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Financial Literacy, Financial Access, and Small Business Performance in Secondi-Takoradi Metropolis of Ghana: The Mediating Effect of Financial Capability

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Abstract

Even though studies have been conducted in the field of finance to examine the impact of financial literacy on small business performance, there is a lack of clarity regarding the specific mechanisms through which this influence is achieved. This paper seeks to address this gap by investigating the mediating role of financial capability in the relationship between financial literacy and small business performance in the Sekondi-Takoradi Metropolis of Ghana. The study utilizes structural equation modelling (SEM) techniques and employs Smart-PLS 3 software to test the proposed hypotheses. The empirical findings reveal that the association between financial literacy and small and medium-sized enterprise (SME) performance is not direct but rather mediated by financial capability. Furthermore, the results indicate that the financial capability of SME owners/managers has a significant impact on their firm's performance. Additionally, the findings support the mediation model, as financial capability

also acts as an important mechanism through which financial access influences SME performance. Policymakers, SME operators, and other stakeholders should prioritize the key areas identified by these findings to enhance small business performance in Ghana.

Keywords: *Financial Literacy, Financial Capability, SMEs, Performance*

1. Introduction and Background

The small business sector is an important part of every society. In the global economy, these businesses support innovation, job creation, and economic progress. SMEs account for about 90% of businesses worldwide and contribute over 50% of employment globally. In developed economies like the United States, Germany, the United Kingdom, and France, it has been established that SMEs contribute approximately 51 to 56 percent of the GDP in these countries (McGowan, 2019).

In emerging economies, formal SMEs alone contribute up to 40% of national income (GDP), with even higher contributions when informal SMEs are included (World Bank, 2022). The story is no different among low-income countries, as 60% of total output and 70% of all employment are generated by the SME sector (Anshika et al., 2021). Aside from enhancing economic conditions, they are also a major source of entrepreneurial innovation within society, supporting the initiation and nurturing of innovative products and services (World Trade Organization, 2016). Therefore, both empirical and anecdotal evidence underscore the importance of small and medium-sized enterprises (SMEs) in promoting accelerated economic development, underscoring their global worth (Belitski et al., 2022; Hayes, 2014; Liguori & Pittz, 2020). Given the significant role these SMEs play, scholarly attention to issues related to their performance has been intense in both high- and low-income economies(Lontchi et al., 2023). Global initiatives and substantial evidence on the relevance of SMEs to the global economy have motivated scholars to examine the antecedents of SME performance (Basha et al., 2023).

Ghana's SME sector is seen as the mainstay of the economy as it contributes significantly to economic growth, employment, and innovation (Statista, 2023). For instance, small and medium-sized enterprises (SMEs) account for approximately 92% of registered companies. Additionally, SMEs play a significant role in the economy,

accounting for 80% of employment and contributing 60% to the national GDP (Statista, 2023).

Despite the significant benefits Ghana receives from SMEs, estimates suggest that 40% to 50% of all SME start-ups fail before their fifth year of operation (Otar, 2023). This failure rate highlights the challenges faced by SMEs in Ghana, which include inadequate financial resources, lack of access to external funding, inadequate capital injection, skyrocketing operation costs, and inadequate skill to manage financial resources, among others (Hansen-Addy et al., 2024; ILO, 2019). While the aforementioned factors, among others, have been blamed for the high incidence of failure in SMEs, there is strong evidence that the poor performance of the sector is attributable to the inability of SME owners or managers to properly make prudent financial decisions (Haliassos et al. 2020). The decisions they make regarding savings, investment, resource allocation and utilization, resource procurement, and risk management are critical in determining the success or failure of their businesses. Such decisions, in many instances, have financial implications, requiring that these owners and managers possess some important financial management skills to guide financial decision-making (Oseifuah, 2010).

