

Effects of Financial Literacy on The Performance of Small and Medium Scale Enterprises in the Greater Accra Region of Ghana

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Abstract: This quantitative study investigated the effects of financial literacy on the performance of small and medium-scale enterprises (SMEs) in the greater Accra region of Ghana. Data was gathered from 150 owners or managers of SMEs using questionnaire as the data gathering instrument. The data collected was analyzed using IBM SPSS statistical software. The analysis was based on both descriptive and inferential statistics, and the presentation of results were done using graphs and charts as well as frequency distribution tables. The analysis of the correlations was also carried out to determine if a relationship exists between the study variables. The findings revealed that, although respondents were aware of many sources of funds including loans from financial institutions, and have adequate knowledge on the stock market, most of them have started their SMEs with personal savings or loans from their friends and relatives. The results also show respondents have adequate knowledge on debts and the effect that it has on their businesses, the importance of assets, and the effects of liabilities to their businesses. Apart from these dynamics, they also understand the effect of other economic factors such as inflation, interest rates, and risks on their businesses. The inferential statistics show significant positive relationship between financial literacy and SME performance. The researchers, therefore, concludes that the financial knowledge that SME operators in Ghana have has positively affected the performance of their businesses. This is not merely an assertion by the researchers based on the findings but also from the SME operators who themselves confirm that their knowledge of finance has positively affected the performance of their businesses. While SMEs demonstrate some level of financial literacy, the findings suggest that further training programs are essential to refine their financial skills and decision-making capabilities.

Keywords: *Financial literacy; SME Performance; Social Enterprises; Financial Services; Small and Medium-scale Enterprises*

Introduction

Small and medium-sized enterprises (SMEs) make a considerable contribution to production, and jobs in both developed and undeveloped economies and make a significant contribution to the revitalization of the world economy (Agyapong, 2010). Micro, small and medium-sized enterprises (MSMEs) contribute a massive proportion of the Gross Domestic Product (GDP) to economic growth,

education, income security and poverty elimination in most developed countries such as Ghana (Alagidede et al., 2013). SMEs are privately owned, managed enterprises with few staff and a fairly low sales volume. Since SMEs are usually defined by their size, there is no widely agreed definition (Ocloo et al., 2014). The ability to learn, interpret, monitor and convey specific financial circumstances that influence the well-being of a corporate organization as well as the capability to understand finance decisions, requires the understanding and application of financial information (Alagidede et al., 2013). Numerous countries have developed financial education policies to boost their population's financial literacy as viewed as the life skills required for smart financial behaviour in contemporary day activities and as an important base for the cultural and political development of people and the public (Oppong et al., 2014).

According to Amoah & Amoah, (2018) a company's performance shows its ability to create profits over time at the amount of production, assets, and some of its invested capital. Hence, understanding the factors that govern performance is key to helping managers develop effective strategies that will lead to the performance of their firm. Performance is accomplished through a number of practices, such as effective corporate governance, marketing strategies that create quality products, research and development (Huang & Kung, 2011). Financial planning is the skill and knowledge of handling money in planning, organizing, lending and monitoring economic actions to attain higher profits for an organization. As explained by Okoisama et al., (2017) in small businesses, the control and ownership of investment is characteristically in the hands of one key decision-maker who has a significant impact on how the company trails its purposes. Owners can, by their more decision-making skills, create firms with the potential to generate high levels of profits and growth. Thus, it is important for the owner of the SME to be financially literate in order to make sure that their choices will lead to the successful performance of the company (Hossen & Mohd Pauzi, 2023). One of the emerging facets of several scholars, particularly in the developing economy, is financial literacy in terms of firms they own or manage. Company decision-making must be reasonable and dependent on the evidence available. This means that managers of businesses and individuals must have a reasonable degree of financial knowledge available to them in order to make a informed decision (Agyapong, 2010).

Problem Statement

Research on the effects of financial literacy on SMEs highlights a global challenge where insufficient economic knowledge often leads to business failures. For instance, the 2008/2009 global financial crisis underscored how a lack of financial literacy exacerbates vulnerabilities in businesses, especially SMEs (Arinda, 2019). Studies (Arinda, 2019; Yakob et al., 2021), have demonstrated that while financial skills such as cash management, budgeting, and record-keeping are critical for SME productivity, many entrepreneurs lack comprehensive knowledge of essential financial principles, including the implications of inflation, interest rates, and debt management.

In Ghana, SMEs play a pivotal role in reducing poverty and driving economic growth (Akhtar & Liu, 2018). However, there is limited research on the relationship between financial literacy and SME performance within this context. Prior studies (Amoah & Amoah, 2018; Lusardi & Mitchell, 2014; Oppong et al., 2014), primarily focus on personal financial literacy rather than its application in business management. This research addresses this gap by investigating how financial literacy influences SME performance in the Greater Accra Region, with a specific focus on financial market awareness, financial management practices, and business performance outcomes. This study aims to

identify financial literacy gaps among SME owners, evaluate how these gaps affect their decision-making processes, and measure the subsequent impact on business performance. The research is intended to contribute towards a broader understanding of the role of financial literacy in enhancing SME success.

Research Objectives

1. To explore the specific financial market institutions, instruments, and transactions utilized by SMEs in the Greater Accra Region and assess their accessibility and relevance to SME operations.
2. To analyze the financial literacy levels of SME owners with a focus on knowledge, behavior, and attitudes toward managing financial resources.
3. To investigate the relationship between key dimensions of financial literacy and the financial performance of SMEs.

Research Questions

1. What are the specific financial market institutions, instruments, and transactions utilized by SMEs in the Greater Accra Region and assess their accessibility and relevance to SME operations?
2. What is the financial literacy level of SMEs owners?
3. What is the relationship between key dimensions of financial literacy and the financial performance of SMEs?

