municipality should be periodically trained by

financial experts on the benefits inherent in utilizing financial knowledge.

4. Authorities at the Municipal Assembly should organize financial education capacity building programs and financial awareness campaigns on book keeping, financial accounting, and debt management and banking services literacy for small business owners to advance their businesses.
5. The study recommends that microfinance institution as a matter of priority should educate small business owners on financial concepts in order to boost their risk profile and enable them to access credit.

Suggestions for Further Research

Further studies should be carried out to investigate access to micro credit and growth of micro businesses in Tarkwa-Nsuaem Municipality.

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APPENDICES

APPENDIX 1

QUESTIONNAIRE

University of Cape Coast

School of Graduate Studies

Topic: Financial literacy of Small Business Owners, Financial Records Keeping and Enterprise Performance in Tarkwa-Nsuaem Municipality

The purpose of this study is to examine the financial literacy of small business owners, financial records keeping and enterprise performance in the Tarkwa-Nsuaem Municipality. Please note that, your answers to the questions below will be used for academic purposes only and your responses will be treated with highest confidentiality. Please tick the appropriate box to indicate your preferred answer.

SECTION A: Background Information

1. Gender : Male { } Female { }

2. Age Level:

10-19 { } 20-29 { } 30-39 { }

40-49 { } 50-59 { } 60 and above { }

3. What is your level of education?

Primary /JHS /Middle { } Secondary { }

College/Technical /Vocational { } University/Polytechnic { }

None { }

4. What is your schedule of work in the business?

Owner { } Sales person { }

5. What form of business is your outfit?

Wholesale/Retail { } Manufacturing { } Artisan { }

6. How did you acquire your business?

Established personally { } Managing { } Inherited { }

7. Do you have employee?

Yes { } No { }

8. If yes, how many are they?

1-5 { } 6-10 { } 10 above { }

9. If no why?

Cannot pay them { } The size of the business is small {
} Not necessary { }

SECTION B: Financial Records

1. Do you keep any financial records on your business transaction?

Yes { } No { }

2. If yes, how do you keep it?

Memory { } Documentary { }

3. If no why?

No time { } No idea { }

4. If yes to 1 above, what type of financial records do you keep?

Cash sales { } Credit sales { } Cash
 purchases { } Credit purchases { }. Others
 (specify).....

5. Which record do you keep up to date?

Cash sales { } Credit purchases { }
 Credit sales { } All of them { }. Others
 (specify).....

6. What means do you keep your financial records?

Cash book { } Receipt book { } Receipt received
 book { } Small not book (computer) { } All of the books {
 }
 }

7. Who keeps the financial records of your business transactions?

Myself { } Employee { } My Children {
 }
 Others (specify).....

8. Are you satisfied with the way financial records are kept in the business?

Yes { } No { }

9. Is it difficult to record?

Yes { } No { }

10. What problems do you encounter in keeping financial records?

Please tick more than one

		Yes	No
1.	Lack of knowledge		

2.	Fear of exposing business secrete		
3.	Cannot pay account staff		
4.	Fear of embezzlement by accounting staff		

SECTION C: Opportunities that exist for maintaining proper financial records

Please tick more than one:

1. Do you think proper financial records will help Enterprises in;

		YES	NO
1.	Identified and correction of errors to increase profitability?		
2.	Good financial decision making?		
3.	Business loan application?		
4.	Corporate tax obligation?		
5.	Good cash flow, paying bills and making deposits?		
6.	Managing customer and vendor accounts?		
7.	Proper budgeting?		

SECTION D: Level of Financial Literacy

1. Imagine that you have to wait a year to receive a VAT refund of GH¢200.00. In one year's time will you be able to buy/spend:

- a) More { }
- b) The same amount { }
- c) Less than I could buy today { }
- d) Don't know { }

2. Suppose you put GH¢1,000.00 into a savings account with a guaranteed interest rate of 2% per year. You don't make any further payments into this account and you don't withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made?

Open answer
.....

3. And how much would be in the account at the end of five years?

Would it be?

- a) More than GH¢1,100.00 { }
- b) Exactly GH¢1,100.00 { }
- c) Less than GH¢1,100.00 { }
- d) Don't know { }

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

- a) Yes { }
- b) No { }
- c) Don't know { }

SECTION E: Enterprise Performance

1. Financial literacy has led to increased profitability in my business

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

2. Financial literacy has increased my enterprise market share

Strongly agree	Agree	Not sure	Disagree	Strongly disagree

3. How long have you been in this business?

1-5 years { }

6-10 years { }

11-15 year { }

16years above { }

4. State your Revenue in the last four (4) years (GH¢)

Year	GH¢
Year one	
Year two	
Year three	
Year four	

Thank you