FINANCIAL LITERACY AND FINANCIAL DECISIONS AMONG ADULTS IN GHANA; EVIDENCE FROM SEKONDI-TAKORADI METROPOLIS

BY

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DECLARATION

I hereby declare that this thesis is my own work and effort and that, to the best of my knowledge, it contains no material published by another person nor materials which have been accepted for the award of any other degree of the university, except where due acknowledge has been made in the text.

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DEDICATION

This thesis is dedicated to my family, my friends and all loved ones who supported me in one way or the other. Thanks for their unflinching love, care, support and encouragement.

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There are many people who through diverse ways have contributed in making this thesis possible and have to be appreciated. First and foremost, I thank the Lord God Almighty for His numerous mercies and also granting me wisdom, knowledge and good health without which this study could not have been done. May His name be praised.

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ABSTRACT

The objective of the study was to provide evidence of financial literacy and financial decisions among adults in Ghana, specifically the Sekondi takoradi metropolis of the western region. A cross-sectional research design with a quantitative research method was employed. A sample size of 100 was used. Convenience sampling techniques was used in selecting the respondents. Data was gathered with the help of a questionnaire designed by the researcher. Analysis was carried out with Statistical Packages for Social Sciences (SPSS). According to previous studies, level of financial literacy of a respondents does not affect his/her savings behaviour. A similar result was found for that of financial literacy and investment behaviour in this study. That is, the level of financial literacy of respondents does not have effect on financial decisions. The study also revealed that with the exception of age distribution, none of the demographic variables statistically influences savings habit. Additionally, the study indicates that with the exception of age distribution and household size, the other demographic variables do not statistically influence investment behaviour. This shows that only age distribution and household size of respondents have significant relationship on investment behaviour of people according to the data available, whiles for savings decisions, only age distribution is statistically significant in that regard. Finally, the results also indicate that the respondents are of the view that some of the major barriers to financial literacy are business news being often technical and difficult to understand by people, financial institutions professionals not often taking enough time explain financial staff, and finally, schools also not educating people well outside the business studies to be financially literate.

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CHAPTER ONE

INTRODUCTION

1.0 Background to the Study

‘Today’s financial world is highly complex when compared with that of a generation ago’ (Greenspan, 2003). However, it is important for individuals to manage their finances well and have financial security in future. In view of this, financial literacy has gained much attention and awareness worldwide. According to U.S House of Representatives, Financial Committee (2009 cited in Huston, 2010), increasing financial literacy among people is a public policy objective to improve financial decisions and welfare. Financial literacy is an essential set of skills (Oseifuah, Gyekye and Formadi, 2018; Lusardi, 2019; Goyal and Kumar, 2021), that enable one to make complex financial decisions and improve his/her well-being.

It is therefore defined, according to Lusardi and Mitchell (2013, p. 2), as ‘peoples’ ability to process economic information and make informed decisions about financial planning, wealth accumulation, pensions, and debt’. Organization for Economic Co-operation and Development [OECD] (2005) also defines the concept as ‘the process by which financial consumers improve their understanding of financial products, concepts and risks and through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being’.

That notwithstanding, it is widely viewed that good financial behaviour – that results in better financial decisions in the households-is an outcome of high level of financial literacy (Lusardi and Mitchell, 2011a, 2014; De Beckker, De Witte and Van Campenhout, 2020). For instance, Lusardi (2019, p. 1) pointed out that ‘an essential indicator of people’s ability to make financial decisions is their level of financial literacy'. From theoretical perspective, financial literacy or knowledge is regarded as 'a form of investment in human capital' (Lusardi and Mitchel1, 2014, p. 1). In the dominant financial literacy literature, it is argued that inadequate financial literacy could affect individuals' money management and cause people to have less chances of exploiting financial avenues on the financial market including stock market (Van Rooij, Lusardi and Alessie, 2007).

Several scholars have shown financially illiterates often make financial decisions that are wrong and consequently create financial problems for themselves or their households. For instance, Kotzè and Smit (2008), explained that personal financial literacy could lead to effective or ineffective debt management. Likewise, Lusardi and Tufano (2009) argued that people without sufficient financial literacy are vulnerable to financial crises and more likely to experience problems with debt. Cohen, Stack and McGuiness (2004) argued that vulnerable group of people, particularly the poor people often become reactive when dealing with complex financial situations instead of becoming proactive.

Empirical analysis show that financial literacy is not only important for developing countries but also the developed countries (Kempson, 2010; Capuano and Ramsay, 2011; Xu and Zia, 2012: Sakyi et al., 2021). This is because financial knowledge is crucial for households, firms and nations to manage financial resources effectively. It is also argued that financial literacy provides general public the capability to critically assess financial policies of government (Capuano and Ramsay, 2011; Xu and Zia, 2012; De Beckker, De Witte and Van Campenhout, 2020; Sakyi et al., 2021).

In sub-Saharan Africa, financial literacy and financial education – though the terms are often used interchangeably in literature – have received much interest from institutions, such as government agencies and financial institutions (investment firms and banking companies) (Piprek, Dlamini and Coetzee, 2004). In Ghana, considerable work has been done on financial literacy, financial inclusion and financial decisions (Chowa, Despard and Osei-Akoto, 2012; Atakora, 2013; Akudugu, 2013; Oseifuah, Gyekye and Formadi, 2018; Adam, Boadu and Frimpong, 2018; Amoah and Mungai, 2020; Koomson, Villano and Hadley, 2021; Sakyi et al., 2021). These studies recognize that financial literacy provide people with skills to make sound decisions on financial products available to them in the country.

1.1 Statement of the Problem

In Ghana, financial market is made of complex financial products and investment portfolios including treasury bills and fixed deposits, mutual funds, stocks, derivatives, and mobile money services, among others (Ghana Banking Survey, 2016). These financial products call for people to make sound decisions in order to avoid financial crisis in future. Besides, such products require people to understand it before they make informed financial decisions. Those who are not financially literate will find it difficult to invest in such products. However, in Ghana, most households do not have bank savings so they could save part of their incomes. The results from Ghana Living Standard Survey Six (GLSS 6) show that 46.4% of urban households have savings accounts. In the rural localities, only 21.5% of households have savings accounts. There is disparity in literacy rates across the country. Whereas seven out of every 10 persons (69.6%) who are 15 years and older in the urban areas is literate, only two out of every five (41.7%) of their rural counterparts are literate. In addition, about 20% of the Ghanaian adult population (15 years and older) have never attended school (Ghana Statistical Service [GSS], 2014). These statistics provide basis to investigate the level of financial literacy among adults in Ghana and how it impact their personal financial decisions.

In Ghana, inadequate financial literacy among the general population makes them vulnerable to the exploitative activities of 'susu' collectors and unregistered microfinance institutions. The Ghanaian financial landscape is fragile and changes rapidly. However, the ability to obtain financial literacy in terms of savings and borrowing, money management, insurance and investment is important for financial decisions and to avoid financial mistakes which are common among the young and the older people (Agarwal et al., 2007).

Due to low financial literacy among Ghanaian adults, many financial institutions, particularly investment firms and savings and loans companies have taken advantage of the situation to exploit them. Typical examples are DKM Ponzi Scheme and Menzgold that collapsed in 2016 and 2018 respectively. However, the DKM Ponzi Scheme and Menzgold investment scandals demonstrate that most Ghanaians' knowledge about general financial issues and investment portfolios are questionable (Beek, 2020). It is therefore vital to provide adults with financial literacy in order to have the capacity to think about how to invest in financial products (such as bonds and treasury bills) and whether to borrow in difficult situations as well as plans towards retirement and how to spend the pension package (Mireku, 2015; Adam, Frimpong and Boadu, 2017; Adam, Boadu and Frimpong, 2018).

In Ghana, several studies have examined financial literacy on different groups of the population including youth (e.g. Chowa, Despard and Osei-Akoto, 2012; Oseifuah, Gyekye and Formadi, 2018), university students (e.g. Mireku, 2015; Ansong and Gyensare, 2012; Berry, Karlan and Pradhan, 2018; Sarpong-Danquah et al., 2018), and cocoa farmers (Akoto, Appiah and Turkson, 2017). Apart from these studies, others have focused on financial literacy and planning (Adam, Frimpong and Boadu, 2017), measuring the effectiveness of financial literacy programs (Atakora, 2013), gender disparity in financial literacy among retirees (Adam, Boadu and Frimpong, 2018), effect of financial literacy among managers on the performance of small-scale enterprises (Tuffor, Amoako and Amartey, 2020) and determinants of saving habits among commercial drivers in Ghana (Sakyi et al., 2021).

To date, however, there is less research attention given to financial literacy and financial decisions among adults (both young and older adults) in Ghana. Specifically, the barriers to accessing financial knowledge among Ghanaian adults are unknown. Also, there is paucity of research that identifies the relationship between financial literacy and financial decisions among adults in Ghana. This makes it difficult for relevant stakeholders to implement policies and develop financial literacy programs for adults to obtain financial skills and knowledge. The effect of financial literacy on the financial decisions among adults is an important policy issue. This study, therefore, sought to fill this significant knowledge gap in research literature on financial literacy in Ghana and shed some light on financial literacy and financial decisions among adults with data from Sekondi-Takoradi Metropolis in the Western Region. This study conceptualizes financial literacy as people's understanding and knowledge of money management, savings and borrowing, investment portfolios, insurance and interest rates.