Xiao et al. (2014) distinguish financial literacy from financial capability by positing that whereas financial literacy describes the knowledge and understanding of various financial concepts, products, and services, financial capability describes the practical application of financial literacy to real-life business transactions. Various studies have investigated and found a significant interaction between financial literacy (FL), financial access (FAC), financial capability (FCA), and SME success (Dejardin et al., 2022; Expósito & Sanchis-Llopis, 2019; Oseifuah, 2010; Kotzé & Smit, 2008). In Ghana, Adam et al., (2017) investigated the association between the financial literacy of SME owners/managers and the effectiveness of their financial decision-making. Again, Ansong & Gyensare (2012) conducted a study to ascertain the link between FL and firm performance. Nunoo & Andoh (2011) and Adomako & Danso (2014) also studied the relationship between financial literacy and SME growth. However, there are still some unanswered questions regarding the antecedents of SME performance in Ghana, especially regarding the mediating influence of financial capability in explaining the interaction between FL and SME performance.

This paper aims to make important contributions to the existing body of knowledge in several ways. First, even though some studies

suggest that financial literacy is important in improving the performance of SMEs, the effects have not been thoroughly explored, and the results of published research have been fragmented (Graña-Alvarez et al., 2022). Thus, the study aims to add new insights to the financial literature from the perspective of SMEs in developing nations. Second, this paper examines the role of financial capability in elucidating the relationships between the independent variables (IVs) and the dependent variable (DV), an area that has not received extensive research (Agyapong & Attram, 2019).

In summary, this paper examines the relationship between financial literacy, financial access, and small business performance in the Secondi-Takoradi Metropolis of Ghana, with a focus on how financial capability mediates this relationship. The findings of the research provide valuable insights into the importance of financial literacy, access, and capability for small business success in the region, potentially informing policy decisions or interventions.

2. Conceptual Framework and Hypothesis Development

The current study is underpinned by the resource-based view (RBV) theory. The RBV is a management framework that posits that the internal resources at the disposal of the firm are major sources of competitive advantage. Proposed by Wernerfelt (1984), the theory generally categorises the available resources of the firm into tangible and intangible resources. Intangible resources encompass intellectual property and knowledge-based assets like employees' skills and expertise, while tangible resources are the physical assets used to generate revenue. Since financial resources are critical for a business's daily operations, poor management can have an adverse effect on the firm's performance. Conversely, understanding how to efficiently acquire and utilise financial resources can enhance the competitiveness of the firm (Centobelli et al., 2019).

Empirically, some studies have found a significant relationship between financial literacy and the performance of SMEs (Guiso & Jappelli, 2008; Lusardi, 2019). Being financially literate puts individuals in a better position to make wise decisions regarding savings, investment, budgeting, and risk. For instance, the British Business Bank observes a link between increased participation in the financial market and awareness of financial vehicles and services (van der Schans, 2015). Morgan & Long (2020) suggest that a good appreciation of financial

products is associated with effective financial decision-making. Additionally, Potrich et al. (2016) argue that understanding financial issues is helpful for individuals and business operators to manage daily financial problems, avoid indebtedness, and make sound financial decisions. Research indicates that having knowledge about financial products and services is directly linked to one's potential to make the right choices on matters relating to investment, debt management, and access to affordable financial products (Grohmann & Menkhoff, 2015; Hasan et al., 2021; Pangestu & Karnadi 2020). As individuals become more knowledgeable on issues relating to financial matters, their appreciation of how to effectively conduct their financial affairs improves.

Several studies, including Babajide et al. (2021), have suggested that weak financial capabilities may have negative effects on business performance. Xiao et al. (2014) have also noted that financial capability, which involves the use of financial products and services, can significantly impact a business's survival by influencing decisions on sales and profit maximisation, competitiveness, and capturing the needed market share. The discussion above advances the following hypotheses:

Hypothesis: H1: The financial literacy of SME owners positively predicts their firms' performance.

Hypothesis: H2: The financial literacy of SME owners/managers has a significant direct effect on their financial capability.

