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FINANCIAL LITERACY AND GROWTH OF SMALL MEDIUM ENTERPRISES IN GHANA: A CASE STUDY OF TECHIMAN MUNICIPALITY.

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DECLARATION

I hereby declare that this submission is my own work towards the Master of Science (Accounting and Finance) and that, to the best of my knowledge, it contains no materials previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

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DEDICATION

This project is dedicated to my late father Viel Dari.

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ABSTRACT

The prime objective of this study is to investigate the influence of financial literacy on the growth of SMEs. The study specifically employs a quantitative descriptive research strategy, with which it will gather quantifiable data for the population sample's statistical analysis. The population of the study includes SMEs in the Techiman Municipality. SMEs in the services, manufacturing and trading sectors are used for the study. Since the population is large some of the SMEs are being sampled based on the Slovin formula. Therefore the sample size for the study is 140. In this investigation, a sample random sample method is utilised. To choose a sample, simple random sampling involves the use of randomly generated integers which is 140 for this study. The primary source of the data is collected in this study through questionnaires. Cronbach's alpha is used in SPSS to determine the validity of the research instrument. Based on the findings, this study draws the conclusion that, rather than bookkeeping and bookkeeping literacy, the level of debt management literacy has a significant impact on the growth of SMEs. The majority of SMEs typically use credit facilities before looking for information on debt management, and as a result, they frequently borrow money from both formal and informal sectors, which leads to debt accumulation. Additionally, it was shown that SMEs misuse money, which hinders their ability to expand. The majority of SMEs do not prepare the business annual budget, which results in business transactions being undertaken based on the current circumstances, which results in irrational spending, despite the fact that budgeting improves the coordination of various functions with the ultimate goal of meeting the agreed performance levels. It is recommended that it is essential to make a concerted effort to educate SMEs on budgeting techniques, how to create a budget, and how to maintain accurate bookkeeping in order to enable them to manage their enterprises with a view to fostering SMEs' growth.

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CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

According to Karadag (2015), Small and medium-sized businesses (SMEs) are the main drivers of economic growth and job creation in both developed and developing countries. Lusimbo (2016) maintained that SMEs are recognised as key contributors to economic growth by a wide range of nations, business professionals, policymakers, and economists. Abor and Quartey (2010) asserted that 91% of South Africa's prescribed enterprises are SMEs, and they contribute between 52% and 57% of the country's GDP and 61% of all jobs. In Ghana's economy, SMEs are quite important. SMEs make up the majority of companies in the nation. Furthermore, SMEs account for about 60% of the nation's GDP in addition to making up about 80% of all employment in Ghana (Ahinful et al., 2022). A physically robust SME sector makes a considerable economic contribution by generating jobs, producing goods and services in large quantities, increasing exports, honing entrepreneurial skills, and fostering creativity.

Despite the fact that SMEs contribute significantly to market expansion, they encounter difficulties on a global scale that force them to leave the market before their third anniversary (Goot, 2021). Ridwan et al. (2020) demonstrated the high market exit rates of SMEs, which, in contrast to large businesses, are more prone to vulnerability because of their economic redundancy and straightforward managerial errors. Due to a lack of benchmark data from prior issues brought on by inadequate resources and an overstretched financial base that cannot absorb more losses, SME managers are unable to improve. According to Bongomin et al. (2018), financial literacy is the capacity for a person to synthesise information in order to use the financial resources at their disposal to make wise financial decisions.

Making the proper choice is crucial in both the lives of individuals and enterprises since financial decisions have long-term effects on the prices of financing. In Ghana, improving the capacity of the private sector as a way to speed up the growth of small enterprises is a fundamental strategy the government has embraced for generating employment and production (Ragasa et al., 2022). However, Siekei et al. (2013) suggest that financial illiteracy and complexities is a major problem all over the world and has been identified as one of the prime reasons why SMEs are unable to access and make payment for loans which leads to it collapsing. According to Irikefe and Opusunju (2021) to manage their enterprises and ensure growth in terms of an increase in sales income, the number of branches, and/or accumulated assets a number of SMEs have applied financial literacy throughout time. According to Ragasa et al. (2022), establishing a budget, paying off debt, and knowing the differences between different financial products are all examples of financial literacy.

Budgeting for the future involves more than just allocating funds; it also means calculating the amount of revenue needed to achieve organisational goals like expansion. Budgeting allows you to set financial goals for the group and the organisation as a whole (Hamel and Zanini, 2018). Being financially literate is a skill that has a number of advantages that can raise financial stability and raise a person's level of living through better debt and money management. Cwynar (2019) asserted that debt management literacy is a part of overall financial understanding that assesses both one's own financial literacy and awareness of debt. According to Hamel and Zanini (2018), accurate bookkeeping enables measurement of a company's performance. You can budget for your business, get ready for tax returns, keep your business organised, and so much more with the aid of bookkeeping.

Bookkeeping is advantageous and assists firms in managing cash flows, making future plans, and staying informed about how their operations are progressing. To clarify which resources and competencies support strong business growth, Adomako (2016) links finance literacy to the theory of dynamic capabilities. Additionally, Toledo (2015) focuses on the resource-based perspective to analyse the positive benefits of financial literacy on the relationship between access to finance and company growth, arguing that financial literacy has a positive moderating effect on this relationship. Ying et al. (2019) contend that a firm's access to financing and financial literacy are two components of a package of resources that are crucial for creating competitive advantage and can be used to undertake various activities to achieve growth. The ability of a company's managers, its financial resources, as well as its industry and geographic location, all interact to determine how quickly a company will grow. To achieve their objectives, which may include increasing sales, maximising earnings, or gaining market share, businesses must grow. Businesses can grow in two ways: organically and through integration (Barauskaite and Streimikiene, 2021).

1.1 Statement of the Problem

SMEs may be modest when viewed as a whole, but they contribute significantly to a country's Gross Domestic Product (GDP), help to create jobs, and are frequently regarded as essential to the development and innovation of dynamic economies (Anigbogu et al, 2014). Numerous studies have revealed that small firms account for a significant portion of the employment rate and economic growth in major economies like the United Kingdom, the United States, and China, among others (McMillan et al.

2014; Pohjola, 2002; Morrison, 2013). Financial literacy, according to Taylor et al. (2017), includes knowledge, cognitive skills, as well as a combination of positive attitudes, behaviours, and outside supportive variables.

SMEs are the dominant industry in Africa, making up about 90% of all businesses in both urban and rural locations. According to Tekola and Gidey (2019), SMEs are seen as very essential motors for achieving national development goals, such as poverty alleviation and economic growth in Africa. Aina (2007) stated that the contributions of SMEs to Nigeria's economy are undeniable because they account for 70% of industrial employment and around 10% of the country's overall manufacturing output. This includes skills such as budgeting, debt acquisition and payment, and bookkeeping (Reich and Berman 2015). Financial literacy, in the opinion of Mutegi et al. (2015), enables the company to satisfy its short-term and long-term commitments through knowledgeable decision-making processes including on-time bill payment, accurate bookkeeping, and enhanced budgeting abilities, which strategically position the company in the market.

This promotes a flourishing economy with interconnected systems that are open to anyone, fostering trade and creating jobs. According to Siekei (2013), financial literacy programmes that teach budgeting, credit management, and debt management skills help businesses thrive because they properly manage their investment portfolios, which lowers their financing costs. There is a vast theoretical literature on financial literacy, but there is limited empirical evidence as to how much financial literacy contributes to the expansion of SMEs in Ghana.

Financial literacy, in a broad sense, the knowledge and skills that empower people to make well informed decisions regarding the use of financial services and the management of one’s private and business finances. An adequate level of financial literacy is a prerequisite for financial inclusion, as without the relevant knowledge individuals will have difficulties in evaluation and utilizing financial services adequately for their specific life situation like managing of their businesses. SMEs also face a higher risk of becoming victim of negligent or fraudulent conduct of financial service providers. Furthermore, a lack of financial literacy can lead to suboptimal financial decisions and thus economic hardship on a business.

Generally, there is low level of financial literacy in Ghana (Sarpong-Kumankoma, 2023). A study in Ghana on adult, in 2017 about their financial literacy reveals a financial literacy level of 38% in the North, 44% in the middle belts and 51% in the Southern (Baidoo et al., 2018). This was confirmed in a study by the National Financial Literacy Strategy in 2016, which stipulated that only 39% of Ghanaians are financially literate (Agyei, 2018). The report stated the need for financial literacy education since the lack of financial literacy had denied most Ghanaians of financial services. From the report, it is essential for the public to be educated on the financial opportunities that are there for the people to be able to access and invest in businesses, pay school fees and secure properties.

Recently in Ghana, some customers of microfinance organisation and fun clubs such as DKM Diamond microfinance, God is Love fun club, and the like lost virtually all their investment to these organisations (Owusu, 2015). Most of those victims were traders. Proper financial knowledge on investment and other financial related issues should have prevented those customers from being victims of such financial scams.

Another issue that arose was that of ‘money doubler’ in the Techiman Municipality where people mostly traders lost a chunk of their capital forcing the Municipal Chief Executive to issue a statement on the need for traders to increase their knowledge on financial issues. Especially, in today’s financial markets, stunningly developing products and services, increasing consumer debts, low financial literacy and changing socio-demographical conditions increase the importance of this education and necessitate the continuity of it hence the need for this study in the Techiman Municipality.

