

**THE IMPACT OF SEGMENTATION ON THE EFFICIENT
DELIVERY OF BANKING SERVICES. A CASE OF GHANA
COMMERCIAL BANK LTD (GCB), SOMANYA**

BY

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DECLARATION

I, hereby declare that this submission is my own work towards the Commonwealth Executive Masters in Business Administration and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in text.

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ABSTRACT

This study was carried out to assess the impact of segmentation on the efficient delivery of banking services, a case of Ghana Commercial Bank Ltd (GCB), Somanya. The research specifically sought to: find out the predominant areas of business and other economic activities present in Somanya; ascertain the specific banking needs of the various sectors in Somanya; ascertain the challenges faced by customers as far as their banking needs are concerned; and determine the measures and strategies employed by GCB to meet the needs of the specific sectors in the study area.

In this study, systematic and purposive sampling techniques were respectively used to select a sample of 70 customers and 10 bank staff for the study. The data was analyzed by means of SPSS. Charts and frequency table were used to summarize the data. The study discovered that segmentation has a significant impact on the efficient delivery of banking services. However, inability to give loans to certain categories of customers, delay in communication coupled with the large number of customers remained the major challenges. It was therefore recommended that GCB, Somanya should employ more people, educate its customers to take advantage of, and utilize the numerous internet banking products of the bank, and also develop more products to meet customers' banking needs.

DEDICATION

This project work is dedicated to my dear wife, Joyce Fosua; my mother, Grace Frempomah; and my two daughters, Nana Adwoa and Maa Abena who inspired me throughout the years of study and the period of writing this project work.

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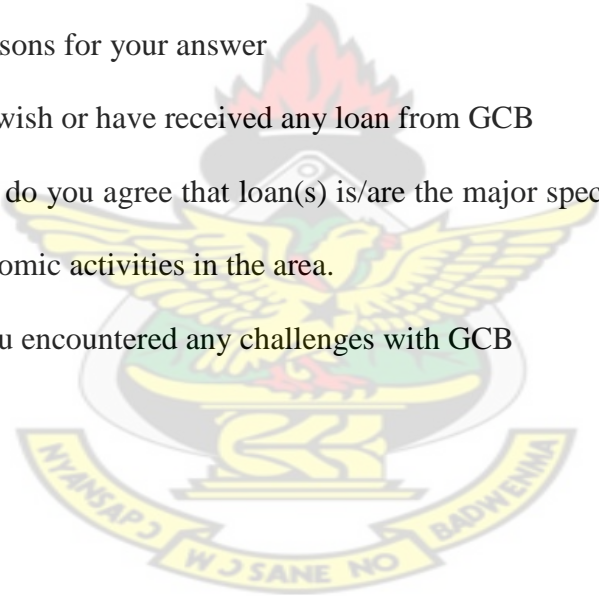
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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Banks do exist to provide financial intermediation. In other words, banks are expected to enhance financial intermediation by linking those who have extra funds but do not have immediate use for these funds (lenders) to those who need the extra funds for their various activities but do not immediately have them (borrowers). Banks thus by their processes facilitate the mobilization of deposits from those who have extra funds and advance them as credits to those who need such excess funds for their activities (Henderson, 1988).

Financial intermediation has gone through various stages in an attempt to meet the different needs of the different customers. For instance, an earlier mode for facilitating exchange was through the barter system when goods were exchanged for goods to enable consumers get what they want while they give out what they have in excess (Lipsey and Chrystal, 2007). According to Lipsey and Chrystal, barter could not exactly meet the requirements of consumers as there were so many difficulties such as:

- finding someone who has what you want and also ready to take what you have (double coincidence of wants);
- how to align one good against the other in terms of value to ensure that no one is cheated in the exchange process;
- the difficulty in storing certain goods and preserving its value until you get someone who is ready to exchange; and

- the difficulty associated with carrying around bulky goods until one gets another person who is ready to exchange.

As an improvement on the barter system, goldsmiths began using gold as a medium of exchange to facilitate financial intermediation. This they did by issuing out receipts to those who deposited their bars of gold with them for safekeeping. The owners in turn could use their receipts as means of borrowing from others by endorsing the receipts and transferring them to their lenders who could use such receipts to go and collect the gold deposited when the collection date indicated on the receipt is due. The goldsmiths of course also lent out the gold deposited by their clients to others to make some quick returns before the collection dates are due. Thus they took gold from their clients and lent them out at a margin. In fact these form the basis of modern day banking which has been polished so much to meet the specific needs of the widely varying clients (Henderson, 1988).

According to Henderson, with development and increased complexity in business activities and transactions, the need for banking activities became complex and much demanding. Banks began fashioning out different products to meet the emerging and varying needs of both people and institutions. Segmentation is one of the recent concepts being used by companies such as banks, insurance firms and other marketing firms to meet the needs of its customers. It is the process of dividing a market into smaller groups of buyers/customers with distinct needs, characteristics or behaviours who might require separate product or marketing mixes (Kotler and Armstrong, 2006). This suggests that banks must have knowledge of the needs of its customers in order to provide the appropriate services to meet such need.

In Ghana, the government as part of its post-independence policies to boost business activities in the emerging economy set up different banks for different purposes according to its developmental needs. In other words, the then post-independence administration recognized the specific needs of the different sectors of the economy and hence set up different banks to provide the needed services to hasten the development of the new state. The first of such banks is the Ghana Commercial Bank (GCB). GCB was set up to provide banking services to the indigenous Ghanaian trader who at the time did not get the needed services from the expatriate banks in the system. GCB then, mostly, provided retail banking services to individuals and trading concerns (www.gcb.com.gh).

The Agricultural Development Bank was also established to provide other services; provide the needed funds to boost agricultural activities in the country. Other banks such as the National Investment Bank and the Merchant Bank were also set up to provide the needed support to investment and trading activities respectively (www.bog.gov.gh).

1.2 STATEMENT OF THE PROBLEM

The economy of Ghana has grown and become so complex over the years. Business activities have accordingly become complicated especially with the introduction of information and communication technology (ICT). Also business dealings among different countries have increased especially due to globalization. Through technology, Ghanaians are so much abreast with happenings elsewhere and as such import some of such ideas into the country and expect local institutions to replicate them here. The banking sector is one such area that

the population expect so much from, and this has become even more intense as the number of banks have grown from a mere three to about twenty seven as at the year 2012, leading to intense competition.(www.bog.gov.gh/)

It is in this light that this research seeks to determine the role segmentation plays in an attempt to fashion out banking products that effectively meet the specific needs of the varying sectors of the economy using Ghana Commercial Bank Ltd (GCB), Somanya as a case study.

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1.3 OBJECTIVES OF THE STUDY

The study aims:

- a. To find out predominant areas of business and other economic activities present in the Somanya area that require banking services.
- b. To ascertain the specific banking needs of these various sectors in the Somanya area.
- c. To ascertain the challenges faced by customers in the study area as far as their banking needs are concerned.
- d. To find out the measures and strategies GCB uses to meet the needs of these specific sectors present in the Somanya area.

1.4 RESEARCH QUESTIONS

- a. Who were the various individuals, groups, businesses and institutions that need banking services?

- b. What exactly were the specific banking needs, and were these needs homogenous or varying?
- c. What were the challenges faced by these varied customers in their bid to enjoy banking services to boost their economic activities?
- d. What measures have GCB put in place to meet those needs?

1.5 SIGNIFICANCE OF THE STUDY

This study would be very important in the sense that:

- a. It would help the branch to know the nature of consumers in its catchment area and provide exactly what they want.
- b. The branch would be able to carve out products that would attract more customers, including the unbanked, to increase its deposits base as well as generate more revenues.

1.6 LIMITATION OF THE STUDY

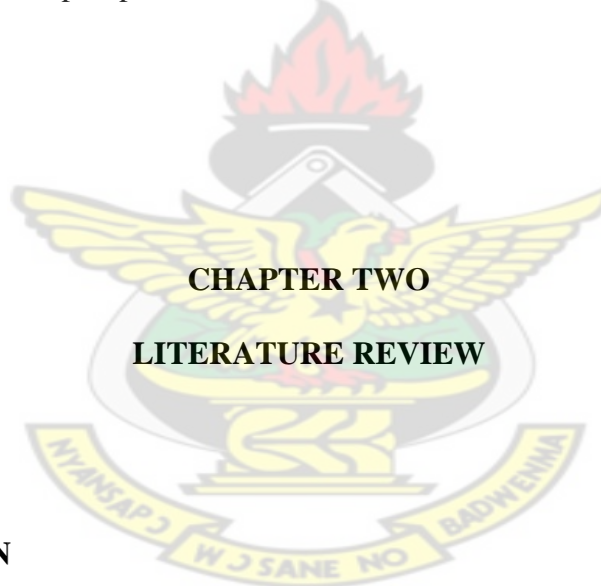
Most people find it uncomfortable when it comes to the discussion of issues relating to finances. This affected the quality of responses that eventually had a bearing on the findings.

In studies like this, it is very appropriate to have a large sample size in order to get the best of findings. However, the constraints of time and finances did not permit this hence, the researcher limited the study to an appropriate sample size within the Yilo Krobo Municipal capital of Somanya. This enabled the research to be completed on time and within a certain budget.

1.7 ORGANISATION OF THE STUDY

The research work is divided into five (5) chapters.

Chapter one concerns itself with the general introduction grouped under the following headings; Background to the study, Statement of the problem, Objectives of the study, Significance of the study, Research questions, Scope of the study and Organization of the study. Chapter two involves the review of various related literatures on the relevant subject under the study. Chapter three includes the various methods used for collecting data for the research work. These methods include administration of questionnaires and interviews. Chapter four presents results, discussions and provides analysis of the data gathered for the study. Finally, the fifth chapter provides conclusions and recommendations.



CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter seeks to provide the theoretical and conceptual underpins of the study by reviewing relevant literature on the topic under study. It basically deals with a review of works that have been done and shared by researchers, scholars as well as other international, financial organisations, private and national bodies in relation to bank segmentation. In order to provide a rationale and context for the study's objectives, a review of relevant theoretical and empirical literature on what is segmentation, definitions and the concept of banking,

services provided by banks and financial institutions and the impact of bank segmentation are the sub-topics to be discussed in this chapter.