1.2 Objective of the study

The main objective of the study was to investigate financial literacy and financial decisions among adults in Ghana. To achieve this objective, the study focused on the following specific objectives:

i. To examine the relationship between financial literacy and financial decisions.

ii. To examine barriers to accessing financial knowledge.

1.3 Research Questions

Based on the objectives of the study, the following research questions were used:

i. To what extent does financial literacy influence financial decisions?

ii. What are the barriers to accessing financial knowledge?

1.4 Hypotheses

The following hypotheses was used to guide the study;

H_0: There is a relationship between financial literacy and saving behaviour

$H_{1:}$ There is no relationship between financial literacy and saving behaviour

1.5 Scope of the study

Contextually, the study sought to provide evidence of financial literacy and financial decisions among adults in Ghana. Geographically, the study was limited to Sekondi-Takoradi Metropolis in the Western Region by adopting a cross-sectional research design with a quantitative research methods. The study conceptualizes an adult as a person who is 18 years or more. This minimum age threshold is used because in Ghana, every person at the age of 18 could involve in decision making at both local and national level per the constitution and also decide for themselves.

1.6 Significance of the Study

Financial literacy is important for promoting financial management practices and avoiding financial mistakes. It supports social inclusion and improves people's well-being. On the national level, it induces growth. In order to deal with investment scandals like DKM Ponzi Scheme and Menzgold in the future, it is therefore important to empower the adults with financial knowledge.

However, the findings of the study provides relevant information to stakeholders in financial industry for policy formulation and development of financial literacy programs that will increase consumers' interest in financial products. The study also provides information for financial experts and relevant stakeholders in the financial industry to devise financial strategies to increase patronage of financial products and enhance people's welfare through better financial decisions. The study contributes to the growing scholarship on financial literacy and fill the gap in knowledge given the fact that there is paucity of empirical evidence on financial literacy among adults with different demographic and socio-economic characteristics in Ghana. The researchers and academicians will find this study useful for further research and policy engagement. To the best of my knowledge, this study is the first to explore financial literacy adults including older people, thus providing a baseline for future research.

1.7 Limitation of the study

The study was limited to adults aged 18 years and above in the Sekondi-Takoradi Metropolis of the Western Region. Due to time constraints, the study did not use a large sample size in order to complete the research within the time frame of the course. Also, financial constraint was a hindrance to obtain large data for generalization across the country. The researcher hired research assistants to help in the data collection to finish the research on time.

1.8 Organisation of the study

The study is divided into five chapters. Chapter one entails introduction comprising background to the study, statement of the problem, objectives of the study, research questions, significance and the limitation of the study. Chapter two focuses on a review of the literature on definitions of financial literacy, financial decisions, personal savings and financial capacity, benefits of financial literacy, dangers of not being financially literate, financial knowledge, money management, savings and investment behaviours, how knowledge in finance influences personal decisions and the conceptual/theoretical framework underpinning the study. Chapter three outlines the research methods adopted for the study. This includes the research design, sampling procedure, research instrument, data collection procedure and the methods of data analysis. Chapter four entails presentation and analysis of the study findings based on the research objectives. The last chapter provides the summary of the findings, conclusions and recommendations. It also suggests areas for further studies.

CHAPTER TWO

LITAERATURE REVIEW

2.0 Introduction

This chapter focuses on a review of relevant literature on the concept of financial literacy and its relationship with other related terms. It details the controversies and argument surrounding financial literacy. Herein, the concepts that relate to financial literacy are explained.

2.1 Financial Literacy

Over the past decade, financial literacy has attracted attention of financial institutions, International organizations, and government /non-governmental institutions (Organization for Economic Co-operation and Development (OECD), 2015). These institutions have viewed financial literacy differently due to their focus of operations, thus giving different meanings to it. However, there is no single definition of financial literacy. To Worthington (2006), financial literacy can be defined broadly or narrowly depending on the objectives of the organizations and household dynamics. Broadly, it focuses on household decisions and how understanding of economics in general affect such decisions (Lusardi and Mitchell, 2013). The narrow definition of financial literacy looks at basic money management concepts such as savings, investment, budget and insurance (Gallery et al., 2011). OECD (2017, cited in Lusardi, 2019, p. 1) aptly defines financial literacy as not only the knowledge and understanding of financial concepts and risks but also the skills, motivation, and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life".

In simple terms, financial literacy is “the ability to understand finance” (Mireku, 2015, p. 1) Again Mireku (2015) views financial literacy as the collection of skills and knowledge that enables a person to make informed and effective decisions by understanding finances. According to Remund (2010), financial literacy is more than a measure of knowledge and reflects competency in actively managing one’s own money from the point of accumulation to the point of consumption. Mason and Wilson (2000) also define financial literacy as an individual’s ability to obtain, understand, and evaluate the relevant information necessary to make decisions with an awareness of the likely financial consequences. Similarly, Lusardi and Mitchell (2013) define financial literacy as the ability to process financial/economic information and make informed decisions about financial planning, wealth accumulation, pension, and debt. Atkinson and Messy (2012) define financial literacy as the combination of awareness, knowledge, skill, attitude, and behavior essential to make sound financial decisions and to achieve individual well-being.

Judging critically by the above definitions, financial literacy goes beyond knowing about financial concepts but rather involving one’s ability to comprehend and make use of the known concept to affect one’s life positively by making informed financial decisions on his/her wellbeing. For this study, financial literacy can be defined as improving one’s financial wellbeing by making informed financial decisions as a result of the knowledge and understanding a person has of financial concepts and principles such as (investment, inflation, risk diversification, savings, dividend, time value of money and others). Although the aforementioned definitions alter in context, they bear similar meaning or focus of which Mireku (2015) argued that financial literacy is related to personal finance, financial education and financial capability. According to Mireku (2015), these are the main concepts which various authors define and describe financial literacy.

2.1.1 Personal Finance

Garman and Forgue (2011) view personal finance as how people manage their financial resources in order to achieve financial success. For Garman and Forgue, (2011)**,** personal finance is how to "resources considered important in achieving financial success; it involves how people spend, save, protect, and invest their financial resources" (p.4). It covers financial planning, tax management, credit cards, credit management, and borrowing". A good understanding and application of these is an opportunity for financial success, which include "paying minimal credit costs, purchasing quality products at low prices, financing housing on excellent terms, buying appropriate and fairly priced insurance, planning for a comfortable retirement, and passing on your estate with minimal transfer costs" (Garman and Forgue, 2011, p.4).

2.1.2 Financial Education

According to Cohen et al. (2004), financial education is about teaching of knowledge, skills and attitude needed to adopt money management practices from earning through to investing. OECD (2005) defines "financial education as the process by which individuals improve their understanding of financial products and concepts; and through information, instruction and/or objective advice develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices to know where to go for help, and to take other effective actions to improve their financial well-being".

Lusardi (2019, p. 6) is of the view that "financial education is a crucial foundation for raising financial literacy and informing the next generations of consumers, workers, and citizens''. Financially educated people make informed and better financial decisions and choices which enhance their financial and economic wellbeing since they are enlightened about information and tools needed to make such decisions (Cohen et al., 2004).

2.1.3 Financial Capability

The need for increased financial capability among the global population has never been greater like today. The changing roles where states are now increasingly shifting responsibilities to individuals to be responsible for their wellbeing during retirement, sickness etc. by ensuring adequate financial security has made this more crucial. As such, in recent times, a social movement of promoting financial capability among people is emerging fast in developed countries and also developing countries. The concept of financial capability has become necessary as being financial literate is seen as necessary but not sufficient critical decision making and planning. There is the need for one who is financial literate to have the ability to put the knowledge into action, and an opportunity to act. Financially literacy is not enough for making ends meet, planning ahead, and to choose and mange financial products properly (Lusardi, 2011). In the scholarly discourse, financial capability is viewed either narrowly or broadly. These broad categories by which financial capability is being viewed comes with a prize and a cost too.

In the narrow lens, Taylor (2011) defined financial capability using two measures: (a) one's ability to manage, and (b) take control of his /her finance. This narrow approach has been used in many developed countries including USA to measure financial capability. Surveys adopting this approach often miss used financial literacy for financial capability. In the USA, UK and Australia, many surveys of financial literacy were measured through individual's own assessment of their financial knowledge and the level of confidence in such knowledge to take decisions about financial products that affects their wellbeing (Lusardi, 2011). The problem about this narrow approach of Taylor's definition is that there is a "likelihood that overly confident people may be extremely incompetent" (Atkinson et al., 2007, p. 30). In the broad category, however, financial capability is more than the ability to manage and to total control of one's finances. It combines the knowledge with the ability to use it effectively desire financial outcomes that wellbeing positively (Atkinson et al., 2007). Lusardi (2011) built on this arguing that financial capability should "measured in terms of how well people make ends meet, plan ahead, choose and manage financial products, and possess the skills and knowledge to make financial decisions" (p.2). This work follows the broad approach and particularly the line of Atkinson et al. (2007) and Lusardi (2011).