Significance of the Study

The results of the study will go a long way towards helping SMEs understand market dynamics and how their knowledge of financial market issues impacts their activities. It will also allow them to make informed decisions. The findings will also provide insight into possible ways in which government can address the issue of financial illiteracy among business owners and possible ways to promote education on the finances of entrepreneurs. This will also encourage the government and financial authorities to integrate these small and medium-sized businesses into their programs in fields such as access to loans and other financial incentives, which will potentially create greater resources for business players (Rana et al., 2024). This study will further be of use to investors because it will highlight the benefits that their firms will derive from the acquisition of financial literacy. Such incentives will provide sound financial reporting capabilities that can add to the success of their companies.

Literature Review

In his research on financial literacy, Chamwada, (2015) explored how the financial success of SMEs in the Kibera Slum of Nairobi was affected. On the basis of Pearson coefficients, the findings show that the financial literacy scores, the volume of money expended, and the scale of small and medium-sized businesses all have a positive impact on the financial competitiveness of SMEs. However, only financial literacy and business size have a major influence on profitability. The study emphasized that business

awareness, venture capital, and the growth of the firms are closely linked to the financial success of SMEs.

On the other hand, Plakalović, (2015) published a report on the financial literacy of SMEs executives, which showed that administrators in such companies remained financially illiterate and even financially incompetent in certain respects. The results further indicates that SME administrators do not use any of the financial analytical tools which further stresses that the majority of them are financially illiterate.

In a related study by Lusardi & Mitchell (2014), the findings revealed that targeted financial literacy programs that concentrate on particular patterns and populations can lead to healthier financial decisions. According to the findings, financially knowledgeable people are usually less likely to default on loans and are more likely to invest in retirement.

Determinants of Financial Literacy

Financial Knowledge

Financial literacy is described by Huston, (2010) as an awareness of key financial terms and concepts needed for everyday work. This awareness is accumulated through the ability to control income, expenditure and investments in a stable way. According to Tang et al., (2015) improved financial understanding leads to conservative financial actions, and ultimately to healthier financial decisions. Furthermore, empirical work by Lusimbo, (2016) indicates a clearer understanding of the individuals such as emergency fund managers, credit report monitors. The determinants of financial knowledge includes time value of money (TVM), diversification of risks, risk and return, and inflation (Potrich et al., 2016).

Financial Behaviour

Amoah & Kwabena, (2018) describes financial behaviour as having the ability to consider the cumulative effect on one's financial situation and to take the necessary decisions on cash management, preparation and budget planning. The OECD includes factors such as budgeting and fiscal management, long-term financial goals, revenues, deposits and borrowing (OECD, 2022).

Financial Attitude

Financial attitude can be described as the implementation of sound management of financial principles that establish and maintain value (De Clercq, 2019). This implies that financial attitude is a social predisposition where financial accounting activities are approved or disagreed with. Studies (Akhtar & Liu, 2018; Mabula & Ping, 2019; Oluyemisi, 2019) found that the best financial attitude practices includes risk perception, planning and time allocation, which ultimately increases financial literacy.

Determinants of SMEs Financial Performance

Location of the SMEs

Vincent, (2015) explained that location is a financial and per capita economic situation, an essential element in molding and assessing the achievement, failure and usefulness of business operations and entrepreneurship. Strategic location is therefore crucial for the firm to be successful. Strategic location may include a good road network, availability of raw materials and accessibility to the place of

business. As explained by Ocloo et al., (2014) strategic locations are very important for firms as it plays a critical role on influencing the firm's performance in terms of sales, reduction in transaction cost and enhancing its performance.

Size of the Firm

The size of the company affects its marketing capability, actions, desires, operation, etc. which is a core determinant of the organization's efficiency and growth (Vincent, 2015). A big company would have modern infrastructure, ample resources, more workers and greater economies of scale, and it will substantially boost the SME's financial results. Nevertheless, Ocloo et al., (2014) argues that smaller companies will need less money to fund its investment, while a big corporate organization would use a lot more resources to prepare and manage its investment, making it more flexible.

Age of the Firm

The age of the product reflects the service period of the product. Age is a crucial factor in its effect on the form of infrastructure, facilities and policy used. The comparatively poor financial success of current small and medium-sized companies compared with new SMEs shows this. Current small and medium-sized businesses would have to invest more on the market to survive (Ocloo et al., 2014).

Conceptual Framework

The conceptual framework depicts the research study in the writer's mind's eyes. The construct is based on the OECD, (2022) toolkit for measuring financial literacy. For one to be financially literate, the person must be well versed in three main variables under financial literacy which is; Financial Knowledge, Financial Attitude and Financial Behaviour. Having understood and know-how in these three variables makes a person financially literate. Based on the study, this change consequently affects the performance of the SME's. In this construct, the performance of SME's is the dependent variable while Financial Literacy is the independent variable. This means that a unit change in the independent variable (Financial Literacy) will cause a unit change in the dependent variable (Performance of SME's).