2.2 DEFINITIONS OF SEGMENTATION

It is understood in literature that unsatisfied consumer needs represents a business opportunity. This business opportunity must however be approached with a well designed marketing strategy due to scarce resource and the issue of competition which arises in our daily lives. One of the important marketing strategies that have emerged in recent times in the banking discourse is market segmentation (also known as customer segmentation). Quite recently, many businesses such as banks, insurance companies, and other service providers have realized the importance of customer or market segmentation and its potentials to help them acquire new customers retain existing ones and maximize their lifetime value. Literature on the definitions of segmentation has basically related the concept of segmentation as a process that companies use to divide customers into distinct groups. Smith (1965 cited in Wedel et al, 2002) defines market segmentation as “a process that involves viewing a heterogeneous market as a number of smaller homogeneous markets, in response to differing preferences, attributable to the desires of customers for more precise satisfactions of their varying wants.” This definition though not current is still relevant to date and one of its most appealing aspects is that it presents segmentation as a conceptual model of the way a manager wishes to view a market. Day (1984) in his study of supply chain management: the responsibilities are infinite in California, attempted a definition of the concept of segmentation. He perceived segmentation as a process that companies adopt to divide the market/customers into distinct groups on the basis of certain consumer characteristics such as needs, wants, behaviour or taste for its products or services (Day, 1984). It must be stressed

from the definition that before a bank can embark on market segmentation; it must and should be able to know the specific needs, wants, and tastes of its customers.

Kotler and Armstrong (2006) equally expound on the concept of segmentation. They define market segmentation as the process of dividing a market into smaller groups of buyers with distinct needs, characteristics or behaviours who might require separate product or marketing mixes. This definition strongly relates segmentation as a process; meaning it involves carefully designed steps. However whatever steps that are used in market segmentation should consider certain key attributes which are related to the customer. These include; the needs, the characteristics and behavioural nature of the customer. The difficulty that lies before banks has to do with not just ensuring that market segmentation is appropriately planned but how it is effectively carried out or implemented.

Historically, banks of all sizes have used certain metrics which relates to “size” to determine how best to sell to and support the banking needs of the business banking customer (Hitachi Consulting, 2010). One of the criteria according to Hitachi Consulting (2010) has to do with the revenue base and the cut-offs to segment prospects and customers. Based on this banks segmentation decision can be made on:

- The channel(s) used to sell and service these companies
- The skill set and experience level of the resources dedicated to them
- The set of banking product and services offered to them.

Unfortunately, using revenue-based segmentation has sometimes resulted in frustrated and unhappy business customers and significant missed opportunities for the banks that serve them. As one example, many small business owners are often good candidates to become

wealth management clients. However, many banks, including many national and regional banks, tend to sell and service their small-business customers through consumer banking channels. Some of these channels (e.g., retail branches or call centers) are not sufficiently focused on or skilled enough to meet the needs of these customers. Other channels (e.g., consumer online banking) may not provide the bank with sufficient visibility to, or functionality for, meeting the business or wealth management needs of these customers. Whatever the cause, the result is that the small business customer does not believe its preferences or needs are fully understood or are being met (Hitachi Consult, 2010). Another common size-based segmentation scheme identified by the Hitachi consult, 2010, that is used by banks for small businesses is focused on the number of employees. The needs of businesses within each of these employee tiers can differ dramatically. As a result, the number of employees may or may not be indicative of the best approach for banking them. On the one hand, employee numbers may be helpful in offering a company payroll services or direct deposits for their employees. On the other hand, the number of employees may provide little insight into understanding other needs (such as cash management) or customer comfort levels around newer, more sophisticated products and services like certain on-line banking products or remote deposit capture. The end result may well be an unnecessary misalignment between the bank and its customer, spelling missed opportunities for both (Hitachi Consult, 2010). Evidently, segmenting businesses using size-based criteria has several potential shortcomings. The Hitachi Consult has identified some of these common flaws to include:

- An assumption that the size of the company drives their banking needs and preferences
- The potential assignment of less skilled resources to service and sell to smaller companies

- Channel, product and/or service offerings not aligned with the needs of the business.

Schiffman and Kanuk (2000) in their study of Consumer Behavior define market segmentation as a process of dividing a market into subset of consumers' common needs or characteristics and selecting a target with a distinct marketing mix. This definition implies that the segmentation process must create segments of customers based on their specific needs. However, it is asserted that marketers do not create segments due to the fact that segmentation is a natural process in the marketing profession. Doyle (2004) also views market segmentation as a homogeneous group of customers each reacting differently to promotion, distributional communication, pricing and other variables of marketing mixes. When these views are applied to segmentation of bank product market, the implication is that it affords the marketer to distinguish portions of the market from one another, say in terms of customer needs. Success in a market segmentation process is premised on the ability of a bank to identify individual differences and similarities within segments that have significant impact on purchasing patterns.

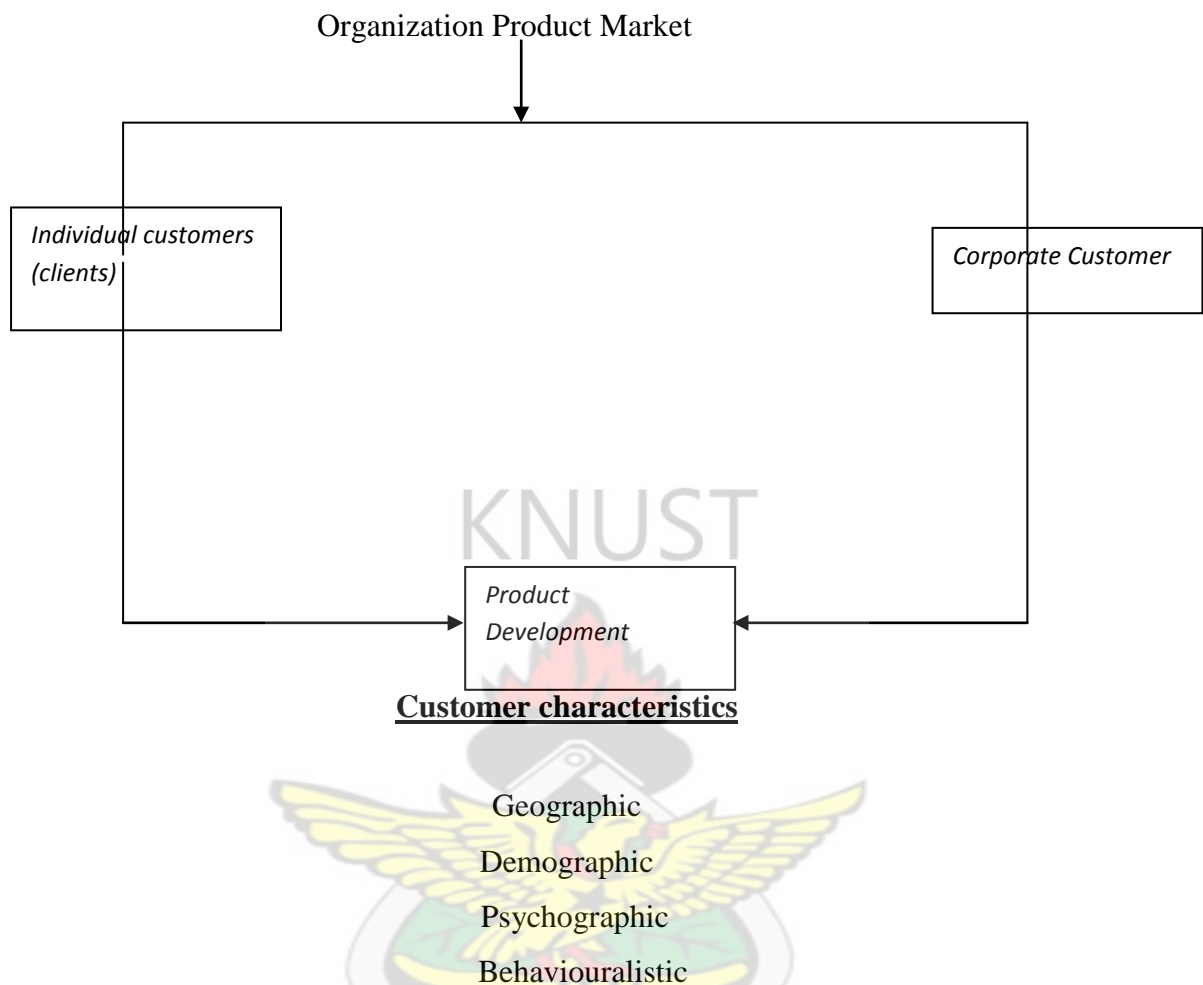
A cross analysis of all definitions of segmentation reveals that segmentation basically focuses on dividing customers into distinct groups based on their wants and needs, and providing the needed services in order to meet the specific needs of customers. Kotler and Keller (2006) and Kotler and Armstrong (2006) identify four different levels in market or customer segmentation. These levels include; segment, niche, local and one-to-one markets. They defined the segment to mean when a total market is divided into broad consumer groups with common or homogeneous needs. However a broad segment market can further be divided into groups of consumers with distinct needs. This represents the second level called the niche market. Furthermore, the local marketing involves tailoring brands and promotions to

the needs and wants of local customer groups – cities, neighborhoods, or even specific stores (Kotler and Keller, 2006). According to them the one-to-one marketing is the lowest level of segmentation. This is the process whereby a bank tailors its marketing activities to meet the needs of just one individual customer (Mawoli, 2011). This lowest level which is designed to specifically meet the needs of the individual customer is called personalization or customization. This implies that segmentation must be done with a careful analysis of the specific needs of customers. This requires planning at each of the levels of segmentation.

2.3 SEGMENTATION STRATEGIES FOR THE BANKING INDUSTRY

Several theoretical frameworks concerning segmentation have been developed for the individual banks and the banking industry at large. The works of Brassington and Petit (2006), Steenkamp and Hofstede (2002), and Pride and Ferrell (1985) are unanimous that an ideal market segmentation for banks should involve two-stages. Thus, Pride and Ferrell (1985) submit that markets can be segmented into industrial and consumer segments, while Brassington and Petit (2006) classified market segments into macro and micro segments. The macro-segment represents the purchasing sectors whose decisions are based largely on micro-units. The micro-segments are individual decision-making units who are usually component members of the macro-unit determining the success of any product developed and subsequently offered to the market. The two-stage process framework for the design of a workable segmentation process in product offering as suggested by Brassington and Petit (2006) and Steenkamp and Hofstede (2002) is presented in the figure below.

