

**UNIVERSITY OF GHANA**

**INVESTMENT BEHAVIOUR OF INFORMAL SECTOR WORKERS  
IN GHANA**

**BY**

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**THIS LONG ESSAY IS SUBMITTED TO THE UNIVERSITY OF  
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## DECLARATION

I hereby declare that this work is a true representation of the outcome of my research findings. References were made to relevant materials of which due acknowledgement has been made by way of reference.

I declare that none of the material contained in this work had been presented wholly or in part for any degree in this or any other university.

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## **CERTIFICATION**

I hereby certify that this dissertation was supervised in accordance with procedures laid down by the University.

.....

**EMMANUEL SARPONG-KUMANKOMA, PhD**  
**(SUPERVISOR)**

.....

**DATE**

## **DEDICATION**

I dedicate this work to the Almighty God for His guidance. I also dedicate this dissertation to my family and loved ones who have been very supportive.

## **ACKNOWLEDGEMENTS**

I thank God Almighty for His unending love and guidance. I owe my supervisor Dr. Emmanuel Sarpong-Kumankoma thanks of gratitude for his time, direction and encouragement.

I also want to acknowledge all who in one way or the other contributed to this research work.

## **ABSTRACT**

Studies on individual investments have not received much attention in Ghana. It is in the back drop of this the study was conducted to assess the investment behavior of informal sector workers in Ghana. The study was conducted through a survey of 200 informal sector workers. The study finds out that the informal sector workers prefer to invest in Thrift/Cooperative unions, mutual funds, treasury bills, fixed deposits, stocks and the last one being government bonds. The informal sector places premium on financial security, business expansion, catering for dependents, purchase of assets and payment of rent as reasons why they invest. The study also found out that factors such as economic activity, age and profits influence one's decision to invest and the level of financial literacy does not influence their decision to invest.

It is recommended that there should be massive education about financial investment products among the informal sector workers. There should also be more advertisements about investment products. Regulating agencies should check the activities of various financial institutions and lastly more Thrift/Cooperative unions should be formed and registered.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

The economic growth of Ghana coupled with other drivers has been aligned to its financial sector development as it makes it easier for organization and allocation of resources. Financial intermediaries such as banks, investment companies and insurance firms within the financial sector are important as they are able to rally savings of household's sector through various instruments. This is highly possible with individuals also patronizing this wide range of financial investment products.

In Ghana, the informal sector accounts for about 80% of the labor (Koto, 2015). With this percentage, implies a greater amount of the workforce in Ghana, which results to a lot more revenue since most of their revenues are not disclosed as most of them do not keep books of accounts. The financial investment behavior of the informal sector may vary among the other sectors of the labor force.

Chen (2012) emphasized the importance and the contribution of the informal sector as it is here to stay and contribute greatly to economic development. Those in the informal sector are also considered to be investors who also partake in investing in financial investment and hence a better understanding of their investing behavior is needed to assess the investment behavior of informal sector workers in Ghana.

Investment can be defined as the commitment of funds into an activity over a period of time in order to generate a return on the committed funds (Vernon, 2017).

One purpose of taking up financial investments ensures better security in terms of one's finances which will lead to an improved life as returns on investments take care of financial needs (Kumar et al, 2018).

Savings and Investment are two major variables which play an important role in the growth of an economy, stabilizes inflation and brings about employment most especially in the developing countries, for this to be possible requires the mobilization of savings unto different investment avenues (Raudla et al., 2018). For a sustained economic growth to be reached in an economy, certain conditions need to be put in place to ensure that investments by individuals are not too risky and to ensure this implies the redistribution of profits and losses as a result of investments between the investors and the society as a whole (D'Exelle & Verschoor, 2015). The growth in financial markets across the world presents an opportunity for people to invest in a variety of financial products (Lim et al, 2016).

Investor behavior shows how individuals in their normal state influence their decision to invest. Baker and Ricciardi (2014) asserts investor behavior attempts to understand and explain decisions by amalgamating the disciplines of Psychology and Investing based on individual levels and the role of financial markets. This involves mental process, emotional issues that investors face during financial planning and investment. This may be based on past events, beliefs, hearsays among others.

There are a wide range of factors which influence an investor's decision to invest. Obamuyi (2013), Bi and Usman (2017), Brown et al. (2016) have established a wide range of factors which influence or plays a major role in one's decision to invest in a product or security and

some of these factors are age, gender, marital status, online information, profitability. From this, we realize that the investor has many factors influencing their decision to invest.

There is a wide range of financial investment products available to an investor. Khatri et al. (2017) list mutual funds, fixed deposits, public provident fund, insurance, equity, recurring deposits, provident fund and commodity derivatives as some financial investment products available to an investor and these products obviously come with returns though they differ based on the risk appetite of the investor.

Though studies have been carried out on the investment behavior of individuals, the literature concerning the informal sector is limited and especially that of the Ghanaian context. It is on the back drop of this the study seeks to examine the investment behavior of informal sector workers in Ghana.

## **1.2 Problem Statement**

The informal sector in developing and developed economies play a very vital role in growth and development of the country (Piketty, 2015). They play a very strong role in creating a vibrant economic growth employing the ever increasing workforce in countries contributing one way or the other in economic growth of a nation. The inability of the formal sector to provide the amount of jobs needed has pushed many into the informal sector. The informal sector of Ghana accounts for well over 80% of the labor force of Ghana (Koto, 2015).

Financial investments provide an avenue for all and sundry to put their money into and expect some form of return. This goes a long way to improve the lives of individuals especially when they are in need of money for urgent purposes.

Reitan and Sorheim (2000), Bhushan (2014), Aduda et al. (2012), Samdura and Burghate (2012) just to mention a few have done extensive works on investment behavior of individuals but these existing literature and others have done little or no work on the informal sector.

In Ghana, studies have been limited to foreign direct investments as Antwi et al. (2013), Enu et al. (2013) and Aryeetey (2008) focused their studies on foreign direct investment. Naa-Idar et al. (2013) also limited their studies to the private sector investment in Ghana.

All these works have done very little to capture the investment behavior pattern of the informal sector of Ghana which plays a very vital role in the development of the economy as a whole. This study is therefore to fill the gap concerning the Investment Behavior of informal sector workers in Ghana.

### **1.3 Objectives of the Study**

The main objective of this study is to determine investment behavior of informal sector workers in Ghana.

The study will be guided by the following:

- (i) To determine the financial investment products preferred by the informal sector in Ghana
- (ii) Determine their major reason for investing
- (iii) Determine the various factors influencing investment
- (iv) To establish how financial literacy affects investment

#### **1.4 Research Questions**

The study seeks to answer the following questions:

- (i) What are the preferred financial investment products of the informal sector?
- (ii) What are the major reasons for investing?
- (iii) What are the factors which influence their choice of investment?
- (iv) How does financial literacy affect their investment behavior?

#### **1.5 Significance of the study**

The findings of the study are expected to allow financial institutions in analyzing the investment patterns of the informal sector towards their products since the informal sector accounts for a large number of workers. This will enable financial institutions evaluate the various financial investment products they offer and how they can make it to suit the workers in the informal sector.

This study will also enable the Government optimize its monetary and fiscal policies so that Government will be able to attain certain objectives of the economy since funds can be mobilized from this sector through financial investment products. This will help in the direction of the development of policies and strategies by the Government to access the investment pattern of the informal sector workers.

The study is also expected to fill the gap on investment behavior of the informal sector workers which will augment the existing literature on investment behavior.

