

FINANCIAL LITERACY AMONG PETTY TRADERS.

EVIDENCE FROM THE KUMASI METROPOLIS

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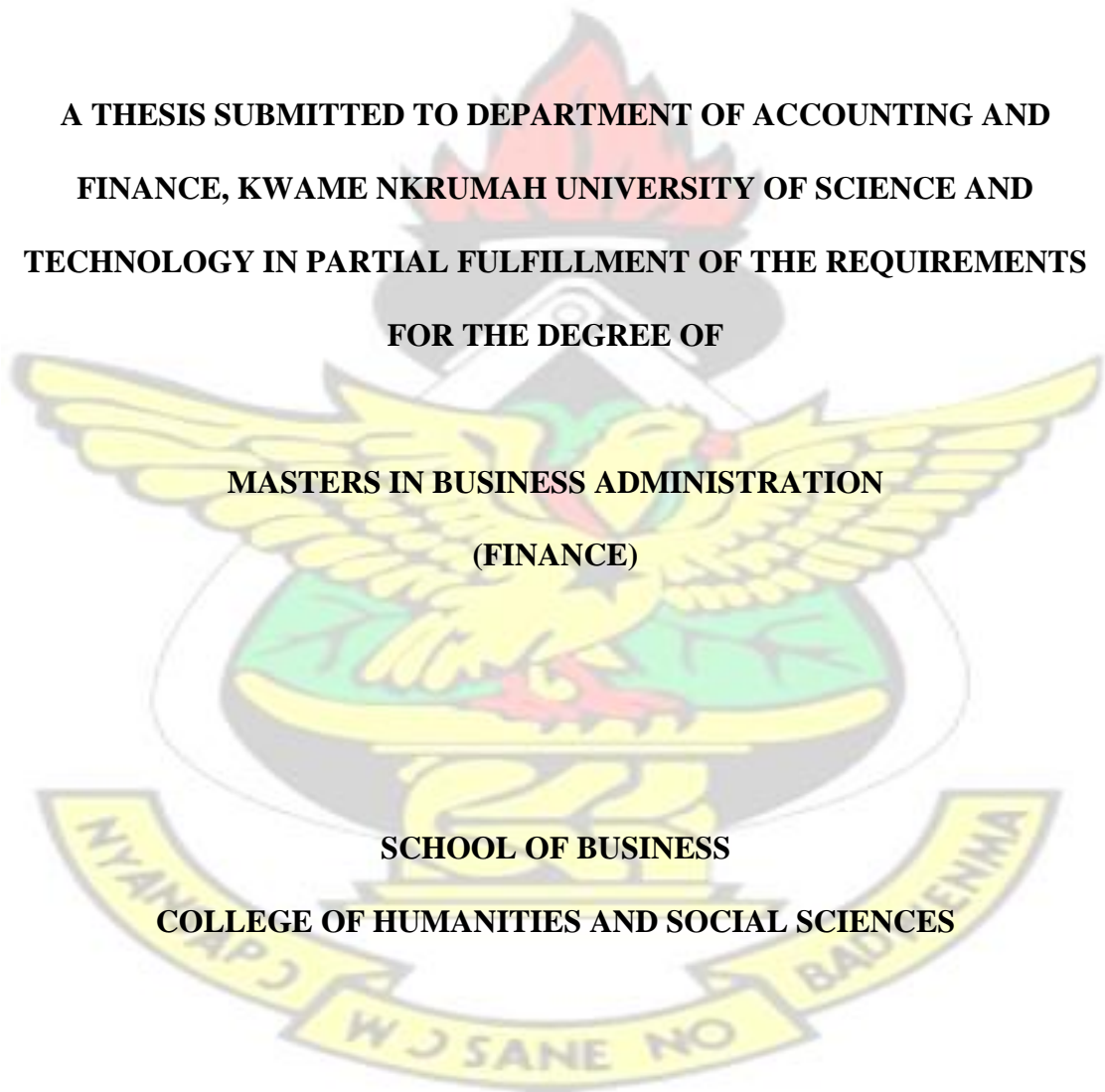
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(BSC. LAND ECONOMY)

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KNUST



DECLARATION

I hereby declare that this submission is my own effort towards the attainment of Masters of Business Administration and as a result contains no material which has been 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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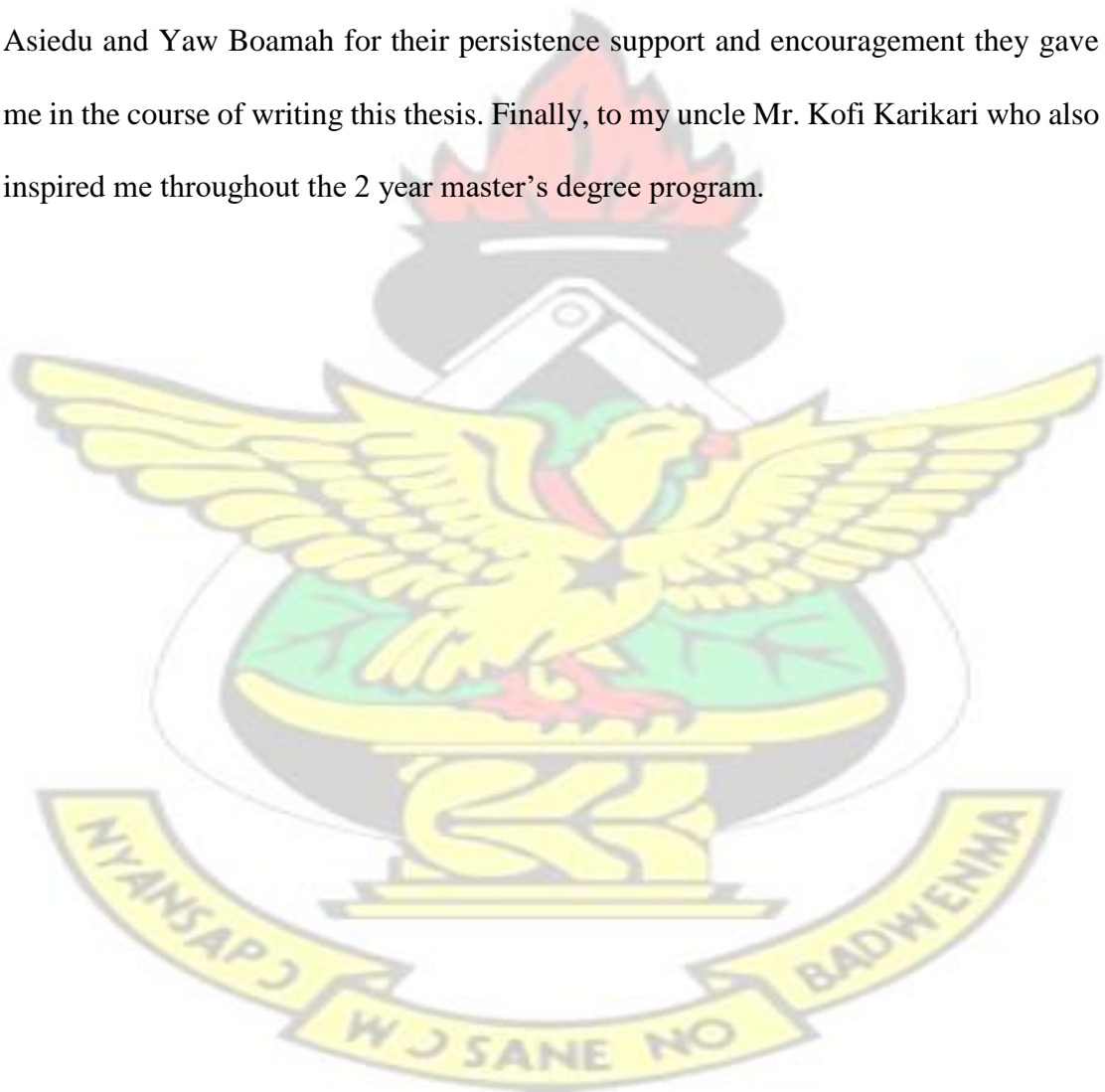
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DEDICATION

I dedicate this work to my mother, Mrs. Agatha Bamfo and my siblings, Baffour, Asiedu and Yaw Boamah for their persistence support and encouragement they gave me in the course of writing this thesis. Finally, to my uncle Mr. Kofi Karikari who also inspired me throughout the 2 year master's degree program.



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ABSTRACT

In recent times governments of developed, developing, under developing countries as well as policy analyst have given much attention to financial literacy because of its relevance to the growth and development of every economy. Financial literacy is defined as the ability to use ones financial skill and knowledge to make well informed financial decisions with respect to money management, saving and borrowing, budgeting and investment in both the short and long term so as to achieve financial well-being. This study was conducted to determine the level of financial literacy among petty traders in the Kumasi Metropolis. The study employed both explanatory and descriptive research design. A purposive technique was used to select the population of study which was grouped into five (5) markets. A total sample size of 200 petty traders was selected to participate in the study. Convenient sampling technique was used to select the respondents. Descriptive statistic, Logit regression model, ANOVA and independent t-Test were used in the analysis of the data. The results revealed that majority of the respondents had low knowledge in money management that is savings and borrowings and investment. The study also found out that educational background and age were basic determinants of financial literacy of petty traders in the Kumasi Metropolis. The study also revealed that there is no significant difference in level of knowledge among petty traders with exception of the hawkers. Finally, more financially literate petty traders are more likely to show positive attitudes toward personal finance opinions and financial management practices.

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LIST OF ABBREVIATION

ANOVA	Analysis of variance
DFID	Department for International Development
HOD	Head of Department
OECD	Organization for Economic Co-Operation and Development
SSNIT	Social Security National Insurance Trust
SPSS	Statistical Package of Social Scientist



CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND OF THE STUDY

Financial literacy has become a pertinent issue in the financial world especially in the developing and underdeveloped countries. This is because studies have shown that in many parts of Africa a lot of the populace do not have adequate financial skill and financial knowledge to take prudent financial decisions when it comes to saving, borrowing, investment and retirement planning (Department for International Development, 2008). According to Hibbert and Beutler, (2010) the low financial literacy rate in developing and underdeveloped countries is due to the low financial education and training in these countries. This means that financial literacy can help create an environment where individuals and groups become equipped with the financial skill and knowledge to make sound financial decisions.