Fig 2.1: Two stage segmentation process



Source: Adaptation of two-stage ideal market segmentation process Brassigton and Petit (2006).

Hitachi Consult (2010) identifies at least three ways that banks can improve their segmentation approach. These approaches include understanding the lifecycle of needs of the business owners and their businesses, create a scheme that focuses on the sophistication of these businesses and their needs, and developing a dynamic needs assessment feedback loop that enhances awareness of the first two items.

2.4 SEGMENTATION VARIABLES

The variables used in segmenting a market are demographic, geographic, psychological, socio-cultural and behavioural variables (Schiffman and Kanuk, 2000; and Kotler and Keller, 2006). Geographic segmentation entails dividing a broad market into geographic units such as continents (Africa, America, Europe, Asia, Australia), nations (Nigeria, Ghana, Niger, Mali. etc.), regions (North-West, North-East, North-Central, South-West, South-South, and South-East), cities (Lagos, Ibadan, Port Harcourt, Abuja, Kano, Kaduna, Maiduguri, Sokoto, etc.) or neighbourhoods. The philosophy behind geographic segmentation is that people who live in the same area are bound to share similar culture and experience the same weather which makes them to acquire similar needs and wants over time (Mawoli, 2011). Demographic segmentation is the process of segmenting a consumer market using demographic variables such as age (childhood, adolescence, and adulthood), sex (male and female), marital status (single, married, divorced, widowed), family type/size (nuclear or extended), family life cycle (bachelorhood/spinsterhood, honeymooners, early parenthood, late parenthood, and dissolution), occupation (student, teachers, civil servant, medical doctor, engineer, journalist, or lawyer), etc. [see: Schiffman and Kanuk, 2000; and Kotler and Keller, 2006]. Psychological segmentation is the process of segmenting the consumer market using psychological variables such as motivation (physiological needs, safety needs, social needs, esteem need, self-actualization needs), life style (union-oriented, sport-oriented, culture-oriented, religious-oriented, academic-oriented, political-oriented), attitude (positive and negative attitudes), perception (dogmatic or realist) and personality (achievers, ambitious, authoritarian, gregarious). Socio-cultural segmentation is the process of segmenting a consumer market using socio-cultural variables such as religion (Islam, Christianity, Buddhism, or Traditional Religion), language (Hausa, Igbo, Yoruba, and Nupe), marriage (polygamy and monogamy), and social class (lower, middle and upper), etc. Behavioural

variables such as knowledge (what consumers know about a product), attitude (what consumers believe or expect in a product), uses (who are the users and how often do they consume a product), and responses (nature of consumers repurchase behaviour) can be used to segment a market (Mawoli, 2011).

2.5 CRITERIA FOR EVALUATING SEGMENTS MARKETS

Criteria used in evaluating a segmented market are identification, measurability, accessibility, substantiality, stability, differentiation and action (Mawoli, 2011; Kotler and Keller, 2006; and Schiffman and Kanuk, 2000).

Identification criterion suggests that relevant characteristics that are used in segmenting a market should be identifiable. The demographic and geographic factors are easily identifiable while psychographic as well as behavioural characteristics such as benefit sought and life style are difficult to identify (Mawoli, 2011).

Measurability criterion suggests that a segment should be characterized with measurable attributes. Consumer attributes that are easy to identify are also very easy to measure or quantify (Mawoli, 2011). For example, demographic factors like age, sex, income and occupation can be easily identified and measured. However, psychographic variables like motivation and lifestyle are difficult to identify and even measure (Kotler and Keller, 2006).

Accessibility criterion entails that a target segment should be reachable and appropriately served by marketers in an efficient manner. Mawoli (2011) argues that a market segment that costs too much to reach and serve may be less profitable.

Substantiality criterion requires that a target segment should have sufficient number of consumers. That is, a segment should contain large number of consumers so that companies can enjoy economies of scale from mass production.

Mawoli (2011) maintains that with the Stability and Growing criteria, a target segment should be predictable over a long period of time. He stresses that an effective segment market is one whose needs are not likely to change in the short run but one whose needs and tastes are likely to even grow larger in the long run.

Differentiation Criterion: Since no two segments are the same in terms of needs, then each segment is expected to respond differently to the same marketing mix programme (See: Kotler and Keller, 2006; and Schiffman and Kanuk, 2000). Mawoli (2011) comments that when two different market segments respond uniformly to the same marketing offer, then the segmentation is not properly done and the two segments can best be called one segment.

Actionable criterion: Mawoli (2011) submits that a target segment should be the type that the company can use its limited resources to design a marketing programme for. By so doing, the marketer can attract, serve, satisfy and build lasting relationships with customers in ways that benefit the company and its stakeholders.

2.6 CONCEPT AND DEFINITIONS OF BANKING

Before 1979, there was no legal framework that provided a concise and precise definition of a bank. In other words there was no official definition of a bank and where laws applied to banks or referred to banks it was not always certain which institutions were covered by the term bank. However, in general three major issues were considered when the term bank is mentioned. These include accepting deposits from customers and looking after their money; offering cheque books to customers to enable them make payments to other people and providing at least some other financial services (Henderson, 1988). Therefore any

organization that could show commitment to meet these three basic requirements would probably have felt entitled to claim to be treated as a bank. This represents the traditional definition of banks.

In recent times, Banking occupies one of the most imperative positions in the modern economic world. Today, banks are necessary for wide range of activities especially in the arena of trade and industry. Hence it is one of the mammoth agencies of commerce. Although banking in one form or another has been in existence from very early times, modern banking is of recent origin. Understanding of a bank has proliferated in literature for a long time. The term 'Bank' has been defined in different ways by different scholars, researchers and economists. However the simplest definition of a bank is financial establishment/institution that exists to provide financial intermediation. In other words, banks are expected to enhance financial intermediation by linking those who have extra funds but do not have immediate use for these funds (lenders) to those who need the extra funds for their various activities but do not immediately have them (borrowers). Thus banks by this process facilitate the mobilization of deposits from those who have extra funds and advance them as credits to those who need such excess funds for their activities (Henderson, 1988).

In India, the definition of the business of banking has been given in the Banking Regulation Act, (BR Act), 1949. According to Section 5(c) of the BR Act, 'a banking company is a company which transacts the business of banking in India.' Further, Section 5(b) of the BR Act defines banking as, 'accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable, by cheque, draft, order or otherwise (NSE, 2010). A critical analysis of this definition points to three primary activities of banks which distinguish it from the other financial institutions. These are:

- (i) Maintaining deposit accounts including current accounts,
- (ii) Issue and pay cheques and
- (iii) Collect cheques for the bank's customers

This definition lends support to the definition of the Banking Companies Act of India. They define bank as a financial institution which accepts money from the public for the purpose of lending or investment repayable on demand or otherwise withdrawable by cheques, drafts or order or otherwise.”

Kinley (1999) cited in NSE, (2010) defines banks as an establishment which makes to individuals such advances of money as may be required and safely made, and to which individuals entrust money when not required by them for use.” This definition suggests that, banks are places where people in any society for safety reasons keep their monies. However at the time of need, the individual resort to the bank for such monies.

Bank is a lawful organization, which accepts deposits that can be withdrawn on demand. It also lends money to individuals and business houses that need it. Banks also render many other useful services – like collection of bills, payment of foreign bills, safe-keeping of jewellery and other valuable items, certifying the credit-worthiness of business and so on. Banks accept deposits from the general public as well as from the business community. Anyone who saves money for future can deposit his savings in a bank. Banks give two assurances to the depositors:

- a. Safety of deposit, and
- b. Withdrawal of deposit, whenever needed

This suggests that any institution regarded as a bank by statutory provisions ensures safe keeping of customers’ money for future investment and use. It must be emphasized that, banks give interest, which adds to the original amount of deposit. It is a great incentive to the

depositor. It promotes saving habits among the public. On the basis of deposits, banks also grant loans and advances to farmers, traders and businessmen for productive purposes. Thus banks contribute to the economic development of the country and well being of the people in general. Banks also charge interest on loans. The rate of interest is generally higher than the rate of interest allowed on deposits. Banks also charge fees for some of the other services, which they render to the business community and public in general. Interest received on loans and fees charged for services which exceed the interest allowed on deposits are the main sources of income for banks from which they meet their administrative expenses (Henderson, 1988).

According to Walter Leaf “A bank is a person or corporation which holds itself out to receive from the public, deposits payable on demand by cheque.” Horace White has defined a bank, “as a manufacture of credit and a machine for facilitating exchange.”

2.7 BANKING: REVIEW OF BANK PRODUCTS AND SERVICES

Banks are legal institutions that are established to provide a range of services to individuals, groups and the entire community of a nation. There are a wide range of products and services that are offered by banks to the public. However the services provided by banks keep on changing due to the changing needs of their customers. Due to the concomitant effect and pressures of globalization, competition from non-banking financial institutions, and volatile market dynamics, commercial banks are constantly seeking new ways to add value to their services. Henderson (1998) classifies the services of banks into those which banks provide for customers or business users and those that are specifically intended for personal customers.

The general services provided by banks according Henderson (1998) include; those associated with operating bank accounts, looking into valuables, dealing in shares, operating unit trust and trustee and executor of work.

With regard to operating bank account services, when an individual opens a bank account he or she becomes a customer of the bank. At its simplest level, the service a bank provides for such customers is to take money and give it back to the customers when they ask for it. Even with a simple deposit account, there are additional features that interest is paid on the account and there may be associated services such as regular statements, credit open arrangements, cash dispenser cards and automated payments (Henderson, 1998). For current accounts the associated services are even wider because in addition to any of the services available to deposit account holders, current account customers expect to have a cheque book and may also have a cheque guarantee card and eurocheques. However in recent times, deposit account holders are being issued with saving withdrawal books, though these books are not for clearing.

