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ASSESSING THE AWARENESS LEVEL OF COLLECTIVE INVESTMENT SCHEMES AMONG FORMAL WORKERS IN GHANA

Undergraduate Thesis

By

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Supervised by: Nana Sefaah Kyei-Boadu

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DECLARATION

I hereby declare that this thesis is the result of my own original work and that no part of it has been presented for another degree at this university or elsewhere.

Candidate's Signature: ……………………………

Candidate's Name: Prince Yaw Edudzi Tetteh

Date: 27th April 2022

I hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines on supervision of thesis laid down by Ashesi University.

Supervisor's Signature: ……………………………

Supervisor's Name: Nana Sefaah Kyei-Boadu

Date: 27th April 2022

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ABSTRACT

Workers dream of a happy retirement after work. Therefore, workers need to plan adequately and ensure that they can meet their future needs after retirement. Currently, all Ghanaian formal workers are mandated to make monthly SSNIT contributions throughout their working life till they retire. However, the SSNIT payments are not enough to maintain the lifestyle and cater for the needs of workers after retirement. The study discusses Collective Investment Schemes as an alternative source of income which can help workers with retirement.

The research explored the awareness level of the fund schemes among formal workers using questionnaires and google forms. The findings revealed that the majority of formal workers were aware of fund schemes. Despite this, nearly half of formal workers do not invest in the fund schemes due to a lack of proper understanding. Alternatively, investors in fund schemes considered safety and returns before investing. The Pearson's Chi-square test revealed that there was a significant relationship between educational level and the awareness level of fund schemes among formal workers.

The findings reveal that mutual fund agencies need to market their products better for workers to have a full understanding to invest in them. Additionally, formal workers should have alternative sources of income to supplement their salaries and invest towards having a good retirement. SSNIT contributions should be channelled into fund scheme accounts in order to grow the income of workers to help with their retirement.

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LIST OF ABBREVIATIONS

CIS	Collective Investment Schemes
ECG	Electricity Company of Ghana
EDC	Ecobank Development Corporation
GRA	Ghana Revenue Authority
GWCL	Ghana Water Company Limited
MOE	Ministry of Education
MOF	Ministry of Finance
MOH	Ministry of Health
MORH	Ministry of Roads & Highways
MOGCSP	Ministry of Gender, Children & Social Protection
PSC	Public Services Commission
SEC	Security & Exchange Commission
SSNIT	Social Security & National Insurance Trust

CHAPTER 1: INTRODUCTION

1.0 Background Study

Retirement symbolizes a sharp reduction or a halt in the lifetime work of a person (Maestas, 2009). The retirement phase is a period of life where one should enjoy and be free from the strain of work. To be free from work pressure, workers need to engage in financial planning which paves the way to financial freedom upon retirement. Working for 30 to 40 years, a salaried worker would be expected to have had a financially stable base with less dependence on pension income (Asamoah, 2012).

The stark reality however, is that most workers retire poor and experience challenges such as the inability to pay monthly bills, ill health, delay in pension benefits, and inadequate monthly allowance (Anninakwah-Bonsu, 2016). There is also increased dependence on family members for financial support in retirement. (Ferguson, 2014). Furthermore, retirement tends to disappoint its occupants because it eventually falls into the deep old age of disability and physical decline. At this stage, expenses of long-term care arise, for which one does not have to save, but this form of consumption remains quite invisible in the lifelong promotion of retirement (Ekerdt, 2004).

Pension systems have been introduced to reduce poverty rates among retirees, especially those with low-income levels (Obuobi, 2017). In Ghana, Social Security and National Insurance Trust (SSNIT) pension scheme is the primary source of retirement among workers. The scheme is a statutory public trust charged under the National Pensions Act, 2008 with the sole aim of providing income to retired workers who have contributed money to the scheme over a minimum period of 15 years. However, the scheme is far from providing financial security for the average worker (Asamoah, 2012) and the pension is mostly paltry and inadequate in financing the consumption expenditure of pensioners and their dependants (Kunawotor, 2013). The inadequate pension income was brought to the fore when the National Pensions Regulatory Authority raised cause for concern in its recent disclosure. According to Graphic Online (August 2021), the Director of Planning, Research, Monitoring, and Evaluation – Mr. Ernest Amartey-Vondee, stated that 53% of the 233,670 pensioners currently enrolled on SSNIT receive less than GHS 1000 a month. Out of this, 1,669 pensioners live on less than GHS 300 a month and 26, 571 pensioners (11.4%) receive between GHS 301 to GHS 499 a month. Per the CEOWORLD business magazine (2020) report, Ghana has been ranked as the 10th most expensive country in Africa to live in. The report considered metrics on living costs such as accommodation, clothing, taxi fares, utility, price of groceries, and transport. Moreover, depending on less than GHS 300 or between GHS 301 to GHS 1000 a month is not enough to cater to the cost of living in Ghana. The Ghana Living Standards Survey (2019) revealed that the average annual household cash expenditure on food and non-food items such as clothing housing, transport, and education amounts to GHS 15,083. This figure roughly translates to a GHS 1,257 household expenditure per month.

Ghana has one of the best national pension schemes worldwide, yet the cash flow is derisory to cater to the needs of retired workers (Databank, 2017). With the challenges that workers are likely to face upon retirement, how then can prospective retirees live comfortably in retirement? Due to the aforementioned challenges, financial institutions in Ghana introduced Collective Investment Schemes in the form of mutual funds and unit trusts, making it easier for everyone to invest (the schemes require a relatively low amount to be invested) towards financial freedom in the future and making retirement more attractive for workers. Collective Investment Schemes were established in the late 1990s and advanced from being unfamiliar to becoming a prominent means of investment among Ghanaian investors over the last decade.

Collective Investment Schemes have rapidly increased from GHS 0.7 billion in 2015 to GHS 3.8 billion in 2019, representing a Compound Annual Growth Rate of 51% over the period. Interestingly, the pension funds (Tier 1 and Tier 2) allocate 2.3% of their assets under management into Collective Investment Schemes (Ghana Capital Master Plan, 2020).

Collective Investment Schemes are defined by the Securities and Exchange Commission Ghana, regulators of the schemes, as pools of funds managed on behalf of investors by a professional money manager. Per the Securities Industry Act, 2016, the schemes take the form of either mutual funds or unit trusts. Mutual funds are professionally managed investment schemes that invest a pool of money collected from investors into a portfolio of securities and other financial instruments such as stocks, bonds, and money market instruments. They are mutual because you invest with others who share similar investment objectives. Additionally, they are collective since they pool investors' funds together as assets under management. On the other hand, Unit trusts are professionally managed investments where a pool of money is invested in a portfolio that is fixed for the life of the fund. The money is invested in a portfolio of securities, put in a trust, and the units in the trusts are sold at a premium to investors. Some notable differences between the two forms of investment are that unit trusts have a termination date and active management whereas mutual funds do not. Over the years, mutual funds have become the increasingly popular investment choice between the two forms of investment schemes in Ghana as revealed by the most recent Securities and Exchange Commission (2019) report. There are currently 43 licensed mutual fund asset managers in contrast with 21 Unit Trust Managers.

Both schemes are a potent source of wealth creation for investors. The wealth-generating ability of the funds has led financial institutions like Databank to educate average workers on the benefits small investments can generate in the long term to ensure that a happy retirement is not available to just a few rich people. For example, a worker who invests just GHS 100 monthly for 30 years of their working life, assuming an average rate of return of 20%, can retire comfortably with a GHS 1.5 million. Alternatively, a worker with 30 years to retirement can invest a monthly amount of GHS 64, assuming an annual average return of 20%, to become a millionaire. (Databank, 2017). Thus, the examples prove that investing consistently over a time period can generate huge gains for workers before retirement outside of SSNIT contributions.

Against this revelation of wealth generation, retirement planning has become essential as the ability to earn more diminishes when people approach retirement (Andoh, 2018). Therefore, workers need to be aware of the various fund schemes available to them. Prospective retirees must know the effect consistent investment in collective schemes can have toward a happy retirement and the benefit these fund schemes can provide to workers if they start investing very early in their working lives.

1.1 Problem Statement

Majority of workers dream of the prospect of happy retirement. Relaxing, enjoying time with friends and loved ones, having money to take care of diversified needs such as health, accommodation, clothing, and even unforeseen emergencies. Turning this dream into reality, however, requires that retired workers have money. Regrettably, “out of every 100 Ghanaians who reach age 60, 2 can retire comfortably, 23 must continue working, and 75 must depend on SSNIT, charity, and relatives” (Databank, 2017, p.1).

The Managing Director of Ecobank Development Corporation Investments Ltd (EDC), Paul Kofi Mante, stressed that people retired without plans to maintain cash flows in their lives. He further emphasized that people retire rich in assets, but poor in cash flow. Simply put, most workers have big homes but cannot afford food or medical bills (Myjoyonline, 2021). The statement blends with Ekerdt (2004), who opined that marketers sway retirees with high-end consumption in the form of housing, travel, tourism, and recreation. However, only a few people can sustain the level of consumption past the first decade.

Retirement planning and preparation come with challenges such as healthcare, income, family support system, and leisure. To effectively meet these needs, workers need to have a diversified source of income which can help to alleviate ever-rising costs during work life and after retirement. Depending on salary till one retires hampers the financial freedom one can obtain after retirement.