Some years back many individuals and groups in developing and under developed countries did not put much emphasis on financial literacy because a basic understanding and operation of a saving and current accounts in banks was sufficient for them (Bruno et al, 2009). In recent times governments of developed and developing countries as well as policy analyst have given much attention to financial literacy because of its relevance to the growth and development of every economy. Financial literacy aids individuals to make sound financial decisions with respect to making sufficient savings to provide adequate retirement income in the future while avoiding high debts that might result in bankruptcy (Almenberg and Save-Sodenbergh, 2011). Financial Literacy also helps individuals to make efficient use of financial products and services without incurring

any unnecessary cost, selecting the best financial product at a relatively lower price and also appreciate financial reforms such pension schemes implemented by governments.

The relevance of financial literacy has called for international organisations such as Organisation for Economic and Co-operation and Development (OECD), the U.K. Department for International Development (DFID), and the World Bank Group which are working assiduously to build up financial literacy in developing countries and also address financial literacy deficits (Bruno et al, 2009).

In developing and underdeveloped countries, most often people are responsible for managing their own finances and as such can make decisions which may not turn out to be beneficial to them. Due to this reason there is the need for financial literacy to equip people to make sound financial decisions. Financial literacy is very relevant for all individual who use money in their daily operations and wants to be financially comfortable in the unforeseen future. This means that food vendors, hawkers, tailors, shoemakers, etcetera who may classified under the group of petty traders in this study also need financial literacy because they also use money in their daily operations. Petty trading has been a means of subsistence in developing countries as these micro enterprises offer potential for job creation, alleviation of poverty and contributing to a healthier economy. For this reason it is relevant to research into the financial literacy level of these petty traders, determine how their financial literacy level influences their financial decisions and opinions and find ways in improving their financial literacy levelso that they will become more equipped with the needed financial literacy skill to be able to make prudent decision on how to save, spend and invest their money.

1.1 PROBLEM STATEMENT

According to Kazimoto (2007) the dynamic nature of the financial environment has brought about many financial product but many people especially individuals engaging in micro enterprises do not access these financial products due to the lack of information and knowledge on them. Durning (2010) revealed in his study that many petty traders in developing countries are not able to make prudent use of most of the financial products available in the market and also lack the adequate knowledge to save and invest in profitable ventures which has led to poverty among majority of these petty traders. In Ghana, petty trading represent perhaps a higher proportion of the fastest growing segment of the labour market attracting a lot of people because of the high unemployment rate in the country. Petty trading plays a major role in the economic growth of Ghana and as such participants in this trade need financial skill and knowledge to help manage their finances well. Lusardi and Tufano (2008) revealed in their work that people with low debt literacy tend to borrow more, save less, and pay more fees for using financial product. Such people are also less likely to invest. The cost incurred due to financial ignorance most often is relatively high, leading many people to pay for avoidable charges and fees. In this regard, it is critical to undertake a research to examine the level of financial literacy among these petty traders and how their financial literacy level affects their financial decision since they contribute to the economic growth and development of Ghana. This research can go a long way to help policy makers intervene and put up policies which will broaden the financial knowledge and skill of these petty traders to enable them make well informed and sound financial decisions hence the need for this research.

1.2 OBJECTIVE OF THE STUDY

The overall objective of the study is to examine the level of financial literacy among petty traders in the Kumasi Metropolis, the study seeks

1. To examine petty traders level of financial literacy with regards to money management, savings and borrowing, and investment.
2. To examine whether some group of petty traders are more knowledgeable than others.
3. To examine how petty traders' level of financial literacy influences their financial behaviour and opinion.

1.3 RESEARCH QUESTIONS

Considering the research objectives raised above the following research questions have been developed to guide the study;

1. How do petty traders understand financial issues relating to money management, savings, borrowing, and investment?
2. What makes some group of petty traders knowledgeable than others?
3. What effect does financial literacy have on the petty traders' financial behaviour and financial decisions?

1.4 SIGNIFICANCE OF STUDY

The first significance of the outcome of this research is that it will help petty traders to choose the right saving, borrowing and investment policies for themselves and set themselves free from high risk investment and also fraud. This will be achieved by giving a copy of the research work to the Ghana Union of Traders Association

(GUTA) to educate petty traders during the financial literacy week and also other programs they organise. This will go a long way to inform and enlighten petty traders on their financial knowledge so that they will be able to challenge financial service providers to come out with product that will respond to their needs.

This study will also afford stakeholders such as Government Agencies, Organisation for Economic Co-operation and Development (OECD), and the World Bank programmes, background information in their future policy formulation on how to help improve financial literacy among petty traders.

This study will also add up to body of literature on financial literacy and also likely to raise topical issues for future research work.

Finally this study will go a long way to aid the government in developing avenues where financial knowledge can be accessed. This will help improve the financial knowledge among petty traders and help wipe out the fraudsters and the quack financial institutions from the country.

1.5 SCOPE AND LIMITATION

The focus of this study is to conduct a research on financial literacy among petty traders in the Kumasi Metropolis. The population of the study is five carefully selected markets in the Kumasi Metropolis; Kumasi Central Market, Asafo Market, Bantama Market, Suame Market and the Central Business District known as Adum Shopping Centre. These markets were selected because these are the places where economic activities are very vibrant. A sample size of the 200 respondents was used for

the survey and the respondents were selected using the convenience sampling technique. The study is limited to financial literacy among petty traders in the Kumasi Metropolis and as a result of that the findings in this research may be very efficient and effective to petty traders within the Kumasi Metropolis. The results of the findings of the study can be replicated in other metropolis in Ghana but may not be easily replicated in other countries since petty traders in other jurisdiction may not have the same characteristics as those in Ghana. Another constrain which was faced during the study is inadequate time period which was approximately 3 months. Enough time would have helped the researcher to research into other areas of financial literacy since financial literacy is a very broad area of study.

1.6 BRIEF METHODOLOGY

The study examines the degree of financial literacy among petty traders in the Kumasi Metropolis Petty traders from five (5) major markets in the Kumasi Metropolis was used for the survey. The markets which was our population of study was also selected using a purposive technique. The five (5) carefully selected markets in the Kumasi Metropolis includes; Kumasi Market, Asafo Market, Bantama Market, Suame Market and the Central Business District known as Adum The sample size of the study was 200 petty traders who were chosen from all the five (5) markets. This implies that forty (40) petty traders were chosen from each market. The 200 petty traders were selected based on the availability and accessibility of the respondents. The sampling technique which is used in the survey was the convenience sampling technique. The primary data used for the study was collected through administration of close-ended questionnaire to the petty traders in the five selected markets in the Kumasi Metropolis. The data collected from the primary source is cleaned by coding the data into appropriate format for the

relevant analysis. Descriptive analysis such as percentages and frequency are employed to explain the participants' demographic characteristic, and their shared opinions on the issues under study. Analysis of variance technique (ANOVA) is employed to check whether there is a substantial difference in the level of financial literacy among the categorical petty traders (category is based on their educational level and type business they engage in). Logit regression model is employed to determine how the level of financial literacy of the petty traders influences their financial decisions. Eviews and Statistical Package for Social Science (SPSS) software are used for the data analysis.

1.7 ORGANISATION OF STUDY

The study will comprise of five chapters. The first chapter is the chapter one (1) it comprises of the background of the study, the problem statement, objectives and research questions, scope of study, the limitation and relevance of study. The next chapter is chapter two (2). It seeks to review available literature relevant to the study. It also reviews publication, research papers and articles relating to the topic. The third chapter (3) also looks at the methodology adopted in undertaking the survey and pertinent issues in the study area. It gives explanation to the research process and the methods adopted for data collection. Chapter four (4) presents the analysis and interpretation of the findings of the field survey. Chapter (5) will conclude the report with the summary of findings and the recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter reviews relevant literature from articles, journals, publications and books on financial literacy. This chapter also analyses and reviews various key concepts on financial literacy and empirical evidence expressed by prior researchers with respect to the objectives of the study.

2.1 MEANING OF KEY CONCEPTS

This column addresses various key academic concepts from which financial literacy evolved. Key concepts such as financial literacy, financial Education, Financial Capability, Personal Finance, Savings and Borrowing, Investment and Insurance which form the conceptual basis for this study will be discussed and reviewed in detail.

2.1.1 Financial Literacy

The concept of financial literacy due to its relevance in the economic growth and development of every economy has gained a lot of awareness and attention of stakeholders' such as government agencies, financial institutions, international bodies such as World Bank, Organisation for Economic Co-operation and Development and other organisations. Several definitions exist in literature with respect to the meaning of financial literacy.

The term financial literacy refers to one's ability to process economic decision and make informed decision about wealth accumulation, financial planning, debt and retirement planning (Lusardi and Mitchell, 2008). Thus the ability to make informed financial decisions about how to use and manage money (Healy, 2010). According to Wagland and Taylor (2009) financial literacy is the ability to utilise financial knowledge and understanding to make beneficial financial decisions. Atkinson and Messy (2012) defines financial literacy as a blend of awareness, knowledge, skills, attitude, behaviour to make informed financial decisions and ultimately achieve individual well-being. It also includes the "ability to make financial choice, undertake financial planning for the unforeseen future, and respond competently to life events that affects every day financial decisions including events in the general economy" (Parrish and Servon, 2006).

Ray Morgan Research (2003) defines financial literacy as the making of informed and confident decisions with respect to spending, saving, budgeting and their use of financial products and services for daily banking operations through to borrowing and investing for the future. Financial literacy is also defined by the OECD (2009) as "the process by which individuals improve their thought about financial concepts through communication and instruction to make individuals confident and aware of financial risks and opportunities so as to achieve financial well-being". Remund (2010) also categorises financial literacy into five concepts which includes understanding of financial concepts, ability to communicate about financial concepts, assertiveness in managing personal finances, and expertise in making appropriate financial decisions, and buoyancy in planning effectively for future financial needs. This means that

financial literacy goes beyond the effective and efficient use and management of money and takes into account other important aspects of finance. Also Hasting et al (2012) defines financial literacy as “the ability to use knowledge and skills to manage ones financial resources effectively for lifetime financial security”. It includes the ability to make correct financial choice and take future financial plans without discomfort.

For the purpose of this study financial literacy is defined as the ability to use financial knowledge and skills to make informed and sound financial decision with respect to savings, borrowing, and investment in both the short and long term so as to achieve financial well-being. It is basically a concept of understanding money and the use in our daily life.

2.1.2 Financial Education

According to Robert et al (2003) in an environment where individuals have a greater responsibility of determining their own savings plan, investment policies and retirement income, factors such as financial education is really relevant. The importance for greater financial education in the area of personal financial management due to emergency of new and complex financial products has spurred the creation of a number of large international organisations such as National Endowment for Financial Education, the American Savings Education Council, the Jumpstart Coalition, the Financial Literacy Education Commission, and the Treasury’s Office of Financial Education whose core duties are to provide financial education.