Hypothesis: H3: The financial capability of SME owners/managers significantly predicts the performance of small businesses.

According to Mabula & Ping (2018), a strong financial sector that offers access to various financial resources can significantly contribute to the performance of SMEs. Birkenmaier & Fu (2019) also contend that financial access, or access to finance, is the ability to take advantage of and use available financial services from formal and nonformal sources. In the view of Baker & Judge (2020), the availability of credit facilities is crucial to enhancing the productive capacity of firms, which leads to improved performance. Additionally, the seamless accessibility of financial services encourages SME owners and managers to make use of them to enhance their performance. Based on the available information, we hypothesise the following:

Hypothesis: H4: Financial access directly predicts SME performance in Ghana.

Hypothesis: H5: Financial significantly predicts the financial capability of the firm.

A firm's performance may not improve simply by having access to these resources; effective utilization is necessary. Furthermore, if financial resources remain unutilized, their mere availability does not ensure enhanced performance (Buchdadi et al., 2020). Therefore, financial capability, which implies the ability to utilise financial literacy and products, could serve as a mediator between financial literacy, access to financial resources, and SME performance. Based on the available literature, we propose the following:

Hypothesis: H6: The direct relationship between financial access and SMEs' performance is mediated by the financial capability of their owners or managers.

Hypothesis: H7: Financial capability acts as a significant mediator in the link between financial access and SME performance.

Figure 1 illustrates the proposed connections among the variables investigated in this research, including both direct and indirect relationships. The diagram suggests that both financial literacy and access to financial resources may directly impact the performance of SMEs. However, the financial capability of SME owners may act as a mediator in this link.

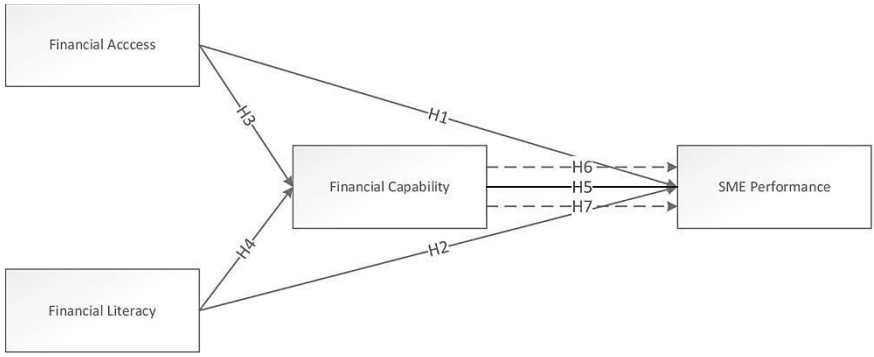

Figure 1: Theoretical model displaying hypothesized relationships.

3. Methodology

3.1 Research Design and Data Sources

The objective of this study is to analyse the associations between financial access, financial capability, and the performance of small and medium-sized enterprises (SMEs), and to assess the mediating role of financial capability in the relationship. To achieve this objective, survey data was utilized. In the Sekondi-Takoradi metropolis of Ghana, the wholesale, agriculture, retail, construction, and accommodation sectors are the primary domains of SME activities (Odesomi, 2022). Consequently, these sectors were identified as the target population for data collection. The study involved sampling managers and owners of SMEs operating within these sectors. Specifically, registered SMEs in the Sekondi-Takoradi metropolis of Ghana were the main focus. Structured questionnaires were administered to the owners or managers through the purposive sampling technique. This technique was chosen to identify SME owners and managers who possess the necessary knowledge to respond to the survey questions, which in turn would aid in achieving the study's objectives. The sample size was determined based on the approximate number of registered SMEs in the Sekondi-Takoradi metropolis, which is around 1300. Following Krejcie & Morgan's (1970) methodology for determining sample size, a sample of 300 was considered adequate for the statistical tests conducted in this study, with a 5% margin of error. Table 1 presents specific details on the acquisition of usable questionnaires.