According to recent research like Sooriyakumaran (2022), most SMEs prefer to stay "small" and are more prone to failure as a result of basic management errors and poor financial literacy. Additionally, Fatoki (2014) claimed that failures may also be caused by the challenging financial decisions that SME entrepreneurs make regarding their personal or corporate money. Contrarily, Tela (2018) stated that the high mortality rate of SMEs in Nigeria is a result of their capital bases being insufficient as a result of the banking institutions' reluctance to provide them with enough loans. According to Owenvbiugie and Igbinedion (2015), poor funding is a major factor in MSMEs' failures and stunted growth. If MSMEs are not appropriately supported, many of them may not survive. On the other hand, Winarno and Wijijayanti (2018) found no association between proxies for financial literacy and the success of SMEs in their study. In light of the ambiguity surrounding the usefulness of financial literacy in fostering MSMEs' growth, there is still an empirical gap that this study aimed to fill.

Meanwhile, people who are financially literate are able to supply information and sensitise financial concepts, as well as develop their abilities, motivation, and confidence to use their knowledge and sensitivity in the workplace. This boosts the financial growth of SMEs and enables managers to be successful and efficient in a variety of financial scenarios (Eniola and Entebang, 2016). Therefore, this study is to examine the effect of financial literacy on the growth of SMEs in Techiman municipality, Ghana.

1.2 The objective of the Study

The prime objective of this study is to investigate the influence of financial literacy on the growth of SMEs. Specifically, the study seeks to:

1. To investigate the influence of budgeting literacy on the growth of SMEs.
2. To evaluate the influence of debt management literacy on the growth of SMEs.
3. To determine the influence of bookkeeping literacy on the growth of SMEs.

1.3 Research Questions

The research seeks to answer the under-listed questions:

1. What is the effect of budgeting literacy on the growth of SMEs?
2. What is the effect of debt management literacy on the growth of SMEs?
3. What is the effect of bookkeeping literacy on the growth of SMEs?

1.4 Significant of the Study

The research analysis will be beneficial to many SME owners in terms of financial growth and a strategic edge by developing innovative goods and entering new markets.

Furthermore, the research will assist SME operators in thoroughly comprehending the entrepreneurial effect of financial literacy on their industry in order to cope with the increasing advances in finances on the one side, and the complexities of the micro business functioning in such an atmosphere on the other.

1.5 Scope of the Study

The scope of the study is structured into context and geography. Geographically, the study would be limited to the growth of SMEs in Techiman, Ghana. Contextually, the study would be limited to determining the effect of budgeting, debt management and bookkeeping literacy on the growth of SMEs.

1.6 Brief Methodology

The study specifically employs a quantitative descriptive research strategy, with which it will gather quantifiable data for the population sample's statistical analysis. The population of the study includes SMEs in the Techiman Municipality. The National Board for Small-Scale Industries (NBSSI) has registered 215 SMEs in the Municipality. Since the study is about SMEs in the Techiman Municipality, 215 constitute the population of the study

Since the population is large some of the SMEs are being sampled based on the Slovin formula. A Simple random sampling technique is used in this study. To choose a sample, simple random sampling involves the use of randomly generated integers for this study. The researcher uses data collection instruments to gain relevant information from the respondents, who are SME owners or managers, from whom they will learn to enrich the study. In this study, questionnaires are used as the main data collection method. It makes use of a closed-ended questionnaire. The gathered data will be sorted, categorised, and tabulated for convenience of analysis. Descriptive statistics make up a significant portion of the data analysis. The results of the data processing are then examined, conclusions drawn, and submitted.

1.7 Organisation of the Study

The research work is organized and presented in five chapters. It begins with a general introduction; the study's backdrop, the problem statement, the objectives of the research, the research questions that must be answered at the end of the research, and the research relevance, scope, and limitations as presented in chapter one.

The second chapter contains a literature review, which discusses relevant literature that supports the work. The methodology of the study is described in the third chapter. The section examines the research design, sampling technique, data collection technique, and analysis technique critically.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section presents the relevant literature to the study. The literature review is done under three thematic areas which include a conceptual, theoretical and empirical review. Also, the three reviews are used to produce a conceptual framework that depicts the relationships between variables that are empirically tested in the study.

2.1 Conceptual Review

2.1.1 Small Firm Growth

A company with a history of unusually rapid growth relative to its peers in the industry is referred to in the financial sector as a "growth company" (Ali and Oudat, 2021). While this phrase is commonly used in the financial media, experts often use it differently. Businesses can expand internally, externally (via mergers), or by diversifying into complementary industries. According to Putri and Rahyuda (2020), the following are some examples of the causes of growth: Increased profits from increased sales make the company more desirable to shareholders. Small enterprises in developing nations offer crucial products and services to underserved communities. For instance, small shops provide the vast bulk of consumer goods in many nations, while several businesses fill important requirements like providing healthcare in rural areas.

For instance, Kiyabo and Isaga (2020) explore firm heterogeneity in relation to the specific measure (such as sales, employment, or assets) by which the firm expands as well as the suitability of these various metrics in light of particular theories. Kiyabo and Isaga (2020) also address variability in the type of growth and in the regularity or irregularity of growth across time (organic or acquisition based). Empirically, they demonstrate that when the top 10% of "high growth firms" in a large sample of enterprises were selected based on six separate growth metrics, more than 40% met at least one qualification condition.

According to Davidsson et al. (2010) only 16.6%, however, passed the test for three or more criteria, and only a meagre 2.5% were labelled as "high growth enterprises" regardless of the criterion applied. As these researchers further note, this conclusion is supported by the extremely low correlations between some of the growth measures. They isolate seven distinct types of "high growth enterprises" using cluster analysis, each with significantly different growth trends and origins. They come to the conclusion that different modes of growth may have diverse antecedents and effects and that company growth is a multi-dimensional phenomenon as opposed to a one-dimensional one. As a result, they could also require various theoretical justifications.

Growth can take many different forms in addition to what Kiyabo and Isaga (2020) address, such as the degree of vertical integration, related or unrelated diversification, and the usage of licencing (Killing, 1978). According to Lubatkin and O'Neill (1987), various diversification strategies can be identified. Growth may take the shape of the company entering a brand-new, non-overlapping market for a product that is related to its technology or marketing expertise. Diversification in allied industries is another name for this.

All start-ups aspire to expand. Increased accounts receivables will cover this expense if inventory requirements rise along with greater sales. A growth trap develops when a business requires more funding than it can make through profitability. According to The most frequent reasons for small business failure, according to Meressa (2020), are a lack of capital, the retention of an inadequate management team, a defective infrastructure or business strategy, and poor marketing tactics. While many small businesses in a variety of industries do well and are regularly profitable, only around 33% of small businesses survive for ten years or more (Sorenson et al., 2021), with 50% failing within the first five years.

2.1.2 Financial Literacy

Financial products like mortgages, student loans, health insurance, and self-directed investment accounts have all increased in popularity, claim Greenwood and Scharfstein (2013). The necessity for society to comprehend how to effectively use them has increased as a result. Although there are several skills that go under the category of financial literacy, one is basic household budgeting. Understanding how to manage and pay off debt, as well as analysing the advantages and disadvantages of different credit and investment programmes (Walstad and Rebeck, 2017).

Financial literacy includes understanding and using a variety of skills related to budgeting, debt management, and debt repayment, as well as credit and investment products, according to Atkinson and Messy (2013). Budgeting, tracking expenses, paying on time, saving wise money, monitoring regular credit reports, and investing in the future are all basic steps to improving your personal finances.

Unlike large companies where founders can hire professionals from different disciplines, SMEs need an owner who understands everything from marketing to operations, product placement, and design to finance. Kutani et al. (2015) SMEs without financial expertise budget, maintain accounts and taxes, calculate prices, and far increase revenue and success rates to ensure continued success. He argues that predictions are still expected. For these small businesses, the line between personal and business funding is thin, as owners often rely on creditworthiness and resources to succeed in their businesses (Appelbaum and Batt, 2014). Financial literacy is very important because it provides business owners with the tools they need to run their businesses efficiently. Smith and Barboza (2013) indicate that SME owners should only follow the counsel of seasoned financial professionals with a track record of accomplishment.

Financial literacy is considered an important tool for SME success because it helps to comprehend and assess the information needed to make day-to-day decisions that have a financial impact on day-to-day management. Bosshardt and Walstad (2014) argue that financial literacy has five core competencies. Its earnings, savings, investment, spending, borrowing and protection. The goal behind financial education is to help people better understand basic financial concepts and better manage their money. Individuals can benefit from financial literacy as it gives them the confidence to run their businesses wisely. Kutani et al. (2015) financial literacy argue that small business owners build strong money habits early on and provide the basis for avoiding many mistakes that lead to lifelong money struggles in their business.

2.2 Theoretical Review

2.2.1 Resource-Based View (RBV)

Small businesses compete on the basis of their assets and abilities. According to Shafeey and Trott (2014), the RBV established a framework for describing how small enterprises gain a competitive edge. Small firms gain a competitive edge when they add more value to their customers than their competitors, and their competitors are unable to imitate the technique (Eniola and Ektebang, 2014). Small enterprises, according to the RBV, have diverse sets of resources for completing specific tasks. Shafeey and Trott (2014) maintain that small businesses get a competitive edge when competitors find it difficult to duplicate their resources. Four conditions are utilized in the framework to determine whether a resource can produce a competitive advantage.