## **1.6 Chapter Disposition**

Taking into consideration the depth and objectives of the subject matter, the composition of the study will be made up of five chapters. The first chapter, Chapter one (1) will provide the background of the study, research objectives, research questions, and significance of the study. Chapter two (2) will look at literature review on what has been published on investment preferences. Chapter three (3) will include the method and approach used in data collection for this study. Chapter four (4) will contain an in depth analysis of results and findings obtained while Chapter five (5) will conclude the study with discussions and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Investment behavior has very important implications for investors especially on their investments. Adequate and proper investment decisions enable investors benefit from the effects of the investment decisions they make. This chapter reviews related works of the study by providing theoretical framework and empirical analysis of related studies.

#### **2.2 Theoretical Framework**

This study reviews definitions of investment, classifications of investment, informal working class in Ghana, investment behavior, theories of investment, types of financial products available, financial literacy, factors which affect choice of investment and empirical studies of investment behavior.

##### **2.2.1 Theories of Investment**

Theories of investment alludes to an assemblage of information used to help the basic leadership procedure of making investment decisions. Both John M. Keynes and Irving fisher both asserted that usually, investments are made are preferred to have the present value of the anticipated cash inflows equating zero, implying that investment are made till a point where the net present value equates to zero.

The Keynesian approach has a more behavioral approach on the investment decision and argues that investors are simply capitalists and they invest based on the return the investments presents to them. It considers the marginal efficiency of capital with the real

rate of interest, thus, if the marginal efficiency of capital is more than the real rate of interest, committing funds into any venture is carried out.

Irving Fisher's theory of investment bring to bear the fact that every single capital was flowing capital and that all capital utilized in the production of goods and services did not exist but all capital is in actuality venture. It was also argued that investment over a period of time makes a return only in the successive period.

Overtime, investment theories have emerged incorporating certain aspects of Keynes and Fisher's investment theories. Eklund (2013) brings to light the Neo-classical theory, Accelerator theory and the Q theory of investment.

### **2.2.2 Neoclassical theory**

Based on the Keynes theory of investment, Jorgenson (1967) developed a Neo-classical theory to enhance the investment behavior with respect to fixed business investment. This is grounded on the fact that neo-classical theory of optimal capital allocation which is decided by the cost of production factors. Fixed business investments include purchase of equipment, construction of buildings and factories, warehouses and other fixed business investments. This theory throws more light on the causes of irregular patterns in investments which are to be blamed for happenings of the business cycles in a free market economy. It explains how much capital stock a firm wish to have at a certain time. Per this hypothesis, the investment rate is fixed by the speed which a firm adjust their capital stock in line with their preferred level.

As a result of time factor, firms may not be able to immediately gain the preferred position of capital stock, hence decide on what rate per period it makes adjustment in their stock capital to achieve the preferred level of capital stock. Labor and capital are used by firms for production of goods and services. Firms are not led only by the cost of these factors but their offerings made to the revenue generation of firms.

The marginal product of capital and user cost determines the stock capital of a firm. Marginal product of capital declines as extra units of capital re employed for production all other things being equal. Firms try to enhance profits by ensuring that marginal product of capital exceeds the user cost of capital.

### **2.2.3 Accelerator Principle**

This principle was not taken into account by Keynes. Lucas (1967) argues that when there is a rise in income or consumption, there will be a corresponding increase in investment. Thus, greater amount of goods and services will have to be produced when there is a rise in income and consumption. More capital will be needed to produce goods and services if the existing stock of capital is fully used. Since in this context, investment is largely influenced by changes in income and or consumption, it is termed as induced investment. The accelerator is the value which represents the relation between an increase in investment as a result of a corresponding increase in income.

If the national income is increased, there will be a positive net induced investment and the induced investment will decline if the national income is falling or remains constant and hence to produce a given amount of output, a given or required amount of capital is required.

#### **2.2.4 The Q theory of Investment**

Summers et al. (1981) on the Q theory of investment speculates that the irregular pattern of investments is related to marginal Q. This implies the proportion of the market value of the firm to market price of a unit of cost of capital. Money is needed for investment. It can be raised in so many ways. Raising of money or capital for investment can be done through the sale of shares, equity and borrowing among others. Investors buy shares to earn returns from the increase in the market value of the shares. Hence, when investors expect a gain, he purchases more shares.

If the share price is high, the firm can raise a considerable huge amount of money by selling just a few shares. When stock prices in the market are high, firms prefer to sell equity in order to finance investment than when stock prices in the market are low hence the relationship between the stock market and investment.

$Q = \text{market value of the firm} / \text{substituted cost of capital}$  (Hayashi, 1982)

If the Q ratio is high, it implies the price of the share is high, hence firms will invest more.

#### **2.3 Investment and its Underlying Concept**

There is no single definition of Investment. Investment has evolved over time and as a result the broad spectrum of definitions and also different perceptions of the concept. Various disciplines define Investment differently but all these definitions are related to the concept of having to commit resources whether time or money into an activity for an expected outcome. For this study's purpose, Investment will be explained to be the current commitment of funds into an activity and hoping for a return to compensate for time, uncertainty and inflation (Barton, 2016).

Investment gains prominence through a process of capital savings allocation in productive activities to enable the value of initially created assets to be maximized, such investments are par excellence, aimed at gaining higher incomes at developing activities thus at economic growth (Pop & Gabriel, 2012). Investment involves taking risks as a result of the uncertainty of events as current expenditure is made in order to gain future results which are mostly uncertain. The basic aim of investing is to earn some form of return and these returns tends to serve as cushion for future needs. The time and future element of investment are very relevant, hence details that may help shape certainties in investments are very much needed.

### **2.3.1 Classification of Investment**

Investment can be categorized into two main headings namely; Real assets and Financial assets.

Real assets can be termed as tangible assets purposely for the production of goods and services of which some include machinery, factories, and other intangibles such as expertise, trademarks and patents are also considered to be real assets (Brealy et al., 2012).

Financial assets are claims on Real assets or claims on the revenues generated from Real assets and these financial assets include equity, bonds, treasury bills, certificates of deposit just to mention a few. These financial claims are ‘paper’ which show the claim on the real assets and does not contribute in the manufacturing of goods and the provision of services for an organization but derive their value from the claims which they carry (Brealy et al., 2012). The ‘paper’ which proves the claim on these financial assets can be sold to generate

cash. Financial assets are traded on the Financial markets which caters for both short and long term financial assets.

Financial assets are more liquid as compared to Real assets. Financial assets are also fragmented which makes it possible for large numbers of people to invest in these financial assets obviously for a certain rate of return.

#### **2.4 Informal Working Class**

Informal sector can be defined as private enterprises of which some are unincorporated that is individual ownership of firms and are not distinct legal entities existing independently of their owners and are mostly characterized by incomplete accounts which will cause a distinction of the manufacturing activities of the firm as compared to other ventures engaged in by the owner. Private unincorporated firms include unincorporated firms owned and run by individuals or several members of the same households as well as unincorporated partnership and co-operatives formed by a group of people and mostly lack complete set of accounts (Husmanns, 2004).

Hart (1970) simply defines the informal sector as unregulated economic enterprises or activities.

The informal sector is characterized by the following;

- Lack of official protection and recognition
- Self-employment dominated
- No adherence to minimum wage legislations
- Operations may be on a small scale with individual or family ownership

- Sometimes involves the use of vacant public or private land.
- Little or no books of accounts are kept.

In Ghana, the informal sector accounts for 59.9% of the labor force according to the national employment report (2015). And this percentage amounts to the greater workforce in Ghana though most of the workers found in this sector do not keep proper books of accounts, those who even keep may be just a little fraction representing the total force in the informal sector. Osei-Boateng and Ampratwum (2011) categorized the informal sector of Ghana into two major categories which are; the Rural informal sector and the Urban informal sector.