Table 1: Number of responses and response rate

Description	Number/%
Total Questionnaires Distributed	450
Total Questionnaires received	348
Unusable questionnaires	28
Number of usable questionnaires	320
Response rate	71%

Prior to administering the questionnaires, they were piloted with 20 SME owners and managers within the Sekondi-Takoradi metropolis. The piloting process was undertaken with the view of identifying defects in the questionnaire and correcting them accordingly. The corrected version of the questionnaires was distributed to the participants.

3.2 Variable measurement and sources

This study made use of four major variables. These are financial literacy (FL), financial capability (FCA), access to financial resources (FAC), and financial performance (PFM). We measured all these variables using tested and validated constructs. Below, we discuss the operationalization of the constructs:

Financial literacy (FL): Financial literacy is one construct that can be measured objectively or subjectively (Xiao et al. 2014). It is associated with the understanding of savings, inflation, investment, credit management, and cash flow management concepts (Dwiastanti, 2015; Robb & Woodyard, 2011). We measured this construct using objective scores, posing five financial literacy questions for respondents to answer. A score of zero (0) suggests that the respondent got all five questions wrong, whereas a score of five means all the answers provided were correct. The questions concerned participants knowledge on inflation, interest rates, mortgages, borrowing, financial numeracy, risk and return, and savings, as suggested by Almenberg & Säve-Söderbergh (2011) and Lusardi (2019).

SME owners and managers used subjective measures to determine their access to financial capital, drawing from studies by Zarrouk et al. (2020) and Almenberg & Säve-Söderbergh (2011). We examined how satisfied SME operators are regarding the accessibility of financial products and services. We measured this construct using three items and the Likert-scale approach.

Financial Capability: Xiao et al., (2014) describe financial capability as the capacity of a consumer to apply their financial literacy to make financial decisions that will improve their well-being. Unlike financial literacy, which evaluates one's appreciation of fundamental financial ideas, financial capability assesses the practical use of financial literacy to attain positive financial outcomes. We measured this construct using the adapted items from (Xiao et al., 2014).

SME Performance: Most advanced businesses use financial data to assess their financial performance. However, in developing countries such as Ghana, the use of financial data to measure firm performance is challenging, as many SMEs do not keep accurate financial records and accounts. Again, some entrepreneurs, for reasons best known to themselves, are unwilling to divulge any information about their finances to researchers or third parties. It can, therefore, be challenging to evaluate SME performance by utilising financial ratios (Wall et al., 2004). Therefore, we measured SMEs' performance using subjective and self-reported measures. We used four main items as proxies for measuring SME performance: growth in market share and sales, number of employees, and growth in profitability.

3.3 Analysis Techniques

To estimate the relationship between the variables, SEM techniques were used based on two considerations. First, it is the most appropriate technique to estimate relationships among variables where latent variables are involved, as it can accurately ascertain the effect of the latent variables on the DV (Jimenez & Iyer, 2016). Second, SEM allows for the simultaneous analysis of multiple associations among study variables. The SEM analysis was performed using two steps, as illustrated in Figure 2. The initial phase comprises assessing the measurement model to determine its validity and reliability. The second phase involved the analysis of the structural model, which validated the research model

based on the stated hypothesis. There are 13 measurement variables and 4 latent variables that measure the relationship between the variables. There are three exogenous variables (financial access, financial literacy, and financial capability) and two endogenous variables (financial capability and SME performance). The model was estimated using SmartPLS statistical software.