The resource must be precious, uncommon, unique, and exploitable by the organization to meet the criteria (Coleman et al., 2013).

By putting in place significant resources, small firms can gain a competitive advantage. According to Kozlenkova et al. (2013), resources are useful if they assist a small business in implementing cost-cutting or revenue-generating tactics. Resources are useful, according to Barney (1999) when they allow a small organization to take advantage of external opportunities or mitigate external dangers. External opportunities aren't enough to gain a competitive advantage because competitors may already have the resource or copy it (Barney, 1999). When resources are difficult to obtain or develop, they are controlled by a few competing enterprises and are imperfectly imitable (Kozlenkova et al., 2013).

Exploiting resources that are valuable, uncommon, and unique results in a competitive advantage, but the business must have the infrastructure to achieve the resources' full competitive potential (Barney, 1999). Organizations aim to put in place and harness resources that provide them with a competitive edge. Most traditional strategies for small firms to compete are imitable, transferable, and do not create a competitive advantage, small business owners realized. Small firms are looking for ways to gain a competitive advantage that their competitors will find tough to match (Coleman et al., 2013).

2.2.2 Decision-Utility Theory

Decision utility describes the utility that we perceive and use to make decisions, whereas empirical utility describes the actual consequences of actual decisions. The various types of utility have resulted in a new understanding of utility and its function in decision-making.

The first to link cash flows to the valuation of assets and liabilities and their significance in investment choices was this deterministic utility theory. In the end, it served as the foundation for the Financial Accounting Standards Board's conceptual framework and generally accepted accounting ideology. A primary goal of the residual equity approach is to integrate a better financial reporting culture with the best financial management practices. In an ongoing project for SMEs, theory establishes a guide to financial literacy.

The present value of a company's stock depends primarily on expectations of future earnings. Our future financial condition depends on our expected total earnings less certain commitments, payments to certain shareholders and reinvestment requirements. In order to achieve sustained growth and gain business advantage, Penrose (1959) describes a management framework used to identify computational resources that may provide a company with a comparative advantage. She developed the so-called resource-based view theory. She assumes that the most important factors for the company's growth are her knowledge, motivation and entrepreneurial talent.

This notion emphasised that it is the entrepreneur's perspective on the future and potential prospects that will most affect how the business develops over time. When it comes to MSMEs, growth helps owner-managers make informed business decisions, seek out and seize opportunities, build trust with others, and ultimately persuade them to dare to invest in their companies. It depends on how well you have the right information to do so.

Consistent with this theory, this study proposes that financial literacy can affect the growth of small businesses. This takes corrective action by improving the ability of owners or managers to make sound financial decisions, raise the necessary capital, and employ appropriate systems to measure financial performance.

2.3 Empirical Review

2.3.1 Budgeting Literacy and Growth

The purpose of Lusimbo's (2016) study was to ascertain the connection between financial literacy and the expansion of MSEs in Kenya. As of 2015, Kakamega Central Sub County has 1300 MSEs registered under a single business permit. The study used a descriptive cross-sectional survey design. In order to choose respondents, a stratified proportionate sampling strategy was used, and 306 MSEs were chosen using Yamane's algorithm. Primary data were gathered through the use of a structured questionnaire, while secondary data were gathered through the use of document analysis. Using SPSS, percentages, frequencies, and means were used to evaluate the data.

Findings show that while the majority of MSE managers had a fair understanding of debt management, they were not comparing terms and conditions before buying financial products, which could have affected their financial decisions regarding when to borrow money, how much, and from whom. This could have resulted in subpar business performance. The majority of MSE owners, according to the results, do not engage in formal financial planning, budgeting, or control, nor do they keep proper books of account or prepare financial statements, which enhances the opaqueness of their information and may limit their access to financing. Despite acknowledging the necessity of maintaining bank accounts for their businesses, the majority of respondents find it difficult to make use of the current banking services. The findings also show that companies with managers who lack financial literacy have experienced little to no development over time.

The goal of Shiny Rajan and Ramancha's (2022) study is to evaluate the financial literacy of female entrepreneurs and how it relates to the success of their business ventures. Other goals of the study included identifying the challenges they faced and comprehending the demand for women entrepreneurs. Women entrepreneurs in Hyderabad, Telangana, were asked to complete a structured questionnaire that included questions about company success and financial literacy.

Success in business is determined by the number of years the company has been operating, the number of employees, the revenue, and the rate of revenue growth. Five core factors—knowledge of funding sources and investments, financial planning, budgeting and control, record keeping/bookkeeping, risk management, and a few questions on financial terminology are used to evaluate financial literacy. The data have been analysed using correlation, regression, and descriptive analysis.

Determining the association between financial literacy and the performance of small and medium firms in Uasin Gishu County was the major goal of Chepngetich's (2016) study. The theory of planned conduct served as the study's foundation. 1053 registered SME owners in Uasin Gishu County were included in the survey. A sample of 290 SMEs was chosen using random and cluster sampling approaches. Utilizing structured questionnaires, data was gathered. The reliability of the data-gathering instruments was tested using the test-retest methodology. The data was analysed using descriptive statistics, and it was displayed as frequencies, tables, percentages, averages, and standard deviations. Data were analysed using inferential statistics and Pearson correlation.

The findings demonstrate that the success of SMEs is significantly impacted by financial literacy in budgeting and borrowing. SME owners should advance their training in interest rate computation and budget understanding as they control whether the budget will be carried out as intended or not. Workers must also have the necessary reporting and analysing abilities.

At a private, Liberal Arts University in the Pacific Northwest, a survey was conducted by Yuan (2015) to ascertain how financial literacy may affect students' budgeting practises. Different types of financial literacy questions were asked of respondents to gauge their level of knowledge regarding finances, and questions on financial behaviours were asked of respondents to examine the connection between financial literacy and financial behaviours.

Demographics, math prowess, education, and personal judgement were also included in the questionnaire. According to my research, a student's first year of college is the single element that influences their spending habits. Long-term pupils at the institution might develop an understanding of how to manage their finances.

Bayar et al. (2017) examined the influence of financial literacy on personal savings. One of the key predictors of long-term economic growth is variables like capital stock, human capital, technological advancement, financial development, institutional development, infrastructural development level, and trade openness. By encouraging savings and fostering the growth of the financial sector, financial literacy has the potential to have an impact on economic growth.

In this study, logistic regression analysis was used to examine how financial literacy among Usak University staff members affected their ability to save for their own goals. They discovered that personal savings were favourably impacted by financial knowledge, income level, age, and education levels, but negatively impacted by risk tolerance.

2.3.2 Debt Management Literacy and Growth

Kotzé and Smit's 2018 study examines the views of 286 business management students with at least three years of management and work experience towards financial literacy, as well as their need and desire for financial education. According to a prior study, one of the most important funding sources for the start-up of entrepreneurial ventures is personal savings. Lack of personal resources and what appears to be a lack of financial awareness may be to blame for the high failure rate and low rate of new venture development among South African entrepreneurs.

The results of the study show how crucial financial education and literacy are in South Africa. The respondents admitted that they didn't have much faith in their capacity to manage their money and that they needed to become more financially literate. With improved financial literacy, there may be more entrepreneurial activity and fewer failing new businesses.

Irikefe and Opusunju (2021) study examined the impact of financial literacy on the development of MSMEs at the Murg Shopping Mall in Abuja, Nigeria. The study made use of a descriptive survey research design and survey research tools. The study used a primary source in which structured questionnaires were used to capture qualitative data, which were then transformed into quantitative data using a five-point Likert scale. A total of 208 data collection devices were distributed, and 200 of them were correctly completed and returned, or 96.1% of the total.

Following that, inferential statistics like regression and analysis of variance were used to analyse the data. As a result, the null hypothesis was rejected because the estimated value ($107.666>2.42$) was higher than the critical threshold. In conclusion, financial literacy had a sizable impact on the expansion of MSMEs in Abuja's Murg Shopping Mall. However, of the four proxies of financial literacy examined, knowledge of debt management, bookkeeping, and banking services had the most positive effects on the growth of MSMEs, whereas knowledge of budgeting was negligible. It was consequently suggested that organisations train MSMEs in the areas of debt management literacy, financial services literacy, and bookkeeping literacy if they want to carry out effective corporate social responsibility initiatives to expand MSMEs.

The goal of Mberia and Wachira's (2021) study was to determine how the financial performance of Equity Bank-trained women self-help groups in Machakos Town, Kenya, was impacted by their knowledge of money matters and their ability to handle their finances effectively. The Bruce Tuckman Theory of Group Development and Expectancy Theory were two ideas used in the study technique. The research gap resulted from the critique of the current literature and the outline of empirical studies. 33 women's self-help groups that are registered with and educated by Equity Bank were the intended audience. A purposive sampling approach was employed to determine sample size since it concentrates on specific features of a population, and a census sampling design was utilized to ensure the correctness of the subdivision subdivisions. The study's instrument for gathering data was a structured questionnaire. Budget training has been linked to the financial success of women self-help groups in Machakos Town in a significant way, per budget training research, which means that adding a unit on budget training will increase these groups' financial success by 0.255 multiple units. According to additional research on the topic, the inclusion of a unit on debt management training skills will boost the financial performance of women self-help groups in Machakos Town by 0.600 multiple units. With an R-value of 0.600 and a p-value ranging from 0.005-0.05. The relationship between debt management skills training and the financial success of Machakos Town women's self-help groups was substantial.