Financial Education is by a definition of OECD (2005) as a process where users of financial services develop their understanding on financial products on the grounds of information, directives and unbiased advice and also develop their knowledge on where to find aid and take effective procedures for improving their wealth”.

Greenspan (2002) also explains financial education as furnishing consumers with the financial awareness required to make astute decisions when picking among numerous financial products and providers. Financial Education provides individuals with the needed financial knowledge and skills required to initiate savings plan, budget household needs, manage debt and take planned investment decisions for retirement or children’s education. In the late 2009, the U.S government introduced the “National Financial Capability Challenge”. The Challenge asserted that “Americans needed better financial education and access to critical resources in order to make informed financial decisions” (U.S Department of Treasury, 2009).

In a nut shell Financial Education is simply a process of equipping people to understand financial products and services to enable them make informed financial decisions and choices as well as know the appropriate avenues to seek help in relation to financial issues to advance their current and long term financial well-being.

2.1.3 Financial Behaviour

Financial Behaviour means understanding and act on financial skills, ideas and information in making sound financial decisions. Experts also believe that an individual’s financial skills, ideas and information appear to be directly interrelated with that individual’s financial behavior (Hilgart, Hogarth & Beverly, 2003). It is simply has to do with how people understand financial ideas and concepts and applying

them in their daily financial activities. Financial behaviour thus is the impact of financial literacy on consumers' behaviour.

2.1.4 Financial Capability

Scholar, practitioners, and experts the term financial capability describe people's financial knowledge, buoyancy and motivation to manage their personal finances (Atkinson et al, 2006). Financial capability entails the knowledge, skills, attitude and behaviour of individuals required to manage his or her own financial resources and also understanding and selecting the best financial services that fit their needs. In other words financial capability has to do with the ability to act through skills, knowledge confidence, motivation and the chance to act through access to beneficial financial products and institutions. (Johnson and Sherraden, 2007). Financial Capability can therefore be seen as the how people tend to comprehend, evaluate and perform in their best financial interest. Financially capable consumers are able to plan well towards the future, knows where to seek financial advice when the need arises and act on those advice leading to a greater involvement in the financial service market.

2.1.5 Money Management

Money management is a concept which seeks to explain how financial assets are managed (Mireku, 2015). Money management entails critical areas in finance such as taxes, interest rate, investment and budgeting. It is a strategic tool which ensures that investment yield the highest interest expected.

2.1.6 Petty Trading

Petty trading is a socioeconomic activity of serving a large number of low income populations in a rapidly urbanising developing country (Kazimoto, 2007). Petty trading

also comprises of a collection of sellers with little capital and buyers operating in a group of small spaces. Petty trading has been a means of subsistence in developing countries as these micro enterprises offer potential for job creation, alleviation of poverty and contributing to a healthier economy. In Ghana, petty traders represents the fastest growing fragment of the labour market due to the recent economic stagnation and restructuring on the African continent of which Ghana is part under the supervision of the International Monetary Fund and the World Bank whose program has put an embargo on employment into the public sector. Petty trading has over the years offered avenues for job creation and contributed to a healthier economy and for this reason there is the need for the availability of financial products and financial literacy on the part of these petty traders so that they can compete against the foreign merchants, who now dominate commerce in Ghana.

Petty trading is not that rosy in Ghana because majority of these petty traders do not have the needed collateral to secure funds to expand their businesses and the associated risk involved in the trade does not persuade banks to lend to these traders. Banks which are willing to lend to these petty traders also do so at a high interest rate. The current state of the Ghanaian economy coupled with high level of inflation, high interest rates, and high unemployment rate etcetera, there is undoubtedly a need to improve the financial literacy especially among those in the trade sector. One may have a good business idea or the most innovative product but without financial knowledge and skills in managing the money the business generates it will be difficult to run operations of the business smoothly. In Ghana for instance, as of 2012 only 16.8 per cent of the total population of the country had access to formal banking facilities (Business and Financial Times, 2013). This shows that financial literacy is very low in the country.

For the purpose of this study petty traders will include hawkers, food sellers, artisans, craftsmen, and others engaging in micro-enterprises.

2.2 IMPORTANCE OF FINANCIAL LITERACY

Several research undertaken on financial literacy has demonstrated its' relevance to individuals and the economy as a whole. Below are some of the importances of financial literacy;

2.2.1 Saving and Retirement Planning

Today many retiree and potential retirees' are feeling extreme financial anxiety due to poor financial planning. Financial literacy can help individuals to have a sound financial plan which will help them make sufficient savings to provide enough retirement income in the future while avoiding high debts that might end up in bankruptcy (Almenberg and Save-Sodenbergh, 2011).Financial literacy therefore enables individuals to grow their wealth and income to cater for retirement and other unforeseen circumstances. In a nut shell, financial literacy will have a positive impact on people's ability to set realistic retirement goals and undertake investment packages which will help them achieve these retirement goals.

2.2.2 Promotes Financial Efficiency

Financial literacy promotes financial efficiency. Financial efficiency has to do with the efficient use of financial products and investment without incurring any unnecessary cost. In recent times due to the complication of financial products there is the need for financial education that evolves from financial literacy which will empower individuals so that they can master this complexity and take full advantage of the benefits that flow

from these new financial products without incurring waste or cost (Cole et al, 2008). Financial Efficiency includes selecting the best product and price on the market.

2.2.3 Greater Competition and Quality Products

Financially literate consumers can play a role in influencing financial institutions. According to Worthington (2006) financially literate consumers are more financially efficient. This means that they prefer financial products which are cheaper and safer and do not incur unnecessary costs. This therefore puts financial service providers on their toes to come out with quality financial products. Financial literacy also improves the financial knowledge of individuals so that they will be able to challenge financial service providers to come out with products that will respond to their needs. This will lead to greater competition and better quality financial products in the market.

2.2.4 Understanding of Government Policies

Financial literacy also helps people to appreciate financial reforms such as pension schemes implemented by the government. This will enable financially literate consumers to draw up a strategic financial plan and take better financial decisions for the unforeseen future (Greenspan, 2002).

2.2.5 Consumer Right and Regulatory Intervention

Education in consumer law is also a component of financial literacy. It equips individuals with the requisite skills, knowledge and concepts to handle complex financial products and also avoid any fraudulent schemes. This therefore creates a lower level regulatory framework to protect consumers from fraud and scam.

2.2.6 Participation in Financial Market

Financial literacy promotes peoples participation in the financial market. Financial literate consumers are able to take informed financial decisions with confidence when it comes to participating in the financial market. Improvement in the financial market helps in the growth and development of every economy since that is where people can easily seek short and long term debts. Financial literacy can help consumer to take prudent decision as to which product on the financial market they should invest in, in order to increase the return on their investment (Christelis et al, 2010). Also because financial literates are financially efficient they will able to avoid unnecessary cost.

2.3 CONSEQUENCES OF FINANCIAL ILLITERACY

Financial illiteracy is defined as defined as the inability to use financial knowledge and skills to make informed and sound financial decision with respect to savings, borrowing, and investment in both the short and long term so as to attain financial well-being. The cost of financial illiteracy can be seen from the aspect of relinquished savings and investment opportunities, lives crushed by insolvency, higher charges than necessary paid for goods and services. Financial illiteracy has negative implication on both the individuals and society and the negative consequences are as follows. Financial illiterate persons are not able to evaluate financial risks and opportunities making it challenging for them to make sound choices and decisions when it comes to choosing financial products. This is one of the reasons why many borrowers get stuck in mortgage debt because they might not understand the terms of the mortgage agreement hence borrowing more than they handle.

Financial illiterate people most often incur expensive financial errors such as high debt loads, inadequate insurance, inadequate reserve funds, lack of investment

diversification, and lack of clearly defined financial goals. According to Lusardi and Tufano (2009) estimates on the cost of financial ignorance show that the less financially knowledgeable a person is, the more likely he or she spends on managing debt. This implies that financial illiteracy handicaps anyone seeking a better financial well-being in the future.

Also people who engage in businesses in both the small and medium enterprises' as well as the informal sector players are likely to be adversely affected if they lack financial literacy. In these times of the increasing of various types of financial products and services, managers of business who do not understand financial management will be harming their own business because such managers will be less able to discuss and review financial performance and undertake good investments. Financial illiterate people also lack the confidence to ask significant questions that could help them to avoid bad decisions which can affect the operation of their business and consequently their prospective profit.

2.4 LEVELS OF FINANCIAL LITERACY

Below is a review of previous studies undertaken by researchers to find out people's general knowledge in money management, savings and borrowing, and investment.

2.4.1 Knowledge in Money Management

Lusardi et al (2010) examined financial literacy among young adults. The findings show that financial literacy among young adults is low; less than one-third of young adults possessed basic knowledge of interest rate, inflation and risk diversification. Bucher-Koenen and Lusardi (2011) examined financial literacy in Germany and found out that

knowledge of basic finance concept is low among women, less educated and those living at East Germany. vanRooij et al (2010) also developed two spatial modules to measure financial literacy and its connection to stock market participation. The finding was that majority of the respondent displayed basic financial knowledge and understood concepts such as interest rate, inflation and time value of money. Lusardi and Mitchell (2010) also examined financial literacy in the US, and the finding was that the Hispanics and the African Americans recorded the least on financial literacy concepts. The empirical analysis of Fornero and Monticone (2011) showed that most individuals in Italy lack knowledge of basic finance concept such as interest rate, inflation. In South Africa survey conducted revealed that nearly 60 percent of the people surveyed do not understand the term interest rate (DFID, 2008). Again according to DFID (2008) a study conducted in Zambia showed that more 66 percent of people the people surveyed were not familiar with basic financial products and tools such as checking accounts, ATM's , Internet Banking and debit cards.

