

**FINANCIAL LITERACY LEVEL OF OWNERS OF MICRO AND SMALL ENTERPRISES IN  
A CASE OF ADAMA CITY ADMINISTRATION**



**A THESIS SUBMITTED IN PARTIAL FULFILLMENT FOR THE REQUIREMENT FOR  
THE DEGREE MASTER OF SCIENCE IN ACCOUNTING AND FINANCE**

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## **LETTER OF DECLARATION**

I, **Bejiga Tadesse Kumbi**, declare that this study entitled " **FINANCIAL LITERACY LEVEL OF OWNERS OF MICRO AND SMALL ENTERPRISES: A Case of Adama City Administration.**" is carried out by me and only me independently except for the guidance and suggestions of the research advisor. The paper was not submitted for any other degree or diploma in this or other university by any other person so far. I also declare that I have fully acknowledged all the sources used and I have not committed plagiarism in any form.

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This is to confirm that, this thesis work “**FINANCIAL LITERACY LEVEL OF OWNERS OF MICRO AND SMALL ENTERPRISES: A Case of Adama City Administration**”, undertaken by **Bejiga Tadesse** for the partial fulfillment of Masters of Science in Accounting and Finance (M.SC.) at Harambe University Department of post graduate studies, is an original work and not submitted earlier for any Degree either at this university or any other university.

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We, the examiners Board approve that this thesis fulfills the minimum requirement set to secure the Master Degree.

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## ABSTRACT

*Financial literacy is becoming a key life skill, for it helps individuals cope up with the very fast paced, digitalized and globalized financial landscape. This study aims at measuring how well the owners MSE in Adama city are financially literate enough; and explaining their financial literacy level through demographic and socio-economic variables. Financial literacy level was measured through three point View such as financial knowledge, behavior and attitude. The researcher was employed explanatory research design and Mixed research approaches was used The target population for this study was the micro and small enterprises that located in six sub cities of Adama city that were involved in manufacturing, construction, urban farming, services and trade economic subsectors. Primary data was used for this study. Data was collected from a sample of 319 MSE owners using self-administered questionnaire. Strata random sampling was employed to select samples. The quantitative data was analyzed using both descriptive and inferential statistics and was presented in both tabular and graphical form Cluster analysis was performed to classify respondents in to higher and lower financial literacy level groups. Majority of the respondents were classified as having higher financial literacy level. In addition, the descriptive analysis discovered that most respondents have the required level of financial knowledge, behavior and attitude. The binary logistic regression results revealed that financial literacy level of MSE owners Adama city can significantly be explained by their gender, level of education, business experience and cultural attitude. The findings recommended that it better if training given for different groups of MSE owners and including in formal education system as one subject, as well make awareness through media.*

Key Words: Financial Literacy, Financial Knowledge, Financial Behavior, Financial Attitude, MSEs

## **LIST OF ACRONYMS**

ACATIMSEDO	Adama City Administration Trade and Industry Micro and Small Enterprises Development Office
FEMSEDA	Federal Micro and Small Enterprises Development Agency
GDP	Gross Domestic Product
GFLEC	Global Financial Literacy Excellence Center
MSEs	Micro and Small Enterprises
MUDH	Ministry of Urban development and Housing
NBE	National Bank of Ethiopia
NGO	Non-Governmental Organizations
OECD	Organization for Economic and Co-operative Development
PISA	Program for international Student Assessment
UNIDO	United Nations Industrial Development Organization

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

The driving forces on financial escalation & employment are Small and Medium Enterprises (SMEs), they have an outstanding significance in both industrial and the emerging economies (Lockea, 2012). SMEs are constrained in several areas in most countries such as access to finance, technology complexity, managerial constraints, low output and dictatorial burdens in their operations. Developed and developing economies continue to rely on small businesses to catalyze the economic growth and inequitable progress which is a major role played by the SMEs in keeping the currency circulating. Mills and MCarthy (2014) acknowledge the huge segment of employment catered by the private sector and estimated that 60 to 80 percent new employment is created every year in the USA. United Nations Industrial Development Organization (UNIDO, 1999) estimates that SMEs constitutes above 90% of private sector and above 50% of GDP (gross domestic product) in most African countries.

In many African countries, Micro and Small enterprises MSE's employment are almost twice the level of total employment in registered large-scale enterprises confirming that micro and small enterprises are a major source of livelihood for a large proportion of the population (Tarfasa et al., 2016). MSE's therefore are critical in kick starting broad-based growth, private sector led growth and employment creation especially for developing countries that aspire to have sustainable growth. In south Africa, the government introduced a new ministry of Small Business Development in 2014 so as to recognize the importance of MSE's in the economy (Bureau for economic research, 2016). The ministry was introduced with the aim of facilitating the promotion and development of small businesses and in turn significantly contribute to national GDP and job creation.

In today's globalization of world trade, a substantial role is being assigned to the private sectors in many developing nations. In line with this, there has been the emergence of micro and small enterprise sector as a significant element for economic development and employment (ILO, 1998 cited by Rard-

son, Howarth and Finnegan, 2004). Many countries in Africa suffer from high rates of unemployment and low labor productivity (Iacovone et al., 2012).

Atkinson and Messy (2005) define financial literacy as the ability of an individual to compact facts in order to make sound financial decisions by use of financial resources available. Fiscal decisions have a long term consequences as far as the finance costs are concerned therefore, making the right decision is very important in the life of individuals and the businesses as well. Management of financial of a firm is not an easy task; SMEs need to make a choice out of a large menu of financial needs of which many have complicated features.

Financial literacy can be defined as an individual capability to understand economic data hence make informed choices on financial planning, arrears, pensions, and ways of accumulating wealth (Lusardi&Mitchell, 2014). Researchers use financial literacy interchangeably with financial knowledge and financial proficiency (Fessler, Schurz, Wagner &Webe, 2011; Xu, and Zia, 2012; Wise, 2013; Thaler, 2013). The Organization for Economic Co-operation and Development (2013) conceptualizes financial knowledge as a blend of mindfulness, information and abilities required for settling on financial choices and at last accomplishing individual budgetary prosperity. In the perspective of Criddle (2010), being financially literate is critical for people to settle on sound financial choices, both for the time being and the long haul.

Most of the widely used definitions of financial literacy point to the ability of individuals to acquire, understand, and evaluate information in order to make precise decisions to secure a better financial future for them. The literature pertaining to the issue has identified five domains of personal finance – making ends meet, keeping track, choosing products, planning ahead, staying informed, and getting help. All these domains consist of financial knowledge, financial attitudes, and financial practices that together makeup the concept of financial literacy. These domains are efficiently reFinancial literacy ected by the OECD definition of financial literacy, which defines it as “A combination of awareness, knowledge, and skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing” (Atkinson & Messy, 2012). The definition was endorsed by the G20 leaders in 2012. The study adopts the questionnaire developed by the OECD that tends to examine the overall financial literacy of the people by measuring the three most important dimensions of financial literacy – financial knowledge, financial attitude, and financial behavior.

Moreover, lack of financial literacy is a barrier more than just for financial inclusion. Not only it makes individuals to be financially excluded but also it can have negative impact on financial wellbeing of individual consumers, financial system and the economy (Lusardi & Mitchell, 2014). So, financial literacy should be recognized as a life skill for every individual and efforts should be made to enhance it. According to the researcher knowledge there no customized level of financial literacy in Ethiopia.

Studying the current financial literacy level of consumers is essential to determine the financial literacy gaps and needs so that appropriate corrective measures and programs can then be designed. By measuring the financial literacy level of Micro and Small Enterprise (MSE's) owners located in Adama city along with its socio-economic and demographic factors, this study can be useful to achieve such objective.

## **1.2 Statement of the Problem**

Many countries in Africa gives due attention to the formation and establishment of MSE development strategy however, their contribution in terms of job opportunity and economic development is below the countries expectation. Today, identifying the factors that affects the growth of any profit seeking companies becomes extremely essential since their survival and growth are largely depends upon such interrelated and dynamic technological, political, financial, managerial, infrastructural and environmental factors which have positive or negative effects on firms' growth (Alsemgeest et.al, 2014).

Wanjohi (2011) cites lack of adequate business skills as a major challenge in the development and growth of SMEs. This is mainly attributed to low levels of education basically lack of adequate information and business records. According to international studies on financial literacy, the factors that make financial education increasingly important include changing demographic profiles, the growing complexity of the financial sectors, the decrease in personal savings while personal indebtedness is increasing, and the fact that government resources are limited (Orton 2007: 3). The Organization for Economic Cooperation and Development's (OECD) landmark study, *Improving Financial Literacy*, concluded that financial understanding is low among consumers across their 30 member countries and that consumers, among other things, feel that they know more about financial matters than is actually the case. The surveys also reported that consumers believe that financial information is difficult to find and understand (OECD 2005: 98). Previous research has documented very low levels of financial literacy in the population (Lusardi and Mitchell, 2014). Not only is financial illiteracy widespread, but it is

particularly low among women. Demographic characteristics, such as being male and white, are commonly associated with greater financial knowledge in several countries (see Bernheim, 1998; Lusardi and Mitchell, 2006 and Lyons et al., 2007 for the US; Guiso and Jappelli, 2008 for Italy, van Rooij et al., 2007 about the Netherlands, and Australia and New Zealand Banking Group, 2008 about Australia. There is some evidence of an inverse U-shaped age profile of financial knowledge, meaning that middle-aged adults report higher scores than both their younger and older counterparts (Australia and New Zealand Banking Group, 2008).

The MSE's sector in Ethiopia has got a due attention by the government for its role in job creation, reduce poverty, enhance innovation and ensure sustainable economic growth (Berihu, Abebaw, & Biruk, 2014). The government has devised development strategies and policies to enhance the establishment and growth of the MSE's sector (MUDH, 2016). In the right circumstances MSE's can reduce unemployment, reduce poverty, boost the country's economic growth and create wonderful business environment. In Adama City Many MSE has been established for the last two Decades However, how well the owners of those MSE's are financially literate to achieving the above mention goal? To what extent they do aware about financial concepts which are critical to make the right decision? Do they have financially understanding behavior? Do they have positive attitude towards money and future plan?

Finally, Most of the previous studied in Ethiopia particularly that are related with factors affecting the growth of MSE sectors were focused on external factors. According to researcher knowledge especially in Adama city no studies had been took place on MSE regarding to financially literacy. So this study fills this gap by assessing the levels of financial literacy among MSEs owners in Adama City and correlates it with demographic and socio-economic variables.

## **1.3 The Research objectives**

### **1.3.1 General Objective**

The main objective of this study is to examine the financial literacy level of MSE's owners located in Adama city

### **1.3.2 Specific objectives**

The specific objectives of the study are:

- To examine whether there is gender difference in financial literacy level among MSE's owners



in Adama city.

- To Measure the effect of age on the financial literacy level among MSE's owners

In Adama city.

- To assess effect of the level of formal education on the financial literacy level financial literacy level among MSE's owners in Adama city.
- To examine whether financial literacy level of MSE owners can be determined by their business experience
- To identify the effect of cultural attitude on financial literacy level among MSE's owners in Adama city.

## 1.4 Hypotheses

Based on review of empirical literatures, the relationship between the dependent variable and the independent variables is hypothesized as follows.

**H01:** There is no significant difference in financial literacy level between Men MSE's owners and Women MSE's owners.

**H02:** Age has no significant effect on level of financial literacy level among MSE's owners.

**H03:** MSE's owner's educational level cannot significantly affect their level of financial literacy.

**H04:** Number of years in business cannot significantly affect MSE's owner's level of financial literacy.

**H05:** Cultural Attitude cannot significantly affect financial literacy level of MSE's owner's

## 1.5 Significance of the study

After successful completion, this study will have the following significances. The study will be used as reference or guide for other researcher who is interested in further studying on similar area in other organization. The study has laid the groundwork in the area that relatively received little attention despite its critical importance to the Micro and Small Enterprises, Adama city in particular and as country in general. The study will also stimulate and encourage further research it will use as a reference or guide. Therefore, it paves the way to deal further and more on the issue of financial literacy. The findings of the study had a significant implications on policies and legal frameworks to promote

and enforce desirable financial literacy in the Micro and Small Enterprises, Adama city and as well as whole the country. This study takes its importance from the importance of its theme and it is revealing the relationship between financial literacy and Age ,gender , level of formal education, cultural attitude at Micro and Small Enterprises, Adama city. And this importance represents through the attention of interested parties, scholars, and researchers to research in this field and also this study provides a tool to benefit both researchers in the relevant studies of the current study, and applied in other

## 1.6 Scope of the Study

This study targets on measuring the financial literacy level of MSE owners in Adama city. Even though financial literacy survey shall better embody the whole population in a country or a specific place, due to economic and time constraints this study targets the MSE's sector operating in Adama city. In addition, this study focuses on measuring the MSE owner's literacy of finance aspect rather than accounting/reporting aspect.

## 1.7 Limitation of the study

A major limitation of the research is the results are not generalizable to the wider population; to enable such generalization, due to economic and time constraint different profiles should be researched using a larger sample. Besides, there was limitation in owners MSEs Willingness to fill and return the questionnaire. In methodology used the data analysis limitation as a result of experience of the researcher and in our country level financial literacy level study didn't much Available to use as bench mark. Finally the researcher has been limited MSEs owners located in Adama city.