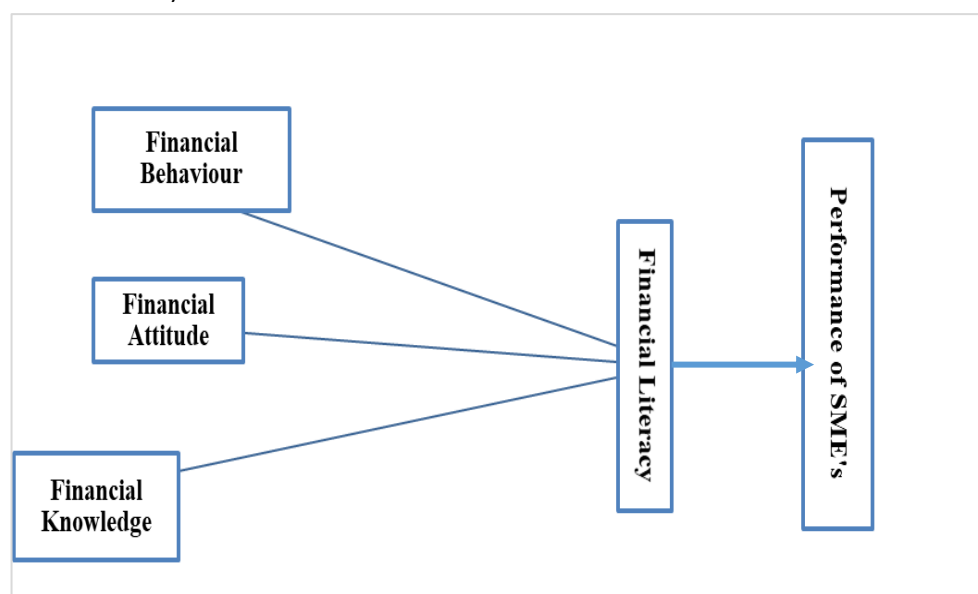


Figure 1: Conceptual Framework, Source: Author's construct, (2024).

Methodology

Research Design

The study used descriptive research design with a cross-sectional approach. This design was chosen to offer a better understanding of the financial literacy of SMEs.

Population and Sample size

The study covers the SMEs within the Greater Accra Region of Ghana that is owned and/or controlled by Ghanaians. A sample size of one hundred and fifty (150) enterprises within the region were sampled to help the researcher in providing substantive conclusions. This was based on the estimated population.

Sampling Technique

This study used both probability and non-probability sampling methods. The use of simple random sampling under the probability sampling method was used to pick a sample from the population. The researcher then requests referral to each selected participant using snowball sampling techniques under the non-probability sampling method. Each chosen participant was asked to suggest other participants who would be of help with regards to the study.

Data Sources and Collection Instrument

Primary data was obtained by using questionnaires as the data gathering instrument. The questionnaire had few open-ended questions and a lot of closed-ended questions. The questionnaires were structured with questions that required respondents to tick the right answer. The questionnaire had five (5) sections with section one being the demographic details of the study respondents, and the subsequent sections were based on 2022, Organisation for Economic Co-operation and Development, (OECD) and the International Network on Financial Education (INFE) "*OECD/INFE Toolkit for Measuring Financial Literacy and Financial Inclusion 2022*" that measures financial literacy. Few of the questionnaires were distributed physically while majority were electronically distributed depending on the convenience of the respondents.

Data Collection Procedures

The researcher identified a few SME owners within the Greater Accra Region of Ghana and distributed the questionnaire to them after meeting all ethical requirements. Each respondent was then asked if they knew other SME owners. Those who knew others directed the researcher to their offices and the procedure was repeated from respondent to respondent until the sample size was obtained. Prior to that, a pilot test was carried out to improve the instrument's reliability and validity. This was undertaken to test data consistency and significance.

Data Analysis and Presentation

During the data analysis, the researcher analyzed the results objectively to ensure that they were accurate and reliable. The data was analyzed using IBM SPSS statistical software. The analysis was based on both descriptive and inferential statistics, and the presentation of results were done using graphs and charts as well as frequency distribution tables. The analysis of the correlations was also

carried out to determine if a relationship exists between the study variables, so that the researcher can infer with statistical analysis of correlation.

Findings

Demographic Characteristics of respondents

A total of one hundred and fifty (150) questionnaires were successfully completed by the respondents. Respondents' demographic information addresses the characteristics of respondents, such as ethnicity, age group, educational qualifications, the business sector, etc. The researcher has adopted frequency tables to display and analyse the effects of the sample characteristics as seen below. The rationale for the use of the frequency table and the figures was to evaluate the categories of the various characteristics of the responses.

Gender of Respondents

Figure 1 is a chart showing the sexual orientation of the respondents. As shown, males constitute the majority of the respondents making 54% of whiles females constitute 46% of the respondents.

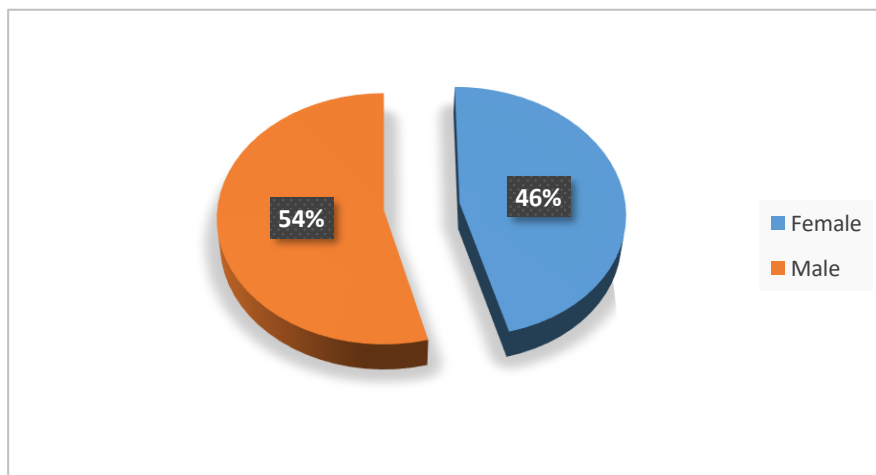


Figure 2: Gender of Respondents

Source: Field data, 2024

Age Group of Respondents

With the age group, 86 out of the 150 respondents falls within the ages of 20-30 years, making 57.3% whiles 31- 40 years makes up 32.7%. Respondents between the ages of 41-50 were 13 and makes up 8.7% whiles those 50 years and above were only 2 which makes 1.3%. The result is shown in Figure 2.