#### **2.4.1 Rural Informal Sector**

This is made up of the people found in the rural parts of the country. This sector or part of the informal sector is mostly characterized by activities such as agriculture, fishing and fish processing, rural agro-based processing activities just to mention a few, family labor and casual labor as well as child labor is very dominant in the rural informal sector (Wrigley-Asante, 2008)

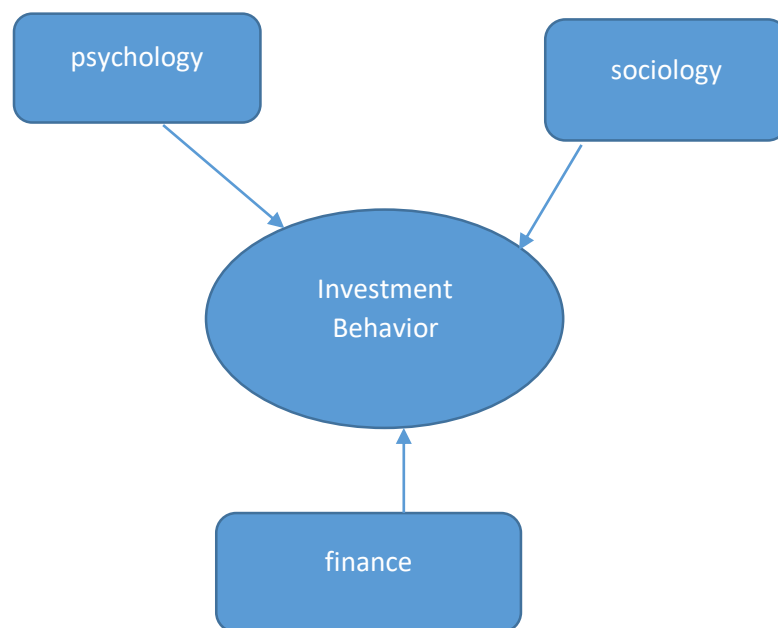
#### **2.4.2 Urban Informal Sector**

This is made up of the informal workforce basically found in cities, towns or metropolitan areas of the countries especially the regional capitals of the country. This sector is characterized by a lot of activities of which some are predominantly provision of services such as traders in food, health workers, sanitation workers, repairers of watches among other equipment, automobile service providers, domestic workers, hairdressers, barbers, construction workers and manufacturing workers which may include food processing, textiles, wood processing, metal processing among others (Desmet & Verschoor, 2015)

From the categorization of the informal sector, it is quite evident that the informal sector employs a large number of provides varied employment types.

## 2.5 Investment Behavior

Investment behavior shows how individuals in their normal state influence their decision to invest. Baker and Ricciardi (2014) asserts investor behavior attempts to understand and explain decisions by amalgamating the disciplines of Psychology and Investing based in individual levels and the role of financial markets. This involves mental process, emotional issues that investors face during financial planning and investment. This may be based on past events, beliefs, hearsays among others.



**Figure 2.1: Conceptual Framework**

Investment behavior seeks to explain the rise in the patterns of investors including the emotional process. Investment behavior explains how, why and what of finance and investing from one's point of view. Investment behavior takes cue from Psychological

studies, Social factors which have an impact on the decision making process when it comes to finance and investing. (Ricciardi & Simon, 2000) as illustrated in figure 2.1 above.

Psychology refers to the study which focuses on behavioral patterns of an individual and mental functions and how these are affected by an individual's physical state, mental state and the environment in which they find themselves in. Psychology seeks to understand or explain individual behavior by laying down certain generic principles and conducting various investigations on specific cases. In this field, a Psychologist who is a professional attempt to understand the various role played by an individual's mental function which in effect affects certain decisions taken (Karmiloff-Smith, 2018)

Sociology is also defined as the standardized or orderly research or investigation into behavior of humans and social groups. This discipline concentrates on the impact of social connections on people's behavior and attitude. The subject matter of Sociology is very wide encompassing a wide range of disciplines from religion, social class, beliefs, culture among other disciplines in the society. Hence, Sociology attempts to bring to light how actions of human beings are shaped by the culture and society in which they find themselves (Berger, 2017).

Finance is also a discipline aimed at establishing worth and engaging in decision making. The finance discipline allot capital for value maximization and investing into activities or ventures which will bring about a profitable return. The discipline of finance takes into consideration activities such as borrowing, lending, investing, saving, budgeting, forecasting among others. Finance involves the process of creation and use if funds. Individuals, businesses and governments all need funds for their day to day activities hence

finance is usually categorized into three namely; individual finance which has to do with an individual's financial position i.e. sources of finance and uses of those funds gotten, Corporate finance which relates to businesses' financial activities and Public finance which has to do with governments in relation to their sources of revenue and their expenditure (Jobst, 2016).

Psychology, Sociology and Finance contribute immensely to an investor's behavior towards investing (Ricciardi & Simon, 2000).

Behavioral biases can be said to be inclination for or against certain issues. Investors just like any other human being also have certain behavioral biases towards investment. Investment behavioral biases are varied. This study seeks to look at eight major investment behavioral biases as various researchers have come up with distinct biases but most of these biases are interrelated one way or the other. The investment behavioral biases are further elaborated on below;

- Representativeness – this is based on previous performances; investors are able to make judgement about whether an investment is good or bad. Since stock prices exhibit the random walk theory, this bias comes to play when performance does not go the way the investor expects (Baker, 2014)
- Regret (loss) aversion – this describes the experience after making a decision which turns out to be bad. Investors who anticipate risks for the fear of poor outcomes tend not to take too much risks or any risk at all (Verma, 2016).
- Disposition effect – this refers to having to sell stocks that have risen in prices too sudden and keeping on to stocks which are losing their value. Furthermore, investors tend to sell or dispose stocks or securities which are performing well on the market

and are in demand where as investors tend to hold unto or keep securities or stocks which are not performing well on the market, these stocks may be making losses and stocks making losses will not be in demand hence the decision of investors to hold unto these stocks till such a time where they may recover (Kumar & Goyal. 2015)

- Familiarity bias – this occurs when investors have preferences among certain types of investment and thus, they go in for these investment without considering diversification into other better yielding investment types (Bailey et al., 2011)
- Worry bias – this is similar to the regret/loss aversion bias; this occurs as a result of the perceived risk of an investment and the more anxious one is about an investment, the lesser there are investments in those assets (Ricciardi & Baker, 2014).
- Risk –taking and the Anchoring bias- a very vital component of investment and the decision making procedure is to assess one' level risk appetite. Risk appetite refers to the amount of the level of risk or loss an individual is willing and prepared to take in the pursuit of an investment objective. The Anchoring effect has to do with holding unto one's belief and applying that belief at a future time for maximum objective (Jain et al., 2015)
- Self-attribution bias- with this inclination, investors usually accord themselves the credence of having to do with successful results of their investments while attribute bad outcomes to external factors (Libby et al., 2012)
- Trend-changing bias- investors depend on past performance to make future judgement but prices of investments and performances take a random walk i.e. unexpected turn of events. (Grable et al., 2004)

## 2.6 Types of Financial Investment Products

Financial investment products are varied and quite a number all around the world with people investing in varied ones for various reasons. Investments in these financial products brings about returns and these returns do not exist in a vacuum but also comes along with its associated risks, thus based on risk, one may choose to invest in financial investment product.

This context seeks to bring to bear some of the popular financial investment products an investor may consider in times of investment decisions.