## 1.7 Operational Definition of Terms

**Financial literacy** is the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. Financial literacy is the foundation of your relationship with money, and it is a lifelong journey of learning. Financial literacy can help protect individuals from becoming victims of financial fraud, from accumulate unsustainable debt burdens, either through poor spending decisions or a lack of long-term preparation

**Financial knowledge** is financial awareness and understanding about the financial concept and procedures as well as the use of this understanding to solve financial problem and the capability how to manage the money in different usage, including the monitoring of the day to day financial matter.

**Financial Behavior** is the capability to capture of understanding overall impact of financial decision on one's circumstance and to make the right decision related the cash management, precautions and opportunities for budget planning.

**Financial Attitude** is personal inclination toward financial matters and it is an ability to plan ahead and maintain a saving account that matters.

**Cultural Attitude** is a set of familiar values and believes a long specific group or society that influence the individuals understanding towards their surrounding and a way of thinking related to something/someone who belong to specific society which has their formed way of living and customs

## 1.8 Organization of the Study

The organization of the study follows the same format most thesis papers follows. This research work is organized into five chapters. The first chapter dealt about Background of the study, Statement of the problems, Research question, Objectives of the study, research hypotheses, Significance of the study, Scope of the study, Limitation of the study and organization of the study. The second chapter discussed details of related literatures to this particular research. The third chapter concentrated on the Research design and the methodology. The fourth chapter presented Data and analysis based on the gathered data. The last chapter dealt with the major findings, conclusion and recommendation part of the research based on the analyzed data.

## CHAPTER TWO

### REVIEW OF LITERATURES

#### THEORETICAL REVIEW

##### 2.1 Concept of Financial Literacy

The issue of financial literacy has recently gained relevance for several reasons. Social security reforms in the US and in many European countries are placing increasing responsibility on individuals for their financial security in old age. Workers will have to decide both how much to save for retirement and how to allocate their retirement savings. At the same time, the complexity of financial instruments is increasing and households have to deal with new and more sophisticated financial products. Various institutions raised their concerns about the low level of households' financial literacy across several countries and about the need to provide financial education (European Commission, 2007; OECD, 2005; President's Advisory Council on Financial Literacy, 2008). These developments suggest the importance of investigating the level of financial literacy, and its role in households' financial decision making. Financial literacy has been identified as an integral component that helps individuals to make sound and informed decisions about their finances and other behavioral decisions. These may include investments, savings, and other wealth accumulation decisions. According to Shim et al. (2010), financial literacy is the most important component in achieving a successful adult life as it plays a crucial role in developing not only individuals' financial management attitude, but also an attitude about general life.

Financial literacy is the ability of an individual to understand and perfectly interpret basic financial concepts by taking into consideration events that may occur in life and changing economic conditions and to rationally handle personal financial conditions by making effective short-term decisions and long-term financial plans (Remund, 2010 ). An individual described as financially literate will have such abilities and behaviors as understanding basic concepts of money management, having sufficient

knowledge of financial institutions, the financial system and financial services, and exhibiting efficient and responsible behaviors related to the management of financial affairs (Schagen & Lines, 1996). Literature reveals that lack of knowledge of financial instruments or products affects retirement investment decisions. Kimball and Shumway (2007) and Van Rooij et al., (2007) in their different studies provided evidence that financially unsophisticated households tend to avoid the stock market and that they are less likely to choose mutual funds with lower fees (Hastings and Tejada-Ashton, 2008).

The issue of enhancing financial literacy among young people's one of the most fundamental agendas for politicians because today, financial products and services that young people can choose are different and more complex than in the past. Due to ambiguous economic conditions and declining job opportunities, it is also a fact that young people will have to face more unemployment and risk in the coming years. Financially literate individuals have basic information about financial products and services and exhibit less risky behavior in their financial decisions (Atkinson & Messy, 2012). Therefore, understanding the financial literacy of young people is critical for politicians in many areas. This understanding plays a contributing role for those wanting to generate effective financial education programs aimed at young people and to enact laws to protect young consumers (Lusardi, Mitchell, & Curto, 2010).

Financial literacy includes both knowledge of financial instruments and computation capability of interest rates and retirement benefits. According to (Lusardi and Mitchell 2005), one of the reasons people fail to plan for retirement or do so unsuccessfully, is their financial illiteracy, hence they may fail to appreciate the role of compound interest, inflation, and risk on their investments. When focusing on the computation capabilities, several studies indicated that those who cannot do simple and compound interest calculations are less likely to calculate their retirement needs (Lusardi & Mitchell, 2006, 2007, 2008). Different studies performed in the United States of America (Lusardi & Mitchell, 2005), Sweden (Almenberg and Save-soderberg, 2011) and Netherlands (Alessie, Van Rooij & Lusardi, 2011) found that serious planners are more likely to get a correct answer on the two questions on compound interest and inflation rates question than on the financial knowledge question on financial risk. Financial literacy has been repeatedly found to be associated with better planning for retirement, higher net returns earned on savings, and holding of lower-interest debt. This is a global phenomenon,

with research showing a robust association between retirement planning, saving, and financial literacy around the world. For example, a recent study using data from Canada shows that people who can correctly answer three financial questions—on interest compounding, diversification, and in Financial literacy action—are ten percentage points more likely to plan for retirement than those who did not answer correctly (even after adjusting for many other individual-level characteristics).

Nevertheless, it has been argued that this association might not be evidence of causality. To this end, many researchers have used instrumental variables analysis to correct for this possibility, and results remain statistically significant. For instance, a 2014 study argues that previous studies suffer from omitted variable bias, that is, that they do not control for all relevant factors. Accordingly, the authors find that controlling for psychological traits, which were not accounted for in previous studies, diminishes the impact of financial literacy in explaining saving. Their four psychological traits are numeracy, propensity to plan for the use of money, confidence in information search, and willingness to take prudent investment risks. However, these factors could easily be a function of financial literacy, so it is unclear whether the study confirms that estimates are biased upward (i.e. they overestimate the real effect), or whether there is a more complex interaction between preferences, knowledge, and behavior that must be further examined. In an international project measuring financial literacy across eight countries, Lusardi and Mitchell (2011) found low financial literacy even in well-developed financial markets. The survey instrument was designed to include three questions covering the aspects of interest compounding, inflation, and risk diversification. Moreover, variations in the financial literacy scores were found among the sub-groups of the population. The age pattern for financial literacy depicted a ‘U’ shaped curve demonstrating lower financial literacy for youth and the older groups. Women and less educated were less financially literate. Significant differences were traced in the financial literacy of people on the basis of urbanity, race, region, and religion. In addition, the people who were knowledgeable about the key financial concepts were more likely to plan for their retirement. Another OECD International Network on Financial Education study was conducted by Atkinson and Messy (2012) in 14 countries across 4 continents. Financial literacy was measured on the basis of three aspects of financial literacy; namely, financial knowledge, financial behavior, and financial attitude. The results highlighted a lack of financial knowledge among a large proportion of the population in all the countries surveyed. Less awareness was found concerning the aspects of diversification and compound interest. Women had a lower level of financial knowledge than men in most of

the countries. A positive relationship existed between income and financial literacy, and a high level of financial knowledge, positive behavior and attitude were depicted by higher educated people. The analysis also revealed that people with higher knowledge were more likely to exhibit positive financial behavior. A similar relationship emerged for financial attitude and financial behavior. The research report conducted by the Australian Securities and Investments Commission (2011), exhibited the financial literacy status of Australians. The findings stated that socio-demographic characteristics like age, gender, education, and income had a bearing on the knowledge, attitude, beliefs, confidence levels, and interest of the people about monetary concepts. The financial literacy level of Australians was quite reasonable. However, the confidence and knowledge of the people declined with an increase in the complexity and unfamiliarity of the financial topic. People were found to be knowledgeable and confident about routine financial concepts but feltun comfortable with complex concepts, e.g., retirement savings and investment.

The OECD and its experts described financial literacy as “the knowledge and understanding of financial concepts and risks, as well as the skills, motivation and confidence to apply that knowledge and understanding in order to make effective decisions across a range of financial contexts, to enhance individual and societal financial well-being and to enable participation in economic life”. This definition of financial literacy financial literacy reacts the need both to understand financial reasoning and behavior and to measure the knowledge and concepts acquired in relation to a subject.

One of the most authoritative ones is provided by the President’s Advisory Council on Financial Literacy, defining financial literacy as “the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial wellbeing (President’s Advisory Council on Financial Literacy, 2008)”. This definition follows the one proposed by the Jump\$tart Coalition (a coalition of US organizations providing advocacy, research, and educational resources to improve financial literacy of school-age youth): “the ability to use knowledge and skills to manage one’s financial resources effectively for lifetime financial security”(Jump\$tart Coalition for Personal Financial Literacy, 2007).

Literacy is viewed as an expanding set of knowledge, skills and strategies, which individuals build on from a young age and throughout life, rather than as a fixed quantity, a line to be crossed, with illiteracy on one side and literacy on the other. Literacy involves more than the reproduction of accumulat-

ed knowledge and it involves a mobilisation of cognitive and practical skills, and other resources such as attitudes, motivation and values. The PISA assessment of financial literacy draws on a range of knowledge and skills associated with the development of the capacity to deal with the financial demands of everyday life and uncertain futures within contemporary society. Some national and international institutions refer to “financial capability” instead of “financial literacy” in order to put more emphasis on people’s ability to make financial decisions. In most cases the definitions of the two concepts overlap to a large extent, as they both encompass the knowledge, attitudes, skills, and behaviours of consumers. The PISA assessment will continue to refer to financial literacy as its definition is now internationally acknowledged, and for consistency with previous assessments and existing OECD and G20 work.(PISA,2021).

## **2.2 The Importance of financial literacy**

Financial literacy is important for those interested in labor markets for at least three reasons. First, workers who lack basic financial literacy skills may be more likely to be financially distressed, with potential consequences for absenteeism and productivity. Second, they may have to work longer to reach the same level of retirement income because they failed to save for retirement or saved inefficiently via low-return products. Third, financially literate workers are more likely to understand a firm’s financial situation, especially during economically challenging times, which may lead to better collective bargaining outcomes for all involved parties. (*IZA World of Labor, 2017*).

Literature has shown that women have lower levels of Financial Literacy in most of the countries (Lusardi, Mitchell & Curto, 2010; Sekita, 2011; Atkinson & Messy, 2012; Klapper, Lusardi & van Oudheusden, 2015; Erner, Goedde-Menke & Oberste, 2016) and in a few countries, Financial Literacy has remained low especially among older women (Lusardi & Mitchell, 2012). Interestingly, few studies could not find any gender differences in levels of Financial Literacy (Goldsmith & Goldsmith, 2006).

The association between age and having Financial Literacy has indicated that aged people have lower levels of Financial Literacy (Lusardi & Tufano, 2009; Lusardi, Mitchell & Curto, 2010) while few studies have concluded that even youth have lower levels of Financial Literacy (Totenhagen et al.2015). Interestingly, few researchers have documented people in the age groups of 25-65 years



have performed significantly well in the Financial Literacy assessment tests (Research, 2003; Agarwal et al., 2009) while others could not find any significant impact of age on the participants' levels of Financial Literacy (Wagland & Taylor, 2009; Stanculescu, 2010). Educators likely have played significant positive roles in shaping financial education and FI Financial Literacy amongst people, mostly among the youth (Chen-Yu, Hong & Seock, 2010; Ashby, Schoon & Webley, 2011; Friedline, Elliott & Nam, 2011) and such education has resulted in wealth accumulation and making disciplined and rational financial decisions.

The digitalization of finance has the potential to improve levels of financial inclusion by expanding reach and access to a variety of meaningful financial products and services. At the same time, digital delivery methods provide new ways of achieving desirable financial education outcomes. But policy makers have recognized that digitalization also gives rise to a range of emerging risks from new types of fraud, mis-selling, data privacy issues, and new kinds of financial and economic exclusion notably due to digital profiling and easier access to credit leading to over-indebtedness. (OECD PISA, 2018, Lusardi, 2017, Zucchi, 2017)

According to the literature for instance Xu & Zia, (2012), LaBorde, Mottner, & Whalley, (2013), Plakaločić, (2015), Lusardi, (2017) besides the many changes in the financial matters we are experiencing, the financial literacy level of consumers is very low and not enough or inappropriate to cope up with the changed circumstances. This issue forced financial literacy to be recognized as life skill (Lusardi, 2015, 2016, 2017) and a lot is being done to enhance it among many countries (Lusardi & Mitchel, 2014).

### **2.3 Variables affecting the Financial Literacy**

Financial literacy is closely related to financial management, where the higher one's application of the concept of financial management at the individual level. Financial management, which includes planning, managing, and controlling financial activities, is very important to achieve financial prosperity (Putra, 2014). Financial literacy in the form of understanding all aspects of personal finance is not intended to make it difficult or restrict people from enjoying life, but rather with financial literacy, people can enjoy life by utilizing their financial resources appropriately to achieve their personal financial goals. Wise or not, one's financial management is closely related to one's abilities and abilities

for financial concepts known as financial literacy (Sari et al., 2015). Several factors in financial literacy. Factors related to the level of financial literacy are based on variables of age, family size, family life cycle, gender, income, occupation, education, religion, generational race, nationality, and social class. Nababan and Sadalia (2012).