According to the SSNIT 2021 Pension Indexation, the lowest amount a pensioner will receive is GHS 334.49 monthly. This amount is insufficient to take care of the after-life of a worker who just retired. Therefore, the need for having alternative investments capable of generating wealth or yielding high returns in the future cannot be overemphasized. Collective Investment Schemes were created with the aim of achieving capital growth and income preservation for workers. One major benefit of the fund schemes is liquidity. Unlike SSNIT which gives cash flows monthly, the schemes allow you to redeem your unit holdings at any point in time. This means that an investor can access their money when they deem it necessary; they do not have to wait for the month-end to receive their cash flow. The liquid nature of the schemes implies that retirees can receive cashflows to cater to their needs when it arises. It is not surprising that in an ICI Research Perspective (2020) research on the characteristics of mutual fund investors in the United States among 3,001 participants, 94% of mutual fund-owning households used mutual funds to save for retirement, and 75% of households indicated that the primary financial goal of investing in mutual funds was to save for retirement. For some Ghanaian workers who have subscribed to mutual funds (a form of Collective Investment Schemes), research by Borklo (2019) showed that mutual funds brought about an increase in financial gains for investors, and yielded higher returns on monies invested.

Per the Ghana Capital Market Master Plan (2020), despite the numerous benefits of collective investment, there is inadequate knowledge of its existence, hence hindering its growth. There is a need to increase the awareness of this alternative that increases financial stability and thus, ensures a comfortable retirement. The study, therefore, seeks to assess the awareness level and explore if any significant relationship exists between demographic factors such as income level, age and education, and the awareness of Collective Investment Schemes among workers. The benefits and challenges of the various schemes for workers in Ghana will also be discussed.

1.2 Research Objectives

The main objective of the study is to assess the awareness level of Collective Investment Schemes among formal workers in Ghana.

The specific objectives include:

- Determine if any significant relationship exists between different demographic factors such as age, income and educational level, and workers' level of awareness towards fund schemes.
- Describe the factors that strongly affect workers' perception towards investing in the fund schemes.
- Identify the benefits and challenges of the fund schemes among workers who invest in the fund schemes.

The hypothesis of the study

H0: There is no significant relationship between demographic factors and workers' level of awareness of fund schemes.

H1: There is a significant relationship between demographic factors and workers' level of awareness of fund schemes.

1.3 Research Questions

The research seeks to address the following questions.

- Is there any significant relationship that exists between different demographic factors and workers' level of awareness towards fund schemes?
- What factors strongly affect workers’ perception towards investing in fund schemes?
- What are the benefits and challenges of fund schemes among workers who invest in the fund scheme?

1.4 Significance of the study

The study aims to assess the different demographic factors that influence the level of awareness of the collective investment schemes on workers and the factors that strongly affect workers perception towards investing in fund schemes. This will help the mutual fund industry know the market awareness level towards their products and the improvements that the fund industry can make to encourage more workers to invest in their products and keep existing investors satisfied.

Secondly, the findings will be useful to students in encouraging and inculcating investment habits, to ensure that they have a good foundation for financial stability and freedom during retirement.

Furthermore, the study seeks to make recommendations to stakeholders such as employers, and Mutual Fund and Unit Trust institutions on policies for making retirement more desirable among workers.

Lastly, the study seeks to contribute to the existing literature on retirement planning and adjustments to retirement among workers in Ghana. The findings will also serve as a backbone for further studies into issues and remedies for retirement planning in the future.

1.5 Overview of Research Methodology

Primary data in the form of questionnaires were gathered from formal workers in Accra and google forms via Twitter and WhatsApp. The target population for the research was formal workers in and outside Accra since Accra is the economic hub of Ghana and is representative of formal workers in Ghana. Also, the google forms helped to target formal workers who may not reside in Accra but share similar characteristics with formal workers in Accra. Specifically, public workers from the Ministries and State Corporations together with private workers from the Industry and Services sector were considered. Workers from these categories were surveyed since they employ a majority of the public and private sector workers in Accra. Stratified random sampling was used to select fourteen companies from a list of five companies under each subgroup. This technique is useful for the study because dividing the population into relevant strata means that the sample is likely to be representative of the whole population. Randomly selecting the companies also helps to eliminate potential bias from the author. Additionally, the google forms were randomly distributed to formal workers to fill via Twitter and WhatsApp since all the targeted companies in Accra could not respond on time. This helped target a wider group of respondents who may not reside in Accra and eliminate any potential bias that is likely to influence the outcome of the research. Respondents could also fill the form at their own convenience. Workers from top-level, middle-level and junior-level were selected using simple random sampling. This sampling method was used as it helped to conveniently gather data and less time consuimg. Data gathered was analyzed using Pearson's Chi-Square test to examine the relationship between demographic factors and the level of awareness of fund schemes among formal workers.

1.6 Organization of Study

The study is organized into five chapters. The first chapter, the introduction, comprises the background, problem statement, research questions and objectives, significance of the study, an overview of the research methodology, and the organization of the study. Chapter two examines the literature review. In this section, relevant existing literature, theories, and framework on financial investment and Collective Investment Schemes are discussed.

The third chapter discusses the methodology for the research including the steps involved in achieving the thesis objectives. Following, the research design, target population, sample size determination, data collection, analysis of methods, and data sources are discussed. Lastly, the limitations associated with the study will be outlined. Chapter four deals with result analysis and findings. The last chapter (Chapter five) provides a summary of the results with conclusions and recommendations.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

This chapter examines the literature on Collective Investment Schemes as an alternative means of increasing financial stability for workers. The chapter discusses the existing framework on this subject as well as the history of Collective Investment Schemes and types in Ghana.

2.1Conceptual Framework

In understanding the importance of Collective Investment Schemes as a vehicle for income growth, the concept of portfolio theory was used. Additionally, some main concepts within the framework to be discussed are risk and return, diversification, and compound interest.

2.2 Portfolio Theory

Markowitz (1952 & 1959) has been credited as the founder and developer of portfolio theory. The theory states that investors select a portfolio of securities that have minimum risks for any level of return or maximize the return for any level of risk (Cardozo & Smith, 1983; Elton & Gruber, 1997; Markowitz, 1959). A portfolio is efficient when it meets the requirements of the investor, and has a higher likely return and a lower uncertainty of return. On the other hand, an inefficient portfolio yields a lower return with greater uncertainty (Kierkegaard, Lejon & Persson, 2006). A rational investor, therefore, eliminates all inefficient portfolios from their consideration. Selecting the best portfolio from efficient portfolios depends on the willingness and ability of the investor to assume risk. If an investor prioritizes safety, likely return will have to be sacrificed to decrease uncertainty. Markowitz (1959) developed an efficient frontier which is a curve showing the combination of risk and return for a set of portfolios. Efficient portfolios are separated from inefficient portfolios with points that lie on the curve. An investor then selects the combination of likely return and risk which suits his needs and determines the portfolio which matches the combination of risk and returns they desire. The theory has proved useful as it guides fund managers in allocating securities to meet the goals of investors and subsequently help to protect them against risk through active management of the funds. Thus, fund managers can change the proportion of securities in a portfolio to maximize returns and reduce risk. In summary, the assumptions of the model are as follows (Ravipati, 2012).

1. Investors seek to maximize the expected return on their wealth.
2. All investors are risk-averse, they will be willing to take on greater risk if they are compensated with a higher expected return.
3. Investors base their decision on expected risk and return.
4. For a given level of risk, investors choose higher returns over lower returns.

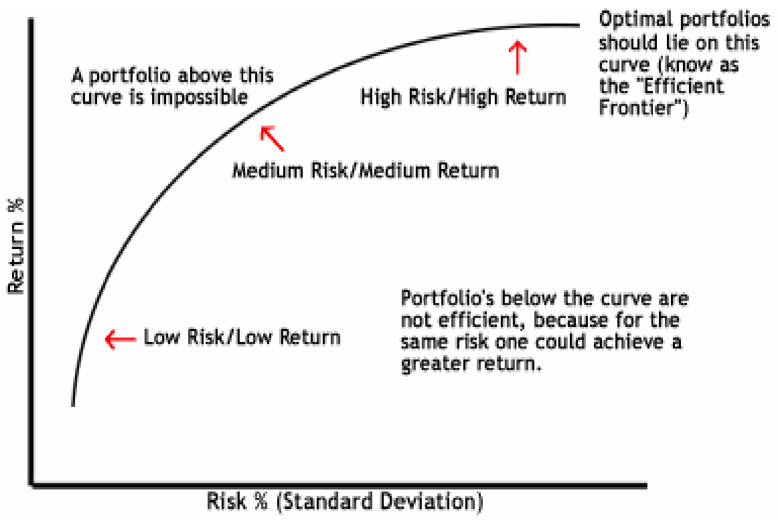

Figure 1. Portfolio Theory (Kierkegaard, Lejon & Persson, 2006)

2.3 Definition of Investment

Investment refers to sacrificing money today for the future benefits of tomorrow. Alternatively, it involves setting aside money with the intention of allowing the money to grow for a stipulated time in the future. It means letting your money work for you (Abdullaevich, June 2020). In finance terms, Faure (2013) explains investment as the purchase of a financial instrument such as stocks and bonds with available funds that provide periodic returns, and a gain or loss on an original investment.

2.4 Reasons why people invest

Abdullaevich (2020) argues that investing helps with good money management because it caters to present and future financial security. Thus, an investor can earn periodic cash flows, but more importantly, have an additional income stream that can help to grow wealth and achieve passive income. Passive income means money that you earn without having to actively participate to earn it. People invest for various reasons. However, some common reasons Chauraisa (2015) and Khan (2009) state include capital gains, improving liquidity, accessing education, buying a property of your choice, being able to travel, socializing, and lastly having a more fulfilling retirement. A report by Accenture (2017) revealed that the most important investment goal for investors across geographical regions such as Canada, the United States, the United Kingdom, Hong Kong, and Germany was retirement, which represented 56% of respondents' choices.