- Mutual funds- mutual funds involve pooling of resources or capital from investors to venture or invest in securities over a period of time for a required rate of return. Investment companies manage these mutual funds. Mutual funds are also known as Open ended funds and an investor can sell his or her security purchased at any time (Sahlman, 1990).
- Fixed deposits – these are provided by financial investment companies especially banks where investors are given high rates of interest in an account over a period of time. Usually, an investor deposits a sum of money over a period depending on the fixed deposit terms of the bank at a required rate of return (Hanson et al., 2015)
- Public provident funds – this refers to a long term investment scheme usually provided by the government and offers high rates of interest and is usually tax exempt. Investors deposit money over a period of time at an interest rate and partial withdrawal is allowed usually from the 7<sup>th</sup> year. These are mostly common in India (Willows et al., 2018)
- Insurance- this is where a firm known as the insurance company undertakes the responsibility to provide compensation for specified issues such as loss, damage

among others. People insure their cars, houses, health among others. Insurance provides financial security in the event of loss or damage (Lannon et al., 2016)

- Equity –this implies ownership in a company. Here, an investor purchases ownership in a company known as equity or stock and hence the investor is known as the equity or stock holder. Profits or dividends are paid to the stock holder based on the amount of stock they hold in the company (Blaszczyk, 2015).
- Recurring deposits – these are offered to investors to deposit a fixed amount of money into an account periodically usually monthly to earn an interest rate which is normally applicable to fixed deposits (Hanson et al., 2015)
- Derivatives- these are very complex financial products whose value is derived from another security known as the underlying asset. This investment product is usually used for risk management purposes. Examples of derivatives are options, swaps, forwards and futures (Miller, 2018).
- Provident fund- these are investment funds contributed by employees, employers and the state and usually a huge sum of money is given to the contributor upon retirement (Feldstein, 2018).
- Treasury bills- these are short term investment packages usually ranging from 3 months to 1 year and issued by the government in order to raise money to finance project. These treasury bills are considered to be the safest form of investments sine the likely hood for governments to default is low (Bortolotti et al., 2015)
- Bonds- these are fixed investment income securities where an investor lends money to a firm or even government and earns a fixed amount of return on the loan given out. Bonds can be short term or long term. It is also another way by which funds are raised by firms and the government (Mader, 2015).

## **2.7 Financial Literacy**

Financial literacy basically talks about knowhow or understanding of various sectors of finance. This places much emphasis one's ability to personally manage his or her finances in an efficient and effective manner by taking decisions which will yield positive results. Areas where decisions needed to be critically assessed before putting these decisions into play are investing, budgeting, pension, tax among others (Calcagno & Monticone, 2015).

Financial literacy causes individuals to have sufficient amount of monetary, economic, business or investment knowledge so that they will be able to make certain financial decisions in their day to day activities without having to fall on experts unless of course in extreme cases. Financial literacy affects all and sundry no matter the age group. Some level of financial literacy prevents one from being a victim of fraud popularly known in Ghana as 419, Ponzi schemes, bankruptcy among other risks associated to finance.

It is on the backdrop of this that policy makers welcome financial education or literacy as a necessary tool to the complex financial decisions made by individuals. It is no wonder Frenandes et al. (2014) argue that there is a strong correlation between financial literacy and investment or financial behaviors.

## **2.8 Empirical Studies**

This section enables one to gain the requisite knowledge as a result of previous studies or researches conducted in a particular field and this eventually helps one to conduct research guided by existing works and principles in order to add new knowledge to the particular field of study. This section seeks to review previous works relating to Investment behavior.

### **2.8.1 Preferred Financial Investment Products**

Kumar et al. (2008) conducted a study to investigate the financial product preference of investors. Based on their hierarchy process based on safety of capital, stability of income, capital growth, tax benefit, inflation resistance and concealability, they concluded that Post office investment, Bank deposits, Gold, Real Estate, Equity investment and mutual funds were preferred by investors.

Lasu et al. (2008) concluded that there are a wide variety of financial products which one can invest in. In their study, it was found out that investors prefer to invest in financial products such as Money market mutual funds, High-growth stock, Common/Preferred stock, Global stock and Certificates of deposits.

### **2.8.2 Reasons for Investing**

Investment will be explained to be the current commitment of funds into an activity and hoping for a return to compensate for time, uncertainty and inflation (Barton, 2016). Keynes (1936) brought up some eight (8) reasons why people invest namely; Precaution where people build up a reserve against unexpected circumstances, Foresight where there is an expectation of income and expenditure in the future, Calculation implies to be able to earn interest on investment, Improvement implies bettering one's standard of living, Independence implies the ability to be able to take initiatives, Enterprise refers to being able to take up other investment ventures, Pride implies living a legacy for heirs and Avarice implies pure miserliness.

The current literature on reasons why people invest tend to revolve around the eight (8) reasons proposed by Keynes.

Coung and Jian (2014) consider earning income in the form of interest on the security over a period of time and capital appreciation to be the main reasons for engaging in investment activities. Deb and Singh (2017) also tend to agree with Coung and Jian where Deb and Singh also agree that investments are made in order to generate income which may come in the form of interest or capital appreciation. Capital appreciation is where there is an increase in the value of an asset over a period of time (Hallet et al., 2015).

### **2.8.3 Factors Influencing Choice of Investment**

Mak and Ip (2014) conducted a fact finding study on the investment behavior of investors. In the economy of China and Hong Kong, the financial sector contributes greatly which has brought about the rise in managerial and academic interests over time. The authors found out that demographic, psychological and socioeconomic factors greatly influence investment patterns of individuals. This study though coming out with its findings, was limited to a sample which does not effectively represent all the mainland Chinese and Hong Kong investors. In agreement with Mak and Ip, Deb and Singh (2017), also found out that behavior of investors towards various ventures is becoming very topical lately and also concluded that demographic factors such as age, marital status, sex and socio economic factors such as education, current employment and income levels greatly influenced an investor's behavior. Singh and Sharma (2016) couldn't agree more with Mak and Ip as well as Deb and Singh, as they also concluded in their study that demographic and socioeconomic factors have great influence on the various decisions an investor makes.

Kamaladhan (2015) in his study of Retail investors' financial risk tolerance and their risk taking behavior, also is in line with the findings of the above authors on demographic factors and socioeconomic factors having a great influence on investor behavior. Kamaladhan

concludes that women are conservative as compared to males when it comes to taking risks, age also plays a major role in risk taking as it was found in this study that one's level of risk tolerance decreases as one's age increases. With respect to marital status, married couples tend to be risk averse as it is their belief that they have more commitments and hence cannot afford to take on a lot of risk. The study also found that literates or people with a high level of education tend to be risk lovers. This study also argued that self-employed individuals have a high risk appetite than salaried employees and that the higher one's income, the more that individual is willing to take on more risks. Hence, demographic and socioeconomic factors have a great influence on investor behavior. Likewise, the findings of Shinde and Zanvar (2015) such as gender, age, education, family size, annual income and savings have a major influence on investment behavior. This study found out that female employees were not much enthused about male employees in investing in mutual funds, also, people having more income were found investing more in mutual funds and higher age group were not interested in investing in mutual funds as compared to the lower age group. Hence, it was concluded that demographic and socioeconomic factors have influenced the investment behavior of investors in mutual funds.

In a sharp contrast by Ramanathan and Meenakshisundaram (2015), who conducted a study on the investment pattern on investor focusing primarily on bank employees concluded that demographic and socioeconomic factors predominantly found to be the major factors which influence an investor's decision making were not valid but rather the motivation of friends and family were the factors influencing their decisions in making investments though they agreed that income was a major factor in making certain investments.

#### **2.8.4 How Financial Literacy Influences Investment Behavior**

Canova et al. (2005) also conducted a study to look into the reasons why people invest and also did not deviate from the reasons proposed by Keynes. The authors found out that people invest in order to increase their wealth, take up precautionary motives and Foresight as proposed by Keynes.

Choosing to invest is a decision that is made by individuals and requires basic understanding of certain financial concepts. These decisions are increasingly important because they can affect the quality of life of an individual. Basic understanding of financial concepts is often termed as financial literacy.

Financial literacy and investments are closely linked. Awais et al. (2016) suggest that knowledge about the basic concepts of finance is also a factor which influences people to invest in financial products. Other researchers including Mouna and Jarboui (2015), Savinzoga et al. (2015), Tokar (2015) also found the connection between financial knowledge and investment.