Prior studies, carried out during the 1990s, conducted on financial literacy have focused on the individual understanding of financial concepts, the ability to correctly interpret financial data, general financial knowledge, and money management (Bakken, 1966; Chen & Volpe, 1998; Danes & Hira, 1987). In the 2000s, financial literacy is now measured not only as financial knowledge (Hilgert et al., 2003; Lusardi & Mitchell, 2011), but also with other variables added, such as financial skills, financial behavior, and perceived knowledge (Hung et al., 2009). Other models of financial literacy are conceptualized into three dimensions, namely, financial knowledge, financial attitude, and financial behavior (Atkinson and Messy, 2011). The concept of financial literacy through knowledge, skills, attitude, and financial behavior is also supported by (Atkinson & Messy, 2012; Lusardi & Mitchell, 2013; Xiao et al., 2014; Khan et al., 2017). Priyadharshini (2017) provided evidence that financial literacy and its variables, such as financial attitudes and behavior, financial skills, financial knowledge, financial capability, financial awareness, financial goals, and financial decisions, are interlinked and interdependent.

## **2.4 Financial Literacy & Micro, Small and Medium Enterprises**

One way of assessing the understanding on financial literacy is by observing a person's way in processing financial information and making a decision based on the financial knowledge (Lusardi, Mitchell, & Curto, 2010). Financial literacy helps the MSMEs' owners to avoid financial management error (Krishna, Rofaida, & Sari, 2010). Kasendah and Wijayangka (2019) report that financial literacy had a positive and significant effect on MSME performance. Aribawa (2016) shows that financial literacy had a significant effect on MSME performance and continuity. In addition to financial literacy, MSMEs need technology for the operation, production, marketing activities, and other needs (Ardiansari, Cahyaningdyah, & Slamet, 2016; Hussain, Salia, & Karim, 2018; Mabula & Ping, 2018). The MSME which focuses on increasing profit usually has a strong will to seek for additional source of fund as the result of their accountable financial behavior (Xiang & Worthington, 2015).

Therefore, financial behavior is one of the important factors in determining the success of a business. Empirical studies confirm that financial behavior determines the success of the business. For example, Humaira and Sagoro (2018) assert that financial behavior had a significant effect on MSME performance. Rasheed and Siddiqui (2019) report that the MSME owner awareness on finance product and procedure significantly in Financial literacy their attitude in making financial decision. However, previous studies show that many factors are related to the failure of MSMEs. For example, Fatoki (2014) reports that the failure rate for new MSMEs is very high in Africa, and one of the causes is the failure of financial organizations to survive and grow. Financial literacy is important in order to help finance and make decisions (business and personal). The MSME policy focus to date has largely centered on the role of financial education in reducing demand-side barriers that prevent MSMEs and potential entrepreneurs from accessing finance. However, it is also apparent that financial education has a broader role to play in supporting all MSMEs and encouraging sustainable entrepreneurship by increasing levels of financial literacy (OECD 2015). In many countries, current and potential entrepreneurs have access to a range of information and advice services, and may also have the opportunity to participate in formal training (sometimes depending on their existing qualifications and previous experiences). In some countries, young people also have access to entrepreneurial education in school. The extent to which such provisions incorporate financial education varies, as does the extent to which financial education is available through other means(OECD 2015).

Demographic changes may also affect the structure of households' financial portfolios, insofar as individuals belonging to different generations are likely to choose a different mixture of assets with different risk profiles. Even if some studies suggest that the share of households' portfolios invested in cash and bonds rises with age (OECD 2005) . Changes under way in public and private pension schemes may increase significantly the influence of retirement saving and related capital flows in financial markets.

## **2.5 Research gap**

Various factors has been affecting financial literacy to receive serious attention from global society and be prior policy objectives among many countries. For instance the changes in pension systems, changes in the financial landscape, the changes in demographics, changes in financial markets, increase in number of financial service providers and changes and increase in number of financial products and services are creating complexity among the ultimate financial consumers (Lusardi, 2017) and

(Zucchi, 2017). However, according to the literatures reviewed, the financial literacy level of is low across countries that can't enable consumers to cope with all these changes.

Financial literacy alone does not in financial literacy hence financial capability behaviors most of the time. It has been found from prior studies that other factors such as demographic and financial factors affect financial preparedness for retirement among individuals. Demographic factors like age, race, gender, economic status, level of education, income level and employment, among others in financial literacy outcomes among the different populations. Therefore, it is important to analyses there in Financial literacy on financial preparedness for retirement. According to Monsor, Chor, Abu and Shaari (2015), the most important factors are age, education level, gender, and household income.

Financial literacy can be more important for those running business than individual consumers, because the ultimate financial matter of the business lies in the hands and responsibilities of its owners beyond their personal financial context. Therefore, small business owners are expected to be financially literate to achieve success through excelling in financial matters and making wise and informed decisions and making the right choices and use of financial products and services. Despite the very importance of personal financial literacy for small and medium business owners, financial literacy survey and research focusing on SMEs owners around the world is not adequate. Most of the studies conducted on entrepreneurs, small and medium business owners revealed that financial literacy is low among those business owners (Fatoki, 2014) and (Plakalović,2015).

As per the empirical literatures reviewed, demographic and socio-economic variables such as gender, age, level of education, income, employment/business experience, family income and marriage status can more or less determine the financial literacy level of individuals. However, culture is rarely correlated with level of financial literacy. It particularly can affect the financial behavior and attitude dimensions of financial literacy.

Most of Ethiopian people have the culture of more spending rather than saving and gives care for the future. Ethiopian peoples have the culture of living together and hospitality i.e sharing together on holiday and angry moments which require much spending. Planned and budgeted way of spending is less accustomed in Ethiopia. However, peoples may have different views and stands on such culture and Previous done research has been located only in Addis Abeba according to researcher knowledge Addis Abeba peoples are literal than other area since as result of this it is difficult to be judge other

area population based on Addis abeba population. . Therefore, this study will test whether cultural attitude can determine level of financial literacy among MSE owners in Adama city.

## 2.6 Conceptual Framework

The conceptual framework is developed from the literatures reviewed, principally from Potrich, et al., (2015) and researcher’s own conceptualization. The independent variables include demographic variables such as gender and age and socio-economic variables such as level of education, business experience and cultural attitude. The dependent variable, financial literacy is measured using three dimensions: knowledge, behavior, and attitude.

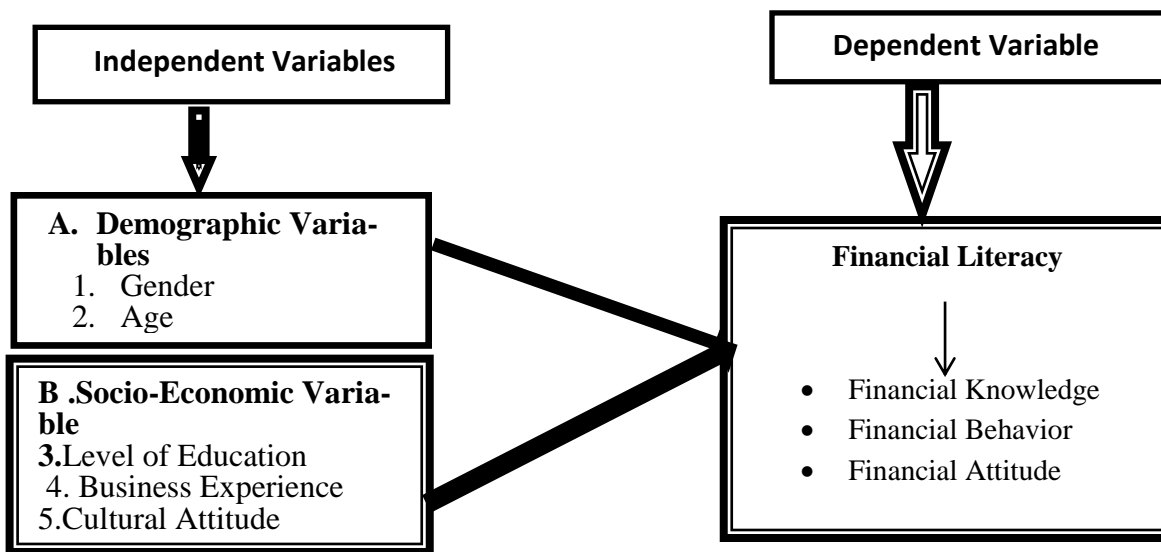


Figure 1: Conceptual Model

Source: Potrich, et al., (2015) & Researcher’s own conceptualization Adopted

## CHAPTER THREE

### RESEARCHER METHODS AND DESIGN

This part addresses research design, research approach, target population sample frame sample techniques, sample size, source of data, methods of data collection, data quality control, data analysis and presentation operational frame work and ethical consideration were explained in detail with their justification in each sub topic accordingly.

#### 3.1 Research design and Approach

In this study, the researcher was employed explanatory research design. The study is explanatory type as it aimed at explaining financial literacy level of respondents per demographic and socio-economic variables. Both quantitative and qualitative research approaches was used to inquire data to be enumerated. Data collected from respondents was coded numerically and analyzed using quantitative techniques. A research design as described by (Kothari, 2004), is the arrangement of conditions for collection and analysis of data in a manner that aims to give bearing and relevance to the research purpose with economy in procedure. It is a plan that provides the overall framework for the collection of data for a study. That is, it is a plan for selecting subjects, research sites, and data collection procedures to answer the research question to provide credible results. (Mafuwane, 2012) defined research design as a strategic framework for action that serves as a bridge between research questions and the execution, or implementation of the research strategy. It is a time-based plan that guides selection of sources and types of information all based on the research questions (Cooper & Schindler, 2014). Both quantitative and qualitative research approaches was used to inquire data to be enumerated

#### 3.2 The Target Population of the study

Cooper and Schindler, (2014) defined population as the element which we wish to make inference on. They further mentioned that it is the total collection of elements about which one would intend to make inferences. Population can also be seen as all units or elements constituting a set or universe (Abbott & McKinney, 2013). That is population is the entire group of people, places or things under study. The study focuses on measuring financial literacy level of MSE owners who have been starting 2020 and 2021 currently operating in Adama city administration. In today's dynamic world its better if every person has financially literate to move up with globalized world. For this reason it is better if

financial literacy survey shall be conducted by including the whole population. Yet, due to economic and time constraints this study targets had been limited to MSE’s sector operating in Adama city.

### 3.3 Samples and Selection method Employed

#### 3.3.1 Sample size determination

The target population for this study was the micro and small enterprises that located in six sub cities of Adama city that were involved in manufacturing, construction, urban farming, services and trade economic subsectors. Likewise, the total population for this study was all MSE which were located in Adama city. The target population for this study was the micro and small enterprises that located in six sub cities of Adama city that were involved in manufacturing, construction, urban farming, services and trade economic subsectors. Likewise, the total population for this study was all MSE which were located in Adama city. According to (ACATIMSEDO, 2021) there were a total of 2000 those consists of five main subsector namely manufacturing (401) , construction (180), urban farming (114), services (495) and trade (698) of which 1888 were micro and the remaining 112 were cover small enterprises. Based on this information, samples were taken from micro and small enterprises. Subsequently, from the total population, the researcher selected 334 MSE from six sub-cites and five sub-sectors by employing probability of proportionate stratified sampling techniques. This therefore the researcher has been used Slovin’s formula to determine the sample.

The formula used to determine the sample size is

$$n = \frac{N}{1 + N(e)^2}$$

$$1 + N(e)^2$$

n = Sample Size

N = Total Population and,

e = The standard error with Confidence Level at 95 %

So as per the data the researcher got form Adama city Administration micro and small enterprise of- fice 2020G.C there were 811 active micro and small enterprise and in 2021G.C there were 1,189 mi- cro and small enterprise. Totally there are 2,000.00 micro and small enterprise.

$$n = \frac{2000}{1 + 2000(.05)^2} = 334$$

In this study, 334 micro and small enterprise enrolled and were selected at random. The sample size was selected taking in to consideration the time frame that was available and cost of data collection.

### **3.3.2 Sampling Technique**

A proportionate stratified sampling technique was used to get information from different sectors of the MSE's was employed in selecting the sample. This technique is preferred because it is used to assist in minimizing bias when dealing with the large and heterogeneous population. Moreover, with this technique, the sampling frame can be organized into relatively homogeneous groups (strata) before selecting elements for the sample. According to (Janet, 2006), this step increases the probability that the final sample is representative in terms of the stratified groups. The strata's are sectors including: manufacturing, construction, urban farming, and service and trade strata. The reason why this technique was applied its popularity and it gives proper representation to each stratum and its statistical efficiency is generally higher than disproportionate.

### **3.4 Data collection Instruments**

The primary data were collected through administrating close-ended questionnaires that were distributed to respondents of MSE institution. More specifically, relevant and reliable primary data was collected from owner and MSE leaders. Thus to this end, a close-ended questionnaires were prepared in English then translated to Amahric back-to-back translation to maintain consistency in meaning between Amahric and English was done. For some respondents, translation into Amharic was done to get reliable and true information. Furthermore, the instruments were designed in such ways that can strength the viability of the study. The questionnaire questions were prepared in English .In this study, each statement is rated on a 5 point Likert response scale: strongly agree (5), agree (4), undecided (3), disagree (2) and strongly disagree.

The questionnaire was employed to obtain factual information, opinions, and attitudes from respondents and using both types had the advantage to get the respondents evaluate the plan and at the sometime it had the benefit to make the respondents to describe their feelings, attitude and behaviors.

### **3.5 Reliability Test of the Data Collection Instrument**

The data collection instrument is supposed to be valid, since the questionnaire is composed of the standard financial literacy question adopted mainly from Atinso and messy ,(2012),OECD,(2011&2015) and potricha etal..(2015). Financial literacy question to capture the fi-



nancial landscape that matter most in Ethiopia context were also added. In addition, the reliability the measurement instrument was tested using Cronbach's alpha, particularly for variable measured using likert scale question. The result of the cronbachos suggested that the measurement instrument is reliable. The result of the Cronbachos alpha suggested that the measurement instrument is reliable. The result of the Cronbachos alpha is discussed with detail in four chapters.