There are also personal services that banks render to customers. Personal customers also make use of deposit and lending services. One important service provided by banks to its personal customers has to do with advisory services. The advisory services include taxation services, insurance advice and investment advice. For instance the essential insurance advice may include car insurance, travel insurance, household contents insurance, building insurance and life insurance (Henderson, 1998).

Another important personal service provided by banks for its customers is investment services. Here, the investment advice that banks give will often lead to the use of services for which banks charge. For a kind of wealthy customers who are most likely to seek advice about investment, banks may offer a range of facilities including money-market investment, buying national savings investment, buying other investment, personal equity plans and investment management (Henderson, 1998). Other services provided by banks include granting of loans, indemnities for lost share certificate, automated teller machines, debit cards, home banking and consumer protection.

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In Ghana, the Banking Law 1989 PNDCL 225 defines a bank as anybody corporate which is issued with a license for the business of banking and banking services including:

- a. The acceptance of deposits of money from the public repayable on demand and withdrawable by cheques, drafts, orders or by other means, or
- b. The financing, whether in whole or in part or by way of short, medium or long term loans or advances for trade, industry, commerce or agriculture.

This assertion is affirmed by the current banking law of Ghana, Banking Act 2004 Act 673.

Over the years, the customer service in banks has improved considerably with the introduction of technology based products:

- ATM (this has facilitated customers to access cash withdrawal/deposits/account querying/transfer of funds/payment of utilities/purchase of air/train tickets – 24 X 7).
- Internet Banking.
- Debit Cards (dispensed the need for carrying cash for making purchases).
- Mobile Banking (stage wise implementation) and the youngsters accessing Banking services (Reserve Bank of India, 2011).

2.8 BANKS AND ECONOMIC DEVELOPMENT

Banks are essential financial intermediaries which provide peculiar services to the general public in any society. Apart from certain specific functions of financial intermediation, banks also facilitate economic growth and development.

Commercial banks are considered not merely as dealers in money but also the leaders in economic development. They are not only the store houses of the country's wealth but also the reservoirs of resources necessary for economic development. They play an important role in the economic development of a country. A well-developed banking system is essential for the economic development of a country. The "Industrial Revolution" in Europe in the 19th century would not have been possible without a sound system of commercial banking. In case of developing countries like India, the commercial banks are considered to be the backbone of the economy. Today, banks are important not just from the point of view of economic growth, but also financial stability. It is imperative to state that, the importance of banks is more pronounced in developing countries because financial markets are typically underdeveloped, and banks are characteristically the only major source of finance for the majority of firms and are usually the main depository of economic savings (Athanasoglou et al, 2006).

Sergeant (2001) in his study of the role of commercial banks in Trinidad and Tobago and the Carribeans concludes that, commercial banks are important critical institutions to the development process. His study revealed that commercial banks through the process of loan

granting in areas such as agriculture, manufacturing, services, construction and the energy sector contribute significantly to the economic development of the country. He maintains that through innovations and making new instruments available to investors, banks are able to perform an intermediation function. Further, his study concludes that banks allow investors the opportunity to gather wealth based on the investment strategy (Sergeant, 2001).

It must be stressed that, banks in a developing country have to play a dynamic role. Economic development places heavy demand on the resources and ingenuity of the banking system. It has to respond to the multifarious economic needs of a developing country. Traditional views and methods may have to be discarded. “An Institution, such as the banking system, which touches and should touch the lives of millions, has necessarily to be inspired by a larger social purpose and has to subserve national priorities and objectives.” A well-developed banking system provides a firm and durable foundation for the economic development of the country.

2.9 IMPORTANCE OF SEGMENTATION

In a service industry such as a bank, incidences of rising overhead expenditures are known to be associated with market segmentation. This occurs because where the product is profitable for a given bank other competing banks within the industry will soon copy the products with negative impacts on the original bank's bottom-line; (Sanusi, 2000). Disparities also exist between marketing of bank financial services, physical product and even the services provided by other firms outside the bank. The special case of bank service marketing lies in its two-sided nature; namely, the needs to attract customers to sell deposits to and source clients who will buy the credit facilities to be created from the deposits.

Segmentation is the basis for developing targeted and effective marketing plans. Analysis of market segments enables decisions about intensity of marketing activities in particular segments.

Dagmar (2001) indicated that a segment-orientated marketing approach usually offers a range of advantages for both, businesses and customers. The first advantage of segmentation according Dagmar (2001) is better serving customers needs and wants, that is, through segmentation it is possible to satisfy a variety of customer needs with a limited product range by using different forms, bundles, incentives and promotional activities.

Another relevance of segmentation is higher profits. It is possible to develop premium segments in which customers accept higher price levels even though it may often be difficult to increase prices for the whole market. Nevertheless, such segments could be distinguished from the mass market by features like additional services, exclusive points of sale, product variations and the like. A typical segment based price variation is by region. The generally higher price levels in big cities are evidence for this. Also by segmenting markets, organizations can create their own 'niche products' and thus attract additional customer groups. Moreover, a segmentation strategy that is based on customer loyalty offers the chance to attract new customers with starter products and to move these customers on to premium products.

Segmentation also ensures a more sustainable customer relationship in all phases of customer life cycle. That is, it affords customers the opportunity to change their preferences and patterns of behaviour over time. Organizations that serve different segments along a

customer's life cycle can guide their customers from stage to stage by constantly offering them a special solution for their particular needs (Dagmar, 2001).

The Hitachi consulting (2010) in their study of the better business banking segmentation opines that the benefits of a dynamic needs feedback loop suggest that today, banks are finding that customer feedback can assist in enhanced segmentation for business banking as well as other business units or segments by:

- Adding new insights into overall business strategy
- Understanding the drivers and the leading indicators of changes in customer perspectives
- Leveraging customer service interactions as a way to strengthen relationships
- Improving positioning and messaging to targets and clients
- Deepening the understanding of purchase decision factors
- Broadening the depth of product offering and the breadth of client relationships

Segmentation ensures that customer needs and satisfaction are met by targeting on the preference of customers. Doyle (2004), view market segmentation as a homogeneous group of customers each reacting differently to promotion, distributional communication, pricing and other variables of marketing mixes. When these views are applied to segmentation of bank product market, the implication is that it affords the marketer to distinguish portions of the market from one another in terms of customer needs and so achievement of corporate profit target. However it is worth noting that success in a market segmentation process is premised on the ability of a bank to identify individual differences and similarities within segments that have significant impact on purchasing patterns (Doyle, 2004 cited in Onaolapo et al. 2011).

Wedel et al (2002) maintain that, the opportunity to market one-to-one leads potentially, but not necessarily, to greater profitability: one-to-one marketing does not exclude segmentation. When implementing one-to-one strategies, firms currently first develop a limited number of marketing mixes targeted to market segments and then personalize some of their components to each member of these target segments (Wedel et al, 2002).

Market segmentation is also useful when decision makers are uncertain about where to target limited resources to achieve the greatest impact. It can help determine, for example, where the need for specific reproductive health services is greatest, whether specific population segments have special needs (such as evening hours, low-literacy communication materials, high demand for a specific method, and specific communication messages, among other needs), and what combination of public and private sector services would yield the most efficient use of resources (Berg, 2000).

Segmentation also promotes innovation. It provides information about smaller units in the total market that share particular needs. Only the identification of these needs enables a planned development of new or improved products that better meet the wishes of these customer groups (Dagmar, 2001).

Segmentation can also help banks and other companies to exploit its market better by selecting market niches (suitable segments) that are comparable with its resources, focus more sharply on target groups and instill customer loyalty since a firm's offering is better matched to those in the segment.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter entails the overall approach to the study. It provides the systematic approach that was used in the research. This discusses the study area and the selected communities, population and sample size, sampling methods and research design. It captures data collection procedure and use of research instruments. It also looked at the validity of research instruments for collection of both qualitative and quantitative data. Data analysis and presentation tools are also discussed in order to appreciate the statistical and qualitative methods that were used in analyzing the relevant data.

3.2 STUDY AREA

This research was undertaken at Somanya, the capital in the Yilo Krobo Municipality of the Eastern Region of Ghana. The township itself has a population of 20,469 (Ghana Statistical Service, 2010).

It is situated along the Adenta-Akosombo road (about one hour drive from Adenta in Accra), and about 10 minutes drive from the Akuse Junction section of the main Tema/Akosombo/Ho highway. The town is surrounded by five districts/municipalities – Upper Manya Krobo, Lower Manya Krobo, Asuogyaman, Akuapem North and Dangme West, each less than 45 minutes' drive away.

The main activities in the Somanya township include petty trading, with few corporate institutions engaged in mostly trading, lots of artisans such as car mechanics, carpenters, metal fabricators, tailors and seamstresses, and hairdressers, a number of farmers (both peasant and commercial) especially mango farming.

The town has a number of public institutions with one teacher training college, four government Senior High Schools and three private ones, more than 15 public and private Junior High Schools, the municipal assembly with its various departments, and three major public hospitals. There are a number of government workers with GCB alone processing between 3,000-4,000 public workers' salaries besides salaries from other private institutions. There are four major banks – GCB, Barclays Bank, Manya Krobo Rural Bank, Upper Manya Krobo Rural Banks, besides competition from other GCB branches and rural banks in adjoining districts.

3.3 SOURCES OF DATA

Both primary and secondary sources of data were used for this study. The primary data used in the study were elicited from seventy (70) customers of GCB in Somanya and ten (10) staff of the Branch. Secondary data used was obtained from articles, journals, textbooks and relevant websites on banking and the concept of segmentation.

3.4 POPULATION

The study was conducted in Somanya, the capital of the Yilo Krobo Municipal Assembly. The target population consisted of business entities within the municipality and the total number of staff of Ghana Commercial Bank Ltd branch in Somanya. The staff involved senior managers and staff of the Bank while the inhabitants included customers who patronize the services of the bank in the location mentioned.