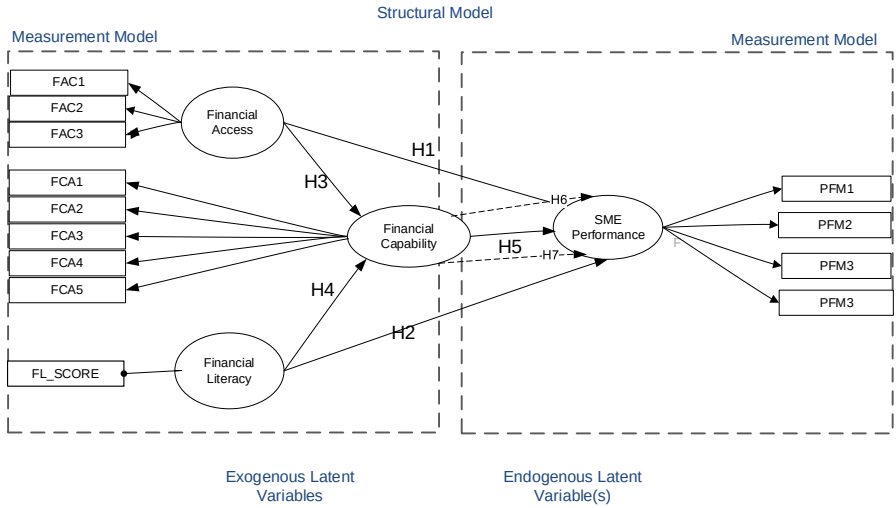

Figure 2: Measurement and structural model

4. Results

4.1 Respondent background

Table 2 illustrates the demographic characteristics of SMEs and their operators. The demographic information collected includes gender, age, education, and income levels of the respondents. Additionally, data regarding firm-level factors such as business type, firm age, and number of employees are collected. The research indicates that 55.6 percent of participants were male, while 44.4 percent were female, highlighting the predominance of males in the SME sector in Ghana. In terms of age, 42.5 percent of respondents are between the ages of 31 and 40, with the remaining respondents falling into different age categories.

Table 2: Demographic characteristics of SMEs and their owners/managers (N=320)

Variable	Classification	Frequency	Percent (%)
Gender	Male	178	55.6
	Female	142	44.4
Age	20-30	59	18.4
	31-40	136	42.5
	41-50	116	36.3
	Above 50	9	2.8
Education Levels	Primary/JHS	21	6.4
	Secondary	78	24.4
	Tertiary	123	38.5
Income Levels (Ghȼ)	Below 10000	140	43.8
	10000-20000	82	25.6
	20000-30000	43	13.4
	above-30000	55	17.2
Business Type	Retail/Wholesale	161	50.3
	Agriculture	19	5.9
	Construction	16	5.0
	Accommodation	10	3.1
	Others	114	35.6
Firm Age (years)	Below a year	75	23.4
	1-5	73	22.8
	6-10	105	32.8
	Above 10	67	20.9
Number of Employees	1-5	137	42.8
	6-49	177	55.3
	50-99	6	1.9

The findings of the analysis presented in Table 2 further demonstrate that the majority of businesses, comprising 55.3% of the total respondents, have a workforce consisting of 6 to 49 employees. Moreover, only 9% of businesses have more than 50 employees. In terms of the educational background of the selected respondents, 38.5% of the respondents possessed tertiary education, while 24.4% and 6.4% had secondary and primary education, respectively. With regards to firm characteristics, it comes as no surprise that the retail and wholesale sectors account for the highest proportion of SMEs (50.3 percent). This observation is consistent with the structure of the Ghanaian economy. The remaining sectors included in the sample represent 5.9% from the agriculture sector, 5.0% from the construction sector, and 3% from the

accommodation and hospitality sector, among others. Table 2 provides additional important details about the businesses included in the sample. Table 3 provides a description of the variables examined in the study, which encompass financial literacy, financial capability, financial access, and SME performance. The average financial literacy score of 2.5, out of a maximum possible score of 5, suggests a low level of financial literacy awareness among SME owners and managers. The variable representing SME performance has an average value of 4.184 and a standard deviation of 1.73.