2.2 Benefits of Financial Literacy

Financial literacy as a concept has become more imperative in the contemporary times to policy makers, as some theoretical and empirical studies suggest that financial illiteracy actually leads to poor or no planning and subsequently poverty (Bucher-Koenen and Lusardi, 2011; Lusardi and Mitchell, 2014, 2011, 2008; Amoah and Mungai, 2020). In fact, some scholars have even argued that poor planning and failure to plan is as a result of being financially unsophisticated (Lusardi and Mitchell, 2006). Several authors, reviewed in Lusardi (2012) and Hastings et al. (2012), showed that financial literacy correlate with individual financial decisions. Hilgert et al. (2003) reports a strong relationship between financial literacy and individual' day-to-day financial management. Theoretical and empirical evidence have also linked financial literacy to a "set of behaviors related to saving, wealth accumulation, and portfolio choice" (Guiso and Viviano, 2015, p. 1351). Different scholarships coupled with empirical evidence have shown that people with greater financial literacy level are more likely to understand, predict, plan and invest in financial market products, such as stocks, bonds, bills than people who are financially illiterate (Guiso and Viviano, 2015; Van Rooij et al., 2011; Yoong, 2011).

Similarly, high financial literacy positively influences people to invest in financial market in order to accumulate wealth for retirement (Lusardi and Mitchell, 2011). Poor planning has serious implications on households and individuals' wealth accumulation levels (Lusardi, 2003). For some scholars, the links are direct and not indirect (Lusardi and Mitchell, 2007a, 2007b). Lusardi and Mitchell (2011), for instance, found among 50+ USA citizens that those with some level of financial literacy tended to have high wealth (savings accounts, bonds, and stocks) accumulated towards retirement. Retirement experiences are, somehow, affected by financial security. People with high accumulated wealth tends to have satisfying retirement experiences as compared to counterpart with no or little accumulated wealth (Lusardi and Mitchell, 2011; Lusardi and Mitchell, 2007b; Baidoo, Yusif and Ayesu, 2020).

Investments and savings to accumulate wealth towards retirement is a complex situation and require a high level of financial literacy (Lusardi and Mitchell, 2007b; Baidoo, Yusif and Ayesu, 2020). Market timing in investment decision and avoidance of market distortions, scams and risky portfolios are critical and requires some significant level of financial knowledge. For example, Guiso and Viviano, (2015) in their study found that during financial crisis, high financially literate investors are more likely to leave the stock market before the crash compared to investors with no level of literacy.

2.3 Dangers of Not Being Financially Literate

As pointed above, being financially literate comes with whole package of benefits, however, the reverse is the case when a population financially illiterate. Scholarly argument has been made that poor planning and failure to plan is as a result of being financially illiterate (Bucher-Koenen and Lusardi, 2011; Lusardi and Mitchell, 2006, 2014). Lusardi (2012) and Hastings et al. (2012) review show that financial literacy has a significant influence on individual financial decisions and planning. Reported evidence shows that financial literacy has a significant influence on individuals' day-to-day financial decisions and management (Hilgert et al., 2003). Being financially illiterate is linked to a set of behaviors that negatively affect savings, wealth accumulation, and investments (Guiso and Viviano, 2015). Evidence shows that people with low or no financial literacy level are more likely not to understand, predict, plan and invest in financial market products, such as stocks, bonds, bills (Guiso and Viviano, 2015; Van Rooij et al., 2011; Yoong, 2011). Even when they attempt to invest, they are not able to critically use the available market information to avoid investing in portfolios that are highly risky and scammers.

Similarly, low or no financial literacy do not motivate people to plan and invest in financial market in order to accumulate wealth for retirement (Lusardi and Mitchell, 2011). Poor planning has serious implications on households and individual's wealth accumulation levels (Lusardi, 2003). Lusardi and Mitchell (2011), for instance, found among 50+ USA citizens that those with no level of financial literacy tended to have low or no wealth (e.g. bonds, stocks) accumulated towards retirement. Retirement experiences are, somehow, affected by financial security. People with low accumulated wealth tends to have unsatisfying retirement experiences as compared to counterpart with high accumulated wealth (Lusardi and Mitchell, 2011; Lusardi and Mitchell, 2007b).

Financial literacy is crucial when it comes to investments and savings to accumulate wealth towards retirement, because financial market is complex and require a high level of financial literacy (Lusardi and Mitchell, 2007b). Timing of investment decision and avoidance of market distortions are critical and requires some significant level of financial knowledge. Financially illiterate population is and/would not be able to process the available information and make decisions that are critical and safer. For example, Guiso and Viviano (2015) in their study using a large data set from the 2008-world economic recession found that during financial crisis, low or no financial literacy investors are more likely to stay in the stock market before the crash compared to their counterparts with high level of financial literacy. Further, individuals who are not financially knowledgeable lack understanding of the market and fall prey to scammers, mortgage with high interest rates and incur more debts.

In other breadth, Kotzé and Smit (2008, p.41) provided a more extended dangers associated with financial illiteracy to include the following:

1. Spending more than income
2. The lack of, or insufficient, record keeping
3. Not planning and implementing a regular investment program

2.4 Financial Knowledge, Money Management, Savings and Investment behaviours

In personal economic theory, money management is often imperative as far as consumption must fall within the earning capacity (Lusardi and Mitchell, 2014). Central to it is financial savvy. One's ability to understand important financial concepts and systems and the associated risks in order to make sound decisions regarding planning, savings and investment, wealth accumulation, pension and debt for improved wellbeing requires a greater level of financial numeracy. It is therefore imperative that the greater proportion of the global population should be financially knowledgeable. However, the empirical evidence suggests rather the opposite. For example, several studies have reported low level of financial knowledge among US citizens (Lusardi and Mitchell, 2011). Similar evidence has been reported in Italy (Guiso and Viviano, 2015), Germany

(Bucher-Koenen and Lusardi, 2011), South Africa (Kotzé and Smit, 2008) and Ghana (Chowa et al., 2012).

Some scholars have argued that lack of financial knowledge explains the reason some individuals and households do not follow basic recommended financial principles (Hilgert et al., 2003). Available evidence shows that there is a correlation between financial knowledge and financial behavior though the causality is unclear yet (Hilgert et al., 2003). People with greater financial knowledge are more likely to engage in and follow basic recommended economic and financial practices and behaviors–such as "paying all bills on time, reconciling the checkbook every month, and having an emergency fund" (Hilgert et al., 2003, p.311). Among college students, Norvilitis et al. (2006) found that students with greater financial knowledge had less or no debt and tended to have more saving as compared to students without financial knowledge. Hilgert et al. (2003) reported a similar evidence among US citizens. They found that people with greater financial knowledge had better management of their cash flow, positive credit management behavior. Savings and investment behaviors of financially literate and illiterate consumers as reported in their finding is, however, not surprising, but rather intriguing. One out of six, according to their findings, of the financially illiterate consumers were regular savers and three out of four of financially knowledgeable consumers were regular savers. In investment, they found similar evidence. They reported a statistically significant correlation between investment knowledge and investment behavior. Population with higher scores on investment knowledge index were associated with higher scores on investment index. Generally, they concluded that "financial knowledge can be statistically linked to financial practices relating to cash flow management, credit management, saving, and investment-those who knew more had higher index scores" (Hilgert et al. (2003, p. 321). Moreover, and more importantly, in financial market and investment portfolios, a greater level of financial knowledge is crucial for understanding, predicting and timing the market, identifying and investing in good investment portfolios and avoiding risky ones (Kotzé and Smit, 2008). For example, Guiso and Viviano, (2015) using data from Italian bank for the 2008 economic recession established that investors with higher level of financial knowledge were more likely to leave the market compared to investors with low or no level of financial knowledge.

Despite this conventional wisdom of financial knowledge being a prerequisite for positive financial behavior with strong evidence and theoretical underpinning in economic theory, some authors on the other hand, have argued with some evidence that the correlation does not and will not necessarily mean that increases in financial knowledge will eventually result in positive financial behavior (Chowa et al., 2012). For example, Kotlikoff and Bernheim (2001) study suggest that increased in financial knowledge do not necessarily result in improved financial management and positive financial behaviors. The reverse of the causality can be the case and third variables such as economic and financial socialization and family experience including culture can be influential (Chowa et al., 2012).

2.5 How Knowledge in Finance Influences Personal Decisions

Financial knowledge is critical for day-to-day decisions of individual. As a matter of fact, scholars have argued that it is a foundation upon which proper planning towards retirements can be made. For example, Lusardi and Mitchell (2014, 2011) have constantly argued that financial knowledge is a prerequisite for good life and happy experience in retirement. Personal decisions regarding savings and investments are determine by one's level of financial literacy (Kotzé and Smit, 2008). For example, Baidoo et al. (2018) findings from Ghana show that people who were financially knowledgeable and confident were able to undertake complex economic and financial calculations and estimate both for the short and long term and were more likely to save more and invest for the future and retirement than those who are financially illiterate.