The 2018 study by Usama and Yusoff looks into the relationship between business performance and financial literacy among entrepreneurs in Nigeria's Bauchi State. 500 entrepreneurs were randomly selected to receive a survey questionnaire, and 386 usable returned questionnaires were received. The results revealed a statistically significant relationship between a number of financial literacy skills and the achievement of entrepreneurial ventures.

The findings show that improving business performance requires a strong understanding of finance. Entrepreneurs must therefore improve their financial literacy abilities if they want to improve the performance of their businesses.

Gaudence et al.'s (2018) study examine how financial literacy influences loan payback among SMEs of microfinance organizations. Determine the effects of budgeting and debt management literacy on loan repayment among SMEs in Rwanda, as well as the effects of accounting literacy on loan payback among SMEs in Rwanda, were the particular objectives. The study used a descriptive quantitative research design. A sample size of 178 out of 320 SMEs from INOZAMIHIGO SACCO in Nyaruguru District was chosen using Yamane's method. Deliberate and simple random selection methods were employed to choose the population and distribute questionnaires, respectively. The data was processed by the SPSS software, version 20, and then presented in tables and graphs. Using correlation and regression analytic approaches, the link and effect of financial literacy variables on loan payback among SMEs of Umurenge SACCOs were investigated.

The findings revealed a significant favourable relationship between bookkeeping, budgeting, and debt management knowledge and loan payback. Additionally, the R-squared was 77.2%, showing that the financial literacy factors accounted for a greater proportion of the variation in loan repayment. The report recommends that SACCOs broaden their financial education initiatives to encompass all members and encourage participation in these courses. In order to provide their members with high-quality training, SACCOs need also to hire highly experienced trainers. The study's recommendations are insightful for the public and commercial sectors, particularly local governments and Umurenge SACCOs, who may use them to develop strategic policies that will promote SME loan payback. The study is also helpful for academics because it adds to the body of literature.

Okello et al. (2017) study aim to demonstrate the moderating role of financial literacy in the relationship between small and medium enterprise (SME) growth and financial access in developing economies. Therefore, the goal of this study is to ascertain whether financial literacy in a developing nation like Uganda alters the relationship between SME growth and funding access. The study employed a cross-sectional research approach and collected data from 169 SMEs in the central marketplaces of Jinja and Iganga. The association between access to finance and the expansion of SMEs in emerging nations was tested using the Excel tool ModGraph to determine whether financial literacy had a moderating influence.

The findings demonstrate that financial literacy significantly and favourably modifies the relationship between SME development and financial access in emerging markets. Financial literacy and access to financing have a large and positive impact on the growth of SMEs in undeveloped countries.

Wafula's (2017) study's goal was to determine how financial literacy affects small-scale farmers in Trans Nzoia County's financial inclusion. The county of Trans Nzoia's small-scale farmers was the intended audience. 384 farmers in Trans Nzoia County, who were chosen at random from the several sub-counties within Trans Nzoia, made up the sample size. Primary data were gathered for the study using a questionnaire. A pilot test was performed prior to data collection to ensure the validity and dependability of the device. While reliability was evaluated using Cronbach's test, content validity was examined with the supervisor's assistance.

The researcher gave out the questionnaires to the small-scale farmers. The gathered information was cleaned, checked for accuracy and readability, and then entered into SPSS (Version 20) for analysis. Both descriptive and inferential statistics were applied to the data analysis. For inferential statistics, a multiple linear regression model was employed to determine the relationship between the variables. Charts, frequency tables, and percentages were used to present the data after analysis.

The study discovered that small-scale farmers' habits of saving, debt management, financial planning, and investment greatly influenced their ability to access and apply financial practices. According to the study's findings, financial inclusion, investment practises, debt management, and saving habits are all positively and significantly correlated. They consequently utilised the financial services to store money for later needs. Additionally, the use and accessibility of financial services by small-scale farmers are greatly increased by a rise in debt management techniques. When small-scale farmers are aware of their investment possibilities, they are more likely to use and access financial institutions for services like savings and loans to advance their investments.

2.3.3 Bookkeeping Literacy and Growth

The purpose of the study was to ascertain how financial literacy impacted the growth of microbusinesses. The study specifically aimed to determine the impact of banking services literacy, bookkeeping literacy, budgeting literacy, and debt management literacy on the expansion of micro-firms. A descriptive research design was adopted in this study. A sample of 329 respondents was chosen from the 1859 microbusinesses in Nairobi County that were the study's target demographic and received finance from the Uwezo Fund. The study used questionnaires to gather primary data. The quantitative data was analysed using descriptive statistics, and the results were reported using percentages, means, standard deviations, and frequencies. The data was presented in prose as well as in bar charts, graphs, and pie charts. To determine the significance and direction of the association between the independent variables, the study utilised multiple regression models.

The study discovered that banking service literacy, debt financing literacy, and bookkeeping literacy all positively and significantly influenced the growth of micro-enterprises funded by the Uwezo Fund in Nairobi County. The expansion of microbusinesses will therefore increase with every unit that financial service literacy increases. The report recommends that UWEZO fund educates its loan applicants. By doing this, their financial management would be enhanced.

The study's objective was to investigate how much SMEs' use of bookkeeping and accounting practises affects their capacity to function and grow. Its goals were to determine the types of bookkeeping and accounting procedures used by SMEs, the extent to which bookkeeping and accounting data support the SMEs' operations, growth, and performance, the general attitude of SMEs owners towards bookkeeping and accounting procedures, and the challenges faced by SMEs entrepreneurs in bookkeeping and accounting procedures. The sample for the study consisted of 120 SMEs in Accra with a minimum five-year operating experience. By distributing questionnaires, Dominion University College students contributed to the data collection process. Descriptive statistics and Pearson correlation were then used to assess the data. The findings show that some SMEs' managers and owners do keep auxiliary books of accounts. The findings showed that by maintaining accurate records, they were able to make crucial business decisions and changes that allowed them to reduce operating costs while boosting productivity and efficiency.

The study's conclusions demonstrate that although the owners and managers of SMEs had a positive attitude towards keeping books and records of their financial transactions, they lacked sufficient knowledge of the recording. The study's findings also demonstrate that SMEs' owners faced a variety of challenges when maintaining records, including a lack of accounting knowledge, a lack of specific guidelines for bookkeeping and accounting recordkeeping, apprehension about being disheartened in the event of a setback, a lack of resources for education and training, as well as time and financial constraints. The results also showed a positive relationship between bookkeeping practises and SMEs' performance and expansion in Ghana.

The Arinda (2019) project in Ntungamo municipality sought to investigate the effects of financial literacy on the financial performance of small and medium-sized enterprises. It was motivated by three goals, including assessing the impact of bookkeeping literacy on the financial performance of small and medium-sized businesses in the municipality and assessing the impact of budgeting literacy on financial performance. The researcher used a cross-sectional survey approach and employed stratified random sampling to choose a sample of 97 SMEs. A self-administered questionnaire with Likert scale questions was used to gather responses. To determine the relationship between the variables, regression analysis was carried out on the acquired data using SPSS version 23.0.

The study found that debt management and bookkeeping literacy significantly and statistically influence and predict the financial success of SMEs (Adjusted R2=0.096, P-value =0.007). However, at p= 0.169, which is greater than the 5% level of significance, the influence of budgeting literacy positively but insignificantly affects financial performance. Financial literacy generally has a beneficial impact on financial success, and its impact is significant (p-value= 0.025, Adjusted R square=

0.116) at a 5% level of significance. The study finds that SMEs' financial performance is highly impacted by financial literacy.

2.4 Conceptual Framework

A conceptual framework is an analytical tool with multiple settings and modifications. It may be used in a variety of vocations where a comprehensive picture is required. It is used to order and categorise thoughts. The conceptual framework is depicted in Figure 2.1.