### **3.6 Variable of the study, the Measurement and coding procedure to prepare for Analysis**

#### **3.6.1 Independent Variable**

##### **Gender**

The researcher had been used to capture gender characteristics of the respondent. It was coded as 1 if male 2 if female

##### **Age**

Used to capture age characteristics of the respondent and recorded as ordinal to simplify the analysis. The age was coded 1 if 20-30, 2 if 31-40, 3 if 41-50 , 4 if 51-60 , 5 if Above 60 years

##### **Level of Education**

It measure Education level the respondent and was coded 1, If the respondent not go to school 2 , If the respondent From grade 1- 8 3. If the respondent From grade 9-12 4, If the respondent Certificate or diploma 5, If the respondent Degree and above.

##### **Business experience**

Captures the experience of respondents in conducting businesses with in their enterprise through number of years in business. It is collected as a continuous data and recoded as an ordinal data to make the analysis simpler. Respondents are grouped in to five categories based on the number of years they have been in business such as <5 years, 5-9 years. 10-14 years, 15-20 years and 20+ years. These categories were coded as 1, 2, 3, 4 and 5 respectively.

##### **Cultural attitude**

Measures the respondent's perception towards social life/collectivism and hospitality, and their way of life which particularly influence financial matters of individuals. It is a likert scale item ranging

from strongly disagree (“1”) indicating cultural attitude likely to positively affect financial literacy to strongly agree („5) indicating cultural attitude highly likely to negatively affect financial literacy.

### 3.6.2 Dependent Variable

The dependent variable is financial literacy which is composed of the three dimensions such as knowledge, behavior and attitude.

1. **Financial knowledge:** Measures the respondent ‘knowledge of basic financial concepts such as interest, risk and return, risk management. And it was code1 if the answered correctly and 2 if it was not
2. **Financial Behavior:** Measures the respondent financial behavior including budgeting, saving and investing (bearing the effect of inflation), considered purchase, choosing financial products, planning ahead and borrowing. It contains likert scale type questions ranging from “1” strongly disagree to “5” strongly agree in the questionnaire. On the other hand, negatively worded questions are reverse coded.
3. **Financial Attitude:** Measures the respondent Financial Attitude perception towards money, spending and planning for their future. It contains likert scale items ranging from strongly disagree “1” to strongly agree “5”, and negatively worded questions are reverse coded
4. **Financial literacy Level:** measures the combined/overall financial literacy level of respondents. The overall financially literacy level data is obtained by using cluster analysis as discussed in chapter four in detail.

## 3.7 Method of Data Analysis

Cooper and Schindler (2014), defined data preparation or analysis as the processes that ensure the accuracy of data and their conversion from raw form into classified forms appropriate for analysis. After data collection, data analysis is carried out by completing the steps of questionnaire checking, editing, coding, transcribing, data cleaning, adjusting the data and selecting a data analysis strategy to gather sense or meaning from the data collected and the final information can be tabulated in the form of graphs and pie charts.

The data that was collected in this study was analyzed using quantitative methods of analysis because of the nature of the data. The quantitative data was analyzed using both descriptive and inferential statistics and was presented in both tabular and graphical form. The Statistical product and service solu-

tions (SPSS) software was used to make these analyses (statistical software called IBM SPSS Statistics V26).

### 3.8 Reliability Test

Majority of the questions used to measure the respondent's level of financial literacy are adopted from OECD's (2011 & 2015) standard measures of financial literacy, Atkinson & Messy (2012) and Potrich et al., (2015). However, there are also questions which are intended to capture issues specific and matter most in Ethiopian context. The questionnaire used to collect the data is said to be valid, since it is composed of questions used in most previous studies.

Moreover, high quality tests are crucial to evaluate the reliability of data used in research (Tavakol & Dennick, 2011). In this study, the reliability of the measurement instrument is verified. Particularly variables such as cultural attitude, financial behavior and financial attitude are measured through likert scale questions. The questions making up the scale construct of each of those variables should be able to measure the same concept they are intended to do so. Reliability of the measurement instrument can be measured using Cronbach's alpha (Tavakol & Dennick, 2011). Cronbach's alpha is used to test how well the items used in the scale construct measure the same concept. According to Tavakol & Dennick, (2011) the acceptable level of Cronbach's alpha may range from 0.70 to 0.95 given the differences among different reports. Lower alpha values (below 0.70) can indicate poor interrelatedness between items in the construct. While too high alpha values (above 0.95) may indicate redundancy of items. As presented in Table 3.1, the Cronbach's alpha values of the three variables are in between the recommended values. Therefore, questionnaire and the data collected is said to be reliable

**Table 3.1: Cronbach's Alpha**

Scale	Cronbach's alpha	Number of items making up the scale
Cultural Attitude	.74	5
Financial Behavior	.81	10
Financial Attitude	.70	5

Source: Questionnaire Survey, 2022

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

#### 4.1 Response Rate

A total of 334 questionnaires were distributed to selected respondents at 334 selected owner of Micro and Small Enterprises, located in Adama city. Based on the total population, 334 self-administered questionnaires were distributed and collected using simple quota sampling method. 319 collected questionnaires were used as part of the analysis with the response rate of 96 per cents and 15 questionnaires were no return since some respondents were refused to fill questionnaire. 319 questionnaires were returned, of which no questionnaires were discarded because of missing data. Therefore, the number of usable questionnaires was 319 and the response rate was 96%. This study employed a well-structured questionnaire administered to owner of Micro and Small Enterprises, located in Adama city, to obtain first hand data. 319 questionnaires were administered, out of which 334 were retrieved and analyzed. In this regard, relentless effort was made by the researcher to gather all the distributed questionnaires with due care by going now and then to the targeted/sampled owner and each questionnaire was designated a unique code to the corresponding respondents was only known by the researcher confidentially and that is why there were no discarded questionnaire owing to missing data. Descriptive statistics were conducted in order to obtain the characteristics of the sample population (Pallant, 2013). The sample of 319 participants were compromised of 95 female (29.8%) and 224 male (70.2%).

Table 4.1 Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	224	70.2	70.2	70.2
Female	95	29.8	29.8	100.0
Total	319	100.0	100.0	

Source: SPSS output from survey data,2022

## 4.2 Descriptive Data analysis

### 4.2.1 Respondents Demographic Socio-Economic Characteristics

**Table 4.2 Gender respondents**

	Frequency	Percent	Valid Per- cent	Cumulative Percent
Male	224	70.2	70.2	70.2
Valid Female	95	29.8	29.8	100.0
Total	319	100.0	100.0	

**Source: SPSS output from survey data,2022**

As we have seen on the above table male respondent taken lion share which is around 70.2% and the left 29.8% were female.

**Table 4.3 Age respondents**

	Frequency	Percent	Valid Per- cent	Cumulative Percent
20-30	8	2.5	2.5	2.5
31-40	230	72.1	72.1	74.6
Valid 41-50	62	19.4	19.4	94.0
51-60	19	6.0	6.0	100.0
Total	319	100.0	100.0	

**Source: SPSS output from survey data,2022**

As we have seen Age of respondents were categorized in to four groups as showed in the above table. Most of the respondents about 72.5% are group between ages 31-40, 19.4% respondents are group between ages 41-50, 6 % respondents are group between ages 51-60, 2.5% respondents are group between below age 20-30.

**Table 4.4 Business Experience Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
>5years	91	28.5	28.5	28.5
5-9 years	217	68.0	68.0	96.6
10-14 years	11	3.4	3.4	100.0
Total	319	100.0	100.0	

**Source: SPSS output from survey data,2022**

Respondents Business experience had been categorized in to three groups less than five years' experience 28.5% which covered 91 respondents from total respondents, 5-9 years' experience 68% which covered 217 respondents from total respondents and 10-14 years' experience 3.5% which covered 11 respondents from total respondents and their no respondents above 15 years.

**Table 4.5 Education Level of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
1-8 grade	44	13.8	13.8	13.8
9-12 grade	28	8.8	8.8	22.6
Certificate or diploma	207	64.9	64.9	87.5
Degree and above	40	12.5	12.5	100.0
Total	319	100.0	100.0	

**Source: SPSS output from survey data,2022**

The respondents of level of education were categorized into four grouped from grade 1-8 covered 13.8% (44) respondents from total respondents, from grade 9-12 covered 8.8 % ( 28) respondents from total respondents, Certificate or diploma 64.9 % ( 207) respondents from total respondents and Degree and above 12.5 % ( 40) respondents from total respondents.

**Table 4.6 Have took taken finance related course/ training**

	Frequency	Percent	Valid Per- cent	Cumulative Percent
Yes	269	84.3	84.3	84.3
Valid if it is not	50	15.7	15.7	100.0
Total	319	100.0	100.0	

**Source: SPSS output from survey data,2022**

Most of the respondents had been took finance related training /Course. As we have seen from the above table from the total respondents 269 had been took finance related course / training and the rest 50 respondents did not took finance related course / training. As result of the it possible to say the most respondents had been took finance related course or training.

#### **4.2.2 Respondent’s Attitude towards Culture andHospitality**

Ethiopia is known for its collectivism culture (Hofstede Insights, 2018) and its hospitality (Meron, 2012), which invites highly spending behavior. According to Africa-Expert, (2018), Ethiopians are known by having a culture of hospitable and accommodating approach towards others. Ethiopians consider inviting people and entertain their friends and guests as honor and dignity (Africa-Expert,2018). This implies cultural attitude will affect financial literacy level of individuals particularly the financial behavior and financial attitude dimensions. However, peoples may have different views and stands on such culture. Considering this fact respondents attitude and stand towards culture and hospitability is included in this study to explain the financial literacy level of the respondents. While measuring financial literacy level particularly in Ethiopian case, it would be important to assess the tendency of respondents towards hospitality and culture.

**Table 4.7 Cultural Attitude of Respondents**

Items	Statistics	
	Measures of central location	Measures of dispersion

	Mean	Median	Mode	Std. Deviation	Range
Combined Cultural Attitude scale	1.56162	-	-	0.69	-
Ethiopian way consumption during holiday, Unger and other collectivism	-	2.00	2	-	3
I always like to enjoy with my friends during weekly without limit	-	1.00	1	-	1
I always invite my relatives when I met them	-	1.00	1	-	2
Cultural attitude towards saving	-	1.00	1	-	4
Culture of involving frequently pretty	-	2.00	2	-	4

**Source: SPSS output from survey data,2022**

As we have seen from the above table most frequently responses for the 1<sup>st</sup> question is (hating the consumption way of during collectivism ) is disagree (2) and as well as its media 2. As we have seen that the respondents had been disagree the Ethiopian way of consumption during holiday, Unger and other collectivism. The table shows that from the second up to 4<sup>th</sup> cultural attitude question have lower responses rate than the 1<sup>st</sup> and 5<sup>th</sup> question this shows that the respondents had been strongly dislike the cultures of enjoyment without limit, invite relative without program and seen people those saved their money as cupidity because most of the respond had been rating strongly disagree (1). The 5<sup>th</sup> question has the response of disagree since most of the respondents rating lower this therefore most of the respondents had been dislike the culture of making pretty.

Generally the cultural attitude scale is a continuous data obtained by averaging the item scores of the five cultural attitude questions for each individual respondent. The mean score of the cultural attitude scale is 1.56162 with a standard deviation of 0.69. The mean score indicates the number of disagrees or strongly disagrees are higher than that of neutrals or agrees or strongly agrees on the five cultural attitude indicator statements.

This is therefore most of the respondents on have tendency to dislike and have weak standpoint on culture of collectivism and hospitality.



### **4.2.3 Financial Literacy**

Financial literacy is the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. Financial literacy is the foundation of your relationship with money, and it is a lifelong journey of learning. Financial literacy can help protect individuals from becoming victims of financial fraud, from accumulate unsustainable debt burdens, either through poor spending decisions or a lack of long-term preparation. This, in turn, can lead to poor credit, bankruptcy, housing foreclosure, and other negative consequences. In this part we have seen the financial literacy level of the respondents.

Financial literacy level of the respondents was measured through three measurements such as financial knowledge, financial behavior and financial attitude. The financial knowledge component is used to measure the respondents' cognitive skill and awareness on basic finance concepts. The financial behavior component is used to measure to what extent do respondents have financially saving behavior; how well they apply financial knowledge to their day to day finance related decisions. The other component financial attitude is used to measure the respondent's attitude and perception towards money and related decisions. Hence financial literacy level of respondents is the combinations of those three dimensions.

#### **4.2.3.1 Financial Knowledge**

A lack of knowledge of key economic concepts and skills causes individuals to enter into suboptimal financial decisions (Hastings & Mitchell, 2011). People with little financial knowledge hold wrong opinions about financial concepts, and, as a result, make erroneous financial decisions (Chen & Volpe, 1998). The financial knowledge of the respondents was organized through five questions on different basic finance concepts. These questions are organized to address the financial concepts which are important for day to day finance related decisions. Over all the questions had been prepared from perspective simple interest, compound interest, inflation, return, risk and risk management were the key finance concepts that make up the financial knowledge component.