Ones level of financial literacy influences his decision to invest and the timing of the investment. If one is financially knowledgeable, he is able to gauge the proper time to enter, for example, the investment market and the portfolios to invest in. In deciding to invest, financial knowledge is important to help avoid simple mistakes of entering the market at the wrong time. Such knowledge also helps to avoid the mistake of staying in the market when danger looms (Guiso and Viviano, 2015). To borrow or not to, and if to how much to is influenced by individuals' level of financial knowledge. Being knowledgeable, households would borrow as against a certain percentage of their revenue (income). The reverse is exactly the case in most case for households that are financially illiterate. The consequential effects are that they become deeply indebted and tend to have low savings and investment (Baidoo et al., 2018).

2.6 Theoretical Framework

In economic theory, a conventional approach to savings and investment postulate that households and consumers would save more when incomes are higher to support consumption when incomes fall-during retirement (Lusardi and Mitchell, 2014). Friedman (1957) posit that as households and consumers want to smooth the marginal utility over their life cycle, they would reduce consumption, optimize savings and investments. However, Lusardi and Mitchell (2014), Chowa et al. (2012) and Hilgert et al. (2003) explicitly posit that such optimization is also influenced and shaped by many factors; consumer preferences, the economic environment, social environment-e.g. family experience, economic and financial socialization, social safety net benefits, demographic factors among other features.

Economic environment and consumer behavior theories have implicitly assumed that households and individual consumers are able to execute saving decision and bring down spending for optimum marginal utility over his life cycle. Effective decision making, planning and execution of savings and investment plans, and bringing down spending requires financial expertise to understand the financial market, and to undertake complex economic and financial calculations. Delavande, Rohwedder and Willis (2008) posit that rational consumers will invest in the acquisition and application of financial knowledge to be able to understand and distinguish between risky investments portfolios and invest in safe and higher return assets. They developed a model for consumer saving and investment portfolio allocation across safe bonds and risky stocks, allowing for the acquisition of human capital in the form of financial literacy and knowledge. Indeed, their model postulate that households and consumers will invest (optimally) in human capital - financial literacy, knowledge and ability, to enable them to understand, assess and invest in safe assets and investment products with higher return. Using a similar approach, Hsu (2016) postulates that women would only priorities their acquisition of financial knowledge when the need become so imperative, for example, in circumstances of the death of their spouses. For Jappelli and Padula (2011), generous social safety nets and social security benefits will disincentivize people to save, invest and accumulate wealth, and will create less need for personal investment in financial literacy and knowledge. Further, Bernheim (1998), Goldsmith and Goldsmith (1997), Chen and Volpe (2002) and Henager and Cude (2016) also posit that demographic characteristic such as age and gender can influence and shape financial literacy across population group. Several scholars including Chen and Volpe (1998) and Ansong and

Gyensare (2012) added that income and work experience are also critical factors that shape financial literacy across population.

These body of research contribute significantly to the theoretical advancement of financial literacy, but they have their short comings. To account for these short falls and model a close to real world scenario, Lusardi and Mitchell (2014) added mortality risk, borrowing constraints, stock market returns, and health shocks, which are all now standard in theoretical models of saving as other influential factors in financial literacy into their frames of financial literacy and education.

Economic research has proven that consumers are often not rational and possess such expertise as assumed: few households and consumers possess the knowledge for undertaking and implementing complex economic and financial decisions and plans and the need to invest in the acquisition of financial knowledge (Lusardi and Mitchell, 2014). Further, acquisition of such knowledge comes with cost and as such highlight the cruciality of public financial literacy education and programs (Arthur, 2012). This has caused a public policy shift, which have now increasingly focused on improving public financial literacy and knowledge, which is believed and research has proven that such knowledge and the ability to apply is central for effective decision making and planning that optimize utility over the life cycle (Huston, 2010). A huge body of research has shown that lack of such knowledge and the ability to apply has had many engaged in wrong financial behaviors and mistakes such as over borrowing, and limited saving and investment (Lusardi, 2008).

2.7: Empirical Framework

2.7.1: Relationship between financial literacy and saving behaviour

Why do people not save enough or at all towards retirement (Lusardi and Mitchell, 2014, 2011)? Lack of financial knowledge could explain the reason some individuals do not follow basic recommended financial principles and practices (Hilgert et al., 2003). Available evidence shows that there is a correlation between financial knowledge and financial behavior though the causality is unclear yet. People with greater financial knowledge are more likely to engage in and follow basic recommended economic and financial practices and behaviors. Hilgert et al. (2003) and Lusardi and Mitchell (2014) studies provide an explicit theoretical underpinning and empirical evidence regarding financial literacy and saving behavior. Hilgert et al. (2003), for example, reported that US citizens with low level of financial knowledge were associated with low levels or no savings at all, and established a strong statistical correlation between financial knowledge and savings, while Lusardi (2003) and Lusardi and Mitchell (2011) findings suggest that financially illiterate population is unable to plan–poor planning and do basic budgeting in order to save, especially towards retirement. Among college students, Norvilitis et al. (2006) also found that students with greater financial knowledge had less or no debt and tended to have more saving as compared to students without financial knowledge. Baidoo et al. (2018) concluded from Ghana that people who are financially knowledgeable and confident will save more that those who are financially illiterate.

2.7.2: Relationship between financial literacy and investment behaviour

Investment decisions are very complex and requires a high level of financial knowledge. But as to whether people will invest or not depends on the financial knowledge of the individual consumer and the availability of income. The conventional received wisdom is that consumers with high income are more likely to invest than those with low incomes that hardly meet their basic expenditures. However, theoretical arguments coupled with empirical evidence have given a rather twist to this common understanding. In fact, the literature within the domain of financial literacy and investment suggests that there are more factors (such as economic and financial socialization, family experiences, government policies like availability of social safety nets) influencing investment decisions of individuals and households (Chowa et al., 2012). Although these factors are influential, but there exist a huge body of literature that strongly argue with supporting evidence that financial literacy is a single most influential factor influencing investment behaviors and decision of households and individuals (Guiso and Viviano, 2015; Lusardi and Mitchell, 2011).

Empirically, Guiso and Viviano, (2015), for example, established that investors with high level of financial literacy have better understanding of the market and are more likely to leave the market before any crash. Engaging in investment can sometimes be a hard decision for people with greater financial knowledge, especially when there is information asymmetry, but the available evidence suggests that there is a strong correlation between financial knowledge and investment level of households and individuals (Guiso and Viviano, 2015; Lusardi and Mitchell, 2011). Hilgert et al. (2003), found that people with high level of financial literacy had higher level of investment in different portfolios as against their counterparts with no financial knowledge. For Kotlikoff and

Bernheim (2001), financially literate people are able to undertake complex economic calculations into the future for planning and saving to accumulate more finance for investment.

2.7.4: Facilitators of and barriers to accessing financial knowledge

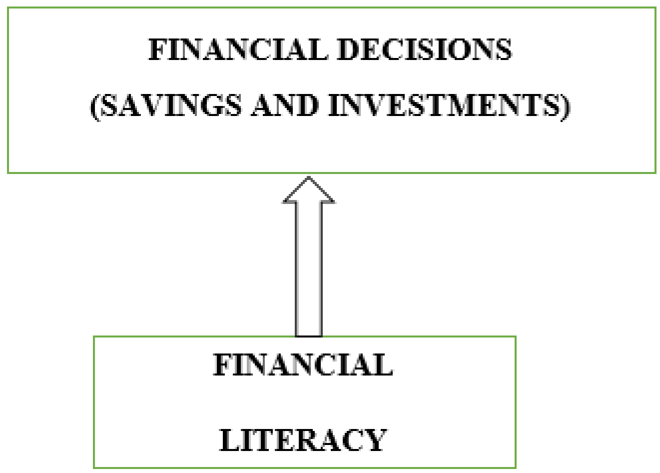
If one's financial knowledge is linked to his financial behavior, then it is crucial to know where people get financial knowledge from. This is critical not only in helping policy makers to identify pathways through financial education can be facilitated to the majority of the population, but also in identifying barriers and how to navigate and overcome them if possible. Though the literature report varied sources and facilitators of financial knowledge, but the most commonly top sources as identified is the personal experiences, friends and family, the media and the economic and financial socialization (Chowa et al., 2012). Hilgert et al. (2003), for example, in their seminal work found the greater majority of their study population reporting they used personal experiences to learn about financial literacy. What this finding in particular did it explicitly and implicitly distinguished between reading about money management and actually engaging in financial behaviors that provide more concrete learning experiences. Among the youth in Ghana, economic and financial socialization is the most common source and facilitator of financial knowledge (Chowa et al., 2012). Economic and financial socialization also appears to be the top facilitator among college students (Norvilitis et al., 2006). Arthur (2012) theoretically argued and Lusardi and Mitchell (2014) and Kotzé and Smit (2008) found that financial literacy education programs are very important and an effective mechanism for financial leaning.

