KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY,

KUMASI

COLLEGE OF ART AND SOCIAL SCIENCES

KNUST SCHOOL OF BUSINESS

CHALLENGES FACING SAVINGS AND LOANS INSTITUTIONS IN TECHIMAN MUNICIPALITY IN THE BRONG AHAFO REGION OF GHANA

A THESIS PRESENTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE,

KNUST SCHOOL OF BUSINESS,COLLEGE OF ART AND SOCIAL SCIENCES, KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION DEGREE.

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(BED. SOCIAL SCIENCE)

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CANDIDATE'S DECLARATION

I hereby declare that this submission is my own work tow ards the MBA and that to the best of my knowledge no part of it has been presented for another degree in this university or elsewhere except for the references to other people"s work which have been duly acknowledged.

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DEDICATION

This work is dedicated to my Aunty Mrs. Mercy Dede Lawson, my children Esinam Christabel Sedzro and Selorm Chris Kofi Sedzro, my mother Mrs Elizabeth M. Sedzro, my wife Grace Yaa Asieduwaa and my siblings whose prayers and support have carried me through my course of studies.

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ABSTRACT

This research sought to assess the challenges facing savings and loans companies in the Techiman Municipality in the Brong Ahafo region of Ghana. The study population included all management staff (managers) of savings and loans institutions in the Techiman municipality. A sample siz e of three hundred and three (303) respondents were selected from a study population consisting of one (1) management staff from each of the three (3) selected savings and loans companies and one hundred (100) selected customers from each savings and loans companies. The study used purposively sampling techniques in selecting both the sample companies and the management staff of the selected savings and loans companies. The study adopted a qu antitative research approach using a descriptive research design. Data was collected through questionnaires. Findings showed that the challenges facing savings and loans companies in the Techiman Municipality were the inability of savings and loans companies in the Techiman Municipality to target the vulnerable and the marginalized in the municipality with financial products that would fit their profiles; low loan repayment rate ; lack of collaboration and coordination amongst the savings and loans companies in the Municipality to identify repeat loan defaulters; misapplication of loans; difficulties involved in monitoring and following up loans given; poor credit documentation and poor credit worthiness. Based on the findings, the study recommended that savings and loans companies in the municipality should start collaborating and sharing data in order to identify high-risk customers and blacklist them to reduce loan defaults. Also, savings and loans companies should introduce products and services that target small businesses and start-ups in the Techiman municipality in order to really fulfill their role and mission in the financial services sector.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

This introductory chapter of the study will be composed of background of the research problem, research objectives, scope and limitation of the research and the organization of the research.

1.2 Background of the study

Small scale financial services institution have played vital role in the progress of the Ghanaian economy particularly over the past fifteen years. Many of these firms sprang up with a lot of enthusiasm among many stakeholders only to witness their untimely and unexpected demise in a matter of couple of years from the start of their operation (Anomah, 2012).

The present challenges facing savings and loans institutions are worth considering if poverty eradication in Ghana"s development strategy is to be put at the forefront. The long-term vision to this rural phenomenon is to offer sustainable financial service to the economically active poor (the majority of Ghanaian population) who have problems in accessing these services from the mainstream financial institutions. Micro-finance institutions (MFIs) provide savings and credit facilities to establish or expand income generating activities of the poor. These small loans can also help raise investments and promote the development of micro-enterprises by helping poor families, especially women to use their productive skills and resources. Savings and loans can contribute to income and asset generation of poor people and increase their household food security, education and health.

In Ghana today, financial reforms and financial services liberation have come a long way evolving over the years. The small scale financial services sector, often referred to as, the microfinance sector, has grown vigorously, though not without m any debilitating challenges,

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into its current state as a result of various financial sector policies and programmes under taken by different governments since independence. Extension of credit facilities is one of the major activities of all microfinance institutions including savings and loans companies, rural banks, financial Non Government organization (FNGOs) and credit unions. This is usually evidenced by large proportion that constitute in the overall operating assets of these lending institutions. Saving and loans institutions (S&L) currently provide financial services to an estimated 15% of the country"s total population as compared with 10% for the commercial banking sector. (Aryeetey, 2008).

The aim of microfinance according to Otero (1999) is not just about providing capital to the poor to fight poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial service to the poor, who are continuously ignored by the formal banking sector due mainly to lack of adequate collateral security demanded by the traditional banking system.

Littlefield and Rosenberg (2004) state that the poor are generally excluded from the financial service sector of the economy, so MFIs and savings and loans institutions have emerged to address this market failure. By addressing this gap in the market in the financially sustainable manner, savings and loans institutions can become part of the formal financial system of the country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach.

Littlefield, Murduch and Hashemi (2003), Simanowitz and Brody (2004) and the International Monetary Fund (IMF) (2005) h ave commented on the critical role of microfinance in achieving the Millennium Development Goals(MDGs). Simanowitz and Brody (2004) state, „microfinance is the key strategy in reaching the MDGs and in building global financial system that meet the needs of the poorest people". Microfinance thus savings and loans is unique among dev elopment interventions. It can deliver social benefits on an ongoing,

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permanent-basis and on large sc ale. Referring to various case studies, they show how microfinance and savings and loans have played a role in eradicating poverty, promoting education, improving health and empowering women.