Table 3 Descriptive Statistics and Correlation of Study Variables

Variables	Mean	SD	(1)	(2)	(3)	(4)
(1) SME Performance	4.184	1.723	1			
(2) Financial capability	3.867	1.743	0.585***	1		
(3) Financial Access	4.033	1.613	0.677***	0.710***	1	
(4) Financial literacy	2.500	1.627	0.349***	0.394***	0.351***	1

*** $p \leq 0.01$

As part of the process of validating the research instrument, factor analysis was conducted to identify appropriate items for measuring the different constructs. The initial step in principal component analysis (PCA) involved assessing the data and determining its suitability for factor analysis. This assessment was carried out using the Kaiser-Meyer-Oklin (KMO) test. The KMO value ranges from 0 to 1, with values closer to 1 indicating higher suitability for aggregating the data into potential factors. According to Hair et al. (2017), a KMO value of 0.8 or higher is considered acceptable for factor analysis. Table 4 presents the results of the factor analysis, with a KMO value of 0.88 exceeding the recommended threshold of 0.8. Furthermore, Bartlett's test of sphericity produced a significant result (Chi-Square (χ^2) =2476, Df = 66; $p<0.000$), indicating that the data is suitable for factor analysis.

Table 4 Bartlett's Test of Sphericity

KMO test		0.88
Bartlett's Test of Sphericity	Aprox. Chi-Squre (χ 2)	2476
	Df	66
	Sig.	0.000

Source: *Research Data, 2020*

Table 5: Test of validity and reliability

Confirmatory Factor Analysis of Constructs	Factor Loadings
Financial Capability (FCA) (CA=0.855; CR=0.853; AVE=0.732)	
• FCA1	0.756
• FCA2	0.749
• FCA3	0.891
• FCA4	0.813
• FCA5	0.849
Financial Access (FAC) (CA=0.859; CR=0.907; AVE=0.623)	
• FAC1	0.755
• FAC2	0.906
• FAC3	0.798
SME Performance (PFM) (CA=0.925; CR=0.926; AVE=0.868)	
• PFM1	0.923
• PFM2	0.820
• PFM3	0.954
• PFM4	0.775

Note: CA=Cronbach's Alpha; CR=Composite Reliability; AVE=Average variance Extracted

Table 5 shows that the factor loading exceeded the threshold of 0.5, as suggested by Hair et al., (2017). All the items together produced three components, with each component recording an eigenvalue ≥1. The initial component accounted for 32.379% of the total variance, component 2 accounted for 22.809%, and component 3 accounted for 18.888. We extracted 74.076% of the variance overall. The initial eigenvalues are 3.885, 2.737, and 2.267 for the first, second, and third components, respectively. We observed the factor loading of each item to determine the validity and reliability of the extracted constructs. Additionally, we tested the construct validity using AVE, as shown in Table 6. The results indicate a good AVE, as each construct can boast an

AVE of 0.5 or higher (Henseler, 2017). The analysis of the data further indicates that most constructs have AVE values above 0.5. In addition, the CRs are good, as they all exceed the recommended value of 0.7, indicating validity and reliability of the items (Bandalos, 2018; Hair et al., 2017; Henseler, 2017).

4.3. Estimation of Structural Model

The model was estimated using the bootstrapping procedure in Smart PLS 3. For Hypothesis 1, we posited a direct correlation between financial literacy and the performance of small and medium-sized enterprise (SME) firms. However, based on the structural model, we observe a positive but statistically insignificant relationship between the financial literacy of SME owners and the performance of their firms (β = 0.096, p >.05). This finding suggests that there is no significant direct relationship between financial literacy and SME performance. One potential explanation for this finding is that merely possessing financial literacy may not automatically translate into firm performance unless that knowledge is effectively applied to make sound financial decisions that enhance firm performance. In Hypothesis 2 (H2), we hypothesized a positive association between financial access and SME firm performance. The structural model provides support for this hypothesis, revealing that financial access has a positive impact on SME performance (β= 0.513, p<0.01). This outcome implies that the availability and accessibility of financial resources play a significant role in predicting the performance of SMEs in Ghana.