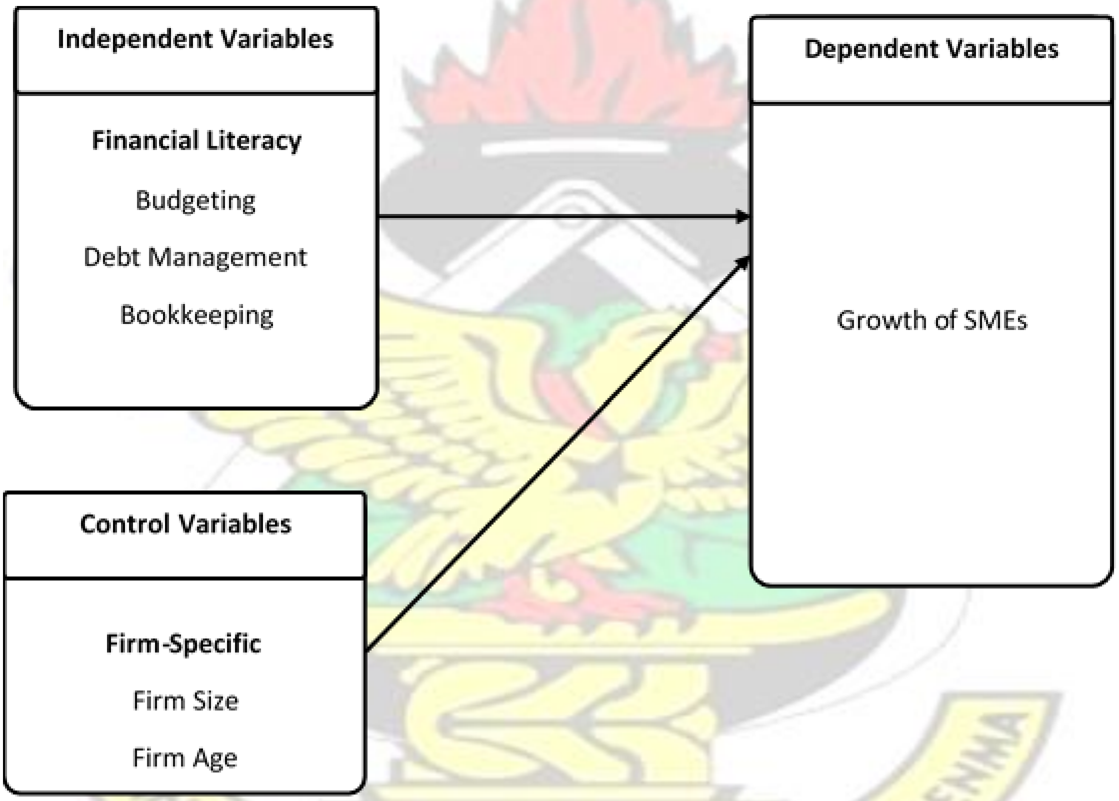

Figure 2.1: Conceptual Framework

Source: Author Construction (2023).

As shown in figure 2.1, the independent variable is Financial Literacy which also comprises budgeting, debt management and bookkeeping which are resources firms need to grow their business which is the dependent variable. According to Shafeey and Trott (2014), the RBV established a framework for describing how small enterprises gain a competitive edge. Organizations aim to put in place and harness resources that provide them with a competitive edge. Most traditional strategies for small firms to compete are imitable, transferable, and do not create a competitive advantage, small business owners realized. The prime objective of this study is to investigate the influence of financial literacy on the growth of SMEs.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This section presents the analytical techniques and practices that are employed to meet the research's goals. This chapter covers the methods used in data analysis, such as the description of the data obtained, data type, source, technique, and so on. The research design, study population, sample size, sampling techniques, and data collection and analysis procedures are also covered in this chapter.

3.1 Research Design

The study specifically employs a quantitative descriptive research strategy, with which it will gather quantifiable data for the population sample's statistical analysis. The purpose of quantitative descriptive research is to aid in statistically describing, aggregating, and presenting the relevant constructs or relationships between them.

3.2 Population Size

The population of the study includes SMEs in the Techiman Municipality. The Ghana Enterprises Agency has registered 215 SMEs in the Municipality. Since the study is about SMEs in the Techiman Municipality, 215 constitute the population of the study. SMEs in the services, manufacturing and trading sectors are used for the study.

3.3 Sample Size

In research, the appropriateness of sample size is a critical concern. However, there is no definitive solution to the question of how big a sample should be (Vasileiou et al., 2018). According to Becker et al. (2012), a decent sample size should not be judged in terms of its relative size to the population size; what matters is the sample's absolute size, not its relative size.

Since the population is large some of the SMEs are being sampled based on the Slovin formula. In accordance with Tejada and Punzalan (2012), the sample size (n) is determined by multiplying the population size (N) by the margin of error (e).

It is computed as n = N
$(1+Ne^2)$.

Whereas: n = no. of samples

N = total population which is 215 for this study

e = error margin/margin of error which is also 0.05 (confidence level of 95 per cent)

$$\frac{215}{1+215(0.05)^\wedge 2}$$

140

Therefore the sample size for the study is 140.

3.4 Sampling Technique

In this investigation, a straightforward random sample technique is employed. Simple random sampling uses 140 randomly generated integers, which are used to select a sample for this study.

The SMEs were selected at random for the study. And the respondents included the owners or managers of the selected SMEs. All the SMEs in the population set have an equal probability of getting picked since the SMEs that make up the subset of the broader group are selected at random. A balanced subset in this situation has the best chance of accurately representing the larger group as a whole while staying prejudice-free. Picking a sample from a bigger population is considered a fair strategy because every member of the population has an equal probability of being chosen.

3.5 Research Collection Instruments

The researcher will learn from the respondents, who are SME owners or managers, and use the information they provide to further the study by using data collection devices to gather pertinent information from them. In this study, questionnaires are used as the main data collection method. Information is gathered directly from primary sources with consideration for the analytical mission. As the primary technique for gathering data for the study, a formal questionnaire is used. A closed-ended questionnaire is used. It is made up of two sections (A and B).

3.6 Measurement of Variables

Table 3.1 is showing how each of the study variables is measured, the sources of the measurement instrument and the description.

Table 3.1: Measurement of Variables

Variables	Construct	Description	Measure
Dependent			
Firm Growth	N/A	The approach for achieving long-term development goals	5 Likert scale questionnaires
Independent			
Financial Literacy	Budgeting	the process of creating a plan to spend your money	5 Likert scale questionnaires
	Debt Management	a way to get your debt under control through financial planning and budgeting	5 Likert scale questionnaires
	Bookkeeping	the everyday practise of entering your business's financial activities into structured accounts	5 Likert scale questionnaires
Control			
Firm-Specific	Firm Size	Age is the length of time during which a being or thing has existed.	Years of existence
	Firm Age	The scale of organization and operations of a business enterprise	Number of employees
	Firm Sector	An area of the economy in which businesses share the same or related business activity	Sector of operation

Source: Author’s Construction (2023)

3.6 Validity of the Research Instrument

Cronbach's alpha is used in SPSS to measure the reliability of a research instrument. Cronbach's alpha is affected by total variance, test item count, and average covariance between item pairs. Cronbach's alpha is commonly used to assess the internal consistency of a survey or questionnaire with several Likert-type scales and items (Vaske et al., 2017). Using Cronbach's alpha, two items are considered to be measuring the same thing.

3.7 Data Analysis

The researchers are making use of statistical tools known as the Statistical Package for the Social Sciences (SPSS) in order to produce the data analysis based on the aims and queries from the study. The gathered data will be sorted, categorized, and tabulated for convenience of analysis. Descriptive statistics make up a significant portion of the data analysis. The results of the data processing are then examined, conclusions drawn, and submissions made.

3.8 Model Specification

The specification of the model is being used for determining which independent variables include and exclude the equation for regression. The necessity for model selection always arises from the researcher's goal to discover the relationship between the independent and dependent variables. The analysis below is demonstrating the connection between the dependent variable and all other relevant variables to help understand the general purpose of this study and in trying to evaluate the impact of changes in all the independent variables on the dependency variable.

$$\text{Growth} = a + \beta_1 \text{AGE} + \beta_2 \text{SIZE} + \beta_3 \text{Sector} + \beta_4 \text{BUL} + ei \quad \text{………......Model 1}$$

$$\text{Growth} = a + \beta_1 \text{AGE} + \beta_2 \text{SIZE} + \beta_3 \text{Sector} + \beta_5 \text{DML} + ei \quad \text{……….... Model 2}$$

$$\text{Growth} = a + \beta_1 \text{AGE} + \beta_2 \text{SIZE} + \beta_3 \text{Sector} + \beta_4 \text{BKL} + ei \ \ldots\ldots\ldots \text{Model 2}$$

Where

Growth	=	Firm Growth
AGE	=	Firm Age
SIZE	=	Firm Size
Sector	=	Firm sector
BUL	=	Budgeting Literacy
DML	=	Debt Management Literacy
BKL	=	Bookkeeping Literacy
ei	=	error Term
a	=	Represents the y-intercept and
β_1 to β_6	=	Coefficients of Determination

3.9 Ethical Consideration

The study aims to take into account the subsequent moral standards First off, the researcher makes sure that the respondents' anonymity is upheld by hiding their identities from other respondents. Additionally, the researcher makes sure that every piece of material acquired properly references and acknowledges the study. In order to ease respondents' concerns over the nature of the research, the researcher additionally reveals to them that he is a final-year student at Kwame Nkrumah University of Science and Technology who is conducting his thesis for his course.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

This chapter presents the results obtained from the respondents through a questionnaire. The presentation is done under the characteristics information, validity and reliability of the research instrument, correlation and multiple regression analysis.

4.1 Characteristics Information

Two classes of characteristics information were sought from the respondents which include firm characteristics and manager characteristics and the results are presented in Table 4.1.

4.1.1 Firm Characteristics

In the case of the firm characteristics, three variables were on the questionnaires which include years in business as a firm, economic Sector and the size of the business. As presented in Table 4.1.

In the case of years in business as a firm, it was revealed that firms that have been operating for 0 – 5 years were 22 (16%), those between 6 – 10 years were 32 (23%), also those between 11 -15 years were 38 (27%), those between 16 – 20 years were 28 (20%) and 20 (14%) had also operated above 20 years. This implies that the majority of the firms have operated for 11 -15 years.