However, accessing the knowledge through these common and other varied sources comes with its hard challenges. Several studies have concluded that schools and university often do not teacher and prepare the students enough in skills and knowledge for effective personal finance decisions and where such is happening, the lesson are often boring (Lusardi, 2015; Programme for International Student Assessment [PISA], 2012). Mitchell and Abusheva (2016) also pointed out “over deference to the financial industry, overconfidence about financial knowledge, lack of government initiatives, lack of life-cycle planning and interesting and fascinating ways to teach financial literacy skills” as some barriers to access financial literacy and knowledge.

2.8: Conceptual Framework

The study modified the Huston (2010) developed framework that has been widely used in financial literacy literature. The framework (Figure 1) shows the relationships between financial literacy or knowledge, education, behaviours and financial well-being (Henager and Cude, 2016). The figure shows the relationship among financial knowledge, education, literacy, behavior and well-being. In Huston’s model, human capital (in the form of high cognitive and intellectual IQ) and financial education are the most important inputs predicting financial literacy. The level of a person’s cognitive and intellectual capacity affects his financial literacy level. Sufficient knowledge and skills in arithmetic will positively impact on individuals’ financial literacy, but insufficiency in and struggles with such skills will certainly and grievously impact his financial literacy.

However, advancement in technology resulting in availability of tools such as calculators, and computer software can compensate for these deficiencies. Implicitly, these tools suggest that a more focused information that directly help in successfully navigating personal finances is more important than numeracy skills for individuals’ financial literacy development. Financial literacy is a component of human capital that can be used in financial activities to increase expected lifetime utility from consumption. Other influences such as behavioral and cognitive biases, family, peer, and economic, financial socialization, and community, institutional and demographic factors affect financial behaviours. A person who is financially literate may not exhibit predicted behaviours or increases in financial well-being because of these other influences (Huston, 2010). This study focusses on how financial knowledge, and socio-demographic factors influence financial behaviour of people.



Source: Adapted from (Henager and Cude, 2016; Huston, 2010)

Figure 2.2 Conceptual Framework

CHAPTER THREE

METHODOLOGY AND RESEARCH DESIGN

3.0 Introduction

This section of the study presents a review of the methodology adopted in the conduct of the research. Specifically, the portion focuses on the research philosophy underpinning the study, the research design, unit of analysis, sample size and sampling technique, data collection instruments and procedure for data collection. The section also presents the analytical framework and ethical standards that will be adhered to in the research.

3.1 Research Philosophy

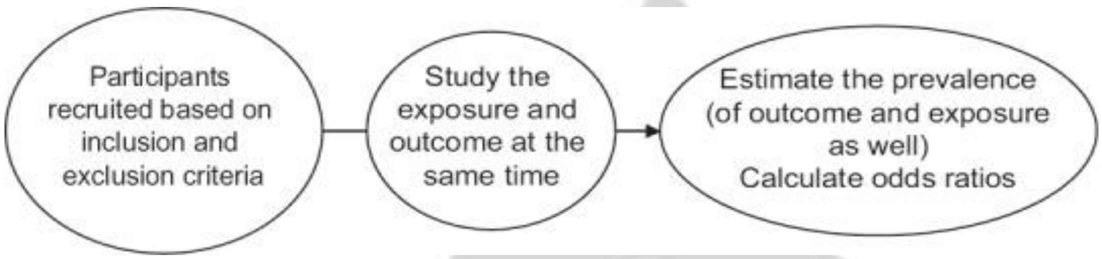
Research philosophy is considered as a central and fundamental component of every research. It spells out how the author(s) or researcher(s) perceive the functioning of the world and, centres, primarily, on reality, knowledge, and existence (O'Gorman and MacIntosh, 2014). This suggests that when choosing a research paradigm, attention must be accorded to its semblance with the fundamental assumptions, as it will define the methodological choice, research strategy and means of data collection and the analytical frameworks that must be employed (Saunders et al., 2015). The research was underpinned by the positivist approach to knowing or studying the real world.

Positivist approach focuses on objectivism and is subject to experiment and measurement (Saunders et al., 2015). This approach conforms to quantitative research approach. This will provide the researcher with a rigorous process to attaining the objectives of the study (Creswell, 2015a; Aramo-Immonen, 2011). Quantitative research approach helps to establish relationship among variables (Creswell, 2014) by applying rigorous statistical analysis (Gravetter and Forzano, 2015). Quantitative research approach is often criticised for providing a limited account for respondents to express their views and opinions regarding the phenomenon under investigation (Creswell, 2014). This study could not capture diverse standpoints of the respondents which otherwise would have obtained by qualitative research (Simpson, 2017).

3.2 Research Design

A colossal decision in the run-up to choosing a research design is the selection of the research approach, since this influences how data is to be gathered and analysed (Aaker, Kumar and Day, 2008). Components of the research approach adopted, to a large degree, determine the research design to be used in any given particular research (Leavy, 2017; Tannor, 2014). In the judgement of Schoonenboom and Johnson (2017) and Kothari (2004), the research design is seen as a plan for resolving research questions and hypotheses testing, if any. It is further acknowledged that research design demonstrates the procedure for data collection and analysis in a manner that integrates the importance of the study (Kothari, 2004). Therefore, research design cannot be ignored in any academic research that endeavours to contribute to the scientific body of knowledge, such as the extent to which financial literacy of individuals influences household vulnerability. The cross-sectional research design is employed to ensure that data is collected in a one-of fashion to make inferences about the population of interest (persons 18 years and above in the Sekondi-Takoradi Metropolis of Ghana's Western Region).

Cross-sectional surveys are described as snapshots of the populations from which data is obtained and useful in proving or disproving assumptions and capture multiple variables at the time (Bethlehem, 1999). It is argued that cross-sectional research provides a picture of the results and the traits associated with it and at a particular period in time (Hemed, 2017; Setia, 2016). It is often emphasised that cross-sectional design helps to establish the prevalence rate of an event or a phenomenon and whether the rate of occurrence varies across a group of population characteristics. Cross-sectional surveys are useful in estimating the odds ratios to study the association between exposure and the outcome variables (Setia, 2016). The exposure variable in this study is, therefore, demographic, socio-economic, financial education and human capital factors, whereas that of the outcome variable is financial literacy.



Source: Adapted from Setia (2016)

3.1 Diagrammatic representation of a cross-sectional design

3.3 Sources of Data

Within the scope of research, sources of data comprise both primary and secondary sources (Prada-Ramallal et al., 2018). The primary data constitutes any data gathered by the researcher(s) or investigator(s) directly from the unit of analysis or the respondents of the study. These data are often obtained by way of questionnaire administration, interviews, focus group discussions (FGDs) and sometimes through participant observation. The secondary data, nevertheless, refers to data provided to the researcher(s) or investigator(s) by another entity. In other words, secondary data is collected by someone else other than the researcher(s) or investigator(s). The data for this study was obtained from primary source. Specifically, the data was obtained from persons 18 years and above, living in the Sekondi-Takoradi Metropolis of Ghana's Western Region through questionnaire administration.

3.4 Unit of Analysis

Unit of analyses in research denotes the particular entity or group that makes up what is being investigated or studied within the research. The unit of analyses is, therefore, the primary entity that is being analysed in any given study or investigation. The unit of analyses for this study was persons 18 years and above, living in the Sekondi-Takoradi Metropolis of Ghana's Western Region. As such, individuals below the 18 years of age were excluded from the potential participants of the study. The choice of this age range stems from the acknowledgement of Ghana's 1992 Constitution, which classify adults as persons 18 years and above (Government of Ghana, 1992). Additionally, although under the Ghana Children Act 1998, ACT 560, it is acknowledged that the minimum age for admission of children into employment is fifteen (15 years), the minimum age for engagement of persons in hazardous work is eighteen (18 years) (McCrystal and Manful, 2011). This has ultimately set out the employment age at 18 years. As such, any engagement in the formal labour market is considered to begin at that age. It will therefore be erroneous to evaluate the financial literacy among persons below 18 years of age if the focus is to generalize it to the adult population. The 2017 population of the Metropolis was estimated at 700,034, with male population projected to be 342,317 and that of female at 357,717. The population of persons 18 years and above was estimated at 45.9%, representing a relatively youthful population.

3.5 Sample Size and Sampling Techniques

Samples are essential in social surveys as it is nearly impossible to reach or cover the entire population of interest due to a myriad of reasons. Estimating an appropriate sample size which has the characteristics of the population from which the sample is drawn is therefore of concern in the research process. The required number of respondents was selected conveniently by the researcher. This comprised of 100 persons of 18 years and above, living in the Sekondi-Takoradi Metropolis of Ghana's Western Region. This sample size was predominately for the quantitative analysis. The selection of the hundred respondents was based on factors such as time, financial resources and the COVID-19. Also, convenience sampling procedure was applied in the selection of respondents to be part of the study. That is, respondents who were readily available and accessible were used in the study.