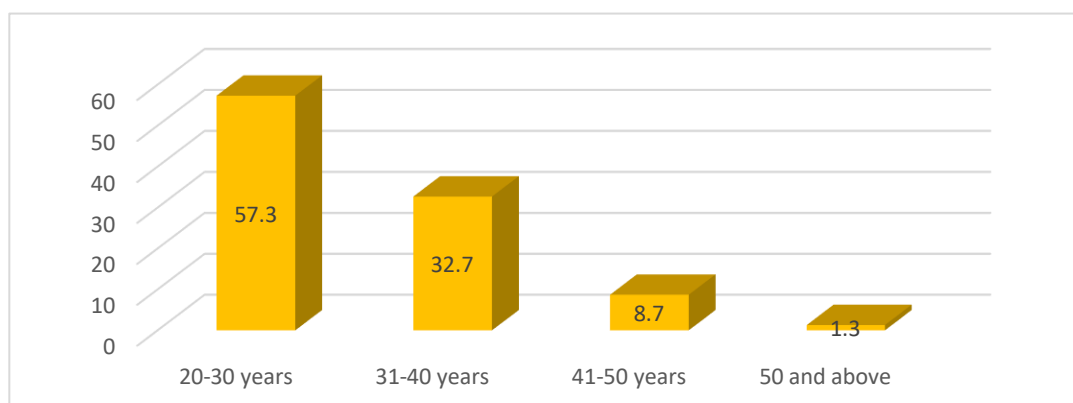


Figure 3: Age Group of Respondents

Source: Field data, 2024

Business Sector of Respondents

The Business Sector of the respondents explains the industry in which they perform their business activities. From table 1, 71 (46%) of the respondents were in the services industry (this includes but not limited to tailoring, make-up, social media, teaching, food, and hospitality) while the Trade sector constitute 31.3%. Manufacturing industry was 8.7% while the respondents from the Transport sector constitute 4% followed by Marketing and distribution and the construction sector both with 2.6% and agriculture constitute only 2% of the respondents.

Table 1: Business Sector of Respondents

Sector	Frequency	Percent
Agriculture	3	2.0
Construction	4	2.6
Finance	2	1.3
Manufacturing	13	8.7
Marketing and distribution	4	2.6
Service	71	46.3
Trade	47	31.3
Transport	6	4.0
Total	150	100.0

Source: Field data, 2024

The legal form of Entity

From the figure 3, the majority of the respondents were owners of a Sole Proprietorship business constituting 56.7%. The limited liability company was 31.3% followed by Partnership with 8% while Cooperative Society Unions were 2.6% and a joint venture capital company was 1.3%.

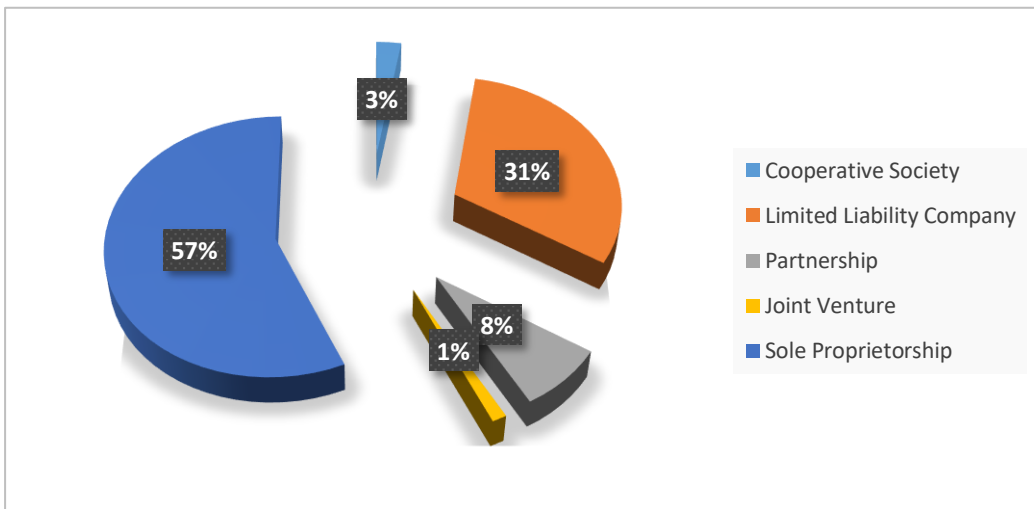


Figure 4: Legal form of Entity

Source: Field data, 2024

Position of Respondents

Figure 4 shows CEO position to be the highest with 74.7%, Administrator positions with 11.3% while Finance Manger was 5.3% followed by Director Position of 4.7% and 'Other' position to be 4%.