The Financial knowledge question was constructed in multiple choice forms requiring respondents to select the answer which they thought is correct. Each question has each question has a 'Do not know' option to prevent respondents from guessing as recommended by OECD, (2011). So each question has only one correct answer, that the respondent choosing the correct answer will get 1 point in the

score. On the other hand, the respondent choosing any option out of the correct answer including the “Do not know” option will get 0 in the score. Each question is given an equal weight of 1 for correct answers and 0 for incorrect ones.

This is therefore the financial knowledge score for a respondent may range from 0 (no correct answer in all questions) to 5 (answering all questions correctly).

Analysis on financial knowledge of respondents is having two sections. The first section each financial knowledge question had been separately analyzed. After that total financial knowledge score of individual respondents is constructed by aggregating their score from a total of five financial knowledge questions

Analyses of individual question enable to identify of which finance concept respondents have poor and better knowledge. Identifying the basic finance concepts which respondents are little aware of can help to design remedial educations and training interventions accordingly. In other way, the total financial Knowledge score analysis can help to understand statistics of respondents score on basic finance concepts. Do majority of the respondents are characterized by having relatively either poor or good knowledge of basic finance concepts? How financial knowledge vary across respondents? Such questions can be answered from analysis of aggregate financial knowledge score of respondents.

**Table 4.8: Frequency distribution of individual financial knowledge responses**

Financial knowledge Indicators	Correct Responses		Incorrect Responses	
	Frequency	Percentage	Frequency	Percentage
Simple interest	178	55.8%	141	44.2%
Compound interest	178	55.8%	142	44.2%
Inflation	250	78.4%	69	21.4%
Return	157	49.2%	162	50.8%
Risk	240	75.2%	79	24.8%

**Source: SPSS output from survey data,2022**

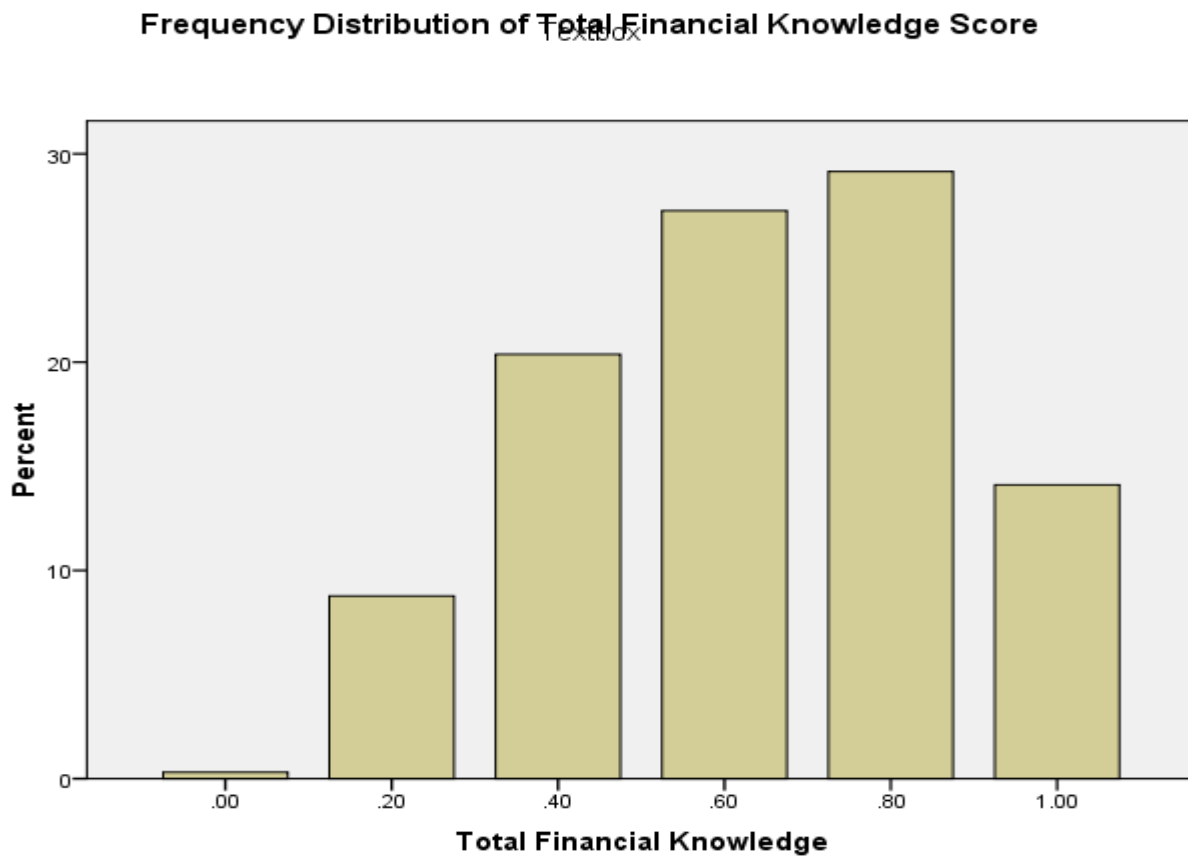
As we have seen from **4.9 table** the most frequently correct answered question is Inflation, Risk Simple interest and compound interest by 150(58.1%) , 240(75.2%), 178(55.8%) and 178(55.8%) respec-

tively out of a total of 319 respondents and On the other hand the least frequently correctly answered questions was about return 157(49.2) out of a total of 319 respondents.

Therefore most of the respondents have good knowledge regarding ton inflation, risk, simple interest and compound and has poor knowledge regarding to return.

In addition to the percentage f In addition the percentage frequency of correct and incorrect responses for each of financial knowledge questions is displayed in the figure as follows.

**Figure 2**



**Source: SPSS output from survey data,2022**

As **Figure 2** the frequency percentages are higher for higher for higher aggregate financial knowledge scores than lower financial knowledge scores. This indicate that the number of respond-

ents have higher knowledge of basic financial ideas. The most respondent's frequency fall down 60% and 80%. Over all according to the statistics a greater number of respondents have adequate level of awareness on basic finance concepts.

#### 4.2.3.2 Financial Behavior

Other dimension financial Literacy, Financial Behavior is the most essential element of financial literacy (Atkinson & Messi, 2012).It ultimately shapes people's financial wellbeing, hence it is essential to assess financial behavior in a survey of financial literacy (OECD, 2017). It used to measure how well their financial action, decision and behavior are Financially Savvy.

Financial Behavior of the respondent is measure through ten likert scale question. Respondents rate their attitude on each statement that may range strangely agree, agree, natural, Disagree and strangely disagree. The stronger the respondents agree, the better will be their financial behavior and the reverse is true for negatively worded questions. In general, the respondent's financial behavior is measured on different issues such as considered purchase, saving and investment, planning ahead, borrowing, budgeting, keeping trace record.

#### Bargaining Power During Purchase

During purchasing something, how well they look the price differences around and try to make use of it. The respondent's behavior of making considered purchase is measured using two questions. The first question is intended to answer the respondent's behavior of making purchasing by taking their capacity in to account. The second question is is used to capture the respondents' behavior of visiting different shops for price differences, before making the purchase.

The first question is intended to capture the respondent's behavior of making purchases by taking their ability to pay in to account. The second question is used to capture the respondents' behavior of visiting different alternative for price differences, before making the purchase. The stronger the respondents Strongly Agree in each statement the higher will be their financial behavior score and the better is their behavior. The following table shows the descriptive statistics of those questions.

**Table 4.9: Descriptive statistics of Considered purchase statements**

	Behavior Statements
--	---------------------

	FBQ 1. When I buy something I cautiously consider whether I can afford it.		FBQ 2. I scale the prices when making a purchase	
Statistics	Frequency	Percentage	Frequency	Percentage
Strongly Disagree	0	0%	0	0%
Disagree	0	0%	0	0%
Indifferent	0	0%	0	0%
Agree	60	18.8%	71	22.3%
Strongly Agree	259	81.2%	248	77.7%
Median	5.00		5.00	
Mode	5.00		5.00	
Range	4		4	
Minimum	1		1	
Maximum	5		5	

**Source: SPSS output from survey data,2022**

As we have seen on table 4.9 the majority of the respondents strongly agree in both financial behaviors indicator statements. The median and modal response for the first statement is 5 (strongly agree). This is show us most of the respondents strongly agree that they make any kind of purchases considering their financial capacity to buy something. And the second question has median of 5 (strongly agree) and mode of 5 (strongly agree). Most of the respondents strongly agree that they compare prices around during purchasing something. Over all the majority of the respondents take good care during purchasing.

### **Saving and Investment**

Saving and investing are the most important financial activities for each individual financial security. The saving and investing behaviors of respondents is captured using three statements such as Question 3, Question 4 and Question 5. Question 3 measures the respondent's culture of saving for future need. Question 4 measures to what extent do respondents increase their saving when they earn higher incomes. And Question 5 measures how well the respondents are aware of the effect of inflation and take care of it while putting their money in to savings and investment. This statement is intended to particularly reflect how well the respondents react towards the high inflationary circumstance.

**Table 4.10: Descriptive statistics of saving and investing behavior of respondents**

No.	Statement	SA (%)	A (%)	N. (%)	D (%)	SD (%)	Median	Mode	Min.	Max.	Range
Q3	I save some money from my income each month for a my future plan	80.6	16	-	3.4	0	5	5	2	5	3
Q4	I have increasing my saving amount more when my income is high.	53.6	11	5.6	3.4	26.3	5	5	4	5	1
Q5	I always consider inflation while putting my excess cash in banks and other investment avenues to earn income.	-	71.2	6.9	9.4	12.5	4	4	3	1	4

**Source: SPSS output from survey data,2022**

As we have seen from 4.10 table around 80.6 %, and 53.6 % respondents strongly agree on the first and second question respectively. This implies that most of the respondents have been save from there income for the future need. The median and mode responses conforms that most of the respondents have good behavior of saving for future need as well as when their income will increase the interest they have to save will be increase.

On the other hand for the third questions 71.2% respondents have been responded agree. This means the respondents do considered the impact of inflation when they have putting their money in the bank. The median and mode responses conforms that most of the respondents have good awareness regarding the effect of inflation. In Ethiopian context, the inflation rate is higher than the saving rates and short term Treasury bond yield rates. According to CSA, (2021) in addition to being higher, the rate of inflation varies from time to time while the saving rate is relatively fixed at 7%. Thus, individuals particularly those who are running business couldn't be able to take advantages of high inflations rather they will be disadvantaged of it. In Ethiopian context, the inflation rate is

higher than the saving rates and short term Treasury bond yield rates. According to CSA, (2021) in addition to being higher, the rate of inflation was around 26.7% while the saving rate is relatively fixed at 7%.

### Financial Planning ability of the respondents

In this dynamic world Planning is the most critical element to be success and as it is the key financial success. Each and every person should have plans and goals and strive to achieve them. Well organized financial plans and goals help to achieve good financial position for future life and as well as during retirement. To measure the Financial Planning ability of the respondents **two** question was allotted for respondents. Question 6 is intended to capture whether the respondents set financial plans and try to achieve them. Question 7 captures to what extent the respondents are taking care of their retirement. Most of the respondents agree on each statement, the higher will be their financial behavior score and the better is their financial behavior.

**Table 4.11: Descriptive Statistics of Financial Planning ability of the respondents**

No.	Statement	SA (%)	A (%)	N (%)	D (%)	SD (%)		<i>Median</i>	<i>Mode</i>	<i>Min.</i>	<i>Max.</i>	<i>Range</i>
Q 6	I prepared long term financial goals and struggle to achieve them.	12.2	61.8	13.5	6.3	6.3		3.67	4	1	5	4
Q 7	I have financial plans which will enable me to have sufficient money for my retirement.	6.3	60.2	.3	10.3	22.		3.17	4	4	4	5

**Source: SPSS output from survey data,2022**

As we have seen on the above table Most of the respondents' had agree on both question around 61.8% and 60.2 respectively. This implies that most of them has been preparing financial goals and have financial plan for their future during retirement. The media is 3.67 and 3.17 the mode is agree 4, and 4 respectively which show us most of the respondents' have been setting financial goal and preparing a plan for their future.

### Cost Benefit behavior of the respondents

Cost is the amount of resource given up in exchange for some goods or services. The resources given up are money or money's equivalent expressed in monetary units. Now a days it is an important to measure the benefit we got from what we will incurred during we buy something. This means what we incurred should be give us the same amount of satisfaction for us. As result of question 8 measures whether the respondents can identify the benefits get when incurring costs for something.

Table 4.12: Descriptive Statistics of Cost Benefit behavior

No.	Statement	SA (%)	A (%)	N. (%)	D (%)	SD (%)		<i>Median</i>	<i>Mode</i>	<i>Min.</i>	<i>Max.</i>	<i>Range</i>
Q 8	I carefully identify the costs I pay and benefits I get to buy a product.	12.5	15.4	10	62.1	-		2	2	2	5	4

Source: SPSS output from survey data,2022

As table 4.12 show us the most of the respondents are responded disagree around 62.1% which and around 27.9% respondents are agree and strongly agree whereas about 10% indifferent. Form the perspective of Cost Benefit behavior most the respondents do not have awareness. The median and mode responses for the statement is disagree (2) which implies greater portion of respondents are not capable identify cost-benefit.

### Budgeting Skills

Budget is the most widely used method of its unique feature in controlling financial resources. Having Budgeting plan is the most important way of managing expenses and achieving the desired goals efficiently. The budgeting skills acquired assist the entrepreneurs to increase their sales, and business profitability by providing a basis of establishing performance targets and the budgeting skill contribute toward ensuring smooth running of the business. The question, Question 9 is intended to capture whether the respondent's carefully budget their expenditures independently for individual consumption and business. The stronger the respondents agree the higher will be their financial behavior score and the better is their behavior. Presented in the table below is the descriptive statistics of the responses of this question.



