UNIVERSITY OF CAPE COAST

EXAMINING THE RELATIONSHIP BETWEEN FINANCIAL LITERACY AND PERSONAL SAVINGS AMONG INDIVIDUALS IN ADEISO

HARRY BOTTEY

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BY

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DECLARATION

Candidates Declaration

I hereby declare that this dissertation is the result of my own original research and that it has not been presented for another degree in this university or elsewhere.

Candidate's Signature……………………………..…… Date……...…………

Name: Harry Bottey

Supervisor's Declaration

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

Supervisor's Signature…………………………… Date………………….

Name: Mr. Patrick Kwashie Akorsu

ABSTRACT

The study examined the relationship between financial literacy and personal savings among individuals in Adeiso. The study used descriptive design in the quantitative approach. Stratified sampling technique was used to select 300 respondents (nurses, teachers and SME operators) in Adeiso of which questionnaires were administered to them. Furthermore, the data was analyzed with the help of statistical software known as Statistical Product for Service Solution (SPSS version 21.0) and interpreted by using percentages and frequencies and presented with the aid of tables, graphs and charts. It was found out that, generally, financial literacy of the respondents was moderate. The financial literacy level of nurses was very weak in terms of knowledge in retirement planning, investment and savings and borrowing. Teachers at Adeiso has weak knowledge in insurance and SMEs operators had weak knowledge in retirement planning and insurance. Surprisingly, all the respondents had weak knowledge in insurance. Teachers have high level of financial literacy as compared to nurses and SMEs operators. Only increment in the number of children reduces financial literacy of the respondents. Moreover, there was a positive significant relationship between sex, educational status, marital status, personal income, financial literacy and savings behavior. However, there was a weak negative relationship between age and savings behavior. The study therefore, recommends that people without business educational background such as science and humanities should be encouraged to learn more on personal financial management and others. Also, family planning methods should be encouraged among the youth in order to control the number of children of people since it affect savings negatively.

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DEDICATION

To my lovely wife Mrs. Gloria Bottey and My daughter, Harriet Aseda Bottey.

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LIST OF ACRONYMS

FPSB	-	Financial Planning Standards Board
SMEs	-	Small and medium Scale Enterprises
NGO	-	Non-Governmental Organization
DKM	-	Diamond Microfinance
TPB	-	Theory of Planed Behavior
TIPCEE	-	The United States agency for International development Competitive Export Economy
GES	-	Ghana Education Service

CHAPTER ONE

INTRODUCTION

Background to the Study

In recent times, the issue of financial literacy has become very interesting to a number of people including governments, bankers, financial markets, employees and many other organizations including non - profit making ones such as NGO's and Churches. This has become very necessary because of the emergence of numerous financial institutions, changes in demographic characters, political instability and economic factors. Besides, it is increasingly necessary for individuals to be knowledgeable and competent in administering their finances. This financial products and services make financial decision making multifaceted and more complicated. It is however very important that individuals and households make sound economic decisions in areas such as financial decisions. Most financial decision can be made based on experience, age, and other factors (De-Bruin, Parker & Fischoff, 2007).

Other decisions, on the other hand, are also complex and require information, skills and education. A typical example can be cited on an individual's decision to save towards retirement or college education, investment decisions and family insurance need advice or financial education in order to carry them out successfully. Again, developed and emerging economies have been experiencing growing and increasingly sophisticated financial markets and products in recent times. Financially sophisticated markets and products require education and financial literacy to enable decision making and adoption of such products (Guarav, Cole & Tobacman, 2011).

Financial literacy is a combination of a consumer or investors understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for help and other effective actions to improve their financial well-being (Miller, Godfrey, Levesque & Stark, 2009). Financial literacy is, however, a vital component in the life of individuals, consumers and investors as it helps them to make informed decisions. It is also expected that greater financial knowledge would help overcome recent difficulties in advanced credit markets. It also prepares individuals for tough financial times through strategies that help reduce risk such as accumulating savings, diversifying assets and purchasing insurance.

Financial literacy also enables one to be able to pay his bills on time, make proper management of his debt which together improves the creditworthiness of a potential borrower to support livelihoods, economic growth, sound financial system and poverty reduction. According to Greenspan (2002), financial literacy helps to inculcate into individuals with the financial knowledge necessary to create household budgets, initiate savings plans and make strategic investment decisions. This is to attest that, when knowledge in finance is well applied, households would be able to meet their financial obligations through wise planning. It also helps in the utilization of resources in an effective manner.

Literature suggests that there is a strong relationship between financial literacy and household welfare. Studies indicate that individuals with low financial knowledge or literacy tend not to plan for their retirement receive lower asset levels (Lusardi & Mitchell, 2007), and usually borrow at high-interest rates (Stango & Zinman, 2006). It is as a result of this that most policymakers are on their toes to ensuring that financial education is well disseminated in all facet of life especially improving the household at large.

Statement of the Problem

The National Financial Literacy Week was launched in the year 2008 as part of government's desire to ensuring that its citizens are equipped with adequate financial knowledge. The weeklong celebration was geared towards individual Ghanaians to have a better understanding of the operations and activities of the financial sector and also to outline the scope of financial products and services available to consumers. To achieve the aim of economic growth, the government implemented these programmes and policies to encourage savings among individual Ghanaians' so as to stimulate investment and production in the country and the citizenry must also have a better understanding of these key ingredients that promote economic growth in the country.

It is an undeniable fact that savings and investment serve as the main factors that determine economic growth. In every economy, accumulated savings serves as the main source of a capital whose crucial role in creating investment, production, and employment cannot be overestimated. Do individuals in Adeiso really understand what is meant by savings, investing, borrowing insurance or managing money? In order to promote economic growth in Ghana, these questions need to be critically answered, hence the need for studying financial literacy.

The enactment of the new pensions Act 766, National Pensions Act, 2008, has diverted the trend of planning for the future financial needs especially retirement. Unlike the previous years when planning for the future basically relies on the government through social security scheme and employers, this current period expects individuals to be financially responsible with regards to future financial planning. Individuals must, therefore, be knowledgeable enough to secure a better future. Way and Holden (2009) postulates that financial literacy can improve concerns of insufficient retirement savings, rising obligation levels and individual bankruptcy.

Chowa and Ansong (2010) indicate that there is a very low level of financial literacy among the youth in Ghana. United States Agency for International Development (Oppong-Boakye & Kansaba, 2013) survey realizes a low national mean of 44 percent in terms of financial knowledge among Ghanaians. This has resulted in many individuals finding themselves in the hands of fraudulent financial institutions and schemes. in an attempt to make some investment, due to lack of financial knowledge, most individuals are being deceived by operators of most financial institutions to enter into certain conditions which in financial terms do not make sense. The recent issue of DKM has been as a result of an individual inability to make sound financial decisions.

The inadequacy of research relating specifically to financial literacy among salaried workers especially teachers, nurses and entrepreneurs in particular on how to save and invest, the kind of financial products to choose and how to prepare towards retirement is a paramount concern in Ghana and for that matter Adeiso in the Upper West Akim District in the Eastern Region of Ghana. Moreover, individuals in this district especially teachers, nurses and entrepreneurs may not have the required skills and ability to perform the calculations inherent in devising a saving plan. It is in view of the above problem that has prompted the researcher to undertake the study to assess how the level of individual financial knowledge can be employed in their savings decisions.

Purpose of the Study

The main purpose of the study is to examine the relationship between financial literacy and personal savings among individuals in Adeiso.

Specific Objectives

1. To examine the level of individual understanding in basic finance: savings, borrowing, insurance and retirement planning**.**
2. To examine the effect of demographic factors on financial literacy
3. To determine the relationship between financial literacy and the factors that influence personal savings decisions.

Research Questions

1. What is the level of individuals understanding and knowledge in basic finance?
2. Do demographic characteristics pose any effect on personal savings of individuals in Adeiso?
3. Is there any relationship between financial literacy and factors that can affect personal savings decisions?

Significance of the Study

The relevance of personal finance cannot be overlooked since they have a direct impact on individuals' quality of life. In order to improve upon the various economic and financial development programmes such as structural adjustment program, economic recovery programme, the proliferation of financial institutions and complex financial products, the discovery of oil that is expected to move Ghana into a middle income level, etc, there will be the need to examine whether individuals in Adeiso really have the concept of financial literacy in mind.

It has been recorded on several occasions that most teachers, nurses and entrepreneurs have been dwindled off their financial assets such as cash by financial criminals through what is locally termed as ''Susu'' savings and loans and insurance. There have been several cases when most government workers are being persuaded to make certain investments without necessarily having a background check, analysis of the financial investment package and many other negligences due to lack of financial education. An understanding of individuals ' economic predicament, education and training needs could potentially aid policymakers to better formulate policies and strategies to improve their economic well-being through financial education. Besides, understanding of the factors that explained the gap in financial literacy among individuals in Adeiso would play a vital role in aiding policy-makers to act affirmatively to mitigate the deficiency, and improve their savings and investing decisions (Fonseca, et al., 2012).

Studies show that financial education does not only contribute to positive financial behaviour changes, but also contributes to the economic and general well-being of the individual (Kim, 2007; Kwon & Anderson, 2005; Xiao, Tang, & Shim, 2008). The findings of this study will be used as the means to encourage parents especially teachers, nurses and entrepreneurs to enrol more of their children into financial education programmes in schools.