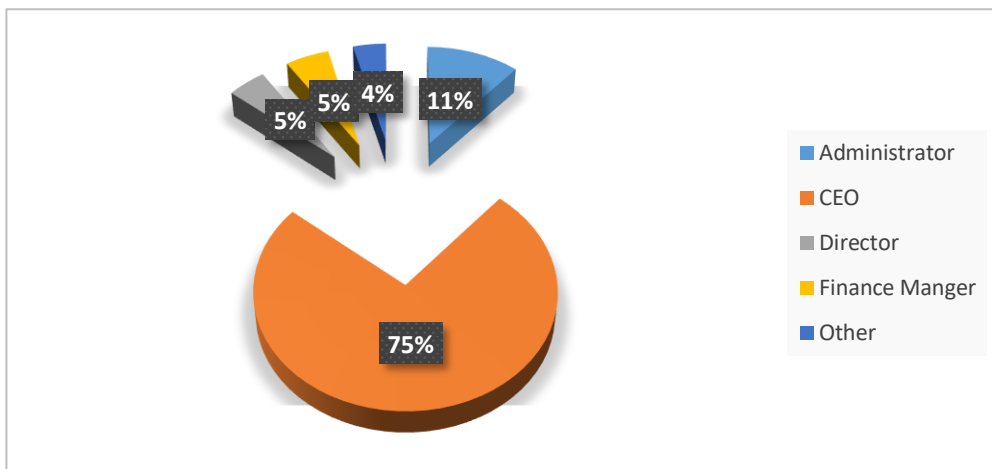


Figure 5: Position of Respondents in Business

Source: Field data, 2024

Number of Years Firm has been in Operation

It can be seen from figure 5, that most of the companies have been in operations for less than 5 years with 62.7% followed by 5-10 years with 20% and 11-15 years with 8.7%. Those firms that has been in business for 36 years and above were 5.3% while those between 26-35 years were 3.3%. This result also indicates that as at the time of the survey, none of the SMEs has been in operation between the period of 16-25 years.

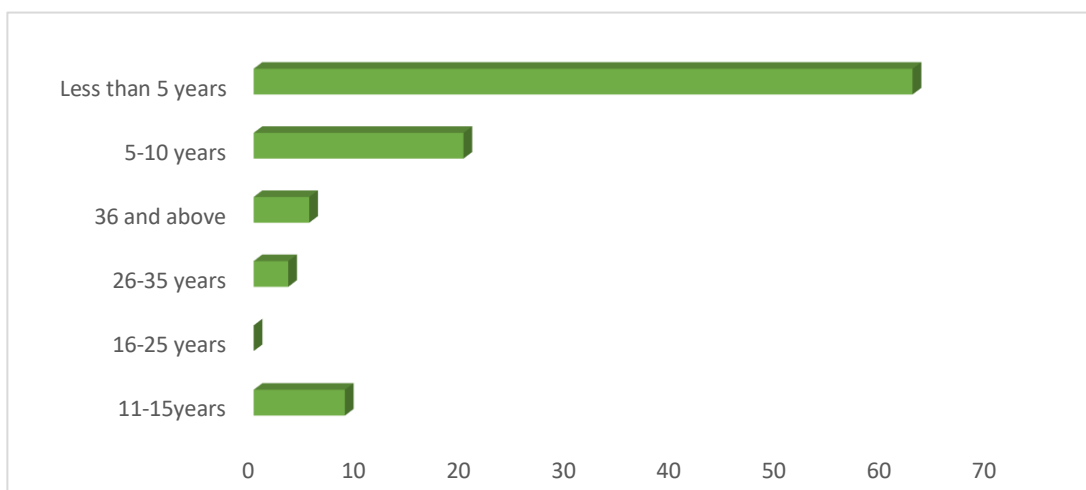


Figure 6: Number of Years Firm has been in Operation, Source: Field data, 2024

Current Number of Employees

Table 2 shows a frequency table indicating the number of employees working in the respondents' company.

Table 2: What is your current number of employees?

Option	Frequency	Percent
21-30	6	4.0
31-40	4	2.6
41 -50	4	2.7
6-20	35	23.4
50 and Above	2	1.3
Below 5	99	66.0
Total	150	100.0

Source: Field data, 2024

Objective 1: Financial Services used by SMEs in the Greater Accra

This section is aimed at measuring the financial knowledge of respondents.

Sources of Business funds

Figure 6 indicates that 50.7% of the respondents finance their businesses through personal savings while 23.3% finance their businesses through Borrowing from family and friends. Also, 22% of the respondents fund their businesses through Borrowing from financial institutions while the other 4% finance their businesses through other means such as shares and sales from production.