2.5 Factors considered when investing

Risk and return: Risk is the probability that the actual return on an investment may differ from what an investor may expect to receive. Thus, risk means that there is uncertainty over gaining returns in the future (Iyiola, Munirat & Nwufo, 2012). When investing in financial instruments there are two main risks an investor may face. These are systematic and unsystematic risks. Systematic risk deals with factors affecting the financial market such as changes in interest and inflation (Senthilnathan, 2015). These factors are unpredictable and impossible to avoid. On the other hand, unsystematic risk deals with factors that are unique to a particular security or asset. These include management capabilities and decisions, the effect of competition, and regulatory changes which could affect the security of a firm.

Return, on the other hand, refers to the total gain or loss on an investment over a given period. It is the motivating force and the principal reward in any investment (Iyiola, Munirat & Nwufo, 2012). Returns can be classified as realized and expected gains. Realized gains mean that an investor has benefitted from the outcome of the investment. Expected gains imply the likely returns an investor may receive over time. Investment involves a trade-off between risk and return. Investors decide on what type of security to invest in. Investing in less risky securities generates lower returns over time while investing in riskier assets generates higher returns for investors over time. Thus, the more risk you take, the more you are likely to gain more or potentially lose more on your investment. Taking Ghana, for example, stocks (riskier assets) have averaged annual returns in the last 30 years of 25% (Ghana Stock Exchange, 2021) with government treasury securities (risk-free assets) averaging 19.82% over the period from 1978 to 2016 (CEIC, 2021). The SEC Annual Report (2019) showed that the annual return of the top-performing fund schemes ranged between 16.51% and 20.35%. When investing in a fund scheme, there are some returns an investor could earn on their investment. The investor could benefit from any interest distribution, dividend or capital gain earned by the fund. Additionally, an increase in the Net Asset Value per share of the fund is earned by the investor.

Diversification: Diversification is the allocation of funds into a portfolio of various financial securities. This is done to maximize returns through a diversified investment to mitigate risks that each financial security may hold (Lekovic, August 2018). Collective Investment Schemes invest in a plethora of securities to maximize the returns for investors. The securities include stocks, corporate bonds, cash, and government fixed-income securities.

Compound interest: The return on investments can also be termed interest. Interest can be earned as either simple interest or compound interest. Compound interest simply means earning interest on your initial investment plus any other interest you may have accumulated previously. Albert Einstein described compound interest as “the greatest mathematical discovery of all time”. Compounding transforms your working money into a potent income-generating tool. For this to be realized, Abdullaevich (June 2020) proposes that an individual must re-invest their earnings periodically (monthly, quarterly, semi-annually, or annually), and over time, the earning potential on your initial investment will be accelerated.

In a nutshell, an individual needs to know that diversifying their investments, knowing the level of risk they are willing to tolerate, and re-investing periodically can record huge financial gains for them and help them achieve their objectives for investing.

2.6 Overview of Collective Investment Schemes in Ghana

Collective Investment Schemes were established in Ghana in the early 1990s. Per the Security and Exchanges Commission Ghana, the fund schemes take two forms.

These are mutual funds and unit trusts. The first scheme to be established in Ghana was the Republic Unit Trust in May 1991. Subsequently, the first mutual fund – Epack Investment Fund Limited, commenced operations in October 1996 (Addai, Asamoah & Gyimah, April 2021). After that period, unit trust and mutual fund schemes have grown significantly over the years, especially within the last decade. The fund schemes are regulated by the Securities and Exchange Commission Ghana as per the Securities Industry Act, 2016 (Act 929) and the Unit Trust and Mutual Fund Regulations, 2001.

In 2018, the Security and Exchange Commission revoked the licenses of some 50 fund managers in Ghana. This was due to the liquidity challenges and growing levels of impaired assets of collapsed financial institutions. Despite this, the Collective Investment Schemes sector under the Asset management Services in Ghana continued to grow. The net asset and number of shareholders and unitholders have increased from 2015 to 2019 with the number of shareholders subscribed to fund schemes increasing from 458,590 in 2018 to 612,900 in 2019. This represents a substantial increase of 33.65% (SEC Annual Report, 2019). Currently, there are 64 licensed scheme operators comprising 21 Unit Trusts and 43 Mutual Funds. The total Assets Under Management for the schemes sector increased from GHS 2.4 billion in 2018 to GHS 3.8 billion in 2019, representing a growth of 55.96%. Databank MFund and Ecobank Fixed Income Unit Trust are the current leaders of the fund schemes by market share with 39.10% and 59.28% respectively (SEC Annual Report, 2019).

The fund schemes record varying performances throughout each year depending on the conditions of the capital market. The financial sector cleanup exercise and the revoking of licenses of some fund managers have inevitably affected the returns of the schemes. A comparison of the fund performance results from the Securities and Exchange Commission between the years 2017 to 2019 revealed that the annual returns fell from as high as 56.42% in 2017 to 20.35% in 2019, after the fund management reforms. However, the returns of some schemes have still been able to outperform some Government of Ghana treasury bills and bonds which ranged between 12.5% to 20% over the periods from 2015 to 2019, as revealed by the reports of the Security and Exchange Commissions and Bank of Ghana.

The fund scheme sector remains robust in terms of liquidity. Although the sector continues to experience growth and improved performances, the sector still experiences some challenges. The lack of adequate knowledge by the broader Ghanaian community has been touted as a hindrance to the growth of the industry. The Security and Exchange Commission aims to promote investment schemes through broader investor education. Currently, the Commission is encouraging the creation of investment clubs in secondary and tertiary institutions in its bid to increase the number of local investors in the sector (Ghana Capital Market Master Plan, 2020).

2.7 Types of mutual funds and unit trusts

There are two main types of mutual funds and unit trusts. They are namely open-ended and close-ended funds. Stein (2015) states that a vast majority of professionally managed funds are structured on an open-ended basis which makes it possible for investors to liquidate their shares on demand. In Ghana, the fund schemes operate as either open-ended or close-ended funds.

2.7.1 Open-end funds

An open-end fund is a professionally managed fund that issues unlimited shares to investors. They are mostly managed by a board of directors comprising of internal and external managers who are appointed to protect the interest of the shareholders.

The issuing of unlimited shares means any investor can directly buy and sell the shares of the fund from the fund manager (Dunnan, 1988; Haslem, 2010). The shares are bought at the Net Asset Value which is determined by the performance of the funds' securities. The funds are available for purchase and can be redeemed when the investor demands. Thus, open-end funds are willing to accept cash at any point in time and the investor can return their shares to the funds in exchange for the cash value of their shares at the net asset value (market value) per share of the securities which the fund holds (Lee, Shleifer & Thaler, 1990; Morley, 2014) as they have a legal obligation to redeem shares or provide liquidity (Cherkes, 2012).

In explaining the organization of a mutual fund, Kerwin and Schonfeld (1993) explain that open-end funds have greater management and administrative burden due to the sale and redemption of shares continually. This implies that the expenses ratios of the open-ended funds will be higher than the close-end funds (Dunnan, 1988) and the investment strategy of the open-end funds may have to change to cope with unexpected cashflow injections or outflows. However, open-end funds could increase their assets more quickly than a closed-end fund and the liquid nature of the open-end fund becomes a more attractive option to investors compared to closed-end funds (Kerwin & Schonfeld, 1993).

2.7.2 Closed-end funds

Close-end funds are funds that are open for subscription within a specified period. The fund sells securities to the public however the difference between close-ended and open-end funds is that the former does not allow shareholders to redeem as Morley (2014) and Stein (2015) explain. Rather than issuing unlimited shares, the fund manager raises a set amount of capital and buys a portfolio of securities to be managed.

The fund holds annual shareholder meetings, appoints a board of directors, pays dividends, and hires external portfolio managers. The manager then issues a fixed number of shares that will be traded on an organized stock exchange (Lee, Shleifer & Thaler, 1990; Dunnan, 1988; Cherkes 2012). This implies that an investor can receive cash when the shares are sold at the market price. However, closed-end funds have no obligation to redeem shares or provide liquidity. Hence, the term “closed”.

The stock is traded at the market price which can be affected by market fluctuations as well as supply and demand (Dunnan, 1988). Thus, the shares could deviate from the Net Asset Value and trade at a discount – below the NAV or premium – above the NAV (Lee, Shleifer & Thaler, 1990). Dunnan (1988) argues that some advantages of closed-end funds include having lower expense ratios and flexible trading strategies as compared to open-end funds.

2.8 Classification of mutual fund and unit trust

Mutual funds are classified based on the type of investments, investment objectives, and level of risk. Therefore, investors choose to invest in a fund based on their risk tolerance, goals, and preferences, as well as the yield on the various fund schemes (Hiriyappa, 2008). There are many classifications of fund schemes. These include money market, bond, equity, balanced, index, and real estate insurance trust. (Hiriyappa, 2008; Bodie, Kane & Marcus, 2010; Northcott 2009). However, the four main types (widely used) in Ghana will be discussed below.

2.8.1 Money Market Funds

Money market funds are funds required by law to be invested in low-risk securities. These securities include commercial papers, treasury bills, and certificates of deposit. The market fund portfolio includes diversification of short-term assets in reference to the maturity, issue, and size (Roy, 2005). The short-term nature of the money market fund (usually a year) implies that investments are highly liquid and have the lowest risk out of the other fund types. In addition, the returns of the money market fund are tied to the short-term interest of the securities. Hence the fund yields a low return compared to other funds (Gup, 1998; Northcott 2009).

2.8.2 Bond/Fixed Income Funds

Bond funds are funds that invest in a portfolio of debt securities. These debt securities include government securities, corporate bonds, and municipal and mortgage-backed securities (Bodie, Kane & Marcus, 2010; Johnson 2013). Bond funds are generally low-risk securities that offer investors a steady way of increasing their income over time.