According to Jiyane and Zawada (2013), “by means of financial literacy, the basic skills such as numeracy and literacy, communication skills and information searching skills, will be improved which, in turn, will improve confidence, generate good income and achieve the United Nation’s millennium development goals”

Finally, financial education benefits other people or institutions more than the financial learners themselves (Sprow Forte, 2013). It is however believed that the results of this study would benefit not only the individuals in Adeiso but individuals in the entire Ghanaian community.

Delimitation of the Study

This study focuses basically on Teachers, Nurses and Entrepreneurs in the Upper West Akim District in the Eastern Region of Ghana. The population of the study is 1,542 individuals with a composition of 1200 teachers, 230 nurses and 112 registered SME operators also known as entrepreneurs. A sample size of the study is 306 individuals from this district constituting 238 teachers, 46 nurses and 22 entrepreneurs was used for this research.

The choice of the district was basically due to proximity to the researcher as well as easy access to information and the ability of the district education directorate to assist in providing some information since the researcher is an officer in the directorate. As an officer in the district, it was equally easy to get other information from the health directorate as well as entrepreneurs within the district.

Limitation of the Study

In executing this research work, the researcher faced some limitations such as difficulty in accessing certain information from the respondents partly because the respondents thought the researcher is intruding into their private matters especially their finances. A typical example is the respondents' unwillingness to disclose to the researcher their level of savings.

Secondly, the researcher had to travel long distances to villages on motorbikes (Okada) in order to obtain information from the respondents, this is a very risky endeavour. Finally, most teachers and nurses were not willing to participate and it actually delayed the entire exercise as scheduled.

Organization of the Study

The study is categorized into five main chapters. Chapter one comprises background of the study, statement of the problem, research questions, objectives of the study, significance of the study, scope and limitation and organization of the study. Chapter two, on the other hand, is made up of the relevant literature review that will spell out succinctly the various concepts of financial literacy. Chapter three touches on the research methodology. It laid much emphasis on the various technologies that was employed in the data collection exercise and the instruments used, the research designed method used, the models and data analysis method used. Further, chapter four focuses on data analysis and presentations. Chapter five crowns the study with summary, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter brings to light a review of the relevant related literature. In view of this, the chapter discusses and provides meanings to various terminologies relating to financial literacy and empirical evidence by past researchers relating to the subject matter under study.

Meaning of Financial Literacy

The emphasis on financial literacy by many stakeholders, financial institutions, government and non- governmental organizations including churches and NGO 's, individuals and international bodies have given way for the existence of many definitions in the literature. These have a direct connection with the subject matter under study. Hogarth (2002) defined financial literacy as the way people manage their money in terms of ensuring, investing and budgeting. He further added that financial literacy is basically: Being knowledgeable, educated and informed on the issues of money and assets, banking, investments, credit, insurance and taxes; understanding the basic concepts underlying the management of money and assets (e.g. the time value of money in investment and the pooling of risks in insurance as well as using that knowledge and skills to plan and implement financial decision.

In addition to the above definition of financial literacy, Worthington (2006) classified his definition of financial literacy into two major categories: *Broad and*

Narrow. A broad definition of financial literacy adopts an understanding of economics’’ and how economic conditions and circumstances can affect household decisions. A narrow definition, on the other hand, focuses on basic money management tools such as budgeting, savings, investing and insurance. Research conducted by most researchers attest to the fact that financially literate people would know how to manage their money, understand how financial institutions work, and poses a range of analytical skills.

Savings Behaviour of Individuals

Savings have been identified as an ingredient that benefits not only to a household but to the entire nation. This is as a result of its remarkable contributions in serving as the basis for long-term investment and infrastructural development for every country that is eager to promote its economy. Again, savings serves as the bedrock for nations to hedge against in times of economic downturns and financial crises. What role do savings really play in an economy? What happens when an economy realizes high levels of savings? Is it important at all? These are some of the few questions that most researchers have been battling over. Most are of the view that the high level of savings in an economy means that the economy is not spending and contributing towards national aggregate demand and economic growth. A study of the Malaysian economy shows that a high level of savings is an indication of a stable and responsive economic situation.

Chuna (2009) argued that policies which support savings should be carried out because savings is a source of economic development through its effect on capital structure. In conclusion, high savings rate displays a ‘boosting economy’ rather than a ‘freezing economy.’ The issues relating to the savings behaviour of individuals can be likened to the Theory of Planned Behavior (TPB). This theory states that an individual’s intention is determined by his or her attitudes to act or to perform an intended behaviour influences the overall behaviour (Ajzen, 1991). The theory of planned behaviour explains how individuals’ attitude and intention variables can be combined to influence behavioural change. Financial education is, however, the main antinodes to changing individual behaviour/attitude towards savings, money management and debt reduction.

Another factor that is said to influence human behaviour towards savings is The Life Cycle Savings Theory. This theory posits that individuals will follow a hump-shaped savings pattern or their lifetime. During high earnings period of employment, individuals will save increasing amount and smooth out expenditure. During low-income levels on the other hand, (example prior to employment earnings period and later during retirement), people will use up their savings to find their lifetime spending needs. Other study shows that men have higher savings behaviour than women. A typical example can be cited on the work of Gottschalck (2006) whose study was conducted in the United States posits that financial behaviour and levels of savings are significantly different between genders. Since women generally have lower earnings they tend to have lower savings and wealth as opposed to men. Risk aversion is related to financial decision making.

Determinants of Financial Literacy

It is an undeniable fact that financial literacy has gain root in the domain of most individuals, it can also be said that the concept and idea are limited among specific demographic groups. A study conducted by Lusardi, Mitchell and Curto (2009) reveals that financial literacy is very low among young individuals but strongly related to socio-demographic characteristics and family financial background. These findings have very strong implications for stakeholders. It was envisaged from the study that as individuals approach their retirement age he or she is expected to increase in the financial literacy level since such an individual have to save and prepare for retirement. Other demographic characteristics have a similar influence on one's literacy level. A typical example is a gender which has a vast difference in financial literacy, women, for example, exhibits a lower level of knowledge than their male counterparts with particular regards to risk diversification (Lusardi & Mitchell, 2008; Mireku, 2015).

Lusardi and Mitchell (2008) studied this issue in detail and envisaged the possible challenges women are likely to face in making a financial decision especially when they lose their spouses. Again, the level of financial literacy varies widely among education groups **(**Cole & Gauri, 2009). It was indicted in the work of Lusardi (2008) that only half of the respondents with less than a high school education correctly answered questions requiring simple interest rate calculation and about 20% of the respondents said they do not know the answer to the question. Risk diversification questions were incorrectly answered by a number of respondents without a college certificate.

Bhushan and Medury (2013) conducted a survey and realized that the characteristics of an individual's employment have a great influence on his financial literacy level. A typical example can be sited on workers in the banking and financial institutions are expected to be more financially inclined than other workers say, nurses. Furthermore, renowned researchers like Lusardi, Keller and Keller (2008) conducted a survey aimed at investigating about the impediments to savings, sources of financial advice, level of financial knowledge and attractive features of a pension plan. Focus group discussion and in-depth interviews were conducted with both employees and human resource administrators to ascertain the issues relating to savings deficiency.

Their finding reveals that adequate financial education programmes and policies should be organized for individuals to enhance their savings ability. This programme should be aimed at making savings decisions very simple and the best strategy for managing cost.

Financial Literacy in Ghana

It is an undeniable fact that a number of studies have been conducted in line with financial literacy in most advanced countries, yet little or no attention is given to similar research and study into financial literacy and its effects on financial decisions in most developing economies especially Ghana. This has resulted in the financial literacy gap between the advanced countries and developing ones particularly Ghana. Personal finance has been identified to be extremely low in Ghana especially amongst dwellers in the northern part of the country. Research conducted among Ghanaian adults in 2009 shows that the level of personal finance is about 38% indicating that it is extremely low compared to another part of the country (Greenspan, 2002).

The United States agency for international development competitive export economy (TIDCEE) conducted another research indicating that there is a low level of financial literacy in the country. In view of the above, an academic research work conducted in the country concludes that there is the need to make all citizens aware of the various financial opportunities in the financial landscape for them to access (Greenspan, 2002). For accelerated growth and development in this country to be met, financial literacy education must be brought to the doorsteps of individual Ghanaians since personal finance has been revealed to be extremely low. The greatest machinery for development in Ghana can be described as financial literacy. This is due to the fact that a well- informed financial decision made on savings, budgeting, investment and management of debt plays an important role in the economic development of a country.

Again, high level of indebtedness, improper financial management will be eradicated with the advent of financial literacy, hence economic development. It is for these reasons why most developed countries pay greater attention to financial literacy. As a result of this, the government of Ghana in order to address these issues launched the financial literacy week in the country. The rationale behind this programme was to improve the understanding and create awareness of Ghanaians on the need for financial literacy. The financial literacy week is therefore seen as a platform that will help impact into individuals' necessary financial education which is intended to make individuals appreciate and make sound decisions on investments, savings, household budgets and debt management for themselves and family at large (Greenspan, 2002).

Personal Finance

Personal Finance involves all financial decisions and activities of an individual, including budgeting, insurance, savings, investing, debt servicing, mortgages and more. Personal financial decisions may involve paying for education, financing durable goods such as real estate and cars, buying insurance, e.g. health and property insurance, investing and saving for retirement (Lusardi & Mitchell, 2011). The key issue in personal finance is personal financial planning. The Financial Planning Standards Board outlined six major areas of Personal financial planning as Financial Position, Adequate Protection, Tax Planning, Investment and Accumulating goal, Retirement Planning and Estate Planning (Financial Planning Standards Board, 2011).