2.4.2 Knowledge in Savings and Borrowing

Savings can simply be defined as a portion of a person's income which is not spent on current expenditure. The reasons which compel people to save may include payment of utility tariffs, cater for unexpected event or emergency, purchase expensive items, paying for a vacation, prepare for a retirement income etcetera. This means that without savings, an unexpected event can become a financial burden. It is therefore important to save because it helps individuals and families to become financially secured. According to Chen and Volpe (1998) college students have a very low knowledge of savings and borrowing. Studies conducted by Clarke et al (2005) also show that about

80 per cent of the youth between the ages of 18 years to 20 years have credit cards. This means they have access to spend on credit and this at times adversely influences their saving habit. Opong, B. and Kansanba, R. (2013) also finds the signs of insufficient personal financial literacy among undergraduate Ghanaian students' cause's students to use their SSNIT loans for irresponsible spending on consumables. A study conduct by Max New York Life (2008) showed that in India more than half of labourers' stored money at home, while borrowing from moneylenders at higher interest rates. This pattern of behaviour with high interest loans and no-interest savings may lead to high rate of theft worsening their financial situation. In Zambia and some other six African Countries, only 29 per cent of adults have bank accounts and 50 per cent use no financial products at all (DFID, 2008).

2.4.3 Knowledge in Investment

Investment is also defined as the commitment of funds today for benefits to be received in the future in the form of income flow or capital gain or a combination of both. Volpe et al (1996) assessed the knowledge of investment level among some college students and the relationship between investment literacy level and gender, academic discipline and experience and the findings was that college student did not have adequate knowledge on personal investment. They also found out that non business students major, female students, and non-accounting major students were less knowledgeable in investments. Altintas (2009) aimed at assessing the financial literacy level of potential defined contribution pension plan beneficiaries and develop a basic investment programme for basic investment education. The findings were that investment would help improve the financial skill and knowledge of the people who participated in the survey.

2.5 DETERMINANTS OF FINANCIAL LITERACY LEVELS

Previous research has proven that a lot of factors play an integral role in the financial literacy level of people. According to ANZ (2008) demographical factor which includes age, gender and level of education have an effect on an individual's level of financial literacy. Numerous studies argue that gender difference play a key role in individual's level of financial literacy and men tend to perform better than women on various literacy tests (Almenberg and Save-Soderbergh, 2011). Danes and Hira (1990) reveals that men tend to be more financially knowledgeable than women and can also apply financial ideas and concept better than women. The reason for this assertion was that, relatively, women had limited access to money as compared to men and also women are risk averse when it comes to investments. Studies also indicate that male upper classmen, and married students were more knowledgeable than females, lower classmen and single students in areas of insurance and loans (Danes and Hira, 1990). From the literature reviewed it can be seen that men tend to perform better than women when it comes to appreciating and applying financial knowledge and ideas.

Worthington (2006) conducted a research to predict financial literacy of adult Australians' and the result of the study suggested that persons between 50 and 60 years tend to have a high level of financial literacy. A study conducted by van Rooij et al (2007) also revealed that literacy level is low among young, highest among middle age particularly those between 40 - 60 years and falls slightly at advanced age of 60 or over. These studies suggest that age has a significant association with the level of individual's financial literacy.

Studies have shown that people's level of education is correlated with their level of financial literacy (Mandell, 2008). The findings of Mandell suggested that college graduates perform better on numerical test. According to Cole et al (2008) individuals who have completed university are more probable to be financially knowledgeable than those with low education level.

Occupation status and the personal income levels also determine individuals' level of financial literacy. Worthington (2008) in Australia also observed that financial literacy score are higher amongst individuals' who are in proficient and managerial occupations. United Arab Emirates investors found that individuals who work in the field of banking and finance display higher level of financial knowledge than those in other occupation (Al-Tamimi and Bin Kalli, 2009). Traut-Mattausch and Jonas (2011) also found that income levels of individuals have a positive association to their level of financial literacy. Agarwal et al. (2010) evaluated financial literacy of online individual investor of Hyderabad city and the finding suggests that participants are generally financially literate. The study of Beal and Delpachitra (2002) also found out that financial literacy is higher among student with greater work experience and higher income than students with lower work experience and lower income levels.

2.6 FINANCIAL LITERACY AND FINANCIAL BEHAVIOUR/DECISION

Several studies undertaken by previous researchers has proven that financial literacy helps individuals in making sound financial decisions thus having an impact on their financial attitudes and decisions. People with low financial literacy are more likely to have issues with debts (Lusardi and Tufano, 2009), less likely to participate in stock market (van Rooij et al, 2007), less likely to accumulate wealth and manage wealth effectively (Stango and Zinman, 2007) and less likely to plan for retirement (Lusardi

and Mitchell, 2009). According to Lusardi and Mitchell (2009) there is a positive correlation between financial knowledge and household financial decision making. Al Tamini (2009) studied financial literacy on investment decisions of UAE investors. The findings were that there is a substantial relationship between financial literacy and investment decisions.

Chen and Volpe (1998) conducted a survey on financial literacy among 924 college students in the USA. The survey examined the relationship between literacy and student characteristics and analysed the impact of literacy on student opinions and decisions. The findings indicated that those students with less knowledge in financial literacy are more likely to hold and make incorrect decisions and opinions. Beal and Delpachitra (2002) in their study revealed that university students were not skilled and also not well informed with respect to financial issues and affect their financial management and planning in the long run. They further explain that financial literacy skills help people to take sound financial decisions and take sound financial judgement thus reduce the risk of being deceived on financial issues. Cude (2010) finds that people with greater financial literacy excel in their specialised and personal life.

Hogarth (2002) also states that financially literate individuals use the ideas, skill, knowledge and understanding to plan and implement financial decisions. Hilgert et al (2003) developed a “Financial Practices Index” which placed emphasis on basic concepts in personal finance. The findings of the index showed that there is a direct relationship between personal finance knowledge and financial attitude. Increased financial knowledge is also found to have a positive influence on students towards the

establishment of business and also have an improved ability to be prudent consumers in society (Langrehr, 1979).

Hibbert and Beutler (2001) found that families who spend less than they earn, pay their bills on time and elude unnecessary debt and an increase in their sense of selfworth compared to families who are poor managers of their finances. According to Knapp (2001) financial literacy goes beyond financial knowledge about money but also takes into account being a wise consumer of food and other irrelevant purchases. Knapp (2001) further attest to the fact that students who are financial literates gain more knowledge and more positive attitudes towards money management. They also make better decisions which save their resources and improve their financial wellbeing. Danes and Hira (1987) finds that individuals with less financial knowledge have more negative opinions about finances and make more incorrect financial decisions.

Christelis et al (2010) also states that financial literacy is not related to simple decision as checking accounts but rather linked to complex portfolio decisions. For instance research conducted in Mexico and Chile showed that more financially literate individuals are likely to choose pension accounts with a very low administrative cost or fees (Hasting and Mitchell, 2011). Also financially sophisticated individuals are less likely to be affected by choices of their peers with respect to taking financial decisions. (Bursztyn et al, 2013).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

Research Methodology refers to the techniques and strategies adopted to undertake a systematic enquiry to describe, explain, predict and control an observed phenomenon. The technique must be appropriate for the task upon which the research is being conducted. According to Patton (1990) research can be undertaken by either using inductive or deductive methods. The inductive methods examine the observed phenomenon and ascertain the general principles, structures and process underlying the phenomenon observed. The deductive method on the other hand identifies hypothesised principles through observation. The inductive method develops explanation for an observed phenomenon whereas the deductive method tests for the validity of an explanation. The research methodology must have a scientific backing. This implies that the process must be logical and unbiased. The reliability and validity of every research is highly dependent on the research method adopted in the process. The main content in this chapter includes the research design, research strategy, population of the study, sample size and sample technique, data collection, data analysis and finally the reliability and validity of data.

3.1 RESEARCH DESIGN

A research design is a framework for the collection and analysing of data. The research design is thus a framework which helps in achieving or attaining the objectives for which a study is conducted. For the purpose of this study in order to provide a valid conclusion and recommendation descriptive and explanatory research design are

adopted to undertake the study. The purpose of a descriptive research design is to help describe the data which will help provide a valid and accurate representation of the level of financial literacy among petty traders in the Kumasi Metropolis. The study also uses explanatory research design since it intends to establish and elucidate financial literacy and personal characteristics of petty traders in the Kumasi Metropolis. It also goes further to determine the causal relationship between the financial literacy of petty traders and their financial decisions. The data are basically from primary source which are collected through structured questionnaire and the participants are selected randomly. The choice and detailed explanation of the population of the study, sample size and sampling techniques and data instruments are provided in the subsequent subsections.

3.2 POPULATION OF THE STUDY

The population of study is the full set of cases from which a sample is chosen (Saunders and Thornhill, 2007). The study tends to examine the level of financial literacy among petty traders in the Kumasi Metropolis. Petty traders from five (5) major markets in the Kumasi Metropolis were used in the survey. These markets include the Kumasi Market, Asafo Market, Bantama Market, Suame Market and Adum Shopping Centre.

3.3 SAMPLE SIZE AND SAMPLE TECHNIQUE

Sampling is the process of selecting a representative part of a population for the purpose of determining characteristics of an entire population (Patton, 1990). Sampling thus enables researchers to conclude on a population's characteristics by directly observing only a portion (or sample) of the population. According to

Webster (1985) a sample is a predetermined part of a statistical population whose characteristics are studied to gain information about the entire population. Samples are obtained rather than a complete enumeration of population because it is obviously cheaper to obtain part rather than whole and also saves time by providing the researcher with the needed information quickly. Also some populations are very difficult to access and only sample can be used. A sample can be more precise than a census. A carelessly conducted census can provide a less valid and reliable information than a cautiously obtained sample.

The sampling technique which is used in the survey is the convenience sampling technique. 200 respondents are selected for the study and the selection was based on the availability and accessibility of the respondents. The population of the study is five carefully selected markets in the Kumasi Metropolis; Kumasi Market, Asafo Market, Bantama Market, Suame Market and the Central Business District known as Adum Shopping Centre. A purposive technique was used to select the various market on the basis that these are the markets where economic activities are very vibrant..

3.4 DATA SOURCES AND COLLECTION METHOD

In this research, primary data is used to conduct the survey. Primary data refers to data witnessed or collected directly from first-hand experience. The primary data used for the study was collected through administration of questionnaire to the petty traders in the five selected markets in the Kumasi Metropolis. The questionnaire was structured into three (3) sections. The questionnaire captured areas on respondents' bio data, knowledge on personal finance that is saving, borrowing and investment, as well as money management and finally questions on how respondents' knowledge influences

their financial opinions. Closed-ended questionnaires were used in this survey. According to Mugenda and Mugenda (2003) and Kothari (2004) questionnaires have numerous advantages. For it is free from the bias of the interviewer; answers are in respondents' own words; respondents have enough time to give well thought out answers; respondents who are not easily approachable can also be reached conveniently; large samples can be made use of and thus the results can be made more dependable and reliable.