Another firm characteristic examined is the economic sector, it was revealed that the majority of the firms are into trading as it was revealed that 68 (49%) were trading firms, those in the services sector were 46 (33%) and the rest of 26 (19%) were in the manufacturing sector.

Table 4.1: Characteristics Information

Particulars		Freq.	Per cent
FIRM CHARACTERISTICS			
years in business	0 to 5 years	22	16%
	6 to 10 years	32	23%
	11 to 15 years	38	27%
	16 to 20 years	28	20%
	Above 20 years	20	14%
	Total	**140**	**100%**
Economic Sector	Services Sector	46	33%
	Manufacturing Sector	26	19%
	Trade	68	49%
	Total	**140**	**100%**
Size of Business	Micro	35	25%
	Small	36	26%
	Medium	47	34%
	Large	22	16%
	Total	**140**	**100%**
MANAGER CHARACTERISTICS			
Gender of Manager	Male	91	65%
	Female	49	35%
	Total	**140**	**100%**
Education Level	Certificate	52	37%
	Diploma/HND	38	27%
	Bachelor's Degree	32	23%
	Postgraduate	18	13%
	Total	**140**	**100%**

Source: Field Work (2023).

The size of business used in the study was examined, it was also found that those which are at the micro level were 35 (25%), those at that small level was 36 (26%), the Medium level firms were 47 (34%) and the large level firms were 22 (16%). This means the majority of the firm sampled for the study are at the medium level.

4.1.2 Manager Characteristics

In the case of the manager characteristics, the information inquired were gender and education level. In respect of gender, it was revealed that the majority of the respondents are male, as males constitute 91 (65%) and those that are Female were 49 (35%).

With the level of education, the study found that those with education up to the certificate level were 52 (37%), those Diploma/HND were 38 (27%), the bachelor's degree holders were 32 (23%) and those with postgraduate were 18(13%). This implies that the majority of the respondents are certificate holders.

4.2 Reliability and Validity Research Instrument

The validity and reliability analysis, which includes exploratory factor analysis and the Cronbach alpha test, is presented in this part. The reliability test is carried out in SPSS using Cronbach Alpha and exploratory factor analysis is used for the validity test. The results for both tests are presented in Table 2 and Table 3 under sections 4.2.1 and 4.2.2.

4.2.1 Reliability Test

When doing the reliability test in SPSS, Cronbach Alpha is used. Internal consistency, or how closely connected a group of items are to one another, is measured by Cronbach's alpha, which is regarded as a scale reliability indicator (Ekolu, and Quainoo, 2019). The results are shown in Table 4.2.

In order to be considered good, Cronbach's alpha must be at least 0.70; if it is less, the common range's internal consistency is poor. In the meanwhile, 0.90 is the greatest predicted value; anything greater is unnecessary.

It was revealed that the respondent agreed that they have debt management literacy (Mean=3.069, SD=0.72) and their firms are growing (Mean=3.080, SD=0.91) but they lack budgeting literacy (Mean=2.995, SD=0.75) and bookkeeping literacy (Mean=2.946, SD=0.64).

Table 4.2: Mean, Standard Deviation and Reliability for Each Construct.

Construct	Mean	Standard Deviation	Reliability	N of Items
Debt Management Literacy	3.069	0.72	0.7	5
Budgeting Literacy	2.995	0.75	0.7	4
Bookkeeping Literacy	2.946	0.64	0.8	5
Firm Growth	3.080	0.91	0.8	5
Total	**3.022**	**0.757**	**0.8**	**19**

Source: Field Work (2023).

The reliability analysis results are provided in Table 4.2. The total mean score, standard deviation, and Cronbach's alpha were all 3.022, 0.757, and 0.763, respectively, before the EFA. All of the four constructs' (19 items) Cronbach's alpha values were higher than 0.6, ranging from 0.688 to 0.832.

4.2.2 Exploratory Factor Analysis

On a set of 19 item instruments, the Kaiser-Meyer-Olkin Measure and the Bartlett's test of sphericity of Sampling Adequacy Test were run as the first steps in the exploratory factor analysis process. Bartlett's test of sphericity, a measure of the strength of the link between variables, validated the suitability of factor analysis. The results are shown in Table 4.3.

Table 4.3: KMO and BTS Results

	Result			
TEST	**DML**	**BUL**	**BOL**	**FIG**
KMO measure of sampling adequacy	0.746	0.676	0.721	0.802
Bartlett's Test of Sphericity	170.946	113.671	223.392	206.154
df.	10.000	6.000	10.000	6.000
Sig.	0.000	0.000	0.000	0.000

Note: *DML= debt management literacy, BUL= budgeting literacy, BOL= bookkeeping literacy and FIG= firm growth.*

Source: Field Work (2023).

The factorability of the correlation matrix is assumed, according to Hair et al. (2010), Pallant (2007), Tabachnick & Fidell (2007), if the Kaiser-Meyer-Olkin (KMO) is greater than 0.6 and the Bartlett's Test of Sphericity (BTS) must be significant at.05. In other words, the KMO test and BTS aid in determining whether the sampling was adequate to proceed with factor analysis (Maat et al., 2011). The researcher also needed to take into account a few additional steps, including the need that the anti-image correlation for all items to be higher than 0.5, which is the allowed limit (Coakes et al., 2003; Hair et al., 2010).

Results are substantial, as shown in Table 4.3 (DML=170.946, BUL=113.671, BOL=223.392, and FIG=206.154). For DML, BUL, BOL, and FIG, respectively, the KMO measure of sampling adequacy produced values of 0.746, 0.676, 0.721, and 0.802, suggesting that the sample size was sufficient to evaluate the factor structure.

The KMO test helps determine the validity of factor analysis of variables. Since factor analysis always derives factors, the goal is to provide a basic level of correlation within a set of variables to ensure that the resulting factor structure is objective. The methods indicated that the data were sufficient to proceed with the factor analysis because each construct had a Kaiser-Meyer-Olkin value over 0.6 and a significant Bartlett's test of sphericity value (Huck, 2012; Pallant, 2007; Tabachnick & Fidell, 2007).

Table 4.4: Communalities Results

CONSTRUCT	C	TVE
Debt Management Literacy		**65%**
We are knowledgeable about all of the bank loans available.	0.583	
We are able to compute loan interest on a monthly basis.	0.698	
We understand the consequences of accumulating debts in my business.	0.655	
Once the loan is released, we will be able to stick to the loan's goal.	0.508	
Multiple borrowings from the official and informal sectors have an impact on our debt payments.	0.784	
Budgeting Literacy		**67%**
Managers have learned about the production of yearly budgets.	0.531	
Managers of SMEs have sales forecasting expertise and knowledge.	0.744	
We are very careful with our spending and place a premium on cost reduction.	0.700	
The budgeted amount is spent wisely.	0.693	
Bookkeeping Literacy		**64%**
Management has been able to compile financial statements due to their expertise of bookkeeping.	0.551	
We were able to complete tax returns without the assistance of an expert due to our understanding of bookkeeping.	0.549	
We have the accounting expertise required for the transaction in my business.	0.626	
We were able to satisfy our debt commitments on schedule thanks to proper bookkeeping.	0.726	
Effective stock management has resulted from proper bookkeeping.	0.724	
Firm Growth		**67%**
There is regular growth in our sales	0.627	
There has been an increase in our profits	0.643	
We have expended our total assets	0.752	
We can add additional capital	0.647	

Note: *C = Communalities, TVE= Total Variance Explained*
Source: Field Work (2023).

Finally, the communalities for each item were established. According to Table 4.4, the communalities of the goods ranged from 0.508 to 0.784. Commonalities have been suggested to have acceptable cutoff values between 0.25 and 0.4, with optimum communalities being 0.7 or higher. As shown in Table 4.4 all the items recorded communalities value between 0.508 to 0.784 means all the items meet the accepted values.

The final value assessed in Table 4.4 is the Total Variance Explained (TVE) which indicates the percentage at which the items explain the variable, 65%, 67%, 64% and 67% are recorded for DML, BUL, BOL, and FIG respectively. These results imply that the research instrument is regarded as a trustworthy instrument for the study.

The study uses a questionnaire adapted from different kinds of researchers which include Irikefe and Opusunju (2021), Mberia and Wachira's (2021) and Usama and Yusoff's (2018), these researchers used different kinds of respondents and therefore used it on childhood education to validate the questions on the instrument.

4.3 Correlation Matrix

Table 4.5 displays the correlations of the variables. The correlations, in this case, Pearson's Correlation, are represented by the values. The significance level is indicated by the stars. The values show that there is a relationship between the variables.

Additionally, the variables' multicollinearity was looked at. Multicollinearity describes a largely linear relationship between two or more predictors. A multicollinear relationship between two or more predictors is frequently demonstrated by an absolute correlation coefficient of 0.8 or higher, according to Shrestha (2020).

As shown in Table 4.5, there is no problem with multicollinearity since the values between two or more predictors are below 0.80. Also, the results in Table 4.5 is showing that firm growth correlates with budgeting literacy (r=0.548, p=0.000), bookkeeping literacy (r=0.547, p=0.000), and bookkeeping literacy (r=0.702, p=0.000). The dependent variable (firm growth) was found not to correlate with none of the control variables. It was also revealed that bookkeeping literacy correlates with budgeting literacy (r=0.564, p=0.000), and bookkeeping literacy (r=0.682, p=0.000).