Financial Position

This is the situation whereby ones understanding on his or her personal resources are made clear by determining the net worth and household cash flow. Net worth on a person's balance sheet is calculated by adding up all assets under that person's balance sheet minus all liabilities of the household at one point in time.Household cash flow totals up all the expected sources of income within a year, minus all expected expenses within the same year. From this analysis, the financial planner can determine to what degree and in what time the personal goals can be accomplished (FPSB, 2011; Worthington, 2006).

Adequate Protection

FPSB (2011) defined adequate protection as the analysis of how to protect a household from unforeseen circumstances or risks. These risks can be classified into the property, long-term care, liability and death. Some of this risk may be self-insurable, while most will require the purchase of an insurance contract. In determining how much insurance that will be needed at the most cost-effective manner, it requires adequate knowledge of the financial market for personal insurance. Business owners, professionals, athletes and entertainers require specialized insurance professionals to adequately protect themselves. Since insurance also enjoys some tax benefits, utilizing insurance investment products may be a critical piece of the overall investment planning (FPSB, 2011; Lusardi & Mitchell, 2008).

Tax Planning

Managing taxes is not a question of one's will to pay taxes, but when and how much tax is to be paid. The government gives many incentives in the form of tax deductions and credits, which can be used to reduce the lifetime tax burden (FPSB, 2011; Mandell, 1998). Most modern governments use a progressive tax. Typically, as one's income grows, a higher marginal rate of tax must be paid.

Understanding how to take advantage of the myriad tax breaks when planning one's personal finances can make a significant impact.

Investment and Accumulation Goals

This entails planning how to accumulate enough money for large purchases, and life events are what most people consider to be financial planning (FPSB, 2011). Major reasons to accumulate assets include, purchasing a house or car, starting a business, paying for education expenses, and saving for retirement. Achieving these goals requires projecting what they will cost, and when you need to withdraw funds (Huston, 2010). A major risk to the household in achieving their goal is the rate of price increases over time or inflation. Using net present value calculators, the financial planner will suggest a combination of asset earmarking and regular savings.

Retirement Planning

It is the process of understanding how much it costs to live in retirement and coming up with a plan to distribute assets to meet any income shortfall. Methods for retirement plan include taking advantage of government allowed structures to manage tax liability including individual structures, or employer-sponsored retirement plans (FPSB, 2011; Mandell & Klein, 2009).

Estate Planning

In most developed countries, it involves planning for the disposition of one's assets after death. Typically, there is a tax due to the state or federal government on your death. Avoiding these taxes would mean that more of your assets will be distributed to your heirs. You can leave your assets to family, friends or charitable groups (FPSB, 2011; Moore, 2003).

Importance of Financial Literacy

Ali (2013) outlined the importance of financial literacy as one that equips individuals with requisite information and ideas needed to make a sound decision with accuracy to manage financial resources and improve financial capability for better financial services. In relation to this concept financial literacy is said to play a vital role in encouraging individuals to be prudent in all aspect of their financial lives or activities. Most individuals do not really understand the concept of financial literacy and how to apply them in their daily financial lives. It is sad to understand that a persons' level of education does not reflect in that persons' financial life. It is therefore prudent for all and sundry to pay attention to personal financial literacy since an in-depth knowledge in financial literacy tends to have a direct impact on the management of the economy (World Bank, 2009). The most concerned issue confronting most economies is financial education. This is as a result of the fact that most people find it difficult to make a sound financial decision.

The market is full of most financial products in different ranges and it is widely expected by consumers to make informed decisions on these products in order to achieve maximum satisfaction. This calls for consumers to be more financially literate in order to improve decision making. Financial literacy and its education then become imperative since consumers are faced with intriguing financial decisions or complicated products. In general, learning financial literacy earlier in life could lead to essential benefits in the long run as it enables individuals to withstand any financial distress that would be encountered.

Studies have shown that inadequate financial literacy can lead to marital distress which may increase the chance of people losing their marriage. Couple's financial discipline then plays a vital role in the survival of their relationship. Thus, the ability to live within a planned budget, reduce debt and increase savings helps to promote marital happiness (Kerkmann, Lee, Lown & Allgood, 2000). This shows that financial literacy issues transcend across marital relationships and for that matter, couples need to be abreast with financial literacy in order to sustain their marriage. An in-depth knowledge of personal finance helps individuals as well as communities to improve their decision-making capacity. According to Debruin (2010), people who are not inclined in financial literacy tend to have higher anticipation for inflation which consequently affects their whole being since inadequate personal finance knowledge will limit a person's ability to make well versed financial decisions and eventually engaged in impulse buying.

Dangers of Being Financially Illiterate

It is an undeniable fact that less knowledgeable people have usually ended up in trouble. It is as a result of this that people with low financial knowledge are likely to make costly financial planning mistakes. In the work of Lusardi and Tufano (2008), they found out that people with lower debt literacy end up paying a higher fee and generally have higher borrowing costs. Again, Hira (1993) and O'Neill (1993) posits that People fail to make correct decisions because they have not received a sound personal financial education.

Lack of knowledge in financial literacy can affect an individual's day to day money management and ability to save for long-term goals such as mortgage, retirement planning, investment and financing higher education. One who is able to manage his or her money effectively ends up with a behaviour that makes them vulnerable to financial crises. Studies have also shown that couple with low financial literacy can put their marriage into serious marital crises. That is to say, the lack of financial literacy can lead to marital distress which may increase the chance of people losing their marriage. Thus, the ability to live within a planned budget, reduce debt and increase savings helps to promote marital happiness (Kerkmann, Lee, Lown & Allgood, 2000).

People with low financial literacy are more likely to have problems with debt (Lusardi & Tufano, 2009). They are also less likely to participate in the stock market and less likely to choose investment products with lower fees (Hastings & Tejeda-Ashton, 2008; Van Rooij, Lusardi & Alessie, 2007). The financially illiterate person is less likely to accumulate wealth and manage wealth effectively and less likely to plan for retirement (Lusardi & Mitchell, 2009; Stango & Zinman, 2007; Hilgert, Hogarth & Beverly, 2003). The effects of financial illiteracy cannot be underestimated since it has a serious effect. The negative effects of financial illiteracy eat adversely into the fabrics of individual consumers and the nation as a whole.

Chapter Summary

This chapter reviewed relevant literature on financial literacy and personal savings. The concept of financial literacy and savings were defined. Determinants of financial literacy, personal finance, investment, retirement planning, estate planning, the importance of financial literacy and the dangers of being financially illiterate were reviewed. Moreover, some empirical evidence was reviewed and it was found out that socio-demographic characteristics of people affect their financial literacy rate as well as savings behaviour.

CHAPTER THREE

METHODOLOGY

Introduction

Bryman (2008) defined methodology as the various strategies employed in conducting a research. These include questionnaires, interviews or observations as well as sampling procedures and statistical techniques for organizing and interpreting unstructured data. It is expected that each strategy adopted for a particular study must be in the position to explain the validity and reliability of the study. This chapter explains the various approaches used in answering the research questions in order to achieve the stated objectives of the study. This chapter, however, laid much emphasis on the research design, population of the study, sample size, data collection procedures, validity and reliability of the study.

Research Design

Research design provides the glue that holds the research project together. This encompasses the stratified stages employed in the data collection procedures and the steps used in the analysis of the data gathered. The research design is, therefore, a summary of how the survey is to be conducted right from collection of data to Data analysis stage (Sullivan, 2001). The research design adopted for this study will enable the researcher to determine the individuals' level of financial literacy. It will also enable the researcher to ascertain whether individuals' financial literacy level can affect their savings decisions.

The study employed a descriptive survey of a quantitative approach. Descriptive studies intend to describe or explain relationships among phenomena, situations, and events as they occur. The major purpose of descriptive research is to provide an overall "picture" of a population or phenomenon by describing situations or events. Leedy and Ormrod (2005) also define a descriptive survey as a collection of data in order to test a hypothesis or answer questions concerning the current status of a study. According to Leedy and Ormrod (2005), a descriptive survey determines, and report the way things are. The descriptive survey studies are designed to elicit the precise and vital information concerning the subject of the study. It provides opportunities for researchers to gain valuable insight into the existing state of a phenomenon.

The research design will be the most appropriate for the research because it will help us to organize and present data logically and arrived at valid and accurate conclusions by using visual aids such as tables which will make the understanding of the data distribution. This study then uses the quantitative approach in analyzing the data. The quantitative approach is a data collection technique that uses numerical data. It, therefore, employs a questionnaire, graphs or statistics in its analysis.

Population of the Study

Population refers to the respondents in which the sample is drawn (Saunders, Lewis & Thornhill, 2007). This study focuses basically on Teachers, Nurses and Entrepreneurs in the Upper West Akim District in the Eastern Region of Ghana. The population of the study is 1,542 individuals with a composition of 1200 teachers, 230 nurses and 112 registered SME operators also known as entrepreneurs. It is only this category of individuals that will be considered in this research work.

Sample Size and Sampling Technique

Most researchers have attested to the fact that sampling is very important in most research work. It is very difficult to use the general population for any scientific research. This is as a result of the fact that most researchers find it difficult reaching the entire target population with the reason being that it is time-consuming and requires a lot of funds to that effect. This gave rise to the use of sampling as the fundamentals of most research works especially when the population is very large. In cases where the population is small and not scattered, the entire population can be used without sampling. The sample size is however defined as a subgroup or part of a larger population (Saunders, Lewis & Thornhill, 2007).