3.6 Data Collection Instruments

The face-to-face administered questionnaire was the main instrument for data collection. The tool was used to collect data for realizing the study objectives and addressing the research questions. The questionnaire was drafted in the close-ended format to ensure easy reading to the participants. The choice of the instrument was also based on the prospects it provides for a higher response rate (Kumekpor, 2002). The questionnaire used in the current study consisted of four sections. Sections A, B, C, D and E. Section A focuses on the demographic characteristics of respondents, Section B looks at financial literacy. Sections C, D and E focus on the investment and savings behaviour, sources of financial literacy and financial literacy barriers respectively.

3.7 Data Collection Procedures

Primary data was collected with the aid of a well-structured questionnaire. The questionnaire consisted of list of questions relating to the study. Due to the COVID-19 pandemic, the questionnaire was designed online and a link was made available to respondents. Respondents who request for hard copies of the questionnaires instead because of their busy schedules were also provided with that. All COVID-19 protocols were adhered to in such situations. The researcher involve the services of other assistants to help him in the data collection. This was done in light of the population size, and time requirements. The researcher organised training for these assistance to help them get abreast with the instrument to be used for the data collection. Anonymity of respondents was highly considered. This gave the participants the opportunity to have their identity concealed. Neither names nor any identifiable information from respondents were taken. On the issue of confidentiality, effort was made to maintain confidentiality of the responses of the participants. Participants were told that their responses would be kept confidential and that no one known to them would have access to the information provided. The respondents were provided with statements and options to select from the option that best describes them. The whole data collection process is expected to last for a period of three months.

3.8 Data Analysis

The quantitative data that was obtained by way of questionnaires, was verified, carefully checked for consistency by cross-referencing it to the original questionnaires for corrections and modifications. The data was imputed into the database and analysed using SPSS software (Version 25.0). Descriptive statistical tools are used to summarize the data and presented in tables, charts and frequencies. The disparities among the study variables was established using a chi-square test. Additionally, Chi-square analysis was used to estimate the variables that are associated with financial decisions. The test results were considered significant at 0.05 or less. This was used in testing the stated hypothesis.

3.9 Ethical Consideration

The study conforms to all ethical standards. Firstly, the notion of voluntary consent (Coontz, 1999) as pertains to social science research was adhered to during the data collection process. The respondents were briefed about the purpose of the study and how the data collected was going to be used. Secondly, anonymity and privacy was guaranteed when reporting the findings from the respondents.

3.10 Summary

This chapter of the study provided a discussion on the appropriate methodology for examining the extent to which financial literacy of individuals influences household vulnerability with the Sekondi-Takoradi Metropolis of Ghana's Western Region. Mixed method approach with a cross-sectional research design was used while both questionnaires and interview guides were used to gather data from the 100 participants.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.0 Introduction

The main objective of the study is to provide empirical evidence of financial literacy and financial decisions among adults in Ghana. This part focuses on results of data gathered and discussions. In the data analysis, counts and percentages are employed. Tables are used to present the results to give a more valid illustration. All the hundred (100) questionnaires are filled and returned successfully. This accounted for a response rate of about 100%, considered satisfactory to make conclusion. Accordingly, fifty percent (50%) response rate is adequate, 60% is good and above 70% rated very high (Mugenda and Mugenda, 2003). The response rate of 100% in the current study is very high based on this assertion. The results presentations are based on the research objectives postulatively guiding the study, and Statistical Packages for Social Sciences (SPSS) is used in the analysis of the data. The analysis is presented in five different sections. These sections are; demographics, social and economic characteristics, financial literacy, investment and savings behaviour, sources of financial literacy and financial literacy barriers. The chapter is further divided into descriptive and inferential statistics. Under the descriptive statistics, frequencies and percentages are used in presenting the results. Also, under the inferential statistics, chi-square test is used in testing the stated hypothesis. The results are shown below.

4.1 Demographic Characteristics of Respondents

The focus is on socio-demographic information. Information is collected on socio-demographic variables such as gender, age, marital status, level of education and the household size. The data is analysed in Table 4.1.

Table 4.1: Demographic Characteristics of Respondents

Demographic Characteristics	**Count**	**Percentage (%)**
Gender		
Female	48	48.0
Male	52	52.0
Age Distribution		
Below years 21	3	3.0
21-30 years	65	65.0
31-40 years	26	26.0
41-50 years	3	3.0
51-60 years	2	2.0
Above 61 years	1	1.0
Level of Education		
No formal Education	1	1.0
Basic School Level	3	3.0
Certificate/Diploma	23	23.0
First Degree	61	61.0
Postgraduate	12	12.0
Marital status		
Married	68	68.0
Divorced/Separated	31	31.0
Widow	1	1.0
Household size		
Below 3	21	21.0
3 to 5	30	30.0
9 to 11	45	45.0
9 to 11	3	3.0
12 and above	1	1.0

Source: Researcher's Computation (2020)

Table 4.1 presents information on the socio-demographic characteristics of the respondents. It is observed that about 55% are males whiles the remaining proportion were females. This indicates that there are more males than females in the study. On the age distribution of the respondents, it is seen that 65% and 26% are between the ages of 21 to 30 years and 31 to 40 years respectively. These are followed by 3% each for those between the ages of 41 to 50 years and below 21. However, the least are those between 51 to 60 years and above 61 years respectively. This shows that majority (91%) of the respondents are between the ages of 21 to 40 years. With regards to the level of education of respondents, it is also observed that 61% of them hold first degree certificates whiles 23% are diploma holders. Post graduate certificate holders constitute 12% and the least are 3% and 1% for those with basic school level certificates and no formal education respectively. This also shows that most (83%) of the respondents are diploma and first degree certificates holders. With references to marital status, it is realized that 68% of them are married and 31% are single. The least is widows with only 1%. Another greater proportion (68%) are married. The researcher also sought to examine the household size of respondents. It is gathered that 48% of the respondents have household sizes of between 9 and 11. This is followed by 30% for those with household size of 3 to 5, whiles those with household size below 3 with 21%. The least is a percent for those with above 12 households. This means majority (78%) of the respondents have households of sizes 3 to 11.

4.2 Socio-Economic Characteristics

Here, the focus is on socio-economic information. Information is collected on socio-economic variables such as occupational status, sector of occupation, salary/income range, and person responsible for day-to-day decision about finances and receive any form of social support. The data is analysed in Table 4.2.

Table 4.2 Socio-Economic Characteristics

Socio-Economic Characteristics	**Count**	**Percentage (%)**
Occupational Status		
Full time	46	46.0
Part time	11	11.0
Self-employed (work on my own business)	18	18.0
Students/Unemployed/Retired	25	25.0
Sector of Occupation		
Formal Sector	68	68.0
Informal Sector	19	19.0
I do not Know	13	13.0
Salary/Income range **(GH¢)**		
Below 500	21	21.0
500-1000	36	36.0
1000-1500	14	14.0
Above 1500	29	29.0
Person responsible for day-to-day decision about finances		

Me	44	44.0
Me and my partner	8	8.0
Dad and Mum	8	8.0
Other members	3	3.0
Receive any form of Social Support		
Yes	22	22.0
No	78	78.0

Source: Researcher's Computation (2020)

Table 4.2 provides result of the socio-economic characteristics of the respondents. Regarding the occupation status of the respondents. It is observed that 46% working on full time basis. This is followed by 25% and 18% who are students/Unemployed/Retired and Self-employed (work on my own business). The least is 11% for those who work on part time basis. Thus, most (46%) of the respondents work on full time basis. Concerning the sector of occupation of the respondents. It is witnessed that 68% working in the formal sector of the economy whiles informal sector represented 19%. However, 13% of them could not identify themselves with any of the two sectors (formal and informal) of the economy. This indicates that majority (68%) of them respondents are working in the formal sector. On the age salary/income range of the respondents, it is seen that 36% and 29% receive salaries between GH¢500.00 and GH¢1,000.00 and GH¢1,000.00 and GH¢1,500.00 respectively. These are followed by 21% and 14% for those who receive between below GH¢500.00. This shows that half (50%) of the respondents earn between GH¢500.00 and GH¢1,500.00. Furthermore, with reference to the person responsible for the day-to-day decisions about finances, 64% of the respondents are responsible for the day-to-day decisions about their finances. This is followed by 25% for those who are also in charge of their day-to-day decisions about finances together with their partners. The least is 8% and 3% for those whose day to day financial decisions are taken by their parents and other members of their families. This means majority (64%) of the respondents are responsible for the day-to-day decisions about their finances.

4.3 Financial Literacy

The researcher finds out the extent of knowledge of finances of the respondents. The respondents are provided with statements to rate on a likert scale, namely, very large extent, large extent, reasonable extent, low extent, and not at all. The result is presented below.