**Table 4.13: Descriptive Statistics of Budgeting Skills Behavior**

No.	Statement	SA	A (%)	N. (%)	D (%)	SD		Medi-	Mode	Min.	Max.	Range
Q 9	I carefully prepare a budget plan for my business and for my individual consumption C	42.	9.1	4.1	27.9	16.9		4	5	1	5	4

Source: SPSS output from survey data,2022

As we have seen on table 4.13 most of the respondents about 9.1% and 42% respectively agree or strongly agree that they do carefully prepare spending budget for their individual consumption and business independently. While 27.9% and 16.19% disagree or strongly disagree that they didn't carefully prepare spending budget for their family and business independently and around 4.1% neither agree nor disagree on carefully prepare spending budget.

**Keeping Trace Record**

As we know keeping trace record is very important to easy retrieval when the document is needed to refer. to keep track of income and expenses, this improves chances of making a profit, and to collect the financial information necessary for filing various tax returns. There is no requirement that record be kept in any particular way as long as they accurately reflect the business's income and expenses. 10question statement captures the respondent's behavior of keeping organized documents for latter easy retrieval.

**Table 4.14: Descriptive Statistics of Budgeting Skills Behavior**

No.	Statement	SA	A (%)	N. (%)	D (%)	SD		Medi-	Mode	Min.	Max.	Range
Q 10	I keep traceable financial records and I can easily access it when I find	17.2	6.6	-	46.1	30		2	2	1	2	4

Source: SPSS output from survey data,2022

As shown in **Table 4.14** Most of the respondents either disagree keep traceable financial records and documents. 46.1 % of respondents disagree, this implying they have poor behavior keeping their own financial matters. The median and modal response is disagree (2) which confirms that greater number of respondents have poor behavior of watching their financial matters closely. Only 23.8% of respondents have agreed or strongly agreed that they make notes of their spending and put close watch of their financial affairs.

### 4.2.3.3 Financial Attitude

Financial attitude is one of the factors that have significant impact on financial management practice. It was defined by (Eagly & Chaiken, 1993) as “psychological tendency that is expressed by valuating a particular entity with some degree of favor or disfavor”. That is, it a psychological predisposition when it comes to agreeing or disagreeing with certain financial management practices. (Latif et al., 2011) defined financial attitude as the creation of value in decision making and resource management through application of financial principles. Financial attitude is improved through procurement of adequate information (Abiodun, 2016). The statements are intended to indicate do the respondents“ prefer towards shorter term lives or long term financial stability. Those who prefer short term lives are considered as not financially literate enough, while those who prefer long term financial stability are considered financially literate.

The financial attitudes respondents are measured through five likert scale questions. The questions are prepared to measure the respondent’s attitude towards planning ahead, managing money, maintaining spending plan, saving and money. Higher financial attitude score shows respondents have motivations whereas lower financial attitude scores shows prefer shorter term lives and have negative attitude towards long term financial motivations.

**Table 4.15: Descriptive Statistics of Financial Attitude**

No.	Statement	SA (%)	A (%)	N. (%)	D (%)	SD (%)		<i>Median</i>	<i>Mode</i>	<i>Min.</i>	<i>Max.</i>	<i>Range</i>
Q 1	It is useful to establish financial plan for the future.	25.1	27.1	6.9	40.4	-		4	2	2	5	4
Q 2	I properly manage my money	69	24.8	6.3	-	-		5	5	2	3	5

	today which will affect my future.										
Q 3	It is important to have a plan for monthly expense plan.	78.7	21.3	-	-	-	5	5	4	5	1
Q 4	I find more spend money than to save it for the long term	31.3	10.7	2.8	49.5	5.6	2	2	1	5	4
Q 5	I only try to live for today and let tomorrow take care of itself.	-	2.5	-	3.4	94	1	1	1	4	3

**Source: SPSS output from survey data,2022**

As we have seen from above table most of the respondents have been responded agree or strangely agree for the first three question. The Media and mode response for these questions is 4 and 5 which implies the most respondents had been positive attitude to words planning ahead, managing money and maintaining spending plan.

When come the last two questions financial attitude statement, the most of the respondents had been disagree or strongly disagree 55% and 97.4% respectively. This implies that higher proportions of respondents have positive attitude towards saving and their future plan. The mode response for the statement 2 & 1 this indicates that most of the respondents had been concerned about their future and have long term plan.

### **4.3 Construction and Description of combined Financial Literacy Level**

#### **4.3.1 Construction of Combined Financial literacy Level Data**

Combined financial literacy level of respondents, in line with OECD's, (2011) SPSS output from survey data, definition, is the combination of three dimensions such as financial knowledge, behavior and attitude. Over all financial literacy score of respondents is therefore computed by combining their score on each of the three dimensions. The combination of the respondent's score on each of the three dimensions will make up their overall financial literacy score.

However, the difference in the measurement of these financial literacy dimensions and the categori-

cal nature of the resulting data makes the combination tough. A study conducted by Potrich et al., (2015), provided way of generating categorical (binary) overall/combined financial literacy data using cluster analysis. Through cluster analysis they created two groups of respondents, one group characterized by higher financial literacy level and the other characterized by lower financial literacy level. This study follows similar procedures to generate binary combined financial literacy data. The procedures followed to generate a binary combined financial literacy data is discussed as follows.

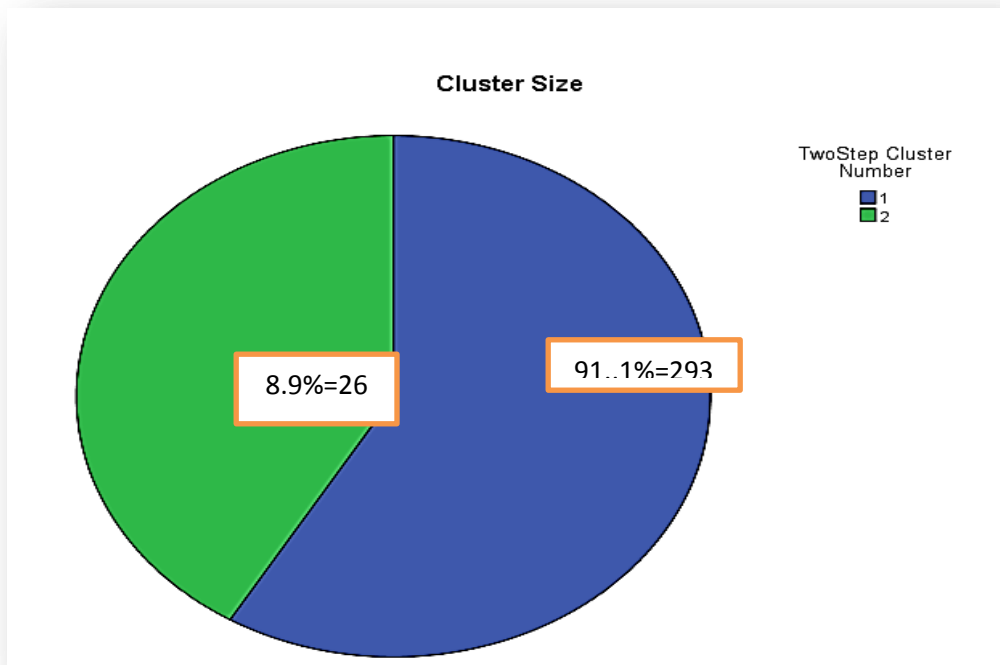
### **4.3.2 Cluster Analysis**

SPSS provides three options for clustering cases based on their characteristics. Such as K-means, hierarchical and two step clustering methods. Hierarchical cluster analysis can handle data with nominal, ordinal or scale level of measurements, but not recommended to use it for variables with different levels of measurement simultaneously (Statistical solutions, 2022). Two step cluster analysis can handle nominal, ordinal and scale data simultaneously (Caccam & Refran, ND).

The two step clustering procedure has several distinct desirable features. It is capable of generating clusters based on different variables with different measurements simultaneously. In addition, it automatically selects the number of clusters, and able to analyze large data files efficiently (Caccam & Refran, ND).

The responses to all of the financial literacy level indicators such as financial knowledge, behavior and attitude questions taken simultaneously were the bases of clustering respondents. The inputs used as bases of clustering were the 5 financial knowledge questions, 10 financial behavior questions and 5 financial attitude questions with different level of measurements. The responses for financial knowledge questions are nominal (binary) data, whereas responses for financial behavior and financial attitude questions are ordinal (likert scale) data. Accordingly the appropriate clustering technique to cluster respondents based on these variables simultaneously would be the two “step” clustering technique. The result of the two step cluster analysis is presented in the figure as follows.

Figure 3: Results of Cluster analysis: Two step cluster



Source: Questionnaire Survey, 2022

Employing the two step cluster analysis automatically produced two clusters of respondents based on 20 inputs (financial literacy level indicators). One cluster comprises 204 respondents characterized by higher scores on the different financial literacy level indicators. The other cluster contains 115 respondents characterized by lower scores on the different financial literacy level indicators. Accordingly, the cluster containing respondents with higher scores is named as “higher financial literacy level group, while the other cluster containing respondents with lower scores is named as lower financial literacy level group. Member respondents of higher financial literacy level group are coded as 1 and member respondents of lower financial literacy level group as 0.

The Silhouette Measure of Cohesion and Separation label confirms that the overall quality of the clustering model is fair. In addition, the resulting number of clusters are in line with the number of clusters produced in prior similar studies like Potrich et al., (2015). Therefore, the produced clusters are supposed to be valid.

### 4.3.3 Description of Combined Financial Literacy Level

Combined financial literacy level of respondents is a binary data generated using cluster analysis. Accordingly, the respondents are categorized in to two clusters namely higher financial literacy level and lower financial literacy level groups. The following table presents the frequency distribution of the respondents based on their group membership.

Table 4.16: Combined financial literacy level of respondents

	Frequency	Percent	Cumulative Percent
Higher Financial Literacy Level	201	63.9	63.9
Lower Financial Literacy Level	115	36.1	100.0
Total	319	100.0	

Source: Questionnaire survey, 2022

As **Table 4.16** above present’s majority of respondents are members of the higher financial literacy level group. Out of a total of 319 respondents 204 (63.9%) of respondents are members of the high-

er financial literacy level group, while the rest 115 (36.1%) of respondents are members of the higher financial literacy level group. This implies that majority of the respondents are characterized by having higher financial literacy level.

#### 4.4 Financial Literacy Level and Explanatory variables

Cross tabulation is performed, to explore the level of financial literacy across the different categories of each of the categorical explanatory variables. How financial literacy level differs with respect to gender, age, level of education and business experience? This question is answered by cross-tabulating the financial literacy level of respondents against their demographic and socio-economic attributes. In addition, the Chi-Square test is used to test whether the association between financial literacy level and each of the demographic and socio-economic variables is statistically significant.

##### 4.4.1 Financial Literacy Level and Gender

The following table presents the level of financial literacy cross-tabulated by gender.

**Table 4.17: Financial Literacy Level and Gender Cross-tabulation**

			Financial Literacy Level		Total
			Lower Financial Literacy Level	Higher Financial Literacy Level	
Gender	Female	Count	8	87	95
		% within Gender	8.5%	91.5%	100.0%
	Male	Count	18	206	224
		% within Gender	8.0%	92.0%	100.0%
Total					

	Count	26	293	319
	% within Gender	8%	92.0%	100.0%

**Source: SPSS output from survey data,2022**

**Table 4.17** presents the financial literacy level of respondents per their respective gender and its Chi-Square test. The table shows that out of a total of 95 female respondents, 8 (8.5%) are grouped under lower financial literacy level group, yet the rest 87(91.5%) are members of higher financial literacy level group. On the other hand, out of a total of 224 male respondents, 18 (8%) are members of the lower financial literacy level group, whereas the remaining 206 (92%) are members of the higher financial literacy level group.

The table indicates among 95 female respondents are members we have there are only 8 female which have been categorized under lower financial literacy level group, even if the male respondents had been greater than female in number among 224 male respondents, 18 are lower financial literacy level group, when we have compare female respondents to the male respondents to some percentage of male respondents grouped under the higher financial respondents is greater than that of the percentages of female respondents grouped under the higher financial literacy level group.

As we have seen on table 4.17 financial literacy level is associated with gender among MSE’s owners that male respondents have relatively higher financial literacy level than the female ones. The Pearson Chi-Square statistics of 84.13 and a p-value of 0.000 confirm that there is a statistically significant association between gender and financial literacy level among MSE’s owners.

#### 4.4.2 Financial Literacy Level and Age

The financial literacy level across the different age groups is cross-tabulated in the table as follows.