The reliance on data analysis and the decision to generalize research work depends on the suitability of the sample size and the way it is chosen. This study focuses on teachers, nurses and entrepreneurs in the Upper West Akim district. The sample size for the study is 306 individuals from this district constituting 238 teachers, 46 nurses and 22 entrepreneurs. The choice of this size is based on the researcher's ability to meet these respondents on time and within budget. This is also a result of the fact that this category of workers dominates amongst the workforce in the district. Stratified sampling technique was used to obtain information from these categories of individuals in the district. This is where individuals' respondents were categorized into teachers, nurses and entrepreneurs. A number of respondents were selected from each stratum in order to give equal chance and fairness to all participants in the survey. Stratified sampling is a technique where a researcher categorizes the population into two or more relevant and significant strata based on one or a number of common attributes of the respondents. Table 1 shows the sample size of the targeted respondents.

Table 1: Sample size of individuals in Adeiso

Institution	Population	% of Sample	Sample size
Ghana Education Service (Teachers)	1,200	77.8	238
Ghana Health Service (Nurses)	230	14.9	46
Entrepreneurs	112	7.3	22
(SME Operators)			
Total	1,542	100	306

Source: Field survey, Bottey (2018)

Data Collection Instrument

The research was based on primary data that was collected from the field. A comprehensive questionnaire designed to cover major aspects of personal finance, including general knowledge in financial literacy, savings and borrowing, investments, and insurance, was used to collect the data. The study adapted the questionnaire of Chen and Volpe (1998) which the researcher saw to be prudent in addressing the objectives of the study.

The questionnaire is structured into six sections. The first section sought to obtain demographic data about the respondents in order to help in testing the various hypotheses developed for the study. Specific questions are asked on gender, age, level of education, level of income and work experience. Secondly, the questionnaire tests respondents' knowledge of basic issues in personal finance. Questions in this section focus on financial planning, budget, cash management etc. It is expected that respondents who are financially literate will have knowledge of basic issues in financial planning and cash management, hence the questions under this section. Section three examines knowledge about savings and borrowing. Basically, questions under this section focus on knowledge of savings, loans and overdraft facilities. Respondents who are financially literate are expected to have knowledge about basic issues in savings and borrowing.

The fourth section examines respondents' " knowledge of basic issues in investment such as risk-return relationship, short term and long-term investment. These are fundamental questions on investment that financially literate persons are expected to know. Section five gathers respondents" knowledge of basic issues in insurance such as premium, the rationale for taking an insurance policy and the health insurance scheme. The sixth and final section tests respondents on their personal financial matters, decisions and practice. This section will enable the researcher to test the last hypothesis of the study which seeks to find out the relationship between financial literacy and personal savings or savings decisions and practice amongst individuals in Adeiso.

Data Collection Procedure

An introductory letter was obtained from the researchers' department. The letter spelt out the purpose of the instrument, the need for the individual participation, anonymity as well as the confidentiality of respondents' responses. After establishing the necessary contact with the respondents, permission was granted for the administration of the instrument. The researcher administered questionnaires to the selected respondents (teachers, nurses and registered SME operators). The presence of the researcher was necessary as it enabled the establishment of rapport between the researcher and the respondents, which facilitated a complete understanding of the questionnaire by explaining areas respondent did not understand. The questionnaires were completed and given back to the researcher on the same day. The questionnaire was administered from 12:30 pm to 1:30 pm for two weeks. This time was favourable since it was the lunchtime for the various workers which permitted the researcher to administer the instrument to the respondents without interfering with their busy schedule.

Data Processing and Analysis

Data analysis requires the situation whereby data is reduced to a smaller and manageable unit. It also involves summarizing the data and using statistical inferences. In view of the above, this research work was systematically carried out in the following ways: The data which has already been coded was entered using SPSS software. In analyzing the quantitative data, the researcher used descriptive and inferential statistics tools. In this contest, the researcher used both univariate and multivariate analysis in its work. Univariate analysis, or analysis of a single variable, refers to a set of statistical techniques that can describe the general properties of one variable. Multivariate analysis occurs if multiple outcome variables are modelled as being predicted by the same set of predictor variables (Bhattacherjee, 2012).

The F-Statistics was used to make a comparison in order to test for the variations in the level of financial literacy among the various categories of respondents. Findings from this research work are mainly presented in the form of tables and graphs. The mean percentage of correct scores for each question, section and the entire survey was used to measure the level of financial literacy of the respondents. This method is very synonymous with existing literature (Danes & Hira, 1987; Volpe, Chen & Pavlicko, 1996; Chen & Volpe, 1998). The mean percentages scores are grouped under correct, incorrect and don't know (Lusardi et al., 2010).

Further, the mean percentage of correct scores is grouped into three grades: grade (1) represents 80% and above, grade (2) represents 60% to 79%, and grade (3) represents 60% and below (Chen & Volpe, 1998). The first, second and third grades represent a relatively high level of knowledge, a moderate level of knowledge and a relatively low level of knowledge respectively. These are used in determining the financial literacy level of individuals under study. The scores obtained were also converted into percentages and tested using the analysis of variance (ANOVA) to find the significant difference among individuals in terms of age, a number of dependents, employment status, level of income and level of education. In order to identify the effect of financial literacy on demographic factors such as age, a number of dependents, employment status, level of income and level of education, a multiple regression model was used. This helps the dependent variable (Financial Literacy) to be explained by the independent variable (Demographic Factors).

$$FL = B_0 + B_1 (AGE) + B_2 (No.\ of\ DEP) + B_3 (REL) + B_4 (GEN) + B_5 (EMPT) + B_6 (INC) + B_7 (EDU) + B_8 (MAR) + B_9 (FOS) + ei$$

Where:

FL = financial literacy level = mean (knowledge on finance, savings and borrowing, insurance, investment and retirement planning)

AGE = Age group of the respondent

No. of DEPD = Dependents of the respondent

GEN = Gender of the respondent

EMPT = employment status of the respondent

INC = income of the respondent

EDU = educational status of the respondent

REL= Religious affiliations of the respondent

MAR= Marital status of the respondents

FOS= Field of study

ei = error

Reliability and Validity of the Research Instrument

The validity of this work was ascertained by engaging two experts in financial literacy and my supervisor who has an in-depth knowledge in financial management also made remarkable suggestions and modifications for the final work. With regards to the reliability of the questionnaire, a standardized financial literacy questionnaire was administered.

Ethical Considerations

In order to ensure that ethical issues are fully addressed in carrying out this research work, the researcher sought the voluntary participation of respondents. Respondents were made aware that they can withdraw partially or completely in the research process. No one was bonded to the research work. Again, respondents were assured of the confidentiality of the information they have provided. Permission was also sought from the participating institution such as Ghana Education Directorate and Ghana health directorate respectively. Association of SME operators were also notified about the intention of the research work.

Chapter Summary

The study used a descriptive design in the quantitative approach. Stratified sampling technique was used to select 300 respondents (nurses, teachers and SME operators) in Adeiso of which questionnaires were administered to them. Moreover, the data were analyzed with the help of statistical software known as Statistical Product for Service Solution (SPSS version 21.0) and interpreted by using percentages and frequencies as well as correlation and regression. The results were presented using tables, and charts using Excel 2013 version.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter considers the analysis of the data. It uses descriptive statistics, simple percentage and frequencies to describe the data which have been collected. It was mainly based on the questionnaires administered to the respondents (nurses, teachers and SMEs operators). Is aimed at examining the relationship between financial literacy and personal savings among individuals in Adeiso.

Demographic Information on Respondents

This section presents information on the background characteristics of the respondents, that is, sex, age, marital status, educational, religion, occupational status, household size and average monthly income.

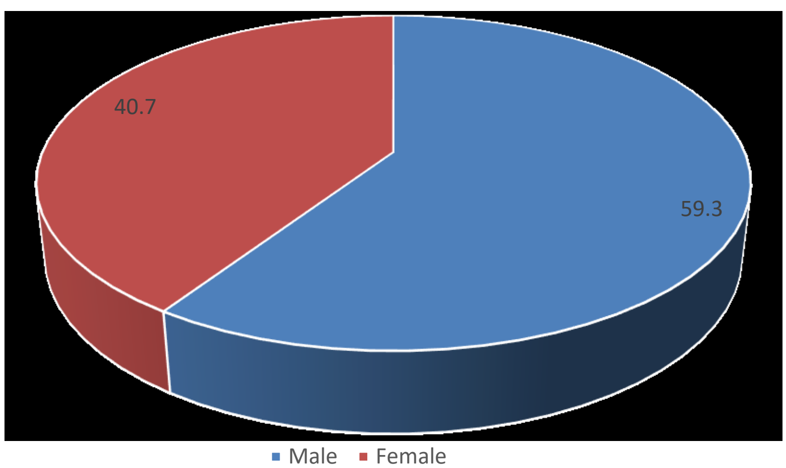

Figure 1: Sex of the respondents

Source: Field survey, Bottey (2018)

Figure 1 shows that out of the 300 respondents involved in the study, 178 of the respondents were males while 122 of the respondents were females. This means that most of the respondents involved in this study were males.

Age cohort of the respondents

This presents the age cohorts of the respondents. It is presented in Figure 2.