3.5 DATA ANALYSIS

The data collected from the primary source is cleaned by coding the data into appropriate format for the relevant analysis. Descriptive analysis such as percentages and frequency are employed to explain the participants' demographic characteristic, and their shared opinions on the issues under study. Analysis of variance technique (ANOVA) is employed to test whether there is a significant difference in the level of financial literacy among the categorical petty traders (category is based on their educational level and type business they engage in). Logit regression model is employed to examine the determinants of the level of financial literacy among petty traders. Following the method of Volpe, Chen, and Pavlicko (1996), the participants are classified into two groups using the median percentage of correct scores of the sample. Respondents with scores higher than the median are classified as those with relatively more knowledge in finance, coded as "1", and respondents with scores equal to or below the median were classified as petty traders with relatively less knowledge, coded as "0". Specifically the logit regression model is employed to establish the determinants of financial literacy among the petty traders. This logit regression model is used because of its adequacy in the modeling of nonlinear probability function which is more

appealing relative to linear probability regression model. The logit regression model is specified below:

$$\log [p/(1 - p)] = B_0 + B_1(\text{AGE}) + B_2(\text{EDUCATIONAL BACKGROUND}) + B_3(\text{GENDER}) + B_4(\text{TRADE CATEGORY}) + e_i$$

Where p = the probability of a petty trader being more knowledgeable about personal finance.

3.5.1 Independent Variables

AGE = 1 if the petty trader is below 25, 0 otherwise.

EDUCATIONAL BACKGROUND = 1 if the petty trader has a degree, 0 otherwise.

TRADE CATEGORY = 1 if the petty trader is a hawker, 0 otherwise.

GENDER = 1 if the petty trader is a male or otherwise

The study also employs cross tabulation to determine whether there is a significant difference in financial decision attributable to the petty traders' level of financial literacy. Eviews and Statistical Package for Social Science (SPSS) software are used for the data analysis.

3.6 RELIABILITY AND VALIDITY OF DATA

Patton (2001), states that reliability and validity are important parts of research. Validity in research refers to the correctness of procedures applied to find answers to the research question(s). Reliability on the other hand refers to the quality of measurement procedure(s) that can be repeated to yield the same results accurately, (Kumar and Ranjit, 2005). To ensure validity and reliability the questionnaire were hand-delivered to the respondents personally and explain all questions to them to eliminate any ambiguities. Data from the questionnaires were exactly what were analyzed and

interpreted. Saunders et al. (2007), further says that the validity and reliability measures can be maximized by careful design of individual questions in the questionnaire and interview schedule and that the study will consider these in the length, wording, and the entire arrangements

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CHAPTER FOUR

RESULTS AND ANALYSIS

4.0. INTRODUCTION

This chapter presents and discusses the data obtained from the field survey. Information on the demographic characteristics of the respondents are presented and analysed. The level of financial knowledge in the areas of money management, savings and borrowing and investment were also analysed. The chapter also examined the determinants of financial literacy of the petty traders using the information provided on the demographic characteristics. A further analysis was conducted to determine whether there are significant differences in the level of financial knowledge among the petty traders. A final analysis was done on how the level of financial literacy influences financial opinions and financial management practices of the petty traders.

4.1. DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Data were gathered on the demographic characteristics of the petty traders in the study area. Data were gathered on gender, age, business category and educational background of the petty traders.

4.1.1 Gender

Table 4.1 shows that majority of the respondents are females representing 55.1 percent while the males are 44.4 percent. On the basis of the gender of petty traders, it can be inferred that women tend to be good in bargaining and can easily convince people to

get good prices for their goods relatively compared to men and this could explain why greater proportion of women are in this trade

4.1.2 Age

Further, the majority of the respondents fall between the ages of 26 and 35 years. The least age intervals recorded were between 16 and 25 years and 46 and 60 years representing 15.5 percent for each age interval. This shows that the aging respondents and early youthful respondents are found in these year ranges in the study area. On the basis of the ages of petty traders, it can be inferred that the aging population is not strong enough to engage in such an occupation. The youth at their early youthful stage seeks for jobs that are more lucrative than petty trading or the fresh graduates seek for white collar jobs at their early exit from the tertiary institutions especially exit from the polytechnics and universities.

4.1.3 Educational Background

Tables 4.1 further revealed that majority of the respondents are JSS/ middle school leavers representing 37 percent of the total respondents. About 22.6 percent of the total respondents had attained senior high school level of education while 14.6 percent had diploma certificate from polytechnic and 6.5 percent of them hold other diploma certificates. The least percentage recorded for the educational level of the petty traders was the bachelor degree holders.

4.1.4 Category of Business

Majority of the petty trader's surveyed were market women/men representing 25 percent of the total respondents and least among them were artisans representing 16.5 percent. With respect to artisans recording the least score, it can be inferred that perhaps

such a job requires special skills thus few talented individuals are found in such occupation. The second majority were food vendors representing 21.5 percent of the total respondents followed by service delivery agents and hawkers representing 20 percent and 17 percent respectively.

Table 4.1. Demographic Characteristics of the Respondents

Demographic characteristic	Category	Frequency	Percentage
Gender	Male	88	44.4
	Female	109	55.1
Age	16-25	31	15.5
	26-35	71	35.5
	36-45	67	33.5
	46-60	31	15.5
Educational background	None	37	18.6
	JSS/Middle school	64	32.2
	SHS	45	22.6
	Polytechnic/equivalent degree	29	14.6
	Other diploma	13	6.5
	Bachelor's degree	11	5.5
Business category	Food vendor	43	21.5
	Artisan	33	16.5
	Hawker	34	17.0
	Market woman/man	50	25.0
	Service delivery	40	20.0

Source : Author's construction based on data obtained from the field

4.2 DESCRIPTIVE STATISTICS ON KNOWLEDGE IN FINANCE

This section of the chapter discusses the level of financial knowledge of the petty traders. The questions were categorised into three main headings namely, money management, savings and borrowing knowledge and investment knowledge. Each major question has sub-questions designed to examine the level of financial knowledge of the petty traders. Subsections are developed for the discussion of each major

question. Below is a table showing a descriptive statistics on knowledge in finance. The table is demarcated in two sub-sections. The first section looks at the scores that are correct, incorrect and don't know. The second section also takes into account the respective questions asked under each of the financial literacy components namely; money management, savings and borrowing and investment. This is to ascertain the understanding of the petty traders' knowledge of the financial literacy. In comparison to Chen and Volpe's (1996) benchmark of financial literacy, the percentage correct scores are regrouped into three categories: over 80% (Highest), 60 – 79% (Medium) and below 60% (Low) to make informed decision on financial literacy.

Table 4.2. Descriptive Statistics on Knowledge in Finance

	Correct Answer	Incorrect Answer	Don't Know Response
I. Money Management Knowledge			25.9
Personal budget	28.9	45.2	-
Personal financial planning	58.9	41.1	
Asset liquidity	50.8	49.2	
Expenditure management	92.5	7.5	
Mean	57.8		
II. Savings and Borrowing Knowledge			
Highest interest paying account	50.5	37	12.5
Loan guarantee	85.5	9.5	5.0
Simple Interest	59.5	31.5	9.0
High cost of borrowing source	48.5	47	4.5
Overdraft	33.7	15.6	47.7
Most important lending factor	65.3	29.7	5.0
Mean	57.1		
III. Investment Knowledge		19.2	34.8
Shareholding	46.0	23	40.5
Security trading	36.5	22.1	25.1
Least risk investment	52.8		
Mean	45.1		
Overall mean	53.5		

Source : Author's construction based on data obtained from the field.

4.2.1. Knowledge in Money Management

Four questions were developed to examine the level of knowledge in money management of these petty traders. The correct response to personal budget was 28.9 percent, while 45.2 percent of them were incorrect and the remaining 25.9 percent had no idea about personal budget. Majority of the respondents had correct responses to personal financial planning question representing 58.9 percent while the remaining 41.1 percent recorded incorrect responses to the aforementioned question. Knowledge on asset liquidity was moderate as 50.8 percent of the respondents had correct answers. The remaining 41.1 percent got incorrect response to asset liquidity question. Lastly, on the knowledge of personal finance, overwhelming majority had correct answers to the question on expenditure management. Since the respondents are business oriented, probable they have the skill and knowledge on how to manage their personal expenditure. This is so because cost minimisation is one of the key ingredients of profit generation. These respondents who had correct responses to the question were 92.5 percent which far outstrips remaining 7.5 percent who had incorrect responses. . In line with Chen and Volpe benchmarks, the results show that the overall mean score percentage for the correct responses is 57.8% for petty traders' knowledge in money management which falls below the 60% benchmark. Hence, on the average, the petty traders are said to exhibit low money management skills. This can be attributed to the fact that petty traders' do not normally keep financial records making financial planning difficult for them and they are not exposed to higher levels of financial management concepts and hence lack of personal finance education.

4.2.2 Knowledge in Savings and Borrowing

This section analyses the respondents' knowledge of savings and borrowing. There were six test questions in all on the knowledge of savings and borrowing of the petty traders. The result on test question on highest interest paying account revealed that about 59.5 percent of the petty traders had correct answers, 31 percent of them had incorrect answers while the remaining 9 percent were not sure about the answer. The test scores on loan guarantee was very encouraging. Majority of the respondents had correct answers to question representing 85.5 percent. Minority of the respondents had incorrect answers to the question representing 14.5 percent. The petty traders knowledge on simple interest earned on savings was also tested. Majority of the respondents had the correct answers though not impressive since it falls below 60 percent mark. 4.5 percent of the respondents were not certain about the correct answer to the question under consideration while the remaining 47 percent had incorrect answers. Further, the test score on high cost of borrowing source revealed that majority of the respondents were not financially inclined when it comes to a source of loan that charges the highest interests on loan advanced. That is, about 51.5 percent of the petty traders did know the most expensive source of borrowing and this may have implications on their cost of operation especially when their businesses are highly leveraged. The test score on overdraft also revealed that majority of the respondents did not have knowledge on the term overdraft. About 47.7 percent of the respondents were not familiar with the term and 15.6 percent of the respondents had the answers incorrect. The remaining 33.7 got the answers correct. It may be possible majority of them do not bank with financial institutions or such a facility is not available from their service providers. However, the petty traders knowledge on most important factor for approving loan was quite impressive as more than 50 percent got the answers correct.

Few of them were not sure about the correct answer which represents 5 percent of the total respondents. The overall mean correct score of 57.1% reaffirms that petty traders' knowledge on savings and borrowing issues are low.