The result of the data analysis indicates that there is a significant direct relationship between the availability of financial resources and financial capability (β= 0.652, p<0.01). The conclusion drawn from the results is that SME operators who can easily access financial resources are likely to use them to enhance the firm's resource base. Therefore, the structural model supports the third hypothesis (Hypothesis H3). Hypothesis 4 (H4) posited a direct link between financial literacy and financial capability. According to the structural model, financial literacy significantly predicts the financial capability of Ghanaian SME owners and managers (β= 0.165, p< 0.05). This implies that SME owners and managers who are financially knowledgeable or literate are more likely to apply such knowledge to enhance decision making in business finance.

Table 6: SEM result: Path Analysis Direct Relationships

Hypothesis	Regression Relationship	Coefficient(β)	Stand. Error	t-statistic
H_1	FAC ➡PFM	0.513***	0.056	9.115
H_2	FL ➡PFM	0.096	0.061	1.580
H_3	FAC➡FCA	0.652***	0.057	11.433
H_4	FL ➡FCA	0.165***	0.062	2.664
H_5	FCA ➡PFM	0.183***	0.059	3.103

*** $p \leq 0.01$

Hypothesis 5 (H5) also posited a direct correlation between financial capability and the financial performance of small and medium enterprises (SMEs). The findings support this hypothesis, as the structural model demonstrates a statistically significant direct relationship between financial capability and the performance of SMEs ($\beta = 0.183$, $p \leq 0.05$). These results suggest that SME executives can enhance their firm's performance by exhibiting strong financial capabilities. Figure 3 provides an overview of the path analysis and structural model using Smart PLS 3. The validity and fit of the structural model were assessed using fitness indices such as CMIN ($\chi 2/df$), NFI, TLI, CFI), SRMR, and RMSEA, and this result is captured in Table 7.

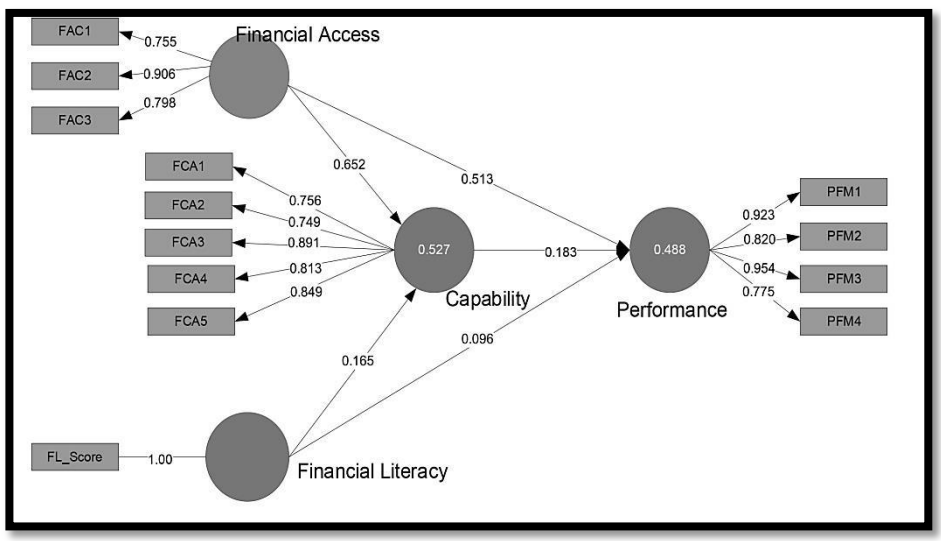

Table 7: Fitness Indices of the Structural Model

Fit Measures	Proposed values	Observed Values
CMIN(χ^2/df)	≤3.0	1.2
NFI	≥0.9	0.95
TLI	≥0.9	1.00
CFI	≥0.9	1.00
RMSEA	≤0.08	0.06