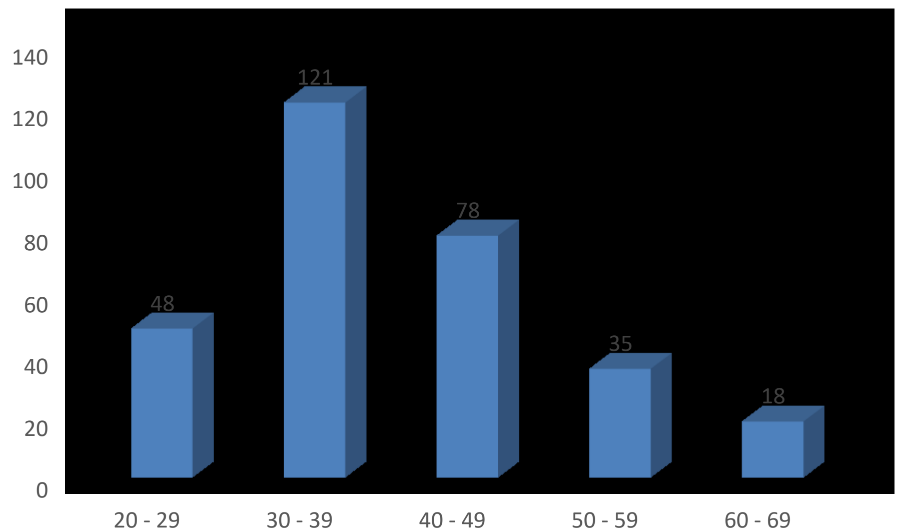

Figure 2: Age of the respondents

Source: Field survey, Bottey (2018)

In Figure 2, out of 300 respondents, 121 respondents representing 40.3% were in between 30-39 years, 78 respondents which represent 26% were between the ages of 40 – 49 years, 35 respondents which represented the 11.7% were between the ages of 50 – 59 years and 18 (6%) of the respondents were at 60 years and above. This means that majority of the respondents who partook in this study were found below 50. Thus, the majority of the youth were saving and this is the best period to save in order to cater for the pensioning and retiring period. This was contrary to the study conducted by Lusardi, Mitchell and Curto (2009) and found out that financial literacy was very low among young individuals.

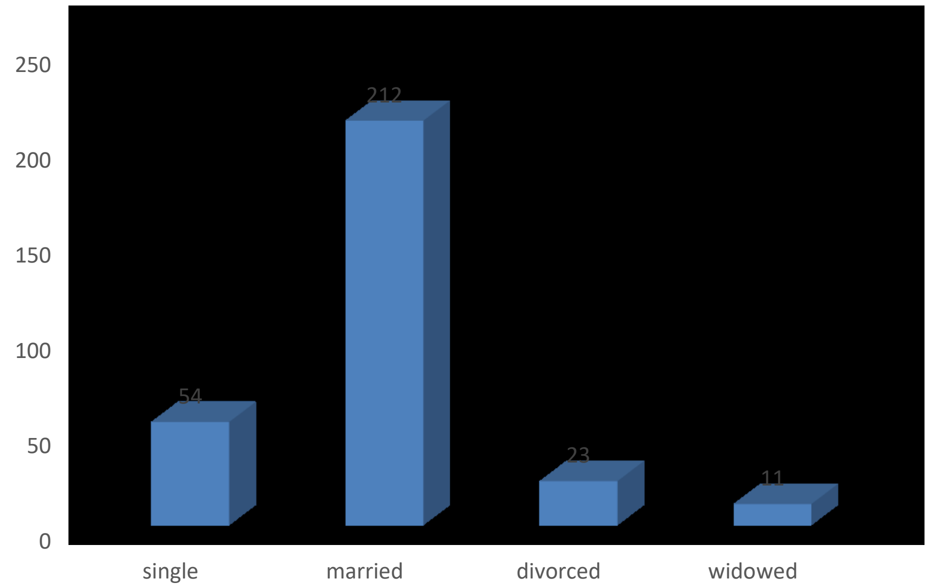

Figure 3: Marital status of eth respondents

Source: Field survey, Bottey (2018)

Figure 3 shows that majority of the respondents (212, 70.7%) were married, followed 54 (18%) of the respondents who were single, 23 of the respondents were divorced and 11 (3.7%) of the respondents were widowed.

Lusardi and Mitchell (2008) studied this issue in detail and envisaged the possible challenges women are likely to face in making a financial decision especially when they lose their spouses. This means that widowed as well as divorced people have low savings behaviour.

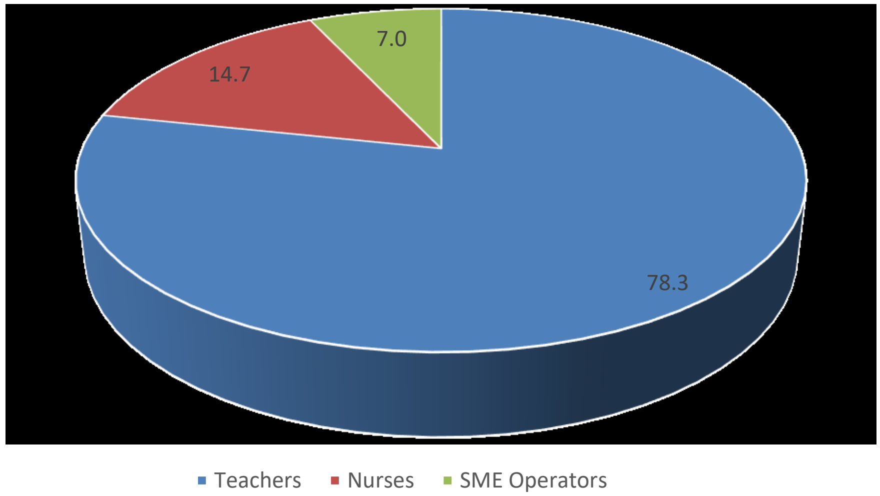

Figure 4: Occupational status of the respondents

Source: Field survey, Bottey (2018)

Figure 4 shows that majority of the respondents involved in the study were teachers, followed by nurses and few of the respondents were SME operators. This means that all the respondents were working and were earning income to save or invest a portion of their income.

Bhushan and Medury (2013) conducted a survey and realized that the characteristics of an individual's employment have a great influence on his financial literacy level. The findings of this study confirm the outcome of Bhushan and Medury (2013) study.

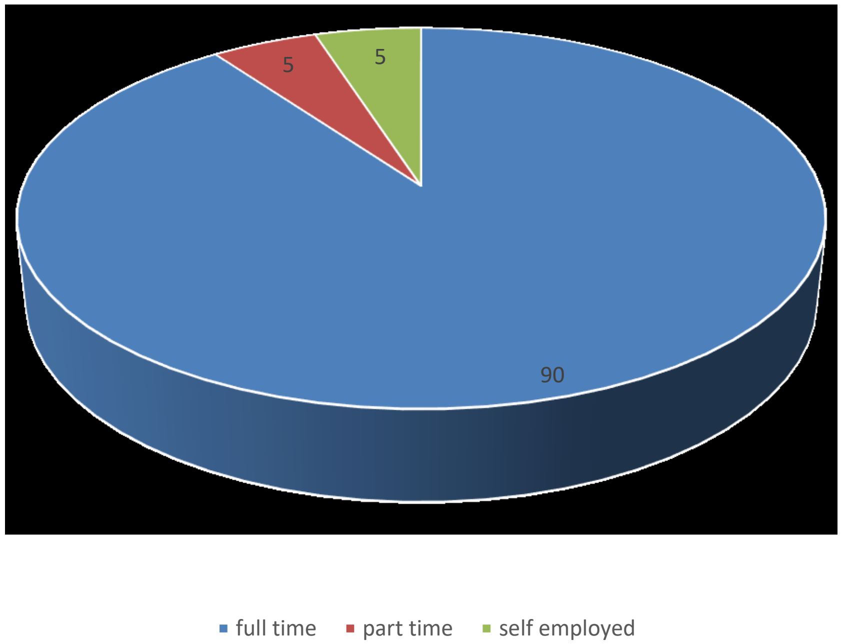

Figure 5: Working status of the respondents

Source: Field survey, Bottey (2018)

Figure 5 shows that majority of the respondents were working at the full-time bases while 5% each worked for part-time and self-employed.

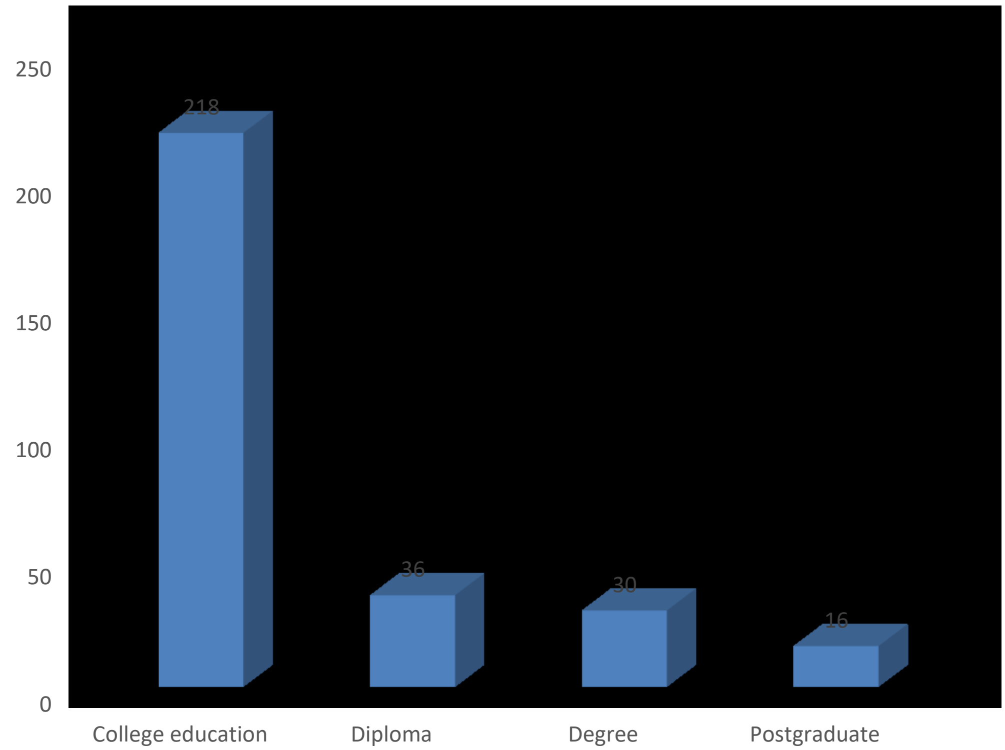

Figure 6: Highest educational status

Source: Field survey, Bottey (2018)

From the data taken on the educational background of the respondents based on their highest level of education according to Figure 6, college education leavers had the highest number of respondents of 218 corresponding to 72.7%, followed by Diploma 36 representing 27%, 30 (10%) tertiary leavers and 16 of the respondents have had their postgraduate education. This means that majority of the respondents have had a higher form of formal education and therefore were aware of the benefits of savings. They were also able to read and respond to the demands of the questions asked in the study.