3.5 SAMPLING TECHNIQUES AND SAMPLE SIZE

In determining the sample size, according to Nwana (cited in Agyedu, Donkor and Obeng, 1999), 'it is appropriate to choose a sample size of at least thirty in order to provide a pool large enough for even the simplest kind of analysis'. By this method, people who served the purpose of the research, in this case customers of the Ghana Commercial Bank and staff of the Bank were selected. The purposive sampling method was used to select (10) staff of the bank including the branch manager, accountant and personnel of the customer service section of the bank. The selection of these people is justified by the fact that they are the people who could provide the relevant data in order to make the study successful. Furthermore, systematic sampling method was used to select participants involving customers of the bank. This sampling procedure involved the selection of participants from the list of customers of the bank. By this, the nominal roll of customers was used where every *n*th person (defined as total population/required sample size) from the list was selected among the customers. Since the researcher could not get the total customers of the bank, a sample of size of eighty (80) consisting of seventy (70) customers of the bank and ten (10) staff were used for the study. It is believed that this sample reflected and adequately provided the needed data for generalization.

3.6 DATA COLLECTION PROCEDURE

The researcher administered the questionnaire personally to all the respondents. This was after the researcher has explained the purpose, guidelines and directives on how to complete the questionnaire and interview guide to the respondents. Due to their schedules, respondents were given ample time (fifteen days), and encouraged, to complete the questionnaire. Some of the questionnaires were administered through face-to-face interviews with the respondents. The researcher followed up with calls to some of the respondents from the side of the customers, to ascertain if there are any difficulties and ambiguities. After this, the collected data was analyzed using the proposed data analysis methods and the findings and recommendations were made.

3.7 RESEARCH INSTRUMENTS

Primary data was collected from customers of Ghana Commercial Bank Ltd in Somanya through face-to-face interview using structured questionnaire. The questionnaire contained both closed and open-ended questions and captured data on socio-demographic characteristics of the customers, predominant areas of business and other economic activities present in the Somanya area that require banking services, specific banking needs of these various sectors in the Somanya area and challenges faced by the customers in the study area as far as their banking needs are concerned. The questionnaires were used to obtain information from the selected customers of the bank.

In addition to the survey, information about strategies that Ghana Commercial Bank Ltd use to meet the needs of its customers in Somanya was obtained through structured questionnaire

administered on 10 staff of the bank including the branch manager, accountant and personnel of the customer service section of the bank. Unstructured interviews were also conducted to elicit information that were not captured by the close-ended questionnaire

Also, secondary data on the background of the study area, the economic activities and business entities was obtained from the Yilo Krobo Municipal Assembly's annual reports.

3.8 RESEARCH DESIGN

This involved a cross-sectional study where a cross section of staff of the bank and entrepreneurs of the business sector were used for the study. This was carried out within a specified period of time. The research design is a cross sectional survey method which combined both qualitative and quantitative approaches. According to Smith and Davis (2004), cross-sectional survey is a non-experimental method in which a researcher collects data from two or more groups of participants during the same, rather limited time-span on some topic or issue that is of interest to the researcher. According to McMillan and Schumacher (2001), the following are characteristics of such a study: It does not give cause-effect relationships but rather gathers information about the sample on their beliefs, opinions and attitudes about the phenomena. It can measure attitudes, beliefs, behaviours, personal or family history, genetic factors, existing or past health conditions, or anything else that does not require follow-up to assess (Schoenbach, 2009). Another characteristic of cross-sectional design is that the researcher normally uses questionnaires, interviews or observations to collect the data. Cross-sectional designs are useful in describing frequencies of the demographic traits of the respondents, exploring relationships and getting reasons for particular practices. This method usually uses population-based samples, instead of convenient samples.

3.9 DATA ANALYSIS PLAN

The data collected were first edited, coded and fed into the computer using SPSS version 16. Both qualitative and quantitative tools of data analyses were employed to summarize the volume of information that was obtained from the field. Quantitative techniques employed included percentages, frequencies and cross tabulation of variables. In-depth informal interviews with the customers groups were used to support the results obtained quantitatively. Also, informal discussions and observations made during the study period were used to support the results obtained quantitatively. In addition, tables and charts were employed when and where appropriate to present the data. The processing of data and derivation of frequencies were done with the aid of the Statistical Package for the Social Sciences (SPSS) version 16.



CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF RESULTS

4.1 INTRODUCTION

This chapter of the study deals with a careful examination of the raw data collected by means of questionnaires. The researcher described, assessed and explained the data in relation to the objectives of the data. Frequency tables and charts have been used to summarise the data. The data collected from the staff of the Ghana Commercial Bank, Somanya, has been analysed

first, and then followed by that collected from the customers. The two data have been compared, where necessary, to determine consistency of information from the two sources of data.

4.2 ANALYSIS OF DATA FROM STAFF OF GHANA COMMERCIAL BANK LTD, SOMANYA

4.2.1 MAJOR ECONOMIC ACTIVITIES

The economic activities in the study area are many and varied such that it is more likely to influence the level of utilization of banking products and services. To know which economic activity provided respondents with income, the investigator asked the bank staff in the questionnaire to state the economic activities available among the study population. All the respondents stated the following: trading, farming, clerical work, artisan, car mechanic, carpentry, sewing and hairdressing, others, mostly public service. The data from the customers of the GCB also confirmed these as the major economic activities from which they earned their living.

In order to ascertain which of the economic activities above required banking services, the bank staff were asked to state which of the activities required banking services. The respondents stated, “All economic activity needed banking services and products” as shown in the table below.

Table 4.1 Major Economic Activities at Somanya

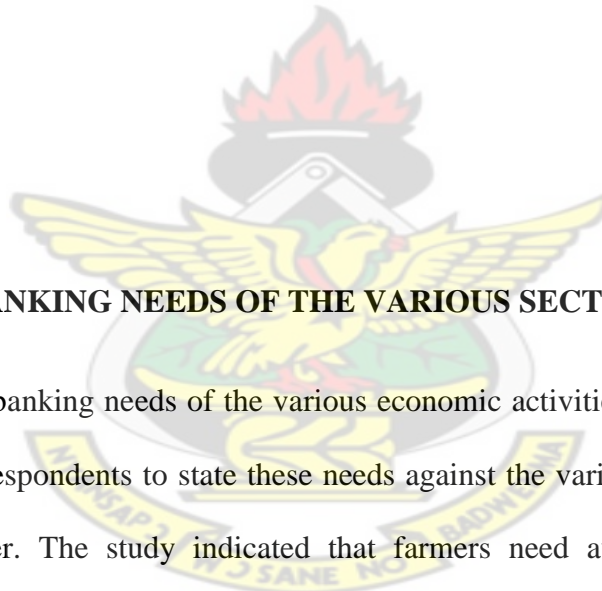
Economic activity	% Require	% Do not require
Farming	61.0	39.0

Driving	58.5	41.5	Source: Field Survey
Petty trading	74.0	26.0	
Artisan	71.0	29.0	
Teaching	85.0	15.0	

vey, 2012

From the table above, it could be seen that the percentage of respondents who stated that each of the economic activities stated above required banking services is more than 50%. So from the table above, it could be argued that all the economic activities need banking services to expand their businesses.

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4.2.2 SPECIFIC BANKING NEEDS OF THE VARIOUS SECTORS

To know the specific banking needs of the various economic activities of the customers, the researcher asked the respondents to state these needs against the various economic activities they mentioned earlier. The study indicated that farmers need avenue for saving their earnings and loans. For farmers, the Ghana Commercial Bank has products like the savings account for the deposit of their earnings; loans to expand their farming businesses, and means to remit funds to their creditors and relations elsewhere. Traders, according to the survey, need loans, and avenues for saving their earnings. For traders, the GCB has products and services like a hybrid of savings account and microfinance where deposits are collected at their shops. Also loans to expand their businesses, investments and means for transfer of funds were also mentioned. Commercial drivers have access to savings and loans. The study again revealed that artisans need loans, advisory services and other services offered by GCB.

There is also a banking product for artisans to make daily savings (Susu) to enable them build up capital. For salaried workers such as teachers, nurses and other civil servants, payment of salaries, personal loans, investments, and electronic banking services are the main services available to them.

The Ghana Commercial Bank did not leave students out in the segmentation of customers. To them, the bank offers e-zwich services, payment order for payment of school fees and means to receive local and foreign remittances from parents, guardians and relations. Finally, the bank included non-customers in their policies, local and foreign remittances are the products available to them.

4.2.3 CHALLENGES FACED BY BANK

Respondents (bank staff) were furthermore asked if the bank faces any challenges in implementing or enforcing these policies. All respondents indicated that they face some challenges. The most significant challenge included the fact that the customers were many with varied needs (87.5%) and therefore became difficult to meet their very specific individual needs. Other challenges include the cost of developing and implementing new products (85.6%) since the products are technology based. In addition, some respondents stated that majority of the customers find it difficult to adjust to technological changes (50.3%). They are still interested in traditional banking services like deposit, withdrawal and loans. Modern banking services like SMS mobile banking, internet banking and the use of ATM are not well patronized. The table presents some challenges the bank faced in its segmentation policy.

Table 4.2 Challenges of Implementing Segmentation Policy

Challenges	% Agree	% Disagree
Cost of developing and implementing products	85.6	14.4
Large customer base	87.5	12.5
Difficulty of customers to adjust to technological change	50.3	49.7

Source: Field Survey, 2012

Out of the ten bank staff used for the study, 8 representing 80% stated that the customers faced challenges as well. When asked to state the challenges the customers faced, the respondents stated delay in granting loans; difficult requirements for granting loans such as collateral and documentation, technological challenges, delay in banking halls, and inability to give loans to certain class of customers such as non-salaried workers and some category of account holders.

4.2.4 STRATEGIES AND MEASURES USED BY GCB TO MEET THE NEEDS OF CUSTOMERS

Furthermore, the bank staff members were asked in an open-ended question to state what specific strategies or measures the bank has put in place to meet the needs of the businesses they mentioned. The study showed that the bank has available a wide range of products and services to meet the specific needs of their customers. The study further revealed that for petty trading, a special product called “*Kudi Nkoso*” has been designed for them to enable them access loan facilities. Registered farmers also have special package that enables them to access loans (overdraft) to expand their businesses.

According to the bank staff, the bank has a policy that makes them divide their customers into retail, small and medium scale enterprise (SMEs) and corporate customers. To them, products are fashioned to meet their specific needs. This is in line with Smith (1965) definition cited in Wedel et al, (2002) that “Market segmentation is a process that involves viewing a heterogeneous market as a number of smaller homogeneous markets, in response to differing preferences, attributable to the desires of customers for more precise satisfactions of their varying wants.”