**Table 4.18: Financial Literacy Level and Age Cross-tabulation**

	Financial Literacy Level		Total
	Lower Financial Liter-	Higher Financial Liter-	



			acyLevel	acyLevel		
Number of years (Binned)	20-30	Count	6	2	8	
		% within Number of years (Binned)	75%	25%	100.0%	
	31 – 40	Count	35	195	230	
		% within Number of years (Binned)	15. %	85%	100.0%	
	41 – 50	Count	13	49	62	
		% within Number of years (Binned)	21%	79%	100.0%	
	51 – 60	Count	16	3	19	
		% within Number of years (Binned)	84%	16%	100.0%	
	>60	Count	0	0	0	
		% within Number of years (Binned)	0	0.0%	0	
	Total		Count	70	249	319
			% within Number of years (Binned)	22.0%	78.0%	100.0%

Source: SPSS output from survey data 2022

### Chi-Square Tests

	Value	Df	Asymp. Sig. (2- sided)
Pearson Chi-Square	91.156 <sup>a</sup>	11	.000
Likelihood Ratio	79.87	1	.000
Linear-by-Linear Association	1.7678	1	.003
N of Valid Cases	319		

**The above table 4.18** majority of respondents have been bounded from age 31-40 Out of 230 respondents aged between 31 and 40, 195 (85%) are members of the higher financial literacy level group. On the other hand the most list and lower financial literacy level group between 20-30 aged from the total respondents 8 only have been fall in this age grouped out of this 6 respondents have been grouped lower financial literacy level group. The second higher financial literacy level group From age 41-50 from the total respondents this group have been took 62/319 from this group 49 respondents has been characterized by higher financial literacy level. Finally there is no respondents whose fall above 60 years. From **Table 4.18**, it can be concluded that level of financial literacy is lower among younger and older respondents. Adult MSE's owners have relatively higher financial literacy level than younger and older ones. The Pearson Chi-Square statistics of 91.156 a and a p-value of 0.000 confirm that there is a statistically significant association between the level of financial literacy and age among MSEs owners.

#### 4.4.3 Financial Literacy Level and Formal Education

At normal circumstance people those who got school has been assumed to be literate. The below table as follows is the cross-tabulation of financial literacy with educational attainment, to confirm whether this holds true.

**Table 4.19: Financial Literacy Level and Education Attainment Cross-tabulation**

			Financial Literacy Level		Total
			Lower Financial Literacy Level	Higher Financial Literacy Level	
Educational Attainment	Grade (1-8)	Count	39	6	44
		% within Educational Attainment	87.00%	13.00%	100.00%
	Grade (9-12)	Count	5	23	28
		% within Educational Attainment	18.00%	82.00%	100.00%

	Certificate or Diploma Holder	Count	10	197	207
		% within Educational Attainment	5.00%	95.00%	100.00%
	B.A Degree & above	Count	0	40	40
		% within Educational Attainment	0.0%	100.0%	100.0%
Total		Count	44	275	319
		% within Educational Attainment	13.0%	87.0%	100.0%

**Source: SPSS output from survey data ,2022**

#### Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	159.191 <sup>a</sup>	29	.000
Likelihood Ratio	117.964	29	.000
Linear-by-Linear Association	142.4	1	.000
N of Valid Cases	319		

As presented in the Table **4.19** the most of respondents with lower educational attainment have lower financial literacy level, while respondents with higher educational attainment have higher financial literacy level. From 39/ 44 respondents who attained to the maximum of grade (1-8), are members of the lower financial literacy level group. On the other hand from total respondents Certificate or Diploma holder groups are most high in n has been number 207 out of this 197(95%) has characterized higher financial literacy level and from grade 9 to 12 characterized higher financial literacy level. The left 40 respondents are degree and above categories even if they are less in number all the had been financially literate 100%.

Overall, owners of MSEs with higher educational attainment have higher financial literacy level than those with lower educational attainment. The Pearson Chi-Square statistics of 159.191 and a p-value of 0.000 confirm that there is a statistically significant relation between level of financial literacy and level of education among MSE owners

#### 4.4.4 Financial Literacy Level and Business Experience

People those have more experience in doing business assumed to be financially literate than those no more experience. Any way we check it whether it is correct or not.

**Table 4.20: Financial Literacy Level and Business Experience Cross-tabulation**

		Financial Literacy Level		Total	
		Lower Financial Literacy Level	Higher Financial Literacy Level		
Number of years in Business (Binned)	> 5	Count	7	84	91
		% within Number of years in Business (Binned)	7.7%	92.3%	100.0%
	5 – 9	Count	18	199	217
		% within Number of years in Business (Binned)	8.2%	91.8%	100.0%
	10 -14	Count	0	11	11
		% within Number of years in Business (Binned)	0%	100%	100.0%
Total		Count	25	294	319
		% within Number of years in Business (Binned)	8.00%	92.00%	100.0%

Source: SPSS output from survey data,2022

#### Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	396.917 <sup>a</sup>	6	.000
Likelihood Ratio	394.862	6	.000
Linear-by-Linear Association	128.504	1	.000
N of Valid Cases	319		

As presented in the Table 4.20 Most of respondents with higher business experience have higher financial literacy level, while majority of respondents with lower business experience have lower fi-

financial literacy level. Having less than 5 business experience is the second holder of many respondents 91 out of the total respondents from this most them are characterized higher financial literacy level 84(92.3) respondent's. From the total respondents 217 have been grouped under from 5-9 years' experience out these 197 respondents have been characterized higher financial literacy level. 11 respondents having business experience of 1-14 years and more are all grouped under the higher financial literacy level group

From **Table 4.20**, it can be concluded that MSEs owners in Adama city having higher business experience are more financially literate than those having lower business experience. The Pearson Chi-Square statistics of 396.917a and P-value of 0 .000 confirm that there is a statistically significant correlation between business experience and level of financial literacy among MSE owners.

#### 4.5 Multicollinearity Test

Multicollinearity occurs when more than two predictor variables are inter-correlated, Kothari (2004). This is an undesirable situation where the correlations among the independent variables are strong as it increases the standard errors of the coefficients. To test for multicollinearity, Variance Inflation Variable (VIF) or tolerance, a diagnostic method was used to detect how severe the problem of multicollinearity is in a multiple regression model (Baguley, 2012). Using the VIF method, a tolerance of less than 0.20 and a VIF of more than 5 indicates a presence of multicollinearity. However, Field, (2009) suggested that it is possible to obtain statistics such as the **tolerance** and **Variance inflation factor (VIF)** by simply running a linear regression analysis using the same outcome and predictors. It is due to the fact that tests of multicollinearity examine only the explanatory variables; hence they are independent of the type of regression model employed. Multicollinearity was diagnosed through such procedure. The tolerance and VIF statistics as presented in the table as follows suggested that multicollinearity can't be a concern in this study.

**Table 4.21 Coefficients <sup>a</sup>**

Model	Collinearity Statistics	
	Tolerance	VIF

1	Gender	.850	1.177
	Age	.737	1.357
	Education level	.681	1.469
	Business ex	.595	1.680
	Cultur	.717	1.394

Source: SPSS output from survey data ,2022

Menard (1995) suggests that a tolerance value less than 0.1 indicates a serious collinearity problem as cited in Field, (2009). VIF value greater than 10 is cause for concern Myers, (1990)as cited by Field, (2009). As the table above shows the tolerance values for all of the predictor variables are greater than 0.1 indicating there is no multicollinearity problem. Furthermore, the VIF values for all of the predictor variables are much lower than 10, suggesting there is no strong collinearity among the predictor variables. Therefore, the regression results are supposed to be reliable since there is no multicollinearity problem.

#### 4.5.1 The Binary Logistic Regression Outputs

Binary logistic regression is employed predict the financial literacy level of respondents based on their demographic and socio-economic variables. The binary logistic regression is used to predict the respondent's probability of joining the higher financial literacy level group coded as „1“. The predictor variables were respondent's gender, age, level of education, business experience and cultural attitude. The regression was run using the „natural log of odds“ as the link function as follows.

$$\ln(\text{odds}) = \ln\left(\frac{p}{1-p}\right) = (\beta_0 + \beta_1 \text{dumGender} + \beta_2 \text{Age} + \beta_3 \text{level of Education} + \beta_4 \text{Business experience} + \beta_5 \text{Cultural attitude} + e)$$

Where, P is the probability of an MSE owner/manager to join the higher financial literacy level group coded as “1” 1-P is the probability of an MSE owner to join the lower financial literacy level group coded as “0”. The reference group for dummy variable gender is female coded as “0”.

Running the binary logistic regression using IBM SPSS provides the outputs presented as follows in two sections. The first section presents tests of the model quality and fitness and the model summary. The second section presents the results of the regression; the estimated marginal effects of each of the explanatory variables along with the respective statistical tests of significance.

## 4.6 Model summary and Model fitness tests

### 4.6.1 Omnibus Tests of Model Coefficients and Model Summary

A comparison test of the full model containing all the predictor variables and the null model containing only the intercept was done. Results from the test of the full model versus a null model are presented as follows.

**Table 4.22 Omnibus Tests of Model Coefficients**

		Chi-square	df	Sig.
Step 1	Step	391.696	5	.000
	Block	391.696	5	.000
	Model	391.696	5	.000

Source: Questionnaire Survey, 2022

The omnibus test of the model coefficients show that the full model (with predictor variables included) is an improvement over the null model (with only the constant). It shows the drop in the -2loglikelihood (measure of unexplained variation in the dependent variable) from the null model to the full model (205.369). Including the predictor variables in to the model significantly reduced the -2log likelihood by 391.396 (the chi-square) indicating that model captures more of the variation in the dependent variable. All the rows in the table such as Step, Block and Model show similar results, since all the predictor variables were added to the model once; no stepwise regression and blocking of predictor variables is employed. The chi-square value of 391.396 with a p-value of 0.000 in the row labeled Model indicates that the full model (with predictors) is significantly better fit than the null model (with constant only). Therefore, the inclusion of all the predictor variables in the model significantly improves the model fitness.

### Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	205.369 <sup>a</sup>	.707	.969

a. Estimation terminated at iteration number 20 because maximum iterations have been reached.

Final solution cannot be found.

### Testing Hypothesis from the Regression Result

Variables in the Equation table summarize the importance of the explanatory variables individually whilst controlling for the other explanatory variables in explaining the financial literacy level of MSE Owners in Adama city. The table provides the estimated coefficient (B) of the predictor variables and the constant, the associated standard error of the beta coefficients, the Wald statistic (to test the statistical significance), the p-value (labeled sig.) and the Odds Ratio (Exp (B)) for each variable.

In the left most columns listed are the predictor variables such as gender, age, level of education, business experience and cultural attitude. Gender is a dummy variable with reference group of female coded as „0“. The age, level of education, and business experience are ordinal variables, while cultural attitude is a scale variable. N

The column labeled **B** lists down the estimated beta coefficients of the explanatory variables and the constant. The beta coefficient values show the magnitude of the partial effect of each of the predictor variables on the respondents' level of financial literacy. The signs of the coefficients indicate the direction of the association between the dependent variable and the predictor variables. Negative signs indicate financial literacy level is lower with increased values of the predictor variables; while positive signs indicate financial literacy level is higher with increased values of the predictor variables.

The column titled S.E. presents the associated standard errors of the estimated beta coefficients. The Wald statistics column presents the test statistics for significance of each of the beta coefficients with 1 degree of freedom for each predictor variable including the constant as presented in the Df column.

Listed down in the Sig. column are the p-values of the coefficients which are used to test the significance of the association between the dependent variable and the independent variable. The p-values indicate that all the predictor variables except age are significant predictors of the financial literacy level of MSEs



Owners in Adama city. The p-values for variables such as gender, level of education, business experience and cultural attitude are much lower than 0.01, indicating that the values of their respective coefficients are significantly different from 0. While the p-value for age variable is much higher than 0.05 indicating it is insignificant.

The column labeled Exp (B) listed down the respective odds ratio for the predictor variables including the constant. They are the exponentiation of the beta coefficients, to simplify the interpretation of the marginal effects of the predictor variables on the dependent variable. The estimated coefficients show the marginal effect of each of the predictor variables on the „natural log of the odds“. Therefore, the estimated beta coefficients were exponentiated to see the marginal effect of each of the predictor variables on the odds ratio (odds of joining the higher financial literacy level). The last most columns show the interval estimate of the true odds ratio of the population at 95% confidence level.

**Table 4.23: Variables in the Equation**

	B	S.E.	Wald	Df	Sig.	Exp(B)	95% C.I.for EXP(B)	
							Lower	Upper
Step 1 <sup>a</sup>								
Gender	1.583	.418	14.322	1	.000	3.984	2.145	11.047
AgeCat	-.234	.287	.664	1	.415	.791	.451	1.389
LoE	1.000	.330	9.159	1	.002	2.719	1.423	5.195
BECat	1.818	.359	25.699	1	.000	6.161	3.050	12.445
ACA	-1.309	.409	10.235	1	.001	.270	.121	.602
Constant	-6.640	2.426	7.494	1	.006	.001		

a. Variable(s) entered on step 1: Gender, AgeCat, LoE, BECat, ACA.

Source: Questionnaire Survey, 2022

The regression results revealed that gender, level of education, business experience and cultural attitude are significant predictors of the financial literacy level of MSE Owner’s in Adama city administration. Using the 5% criterion of statistical significance, MSE Owner’s gender, level of education, business experience and attitude to culture and hospitality has significant partial effect on their level of financial literacy.

The beta coefficient of gender is positive and significant; indicating the odds of joining the higher financial literacy level group is higher for male MSE Owner's than that of female ones. In other words, the probability of joining the higher financial literacy level group is higher for male MSE Owner's than that of female ones. Accordingly, the null hypothesis (H01) stating there is no significant difference in financial literacy level between Men MSE's Owner's and Women MSE's owners is rejected. The odds ratio for gender indicates that, when holding all other variables constant, a male MSE owner is 3.984times more likely to join the higher financial literacy level group than is a female MSE owner and it is statistically significant at 5%. The cross tabulation analysis (presented in **Table 17**) also shows that 92.%% of male respondents are members of the higher financial literacy level group. Whereas, only 80% of the female respondents are members of the higher financial literacy level group. A highly significant Pearson Chi-square test in **Table 17** indicates that male MSE Owners have higher financial literacy level as compared to female MSE owners.