Table 1: Income of the respondents

Income (GH₵)	Frequency	Percentage (%)
Below 1000	20	6.7
1000-1900	175	58.3
2000-2900	89	29.7
3000 and above	16	5.3
Total	300	100

Source: Field survey, Bottey (2018)

Table 1 shows that 20 of the respondents earn below GH₵1000, 175 of the respondents earn between GH₵1000- 1900, 89 of the respondents earn in between GH₵2000-2900 while only 16 of the respondents earn GH₵3000 and above. This means that more than half of the respondents earn between GH₵1,000. and GH₵1, 900 and more.

Table 2: Number of the household size of the respondents

Response	**Frequency**	**Percentage**
0	45	15
1-3	138	46
4-6	74	24.7
7-10	26	8.6
11 and above	17	5.7
Total	300	100

Source: Field survey, Bottey (2018)

According to Table 2, 45 (15%) of the respondents are a single household (0) at home, 138 (46%) respondents were staying with 1-3 households, followed by 74 of the respondent who was with 4-6 households, while few of the respondents (17, 5.7%) were staying with 11 and more households. This means that majority of the respondents were leaving with households which is less than 5 people.

Examining the level of individual understanding in basic finance: savings, borrowing, insurance and retirement planning

This was to ascertain the level of various categories (nurses, teachers and SMEs operators) with regards to their understanding of basic finance such as savings, borrowing, insurance and retirement planning. The result is presented in Table 3. The mean of the knowledge on finance, savings, borrowing, insurance and retirement planning form the financial literacy rate of the respondents while the mean of the savings factors formed the personal savings.

Table 3: Level of individual understanding in basic finance

Response	Nurses %	Teachers %	SMEs operators %
General knowledge			
Personal finance literacy	47	83.5	89.6
Personal financial planning	56.3	82.7	90.2
Budgetary activities	33	62	88.3
Mean	45.4	76.1	89.2
Savings and borrowing			
Higher interest charge	42.5	77	93.4
Creditworthiness	63.5	55.8	78
Loan guarantee	77.5	65.4	81
Mean	61.2	66.1	84.1
Insurance			
Life insurance	62	48	30
Homemade of wood insurance	33	43	54
Mean	47.5	45.5	42
Investment			
Short-term investment	46	62	72
Investment strategy	39	49	75
Risk on portfolio	32	42	63
Mean	39	51	70
Retirement planning			
Second Tier pension scheme	52	81	12
Employee contribution	45	70	30
Mean	48.5	75.5	21

Source: Field survey, Bottey (2018)

Respondents General Knowledge in Finance

It is one thing making money and the other, knowing how to spend it. The former is always a difficult task. In table 3, nurses, teachers and SMEs' operator's general knowledge of finance are presented. The nurses demonstrated a very low general knowledge of finance with a mean score of 45.4 percent. However, the SME operators demonstrated a very high general knowledge in finance with a mean score of 89.2 percent.

Respondents Knowledge in savings and Borrowing

Knowledge in savings has a direct effect on individuals' future financial status. Those highly knowledgeable and more disciplined at savings are more likely to be financially sound and avoid unnecessary borrowing. In table 3, nurses, teachers and SMEs' operators' knowledge of savings and borrowing are presented. Nurses scored the least mark of 61.2 percent, Teachers scored a mean mark of 66.1% and SMEs operators scored a mean mark of 84.1 percent. Teachers are a little bit knowledgeable about the issue of savings and borrowing because most of them rely on savings as a form of the precautionary motive of holding cash. They also depend on loans and overdrafts to meet their short-term financing, and as a result, learn more on these issues.

Also, most of the SMEs operators were aware of savings and borrowing due to the fact that majority of the SMEs operators rely on their savings or use their savings to secure loans and overdrafts to meet their financial issues and start-up capitals.

Respondents Knowledge in Insurance

On issues of nurses, teachers and SMEs operators' knowledge of insurance as indicated in table 3, it can be concluded that there is a low level of knowledge with regards to insurance. All the various categories of the respondents scored a mean mark which was less than 50% (nurses (47.5), teachers (45.5) and SMEs operators (42)). This could be attributed to the fact that that the concept of insurance has not developed in the country. Furthermore, the lack of trust in insurance companies to indemnify their customers could be a reason for the lower level of knowledge in insurance.

Respondents Knowledge in investment

Many people lack an understanding of financial markets and how to begin an investment programme. More importantly, they may not recognize the importance of investing, which is to build wealth and financial security by ensuring the money they earn also has to earn power. Similarly, nurses and teachers fall in the group of people who are thought to have lack of understanding of investment issues with a mean score of 39% and 51% respectively. This study concludes that nurses and teachers' knowledge of investment is not enough as compared to that of SMEs operators (70%).

Respondents Knowledge in Retirement Planning

The respondents were further requested to indicate their knowledge of the three-tier pension scheme. The results presented in Table 3 indicate that teachers had (75.5%) indicating a very high level of knowledge on retirement planning with regards to the three-tier pension scheme as compared to nurses who scored (48.5%) and SMEs operators (21%). SMEs operators have a lower level of knowledge on retirement planning due to the fact that they are private businessmen of which majority are not on three-tier pension scheme.

From the percentages above one can say that teachers are more knowledgeable in retirement planning and savings and borrowing compared to other areas. Nurses were knowledgeable in savings and borrowing and insurance. And SMEs operators were knowledgeable in savings and borrowing and investment.

Examining the effect of demographic factors on financial literacy

In examining the relationship between demographic characteristics and financial literacy, multiple regressions were used. It also indicates the strength and variation caused by the model. Moreover, the contribution of each independent is also examined. Table 4 and 5 show the effects of demographic characteristics on financial literacy.

Table 4: ANOVA statistics

Model	Sum of squares	df	Mean square	F	Sig.
Between groups	15803.079	9	1755.898	7.964	0.000
Within groups	63940.457	290	220.484		
Total	79743.536	299			

Source: Field survey, Bottey (2018)

The ANOVA result ($F(9, 290) = 7.964$, sig. 0.000) shows that there was a significant difference between the independent variables and the model is therefore significant. This shows that there are differences in the predictors and the independent variable.

Table 5: Effect of demographic factors on financial literacy

Variables	Std. Coefficient	Std. Error	t-statistic	Probability
(Constant)		10.256	8.466	0.000*
Age	.234	1.213	3.224	.001*
Sex	-.025	2.038	-.402	.688
Education	-.044	1.879	-.708	.480
Average Income	.121	.872	2.031	0.043*
Religious	-.286	3.073	-4.977	0.000*
No of children	-.270	.872	-3.626	0.000*
Field of study	.169	.690	2.636	0.009*
Marital status	-.071	.539	-1.203	.230
No. of years (experience)	-.066	.872	-.881	.379

*p<0.05; R-squared= 0.745; Adjusted R Square= 0.62 ; S.E. of regression=14.849; Sum squared resid= 194.536

Source: Field survey, Bottey (2018)

According to Table 5, the model recorded an R^2-Adjusted of 0.62. This suggests that about 62% of the variations in the financial literacy can be explained by age, sex, level of education, religious affiliation, marital status, number of children, the field of study, and number of years (experience) of the respondents. Thus, 38% of the variations are being affected by factors not included in this model.

On an individual basis, age, average monthly income, religious affiliation, number of children and field of study were all significant since the have p-values less than the 0.05 significant levels. Whereas sex, marital status, educational status, and a number of years spent (experience) were not insignificant because their p-values were greater than the significant level of 0.05. Therefore, age, sex, and type of settlement was not significant and must be excluded from the model.

In the field of study, it was found out that as the number of respondents who studied business and economic increase by a unit, there is a reduction of 16% in the financial literacy. This means that despite the sex, marital status, educational status and number of years employed (experience) of the respondents, if not studied business or economics, the person will have a low financial literacy level. The respondents who had an educational background in business or economics had a high level of financial literacy as compared to respondents with science and others. This confirms the views of Kerkmann, Lee, Lown and Allgood (2000) that lack of knowledge in financial literacy can affect an individual's day to day money management and ability to save for long-term goals such as mortgage, retirement planning, investment and financing higher education.

On the average monthly income, it was found out that as the income of the respondents is increased by a unit or a percent, financial literacy level is increased by 0.121 or 12 percent. This is so because respondents enquire about investment and savings as far as their average monthly income is increased or high.