4.2.5 CRITERIA USED BY THE GCB TO SEGMENT ITS CUSTOMERS

The works of Brassington and Petit (2006), Steenkamp and Hofstede (2002), and Pride and Ferrell (1985) are unanimous that an ideal market segmentation for banks should involve two-stages. Thus, Pride and Ferrell (1985) submit that markets can be segmented into industrial and consumer segments, while Brassington and Petit (2006) classified market segments into macro and micro segments.

According to the present study, the bank as said earlier in this study has classified its customers into:

- (a) Retail (made up of individuals)
- (b) Small and medium scale enterprises (SMEs)
- (c) Corporate customers made up large business, government institutions and multinationals.

According to them, the customers’ profiles contain information that enables them to do the grouping. The study revealed that the individuals are grouped into salary workers, petty traders, and artisans among others. Corporate entities are also grouped according to sectors and sizes. This showed that the banks used strategies proven by many scholars including Hitachi Consult, (2010) which identifies at least three ways that banks can improve their

segmentation approach. These approaches include understanding the lifecycle of needs of the business owner and the business, create a scheme that focuses on the sophistication of these businesses and their needs and develop a dynamic needs assessment feedback loop that enhances awareness of the first two items.

4.2.6 BANK SUPPORT TO BOOST CUSTOMERS ECONOMIC ACTIVITIES

Henderson (1998) classifies the services of banks into those which banks provide for customers or business users and those that are specifically intended for personal customers. In order to find out how GCB supports its customers, the investigator required that the bank staff state how they support these economic activities.

Responses from all the participants (bank staff) showed that the Ghana Commercial Bank (GCB) provides support to boost the economic activities of its customers. When asked to state the kind of support, the bank staff stated that the bank opens accounts for them to save their earnings; grant them loans to enable them meet their various business needs; aid them in the transmission of funds both locally and abroad, offer financial advisory services; and short term and long term investments. All these services according to the bank staff help customers expand their businesses. Some of the respondents further stated that the bank has achieved a very high success because it has helped tabletop businesses to grow into shops. This is consistent with Henderson's findings in 1998.

4.3 ANALYSIS OF RESPONSES OF CUSTOMERS OF GCB

4.3.1 AGE GROUP OF RESPONDENTS

The investigator in the questionnaire asked the respondents to state their ages. From the study it became known that 30.0% of the respondents were between the ages of 31-35 years

and 10.1% of the respondents were between the ages of 51 and above as shown in the figure below. This shows that majority of the respondents are in the working age group.

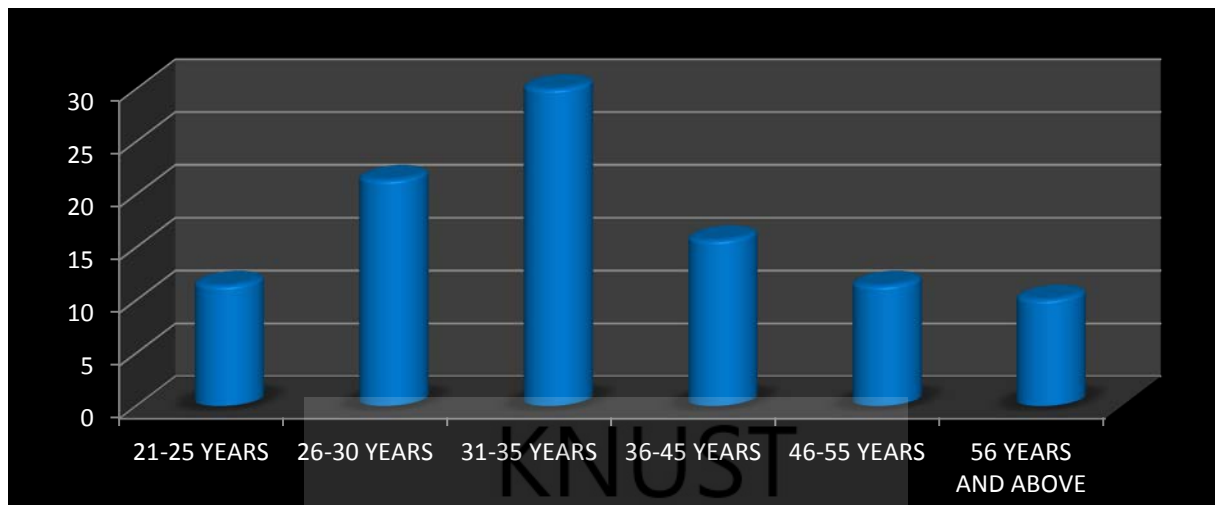


Figure 4.1 Age Group of Respondents

Source: Field survey, 2012

4.3.2 SEX OF RESPONDENTS

In order to ascertain the percentage of males to females, the researcher asked the respondents in the questionnaire to state their gender. From the study, it was discovered that 41.4% of the respondents were males while 58.6% of the respondents were females as shown in the table below.

Table 4.3 Sex of Respondents

Gender	Frequency	Percent
Male	29	41.4
Female	41	58.6
Total	70	100.0

Source: Field Survey, 2012

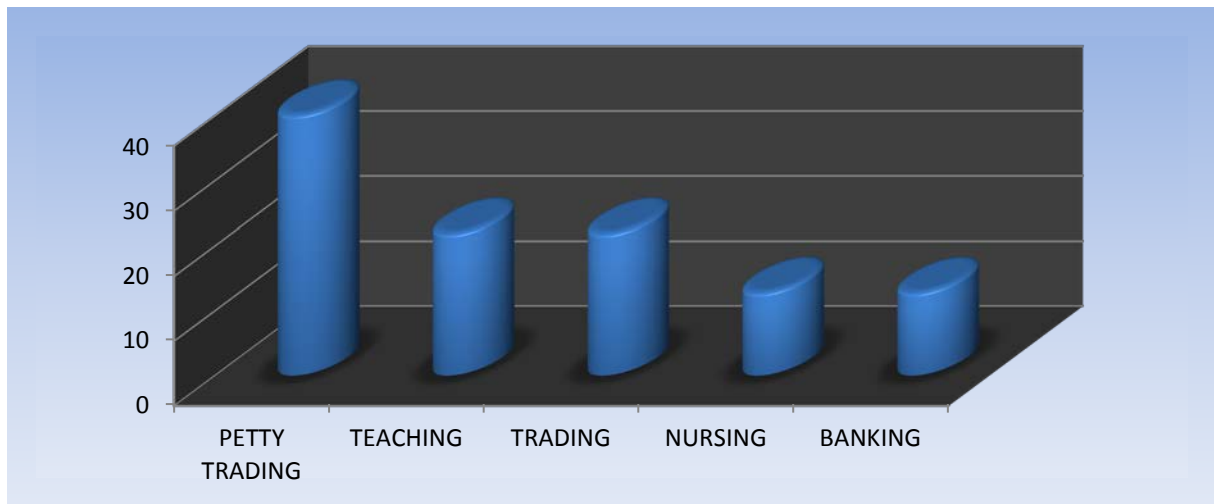


Figure 4.2 Occupations of Respondents

4.3.3 OCCUPATION OF RESPONDENTS

Participants used in the study were asked to state their occupation in the questionnaire. From the survey, the investigator saw that 30.9% of the respondents were petty traders while 12.7% of the respondents were public service workers (nurses, teachers and other civil servants). The result of the survey is summarized in the bar chart figure 4.2 above.

4.3.4 MARITAL STATUS OF RESPONDENTS

The researcher wanted to know whether the participants used in the study were married or single. From the survey, it was made known that 78.6% of the respondents are married whereas 21.4% of the respondents are single. This survey is presented in the table below.

Table 4.4 Marital status of respondent

Gender	Frequency	Percentage
Married	55	78.6
Single	15	21.4
Total	70	100.0

Source: Field Survey, 2012

4.3.5 EDUCATIONAL BACKGROUND OF PARTICIPANTS

The participants used in the study were asked to state their level of education. It was clear from the responses that majority of the respondents (58.8%) had had tertiary education whereas 8.6% of the respondents had completed J.H.S. / Middle school. The results of the survey are presented in the pie chart below.

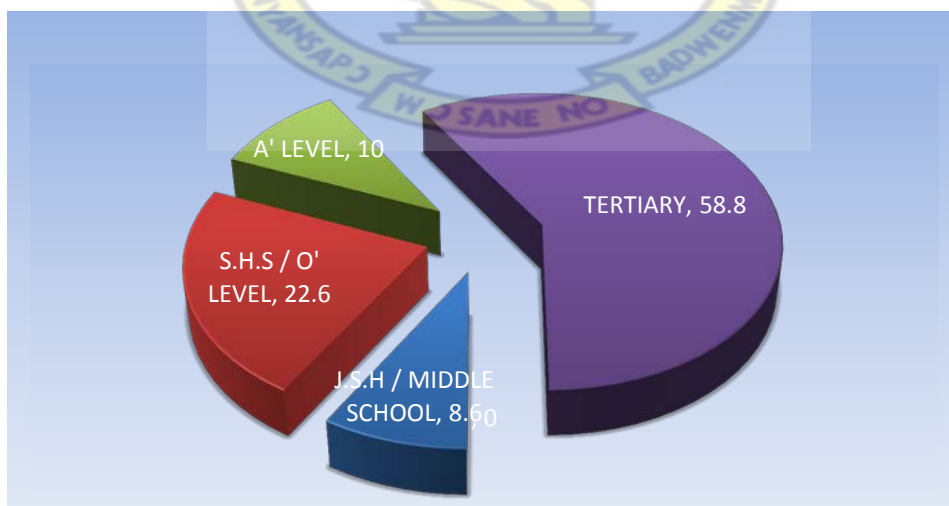


Figure 4.3 Educational Background

4.3.6 HOW MANY YEARS HAVE YOU STAYED IN THE AREA

The investigator in the research was told by the respondents that 22.2% of them had stayed in the area for five years and 6.3% of the respondents have stayed there for ten years. As shown in the pie chart below.