4.2.3. Investment Knowledge

The petty traders' knowledge on investment was examined on three parameters or test scores. Questions were set on company's stock, market for stock trading and the least risk investment. The majority of the respondents had knowledge on the implication of purchasing a company's stock which represents 46 percent of the total respondents. It was further revealed with respect to least risk investment avenue 52 percent had correct answers, 22.1 had incorrect answers and 25.1 did not know the response. However, question relating to where stock are traded, majority of them had no knowledge on where these companies stock are traded. Perhaps, they are satisfied with investment in government securities like treasury bills and do not bother themselves to seek for alternative avenues for investment. On the whole, the results were not impressive on the petty trader's knowledge on investments as the mean correct score is 45.1 percent which is below 60 percent. Thus, the study concludes that petty traders are less knowledgeable on investment issues. The results obtained are similar to the one obtained by Volpe et al (1996) who found that college student did not have adequate knowledge on personal investment.

4.3 OVERALL FINANCIAL LITERACY

In line with the overall mean which is 53.8 percent for the petty traders' correct score on the two sub-categories of the financial literacy, it can be concluded in comparison with Chen and Volpe's (1996) benchmark of financial literacy to make informed

decision on financial issues that petty traders knowledge in finance is relatively low since it is below 60 percent.

4.4. DIFFERENCES IN PERCENTAGE SCORE OF FINANCIAL KNOWLEDGE AMONG PETTY TRADERS

This section discusses the test of differences in the level financial knowledge among the various categories of the petty traders. Analysis of variance technique (ANOVA) was employed to determine the overall significance among the means of percentage scores of the various groups of the petty traders. Further analysis were conducted the contribution of the demographic characteristics on their level of financial literacy.

4.4.1. Relative Level of Financial Literacy among the Petty Traders

The ANOVA test shown that there is significant difference in the level of financial literacy among the petty traders. The average score for the overall financial literacy shown that there is marginal difference in the level of financial literacy between food vendor and artisan ; food vendor and market women and food vendor and service delivery agents. However, the disparity in the level of financial knowledge between food vendor and hawkker was very wide. The same time can be said about the other petty traders paired with hawkkers. Thus, there is significant difference in the level of financial literacy between the hawkkers and the other petty traders. The components of financial literacy showed similar results (money management; savings and borrowing).

4.4.2. Demographic Characteristics

The demographic characteristic of the petty contributed to the significant differences in their level of financial literacy. The ANOVA result shown that there is no significant difference in the level of financial literacy between petty traders who are males and

those who are females. The components of financial literacy shown similar results. The implication of the results is that gender does not play significant role in explaining the differences in the level of financial literacy among the petty traders.

In contrast, the ANOVA result shown that there are significant differences in the level of financial literacy among aging grouping of the petty traders. The average score of age group between 16 years and 25 years was consistently smaller than that of 26 and 35 years, 36 and 45 years and 46 and 60 years for the overall financial literacy as well as the various components of financial literacy. This means that aging population tends to be more financially literate since they have to fulfill their financial obligations and having knowledge in finance is key to their success in financial decisions. The educational background of the petty traders also played a very significant role in explaining the differences in the level of financial knowledge among the petty traders. The bachelor degree degree scored the highest average score followed by the polytechnic graduates. There was significant difference between bachelor degree holders and SSS graduates, jss as well as the non-educated. The components of financial literacy also revealed similar results. Thus, one can concluded that the age and educational background of the petty traders matter a lot when comes to basic knowledge in finance. The detailed results are presented in

Table 4.3.

Table4.3: Mean Percentage of Correct Responses to each section by characteristics of sample and results of ANOVA

Method	Overall Financial Literacy	Money Management	Savings and Borrowing
---------------	-----------------------------------	-------------------------	------------------------------

Business Category			
Food vendor	0.58	0.59	0.56
Artisan	0.56	0.55	0.58
Hawker	0.34	0.46	0.31
Market woman	0.61	0.64	0.64
Service delivery	0.60	0.61	0.64
F-statistic	(5.423)***	(2.416)**	(6.53)***
Gender			
Male	0.55	0.58	0.58
Female F-statistic	(0.512)	(1.169)	(0.59)
Age			
16-25	0.30	0.48	0.30
26-35	0.56	0.56	0.56
36-45	0.59	0.56	0.61
46-60	0.68	0.69	0.70
F-statistic	(10.87)***	(3.188)**	(8.79)***
Education			
None			
Jss/middle school	0.29	0.45	0.26
sss/equivalent	0.49	0.57	0.49
polytechnic other	0.60	0.59	0.61
diploma	0.79	0.68	0.87
bachelor's	0.58	0.58	0.67
degree	0.83	0.68	0.78
F-statistic	17.49***	(2.977)***	(17.42)***

***denotes 1 percent level significance

Source : Author's construction based on data obtained from the field.

4.5. DETERMINANTS OF FINANCIAL LITERACY

This section of the chapter discusses the determinants of financial literacy among the petty traders. The information on respondents demographic characteristics were employed to assess their fundamental role they play in determining the level of financial literacy of the petty traders.

Table 4.5. Determinants of Financial Literacy

Variable	Overall financial Literacy	Money Management	Savings and Borrowing
Age	0.108***	0.078***	0.079***
Artisan	-0.381	-0.276	0.130

Bachelor degree	3.841***	1.554**	3.359***
Food Vendor	0.174	0.557	0.304
Hawker	-0.714	-0.367	-0.203
JSS/MS	2.018***	1.167**	1.699***
Male	0.49	0.362	0.227
Marketwoman/man	0.495	0.693	0.880
Other diploma	2.302***	1.296*	3.294***
Polytechnic	4.210***	2.080***	4.196***
SHS	3.137***	1.146**	2.458***
EXPERIENCE	-1.127**	-0.171***	-0.091
Chi-square	83.761***	33.603***	72.463***

*denotes statistical significance at the 10 percent level **denotes statistical significance at the 5 percent level, ***denotes statistical significance at the 1% level

4.5.1. Petty traders' relative knowledge in Money Management

Evidence from the results indicates that the category of business that a petty trader engages himself/herself in does not affect their level of knowledge in money management significantly at the 5 percent level of significance. Results from Table 4.5 show that food vendors, hawkers, artisan and market women level of knowledge in money management do not differ from the control group which is service delivery agents. Also, the results reveal that male petty traders level of knowledge in money management is not statistically significant different from their female counterpart at the 5 percent level of significance. On the ages of the petty traders, the results indicate that the age of the respondents exert significant effect on the level of knowledge in money management. The results further revealed that educational background of the petty traders exerts significant effect on the level of knowledge in money management. The results revealed that a petty trader who had minimum level of education, has a level of knowledge in money management which is significantly different from the non-educated. The results further revealed that experience of the petty trader exerts

significant effect on the level of knowledge in money management. However, the effect is negative which is intuitively implausible.

4.5.2 Petty traders' relative knowledge in Savings and Borrowings

On the influence of petty traders' characteristics on the relative savings and borrowing knowledge, the results from the logit analysis indicate that there is no significant difference among the petty traders in the level of knowledge in savings and borrowing. Evidence from the results further shows that difference between the savings and borrowing knowledge of males and females do not have significant impact on their savings and borrowing knowledge behavior. Also, age of the petty traders exerts significant effect on petty trade's knowledge in savings and borrowings. However, the experience of the petty trader do not affect the likelihood of the petty trader becoming more knowledgeable in savings and borrowing.

4.5.3 Petty traders' relative financial Literacy level

4.5.3.1 Age

The results indicate that the petty trader's age exert significant effect on the likelihood of the trader to be more financially literate at the 1 percent level of significance. The sign of the coefficient is positive indicating that the more advanced a petty trader's age is, the more likely the person will be financially literate holding education level, business category, experience in business and gender constant. This result is intuitively plausible as one gets old his or her social responsibility increases thus having knowledge on financial management helps the individual to fulfill his/her obligations responsibly. The result is consistent with one obtained by Worthington (2006) and vanRooij et al (2007).

4.5.3.2 Category of Business

The results further revealed that none of the business categories (food vendor, artisan, market woman/man and hawkker) were statistically significant even at the 10 percent level of significance. Since the variable was a categorical data, service was treated as a control group. The remaining categories were included in the probit regression model. This implies that there is no significant difference between petty trader who engages in service and artisan; service and hawkker ; service and food vendor ; and service and market woman or man.

4.5.3.3 Educational Background

The effect of educational background on the likelihood of the petty traders being financial literate was analysed. Again, this was a categorical data, thus petty traders with no education were treated as the reference group. The results showed that all categories included in the model are statistically significant at the 1 percent level of significance. The results indicate that it is more likely for a petty trader who has attained a minimum level of formal education to be more financially literate than the one with no formal education, all things held constant. A petty trader who holds JSS/MS qualification, SHS qualification, diploma qualification and degree qualification are more likely to be financial literate than the non-educated one. Cole et al (2008) obtained similar result. He concluded that individuals who have completed university are more likely to be financially knowledgeable than those with low education level which is coincide with the findings of this study.

4.5.3.4 Gender

The results further revealed that a petty trader gender is not statistically significant to affect the level of his or her financial literacy level even at the 10 percent level of

significance. That is, there is no significant difference between a petty trader who is a female and the one who is male in respect of being financially literate, ceteris paribus. This was in contrast with Danes and Hira (1990) study who revealed that men are more financially knowledgeable than women can also apply financial ideas and concept better than women. The reason for this assertion was that, relatively, women had limited access to money as compared to men and also women are risk averse when it comes to investments.

4.5.5.5 Experience in Business

Finally, the experience of the trader has a role to play in the probability of the individual becoming financial literate. The more experience a given petty trader, the less likely the individual will be financially literate. The result is not intuitively implausible since one would expect that a person experience would rather make him or her more literate when it comes to financial issues.

4.6. FINANCIAL LITERACY AND FINANCIAL BEHAVIOR/OPINION

This section of study discusses influence of the level of financial literacy on the financial behaviour among the petty traders. The study examined the influence of financial literacy on financial opinions of the petty traders as well as their personal financial management practices. The following sub-sections provide detailed results obtained from the field.

4.6.1 Petty traders maintaining adequate financial records

Table 5a: Maintaining adequate financial records

	very unimportant	unimportant	not sure	important	very important	
Financially illiterate	1	9	25	35	21	91
	1.09%	9.89%	24.47%	38.46%	23.08%	100.0%

Financially illiterate	2	6	21	21	59	101
	1.98%	5.94%	20.79%	20.79%	58.42%	100.0%

Source : Author’s construction based on data obtained from the field.