Table 4.3 Financial Literacy Level

Financial Literacy Statements:	Count	Percentage (%)
I manage my own finances		
Not at All	2	2.0
Low Extent	8	8.0
Reasonable Extent	29	29.0
Large Extent	33	33.0
Very Large Extent	28	28.0
I am well conversant when it comes to matters to financial issues		
Low Extent	12	12.0
Reasonable Extent	27	27.0
Large Extent	30	30.0
Very Large Extent	31	31.0
I feel confident in making financial or savings decision		
Not at All	1	1.0
Low Extent	10	10.0
Reasonable Extent	25	25.0
Large Extent	32	32.0
Very Large Extent	32	32.0
I understand information received concerning financial issues		

Low Extent	9	9.0
Reasonable Extent	34	34.0
Large Extent	36	36.0
Very Large Extent	21	21.0

Source: Researcher's Computation (2020)

Table 4.3 gives results of the financial literacy of respondents. Relating to the knowledge of respondents regarding management of their personal finances, we realised that 61% of the respondents have much knowledge and for that matter manage their finances. Concerning the conversance of respondents when it comes to matters of financial issues, another 61% of the respondents are well conversant when it comes to matters to financial issues. Also, for those who feel confident in making financial or savings decisions, this represents 64%. Finally, more than half (57%) of the respondents understand information received concerning financial issues. All these are indication of the fact that to a more extent, a greater proportion of the respondents have knowledge of their finances. Thus, they are financial literally high. After ascertaining the knowledge of respondents concerning finances, the researcher again finds out some of the sources from which these respondents obtain their knowledge on financial literacy. The results are presented in section 4.4.

4.4 Sources of Financial Literacy

The respondents are provided with sources of information on finances literacy and are asked to rate it on the following likert scale; A Lot, Sometimes, Not Applicable, Not Much, and None. The results are presented in Table 4.4.

Table 4.4 Sources of Financial Literacy

Statements	None	Not Much	Not Applicable	Sometimes	A Lot
Parents	3 (3%)	23 (23%)	7 (7%)	40 (40%)	27 (27%)
Friends	4 (4%)	20 (20%)	4 (4%)	57 (57%)	15 (15%)
School	2 (2%)	16 (16%)	4 (4%)	38 (38%)	40 (40%)
Books	1 (1%)	13 (13%)	3 (3%)	39 (39%)	44 (44%)
Media/news	1 (1%)	15 (15%)	2 (2%)	48 (48%)	34 (34%)
Internet	3 (3%)	7 (7%)	3 (3%)	33 (33%)	54 (54%)
Life experiences	3 (3%)	8 (8%)	1 (1%)	43 (43%)	45 (45%)
Financial planner or counsellor (professional)	9 (9%)	24 (24%)	9 (9%)	46 (46%)	12 (12%)

Source: Researcher's Computation (2020)

Table 4.4 presents results of the sources of financial literacy. The results indicate that the respondents obtained knowledge on finances from almost all the sources provided to them by the researcher. However, the sources that respondents mainly get information on financial literacy are from schools, books, the media or news, the internet as well as from their personal life experiences. The researcher therefore delves into the financial decisions. This is critical not only in helping policy makers to identify pathways through financial education can be facilitated to the majority of the population, but also in identifying barriers and how to navigate and overcome them if possible. Though literature report wide-ranging sources of financial knowledge, the most commonly top sources as identified among them are personal experiences, friends and family, the media and the economic and financial socialization (Chowa et al., 2012). This supports the conclusions of the current study. Under financial decisions, two key variables are looked at this section, namely, savings and investment decisions. The results are illustrated in Table 4.5.

Table 4.5 Financial Decisions

Frequency of Savings	**Count**	**Percentage (%)**
Not at All	10	10.0
Not Often	12	12.0
Sometimes	26	26.0
Quiet Often	30	30.0
Very often	22	22.0
Frequency of Investments		
Not at All	4	4.0
Not Often	16	16.0
Sometimes	24	24.0
Quiet Often	33	33.0
Very often	23	23.0

Source: Researcher’s Computation (2020)

Table 4.5 gives results of the financial decisions of the respondents. In relation to the savings decisions of respondents, it recognized that 78% of the respondents have either sometimes, quiet often or very often do savings. That of investment decisions is 80%. This indicates high levels of financial knowledge or financial literacy of the respondents. These claims corresponds to the findings of several studies that have reported low level of financial knowledge among US citizens (Lusardi and Mitchell, 2011). Related indication has been reported in Italy (Guiso and Viviano, 2015), Germany (Bucher-Koenen and Lusardi, 2011), South Africa (Kotzé and Smit, 2008) and Ghana (Chowa et al., 2012). Thus, the proportion of the respondents with positive savings habit is less than that of those with investment habits. However, the relationship between these financial decision variables and financial literacy are presented in section 4.6 using Chi-square analysis.

4.6 Relationship between financial literacy and Financial Behaviour

As mentioned earlier, the relationship between financial literacy and financial behaviour of respondents are examined. The result is presented below.

Table 4.6 Relationship between financial literacy and Financial Behaviour

Financial literacy/Financial Behaviour	**Chi-Square Value**	**df**	**P-value**
Financial literacy/Savings Behaviour	12.99	12	0.37
Financial literacy/Investment Behaviour	11.75	12	0.47

Source: Researcher's Computation (2020)

The null hypothesis being tested with respect to financial literacy and savings behaviour is the there is no relationship between financial literacy and savings behaviour against the alternative. From Table 4.6, we observed that there is no statistically significant relationship between financial literacy and savings behaviour of the respondents (Chi-Square=12.99; df=12; p>0.05). That is, according to the information available, the level of financial literacy of a respondents does not affect his/her savings behaviour. This indicates that the level of financial literacy of respondents does not have effects on their savings behaviour. This assertion is congruent with the findings of the following study of Kotlikoff and Bernheim (2001). In their study, they put forward that increase in financial knowledge do not necessarily result in improved financial management and positive financial behaviours. However, the study of Guiso and Viviano (2015), using data from

Italian bank for the 2008 economic recession established that investors with higher level of financial knowledge were more likely to leave the market compared to investors with low or no level of financial knowledge. This finding is not consistent with that of the current study. Also, in another study, it was asserted that there is association between financial knowledge and financial behaviour though the causality is unclear yet (Hilgert et al., 2003). Also, according to Baidoo et al. (2018), when people are knowledgeable, they would borrow as against a certain percentage of their revenue or income. He continued that the reverse is exactly the case in most case for households that are financially illiterate. The consequential effects are that they become deeply indebted and tend to have low savings and investment.

A similar result is recorded that for that of financial literacy and investment behaviour. Thus, (Chi-Square=11.75; df=12; $p>0.05$). This indicates that the level of financial literacy of respondents does not have effects on investment behaviour. That is, financial literacy has no significant effect on financial decisions. This contention is in not in line with the findings of the following studies. Baidoo et al. (2018) findings from Ghana show that people who were financially knowledgeable and confident are able to undertake complex economic and financial calculations and estimate both for the short and long term and are more likely to save more and invest for the future and retirement than those who are financially illiterate. Similarly, works within the domain of financial literacy and investment suggest that there are more factors (economic and financial socialization, family experiences, among others) influencing investment decisions of individuals and households (Chowa et al., 2012).

4.8 Financial Literacy Barriers

The respondents are provided with statements on some barriers to financial literacy and are to indicate their level of agreement with the statements on a likert scale. That is, strongly agree (SA), agree (A), undecided (U), disagree (D), and strongly disagree (SA). The result is presented in Table 4.9.

Table 4.7 Financial Literacy Barriers

Statements	SD	D	U	A	SA
There are no Financial literacy programs around	20 (20%)	36 (36%)	13 (13%)	27 (27%)	4 (4%)
Business news is often boring	11 (11%)	34 (34%)	15 (15%)	38 (38%)	2 (2%)
Business news is often technical & difficult to understand	6 (6%)	26 (26%)	14 (14%)	48 (48%)	6 (6%)
Financial institutions professionals don't often take enough time explain financial staff	7 (7%)	13 (13%)	21 (21%)	51 (51%)	8 (8%)
Schools don't teach the general students outside the business studies to be financially literate	5 (5%)	16 (16%)	12 (12%)	49 (49%)	18 (18%)

Source: Researcher's Computation (2020)

Table 4.9 presents results of financial literacy barriers. The results indicate that the respondents the respondents are of the view that the major barriers to financial literacy are business news being often technical and difficult to understand, financial institutions professionals not often taking enough time explain financial staff and finally, schools also not teaching the general students outside the business studies to be financially literate. Accordingly, these challenges are thought of challenges to financial decisions by respondents. Several studies have concluded that schools and university often do not teach and prepare the students enough in skills and knowledge for effective personal finance decisions (Lusardi, 2015; PISA, 2012). Mitchell and Abusheva (2016) also pointed out “over deference to the financial industry, overconfidence about financial knowledge, lack of government initiatives, lack of life-cycle planning and interesting and fascinating ways to teach financial literacy skills” as some barriers to access financial literacy and knowledge.

CHAPTER FIVE

SUMMARY AND CONCLUSIONS

5.0 Overview

The main objective of the study was to provide evidence of financial literacy and financial decisions among adults in Ghana. This chapter is the last of the five chapters which presents a summary, conclusions drawn from the findings, recommendations as well as suggestions for further study. The current study was organised with the following objectives: examine the relationship between financial literacy and financial decisions, examine barriers to accessing financial knowledge as well as explore the demographic/socio-economic characteristics which influence financial decisions. The study was carried out using descriptive and inferential techniques. In all, 100 respondents are selected through a convenience sampling technique. Data was collected with the help of a questionnaire. At the end of the data collection, all questionnaires were retrieved. The questionnaires are inspected and screened for completeness and accuracy of filling, and then coded for entry into the software for analysis. First of all, descriptive statistics were carried out to describe the demographic and socio-economic characteristics of respondents. Later, inferential statistics are used to ascertain the stated hypotheses. The descriptive statistics were reported using percentages and frequencies. With the inferential statistics, Pearson's Chi-Square was used. The summary of findings of the study is presented below.