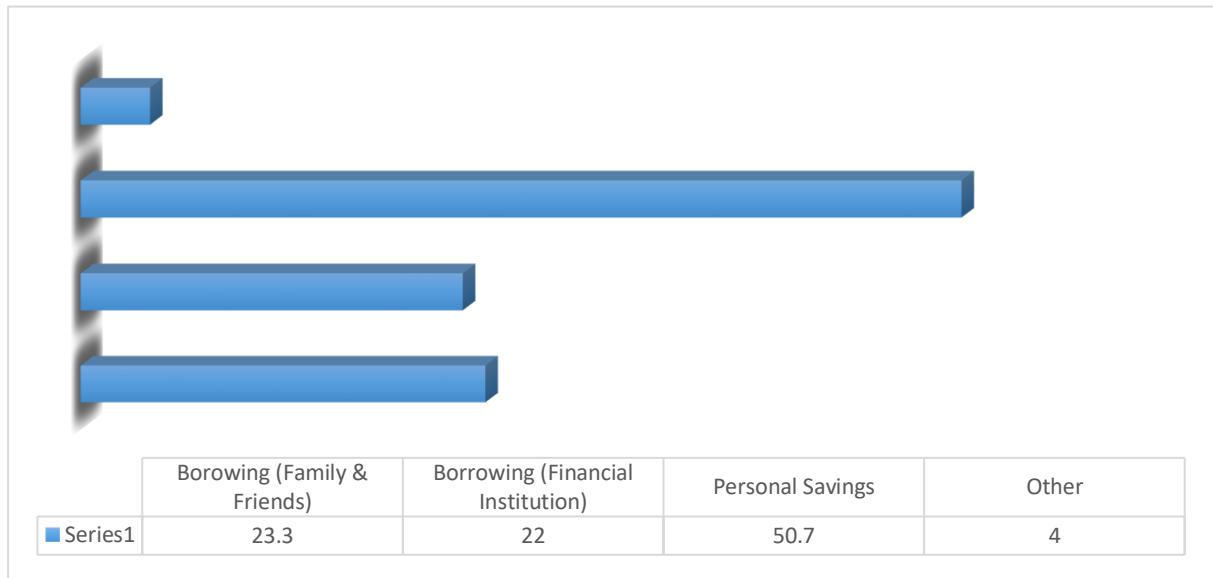


Figure 7: Sources of Business funds, Source: Field data, 2024

Awareness of Sources of Finance

Figure 7 indicates the measurement of the financial knowledge of respondents by finding out their awareness of sources of finance. The below chart indicates that most of the respondents are aware of Bank loans having a 75.3% followed by 12% of Savings from Retained earnings. The others are Loan from Microfinance institutions comprising a 9.9%, Loan from family and friends and ‘Others’ with 1.4% each. The respondents who answered other to the questionnaire mentioned their awareness of Angel investors and Boot Strapping.

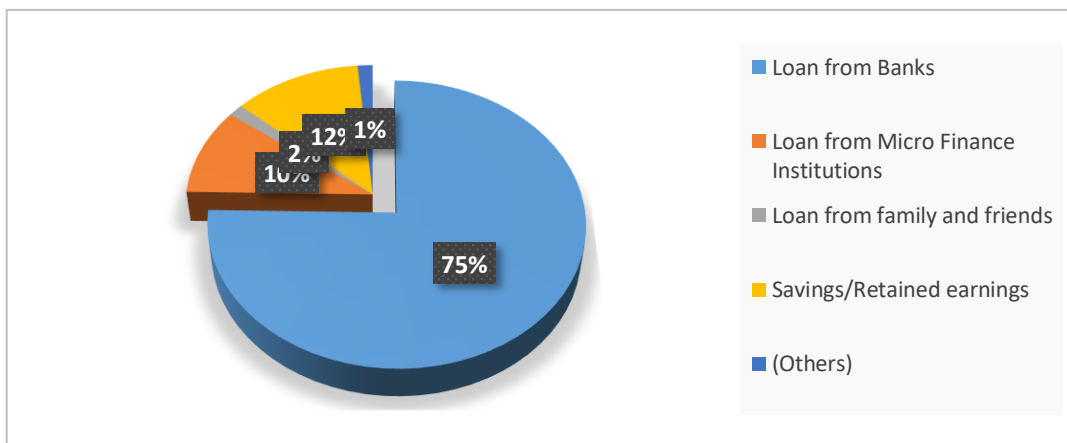


Figure 8: Respondents Awareness on Sources of Finance, Source: Field data, 2024

Name of Ghana Stock Market

The figure 8 shows responses to the name of the stock market in Ghana. It reveals that 79.3% of the respondents' know that the name of the stock market is the Ghana Stock Exchange while 8.0% of the respondents do not know. 7.3% thinks that the Ghana Commodities Market is the name of the Stock Market in Ghana while 5.3% believes it is the Ghana Stock Market.

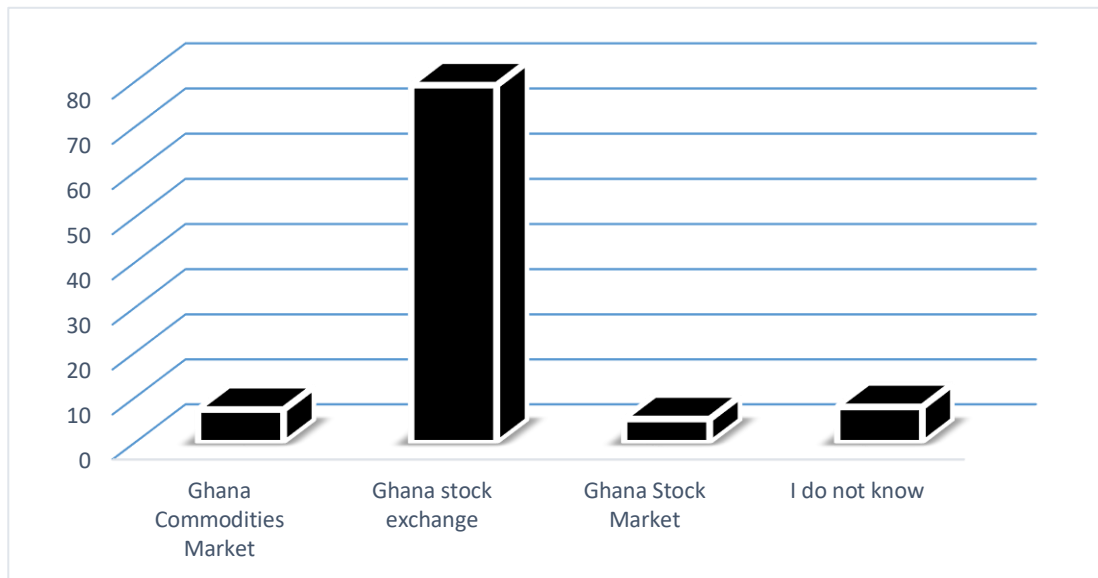


Figure 9: Name of Ghana's Stock Market, Source: Field data, 2024

Objective 2: Evaluate Financial literacy levels of SME owners

Financial Knowledge

Table 3 shows the results on the study participant about their knowledge of assets, liabilities, and equity. The results show that respondents have a fair knowledge of their assets, liabilities, and debt as they scored an average mean of 4.04. to the statements. These statements are, capital refers to monies that they invest into their business; debt is the monies that they from others to invest into their businesses; that assets bring sums of money into their businesses; that investments from people are liabilities; that profits are monies that they save after deducting their expenses from their income; and that, they can only make more profits when they invest more into their businesses.