2.8.3 Equity Funds

Equity funds pool investor monies together and invest them in stocks of listed companies. Investing in equities is very risky due to the volatility of the stock market. However, the risky nature of the stock means that potential returns will be very high. The dividends earned on the company stock investment are passed back to investors as gains. The objective of equity funds is to provide capital appreciation over the long term. A major section of equity investments is in stocks, which offer higher returns than other investment avenues. The equity fund most likely yields the highest returns among all mutual fund schemes but carries the highest risk as well due to the volatile share prices of stocks (Narayanasamy & Rathnamani, 2013).

2.8.4 Balanced Funds

Balanced funds invest in a relatively stable mixture of stock and bond portfolios for medium to long-term purposes (Bodie, Kane & Marcus, 2010; Johnson 2013). By doing so, the funds preserve present income and ensure long-term appreciation of income. The funds may not yield high returns like the equity funds, but returns will be steady over the long term without lots of price fluctuations (Dunnan, 1988). The bond and stock allocation could change over time based on changes in market or interest rate conditions (Johnson, 2013).

2.9 Collective Investment Schemes as an alternative means of increasing financial stability

To establish how the fund schemes increase financial stability, it is worth noting how SSNIT payments are made. In calculating your SSNIT, the average of a worker's three-year salary is multiplied by their pension right. The pension right is 2.5% for each year of the first 15 years of a worker's contribution, and an additional 1.125% every year up to a maximum of 60%. For example, a worker who has worked for 30 years and retired with an estimated average annual salary of GHS 12,000 over 3 years, will receive a monthly pension of GHS 543.80 after the pension right of 54.38% is calculated on the average annual salary. However, for the same 30-year period, a worker who invests GHS 135 monthly in a fund scheme, assuming an average annual return of 20%, can become a millionaire upon retirement. The retired worker will then determine the amount to withdraw at their convenience as opposed to receiving SSNIT payments monthly. The various ways Collective Investment Schemes can increase the financial stability of workers are discussed below (Basariya & Jasmine, 2018; Hamacher & Pozen, 2015; Khurram, 2012).

Professional management

Managing investments requires the dedication of time, resources, and expertise which most people do not have. The funds are thus managed by professional fund managers who are abreast with market conditions and aim to deliver consistent returns and control risk as well as identify investments with higher returns for investors.

Diversification

Purchasing a mutual fund or unit trust allows an investor to buy more than one security. By doing this, an investor reduces the risk associated with purchasing one security and any unexpected loss on a security could have little effect on the portfolio. Investors can diversify further by purchasing more fund schemes.

Liquidity

Investors can redeem and purchase their shares of open-ended funds at the current net asset value of the fund. In Ghana, most fund schemes are open-ended. Withdrawing money from the fund usually takes two to five working days. The advantage of liquidity for investors is that they can have easy access to their funds when necessary, without waiting for the month-end as SSNIT does.

Affordability

Individuals can purchase funds with small amounts of money. In Ghana, the minimum amount required to open a fund scheme account is GHS 20. Also, investors can make monthly minimum contributions of GHS 5. This is beneficial, especially for workers who do not earn high salaries to start investing to benefit in the future. Individuals do not need to have huge lump sums before investing to secure their future.

Investments can also be made monthly, quarterly, semi-annually, or regularly as an investor wishes.

Return potential

Most fund schemes provide good returns to their investors and outperform some government securities which the funds set as their benchmark. For example, the best-performing fund schemes in 2019 had annual returns ranging from 16.5% to 20.35% (SEC Annual Report, 2019). The fund also invests in assets capable of generating returns for investors. The return potential can increase further when an investor makes regular investments (monthly, quarterly, or semi-annually) in addition to the principal due to the compounding nature of the fund scheme.

Investors get returns on the principal and the regular contributions as well. Fund subscribers receive monthly statements showing the returns that the fund scheme makes each month and the performance of the fund for the year-end. Thus, investors can know how much returns they earn and the total value of their investments periodically. Lastly, in Ghana, income from an approved unit trust or mutual fund is exempt from taxes. Thus, investors can benefit from tax savings on the fund schemes.

2.9.1 Similar works on Collective Investment Schemes

Borklo (2019) assessed the impact of mutual funds in Ghana with Databank as a case study. The study revealed that a greater majority of investors have benefitted from the fund and invested less than 25% of their total incomes. The impact of the fund on the investors was enormous because investors were motivated by the high returns expected from the investment while benefitting from low a risk investment with high returns as proposed by Markowitz (1952 & 1959).

Akomeah (2009) studied poverty reduction among youth adults in the Ga West District through Collective Investment Schemes available to them and the reason for investing in mutual funds. The majority of the respondents had heard of investments before with 67% of respondents having heard of mutual fund investments. 23% of respondents invested in mutual funds with more than three-fifths of respondents reacting positively to mutual funds being part of their personal and financial plan.

Rehan, Naz, Umer and Ahmed (2018) gauged the awareness level of investors towards mutual funds and analyzed the factors which encourage or discourage mutual fund investment and other factors affecting the decision of people to invest or not invest in mutual funds in Pakistan. The study tested several hypotheses on demographics such as investors' education level, income group, age and gender to know if there was a significant relationship with the level of investors' awareness of mutual funds. Furthermore, investors' perception was tested against factors associated with an investment such as risk, expected return, fund performance and tax incentives using the Pearson's Chi-Squared test. The findings revealed that education and age group had a significant relation with awareness. On the other hand, income level and gender did not have a significant relationship with the awareness level of investors. Furthermore, factors such as risk, transparency and fund reputation have significant relations with investors' perception towards investing while return and tax-saving did not have significant relations with investors' perception towards investing.

Lastly, Sailaja (2018) studied the awareness of investors towards mutual funds in India to know the level of awareness towards mutual fund investment and assess the association between the annual household income of the respondents and the category of mutual fund investment using a hypothesis test. The study revealed that 55.71% of participants have partial knowledge of mutual funds, 32.14% were aware of specific schemes, 7.14% were totally ignorant and 5% of participants were fully aware. The hypothesis test revealed an association between annual household income and the category of mutual fund investment using the Pearson's Chi-Squared test.

As discussed above, similar papers have explored the performance of the fund schemes, impact, and challenges that the fund schemes have on investors. The awareness of financial market instruments and schemes among young adults and university students has been carried out to know why investors subscribe to them. The major responses among participants of the study for investing in the fund schemes have been the high returns of the funds.

However, there seems to be little research on the awareness of Collective Investment Schemes among workers in Ghana. The benefits of the schemes as an alternative means to financial freedom in retirement have also not been discussed. Thus, the research seeks to bridge the gap and contribute to the existing literature by assessing the awareness level of the fund schemes among formal workers in different sectors within Accra. By doing so workers can be aware of alternative means of growing their income to supplement the existing SSNIT and Tier 1 and Tier 2 pension systems in Ghana to ensure they have a comfortable retirement. This research will also foster an investment culture among workers who are not aware of the fund schemes.

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Research Design

In undertaking the study, quantitative research was used since it helps to analyze numerical data and determine if a relationship exists between variables in a population. The study used descriptive research to describe the awareness, benefits and challenges that workers may encounter in using the fund schemes. Descriptive research allows for gathering and analyzing data to provide insights into the situation. The questionnaire for the study was structured using open-ended and close-ended questions, and the hardcopies were distributed to formal workers in Accra. Google forms were shared on Twitter and with family and friends for them to fill and distribute to other formal workers as well. Open-ended questions were used since they gave respondents the freedom to answer questions based on their knowledge, feeling, and understanding. Close-ended questions also allowed respondents to answer questions quickly, get and measure quantitative data, and get rid of unwanted responses. The use of google forms allowed for the easy and efficient gathering of data.

3.1 Research Scope

The study targeted formal workers within the Ministries, State-Owned Enterprises, Industry and Service sectors in Accra. However, due to time constraints, the study included formal workers who could be reached via google forms through friends and family. Accra was selected since it is the administrative and economic hub of Ghana and boasts of the headquarters of some large banks, insurance agencies, and the food market. For this research, public and private workers from the subgroup of the Ministries, State Corporations, Industry and Services sector in Accra were selected including other formal workers who could be reached via google forms.

3.2 Sampling Method

The stratified random sampling method was employed to select companies that were in proximity to Accra. Dividing the population into relevant strata means that the sample is likely to be representative of the entire population. A random selection of the fifteen companies also helps to eliminate potential bias. The companies selected for the study included the Ministry of Finance, Ministry of Health, Ministry of Roads and Highways, Ministry of Gender, Children and Social Protection and Ministry of Education. For the State Corporations, Ghana Revenue Authority (GRA), Electricity Company of Ghana (ECG), Public Services Commission and Ghana Water Company Limited (GWCL) were considered. For the private sector, Kama Industries, Medanha & Sousa Ghana, Kempinski Hotel Ghana, MTN Ghana and Bsystems Limited were selected for the study. The questionnaires were distributed to the selected companies, however not all the companies filled the questionnaires on time. Due to this, simple random sampling was used to gather more responses through google forms via friends, family and Twitter. This allowed the researcher to easily collect data and reach a wider group of formal workers who may not reside in Accra. The forms were also convenient as respondents could fill them at their own time as opposed to the hardcopy questionnaires.

3.3 Sample size

Due to the scope and timeframe for the work to be completed, the study aimed at getting 200 participants for the study. The sample size of 200 was calculated by multiplying the minimum sample size of 100 by 100 and dividing the result by an estimated response rate of 50% (Saunders, Lewis and Thornhill, 2019). From the distribution of the 200 questionnaires to the selected companies and the use of google forms, 130 responses were gathered and used for data analysis.