The increasing literature on financial literacy suggests that the knowledge of consumers on financial principles and products is very minimal (Lusardi & Mitchell, 2011) as these are serious concerns on the ability of individuals to secure financial wellbeing. Financial literacy can affect the investor's decisions (Klapper et al., 2013). Lusardi and Mitchell (2011) revealed that households with lower level of financial literacy are unlikely to plan for retirement and eventually accumulate less wealth.

Bhushan (2014) looked at the relationship existing between financial literacy and investment behavior of salaried individuals. This study was conducted to throw more light on financial literacy and to improve the knowledge of financial matters of individuals in order to make better and informed judgement and concludes that financial literacy is very necessary for all. The study finds out that salaried workers of three selected districts in Himachal Pradesh have high level of financial literacy for all financial products excluding post office savings. It also concluded that financial literacy affects financial investment. It was found out that respondents having low financial literacy tend to invest in traditional safe financial products which normally do not carry high interest yields. In agreement with Bhushan, Singh and Sharma (2016) conducted a study on financial literacy and its impact of investment behavior for effective planning. This study makes use of 150 school teachers as respondents. From the study, it was concluded that financial literacy enables an investor to make valid decisions, also the level of knowledge, level of interest and level of commitment plays a very vital role in the investment pattern of individuals.

The study conducted by Lodhi (2014) seems to also fall in line with previous studies suggesting that financial literacy plays a very vital role in decisions made by an investor. Lodhi (2014) in the study of factors influencing investor behavior, the study examines the impact of financial literacy, accounting information, experience and information asymmetry of individual investors. This study sought to provide relevant and necessary information about investment decisions to people belonging to different age brackets, different financial areas and their investment choices. The study made use of primary data collected through questionnaires from sample of 100 people in Karachi city though only 60 of the response from the questionnaire were found to be valid. The study found out that financial literacy of individuals increases his risk appetite for better financial gains. This study also argues that

per one's knowledge of accounting information, he or she prefers to invest in less risky assets and is not ready to suffer huge losses, it was also found out that this is a common characteristic among old people per the study conducted. On information asymmetry, an investor with adequate information will consider which investment will be beneficial and which will not. The study therefore concluded that financial literacy and accounting information enables investors to reduce information asymmetry

## **2.9 Conclusion**

The purpose of this literature review is to throw more light on the trend and studies conducted in the sector of the investment patters of individual investors over time. It is obvious from the research reviewed that, investment behavior is a topical issue as investors' behavior is affected by a wide range of factors and decisions made on the basis of these factors are able to generate positive or negative results.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Introduction**

The aim of this chapter is to elaborate into detail the research method and methodology which will be used for the study. This include research approach, research design, population of the study, sample and sampling procedure, research instrument, data analysis and presentation

#### **3.2 Research Approach**

MucCusker and Gunaydin (2015) established the use of three main methods for research namely; qualitative approach which is concerned with collecting non-numerical data, quantitative approach which focuses on numerical data and mixed approach which combines both qualitative and quantitative approaches so that conclusions can be drawn from the results obtained from a study. Doyle et al. (2009) posits the use of the mixed approach enables a researcher to use a wide range of approaches to answer questions which cannot be addressed by using only one approach. This study will therefore employ the mixed approach.

#### **3.3 Research Design**

The research design alludes to the general master plan or approach that one can settle o in order to incorporate the different parts of the study in a logical way which will ensure the research problem is effectively addressed (ReSearCher, 2017). The research design comprises of the blueprint for the collection, quantification and data analysis.

This study will employ the descriptive survey design to arrive at its results. The descriptive design provides answers to what, who, when, how and where which are related to a specific research phenomenon. A descriptive study may not be able to readily provide answers to why. Descriptive research enables one to obtain information pertaining to the contemporary status of a problem and to be able to explain what exist in relation to the conditions of a problem (Varismodi et al., 2015).

The study will emulate studies conducted by Bhushan (2014), Samdura and Burghate (2012) and Parimalakhanthi and Kumar (2015).

### **3.4 Population of the Study**

Population refers to a group of individuals who can be identified by a particular feature such as age, sex, occupation among others. The population of this study was based on the informal sector workers in Ghana.

### **3.5 Sampling and Sampling procedure**

Sampling refers to a series of action to select units from a population for further examination. These units represent the entire population (Etikan et al., 2016). Two main classifications can be used namely; probability and non-probability sampling. Probability sampling is where the individuals in the units of study has equal chances to be selected (Palinkas et al., 2015) whereas the non-probability sampling refers to where individuals in the units of study are not given a fair or equal chance of becoming part of the sample (Valliant et al., 2018).

This study employs the use of a simple random sampling method which is a probability sampling method. The simple random sampling method is a sampling method where the individual units of study are given equal opportunities of being selected (Speak et al., 2018). The study employs the use of 200 respondents.

### **3.6 Research Instrument**

Data collection refers to the researcher obtaining the necessary information in order for the research problem to be answered. Data collection comprises of which data to collect, how to collect the data, who will collect the data and when to collect the data (Hashem et al., 2015)

Research instruments are defined as tools or devices which are employed in the collection of data in order to facilitate observation and measurement (Arafat et al., 2016). This study employs the use of questionnaire as its research instrument. The use of questionnaire is cheaper and very fast to obtain. A questionnaire is defined as a set of organized questions with the basic aim of collecting data and these questionnaires are prepared in order to obtain responses to questions posed in them (Albuquerque et al., 2014).

On the administration of the questionnaire, it can be administered through self-administration or interview administration. A self-administered questionnaire implies questions designed mainly to be completed by the respondent where the researcher does not offer any help whatsoever to the respondent in filling out the questionnaire (Coyle et al., 2018). The interview administered questionnaire refers to where the researcher takes the respondents through the questionnaire in the form of conducting and interview, this can be face to face or via telephone (Brinkmann, 2014).

This study employs the use of both the self-administered form of questionnaire and the interview administration depending on the preference of the respondents.

The questionnaire can be in the form of open ended questionnaire and closed ended questionnaire (Krosruck, 2018). The closed ended questionnaire refers to questions which provide respondents with a variety of options from which a response will be chosen while open ended questionnaire are forms of organized questionnaire which call for free responses mostly in the respondent's own words or writing (Popping, 2015).

For the purpose of this study, data was collected from people engaged in the informal sector in the central business district of Accra, Makola to be precise, Teshie, Osu, Spintex and Cantonments.

The study makes use of both closed and open ended questionnaire but more of closed ended questionnaire since they are easier to analyze than the open ended questionnaire.

### **3.7 Data Analysis and Presentation**

The Statistical Package for the Social Sciences (SPSS) version 22 was used for the analysis of data obtained through the questionnaire in order to achieve the research goal. The SPSS is an application software that is used to collate, view and conduct statistical analysis of data obtained. The questionnaires were coded on the SPSS version 22 for quantitative analysis. This is to ensure that results can be interpreted and presented. Data was analyzed using descriptive analysis such as frequency distribution and percentages. The results were presented in tables and figures.

Correlation analysis was used in this study to identify the factors which influence investment. The correlation analysis will also be used to determine how financial literacy influences investment.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### 4.1 Introduction

This chapter is dedicated to the results and findings of the research work. This chapter entails the analysis and presentation of results.

#### 4.2 Characteristics of Participants

This section presents results gotten based on the sample size of the informal sector. This section shows the demographic characteristics of the sample which includes age, gender, marital status, educational background, primary economic activity and average monthly profit.