On the issue of petty traders maintaining adequate financial records, the results show on the average 10.98% of the financially illiterate petty traders do not maintain adequate financial records. However, 24.47% are not sure whilst 61.54% of the students find maintaining adequate financial records very important. Comparatively, 7.92% of the financially literate students do not feel maintaining adequate financial records are important. Petty traders with financial knowledge representing 80% of the financially literate students however find maintaining adequate financial records very essential.

4.6.2 Petty traders spending less than their income

Table 5b: Spending less than your income

	very unimportant	Unimportant	not sure	important	very important	
Financially illiterate	2	1	7	29	51	90
	2.22%	1.11%	7.78%	32.22%	56.67%	100.0%
Financially literate	1	2	8	30	65	106
	0.94%	1.89%	7.55%	27.36%	61.32%	100.0%

On the issue of petty traders spending less than their income, the results show that on the average, 3.33% of the financially illiterate petty traders feel it’s not important whilst 7.78% are not sure. 88.89% of the students agree to the fact that spending less than their income is important. However, 88.68% of the financially literate petty traders agree that spending less than one’s income is very important but only 2.83% and 7.55% of the petty traders believe that spending less than one’s income is not important and not sure respectively.

4.6.3 Petty traders planning and implementing regular investment program

Table 5c: Petty traders planning and implementing regular investment program

	very unimportant	unimportant	not sure	important	very important	
Financially illiterate	7 7.87%	13 14.61%	34 15.73%	22 24.72%	13 14.61%	89 100.0%
Financially literate	3 2.8%	7 6.5%	19 17.76%	36 33.6%	42 39.25%	107 100.0%

The petty traders are asked to rate their opinions on the importance of planning and implementing a regular investment programs. From the result, 22.48% of the financially illiterate students perceived this opinion to be unimportant whilst 15.73% were indifferent. However, the results further reveal that 39.34% of the financially illiterate petty traders agreed on the need for planning and implementation for regular investment programs. On the side of the financially literate petty traders, a minimal number representing 9.3% did not agree with the subject matter but 72.85% of petty traders perceived to the issues to be of relevance to their financial knowledge.

4.6.4 Setting aside money each month for Savings

Table 5d: Petty traders setting aside money each month for savings

	Never	Rarely	Often	very often	always	
Financially illiterate	0 0%	5 5.49%	20 21.98%	29 31.87%	37 40.66%	91 100%
Financially literate	0 0.00%	0 0.00%	12 11.11%	25 23.15%	71 65.74%	108 100.00%

The petty traders were further asked if they set aside money each month for savings. The results from the findings show that 5.49% of the financially illiterate hardly set

aside money each month for savings whilst 94.51% of them agreed to the fact that they do set aside money each month for savings. However, the results further reveal that out of 108 the financially literate petty traders 100% of them agreed to the fact that they put aside money for savings each month.

4.6.5 Petty traders keep track of expenditure and income

Table 5f: Keeping track of expenditure and income

	Never	Rarely	Often	very often	always	
Financially illiterate	7 7.78%	18 20%	21 23.33%	23 25.56%	21 23.33%	90 100.00%
Financially literate	4 3.67%	7 6.42%	12 11.01%	23 21.70%	63 57.80%	109 100.00%

Petty traders are asked if they keep tracks of their expenditures and income. Findings from the results show that 27.78% of the financially illiterate students do not keep track of their spending and income whilst 72.22% assumed to have kept track of their incomes and spending patterns. On the financially literate petty traders, the results show that 90.51% do keep track of their finances whilst 9.49% do not or rarely keep track of changes in their spending pattern.

4.7. DESCRIPTIVE STATISTIC OF PETTY TRADERS FINANCIAL BEHAVIOUR AND PRACTICES.

This section of the study describes the descriptive statistics of the petty traders in line with their financial behaviour and practices. Out of the 200 respondents, 2.5 percent rarely set aside money for savings purposes while 16 percent, 27 percent and 54 percent responded that they often, very often and always set aside money for savings purpose respectively. The study therefore concludes that majority of petty traders has the habit of savings regardless of their financial literacy level. It is an encouraging

results since savings habit will not only promote their future spending and standard living but also it will contribute to economic growth if these savings are channeled into financial intuitions who then lend them to prospective investors who need capital for investment. The results further revealed that 2 percent of the petty traders never set money aside to meet future contingencies. One may term this practice as precautionary demand for money. About 16 percent of the respondents rarely demand for money for precautionary purposes while 23 percent, 25 percent and 35 percent indicated that they often, very often and always set aside money for precautionary purposes respectively. Thus, the study concludes that majority of the petty traders are forward looking. Thus, they are able to mitigate against future risk such as health risk which ensures continual production and engagement in their daily economic activities. Minority of the respondents do not compare price when shopping for major expenses. They constitute about 2 percent of the total petty traders sampled for the study who never and rarely compare prices when shopping for major expenses. Majority of them often, very often and always compare prices when shopping for major expenses. This is intuitively plausible since this group is business-oriented and wants to minimize and cut down expenditure in order to optimize their profits levels to ensure continual survival of their source of livelihood.

The results also show that majority of the respondents do not have a spending plan or budget. They represent about 51 percent of the total respondents. The remaining 49 percent do design budget for their spending habit. The results on their financial behaviour in relation to keeping track of expenditure and income revealed that minority of them do not engage in such practices. They represent 12.6 percent of the total respondents. The remaining 87 percent do keep track of their income and expenditure records. Such a practice helps to assess and analyze their cash flow position and foresee

any future crises if income is not sufficient to meet expected expenditure and will be in the position to mitigate against such a situation. The results are presented in Table 6.1.

Table 6.1 Descriptive Statistics of Financial Management Practices of Petty Traders

Financial Management Practice	Responses	Frequency	percentage
Set aside money for savings	Never	5	2.5
	Rarely	32	16.1
	Often	54	27.1
	Very often	108	54.3
	Always		
Set aside money for future needs	Never	4	2
	Rarely	32	16
	Often	46	23
	Very often	48	24
	Always	70	35
Compare prices when shopping for major expenses	Never	1	0.5
	Rarely	3	1.5
	Often	21	10.6
	Very often	60	30.2
	Always	113	61.8
Design spending plan/budget	Never	51	25.5
	Rarely	50	25.1
	Often	36	18.1
	Very often	28	14.1
	Always	34	17.1
Keep track of their expenditure and income	Never	11	5.5
	Rarely	25	12.6
	Often	33	16.6
	Very often	46	23.1
	Always	64	42.2

Source : Author's Construction based on data gathered from the field

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0. INTRODUCTION

The chapter summarises the key results obtained from the study, conclusion and recommendations are also made.

5.1. SUMMARY OF THE RESULTS

This study used both the exploratory and descriptive research designs to achieve the objectives of the study. A total sample size of 200 respondents were used. Convenient sampling technique was employed to select petty traders for the exercise. The study extensively relies on primary data which were gathered through the use of questionnaire. Descriptive statistics were used to analyse the level of financial knowledge among the petty traders. ANOVA was employed to determine the differences in financial literacy among the petty traders. Logit regression model was employed to assess the determinants of financial literacy among the petty traders. And finally cross-tabulation was used to assess the influence of financial literacy of petty traders on their financial behavior. The keys results obtained are summarized below.

The study examined the level of financial literacy among the petty traders in the areas of money management, savings and borrowing, basic knowledge in finance and knowledge in investment. On the level of knowledge in basic money management the results showed that the petty traders are illiterate when it comes to personal finance or basic knowledge finance. The study further revealed that the petty traders are not

knowledgeable in the area of savings and borrowing according to Chen and Volpe standard. Also, majority of the respondents were not knowledgeable in investment issues.

The logit regression model was ran to assess the determinants of financial literacy among petty traders. The results indicate that the petty trader's age is one of the determinants of the financial literacy. The sign of the coefficient is positive indicating that the more advanced a petty trader's age is, the more likely the person will be financially literate *ceteris paribus*. This result is intuitively plausible as one gets old his or her social responsibility increases as well thus having knowledge on financial management helps the individual to fulfill his/her obligations responsibly.

The results further revealed that none of the business categories (food vendor, artisan, market woman/man and hawker) were statistically significant even at the 10 percent level of significance. Again the results indicated that it is more likely for a petty trader who has attained a minimum level of formal education to more financially literate than the one with no formal education, all things held constant. The gender of the petty trader did play significant role explaining the level of financial literacy of the petty trader gender is not statistically significant to affect the level of his or her financial literacy level even at the 10 percent level of significance. That is, there is no significant difference between a petty who is a female and the one who is male in respect. Finally, the experience of the trader has a role to play in the probability of the individual becoming financial literate. The more experience a given petty trader, the less likely the individual will be financially literate. The result is intuitively implausible since one would expect that a person's experience would rather make him or her more literate when it comes to financial issues.

To assess whether there are significant differences among the petty traders, Analysis of variance technique (ANOVA) was employed to determine the overall significance among the means of percentage scores of the various groups of the petty traders.

Independent t-Test was also conducted to compare the level of financial knowledge between two groups. The F-test revealed that there is a significant difference in financial knowledge among the five petty traders at the 1 percent level of significance (food vendors, artisans, hawkers, market women or men and service delivery agents). Further analyses were conducted on the differences in mean percentage scores between two different groups. The results showed that apart from hawkers, there are no significant differences in the level of financial literacy between food vendors and artisan ; food vendors and market women/men and food vendors and service delivery agents.

Thus, one can conclude on the whole greater proportion of more financially literate petty traders demonstrates positive opinion on spending behaviour, record keeping and planning about investment relative to the less financially literate petty traders. It was further revealed that majority of the respondents who scored below the median percentage score showed positive towards financial management practices in respect of setting aside some money for savings. All of those who scored above median percentage score showed positive attitude towards savings. However, the attitude of the petty traders towards saving for future needs, majority of the petty traders who scored below the median percentage score showed negative attitude. Also, quite a number of the petty traders who scored above the median mark also shown negative attitude towards the same financial management issue although majority of them showed positive attitude for the same issue on the ground. Since these petty traders are business oriented that

they want to always cut down cost, almost all the respondents whether more literate or less literate showed positive attitude towards comparison of prices of commodities of different shops That is they compare prices of given product different location. Finally both majority of the more financially literate and less financially literate showed positive attitude towards keeping records on expenditure and income. The results are showed in Table 4.6. and 4.7. below.