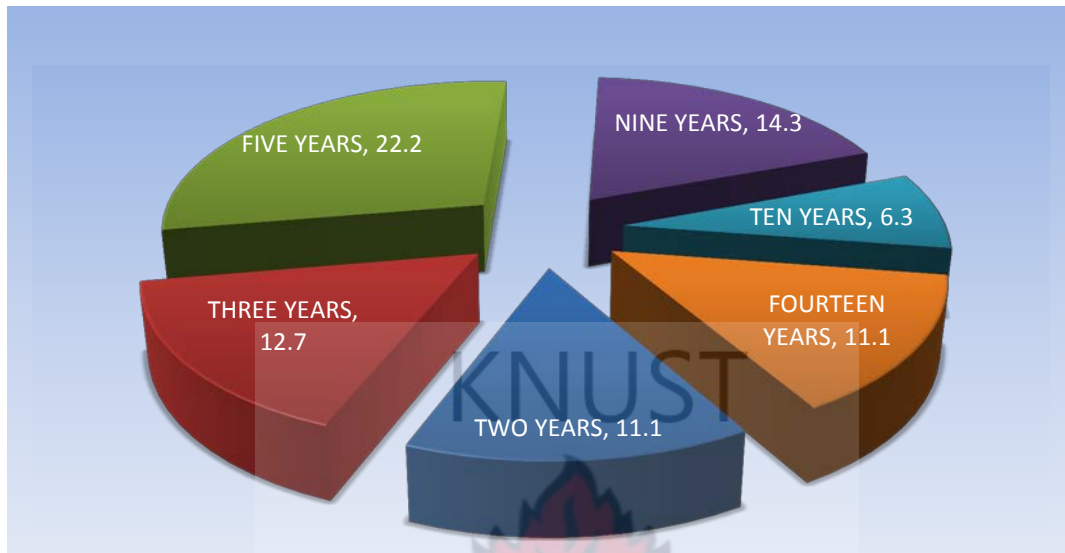


Figure 4.4 Number of Years of stay in the study Area

4.3.7 MAJOR ECONOMIC ACTIVITIES

In order to ascertain which economic activity was dominant in the area, the researcher asked respondents to “rank these economic activities on a scale of 1-5 in terms of predominance in the area (where 1= the most dominant and 5= the least dominant economic activity). The sample data revealed that all the economic activities are dominant which confirms the data collected from the bank staff. The responses of the respondents are summarized in the table below.

Table 4.5 Ranking of Economic Activities

Economic activity	Rank %					Total
	1	2	3	4	5	

Farming	64	23	0	9	4	100.00
Driving	56	25	11	0	8	100.00
Petty trading	54	12	21	4	9	100.00
Artisan	63	24	11	0	2	100.00
Teaching	66	32	1	1	0	100.00

Source: Field Survey, 2012

4.3.8 THE SOURCE OF CAPITAL FOR YOUR ECONOMIC ACTIVITIES

Respondents in the answering of the questionnaire stated that their capital was from various sources. From the study, it was highlighted that personal savings had 62.5% while parent/guardian being a source had 37.5%.

4.6 The source of your capital for your economic activity

Response	Frequency	Percent
Personal savings	40	62.5
Parent / Guardian	24	37.5
Total	64	100.0

Source: Field survey, 2012

Some respondents however, stated that they had loans from a bank for the capital of their economic activity. The researcher then asked them to state which bank gave them the loan to start their economic activity. From the study, it became known that 30% of the respondents got loans from the GCB as shown in the table below.

Table 4.7, Which Bank?

Bank	Frequency	Percent
GCB	21	100.0

Source: Field survey, 2012

4.3.9 WHAT RANGE OF INCOME DO YOU EARN MONTHLY ON THE AVERAGE?

The researcher in his questionnaire asked respondents to state how much they earn on the average on monthly basis. From the study, it was indicated that 34.3% of the respondents earned between GHS 401 and GHS 600 and 27.1% of the respondents earned above GHS 600 on a monthly basis as shown in the table below. Majority of the respondents (about 61.4%) earn above GHS 400, which are enough to save some at the bank to accumulate capital to expand their businesses. This therefore could mean that they needed banking services.

Table 4.8 On the average what range of income do you earn monthly?

	Frequency	Percent
Up to GHS 200	12	17.2
GHS 201- GHS 400	15	21.4
GHS 401- GHS 600	24	34.3
Above GHS 600	19	27.1
Total	70	100.0

Source: Field survey, 2012

All the respondents used for the study, according to the data, held accounts with the Ghana Commercial Bank. To know if their economic activities would need banking, participants were asked to state their motivations behind banking. The study discovered that 89.5% had

accounts with GCB because they wanted to save their earnings. The table below presents some reasons why respondents had accounts with the Ghana Commercial Bank.

Table 4.9 What Motivated You to Open an Account with GCB?

Response	Frequency	Percent
To save earnings	51	89.5
I wanted to benefit from other services from GCB	6	10.5
Total	57	100.0

Source: Field survey, 2012

The researcher could therefore argue that saving of earnings is the basic reason why the participants require banking. However, in addition to saving of earnings, most participants stated that they saved with the bank because they wanted to acquire loans. Other services participants wanted from the Ghana Commercial Bank included: overdraft, advisory services, ATM and transfer of funds.

Respondents were asked to give reasons for stating those banking services they wanted from the GCB. Again, the study discovered that respondents did not only want to save their earnings but to enable them acquire loan to support their businesses. The table below summarizes the information.

Table 4.10 Give reasons for your answer

Reason	Frequency	Percent
Business support	32	50.0
They are easily accessible	32	50.0
Total	64	100.0

Source: Field survey, 2012

From the table above it could be seen that 50% of the respondents also wanted easy access to their monies. Another question was asked that “do you wish to or have you received loan from GCB”. The responses show that majority of them have ever accessed a loan or want to access loan from the GCB. From the table below 67.1% indicated that they had or wanted to acquire loans from the bank. All these are geared towards expansion of their businesses. The table below summarizes participants responses concerning whether they wanted to acquire loans or not.

Table 4.11 Do you wish or have received any loan from GCB?

Response	Frequency	Percent
Yes	47	67.1
NO	23	32.9
Total	70	100.0

Source: Field survey, 2012

Participants who indicated that they have ever accessed loan or wanted to were further asked to state the kind of loan. Whereas 45.3% wanted a personal/short-term loan, 35.6% wanted small credit. Only 17.1% wanted commercial loans, it could therefore be argued that majority of the respondents wanted personal/short-term loans to expand their businesses.

4.3.10 SPECIFIC BANKING NEEDS OF CUSTOMERS

In order to find out if loans are major specific banking needs in relation to the economic activities of participants in the study area, the investigator further asked respondents to “strongly agree”, “agree”, “disagree” or “strongly disagree”. The study discovered that 78.6% strongly agreed that loans are their specific banking needs while 11.4% agree and 10.0% disagreed as shown in the table below.

Table 4.12 How far do you agree that loan(s) is/are the major specific banking needs in relation to the economic activities in the area?

Response	Frequency	Percent
Strongly agree	55	78.6
Agree	8	11.4
Disagree	7	10.0
Total	70	100.0

Source: Field survey, 2012

From the forth-going discussion it could be argued that the specific banking needs of respondents in the various sectors or economic activities is bank loan. However, saving of earnings to help respondents accumulate capital is also revealed earlier on in the study.

4.3.11 CHALLENGES FACED BY CUSTOMERS

To ascertain the challenges faced by these customers in the study area as far as their banking needs are concerned, respondents were asked whether they had ever encountered any

challenge with the GCB. Most of participants used for the study selected “yes”, this represents 62.5%. 37.5% of those who responded to that question said “no”. Therefore, this means that the GCB branch at Somanya could not adequately meet the banking needs of their customers. This confirms the findings from the analysis of the data collected from the banking staff. They stated that indeed they faced the problem of meeting the banking needs of individual customers as shown in the table below.

Table 4.13 Have you encountered any challenges with GCB

	Frequency	Percent
Yes	40	62.5
No	24	37.5
Total	64	100.0

Source: Field survey, 2012

According to the respondents, the challenges they faced included denial of loans, poor customer relations, high charges on loans, irregular communication from the bank to customers and lumping of both SMEs and large businesses together for bank charges. However, the most significant of these challenges is irregular communication from bank to customers followed by denial of loans. Other challenges they stated included lumping of both SMEs and large businesses together for bank charges; delay in granting loans; requirement for granting loans such as collateral and documents; delay in banking halls. On the part of the banking staff, the data indicated that they had problem with the large number of customers, cost of technology to provide some specific banking needs of customers, and customers’ difficulty to adjust to new banking methods.

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 INTRODUCTION

This phase of the research draws conclusions from the analysis. The researcher at this stage summarizes the major findings and makes recommendations. The summary is done in relation to the objectives of the study. It was also done to answer the pertinent research questions. The study was carried out: to find out the predominant areas of business and other economic activities present in the study area that require banking services; to ascertain the specific banking needs of the various sectors in Somanya; to ascertain the challenges faced by customers in the study area as far as their banking needs are concerned; and to determine the measures and strategies GCB uses to meet the needs of these specific sectors present in the Somanya area.

5.2 SUMMARY OF MAJOR FINDINGS

The major findings have been summarized using the objectives as the headings.

5.2.1 THE PREDOMINANT AREAS OF BUSINESS AND OTHER ECONOMIC ACTIVITIES THAT REQUIRE BANKING SERVICES AT THE STUDY AREA

According to the study, the predominant economic activities in the study area included: trading, farming, clerical work, artisan, car mechanic, carpentry, sewing and hairdressing, others, mostly public service. The data from the customers of the GCB also confirmed these as the major economic activities from which they earned their living. The study also revealed,

“All economic activities in the study area needed banking services and products” Both the staff of the Ghana Commercial Bank and its customers confirmed this.

5.2.2 THE SPECIFIC BANKING NEEDS OF THE VARIOUS SECTORS IN SOMANYA

From the study, it came out that the specific needs of the customers for their economic activities are loans to expand their businesses and saving of earnings to accumulate capital to be ploughed back. Others included business advice. This showed that segmentation has a significant impact on efficient delivery of banking services.