3.4 Sample Description

The study targeted formal sector workers across the Ministries, State Corporations, Industry and Service Sector within Accra and through google forms. The Ministries under the Civil Service Act 1993 (PNDCL 327) are to initiate and formulate policies by considering the needs and aspirations of the people and cuts across sectors such as health, finance, transport, gender and social protection, among others. State Corporations are legal entities created by a government to undertake commercial activities on behalf of the government. The Industry and Service sector is part of the three main sectors responsible for employing workers in Ghana. They include activities such as manufacturing, construction, restaurant and hotels, finance and real estate (Ghana Labour Market Profile, 2020).

3.5 Data Collection Tools

The data was collected using questionnaires and google forms. The questionnaires were distributed to the fourteen selected companies in Accra and randomly distributed to the employees for the study with permission from the Chief Directors or key management personnel of the respective organizations. Additionally, the google forms were randomly distributed through Twitter and friends and family via WhatsApp for formal workers to fill.

3.6 Data Analysis

The awareness level was measured through basic knowledge of the operations of fund schemes and the knowledge of the fund schemes' existence. The responses were then classified as fully aware, partially aware, and not aware. The awareness level (dependent variable) was examined with the demographic factors (independent variable) such as age, educational and income level to determine if a relationship exists between both variables using the cross-tabulation method under Pearson's Chi-Square test. A factor rating scale was used to determine the factors that strongly affect the perception of workers towards investing in the fund schemes. The factor count was multiplied by the rank number to get the score in parenthesis for each category. The scores were then summed up to get the total scores to be ranked. For the open-ended questions, a thematic analysis was used to identify common responses among participants and group them into themes. The responses were described by analyzing and grouping them into themes associated with the benefits and challenges of fund schemes based on existing literature.

3.7 Ethical consideration

The responses of participants were limited to the scope of the research. Information from respondents was also kept confidential. In the event where participants did not want to answer questions, their views and opinion were respected and taken into consideration. Participants filling either the google forms or physical questionnaires were not required to provide their names. The gathered data was coded in SPSS and Microsoft Excel which is password protected and accessible only by the researcher. The physical questionnaires were also shredded after coding the data for analysis.

CHAPTER 4: RESULTS AND FINDINGS

4.0 Introduction

This chapter uses descriptive analysis to provide insights into the objectives of the research and analyze the results in line with literature. The purpose of the study was to use crosstabulation analysis under Pearson's Chi-square test to determine if any significant relationship exists between demographic factors such as age and income level on the level of awareness of fund schemes among formal workers in Ghana. The findings of the study will be discussed in line with the research objectives.

4.1 Demographics of Respondents

This section discusses the gender, age, income level, educational background, sector of work, and alternative sources of income for respondents.

Gender of respondents

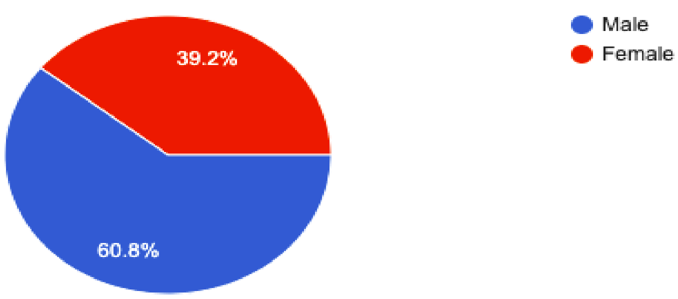

Figure 2. Gender of respondents

The study results in Figure 2 above revealed that out of 130 participants, 60.8% of respondents were male and 39.2% of respondents were female. The findings show that male workers dominate the formal working sector in Ghana as compared to female workers.

Age group of respondents

The age group of respondents in Figure 3 below were largely dominated by formal workers aged 26-35 (33.8%), followed closely by formal workers aged 18-25 (30%), 46-55 (22.3%) and 36-45 (9.2%). Workers aged 56+ had the least representation (6%). The results show that majority of the working population are younger and in the early thirties with relatively more young formal workers entering the formal work sector.

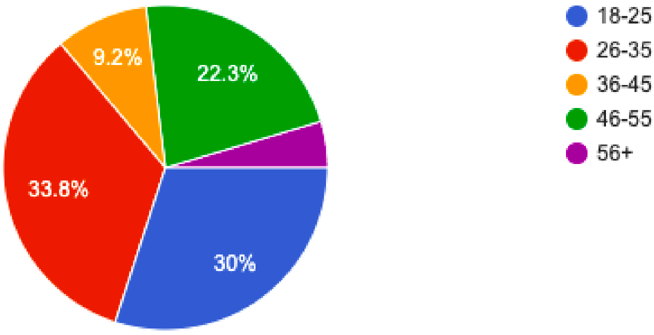

Figure 3. Age group of respondents

Educational level of respondents

46% of respondents have attained education at the Undergraduate level, closely followed by 45% of respondents having received Master's education. 7% of respondents have their Doctorate degree with 2% of respondents attaining High School education. The responses reveal that formal workers are well educated with most of them meeting the minimum requirement for formal work by achieving either an Undergraduate or Master's Degree.

Sector of Work

50.8% of respondents are employed in the private sector as compared to 49.2% of respondents employed in the public sector. The outcome reveals that there is an increasing number of formal workers being employed in the formal sector.

Work level of respondents

The majority of respondents belong to the junior level (46.2%), followed by the middle-level (36.9%) and the top-level (16.9%). The findings show that majority of participants aged between 18-25 are more likely to be engaged with junior-level work while the formal workers aged 26-35 and 36-45 are involved in middle-level work since they have more experience to run functional departments in the organization. The workers aged 26-35 and 36-45 are also more likely to have a Master's Degree since it is mostly required for managerial roles. Additionally, the formal workers above 45 years are more likely to have their Doctorate degree and take on top-level management due to having much work experience and higher-level education that is required to manage the overall decisions of an organization.

Income level of respondents

43.1% of respondents earn a net monthly salary of GHS 2100 to GHS 7200 monthly. This is followed closely by 30.8% of respondents earning a net monthly salary between GHS 500 to GHS 2000. 19.2% of respondents earn a net monthly salary between GHS 9000 to GHS 21000 monthly. Lastly, 6.9% of respondents earn a net monthly salary of GHS 24,000 to GHS 60,000 monthly.

Probing further, the majority of respondents in the 18-25 age group (71.7%) earn between GHS 500 to GHS 2000. This is likely because they are assuming entry-level roles, and worked for a few years with no major experience at the workplace hence the lower salary levels. For workers aged between 26 to 45 years, the majority of them (63.6%) earn between GHS 2100 to GHS 7200. The likely reason for this includes promotion at the workplace, workers within this group have worked longer and may have attained their Master’s Degree as well. A larger number of formal workers above 46 years (45.7%) earned in the region of GHS 9000 to GHS 21000 and GHS 24000 to GHS 60,000. The findings also show that as formal workers grow older, they are likely to earn more at the workplace. 53.3% of junior-level workers earn in the region of GHS 500 to GHS 2000. Additionally, 58.3% of workers in the middle level earn between GHS 2100 to GHS 7200 and 45.5% of top-level workers earn between GHS 9000 to GHS 21000. The findings show that the higher the work level, the higher the net monthly salary a formal worker is likely to earn.

62.3% of participants do not have additional sources of income as opposed to 37.7% of respondents who had additional income. The majority of workers earning a net monthly salary of GHS 500 to GHS 2000 and GHS 2100 to GHS 7200 have additional sources of income. This is possible since young workers aged 18-25 can run e-commerce businesses aside from their work. For workers in the higher income bracket, the additional sources of income usually come through investing in financial products and assets such as real estate or running a business. The alternative incomes for respondents range from GHS 200 to as much as GHS 20,000.

4.2 Assessing the awareness level of Collective Investment Schemes among formal workers in Ghana

The awareness level of Collective Investment Schemes was measured in two ways. The knowledge of the existence of the fund schemes and knowledge of basic terms and features associated with fund schemes. Participants were then grouped as

Fully Aware, Partially Aware and Not Aware. For knowledge of the existence of fund schemes, 78.5% of respondents had heard of mutual funds or unit trusts with 21.5% of respondents not hearing of mutual funds or unit trusts. The most common funds that respondents knew of were Ecobank EDC funds and Databank money market, balanced and fixed income funds (MFUND, EPACK and Arkfund). This is likely because Ecobank and Databank have offered fund schemes to investors over a long period of time, hence the banks have built their experience and reputation in delivering returns to investors. Other notable funds include HFC unit trust, Stanlib unit trust, Anidaso mutual funds, Republic equity fund, fidelity balanced fund and CDH mutual funds. The fund schemes common among respondents are consistent with the classification of mutual fund schemes outlined by Hiriyappa (2008); Bodie, Kane & Marcus (2010); Northcott (2009).

The most common sources for respondents aware of the fund schemes in Figure 4 below are friends and family (23%), mutual fund companies (18%) and company/workplace (12%). This is likely because formal workers find themselves with these sources majority of the time and the banks (mutual fund companies) communicate information about their investment products to their customers. Workers likely have little awareness on affordability because they either open their account with a lump sum or the company assists them in opening the fund account. 4% of respondents knew of the funds from school. This is interesting and probable because mutual funds are taught theoretically with little to no practical examples of Ghanaian fund schemes in the syllabus of students at the tertiary or higher level.

For the terms and features commonly associated with fund schemes, 24% of participants know of professional management of fund schemes, followed by liquidity and risk and return with 21% each. 19% of respondents knew of diversification with

16% of participants being aware that fund schemes were easily affordable and that the fund account could be opened with as low as GHS 20. Respondents got to know of these terms from fund managers such as Ecobank and Databank (45%), reading about it (36%), school (15%), Workplace (3%) and friends (1)%. For the terms associated with the fund schemes, the fund managers are a major source because they are the ones who can explain the terms and features of their products. It is also not surprising that workers knew of the terms from school since the theories relating to investment are usually taught in school.