Table 4.5: Correlation Matrix

			1	**2**	**3**	**4**	**5**	**6**	**7**
1	Years	Pearson Correlation	1						
		Sig. (2-tailed)							
2	Sec	Pearson Correlation	0.15	1					
		Sig. (2-tailed)	0.08						
3	Size	Pearson Correlation	0.13	-0.09	1				
		Sig. (2-tailed)	0.13	0.27					
4	DML	Pearson Correlation	-0.016	-0.01	-0.011	1			
		Sig. (2-tailed)	0.85	0.91	0.9				
5	BUL	Pearson Correlation	-0.075	-0.006	0.1086	.573**	1		
		Sig. (2-tailed)	0.38	0.94	0.2	0			
6	BOL	Pearson Correlation	-0.053	-0.035	0.074	.564**	.682**	1	
		Sig. (2-tailed)	0.53	0.68	0.39	0	0		
7	FIG	Pearson Correlation	-0.02	0	0	.702**	.547**	.548**	1
		Sig. (2-tailed)	0.81	0.99	0.98	0.000	0.000	0.000	

Note: *DML= debt management literacy, BUL= budgeting literacy, BOL= bookkeeping literacy and FIG= firm growth.*

Source: Field Work (2023).

4.4 Multiple Regression Analysis

Regression analysis is done in this part. Included in this is the correlation between the independent and dependent variables and the control variables (firm characteristics).

The analysis is carried out using multiple regression. Table 4.6 lists the outcomes for the model summary.

Table 4.6. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.551a	0.304	0.283	0.77649
2	.802b	0.644	0.633	0.55564
3	.550c	0.302	0.282	0.77751

a. Predictors: (Constant), Budgeting Literacy, Sec, size, Years
b. Predictors: (Constant), Debt Management Literacy, Sec, size, Years
c. Predictors: (Constant), Bookkeeping Literacy, Sec, size, Years

Source: Field Work (2023).

As shown in Table 4.5, the R-Square values recorded were 0.283, 0.633 and 0.282 for model 1 to model 3 respectively. This implies that the models explain 28%, 63%, and 28%, respectively, of the growth of SMEs.

The next statistic is found in the ANOVA Table (Table 4.7).

Table 4.7: ANOVA

Model		Sum of Squares	df.	Mean Square	F	Sig.
1	Regression	75.27	4	18.818	60.951	.000b
	Residual	41.68	135	0.309		
	Total	116.95	139			
2	Regression	35.56	4	8.889	14.742	.000b
	Residual	81.40	135	0.603		
	Total	116.95	139			
3	Regression	35.342	4	8.835	14.616	.000b
	Residual	81.61	135	0.605		
	Total	116.951	139			

a. Dependent Variable: Firm Growth
b. Predictors: (Constant), Budgeting Literacy, Sec, size, Years
c. Predictors: (Constant), Debt Management Literacy, Sec, size, Years
d. Predictors: (Constant), Bookkeeping Literacy, Sec, size, Years

Source: Field Work (2023).

According to Table 4.8, the regression models successfully predict the dependent variable in a substantial way. This shows that the regression model's statistical significance, which was less than 0.05, and shows that, on the whole, the regression model statistically significantly predicts the dependent variable.

Table 4.9, which offers the necessary information to forecast business development from Bookkeeping Literacy, Sector, firm size, firm age, Debt Management Literacy, and Budgeting Literacy, also includes the Coefficients. Additionally, the interaction of the variable is depicted by the values in the "B" column beneath the "Unstandardized Coefficients" column.

Table 4.9's coefficients. The degree of the influence on the dependent variable is shown by the size of the coefficient for each independent and control variable, and the direction of the effect is indicated by the sign of the coefficient (positive or negative).

Table 4.9: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.99	0.36		2.76	0.01
	Years	0.03	0.07	0.03	0.41	0.68
	Sec	-0.01	0.07	-0.01	-0.12	0.91
	size	-0.05	0.06	-0.06	-0.86	0.39
	Budgeting	0.67	0.09	0.56	7.67	0.090
2	(Constant)	0.65	0.40		1.64	0.10
	Years	0.01	0.07	0.01	0.16	0.87
	Sec	0.01	0.07	0.01	0.17	0.87
	size	-0.03	0.06	-0.04	-0.54	0.59
	Bookkeeping	0.79	0.10	0.55	7.64	0.267
3	(Constant)	-0.06	0.26		-0.21	0.83
	Years	-0.01	0.05	-0.01	-0.21	0.84
	Sec	0.01	0.05	0.01	0.18	0.86
	size	0.01	0.04	0.01	0.24	0.81
	Debt Management	1.01	0.07	0.80	15.61	0.00

Dependent Variable: Firm Growth

Source: Field Work (2023).

When one independent variable increases while the other independent variables remain constant, the coefficient in regression with multiple independent variables tells how much the dependent variable is expected to increase. As shown in Table 4.9, In the case of the dependent variables, debt management literacy (β=1.01, t= 15.61, p=0.000), is found to influence firm growth positively and significantly, but budgeting literacy (β=0.67, t= 7.67, p=0.090) and bookkeeping literacy (β=0.79, t= 7.64, p=0.267) are found not to significantly influence firm growth.

4.5 Discussion of Results

The aim objective of this study is to investigate the influence of financial literacy on the growth of SMEs. Kutani et al. (2015) argued that financial literacy argues that small business owners build strong money habits early on and provide the basis for avoiding many mistakes that lead to lifelong money struggles in their business. The goal behind financial education is to help people better understand basic financial concepts and better manage their money. Individuals can benefit from financial literacy as it gives them the confidence to run their businesses wisely.

Small firms gain a competitive edge when they add more value to their customers than their competitors, and their competitors are unable to imitate the technique (Eniola and Ektebang, 2014). According to Bosshardt and Walstad (2014), some of the basics of financial literacy and its practical application in everyday life include banking, budgeting, handling debt and credit, and investing.

The first objective of the study is to examine the effect of budgeting literacy on the growth of SMEs. Small enterprises, according to the RBV, have diverse sets of resources for completing specific tasks. Shafeey and Trott (2014) maintain that small businesses get a competitive edge when competitors find it difficult to duplicate their resources. Shiny and Ramancha (2022) workers must possess the requisite reporting and analysis skills.

The study found that budgeting literacy ($\beta=0.095$, $t= 1.062$, $p=0.290$) has an insignificant influence on firm growth. This implies that budgeting literacy among SMEs does not significantly impact their growth. This is due to the fact that the SME manager was found to have a low level of budgeting literacy.

Similarly, Lusimbo (2016) found that the majority of MSE owners, do not engage in formal financial planning, budgeting, or control, nor do they keep proper books of account or prepare financial statements, which enhances the opaqueness of their information and may limit their access to financing. The findings of Lusimbo (2016) also show that companies with managers who lack financial literacy have experienced little to no development over time.

In contrast, the findings of Shiny and Ramancha's study from 2022 demonstrate that financial literacy in borrowing and budgeting has a considerable impact on SME performance. It is suggested that SME owners enhance their training on interest rate computation and budget understanding since they influence whether the budget will be implemented as anticipated or not.

According to Yuan's (2015) research, a student's first year of college is the single element that influences their spending habits. Long-term pupils at the institution might develop an understanding of how to manage their finances. Bayar et al. (2017) discovered that personal savings were favourably impacted by financial knowledge, income level, age, and education levels, but negatively impacted by risk tolerance.

The second objective of the study was to assess the effect of debt management literacy on the growth of SMEs. Penrose (1959) maintained that decision utility describes the utility that we perceive and use to make decisions, whereas empirical utility describes the actual consequences of actual decisions.

The study revealed that debt management literacy ($\beta=0.884$, $t= 10.805$, $p=0.000$), is found to influence firm growth positively and significantly. This result implies that when an SME is able to effectively manage their debt, their firm will grow. Effectively debt management contributes to the growth of a firm.

Similar to this study finding, the results of the study by Kotzé and Smit (2018) show how crucial financial education and literacy are in South Africa. The respondents admitted that they didn't have much faith in their capacity to manage their money and that they needed to become more financially literate. The likelihood of greater entrepreneurial activity and fewer failed new ventures may increase with increased financial literacy. Sabana's (2014) study depicts that debt management literacy continues to have the leading effect on MSMEs' performance, followed by bookkeeping skills and banking services literacy.

Irikefe and Opusunju (2021) found that financial literacy had a sizable impact on the expansion of MSMEs in Abuja's Murg Shopping Mall. However, of the four proxies of financial literacy examined, knowledge of debt management, bookkeeping, and banking services had the most positive effects on the growth of MSMEs.

According to new research on the topic, Mberia and Wachira (2021) estimate that the addition of a unit on debt management training skills will boost the financial performance of women's self-help groups in Machakos Town by 0.600 multiple units. Debt management education, skill development, and the financial success of women's self-help groups in Machakos Town were significantly correlated.