Several previous studies around the world found that there is gender difference in the level of financial literacy for instance, Atkinson & Messy (2012), Bhushan & Medury, (2013), Buche, etal., (2016) and Stolper & Walter, (2017). In most of the cases, women are characterized by having lower financial literacy level than men. Indeed there are also some findings contradicting this, like Mbarire & Ali, (2014), which founds out that women are more financially literate than are men among Employees of Kenya Ports Authority in Kenya. Sucuahi, (2013) also founds that gender can't significantly affect the financial literacy level among MSE Owner'sin Davo City, Philippines.

Moreover, findings from a study by Matewos, etal., ( 2017) show that there is significant difference in level of financial literacy across gender among urban dwellers in Adama city. This study confirms the case also holds true among MSE Owner's in Adama city. In general, consistent with majority of previous studies, female MSE Owners have lower financial literacy level than male MSE owners.

The beta coefficient for age is negative indicating the odds of joining the higher financial literacy level are lower for older MSE owners, while holding other variables constant. But it falls short of statistical significance. Therefore, the null hypothesis (H02) stating "age has no significant effect on level of financial literacy among MSEs owners/managers shouldn't be rejected. A study by Mbarire & Ali, (2014) found that there is significant negative association between financial literacy level and age. On

the other hand, findings from many previous studies indicate that financial literacy level follows an inverted U-shaped pattern with respect to age. For instance, Lusardi & Mitchell, (2011), Atkinson & Messy, (2012), Murugiah, (2016), noted that financial literacy level is lower among younger and older persons than adults. The cross tabulation analysis (as shown in **Table 18**) confirmed this fact that younger and older MSE Owners have lower financial literacy level than adult ones. From **Table 18**, it can be noted that the percentages of the adult and older respondents that are in the higher financial literacy level group are relatively higher than that of the percentages of younger that are members of the higher financial literacy level group. The highly significant chi-square test in the cross-tabulation (**Table 18**) implies that adult and old MSE Owners have relatively higher financial literacy level when compared to younger and owners. Whereas the regression results indicate that age can't significantly predict the level of financial literacy among MSE Owner's in Adama City.

The beta coefficient for level of education is positive and significant implying that the odds of joining the higher financial literacy level group are higher for MSE Owner's with higher educational attainment, while holding other variables constant. Then, the null hypothesis (H03) stating MSE's Owner's educational level cannot significantly affect their level of financial literacy" is rejected. Financial literacy level is higher among MSE Owner's with higher levels of educational attainments. The cross tabulation results (as presented in **Table 19**) also supports the regression result, that financial literacy level of MSE Owner's is positively associated with their level of formal educational attainment. **Table 19** shows that most of MSE Owners who attained higher levels of education are in the higher financial literacy group. On the other hand, majority of MSE Owners who have attained lower levels of education are in the lower financial literacy level group. The result supports the findings of studies by Sucuahi, (2013) and Guliman, (2015), which noted that level of formal education has a significant positive effect on financial literacy level of MSEs owners. The findings are also in line with Mbarire & Ali, (2014) who found that financial literacy level is higher for those who have higher educational attainments. Therefore, MSE Owner's level of financial literacy is higher among those who have attained higher levels of educations than those who don't.

The beta coefficient for business experience is positive and significant which indicate that, while holding other variables constant, the odds of joining the higher financial literacy level group are higher for MSE Owner's with higher business experience in years. In other words, the probability of joining the higher financial literacy level group is higher for MSE Owner's with increased number of

years in business. Accordingly the null hypothesis (H04) stating that “number of years in business cannot significantly affect MSEs Owner’s level of financial literacy” is rejected. Financial literacy level of MSE Owners can be enhanced through acquiring experiences in running business. The cross tabulation results (as portrayed in **Table 20**) are in line with the regression results, that financial literacy level of MSE Owner’s is significantly positively associated with their business experience. As **Table 20** revealed majority of MSE owners who have been in stay in business long years or more are members of the higher financial literacy level group. Whereas, majority of MSE Owners who have been in business for short years are members of the lower financial literacy level group. Therefore, the longer they stay in running business operations, the more MSE Owner’s learn and get financially literate. The results contradict with the findings of Guliman, (2015) who noted financial literacy level of MSE owners in Illegan city, Phillipines, is negatively associated with number of years in business.

The coefficient for cultural attitude (ACA) is negative and significant implying that, keeping holding other variables constant, the odds of joining the higher financial literacy level is lower for MSE Owner’s with higher scores in the cultural attitude scale. MSE Owners who have stricter attitudes towards culture and hospitality have lower probability of joining the higher financial literacy level group. Therefore, it can be noted that attitude towards culture and hospitality significantly and negatively affects the financial literacy level among the MSE Owner’s in Adama city.

MSE Owners who have lower stance/attitude towards culture of collectivism and hospitality are more likely to have lower financial literacy level. This implies that MSE Owners did not liking for collectivism and hospitality cultures invite unplanned spending and improper use of money. Hence, individuals who like this culture will be more satisfied by enjoying others at their expense than worrying much for their future. Therefore, attitude/tendency towards disliking this culture can positively affect the financial behavior and attitude dimensions of the financial literacy.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1 Summary

This chapter contains the summary of the findings, conclusion arrived at and policy recommendations arising from the study.

#### Conclusions

The main purpose of this study is measuring the financial literacy level of MSE owners in Adama city. In order to achieve the first goal, data was collected from selected sample MSE owners using self-administered questionnaire. The data was then analyzed using descriptive and cross-tabulation analysis techniques. The second purpose was to determine the effect of demographic and socio-economic variables on the financial literacy level of MSE owners. It has been driven from world widely accepted standard measure by OECD, (2011 & 2015), financial literacy level of respondents was measured through three dimensions such as financial knowledge, behavior and attitude.

The first measurement of financial literacy, financial knowledge of respondents on different finance concepts was gauged through 5 test type questions. Knowledge of basic finance issues is critical to make wise and responsible financial decisions. The descriptive analyses however, revealed that majority of the respondents have higher financial knowledge score. Therefore, larger share of MSE owners participated in the study have sufficient knowledge of basic finance issues. Most of the respondents have good understanding regarding of simple interest, interest compounding, inflation, risk except return

The second financial literacy dimension, financial behavior of the respondents on different issues was assessed using 10 likert scale items. Financial behavior of individuals is the actions and decisions they make which ultimately shapes their financial wellbeing. Individuals should make use of their finance knowledge in their day to day and long term financial decisions so as to achieve satisfactory financial position. Financial behavior was measured on different issues such as considered purchase, saving and investment, planning ahead, borrowing, budgeting, close watch of financial affairs. Over all Most of the owners those who participate in studies have good awareness regarding purchase, saving and in-

vestment, planning ahead, borrowing, budgeting, keeping trace records.

The other dimension of financial literacy, financial attitude was also measured through five likert scale items. The financial attitude measures the respondent's attitude and preferences towards short term and long term financial life. Those who prefer longer term financial ambitions are supposed to view their future brightly and hence they manage their current spending and build positive attitude towards planning and saving. Most respondents have acknowledged the importance of planning ahead, managing money and budgeting their current spending on reaching bright future. However, most of them do like short term life and don't want to worry much of their future. Over all the owners of MSE selected for this had been financial Literate.

Though the regression result revealed that the association between age and financial literacy level is insignificant, it can be noted from the cross-tabulation analysis that financial literacy level follows an inverted U-shaped pattern with respect to age among MSE owners in Adama city. Adult MSE owners are characterized by having relatively higher financial literacy level than younger and older MSEowners.

## 5.2 Recommendation

Now a day's financial Literacy is becoming most important and key life skill for any individual around the world over all. To come up with very dynamic, digitalized and globalized financial landscape, every individual need to be financially literate enough. Particularly, the owners of the MSEs need to have the required level of financial literacy, to achieve the goal and stimulate growth of their business in addition to their personal life. Depending on the findings and outcome reaches, suggestions the following things to MSE owners Adama

- As we have seen on finding related within age young and old peoples have lower financial literacy than adult. As results it is better if literacy training will be given for adult people at different place such as icube place, hider and other place when people come to gather
- It is be better to include financial literacy course as an independent subject in the curriculum in lower grade. These make children to grow equipped with the required financial skills, behaviors and attitudes. It enables them make wise and responsible financial decisions and achieve better financial wellbeing in their latter ages being engaged in any socio-economic

activity including running their own business.

- The government should have make awareness regarding financial literacy by using different alternatives such as TV, radio—etc
- As we have seen from the finding women's are existing lower level financial literacy as a result of this it will be better if government prepared periodical training for women's MSe owners.

### **5.3 Direction for Further Research**

- In this study the researcher has been used few variable it is better if it will be conducted by including different variable such as debt management , there accounting treatment ways....ets
- And it better if this assessment will be done by taking two or more city since attitude of societies different based on geographical location and itself societies civilization.

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## Appendix I: Questionnaire

**HARAMBE UNIVERSITY**  
**POST GRADUATE PROGRAM**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**

### Questionnaire to be filled by respondent

**Dear respondents,**

The researcher is a graduating class student, who currently is considering a research entitled "Financial Literacy Level of Owners of Micro and Small Enterprises in a Case of Adama City Administration." in partial fulfillment for the requirement of Master Science in Accounting and Finance (MSC.).

You are randomly selected to participate in this study by filling the questionnaire about your perception in the study area. Your genuine responses are extremely important for the successful completion of this research. The data collected will be used only for academic purpose and will remain top confidential. Therefore, you are requested to complete this questionnaire as honestly and objectively as possible without any reservation to your utmost knowledge.

Thank you in advance for sharing your spare time to fill the questionnaire.

### Instruction:

1. There is no need to write your name.
2. Put a tick mark for each item in the respective space provided.
3. For every item, you have to give only one answer.

### Part I: Background Information

Profile of respondents (for statistical purposes only).

1. Gender 1. Female  2. Male
2. Age A. Less than 30  B. 31-40  C. 41-50  D. Above 51 years
3. Educational level of the principal business owner  
A. Diploma  B. First degree  C. Second degree  Others

4. What is your duration in business? **A.** 5 years and less  **B.** 6-10 years  **C.** 11-15 years   
**D.** above 15 years
5. Your income group (monthly): **A.** Below birr 5,000  **B.** Birr 5,001-10,000.   
**C.** Birr 10,001-15,000.  **D.** Birr 15,001-20,000.  **E.** Above birr 20,000.
7. Marital status:- **A.** Single  **B.** Married  **C.** Widowed/divorced

**Part I: Demographic and socio and Economic Question**

On the basis of the statements related to the different dimensions of work ethics please put a tick mark on your choice of the rating scales. The rating scales are:

1. Strongly disagree, 2. Disagree, 3. Neutral, 4. Agree, 5. Strongly agree.

**A. Back ground Information**

1. Gender **A.** Male  **B.**
2. Age \_\_\_\_\_
3. Education level  
**A.** Not go to school  
**B.** From grade 1- 8  
**C.** From grade 9-12  
**D.** Certificate or diploma  
**E.** Degree and above
4. For how many years you have been doing this business?-----
5. Have took taken finance related course/ training? **A.** Yes **B.** No

**B. Cultural attitude Question.**

No	Items Descriptions	Level of agreement				
		1	2	3	4	5
1	I appreciate Ethiopian way consumption during holiday, Unger and other collectivism					
2	I always like to enjoy with my friends during weekly without limit					
3	I always invite my relatives when I met them					
4	People who worry to save are considered as cupidity					

5	I find more pretty to make my friends and relatives get together and enjoy by make sponsoring					
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**Part II: Financial Knowledge Questions**

**A. Financial Knowledge Question**

- Suppose you put Br. 1000 in the saving account and the interest rate is 8% at a year. you don't add any deposit and you don't make any withdraw.at the end of the year how much money you will have in this account?  
A. 1000 B. More than 1000 C. less than 1000 D. Don't known
- And how much money you will have in this account in 3 years if you make neither withdrawal nor deposit to this account at 8% interest rate  
A. More than 1200 B. Exactly 1200 C. less than 1200 D. I cannot estimate it even roughly
- Growth of inflation means rapidly increase of cost of living.  
A. True B. False C. Don't know
- From under listed which asset will give highest return over long period investment say 5 years.  
A. Shares B. Saving accounts C. Bonds D. not known
- In investment if return is high risk will be high.  
A. True B. False C. Don't know

**B. Financial Behavior questions**

No	Items Descriptions	Level of agreement				
		1	2	3	4	5
1	When I buy something I cautiously consider whether I can afford it.					
2	I scale the prices when making a purchase.					
3	I save some money from my income each month for a my future plan					
4	I save more when my income is high only.					
5	I usually consider inflation when I save money in the bank					
6	I prepared long term financial goals and struggle to					

	achieve them.					
7	I have financial plans which will enable me to have sufficient money for my retirement.					
8	I carefully identify the costs I pay and benefits I get to buy a product on credit based.					
9	I carefully prepare a budget plan for my business and for my individual consumption independently.					
10.	I keep traceable financial records and I can easily access it when I find					

### C. Financial Attitude Questions

No	Items Descriptions	Level of agreement				
		1	2	3	4	5
1	It is useful to establish financial plan for the future.					
2	I properly manage my money today which will affect my future.					
3	It is important to have a plan for monthly expense plan.					
4	I find more spend money than to save it for the long term					
5	I only try to live for today and let tomorrow take care of itself.					