55.4% of respondents were fully aware of Collective Investment Schemes, 23.8% of respondents had partial awareness of the fund schemes and 20.8% of respondents had no awareness of mutual funds or unit trusts. The most common sources of fund schemes help to explain why the majority of formal workers are fully aware since the workers would be able to ask questions and clarify from these sources if they have any concerns with the mutual funds.

Compared with a study done on Indian investor awareness towards mutual funds by Sailaja (2018), 55.71% of participants had partial knowledge on mutual funds, 32.14% were aware of specific schemes, 7.14% were totally ignorant and 5% of participants were fully aware. A likely reason for this is the age demographics of the Indian respondents. The majority of respondents were aged between 31 to 50 years. Therefore, they are more likely to be aware of specific mutual funds available to them from their years of work. Indians are also well educated hence why they have a lower percentage of respondents not being aware and a higher percentage being partially aware of fund schemes as compared to the findings above.

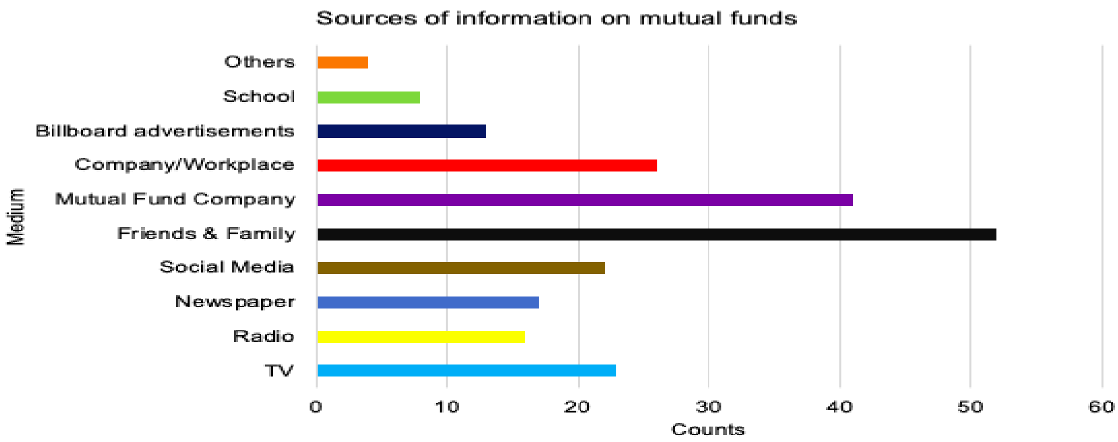

Figure 4. Sources of information on fund schemes

4.3 Determine if any significant relationship exists between demographic factors and level of awareness

The independent variables for the study were demographic factors. These include age, gender, educational level, sector of work, level of work and income level. The dependent variable for the study was the level of awareness. The test of significance was carried out using crosstabulation under the Pearson's Chi-square test assuming the significant level of 0.05. Thus, for Chi-square probability values below 0.05, there exists a significant relationship between the variables, and we reject the null hypothesis. Alternatively, for Chi-square probability values above 0.05, there is no significant relationship between the variables, and we fail to reject the null hypothesis. The results of the hypothesis test in Table 1 below revealed Chi-square values greater than 0.05 for the cross-tabulated variables except for educational level which had a p-value of 0.033.

Based on the associations tested, the results imply that for the sampled participants, there is a significant relationship between educational level and level of awareness. All other demographic factors which are age, gender, sector, work level and salary range had no significant relationship with the awareness level. A similar study by Rehan, Naz, Umer and Ahmed (2018) revealed that gender and income level did not have any significant relationship with investors' level of awareness of mutual funds while age group and educational level had a significant level of relationship with investors' awareness level of mutual funds in Pakistan. It is likely that educational level affects the level of awareness of mutual funds among workers and investors in Ghana and Pakistan because the majority of the participants in both studies have attained either an Undergraduate or Master's degree. Hence, respondents are likely to know about mutual funds from school.

Table 1

Pearson's Chi-square test results

Cross tabulation	**Asymptotic Significance (2-sided) – p value**	**Results**
Gender * Awareness level	.569	Not significant
Age group * Awareness level	.302	Not significant
Education * Awareness level	.033	Significant
Sector * Awareness level	.287	Not significant
Work level * Awareness level	.685	Not significant
Salary range * Awareness level	.067	Not significant

4.4 Factors strongly affecting workers' perception on investing in the fund schemes

50.8% of respondents invest in mutual funds or unit trusts as opposed to 49.2% of respondents who do not invest in the fund schemes. Respondents who do not invest in the fund schemes touted *insufficient funds for investment, improper management, and no proper introduction or understanding of the operations of the fund schemes* as reasons for not investing in the fund schemes. Alternatively, some respondents who do not invest in fund schemes prefer *treasury bills* (43%), *fixed deposits* (35%), *stocks* (7%) and bonds (4%). Other investments (11%) include *real estate, personal businesses and cryptocurrency*. The growth and support of entrepreneurship among Ghanaians and the move towards fintech could be a reason for this. The reasons for investments in these alternative financial products include *low risk, understanding, transparency, safety, higher interest rates and the long-term appreciation on investments.* The findings support the study conducted by Padmaja (2013) on the perception and awareness level of Indian investors toward mutual funds. The study results showed that investors were more in favour of investing in conventional means such as fixed deposits due to a lack of good understanding of the operations of mutual funds. The respondents both in Ghana and India prefer these alternative schemes because government treasury securities are risk-free and have been around for a long time. There is also an assurance that the money is safe and that an investor will enjoy returns on their investment. Generally, investors are risk-averse, and they will rationally invest in less risky securities. The banks are also willing to offer fixed deposits to their customers. People are likely to invest in fixed deposits because they have confidence in the banks to generate returns and keep their money safe just like the banks safeguard their deposits.

On the other hand, for respondents who have invested in the fund schemes, 45.3% of participants invested in the fund schemes for 1-5 years, 24% invested between 6-10 years, 17.3% invested less than a year and 13.3% invested for 11-20 years. Looking deeper, 69.2% of investors are aged between 26 to 55 years. 58.6% of junior-level workers have invested in the fund schemes for 1-5 years, 50% of middle-level workers have invested in the fund schemes for 6-10 years, another 44.4% of middle-level workers and 33.3% of top-level workers have invested in the fund schemes for 11-20 years. The findings show that formal workers are likely to invest in the fund schemes as they grow older. Also, workers at the middle and higher level can invest for longer periods because they have higher income levels, they are older, and they have been working for years as compared to junior-level workers. For formal workers earning between GHS 2100 to GHS 7200 and GHS 9000 to GHS 21000, 65.5% of them have invested for 1-5 years, 75% have invested for 6-10 years and 77.7% have invested for 11-20 years. The formal workers within these age ranges are likely to be within the middle to top level. The majority of respondents use their salaries to invest in the mutual fund schemes. This is likely due to the majority of respondents within the 26-55 age group and middle to top-level workers having higher incomes. As such, they will be able to make monthly contributions to the fund schemes (56.4%). 23.1% of respondents rarely invest in the fund schemes which is possibly due to some workers not having alternative sources of income while depending on their salary for their expenses. The average amounts invested in the fund schemes (monthly to annually) ranged from as low as GHS 20 to as high as GHS 100,00 for respondents investing in the fund schemes.

The notable fund schemes that respondents invest in include Databank MFUND, EPACK, Edifund, Ecobank EDC Fixed Income, Stanlib Unit trust, CDH Balanced fund, Firstfund and CMFund. This is likely because Databank and Ecobank occupy a large market share of the mutual fund industry. The main reasons formal workers gave for investing in fund schemes in Figure 5 below include *Income Growth* (21%), *Retirement* (20%), *Emergency funds* (20%), saving for education (11%) and liquidity (10%). This is likely due to a higher number of formal workers investing in the fund schemes aged between 26 to 55 years. Between these age ranges some formal workers may have families to take care of and so they may need to grow their incomes to supplement their salaries. Also, workers in the fifties are edging towards retirement and so investing in mutual funds will serve as a cushion to supplement their pension income.

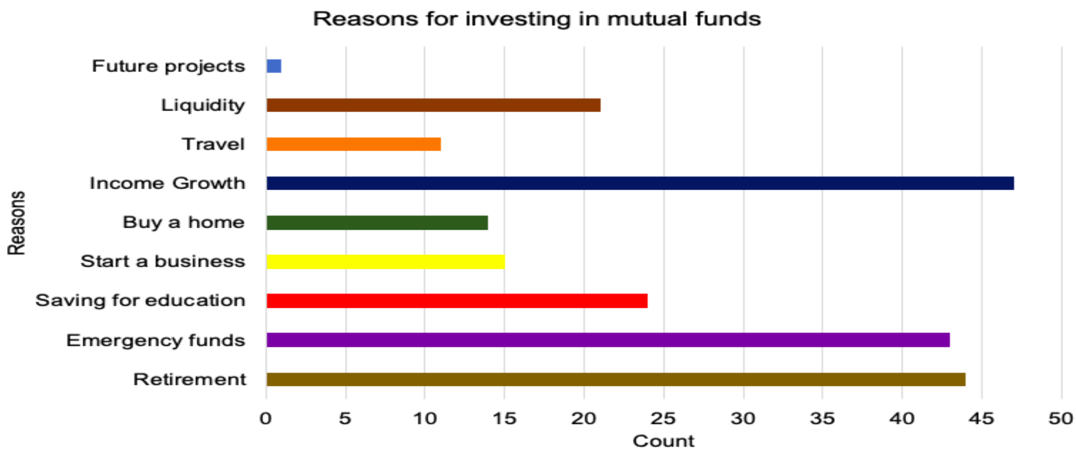

Figure 5. Reasons for investing in fund schemes

For participants investing in the fund schemes, the factors strongly considered by formal workers when investing based on the ranks assigned by study participants in Table 2 below are *safety, returns and risk*. The least important factors considered are *diversification, affordability and tax benefits*. Additionally, for the features of the fund schemes that attracted workers to invest in them in Table 3 below, the *fund manager's name* and the *type of fund (equity, balanced, money market)* attracted them most. This was closely followed by the *past performance of the fund*. The features that least attracted investors were the *size of the fund, price of the fund and entry/exit fees.*