Table 3: Financial Knowledge

Responses	N	Min.	Max.	Mean	S.D
Capital refers to the money I invested in the business	150	1.00	5.00	4.34	.947
Debt is the money I take from people to invest in the business	150	1.00	5.00	3.96	1.14
Assets bring money into my business	150	1.00	5.00	4.16	.95
Investments from people are liabilities	150	1.00	5.00	3.64	1.24
Profit is the money I get after deducting my expenses from sales	150	1.00	5.00	4.40	.97

I can only make more profit if I invest more into the business	150	1.00	5.00	3.78	1.28
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Source: Field data, 2024

Financial Behaviour

As seen in Table 4, the study shows that respondents have a written financial objective of what they want their businesses to achieve in the foreseeable future and that they believe their budgets help them in monitoring their expenses. They also agreed that they can determine the total debt position of their business and know the effects of inflation on their businesses. The respondents, however, agreed that they need training programmes to improve upon their financial knowledge since according to them, financial records are important for the growth of their businesses.

Furthermore, the respondents agreed that they save a percentage of their businesses' monthly income. They also agreed that they keep catering for emergencies when they suffice. In addition to this, they agreed that they have other sources of income apart from their normal businesses, even though they revealed that they plan on running this business into the unforeseeable future. Because of this, respondents prepare financial statements such as income statements, and balance sheets for their businesses (Hossen & Pauzi, 2025). To get adequate information to prepare financial statements most of the respondents agreed that they have ledger books which are used to record their daily transactions, and they have learnt how to manage (maintain and balance) these books of accounts. The decisions of the respondents are therefore guided by their financial statements, which also help them to perform financial analysis on their businesses.

Table 4: Financial Behaviour

Responses	N	Min.	Max	Mean	S.D
I have a written financial objective of what I want my business to achieve in the foreseeable future	150	1.00	5.00	3.70	1.17
My budget helps in monitoring my expenses	150	1.00	5.00	4.30	.88
I can determine the total debt position of my business as at now	150	1.00	5.00	3.62	1.30
I know the effects of inflation on my business	150	1.00	5.00	3.99	1.16
I need training programs to improve upon my financial knowledge	150	1.00	5.00	4.00	.98
Financial records are important for my business growth	150	1.00	5.00	4.38	.85
I save a percentage of my business' monthly income	150	1.00	5.00	3.85	.99
I keep financial reserves in case of emergency	150	1.00	5.00	3.96	1.01
I have another source of income apart from my business	150	1.00	5.00	3.86	1.09
I plan to do this business for the foreseeable future	150	1.00	5.00	4.22	.90
I prepare financial statements (income statement, Balance sheet) for my business	150	1.00	5.00	3.45	1.29
I have a ledger book to record all my transactions	150	1.00	5.00	3.75	1.13
I know how to maintain and balance my ledger accounts	150	1.00	5.00	3.72	1.14
My decisions are guided by the financial statements	150	1.00	5.00	3.72	1.17
I can perform financial analysis on my business.	150	1.00	5.00	3.66	1.15

I have an understanding of basic economic concepts (inflation, interest rate, unemployment, etc) that are needed to make sensible saving decisions	150	1.00	5.00	3.96	.95
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Source: Field data, 2024

Financial Attitude

In managing businesses, there is a need for business owners to develop positive financial attitudes since the lack of it tends to thwart business success. Table 5 sought to outline the financial attitudes of respondents. Using the mean for all responses, the results show that respondents agree that it is important to control their monthly expenses and to achieve this, they have established financial targets for the future knowing that their expenditures today will surely affect their future either positively or negatively. Also, respondents agreed that making risky decisions may add value to their returns but preventing risks also ensures the security of their business. The respondents also agreed that their short-term decisions are always influenced by their long-term financial goals, and because of this, they always participate in training programs to gain better and evolving financial skills.

Table 5: Financial Attitude

Responses	N	Min.	Max	Mean	S.D
It is important to control my monthly expenses	150	1.00	5.00	4.40	.86
I have established financial target for the future	150	1.00	5.00	4.06	.97
My expenditure today will affect my future	150	1.00	5.00	4.30	1.00
Risky decision making adds value to my returns	150	1.00	5.00	3.21	1.17
Preventing risk ensures the security of my business	150	1.00	5.00	3.54	1.10
My short-term decisions are influenced by my long-term financial goals	150	1.00	5.00	3.84	.97
I participate in training programmes for financial skills	150	1.00	5.00	3.60	1.26

Source: Field data, 2024

SME's Performance

Based on the results in Table 6, respondents have easy access to credit facilities because they know a lot in financial markets and that their knowledge in finance has increased the number of employees that they have in their firms. Respondents also indicated that they can pay their corporate and income taxes and are also able to pay for the insurance of their employees including SSNIT, Tier 2 and Tier 3.

Table 6: Descriptive Statistics

Responses	N	Min.	Max	Mean	S.D
My Financial knowledge has led to increased performance in my firm	150	1.00	5.00	3.86	.99
Financial knowledge has increased my market share	150	1.00	5.00	3.70	1.00
I have easy access to credit facilities because I know a lot in the financial market	150	1.00	5.00	3.12	1.14
My knowledge in finance has increased the number of employees I have in my firm	150	1.00	5.00	2.86	1.16

I pay both corporate and income tax	150	1.00	5.00	3.42	1.28
I pay insurance for my employees (SSNIT, Tier 2 & Tier 3)	150	1.00	5.00	3.02	1.37

Source: Field data, 2024

Effect of Financial Literacy on SME Performance

Correlation Analysis

According to the OECD, (2011) financial literacy comprises of financial knowledge, financial Attitude and Financial Behaviour. The values of these variables were compiled, and it was run against the SMEs performance using a 2-tailed Pearson Correlation. This is shown in table 7.