The results of Usama and Yusoff (2018) demonstrate that financial literacy is important for enhancing corporate performance. Therefore, to increase their business performance, entrepreneurs need to develop their financial literacy skills. Additionally, the findings of Gaudence et al. (2018) shown a substantial correlation between understanding of bookkeeping, budgeting, and debt management and loan payback.

The third objective of the study is to determine the effect of bookkeeping literacy on the growth of SMEs. Bookkeeping is important because accurate financial records are required for a business to be sustainable. With the help of proper bookkeeping, a business may better manage its cash flow, perform its financial obligations, and structure its investments.

The study found that bookkeeping literacy ($\beta=0.144$, $t= 1.390$, $p=0.167$) has an insignificant influence on firm growth. This means the level of the respondent's bookkeeping literacy is not contributing to the growth of their firm. This is because the respondents were found to have a low level of bookkeeping literacy.

These results can be explained by the findings of Okello et al. (2017) that financial literacy has a positive and significant moderating effect on the connection between SME development and financial access in developing economies. Financial literacy and access to financing have a large and positive impact on the growth of SMEs in undeveloped countries.

The study of Wafula (2017) discovered that small-scale farmers' habits of saving, debt management, financial planning, and investment greatly influenced their ability to access and apply financial practices. According to the study's findings, financial inclusion, investment practises, debt management, and saving habits are all positively and significantly correlated. In contrast to the findings of this study, Muriithi's (2020) research found that bookkeeping literacy, debt financing literacy, and banking service literacy all had positive and significant effects on the growth of micro-enterprises funded by the Uwezo Fund in Nairobi County.

Also, the results of Adomako et al. (2016) demonstrate that some SME owners and managers do maintain subsidiary books of accounts. The results demonstrated that by keeping correct records, they were able to make business modifications and important decisions, which allowed them to save operating expenses while increasing productivity and efficiency.

The study by Arinda (2019) found that debt management and bookkeeping literacy significantly and statistically influence and predict the financial success of SMEs. Financial literacy generally has a beneficial impact on financial success, and its impact is significant. The study finds that SMEs' financial performance is highly impacted by financial literacy.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.0 Introduction

This chapter summarizes the findings and conclusions reached as a result of data analysis. This chapter presents the study's recommendations and policy implications, as well as suggestions for future research studies on the subject.

5.1 Summary of Findings

5.1.1 Budgeting Literacy and the Growth of SMEs

The first objective of the study is to examine the effect of budgeting literacy on the growth of SMEs. The study found that budgeting literacy has an insignificant influence on firm growth. This implies that budgeting literacy among SMEs does not significantly impact their growth. This is due to the fact that the SME manager was found to have a low level of budgeting literacy.

5.1.2 Debt Management Literacy and the Growth of SMEs

The second objective of the study was to assess the effect of debt management literacy on the growth of SMEs. The study revealed that debt management literacy is found to influence firm growth positively and significantly. This result implies that when an SME is able to effectively manage their debt, their firm will grow. Effectively debt management contributes to the growth of a firm.

5.1.3 Bookkeeping Literacy and the Growth of SMEs.

The third objective of the study is to determine the effect of bookkeeping literacy on the growth of SMEs. The study found that bookkeeping literacy has an insignificant influence on firm growth. This means the level of the respondent's bookkeeping literacy is not contributing to the growth of their firm. This is because the respondents were found to have a low level of bookkeeping literacy.

5.2 Conclusion

The prime objective of this study is to investigate the influence of financial literacy on the growth of SMEs. The study specifically employs a quantitative descriptive research strategy, with which it will gather quantifiable data for the population sample's statistical analysis. The population of the study includes SMEs in the Techiman Municipality. SMEs in the services, manufacturing and trading sectors are used for the study. Since the population is large some of the SMEs are being sampled based on the Slovin formula. Therefore the sample size for the study is 140.

In this investigation, a straightforward random sample method is utilised. To choose a sample, simple random sampling involves the use of randomly generated integers which is 140 for this study. The primary source of the data is collected in this study through questionnaires. Cronbach's alpha is used in SPSS to determine the validity of the research instrument. Descriptive statistics make up a significant portion of the data analysis. The results of the data processing are then examined, conclusions drawn, and submissions made.

The control variables, years, the business sector and size, are found to have an insignificant effect on firm growth. In the case of the dependent variables, debt management literacy is found to influence firm growth positively and significantly, but budgeting literacy and bookkeeping literacy are found not to significantly influence firm growth.

Based on the findings, this study draws the conclusion that, rather than bookkeeping and bookkeeping literacy, the level of debt management literacy has a significant impact on the growth of SMEs. The majority of SMEs typically use credit facilities before looking for information on debt management, and as a result, they frequently borrow money from both formal and informal sectors, which leads to debt accumulation. Additionally, it was shown that SMEs misuse money, which hinders their ability to expand. The majority of SMEs do not prepare the business annual budget, which results in business transactions being undertaken based on the current circumstances, which results in irrational spending, despite the fact that budgeting improves the coordination of various functions with the ultimate goal of meeting the agreed performance levels. The survey also came to the conclusion that understanding financial services is important since it helps SMEs avoid fees and penalties for not adhering to the terms and conditions of the services they receive. The study also found that while most managers of SMEs interview customers on different bank products, relatively few frequently check the standings of their savings and loans.

5.3 Recommendations

Based on the finding of the study, the following recommendations are made:

The study found that the SMEs have a low level of budgeting literacy, therefore it is recommended that it is essential to make a concerted effort to educate SMEs on budgeting techniques, how to create a budget, and how to maintain accurate bookkeeping in order to enable them to manage their enterprises with a view to fostering SMEs' growth.

As debt management methods are favourably and strongly related to SMEs' ability to grow, SMEs should develop them. One of the tactics would be to steer clear of multiple borrowings and the buildup of a lot of debt in the company since this could impair debt payments.

Also, it is important to develop budget preparation skills because doing so will help SMEs grow because funds will be allocated to predetermined regions, making it easier to control spending when actual performance is compared to budgeted performance. Better debt management techniques need to be developed by SME management in order to bring down the debt to a manageable level that the company can serve without going into financial trouble.

5.4 Recommendations for Further Study

According to the study's findings, financial literacy accounts for 66% of the variances in the growth of SMEs, with the remaining explanations being provided by other factors. According to research on the factors influencing company growth, human capital and financial resources are the two most crucial elements influencing small business growth (Wiklund et al., 2007). So, in order to explain the unexplained portion of the changes, it is suggested by this study that additional research be done on these SMEs.

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APPENDIX A: QUESTIONNAIRES

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS

Department of Accounting and Finance

This questionnaire is intended to solicit information on the Topic **“FINANCIAL LITERACY AND GROWTH OF SMALL MEDIUM ENTERPRISES IN GHANA: A CASE STUDY OF TECHIMAN MUNICIPALITY"**. The research is purely meant for academic purposes and it is being conducted in partial fulfilment of the requirement for the award of a Master of Science in Accounting and Finance. The researcher assures all respondents that the answers provided would be treated as confidential and anonymous.

SECTION A. CHARACTERISTICS (MANAGER AND FIRM)

1. Number of years in business
   - A) 0 – 5 years [ ]
   - B) 6 – 10 years [ ]
   - C) 11 - 15 years [ ]
   - D) 16 – 20 years [ ]
   - E) Above 20 years [ ]

2. Economic Sector
   - A) Services Sector [ ]
   - B) Manufacturing Sector [ ]
   - C) Trade [ ]

3. Size of Business
   - A) Micro (1- 5 employees) [ ]
   - B) Small (6 – 29 employees) [ ]
   - C) Medium (30 – 99 employees) [ ]
   - D) Large (100+ employees) [ ]

4. Gender of Manager
   - A) Male [ ]
   - B) Female [ ]

5. Education Level Of Manager
   - A) Certificate [ ]
   - B) Diploma/HND [ ]
   - C) Bachelor's Degree [ ]
   - D) Postgraduate [ ]

Section B: Financial Literacy and Firm Growth

Kindly indicate the extent to which you agree to each of the following items using a Likert scale of 1 – 5 [where 1=**Strongly Disagree**; 2=**Disagree**; 3=**Neutral**; 4=**Agree** and 5 =**Strongly Agree**].

S/N	Statement	1	2	3	4	5
	Debt Management Literacy					
1	We have the necessary knowledge of all the loans offered by the banks					
2	We have the ability to calculate the loan interest on a monthly basis					
3	We know the implication of accumulating debts in my business					
4	We are able to adhere to the purpose of the loan once the loan is disbursed					
5	Multiple borrowing from formal and informal sectors affect our debt repayment					
	Budgeting Literacy					
1	Managers have acquired knowledge regarding the preparations of annual budgets					
2	Manager/s of the SMEs have sales forecasting experience and knowledge					
3	We are very careful with our spending and we emphasize on reduction of cost					
4	The set budget is effectively implemented					
	Bookkeeping Literacy					
1	Bookkeeping knowledge has enabled management to prepare the financial statements					
2	Bookkeeping knowledge has enabled us to file tax returns without engaging a consultant					
3	we have the necessary knowledge on accounting for the transaction in my business					
4	Proper bookkeeping has led us to meet debt obligations on time					
5	Proper bookkeeping has led to effective stock management					
	Firm Growth					
1	There is regular growth in our sales					
2	There has been an increase in our profits					
3	We have expended our total assets					
4	We are able to add additional capital					