5.1 Summary of Findings

The study reveals that most (46%) of the respondents work on full time basis. Another majority (68%) of them respondents are working in the formal sector. In addition, half (50%) of the respondents earn between GH¢500.00 and GH¢1,500.00. finally, majority (64%) of the respondents are responsible for the day-to-day decisions about their finances. To a more extent, a greater proportion of the respondents have knowledge of their finances. Thus, they are financial literally high. The study indicates that respondents obtain knowledge on finances from sources such as schools, books, the media or news, the internet as well as from their personal life experiences.

In relation to the savings decisions of respondents, it recognized that 78% of the respondents have either sometimes, quiet often or very often do savings. That of investment decisions is 80%. A similar results is recorded that for that of financial literacy and investment behaviour.

Finally, the results also indicate that the respondents are of the view that some of the major barriers to financial literacy are business news being often technical and difficult to understand by people, financial institutions professionals not often taking enough time explain financial staff, and finally, schools also not educating people well outside the business studies to be financially literate. Accordingly, these are thought of challenges to financial decisions by respondents.

5.2 Conclusions

The objective of the study is to provide evidence of financial literacy and financial decisions among adults in Ghana, specifically the Sekondi-Takoradi metropolis of the western region .The mixed method approach is employed. Sample size of 100 is used. Convenience sampling techniques is used in selecting the sample size. Data is gathered with the help of a questionnaire designed by the researcher. Analysis is carried out with Statistical Packages for Social Sciences (SPSS). Based on the discussions and the summary of findings, the following conclusions are draw;

The proportion of respondents with positive savings habit is less than that of those with investment habits. That is, according to the information available, the level of financial literacy of a respondents does not affect his/her savings behaviour. A similar results is recorded that for that of financial literacy and investment behaviour.

Finally, the results also indicate that the respondents are of the view that some of the major barriers to financial literacy are business news being often technical and difficult to understand by people, financial institutions professionals not often taking enough time explain financial staff, and finally, schools also not educating people well outside the business studies to be financially literate. Accordingly, these are thought of challenges to financial decisions by respondents.

5.3 Recommendations

Based on the summary of findings and recommendations, the following recommendations are made;

The study indicated that the respondents are of the view that business news are often technical and difficult to understand by people, financial institutions professionals not often taking enough time explain financial staff, and finally, schools also not educating people well outside the business studies to be financially literate. It is recommended that professionals of financial institutions should often take enough time explain financial details and information to people. Also, schools should be encouraged to educate people outside the business studies to be financially literate.

The study covered the Sekondi-Takoradi metropolis of the Western Region of Ghana so it suggested that a similar study is carried out either in the same region but a different location, or in other regions of the country. Also, the results of this study can only be considered as a start towards numerous studies into financial literacy and financial behaviour. It is recommended that further study should try and use different methods of analysis apart from the chis-square tests and the simple percentages used. This study saw some limitations as any other study will do. Because of a sample a region, metropolis and respondents are used, whole generalizations cannot be made, but the results has shed some light on the relationship between financial literacy and financial decisions.

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APPENDICES

Appendix A: Questionnaire for Data Collection

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
DEPARTMENT OF ACCOUNTING AND FINANCE
SCHOOL OF BUSINESS
Research Instrument @2020

Dear Respondent,

You are kindly invited to take part in a study on financial literacy among Ghanaian adults. The purpose of the study is to examine the factors influencing the financial behaviour of Ghanaian adults. If there is a question you do not feel comfortable answering, you may skip it. It will take you about 10-20 minutes to complete the survey. The study is purely academic and as such you assured that your responses would not be used for any other purpose other than those stated before. For the purposes of improving the quality of the study, you are kindly entreated to take your time to read and understand the items on this questionnaire before responding to them. Objective responses offered will be highly appreciated. Please read the instruction(s) under each section of the questionnaire to assist you in your responses.

Thank you for your willingness to participate in this study

INSTRUCTIONS
PLEASE SELECT THE APPROPRIATE RESPONSE AND PROVIDE ANSWERS WHERE NECESSARY

SECTION A: SOCIAL DEMOGRAPHICS CHARACTERISTICS

1. Your gender?

   Male [ ]   Female [ ]

2. 2. How old are you?

Below 21years [ ]   21-30years [ ]   31-40 years [ ]

41–50years [ ]   51-60[ ]   above 61yeras [ ]

3. Your level of education?

   No formal education [ ]   Basic School level [ ]   Certificate/Diploma [ ]

   Degree [ ]   Post Graduate [ ]

4. What is your current marital status?

   Single, never married [ ]   Married [ ]   Divorced/separated [ ]   Widowed [ ]

5. What is your household side?

   Below 3 [ ]   3 – 5 [ ]   6 – 8 [ ]   9 – 11 [ ]   12 and above [ ]

6. What is your occupational status?

   Full time [ ]   Part time [ ]   Self-employed (work on my own business) [ ]

   Student/ Unemployed/ Retired [ ]

7. Please for how long having you been involved in your kind of occupation? …………..........

8. Which sector do you classify your occupation/work?

   Formal sector [ ]   Informal sector [ ]   don't know [ ]

9. Which of the following best describes your personal income (salary and other source of income (monies earned) at the end of each month (GH)?

   Below 500 [ ]   500-1,000 [ ]   1,001-1,500 [ ]   Above 1,500 [ ]

10. Who is responsible for day-to-day decisions about money in your household?

    Me [ ]   Me and my partner [ ]   Dad and mom [ ]   Other family members [ ]

11. Do you receive any social support benefits?

    Yes [ ]   No [ ]

SECTION B: FINANCIAL LITERACY

On a scale of 1 to 5, kindly indicate your extent of knowledge of finances on the following statements by selecting the response that best describes you. You may use the following to guide you: Very Large Extent (5), Large Extent (4), Reasonable Extent (3), Low Extent (2), and Not at All (1).

S/N	**Statements**	**5**	**4**	**3**	**2**	**1**
1	I manage my own finances					
2	I am well conversant when it comes to matters relating to financial issues					
3	l feel confident in making financial or saving decisions					
4	I understand information receive concerning financial products.					

5. What will be the effect after a year if interest rate on your savings account is 10% per year but the inflation rate is 12% per year?

   One can buy more with the money in the account [ ]

   One can buy the same with the money in the account [ ]

   One can buy less with the money in the account [ ]

   Not sure [ ]

6. An investment with very high return is likely to have..

   High risk [ ] Low risk [ ] No risk [ ] Not sure [ ]

7. When an investor diversifies his investments, the risk of losing money decreases.

True [ ]   False [ ]   I Don't know [ ]

SECTION C: INVESTMENT AND SAVINGS BEHAVIOUR

The following types of products on investment and savings behaviour. Kindly indicate whether you have heard of any of these types of financial products, or hold any of these types of products (personally or jointly)

S/N	Financial Products	Have you heard of any of these types of financial products		Do you hold any of these types of products (personally or jointly)?	
		Yes	**No**	**Yes**	**No**
1	A pension fund				
2	An investment account, such as a unit trust				
3	A mortgage				
4	A credit card				
5	A savings account				
6	Insurance				
7	Stocks and shares				
8	Bonds				

9. How often do you save?

    Very often [ ]   Quite often [ ]   Sometimes [ ]   Not often [ ]   Not at all [ ]

10. How often do you invest?

    Very often [ ]   Quite often [ ]   Sometimes [ ]   Not often [ ]   Not at all [ ]

11. Do you understand the investment packages that invest in?

    Very much [ ]   Not much [ ]   Not at all [ ]

SECTION D: SOURCES OF FINANCIAL LITERACY

On a scale of 1 to 5, kindly indicate your sources of knowledge on finances on the following statements by selecting the response that best describes you. You may use the following: A Lot (5), Sometimes (4), Not Applicable (3), Not Much (2), and None (1).

S/N	Statements	5	4	3	2	1
1	Parents					
2	Friends					
3	School					
4	Books					
5	Media/news					
6	Internet					
7	Life experiences					
8	Financial planner or counsellor (professional)					
9	Informal public seminar or class					

SECTION E: FINANCIAL LITERACY BARRIERS

On a scale of 1 to 5, kindly indicate your level of agreement or disagreement of the following statement on barriers to financial literacy. You may use the following to guide you: 5= Strongly Agree (SA), 4= Agree (A), 3= Undecided (U), 2= Disagree (D), 1 = Strongly Disagree (SA).

S/N	Statements	SA	A	U	D	SD
1	Business news is often boring					
2	Business news is often technical & difficult to understand					
3	Financial institutions professionals don't often take enough time explain financial staff					
4	Schools don't teach the general students outside the business studies to be financially literate					

THANK YOU FOR YOUR TIME