Table 7: Correlations Analysis

Construct	1	2
Financial Literacy (1)	1	.713**
Performance (2)	.713**	1

n=150; **.p<5%

Source: Author's Construct, 2024

It can be noted from Table 7 that there is a strong positive relationship between financial literacy and SMEs performance. This implies that a proportionate change in financial literacy will cause more than 70% change in the performance of SMEs. Also, the relationship between the variables is significant at 0.01 significance level.

Regression Analysis

The study performed two models of regression analysis. The first model was between the two main variables which are financial literacy and SME performance. The second model, on the other hand, took into consideration the dependent variable, the independent variable and three (3) control variables. Table 8 is a representation of the regression results.

Table 8: Regression Analysis of effect of financial literacy on SME performance

Model	Construct	B	S.E	R	R ²	F	t	Sig.
1	(Constant)	2.524	0.116	0.562	0.316	144.968	21.793	0.000
	financial literacy	0.382	0.032				12.040	0.000
2	(Constant)	2.477	0.212	.583	0.340	39.977	11.689	0.000
	financial literacy	0.369	0.032				11.367	0.000
	Gender	-0.11	0.063				-1.856	0.064
	Current qualification	0.099	0.041				2.391	0.017
	Number of years of Firm	0.01	0.049				0.313	0.754

Dependent Variable: SME Performance

Source: Author's Construct, 2024.

In Model 1, the constant is 2.524, indicating the baseline level of SME performance when financial literacy is not considered. This constant is statistically significant with a t-value of 21.793 and a p-value below 0.001, showing it is significantly different from zero. Financial literacy itself has a positive and highly significant effect on SME performance, with a coefficient of 0.382 and a p-value below 0.001. This suggests that for each one-unit increase in financial literacy, SME performance increases by an average of 0.382 units. The model's fit, reflected by an R-value of 0.562, indicates a moderate positive relationship between financial literacy and SME performance. The R^2 value of 0.316 suggests that financial literacy alone explains 31.6% of the variance in SME performance. An F-statistics of 144.968 with a p-value below 0.001 confirms that Model 1 is statistically significant (Hossen & Salleh, 2024).

In Model 2, where additional variables (gender, current qualification, and number of years the firm has been in business) are included, the constant is slightly lower at 2.477 but remains statistically significant ($p < 0.001$). Financial literacy continues to be a strong predictor of SME performance, with a coefficient of 0.369, though the effect size is slightly reduced compared to Model 1, likely due to the inclusion of other variables. Gender has a coefficient of -0.11, indicating a slight negative effect on SME performance, but this result is not statistically significant, with a p-value of 0.064. This suggests that gender does not reliably predict SME performance in this model. Current qualification, however, shows a positive and significant effect on SME performance, with a coefficient of 0.099 and a p-value of 0.017. This result indicates that higher qualifications among SME owners or managers are associated with better performance outcomes. The number of years the firm has been operating has a minimal impact on performance, with a coefficient of 0.01 and an insignificant p-value of 0.754.

The fit of Model 2, with an R-value of 0.583, shows a slightly stronger relationship compared to Model 1, as the additional variables modestly enhance the model's explanatory power. The R^2 value of 0.340 means that these variables together account for 34.0% of the variance in SME performance, a slight improvement over Model 1. The F-statistic of 39.977 ($p < 0.001$) further suggests that Model 2 is statistically significant. This comparison of R^2 values from Model 1 to Model 2 implies that adding gender, current qualification, and number of years of the firm modestly improves the explanation of SME performance, though financial literacy remains the most impactful predictor.

Conclusion

Based on the results of this study, the researchers conclude that SME operators in Ghana have adequate financial knowledge which includes but not limited to knowledge on assets, debt, and liabilities. They understand the need to invest more in their assets and manage their debts and liabilities to ensure the smooth operation of their establishments and to record an increase in earnings. The study also shows that management of SMEs in Ghana have adequate knowledge of financial markets and instruments even though financial instruments, and information is not readily available to them. It is also important to note that SME operators in Ghana have adequate knowledge of economic factors such as inflation, and interest rate which help them to make decisions for their companies. The researchers, therefore, concludes that the knowledge that SME operators in Ghana have has affected the performance of their establishments. This is not merely an assertion by the researchers based on the findings but also from the SME operators who themselves confirm that their knowledge of finance has positively affected the performance of their businesses. However, these SME owners express their desire for more training programs on financial literacy.

Recommendations and Limitations

This study highlights the importance of financial literacy in enhancing the performance of SMEs in the Greater Accra Region of Ghana. While SMEs demonstrate some level of financial literacy, the findings suggest that further training programs are essential to refine their financial skills and decision-making capabilities. Social Enterprise (SE) Ghana and similar organizations could play a pivotal role by implementing workshops and training programs tailored to SME operators. These initiatives could enhance their understanding of financial markets, enabling them to make informed decisions that shield their businesses from market uncertainties.

Furthermore, the government should consider extending financial support to SMEs through low-interest loan instruments. Expanding the scope of agencies like the Microfinance and Small Loans Centre (MASLOC) could bridge the funding gap for SMEs, helping them scale their operations and reduce unemployment rates. Addressing macroeconomic challenges, such as inflation and high-interest rates, should also remain a priority, as these factors significantly influence SME sustainability. However, the study faced certain limitations that should be acknowledged. First, the research focused solely on SMEs in the Greater Accra Region of Ghana, limiting the generalizability of the findings to other regions. Additionally, the use of self-reported data from the study respondents could introduce biases, as responses may not fully capture the true financial practices of the SMEs. The cross-sectional design of the study also restricts the ability to infer causal relationships. Future research could address these limitations by employing longitudinal designs and expanding the study scope to include SMEs from diverse regions and sectors.

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