On the other hand, there was a negative effect of a number of children on financial literacy. This is because as the number of children is increased by a unit or a percent, financial literacy level is reduced by 0.270 or 27 percent. This may be due to the financial responsibilities of the respondents which increase their expenses and hinder them from savings or investment.

Determining the relationship between financial literacy and the factors that influence personal savings decisions

In identifying the relationship between financial literacy and the factors that influence saving behaviour, the correlation was used. Karl Pearson's coefficient of correlation (r) is used to establish the relationship between these variables. It also indicates the direction and how much relationship exists between the variables. The value of correlation lies between the positive one to a negative one. Table 6 shows the correlation between variables.

Table 6: Correlation between variables

Factors	Financial literacy	Personal Savings
Sex	.554*	.436
Age	.470*	-.675*
Educational status	.780*	.801*
Marital	.267	445*
Religious affiliation	.671*	.701*
Field of study	.822*	.670*
Income	.562*	.752*
Financial Literacy		.831*
Personal Savings	.831*	

Source: Fieldwork, Bottey (2018) * correlation is significant at the 0.05 level

From the table 6, there is a positive correlation between Sex and Individual Savings Behavior. It is shown by a correlation figure of 0.436 though it was statistically not significant.

Age and Individual Savings Behavior have a strong negative correlation figure of -0.675, this means that as respondents age increases, their savings behaviour diminish and vice versa. This was also statistically significant.

Education and Individual Savings Behavior have a correlation figure of 0.801, this means that education influences financial literacy positively and in the long run affect personal savings, thus, the higher the respondents are educated, the higher they save and vice versa.

Marital Status and Individual Savings Behavior have a weak correlation figure of 0.44. This means that married respondents have a high savings behaviour as compared to those single and widowed. This was also statistically significant.

Personal Monthly Income and Individual Savings Behavior have a strong positive correlation figure of 0.752. This means that the higher the average monthly income of the respondents, the higher the individual savings behaviour of the respondents. This was also statistically significant.

There was also a strong positive relationship between Financial Literacy and Individual Savings Behavior. They have a correlation figure of 0.831. This shows a strong positive relationship than the other variables and it was also statistically significant. This means that the higher the financial literacy level of respondents, the higher the savings behaviour of the respondents.

Chapter Summary

In the data processing and analysis, it was revealed that there was also a strong positive (0.831) relationship between Financial Literacy and Individual Savings Behavior. Personal Monthly Income and Individual Savings Behavior have a strong positive correlation (0.752). Marital Status and Individual Savings Behavior have a weak correlation (0.44). Education and Individual Savings Behavior have a correlation (0.801). Age and Individual Savings Behavior have a strong negative correlation (-0.675). There was a positive correlation (0.436) between Sex and Individual Savings Behavior.

The nurses demonstrated a very low general knowledge in finance while the SMEs demonstrated a very high general knowledge of finance. Nurses scored the least mark of 61.2 percent, Teachers scored a mean mark of 66.1% and SMEs operators scored a mean mark of 84.1 percent. There was a low level of knowledge with regards to insurance. This study concludes that nurses and teachers' knowledge of investment is not enough as compared to that of SMEs operators (70%). Moreover, the Anova result ($F(9, 290) = 7.964$, sig. 0.000) shows that there was a significant difference between the independent variables and the model was therefore significant. Sixty-two percent of the variations in the financial literacy can be explained by age, sex, level of education, religious affiliation, marital status, number of children, the field of study, and number of years (experience) of the respondents.

On an individual basis, age, average monthly income, religious affiliation, number of children and field of study were all significant since the have p-values less than the 0.05 significant levels. Whereas sex, marital status, educational status, and a number of years spent (experience) were not insignificant because their p-values were greater than the significant level of 0.05. Therefore, age, sex, and type of settlement was not significant and must be excluded from the model.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

In this chapter, the significant findings and the valuable information obtained or achieved by this study have been carefully summarized. The chapter by far is made up of the summary of the research, and the conclusion drawn from this research study. Also, significant recommendations for further studies were given from the analysis of the available data in this study.

Summary of the Study

The study was to examine the relationship between financial literacy and personal savings among individuals in Adeiso. Specifically, it sought to;

1. Examine the level of individual understanding in basic finance: savings, borrowing, insurance and retirement planning.
2. Examine the effect of demographic factors on financial literacy
3. Determine the relationship between financial literacy and the factors that influence personal savings decisions.

The study used a descriptive design in the quantitative approach. Stratified sampling technique was used to select 300 respondents (nurses, teachers and SME operators) in Adeiso of which questionnaires were administered to them.

Furthermore, the data were analyzed with the help of statistical software known as Statistical Product for Service Solution (SPSS version 21.0) and interpreted by using percentages and frequencies and presented by using tables, and charts using Excel 2013 version.

Major Findings

Out of the 300 respondents involved in the study, 178 of the respondents were males while 122 of the respondents were females. This means that most of the respondents involved in this study were males. Also, the majority of the respondents who took part in this study were found below 50 years. On marital status, the majority of the respondents (212, 70.7%) were married, followed 54 (18%) of the respondents who were single, 23 of the respondents were divorced and 11 (3.7%) of the respondents were widowed. Majority of the respondents involved in the study were teachers, followed by nurses and few of the respondents were SME operators of which majority of the respondents were working at the full-time bases while 5% each worked for part-time and self-employed. On the educational background of the respondents, the majority of the respondents have had a higher form of formal education and therefore were aware of the benefits of savings. More than half of the respondents earn between Ghc1,000 and Ghc1,900 and the majority of the respondents were leaving with households which is less than 5 people.

Objective one: Examining the level of individual understanding in basic finance: savings, borrowing, insurance and retirement planning

The nurses demonstrated a very low general knowledge of finance with a mean score of 45.4 percent. However, the SMEs demonstrated a very high general knowledge in finance with a mean score of 89.2 percent.

Nurses scored the least mark of 61.2 percent, Teachers scored a mean mark of 66.1% and SMEs operators scored a mean mark of 84.1 percent. Teachers are a little bit knowledgeable about the issue of savings and borrowing because most of them rely on savings as a form of the precautionary motive of holding cash.

There is a low level of knowledge with regards to insurance. All the various categories of the respondents scored a mean mark which was less than 50% (nurses (47.5), teachers (45.5) and SMEs operators (42)).

It was found out that nurses and teachers fall in the group of people who are thought of to have lack of understanding of investment issues with a mean score of 39% and 51% respectively. This study concludes that nurses and teachers' knowledge of investment is not enough as compared to that of SMEs operators (70%).

It was found out that teachers had higher (75.5%) level of knowledge on retirement planning with regards to the three-tier pension scheme as compared to nurses (48.5%) and SMEs operators (21%). SMEs operators have a lower level of knowledge on retirement planning due to the fact that they are private businessmen of which majority are not on three-tier pension scheme.

Objective two: Examining the effect of demographic factors on financial literacy

The Anova result (F(9, 290) = 7.964, sig. 0.000) shows that there was a significant difference between the independent variables and the model is therefore significant. The model recorded an R^2-Adjusted of 0.62. This suggests that about 62% of the variations in the financial literacy can be explained by age, sex, level of education, religious affiliation, marital status, number of children, the field of study, and number of years (experience) of the respondents. Thus, 38% of the variations are being affected by factors not included in this model.

On an individual basis, age, average monthly income, religious affiliation, number of children and field of study were all significant since the have p-values less than the 0.05 significant levels. Whereas sex, marital status, educational status, and a number of years spent (experience) were not insignificant because their p-values were greater than the significant level of 0.05. Therefore, age, sex, and type of settlement was not significant and must be excluded from the model.

In the field of study, it was found out that as the number of respondents who studied business and economic increase by a unit, there is a reduction of 16 percent in the financial literacy. This means that despite the sex, marital status, educational status and number of years employed (experience) of the respondents, if not studied business or economist, the person will have a low financial literacy level.

On the average monthly income, it was found out that as the income of the respondents is increased by a unit or a percent, financial literacy level is increased by 0.121 or 12 percent.

On the other hand, there was a negative effect of a number of children on financial literacy. This is because as the number of children is increased by a unit or a percent, financial literacy level is reduced by 0.270 or 27 percent.

Objective three: Determining the relationship between financial literacy and the factors that influence personal savings decisions.

There was a positive correlation between Sex and Individual Savings Behavior. It is shown by a correlation figure of 0.436 though it was statistically not significant.

Age and Individual Savings Behavior have a strong negative correlation figure of -0.675, this means that as respondents age increases, their savings behaviour diminish and vice versa. This was also statistically significant.

Education and Individual Savings Behavior have a correlation figure of 0.801, this means that education influences financial literacy positively and in the long run affect personal savings, thus, the higher the respondents are educated, the higher they save and vice versa.

Marital Status and Individual Savings Behavior have a weak correlation figure of 0.44. This means that married respondents have a high savings behaviour as compared to those single and widowed. This was also statistically significant.

Personal Monthly Income and Individual Savings Behavior have a strong positive correlation figure of 0.752. This means that the higher the average monthly income of the respondents, the higher the individual savings behaviour of the respondents. This was also statistically significant.

There was also a strong positive relationship between Financial Literacy and Individual Savings Behavior. They have a correlation figure of 0.831. This shows a strong positive relationship than the other variables and it was also statistically significant. This means that the higher the financial literacy level of respondents, the higher the savings behaviour of the respondents.

Conclusions

The descriptive study was well conducted through appropriate methodology and the following inferences were made over the findings based on the objectives of the study.