##### Summary of demographic characteristics of the sample

**Table 4.1: Age**

Variable	Frequency	Percentage
18-25	29	14.5
26-30	15	7.5
31-35	19	9.5
36-40	32	16.0
41-45	43	21.5
46-50	41	15.5
51-55	24	12.0
56-60	5	2.5
61-65	2	1.0
Over 66	0	0
<b>Total</b>	<b>200</b>	<b>100</b>

**Table 4.2: Gender**

Variable	Frequency	Percentage
Male	95	47.5
Female	105	52.5
<b>Total</b>	<b>200</b>	<b>100</b>

**Table 4.3: Marital Status**

Variable	Frequency	Percentage
Married	123	61.5
Single	57	28.5
Divorced	12	6.0
Widowed	8	4.0
<b>Total</b>	<b>200</b>	<b>100</b>

**Table 4.4: Educational Background**

Variable	Frequency	Percentage
None	29	14.5
Basic	95	47.5
Secondary/Vocational	57	28.5
HND/Diploma	7	3.5
Bachelor's degree	11	5.5
Post graduate	1	0.5
<b>Total</b>	<b>200</b>	<b>100</b>

**Table 4.5: Primary Economic Activity**

Variable	Frequency	Percentage
Manufacturing of goods	28	14
Wholesaling of goods	40	20
Retailing of goods	67	33.5
Provision of services	65	32.5
<b>Total</b>	<b>200</b>	<b>100</b>

**Table 4.6: Average Monthly Profit**

Variable	Frequency	Percentage
Below GHS500	20	10
GHS501-GHS1000	36	18
GHS1001-GHS1500	26	13
GHS1501-GHS2000	25	12.5
GHS2001-GHS2500	8	4.0
GHS2501-GHS3000	9	4.5
GHS3001-GHS3500	16	8.0
GHS3501-GHS4000	15	7.5
GHS4001 and above	45	22.5
<b>Total</b>	<b>200</b>	<b>100</b>

Out of the two hundred participants sampled, majority were females with 52.5%, the highest age gap fell between 41 and 45 years representing 21.5%. Majority of the sample are married giving 61.5%. 47.5% had basic educational level being the highest frequency of the educational levels. 32.5% engaged in provision of various services which represented the highest form of economic activity and monthly profit was GHS4001 and above being the highest frequency representing 22.5%.

### 4.3 Financial Investment products preferred

This section presents results based on the investment products preferred by the sample. It shows which financial investment products the sample prefers.

**Table 4.7: Summary of financial investments products preferred**

Variable	Frequency	Percentage
Mutual fund	26	13
Treasury bill	13	6.5
Fixed deposit	18	9
Thrift/cooperative unions	44	22
Stock/Shares	9	4.5
Government bonds	1	0.5
No investment	89	44.5
<b>Total</b>	<b>200</b>	<b>100</b>

From the table above, it can be observed that 13% of the sample prefer to invest in Mutual funds, 6.5% prefer to invest in Treasury bills, 9.0% prefer to invest in Fixed deposit, 22.0% prefer to go into Thrift (Cooperative credit unions), 4.5% prefer investing in Stocks/Shares, 0.5% prefer Government bonds and 44.5% do not prefer any financial investment product.

#### 4.3.1 Proportion of Financial Investment Product

The table below shows the various proportions in which the sample spread their investment portfolios.

**Table 4.8: Summary of proportions of financial investment product**

Variable	Frequency	Percentage
<b>Mutual fund</b>		
None	174	87.0
1%-24%	1	0.5
76%-100%	25	12.5
Total	<b>200</b>	<b>100</b>
<b>Treasury Bill</b>		
None	186	93.0
76%-100%	14	7.0
Total	<b>200</b>	<b>100</b>
<b>Fixed deposit</b>		
None	183	91.5
1%-24%	1	0.5
76%-100%	16	8.0
Total	<b>200</b>	<b>100</b>
<b>Thrift/Cooperative union</b>		
None	157	78.5
25%-50%	1	0.5
76%-100%	42	21.0
Total	<b>200</b>	<b>100</b>
<b>Stock/Shares</b>		
None	191	95.5
1%-24%	1	0.5
25%-50%	1	0.5
76%-100%	7	3.5
Total	<b>200</b>	<b>100</b>
<b>Government bond</b>		
None	199	99.5
1%-24%	1	0.5
Total	200	100

The above table shows the proportions which the sample had their investments categorized into.

Of the population who invested in various financial investment products, 0.5% of them had investment spread in 1%-24% percent of Mutual funds and 8% in 76%-100% of Mutual funds.

For Treasury bills, 7% had 76%-100% proportion invested in treasury bills.

For Fixed deposits, 0.5% of them had share of 1%-24% and 8% had between 76%-100%. 0.5% had investment spread of 25%-50% in Thrift and 21% had 76%-100%.

Those invested in Stocks, 0.5% had between 1%-24%. 0.5% had between 25%-50% and 3.5% had share of 76%-100%. 0.5% had between 1%-24% in Government bonds.

#### 4.4 Major Reason for Investment

This sections presents results gotten based on the sample which shows the various reasons why the sample engaged in various financial investment products.

**Table 4.9: Summary of major reasons for financial investment**

Variable	Frequency	Percentage
Assets	16	8.0
Financial Security	49	24.5
Cater for dependents	19	9.5
Business expansion	26	13.0
Rent	1	0.5
Retirement	0	0
<b>Total</b>	<b>111</b>	<b>55.5</b>

From the table above, it can be observed that 8% engaged in investment activities in order to purchase assets of various kinds, 24.5% wanted financial security, 9.5% engaged in investment to cater for dependents especially school fees and 13% engaged in investment of financial products for business expansion, 0.5% engaged in investment to pay rent and none invested for retirement purposes.

#### 4.5 Financial Literacy

This section shows the sample's financial literacy level. This was achieved by asking questions of future value, interest rates calculations, their source of information and how they perceive their level of literacy.

**Table 4.10: Summary of response for future value and interest rate question**

Variable	Frequency	Percentage
<b>Future Value</b>		
GHS 2662 exactly	9	4.5
Less than GHS 2662	5	2.5
No idea	186	93.0
Total	<b>200</b>	<b>100</b>
<b>Interest rate</b>		
7%	1	0.5
10%	8	4.0
5%	3	1.5
No idea	188	94.0
Total	<b>200</b>	<b>100</b>

From the above table, 4.5% were able to answer the future value question correctly while 2.5% chose the wrong answer and 93.0% said they had no idea.

The interest rate question was answered correctly by 4.0% percent while 0.5% chose 7% as their answer and 1.5% also chose 5% as their answer while 94.0% had no idea.

This table shows the various means which the sample got information thereby influencing them to invest in the financial investment products.

**Table 4.11: How the sample accessed information relating to financial investment products.**

Variable	Frequency	Percentage
Professional advice	55	27.5
Friends' recommendations	22	11.5
Media advertisement	19	2.5
Own search	7	3.5
Prior knowledge	2	1.0
None	94	47.0
<b>Total</b>	<b>200</b>	<b>100</b>

The table above gives a summary about how information relating to the financial investment product is accessed by the sample. The above table shows that 27.5% got their information through professional advice, 11.5% got theirs through friends, 2.5% through media advertisement, 3.5% through one's own search. 1.0% relied on prior knowledge and 47.0% relied on no one.

This table gives a representation of how the sample views their level of financial literacy.

This section is based on the sample's own assessment of their level of financial literacy.

**Table 4.12: Perception of level of financial literacy and its effect on decision to invest**

Variable	Frequency	Percentage
<b>Financial literacy soundness</b>		
Strongly disagree	51	25.5
Disagree	92	46.0
Neutral	40	20.35
Agree	16	8.0
Strongly agree	1	0.5
Total	<b>200</b>	<b>100</b>
<b>Financial literacy influence</b>		
Strongly disagree	108	54.0
Disagree	51	25.5
Neutral	30	15.0
Agree	10	5.0
Strongly agree	1	0.5
Total	<b>200</b>	<b>100</b>

The table above shows that 25.5% strongly disagreed that their financial literacy level was high, 46% disagreed, 20.5 were neutral on their financial literacy level, 8.0% agreed they were financially sound and 0.5% strongly agreed they were financially sound.