Similar research by Saini, Saini and Anjum (2011) revealed that Indian investors ranked tax benefits first, returns and safety as the main factors they considered when investing in the mutual fund scheme. Furthermore, the Indian investors ranked past performance, stability of returns and past dividends as features of the mutual funds that attracted them most. It is not surprising that Ghanaian and Indian investors consider safety and returns when deciding to invest. A rational investor is generally risk-averse and will most likely go for a safe investment that can maximize their returns as the portfolio theory explains. Also, the past performance of the fund is an important feature to both groups of investors since the performance helps the investors to know if the fund can maximize their returns, minimize their losses or the fund can be safe to invest monies in. The likely reason for Indian investors ranking dividends high is because most Indian mutual funds are close-end, hence shares are bought on the stock exchange and investors also benefit in the form of dividends. In ranking the factors, the factor count was multiplied by the rank number to get the score in parenthesis for each category. The scores were then summed up to get the total scores to be ranked.

Table 2

Factor rankings of investment considerations in fund schemes

Features	**Ranks and Scores**					**Total Scores**	**Ranks**
	1	**2**	**3**	**4**	**5**		
Experience of the fund manager	6 (6)	9 (18)	11 (33)	25 (100)	27 (135)	282	4
Safety (money is protected, easy access to your money)	3 (3)	6 (12)	11 (33)	25 (100)	35 (175)	323	1
Liquidity (easy money withdrawal)	3 (3)	9 (18)	14 (42)	26 (104)	23 (115)	282	4
Diversification (buying of different securities)	7 (7)	10 (20)	21 (63)	17 (68)	18 (90)	248	8
Tax benefits (your earnings are tax free)	11 (11)	14 (28)	24 (72)	15 (60)	9 (45)	216	9
Regular income (income is earned at monthly intervals)	5 (5)	15 (30)	14 (42)	24 (96)	16 (80)	263	6
Returns	6 (6)	5 (10)	6 (18)	29 (116)	31 (155)	305	2
Affordability (invest with as low as GHS 20)	12 (12)	12 (24)	13 (39)	25 (100)	17 (85)	260	7
Risk (chances of losing some money)	10 (10)	4 (8)	11 (33)	28 (112)	24 (120)	283	3

Table 3

Factor rankings of features of fund schemes that attract investors

Features	Ranks and Scores					Total Scores	Ranks
	1	2	3	4	5		
Past performance of the fund	3 (3)	2 (4)	15 (45)	25 (100)	29 (145)	297	3
Fund manager name (e.g. Ecobank, Databank)	4 (14)	6 (12)	9 (36)	27 (108)	29 (145)	315	1
Entry/Exit fees	13 (13)	11 (22)	23 (69)	17 (168)	11 (55)	216	7
Stability of returns	3 (3)	5 (10)	10 (30)	29 (116)	27 (135)	294	4
Type of fund (equity, balanced, money market, fixed income)	4 (4)	5 (10)	10 (30)	34 (136)	24 (120)	300	2
Size of the fund	5 (5)	13 (26)	15 (45)	25 (100)	17 (85)	261	5
NAV (price of the fund)	7 (7)	13 (26)	21 (63)	16 (64)	18 (90)	250	6

4.5 Benefits and challenges formal workers who invest in the fund scheme face

For respondents who have invested in the fund schemes, there have been some benefits and challenges they have faced during their period of investment. For the challenges respondents face, the revocation of the licenses of some 50 fund managers in Ghana in 2018 due to the liquidity challenges and growing levels of impaired assets of collapsed financial institutions could explain why some respondents lost their investments in the fund schemes. Others also cited fear of losses on their investment due to the likelihood of licensed fund managers becoming insolvent in future. Furthermore, the spillover effect of the financial sector cleanup led to a decrease in the market performance of the finance sector which affected the asset allocations of the fund managers. This coupled with the ravaging effects of COVID-19 could attest to respondents citing unfavorable and fluctuating returns on their investment as a main form of challenge. Lastly, workers cited the delay in conveying monthly statements to them as a major challenge since they are kept in the dark concerning the gains/loss they may have during the time period. Also, some respondents have had difficulties withdrawing their funds from their accounts. The findings are consistent with Saini, Saini and Anjum (2011) where Indian investors touted the lack of periodical statements and lack of transparency among the operations of fund managers as challenges that they encountered when investing in mutual funds. A possible increase in the number of investors for the banks is likely to affect the operations and ensure that the companies send out the monthly statements on time.

Despite the challenges encountered with the funds, investors have also benefitted immensely from investing in the fund schemes. Some respondents cited investing in mutual funds as a secure means and pool of funds for them to have a good retirement. This is likely due to a large number of investors belonging to the 26 to 55 age group. Other respondents said they had money available for emergency needs and had ready cash to take on new projects or opportunities when they arise. Within the higher age group, emergency situations such as hospital needs may arise which having an extra income source may help to alleviate. Some workers also invested in them to cater for the educational needs of their children. In the higher age bracket, formal workers are likely to have families to cater for. More importantly, workers have cited income growth, good returns and high liquidity as some of the numerous benefits they have gained from investment in the fund schemes. The benefits that workers have gained from investing in fund schemes are in tandem with literature on the benefits of investing in mutual funds as discussed in the literature review section above (Basariya & Jasmine, 2018; Hamacher & Pozen, 2015; Khurram, 2012).

CHAPTER 5: CONCLUSION

5.0 Introduction

The main purpose of the research was to explore the awareness level of Collective Investment Schemes among formal workers in Ghana. Formal workers within and outside Accra were considered for the study through questionnaires and google forms. This chapter provides a summary and concludes the research findings, outlines recommendations, limitations and areas for further study.

5.1 Summary

The study revealed that 55.4% of respondents were fully aware of the fund schemes, 23.8% of respondents had partial awareness of the fund schemes and 20.8% of respondents had no awareness of mutual funds or unit trusts. The majority of respondents had heard of mutual funds, knew of the terms associated with the fund schemes and could mention at least one mutual fund or unit trust.

In addition to assessing the awareness level of the fund schemes, a crosstabulation test under the Pearson’s Chi-square test was performed to see if any relationship existed at the significance level of 0.05. For the sample of the study, it was concluded that there was a significant relationship between educational level and the awareness level of mutual fund schemes. Contrary to this, age, gender, sector of work, salary range and work level had no significant relationship with the awareness level of fund schemes among formal workers.

On workers' perception towards investing in the fund schemes, formal workers who did not invest in fund schemes mainly touted a lack of proper understanding of the fund scheme operations. Those who did not invest preferred treasury bills and fixed deposits. This was due to low risk, good understanding and high-interest rates. For formal workers who invested in the fund schemes, they prioritized the safety and experience of the fund manager before investing in the fund scheme. The workers were mainly attracted by the funds' past performance and the fund type.

Lastly, formal workers investing in the fund schemes outlined the benefits and challenges they encountered since investing in the fund schemes. Some challenges formal workers encountered included difficulty in withdrawing funds, delay in monthly statements, losses on investments, low returns and charges on deposits and withdrawals. On the other hand, the benefits formal workers encountered included having money for emergency needs, income growth, good returns and liquidity.

5.2 Main Conclusions

The data and findings reveal that formal workers are generally aware of the existence and some terminologies associated with the operations of the fund schemes. However, like the Ghana Capital Market Master Plan (2020) report by the Securities and Exchange Commission, the majority of formal workers are not investing in the fund schemes because they have not been properly introduced to the fund schemes or they do not have a proper understanding of how their monies will be invested. Due to this, the majority of those who do not invest in the fund schemes prefer alternative investments such as treasury securities and fixed deposits. This is because the workers have a full understanding of how these investments operate and they have an assurance of the returns from these investments.

The majority of formal workers invest in mutual funds using their salaries and make monthly investments into their fund accounts as most of them do not have alternative sources of income. Generally, formal workers are investment-conscious, and they see the need for having financial investments to help them meet their objectives such as retirement, income growth, future projects and buying new assets. The lack of alternative sources of income implies that formal workers have to find new skills to improve their income range or try and invest part of their income into other activities that can generate passive income to support their salaries.

Lastly, most workers invest in mutual fund schemes to grow their income and for retirement purposes. The fund schemes operate on a compounded interest principle which over time accumulates and generates huge returns for investors. As part of retirement planning, workers invest in these fund schemes to supplement their future pension income and mitigate the challenges associated with receiving pension income.

5.3 Recommendations

Mutual fund companies have to step up their efforts in ensuring that formal workers have a proper understanding of the operations of the fund. As part of improving the awareness of mutual funds and unit trusts, advertisements on social media platforms, television, radio and other media sources should be used more frequently. The advertisements should focus on explaining the processes involved right from opening the account, to the types of funds available, the way an investor's money will be allocated to buy securities, the fees involved in buying the fund account and also the fact that the fund is easily affordable. Most formal workers had no idea that a fund account could be opened with as low as GHS 20. The marketing of the benefits of the fund schemes should be targeted at marketplaces, schools, churches, hospitals and organizations and explained in simple language for workers who do not have high educational levels to gain proper understanding and make investments into the fund schemes.