1. Generally, the financial literacy of the respondents was moderate. Nurses were very weak in terms of retirement planning, investment and savings and borrowing. Teachers were only weak in insurance and SMEs operators were weak in retirement planning and insurance. Surprisingly, all the respondents were weak in knowledge with regards to insurance. Teachers have a high level of financial literacy as compared to nurses and SMEs operators.
2. Demographic characteristics of the respondents such as age, average monthly income, religious affiliation, number of children affect the financial literacy of the respondents. Only increment in the number of children reduces the financial literacy of the respondents.
3. There was a positive significant relationship between sex, educational status, marital status, personal income, financial literacy and savings

behaviour. However, there was a weak negative relationship between age and savings behaviour.

Recommendations

Based on the findings and conclusions drawn, the following suggestions are put forward for consideration;

1. Education was the major key and decisive factor of financial literacy; therefore, policies such as Free Senior High School should be maintained by the government to educate people. Also, people with different field of studies such as science and humanities should be encouraged to learn more on personal financial management and others.
2. Financial Institutions such as banks and investment agencies should educate and encourage the youth to save and invest to cater for the future since age has a negative relationship with savings behaviour.
3. Financial Institutions should develop packages that will attract the youth to save or invest.
4. Family planning methods should be encouraged in order to control the number of children of people since it affects savings negatively.

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APPENDIX

UNIVERSITY OF CAPE COAST

QUESTIONNAIRE FOR RESPONDENTS

I am a student from the School of Business of the University of Cape Coast conducting a study on the topic "Assessing the level of financial literacy and personal savings among individuals in Adeiso" the study is purely for academic purpose. Your identity would neither be required nor disclosed in any way and confidentiality would be strictly assured.

Please tick or provide responses to the questions in the spaces provided:

SECTION A: BACKGROUND OF RESPONDENTS

1. Sex: a. Male [ ] b. Female [ ]

2. Age: a. 20-29 [ ] b. 30-39 [ ] c. 40-49 [ ]
   d. 50 -59 [ ] e. 60 and above [ ]
3. Marital status: a. Married [ ] b. Divorced [ ] c. Widowed [ ]
   d. Co-habiting [ ] e. Single [ ]
4. Religion: a. Christian [ ] b. Moslem [ ] c. Traditionalist [ ]
5. Educational level: a. No formal education [ ] b. Basic education [ ]
   c. Secondary [ ] d. Tertiary [ ] e. Other specify:…………………

6. What was your field of study at your highest level?

[ ] a. Business
[ ] b. Economics
[ ] c. Humanities (arts, social sciences, language etc.) other than A & B
[ ] d. Sciences
[ ] e. Others,

specify………………………………………………………..

7. How many children (dependants) do you have? a. 0 [ ] b. 1 [ ]

c. 2 [ ] d. 3 [ ] e. 4 [ ] f. 5 [ ] g. above 5 [ ]

8. Which of the following best describes your personal income (monies that comes into your hand for personal use) for last year?

[ ] a. Under GHS 999
[ ] b. GHS 999 – GHS 1999
[ ] c. GHS 2000 – GHS 2999
[ ] d. GHS 3000 – GHS 3999
[ ] e. Above 3999

9. How many years of working experience do you have? Include full or part-time experience etc.

[ ] a. None
[ ] b. Less than 2 years
[ ] c. Two to less than 4 years
[ ] d. Four to less than 6 years
[ ] e. Six years or more

SECTIONB: GENERAL KNOWLEDGE IN PERSONAL FINANCE

10. Personal financial literacy can help you

[ ] a. Learn the right approach to manage your finances

[ ] b. Lead a financially secure life by forming healthy spending habit
[ ] c. All the above
[ ] d. Do not know

11. Personal financial planning involves
[ ] a. Establishing an adequate financial record keeping system.
[ ] b. Developing a sound yearly budget of expenses and income.
[ ] c. Preparing plans for future financial needs and goals.
[ ] d.All of the above.
[ ] e. Do not know.

12. A personal budget will help you
[ ] a. Allocate future personal income towards expenses
[ ] b. Prioritize your spending
[ ] c. Monitor the source of your income
[ ] d. All of the above

13. Which of these can be turned into cash more easily?
[ ] a. Money in a fixed deposit account
[ ] b. Money in a current account
[ ] c. A car
[ ] d. A computer
[ ] e. Do not know

SECTION C: KNOWLEDGE IN SAVINGS AND BORROWING
14. Which account usually pays the most interest?
[ ] a. Fixed Deposit Account
[ ] b. Savings Account
[ ] c. Current Account
[ ] d. Do not know

15. Suppose you had GHS100.00 in a savings account and the interest rate was 10 per cent per year. After 1 year, how much do you think you would have in your account?
[ ] a. More than a GHS110.00
[ ] b. Exactly GHS110.00
[ ] c. Less than a GHS110.00
[ ] d. The same as your savings of GHS100.00
[ ] e. Do not know

16. If you guarantee a loan for a friend, then
[ ] a. You become responsible for the loan if your friend defaults
[ ] b. It means that your friend receives the loan by himself
[ ] c. You are entitled to receive part of the loan
[ ] d. Do not know

17. The MOST important factor that a lender 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. Other (please specify)...

18. An overdraft occurs when

[ ] a. You received money into your account
[ ] b. When a customer is allowed to withdraw more than his current balance
[ ] c. Borrowing large amount of money from a friend
[ ] d. Do not know

SECTIOND: KNOWLEDGE IN RETIREMENT PLANNING

19. How much have you thought about retirement?

[ ] a. A lot
[ ] b. some
[ ] c. little
[ ] d. hardly at all

20. Out of the total contribution of eighteen and a half per centum deducted as pension, what percentage goes to the second tier mandatory occupational pension scheme?

[ ] a. 3%
[ ] b. 4.5%
[ ] c. 5%
[ ] d. 5.5%
[ ]e. Do not know

21. Out of the total pension contribution of eighteen and a half per centum, what is the portion coming from the employee?

[ ] a. 3%
[ ] b. 4.5%
[ ] c. 5%
[ ] d. 5.5%
[ ] e. do not know

SECTION F: PERSONAL FINANCIAL MANAGEMENT PRACTICES

Tick as appropriate using (√)

		Never	Rarely	Often	Very often	Always
22	I regularly set aside money each month for savings and future needs					
23	I compare prices when shopping for major expenses					
24	I always keep track of my expenditure and income					

SECTION G: KNOWLEDGE IN INSURANCE

25. Health insurance provides

[ ] a. Insurance against illness or bodily injury
[ ] b. Insurance coverage for medicine and visits to the doctor
[ ] c. Insurance for hospital stays and other medical expenses
[ ] d. All of the above

26. Life assurance products include the following except

[ ] a. Children welfare plan
[ ] b. Funeral plan
[ ] c. Retirement insurance plan
[ ] d. Theft insurance plan
[ ] e. Do not know

27. A home made of wood will be more expensive to insure than a comparable brick structure

[ ] a. True
[ ] b. False
[ ] c. Do not know

SECTIONH: KNOWLEDGE IN INVESTMENT

28. Investment refers to

[ ] a. Purchase of financial asset
[ ] b. Borrowing of money
[ ] c. Saving money under your bed
[ ] d. Buying a set of living room chairs

29. If you invest GHS1, 000.00 at 20% for a year, your balance in a year will be

[ ] a. Higher if the interest is compounded daily rather than monthly
[ ] b. Higher if the interest rate is compounded quarterly rather than weekly
[ ] c. Higher if the interest rate is compounded yearly rather than quarterly
[ ] d. Ghs1, 200.00 no matter how the interest is computed
[ ] e. Do not know

30. Which of these is short term investment?
[ ] a. Shares
[ ] b. Treasury bill
[ ] c. Bonds
[ ] d. Mortgage
[ ] e. Do not know

SECTION I: EXPOSURE TO FINANCIAL AND MONETARY ISSUES
31. What kind of financial accounts do you have? (Check all that apply)
[ ] a. Savings
[ ] b. Current account
[ ] c. Fixed deposit
[ ] d. Mutual fund
[ ] e. Stock
[ ] f. bond
[ ] g. Other(s) (specify): ……………………………………………………
32. DO you have any form of insurance policy other than motor?
[ ] a. Yes
[ ] b. No
33. If yes to question 34 which type? ....

34. Where do you like to learn/increase your financial knowledge? (Check all that apply)
[ ] a. Parents
[ ] b. Friends
[ ] c. Books
[ ] d. Media
[ ] e. Job
[ ] f. Life experience
[ ] g. Financial Institutions
[ ] h. Other(s): ……………………………………………

SECTIONJ: PERSONAL FINANCE OPINION
Tick as appropriate using √ Using the scale given below, please rate the importance of items to you Strongly disagree = 1, Disagree = 2, Neutral = 3, Agree = 4, strongly agree = 5

		SD	D	N	A	SA
	I am able to maintain adequate financial record					
	I am able to plan and implement regular savings					
	I am uncertain about where my money is spent					

40. How will you spend if you receive an insurance claim of GHS10, 000.00?
    [ ] a. I will use it to buy a car
    [ ] b. I will invest it
    [ ] c. I will use it on my children's education
    [ ] d. I will use it on a building project

SECTION H: FINANCIAL MANAGEMENT CHALLENGES

41. What percentage of your income do you save?
    [ ] a. 5%
    [ ] b. 10%
    [ ] c. 15%
    [ ] d. 20%

42. A greater portion of my income is spent on:
    [ ] a. Food
    [ ] b. Clothing
    [ ] c. Transport
    [ ] d. Books