The table also presents 54.0% strongly disagreeing to financial literacy influencing their decision to invest, 25.5% disagreeing to that, 15.0% were neutral, 5.0% agreed that financial

literacy influenced their decision to invest and 0.5% strongly agreed to the fact that financial literacy influenced their decision to invest.

The table shows how the sample perceives the ease of access to information regarding the various financial investment products.

**Table 4.13: Perception of ease to access information regarding financial investment products.**

Variable	Frequency	Percentage
Strongly Disagree	31	15.5
Disagree	36	18.0
Neutral	93	46.5
Agree	39	19.5
Strongly agree	1	0.5
<b>Total</b>	<b>200</b>	<b>100</b>

The above table shows that 15.5% of the sample strongly disagreed to finding information about financial investment products easy, 18.0% disagreed, 46.5% were neutral, 19.5% agreed to having ease of finding information relating to financial investment product and 0.5% strongly agreed.

#### 4.6 Factors Influencing Investment

**Table 4.14: Summary of correlations between various factors**

**Correlations**

		Sex	Age	Marital Status	Education	Economic Activity	Average Monthly Profits	Investment	literacy2
Sex	Pearson Correlation Sig. (2-tailed)	1							
Age	Pearson Correlation Sig. (2-tailed)	.171* .016	1						
Marital Status	Pearson Correlation Sig. (2-tailed)	.011 .875	-.117 .098	1					
Education	Pearson Correlation Sig. (2-tailed)	-.126 .076	-.020 .780	-.119 .093	1				
Economic Activity	Pearson Correlation Sig. (2-tailed)	.148* .036	-.184** .009	.045 .525	.182** .010	1			
Average Monthly Profits	Pearson Correlation Sig. (2-tailed)	.204** .004	.560** .000	-.315** .000	.213** .002	-.278** .000	1		
Investment	Pearson Correlation Sig. (2-tailed)	-.029 .689	-.250** .000	.045 .525	-.126 .076	.191** .007	-.214** .002	1	
literacy2	Pearson Correlation Sig. (2-tailed)	.071 .321	.091 .198	-.133 .061	.157* .026	.107 .133	.234** .001	-.084 .235	1

\*. Correlation is significant at the 5% level (2-tailed).

\*\* . Correlation is significant at the 1% level (2-tailed).

The summary of the results of the Pearson r test showed that, there was no significant relationship existing between gender of an individual and investment [ $r_{(198)}=-.03$ ,  $p=0.689$ ]. This indicates that no matter the sex of an individual, investment would be the same.

The summary of the results of the Pearson r test showed that, there was a significant negative relationship existing between age and investment [ $r_{(198)}=-.25$ ,  $p=0.00$ ]. This indicates that the higher the age, the lower the investment. Hence individuals who are old invest lower than the younger ones.

The summary of the results of the Pearson r test showed that, there was no significant relationship existing between marital status and investment [ $r_{(198)}=.045$ ,  $p=0.525$ ]. This indicates regardless of one's status, individual investment remains the same.

The summary of the results of the Pearson r test showed that, there was no significant relationship existing between education and investment [ $r_{(198)}=-.126$ ,  $p=0.076$ ]. Even though the relationship was insignificant, it shows that those who had higher education invested higher than those who had lower education. But since it is insignificant it means regardless of your educational level, investment level is same.

The summary of the results of the Pearson r test showed that, there was a significant positive relationship existing between economic activity and investment [ $r_{(198)}=.19$ ,  $p=0.007$ ]. This indicates that those in retailing and provision of services invest more than the others.

The summary of the results of the Pearson r test showed that, there was a significant negative relationship existing between average monthly profit and investment [ $r_{(198)}=-.214$ ,  $p=0.002$ ].

This indicates individual who earn higher profit invest less of their money compared to those who get lower profits.

The summary of the results of the Pearson r test showed that, there was a positive insignificant relationship existing between financial literacy and investment [ $r_{(198)} = -.084$ ,  $p = 0.019$ ]. This indicates that financial literacy does not influence the sample size's decision to invest.

#### **4.7 Discussion**

Discussion is done based on the objectives of the study.

##### **4.7.1 Financial investment products preferred by the informal sector in Ghana**

The results showed that the financial investment products preferred by the informal sector are mainly Mutual funds, Treasury bills, Fixed deposit, Thrift/Cooperative credit union investments and Stocks/Shares. The outcome of this objective is however not surprising that, previous empirical studies have concluded on the above stated preferred financial investment products. Kumar et al. (2008) on their study also found out investors preferred bank deposits, mutual funds, and treasury bills. Lasu et al. (2008) also concluded that financial investment products preferred by investors are money market mutual funds, common/preferred stock. These studies are in line with findings of this research work. In addition, this study finds that thrift/cooperative union investments are also preferred by the informal sector.

#### **4.7.2 Major Reasons for Investment by Informal Sector Workers**

The second objective of the research is to determine the major reason for investing. Thus study's findings are not farfetched from the eight (8) reasons propounded by Keynes (1936) which are precaution, foresight, calculation, avarice, pride, independence, improvement and enterprise. Barton (2016) also finds out that people invest to compensate for time and uncertainty. Coung and Jian (2014) consider income in the form of interest and capital appreciation as reasons for investing in financial products. Deb and Singh (2017) couldn't agree more, hence investing for assets, financial security, catering for dependents and business expansion as reasons why the informal sector engages in financial investment products tend to fall in line with the existing literature.

#### **4.7.3 Factors Which Influence Investment**

The study finds out that there was no significant relationship existing between gender and investment, hence gender does not in any way influence investment unlike the study conducted by Mak and Ip (2014) and Deb and Singh (2017) which finds a significant relationship existing between gender and investment.

This study also finds that there is a significant relationship between age and investment but finds out that the higher the age, the lower the investment and vice-versa. Similarly, Mak and Ip (2014) finds that there exist a significant relationship between age and investment but finds out that the higher the age, the higher the investment and the lower the age, the lower the investment.

The study finds that there is no significant relationship existing between marital status and investment unlike Deb and Singh (2017) whose study finds marital status to have a significant relationship with investment.

The study finds no significant relationship between educational level and investment and hence educational level does not influence one's decision to invest though Shinde and Zanvar (2015) finds a significant relationship between educational level and investment.

There was a significant positive relationship existing between economic activity and investment and hence, those engaged in various economic activities tend to invest more than those who are not gainfully employed. Singh and Sharma (2016) also found out that those engaged in meaningful employment tend to invest more than those who are not gainfully employed.

For profit level, the study found a negative significant relationship implying that those with lower profits tend to invest more than those with higher profits. This finding does not fall in line with Shinde and Zanvar (2015) and Kamaldhasan (2015) who found out that people with higher profits tend to invest more than people with lower profits.

#### **4.7.4 How Financial Literacy Affects Choice of Investment**

The study findings proved that financial literacy does not influence the decision of the sample size to invest. Bhushan (2014) looked at the relationship existing between financial literacy and investment behavior of salaried workers, and found a positive correlation between financial literacy and level of investment, hence respondents having a high financial literacy level tend to invest more in financial products. Lodhi (2014) also found a positive correlation between financial literacy and investment.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The study of individual investment has not received much attention in the country especially relating to the informal working class though they are a very important part of the economy. Studies focusing on them have been very limited. The main aim of this study is to assess the investment behavior of the informal working sector of Ghana. This study specifically sought to determine; the financial investment products preferred by the informal sector, major reasons for investing by the informal sector, factors which influence their choice of investment and how financial literacy affect their investment behavior.