Source: *Field Data, 2020*

The result of the fitness test, as shown in Table 7, indicates that all the fitness indices produce estimates that are within the acceptable ranges, indicating the stability and fitness of the structural model. For instance, the rule of thumb is that RMSEA < 0.08 and NFI > 0.90. Our estimates indicate that RMSEA= 0.08 and NFI = 0.95, providing support for the robustness of the model. Furthermore, the predictive accuracy of the estimates was tested using the R-square test. A value of 0.55 was obtained, which indicates that 55% of the variations in the DV (SME firm's performance) are accounted for by the predictor variables. This value indicates a moderate level of predictive accuracy for the model.

4.4. Mediation Analysis

Mediation analysis was conducted to determine whether financial capability acts as an important mechanism by which financial access and financial literacy affect the financial performance of small businesses.

Table 8: Mediation analysis results

Indirect relationship	β	Standard Deviation	T-Stats	P Value	Confidence Interval	
					2.5%	97.5%
FL ➞ FCAP ➞ PFM	0.030**	0.014	2.108	0.035	0.010	0.064
FAC ➞ FCAP ➞ PFM	0.119***	0.043	2.778	0.006	0.031	0.185

** p ≤ 0.05, *** p ≤ 0.01

** p ≤ 0.05, *** p ≤ 0.01

Regarding the mediation analysis, we applied the proposal by Zhao et al. (2010). From the results shown in Table 8, we observed that the relationship between financial access and firm performance is

significantly mediated by financial capability ($\beta = 0.119$, $p \leq 0.01$). Additionally, the results show that financial capability acts as an important mechanism through which financial literacy affects SME performance ($\beta = 0.030$, $p \leq 0.05$). Thus, both H6 and H7 are supported by the structural model.

5. Conclusion and Policy Implications

The study sheds light on the importance of financial literacy for SME performance and the mediating role of financial capability within the Sekondi-Takoradi Metropolis of Ghana. The results highlight that a higher score of financial literacy by SME owners does not necessarily correlate with the firm's performance. However, it is found that the relationship between financial literacy and small business performance is significantly mediated by the financial capabilities of these owners. This implies that financially capable SME owners are well positioned to access financial resources, manage their business's cash flow, control costs, and efficiently allocate resources. The study and its findings contribute to the existing body of knowledge in two distinct ways. First, by examining the interconnectedness of financial knowledge and financial access with financial capability acting as a mediator, this research contributes to the theoretical understanding of the mechanisms through which these variables interact to influence SME performance within the Sekondi-Takoradi metropolis of Ghana. Furthermore, by focusing on the Sekondi-Takoradi Metropolis of Ghana, the study provides context-specific insights into the relationship between financial literacy, financial access, financial capability, and SME performance.

The practical implication of the study is that policy interventions aimed at enhancing financial access and building financial capability among small business owners within the Sekondi-Takoradi Metropolis are required to enhance performance within the sector. The findings of the study underscore the need for governments to take steps to improve financial education and capability among SME owners, managers, and entrepreneurs.

It is important to highlight some limitations of the study to guide the interpretation and application of the findings. Firstly, the study was conducted in the western region of Ghana. Therefore, the results may not be applicable within the context of other regions due to economic and social differences. Furthermore, the use of survey data restricts the in-depth understanding of the concepts of financial literacy and capability

and their relationship with SME performance. Although efforts were made to validate the responses using various statistical techniques, future studies may focus on conducting interviews with SME owners and managers to allow for open-ended responses and deeper insights into the role of financial capability and performance. Additionally, there is a need to investigate the longitudinal effects of financial literacy and capability programs on small business financing. Moreover, examining the moderating effects of contextual factors, such as industry characteristics, the regulatory environment, and firm size, could provide further insights into the complex interplay between the variables.

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