5.2. CONCLUSION

This study explored the level of financial literacy among petty traders in Ghana. The study adopted a survey design for the gathering of data for useful analysis. The overall objective of the study is to examine the level of financial literacy among petty traders in the Kumasi Metropolis, Ghana. It was established that petty traders were less knowledgeable in money management, savings and borrowing issue and investment issues. Further analysis was done to determine the differences in the level of financial literacy among the petty traders. It was concluded that with exception hawkers, there no significant difference among the petty traders. The results also who showed that more financial literate petty traders in general showed positive attitude toward financial management practices and personal finance opinions relative to the less financially literate one.

5.3. RECOMMENDATIONS

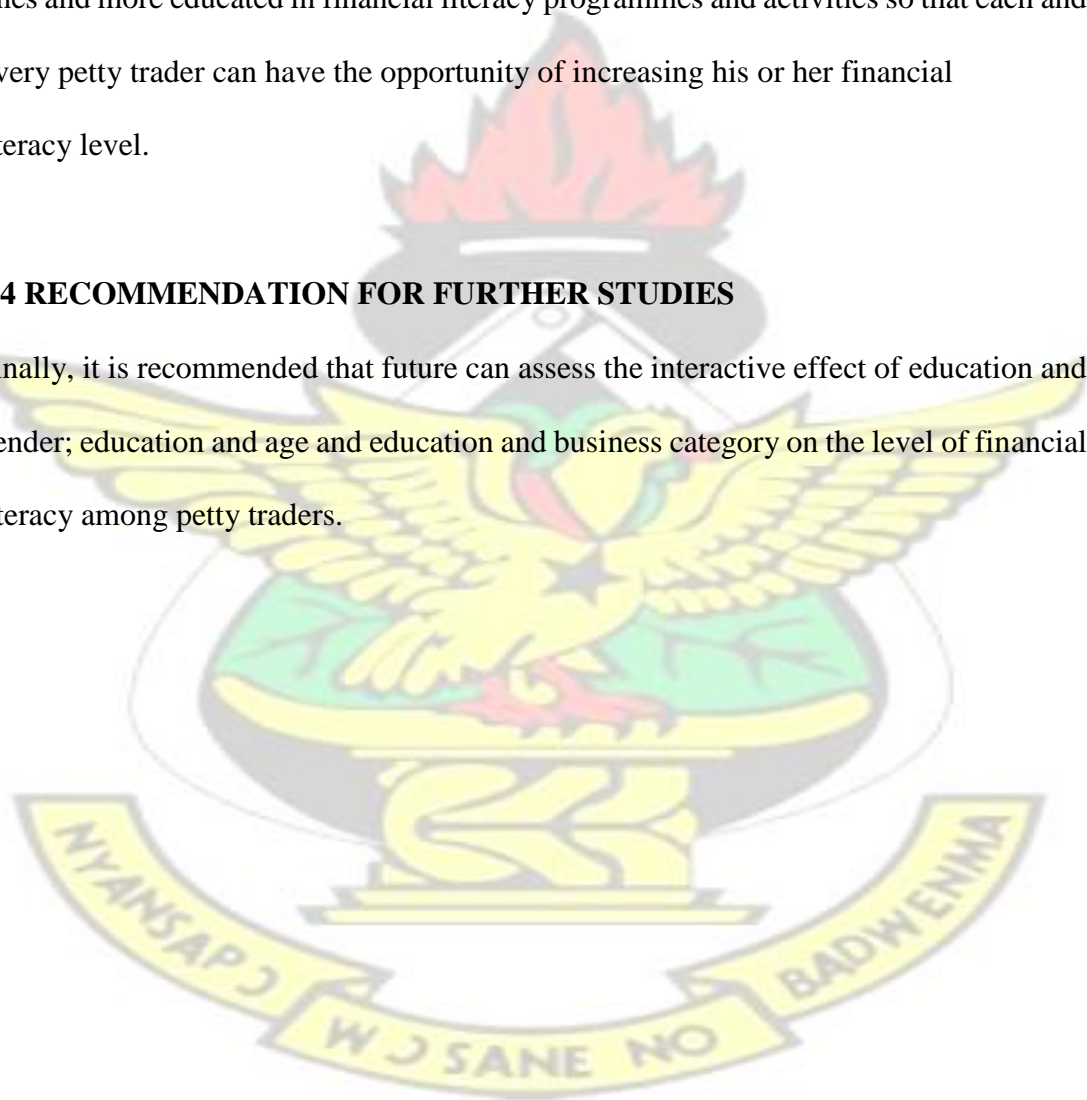
1. Even though majority of respondents were knowledge on the issues of savings and borrowings, they still need to complement this by improving their knowledge on investment portfolio. Financial institutions and Central bank of Ghana should organise sensitization programmes to educate these traders on the needs and benefits of

investment. A quarterly seminar on financial literacy should be organized for these petty traders and an incentive in the form of one week exemption from the payment of daily toll can help boost patronization..

2. It was further revealed that the educational level of the petty traders contributed to their level of financial literacy. Thus, it is recommended there should collaboration and partnership among petty traders especially partnership between the less educated ones and more educated in financial literacy programmes and activities so that each and every petty trader can have the opportunity of increasing his or her financial literacy level.

5.4 RECOMMENDATION FOR FURTHER STUDIES

Finally, it is recommended that future can assess the interactive effect of education and gender; education and age and education and business category on the level of financial literacy among petty traders.



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APPENDIX

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF GRADUATE STUDIES

MBA QUESTIONNAIRE

TOPIC: FINANCIAL LITERACY AMONG PETTY TRADERS: EVIDENCE IN THE KUMASI METROPOLIS

The main purpose of this study is to assess the financial literacy of petty traders in the Kumasi Metropolis. The study is mainly for academic purposes. Participants are assured of utmost **confidentiality** regarding information provided by them. This survey is intended to measure knowledge of personal finance of petty traders in the Kumasi Metropolis. The results will be used to help petty traders to improve their knowledge and other stakeholders such as government and international organization such as the World Bank, Organisation for Economic Co-operation and Development to improve their curricula.

DIRECTIONS: Please indicate your response to each question by selecting the most appropriate answer for each question.

I. ABOUT YOURSELF/ BIODATA

1. What is your category of business?

- A. Food Vendor B. Artisan C. Hawker D. Market woman/man E.
Service
Delivery

2. **How many years have you been in Business?** A. 1 – 5 B. 6 – 10 C. 11 – 15 D. 16 – 20
3. **What is your age?**A. up to25B. 26 – 35C. 36 – 45 D. 46 – 60
4. **What is your gender?** A. Male B. Female
5. **How many people are dependent on you for living?**
6. **What is the highest level of your education?**
- A. None
 - B. Junior Secondary School or Middle School
 - C. Senior High school or equivalent
 - D. Polytechnic or equivalent degree
 - E. Other Diploma
 - F. Bachelor's degree
7. **What is your level of income monthly?** A.100 and below B. 101 – 500
C. 501 – 1000 D.1001 – 1500

II.YOUR KNOWLEDGE ON MONEY MANAGEMENT, SAVINGS, BORROWING AND INVESTMENT

8. **A personal budget will help you**
- A. allocate future personal income towards expenses
 - B. prioritize your spending
 - C. monitor the sources of your income
 - D. all of the above
 - E. don't know
9. **Which account usually pays the MOST interest?**
- A. Fixed Deposit

B. Savings Account

C. Current Account

D. Don't Know

10. If you guarantee a loan for a friend, then

A. You become responsible for the loan payments if your friend defaults

B. It means that your friend cannot receive the loan by himself

C. You are entitled to receive part of the loan

D. You are in a better position to earn a personal loan

E. Don't Know

11. Suppose you had a GH¢100 in a savings account and the interest rate was 10 percent per year. After 1 year, how much do you think you would have in your account?

A. more than a GH¢110

B. exactly a GH¢110

C. less than a GH¢110

D. the same as your savings of GH¢100

E. don't know

12. You need to borrow some money. Which of these sources is likely to charge a higher interest on the loan?

A. Borrowing from the SSNIT Student Loan Scheme.

B. Borrowing from the established Banks.

C. Borrowing from a private money lender

D. Borrowing from parents

E. Don't know.

13. An overdraft

- A. Occurs when you write a GH¢1,000 cedi cheque when you have GH¢500 in your account.
- B. Is a stop-payment order written by the payee?
- C. Will result in fines.
- D. All of the above.
- E. don't know

14. The MOST important factor that a lender/bank uses when deciding whether to approve a loan

- A. Marital Status
- B. Education and Occupation
- C. Bill-paying record and income
- D. Age and gender
- E. Don't Know

15.If you buy a company's stock

- A. You own a part of the company
- B. You have lent money to the company
- C. You are liable for the company's debt
- D. Don't know/Not sure

16. In Ghana, stocks are traded on the

- A. Bank of Ghana

B. Ghana Stock Exchange

C. Securities and Exchange Commission

D. Don't Know

17. Which of these investments does not easily default?

A. Shares

B. Treasury Bills

C. Bonds

D. Mortgage

E. Don't Know

III. YOUR PERSONAL FINANCE OPINIONS, DECISIONS

PERSONAL FINANCE OPINION - Tick as appropriate using ×

Using the scale **given below** please rank the importance of the items numbered from 18 to 20

A	B	C	D	E			
Very Unimportant	Unimportant	Not Sure	Important	Very Important			
Opinion			A	B	C	D	E
18. Maintaining adequate financial records							
19. Spending less than your income							
20. Planning and implementing a regular investment program							

JUSTIFICATION FOR EACH RESPONSE

PERSONAL FINANCE DECISIONS

21. You have saved GHS 12,000 from your business operation. Your plan is to expand your business next year and you will need all of the money you have saved.

Which of the following is the safest place for your saved money?

- A. locked in her wardrobe at home
- B. stocks
- C. corporate bond
- D. treasury bills
- E. none of the above

22. Many people put money aside to take care of unexpected expenses. If you want to put money aside for emergencies, in which of the following forms would it be of *LEAST* benefit to you if you needed it right away?

- A. invested in a down payment of the house
- B. current account
- C. stocks
- D. savings account
- E. treasury Bills

23. You have sought for a credit facility in an amount of GH¢28,000 to improve your business. You will pay GH¢600 per month for five years for the credit facility. What should you do to improve your financial health?

- A. Cut expenses and use your savings to pay down debt
- B. Keep the same spending pattern as in the past
- C. Apply for a consumer loan for a new car
- D. Eliminate debt by filing personal bankruptcy
- E. Use your earnings to pay for a holiday abroad

PERSONAL FINANCIAL MANAGEMENT PRACTICES - Tick as appropriate