5.2.3 CHALLENGES FACED BY CUSTOMERS CONCERNING BANKING NEEDS OF CUSTOMERS

The sample data from the bank staff and the clients showed that the bank faced some challenges with the provision of services to their customers. The most significant of these challenges is irregular communication from bank to customers followed by denial of loans and inability to give loans to certain class of customers such as non-salaried workers and some account holders. Other challenges they faced included denial of loans, poor customer relations, high charges on loans, lumping of both SMEs and large businesses together for bank charges, delay in granting loans; requirement for granting, and delays in banking halls.

5.2.4 MEASURES AND STRATEGIES GCB ADOPTS TO MEET THE SPECIFIC SECTORS IN SOMANYA

According to the study, the customers’ profiles contain information that enables them to do the grouping. The bank used the customers’ profiles to classify its customers into

(a) Retail customers

(b) Small and medium scale enterprises (SMEs)

(c) Corporate customers, mostly large businesses, government institutions and multinationals.

The study revealed that the individuals are grouped into salary workers, petty traders, and artisans among others. Corporate entities are also grouped according to sectors and sizes.

After the segmentation, specific products are designed to meet the needs of each individual sector.

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5.3 CONCLUSION

It could be concluded that the study area has a lot of economic activities and the predominant ones include trading, farming, clerical work, artisan, car mechanic, carpentry, sewing and hairdressing, others include public service. It can also be concluded that all these economic activities in the study area needed banking services.

Again the researcher realized from the data that the specific banking needs of the customers in the study area vary widely for which reason they needed to be grouped into segments to enable the bank deliver efficient services to them. The main needs of the customers for their economic activities are loans to expand their businesses, means to save their earnings and business advisory services.

The major challenges faced by customers included irregular communication from bank to customers, denial of loans and inability to give loans to certain class of customers such as non-salaried workers and some account holders. Other challenges they faced included, poor customer relations, high charges on loans, lumping of both SMEs and large businesses

together when it comes to bank charges thus affecting the SMEs the more as compared to the multinationals, delay in granting loans, very difficult requirements for granting loans, and delays at banking halls.

Finally, it can be concluded the bank segments its customers so that specific products and services could be developed to meet the needs of each particular cluster. This positively influenced the efficient delivery of banking services in the study area.

5.4 RECOMMENDATIONS

The researcher recommends that more workers should be employed to help reduce the problem of overcrowding in the banking halls. This would reduce turnaround time of doing business at the branch. Another measure is for the bank to increase cash collection to its major customers. With this, the bank should send out more of its outsourced staff to collect cash from the shops of its major cash depositors to save them the time they spend at the banking hall. This will give them more time to attend to their wares and thus make more money to be deposited at the bank.

Though the bank seems to churn out lots of products in the desire to meet the needs of specific segments, they do not seem to be well implemented and hence do not seem to have the desired impact on the customers. For instance the bank has a number of internet and mobile phone banking services which could be used to effect certain transactions without walking to the banking hall. However, the branch is always congested with customers requesting for transactions such as balance requests, funds transfer, request for statements and cheque book requests, which could easily be done on mobile phones and via internet at the comfort of the customer. Probably one area the branch needs to take seriously is education of

its customers to empower them to utilize these internet based-products, thereby reducing the overcrowding at banking hall.

Finally, the bank should take pains to develop more products and services to meet the individual banking needs of the customers.

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APPENDICES

APPENDIX I

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

KUMASI

INSTITUTE OF DISTANCE LEARNING

QUESTIONNAIRE FOR THE STAFF GHANA COMMERCIAL BANK LTD,

SOMANYA

Introduction

This questionnaire is intended for purely academic purpose which forms part of the award of an Executive Masters in Business Administration degree from the Kwame Nkrumah University of Science and Technology. My research is on the Impact of segmentation on the efficient delivery of banking services, a case of Ghana Commercial Bank Ltd (GCB), Somanya. I need your responses to the questions to help me undertake this exercise. Any information, answer or view expressed in this interview shall be treated with utmost confidentiality. Please be candid in your choice of options.

Instructions: Please answer questions within your jurisdiction. Please *tick [✓]* or *write* where applicable.

1. What are the major economic activities in the area? (Please state as many as possible)

.....
.....

2. Which of the above mentioned economic activities require banking services?

.....
.....

3. What specific strategies or measures has the bank employed to meet the needs of the businesses mentioned?

.....
.....

4. Is there any policy by the bank in relation to the economic activities of your customers?

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Others, specify

.....

10. What criteria does the bank use to segment its customers with respect to their banking needs?

.....
.....

11. Does the bank provide any support to boost the economic activities of its customers in this area?

a) Yes [] b) No []

12. If yes, what has this bank done to contribute to the growth of economic activities in the area?

.....
.....

13. What is the level of achievement?

.....
.....

14. If no to question 11, why?

.....
.....

15. Do your customers report of any challenge(s) regarding the services that the bank provides? a) Yes [] b) No []

16. If yes, what specific challenge(s) are reported by your customers?

APPENDIX II

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
KUMASI
INSTITUTE OF DISTANCE LEARNING**

**QUESTIONNAIRE FOR CUSTOMERS OF GHANA COMMERCIAL BANK LTD
(GCB) IN SOMANYA**

Introduction

This questionnaire is intended for purely academic purpose which forms part of the award of an Executive Masters in Business Administration degree from the Kwame Nkrumah University of Science and Technology. My research is on the Impact of segmentation on the efficient delivery of banking services, a case of Ghana Commercial Bank Ltd (GCB), Somanya. I need your responses to the questions to help me undertake this exercise. Any information, answer or view expressed in this interview shall be treated with utmost confidentiality. Please be candid in your choice of options.

Please **tick** [✓] or **write** where applicable.

SECTION A DEMOGRAPHIC CHARACTERISTICS

1. Age group: a) 21-25 [] b) 26- 30 [] c) 31 – 35 [] d) 36 – 40 [] e) 41- 45
f) 46 - 50g) g) 51 and above
2. Sex: a) Male [] b) Female []
3. Occupation: a) Farming [] b) Driving [] c) Petty Trading [] d) Artisan []
e) Other, (specify)
4. Marital status: a) Married [] b) Single [] c) Divorced [] d) Separated []
5. Educational background: a) Primary [] b) J.H.S/Middle School [] c) SHS/O' Level []
d) A' Level [] e) Tertiary [] f) None [] g) Others specify
6. Number of years of stay in the area.....

SECTION B ECONOMIC ACTIVITIES AND BANKING SERVICES

7. Can you please make mention of some of the economic activities in this area?
.....
8. Rank the following economic activities on a scale of 1-5 in terms of its predominance in the area? (Where 1= the most dominant economic activity and 5= the least dominant economic activity)
 - a) Farming []
 - b) Driving []
 - c) Petty Trading []
 - d) Artisan []
 - e) Others, specify []

9. What was the source of your initial capital for your economic activity?

a) Personal savings [] b) Parent/ guardian [] c) loan from friends [] d) loan from bank [] e) family contribution [] f) remittances from relatives [] g) others,
(specify).....
.....

10. Can you please specify which bank it was? (If respondent opted for option 'd')

.....

11. On the average, which range of income do you earn monthly from the economic activity you are engaged in?

- b) GHS 1 – GHS 200 []
c) GHS 201 – GHS 400 []
d) GHS 401 – GHS 600 []
e) Above GHS 600 []

12. Do you think the economic activities in this area require any help from GCB?

- a) Yes [] b) No []

13. Give reasons for your answer?

14. On a scale of 1-5, how would you rank the economic activities in this area regarding the extent to which they require banking services? (Where 1= the one that requires banking services the most and 5= the one that require the least banking services)

Economic Activity	Rank	Reason(s)
Farming		
Driving		
Petty Trading		

Artisan		
Others, specify		

SECTION C SPECIFIC BANKING NEEDS

15. Do you hold a bank account with GCB in this area? a) Yes [] b) No []

16. If yes, what motivated you to open an account with GCB?

a) To save my earnings [] b) I wanted to benefit from other services from GCB []

c) It is the only Bank in the area [] d) Others, specify
.....

17. Are you aware of any service(s) provided by GCB? a) Yes [] b) No []

18. Have you received any support from GCB in relation to your economic activity?

a) Yes [] b) No []

19. What specific service do you wish to be provided by GCB in relation to your economic activity apart from normal deposits and withdrawals?

a) Loans [] b) Overdraft c) Advisory services [] d) Electronic cards (eg. ATM) []

e) Hire purchase services [] (f) Others, specify

20. Give reason(s) for your choice in question 19?

.....
.....

21. Do you wish to or have you receive any loan from GCB? (a) Yes [] b) No []

22. What kind of loan is/was it?

a) Personal/short loans [] b) Small-credit [] c) Commercial loans []

d) Agricultural loans [] e) Mortgage Loans [] f) Others, specify.....

23. How far do you agree to the fact that loan(s) is/are the major specific banking need in relation to the economic activities in this area?

- a) Strongly Agree [] b) Agree [] c) Disagree [] d) Strongly Disagree []

SECTION D

CHALLENGES FACED BY CUSTOMERS

24. How long have you been a customer to GCB?

- a) Less than a year [] b) Between 1-3 years [] c) 4-6 years [] d) 7-9 years []
e) 10 years and above []

25. Have you encountered any challenge with GCB? a) Yes [] b) No []

26. If yes, what challenge have you encountered?

- a) Denial of loans [] b) Poor customer relations [] c) High charges on loans []
d) Irregular communication to customers [] e) Others, specify.....

27. Give reason for your choice in question 26.

.....

28. To what extent are you satisfied with the performance of GCB with respect to your banking needs?

Bank services	Level of satisfaction	Reason(s)
Loans	Very Satisfied [] Satisfied [] Not satisfied [] Not at all satisfied []	
Overdraft	Very Satisfied [] Satisfied [] Not satisfied [] Not at all satisfied []	
Advisory services	Very Satisfied [] Satisfied [] Not satisfied [] Not at all satisfied []	

Electronic cards	Very Satisfied[] Satisfied[] Not satisfied[] Not at all satisfied[]	
Hire purchases	Very Satisfied [] Satisfied [] Not satisfied [] Not at all satisfied []	
Others, specify	Very Satisfied [] Satisfied [] Not satisfied [] Not at all satisfied []	

29. What do you think can be done to mitigate the challenges mentioned above?

.....