Furthermore, mutual fund companies have to step up their efforts in providing generous returns for their investors. The aftermath of the COVID-19 and financial sector shakeup means that fund companies will have to reconsider the allocations of securities in their portfolio in order to maximize the returns to investors. Fund managers could also consider reducing or removing deposit and withdrawal fees for investors so they could be encouraged to invest more.

To continue with, employers of organizations should encourage workers to open mutual fund accounts and make monthly contributions to the mutual fund accounts. This way, regardless of whether the employee stays in the organization or leaves the organization, the employee is well equipped to have an additional source of income to help with their retirement aside from SSNIT.

Fourthly, to ensure a comfortable retirement, formal workers should consider having alternative sources of income such as land, online business, other financial investments or any business venture that can supplement their salary. Depending on salary alone with the increasing cost of living in Ghana will make it difficult for a worker to consider investing.

Lastly, the current pension system should be restructured. Workers and employers should instead make the 13.5% SSNIT contribution to mutual fund schemes. This is because workers would be able to make monthly contributions and benefit from the compounded interest on their monthly investments for their entire working life. This is more beneficial to the worker, and the gains over the period will be enough to support the retirement phase of retired workers.

5.4 Limitations of the study

For the selected companies in Accra, the gathering of data was difficult as most of the participants who were to fill out the questionnaire had not filled them on time. For others, although management had been made aware of the purpose of the research, the questionnaires had not been distributed at the time of gathering data. Some other companies either forgot to distribute the questionnaires within the two-week period or did not pick up phone calls when further checks were to be made on the progress of the data collection. For the google forms, respondents were limited to one response and if a respondent made a mistake in a choice selection, results may be affected once submissions have been made. Some respondents may also have been in a hurry to fill out the forms. This was noticeable as some respondents did not pay attention to the instructions given in answering some sections of the survey which may affect the analysis of the results. Such responses were deleted to ensure results could be accurate as possible.

5.5 Areas for further study

Research could be conducted to gauge the awareness level of the fund schemes among informal workers and also to determine the preparations that informal workers make towards their retirement. Additionally, research could be done on retired workers to find out the planning they made towards their retirement. The necessary preparations they could have made as they worked, what they did that helped them with their retirement and any recommendations they have to help workers have a good retirement.

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Appendix

Apendix 1: Research Questionnaire

ASHESI UNIVERSITY

QUESTIONNAIRE TO ASSESS THE AWARENESS LEVEL OF COLLECTIVE INVESTMENT SCHEMES (MUTUAL FUNDS & UNIT TRUSTS) AMONG FORMAL WORKERS IN GHANA

This student research is part of a Bachelor's Degree Capstone Project being conducted by the Business Administration department, Ashesi University. The purpose of the research is to determine the awareness level of Collective Investment Schemes (unit trusts and mutual funds) among formal workers in Ghana specifically within Accra. Furthermore, the study seeks to know whether demographic factors such as age, educational and income level have a significant relationship with the level of awareness of fund schemes among formal workers, and to identify the benefits and challenges of workers who have subscribed to the fund schemes as well as the alternative investments of formal workers who do not subscribe to the fund schemes and their reasons for doing so.

This survey will take approximately 10-15 minutes to complete. The outcome of this research will provide valuable information to the mutual fund agencies on how to market their products to attract more workers and improve their product offering to their current investors as well as help with suggestions on how to make retirement more desirable for workers. Therefore, I would like to kindly request that respondents provide true, candid and honest responses to the questions.

Your decision to participate in this survey is entirely voluntary, and all who participate will remain anonymous.

Contact the researcher at prince.tetteh@ashesi.edu.gh or 0559891183. Alternatively, you can reach the supervisor at nboadu@aucampus.onmicrosoft.com should you have questions, concerns, or problems about the study.

This research protocol has been reviewed and approved by the Ashesi University Human Subjects Review Committee. If you have any reservations about the approval process, please contact the Chair, Ashesi HSCR at irb@ashesi.edu.gh

The information provided on this questionnaire is strictly for academic purposes. Thank you for your time and cooperation.

General Directions: Please tick your responses in the [ ] provided and write your responses in the spaces provided.

Section A: Demographics

1. Gender: Male [ ] Female [ ]

2. Which age group do you belong to?
   18-25 [ ] 26-35 [ ] 36-45 [ ] 46-55 [ ] 56+ [ ]

3. Educational level:
   High school [ ] Undergraduate [ ] Master's [ ] Doctorate [ ]

4. Sector of work:
   Public [ ] Private[ ]

5. Which level of work do you belong to?

   Please note:

   Junior level – This level is responsible for carrying out objectives and plans set out by higher level management. Examples - assembling of products, serve food, front desk, customer service, administrative work, intern.

   Middle level – This level includes heads for the various departments. They are responsible for achieving objectives and managing people within a department. Examples - supervisors, department managers (operations, sales, etc.)

   Top level – This level determines the objectives of the overall business, planning and laying down objectives, exercising overall control of the organization. Examples - CEO, Senior Executives, President, overall management head

Junior-level [ ]   Middle level [ ]   Top level [ ]

6. What is the range of your **net monthly salary** in GHS?
   500 - 2000 [ ]   2100 - 7200 [ ]   9000 - 21000 [ ]   24000 - 60000 [ ]

7. Do you have any other source(s) of monthly income?
   Yes [ ]   No[ ]

8. If **Yes**, please state the range of your alternative source(s) of monthly income
   ____

Section B: Awareness level

9. Have you heard of mutual funds or unit trust?
   Yes [ ]   No [ ]

10. Please mention as many mutual funds as possible or unit trusts that you know of.
    ____
    ____
    ____
    ___

11. Where did you get to know any of the above funds?
    TV [ ]   Newspaper [ ]   Friends & Family [ ]
    Radio [ ]   Social media [ ]   Mutual Fund company [ ]
    Company/ Workplace [ ]   Billboard advertisements [ ]
    School [ ]   Others (please specify) ______________________

12. Do you know of the following terms and features with regards to mutual funds and unit trusts? *(please select the ones you know about)*

    Professional management
    (*fund managers invest and* ☐

manage securities on your behalf)

Diversification
(*your money is used to buy a* ☐

collection of securities)

Liquidity
(you can easily withdraw money ☐

from your fund account)

Affordability
(you can open a fund account ☐

with as low as GHS 20)

Risk & Return
(you can make a gain/loss ☐

on your investment)

13. How did you get to know about the terms and features you selected above?

School [ ] Education from fund managers (Databank, Ecobank etc.) [ ]

Read about it [ ] Others(please specify): ______________________

Section C: Investment in Fund Schemes

14. Do you invest in mutual funds or unit trust?

Yes [ ] No [ ]

(If you answer No in question 14, kindly answer questions 15, 16 and 17, and skip to section E. If Yes, please skip to question 17).

15. If **No,** what are your reasons for not investing in mutual funds or unit trusts? (*please state as many as possible)*

    ____

    ____

    ____

16. What alternative investment options do you invest in?

    Treasury Bills [ ] Bonds [ ] Stocks [ ] Fixed Deposit [ ]

    Others (please specify): ____________________

17. What are your reasons for investing in your choice above? (*please state as many as possible)*

____

____

____

____

18. If **Yes**, please state the name of the mutual fund(s) or unit trust(s) that you invest in.

    ____

    ____

19. How long have you invested in mutual funds or unit trusts?

    Less than a year [ ] 1-5 years [ ]6-10 years [ ] 11- 20 years [ ]

    More than 20 years [ ]

20. How often do you invest in the fund schemes?

    Once in six months [ ] Monthly [ ] Once a year [ ] Rarely [ ]

    Others(please specify): ______________________________

21. What sources of funds do you use for investing in the mutual funds or unit trusts?

    Bank savings [ ] Salary [ ] Business income [ ]

    Others(please specify): ______________________________

22. On average, how much in GHS do you invest in mutual funds or unit trusts?

____

23. Rank the following factors you considered when investing in mutual funds or unit trusts.

For each line, tick your response in the boxes provided.

(1 – least important, 5 – most important)

	1	2	3	4	5
Experience of the fund manager					
Safety (money is protected, easy access to your money)					
Liquidity (easy money withdrawal)					
Diversification (buying of different securities)					
Tax benefit (your earnings are tax free)					
Regular income (income is earned at monthly intervals)					
Returns					
Affordability (invest with as low as GHS 20)					
Risk (chances of losing some money)					

24. Rank the following features of the mutual fund and unit trusts that attracted you to invest in it. **For each line, tick your response in the boxes provided.**

(1 – least important, 5 – most important)

	1	2	3	4	5
Past performance of the fund					
Fund manager name (e.g. Ecobank, Databank)					
Entry/Exit fees					
Stability of returns					
Type of fund (equity, balanced, money market, fixed income)					
Size of the fund					
NAV (price of the fund)					

25. What are your reasons for investing in mutual funds or unit trusts? (*you may tick more than one response)*

Retirement [ ] Emergency funds [ ] Saving for education [ ]

Start a business [ ] Buy a home [ ] Income Growth [ ]

Travel [ ] Liquidity [ ]

Others (please specify): ____________________________

Section D: Benefits and Challenges of investing in fund schemes

26. Please state the benefits you have received since investing in mutual funds or unit trusts. (*please state as many as possible*).

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27. Please state the challenges you have encountered since investing in mutual funds or unit trusts. (*please state as many as possible*).

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Section E: Suggestions and Recommendations

28. Do you have any suggestions on how to improve the awareness of mutual funds and unit trusts among workers in Ghana? *(please state as many as possible)*

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____
____
____
____
____

29. In your own opinion, how can retirement be made more desirable for workers in Ghana? *(please state as many as possible)*

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____
____
____
____
____

Thank you for your participation.