#### **5.2 Summary of Results**

The study has shown that the informal working class in Ghana somewhat have an investment appetite. The results established that majority out of the sample had investments in at least one financial investment product. In descending order, the financial investment product preferred are Thrift/cooperative investments, Mutual funds, Fixed deposits, Treasury bill, Stock and the least preferred being Government bonds and some not engaging in any financial investment product.

For several reasons, respondents are motivated to invest in various financial investment products. In ranking from top to bottom, the sample invested for Financial security, Business expansion, Catering for dependents, Purchase of assets and Payment of rent and surprisingly no one invested for Retirement purposes.

Per the study, the sample found information relating to financial investment products in descending order from Professional advice, Recommendations from friends, Own search, Media advertisement and Prior knowledge.

The study found out that demographic factors such as Gender, Marital status, and Level of education do not influence investment. This study found out that the Age gap influences investment such that younger ones tend to invest as compared to the older age gap. The study also found out that the Economic activity influences investment as people who are gainfully employed tend to invest than people who are not. The study also found out that people who earn higher profits tend to invest less.

This study found out that, the level of the sample's financial literacy does not in any way influence their decision to invest in any financial investment product.

### **5.3 Conclusions**

Based on the research questions posed, the study arrived that the informal working sector of Ghana prefer to invest in Thrift/Cooperative investment, Mutual funds, Fixed deposit, Treasury bills, Stock and Government bonds. The sample places much emphasis on Business expansion, Catering for dependents, Purchase of assets and Payment of rent as motives for investing in financial investment products. Demographic factors such as Gender, Marital status and Level of education do not influence one's investment decision whiles Economic activity, Age and Profits influence one's investment decision.

The study also concludes that, the level of financial literacy does not influence the sample's decision to invest.

#### **5.4 Limitations to Study**

The major limitation the researcher encountered had to do with collection of data. The busy schedule of respondents coupled with unwillingness of some made it a bit difficult to fill the questionnaires. The following are some other limitations

- The issue of having to combine research work and course work was a major issue to deal with.
- The inadequate resources relating to time and financial constraints
- Gaining access to current literature was also another hurdle.

In spite of the limitations stated above, the researcher managed to come out with the various findings.

#### **5.5 Recommendations**

Based on the research findings and conclusions, the researcher suggests the following recommendations:

- There should be more advertisements about financial investment products; per the study, information got by people only accounted for 2.5% from media outlets. This day of digitization presents us the opportunity to adequately advertise on various media platform since the media is wide reached. This will enable people know more about financial investment products
- There should be massive education about financial investment products among the informal sector by various financial institutions who want to capture that market; education is an unending game and thus, various institutions should engage in massive education among the informal sectors. In educating the public

about financial investment products is a two-way street such that it helps the financial institutions get more customers and the customers also get returns from their investment.

- Regulatory agencies should find ways of communicating measures put in place to protect monies invested, this will allay fears and encourage investment. Regulatory agencies such as the Bank of Ghana, Securities and Exchange Commission should put in various measures which will check the activities of various financial institutions in order to enable them know whether they are following due proceedings and not to toy around with people's investments, with this, adequate information can be relayed to various investors
- More Thrift/Cooperative unions should be formed since it is most preferred by the informal sector; per the study, it was realized that more of the sample preferred to invest in Thrift/Cooperative unions and hence it is recommended that more of these unions should be formed and registered so as to monitor the various investment transactions of investors.

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## APPENDIX: QUESTIONNAIRE

Dear Sir/Madam

I am a student pursuing Master of Business Administration in Finance. As a final year student, I am to conduct a research project as part of the institution's requirements for obtaining a Masters' degree. This questionnaire is prepared to solicit your help in gathering data on Investment Behavior of Informal sector workers in Ghana. The responses provided will be used for nothing other than the academic purpose for which it is meant for and all responses will be treated with the utmost confidentiality.

### SECTION A

#### DEMOGRAPHIC INFORMATION

Please tick where applicable

##### 1. SEX

Male [ ]      Female [ ]

##### 2. AGE

18-25 [ ]    26-30 [ ]    31-35 [ ]    36-40 [ ]    40 -45 [ ]    46-50 [ ]    51-55 [ ]  
56-60 [ ]    61-65 [ ]    over 66 [ ]

##### 3. Marital status

Married [ ]    Single [ ]    Divorced [ ]    Widowed [ ]

##### 4. Educational Background

None [ ]      Basic [ ]      Secondary/Vocational/Technical [ ]  
HND/Diploma [ ]    bachelor's degree [ ]    Post Graduate [ ]

##### 5. What is your primary economic activity?

Manufacturing of goods [ ]                      Retailing of goods [ ]

Wholesaling of goods [ ]

Provision of services [ ]

**6. What is your average monthly profit?**

Below GHS 500 [ ]

GHS 501 – GHS 1000 [ ]

GHS 2501 – GHS 3000 [ ]

GHS 1001 – GHS 1500 [ ]

GHS 3001 – GHS 3500 [ ]

GHS 1501 – GHS 2000 [ ]

GHS 3501 – GHS 4000 [ ]

GHS 2001 - GHS 2500 [ ]

GHS 4001 and Above [ ]

**SECTION B**

**FINANCIAL INVESTMENT BEHAVIOR**

**7. Do you have investments in any of the following financial investment products?**

FINANCIAL PRODUCT	YES	NO
Mutual fund e.g.: e-pack, m-fund, ark fund, b-fund		
Treasury bills		
Fixed deposit with banks		
Thrift eg:co-operative credit union		
Stock/ Shares		
Government bonds		

**8. Apart from the above, what other financial products do you have investments in?**

.....

**9. What portion of your investment can be found in the following financial investment products?**

Financial investment product	None	1%-24%	25%-50%	51%-75%	76%-100%
Mutual fund					
Treasury bill					
Fixed deposit					
Thrift					
Stock/ Shares					
Government bonds					

Others (please specify) .....

**10. To what extent did the following motivate you in investing in your preferred financial investment product?**

**Least influential**

**Most influential**

**1**

**2**

**3**

**4**

**5**

Rank the factors

Factor	rank
To buy asset e.g.: landed property, equipment	
To grow wealth ( better financial security)	
To safeguard money against inflation	
To cater for school fees of dependents	
For business expansion	
To pay for rent	
For Retirement	

**11. What other reasons were you motivated by in investing in your preferred financial investment product? .....**

**SECTION C**

**FINANCIAL LITERACY**

**12.** Assuming you deposit GHS2,000 in a bank for 3 years at an interest rate of 10% per annum, how much will you have in your account at the end of the 3 years if you do not withdraw from or deposit into the account?

- (i) GHS2,662 exactly
- (ii) Less than GHC2,662
- (iii) More than GHC2,662
- (iv) No idea

**13.** Assuming you took a bank loan of GHS5,000 to be paid back during the year in equal proportions, the interest charge is GHC500. Give an estimate of the annual interest rate on your loan.

- (i) 7%
- (ii) 10%
- (iii) 5%
- (iv) No idea

**14.** How did you access information in making the decision of which financial investment product to invest in (Select all which applies)?

- (i) Professional investment advice [ ]
- (ii) Recommendations from friends and family [ ]
- (iii) Media advertisement [ ]
- (iv) Own search [ ]
- (v) Workshops organized by investment companies [ ]
- (vi) Prior knowledge [ ]
- (vii) Others (specify)

Please tick your preferred choice for each question

Key :	0 = Strongly disagree	1= Disagree	2= Neutral	3= Agree	4= Strongly Agree
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**15.** Your knowledge about financial literacy is solid

0	1	2	3	4
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**16.** My knowledge in financial literacy has influenced my decision on investing in financial products

0	1	2	3	4
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**17.** it is very easy to find information reliably about financial investment products in Ghana

0	1	2	3	4
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**Thanks for your cooperation!!!**