However, not all authors or commentators are as enthusiastic about the role of microfinance. Wright (2000) states that much of the scepticism of MFI‟s stems from the argument that microfinance projects „fail to reach the poorest, generally having limited effect on income which drive women into greater dependence on their husbands and fail to provide additional services desperately ne eded by the poor‟. In addition, Wright (2000) says that many development practitioners not only find microfin ance inadequate, but that it actually diverts funding from more pressing intervention such as health and education. He further argued that governments and donors should know whether the poor gain from microfinance in term of health or food aid. Therefore, there is a need for all to be involved in savings and loans and microfinance development to ascertain what exactly has been the impact of them in fighting poverty.

Credit and savings service provision to the poor poses a number of challenges such as small transaction been attracting high administration cost, lending terms may be unsuitable for a particular clientele, high interest charge on loans, high token fees charged for processing loans applications of members, negative cash flows, liquidity problems, default or extension on loan repayment, creative accounting , continuous poor financial performance, inability to pay off debts when they fall due, bad management, corrupt practices that lead to loss of working capital and absence of adequate trained savings and loans managers who can reach people in isolated areas who often need the services the most. There exist therefore, a wide untapped prospect for professionals and opportunity to reach the poor through a nationwide investment campaign intended to fill this demand of the serving end of micro-credit.

Most of the above challenges could be solved if there exist linkage among microfinance institutions, savings and loans institutions and banks, thus reducing the transaction cost for both banks and their clients, supplementary credit strategies for meeting credit needs of the poor and encouraging banking activities in areas of the population that institutions find it difficult to reach.

In future new policy framework or a separate regulatory authority for this financial sector of the nation would show the serious interest of the government in developing, regulating and promoting savings and loans institutions. This will help in giving risk rating and its" facilities and monitor services offered by savings and loans companies and this would solve the challenges affecting the sustainability of savings and loans institutions.

1.3 Statement of the problem

Business failures are not uncommon in any part of the world. It occurs in both developed and developing countries. However, it has been noted that business failure is relatively more serious problem in developing economic environments than developed economies. The success of savings and loans institutions depend on the delivery of financial services to the poor and low-income people. The long standing perception that the poor cannot be good clients of financial institutions has changed tremendously over the recent years and has been challenged by well-documented experiences (Yunus, 1996).

A number of savings and loans programs have demonstrated that low-income clients can use small loans productively and are willing to pay higher interest for their loans. It has also been proved that the poor need savings services as much or more than credit services (Webster and Mc Garth, 1996).

Even though savings and loans institutions are quite young in Ghana, researchs on various topics on savings and loans in Ghana have been conducted. Nevertheless, a gap still remains

in micro lender institutions as relating to challenges affecting it sustainability. The challenges therefore lie in creating micro credit schemes that will respond to the needs and potentials of targeted communities and the poor in general.

Microfinance institutions have sprang up in Ghana over the years. These range from small Susu collection agents to corporate credit unions to savings and loans companies which offer services ranging from micro loans to micro insurance. These services are assessed by households as well as micro-enterprise.

However, the question is how these institutions have evolved and developed over the years. Are all savings and loans institutions in the municipality duly licensed by Bank of Ghana (BoG) to perform as savings and loans institutions? What causes the influx of savings and loans institutions in Techiman Municipality? Are they making profit? Is their mode of recovery successful? It is against this background that the researcher wishes to identify the services that savings and loans institutions in Techiman Municipality offer its custom ers and also examine the challenges that clients face in patronage of savings and loans services and the challenges facing savings and loans institutions in Techiman Municipality in their operations. This thesis thus tries to answer these questions as the main focus of the study.

1.4 Objective of the study

The main objective of the study is to assess the challenges facing savings and loans institutions in Techiman Municipality in the Brong Ahafo Region of Ghana. However, the study seeks to achieve the following sub-objectives;

1. To identify the products or services of the savings and loans companies in Techiman Municipality.

2. To examine factors that affect customer patronage of savings and loans products in the Municipality.

3. To assess challenges facing savings and loans companies in Techiman Municipality.

1.5 Research Questions

The research work seeks to find answers to the following Questions:

1. What are the products or services offered by savings and loans companies in Techiman Municipality?

2. What factors derived customer to patronize savings and loans products in the Municipality.

3. What are the challenges facing savings and loans companies in Techiman Municipality?

1.6 Significant of the study

The study will help policy makers formulate appropriate strategies to tap the potentials of that sector of the financial system. It will help them appreciate the type of risks to which Savings and Loans companies are exposed to enable them formulate appropriate strategies for effective supervision.

It will also serve as a reference and guidance material for researchers in banking, finance and economics. This will add to the stock of literatures in the academia.

Also, the study will provide information useful to the Savings and Loans companies in packaging their services. This will inform them on the perception of savings and loans of consumers or customers and help to device strategies and policies with the final aim of sustaining the savings and loans institutions to create value added services for the internal customers (Administration and Staff) and external clients (customers).

The information will also be useful to the customers of these companies as they will have a broader knowledge of services available in the industry. The result of this research will help to identify the challeng es affecting it sustenance and the opportunities which need to be harnessed on to make financial service even more accessible to the underprivileged.

1.7 Scope of the study

The study is centred on the challenges facing savings and loans companies in Techiman Municipality. However, the study has been restricted to three savings and loans institutions thus, Utrak savings and loans(USL) First Allied savings and loans(FASL) and First Trust savings and loans(FTSL) institutions. These institutions have been selected for the simple reason that even though they are operating in this area, poverty still remains a dominant syndrome in the area. Techiman Municipality is one of the most single largest market in West Africa and is found in Brong Ahafo Region in Ghana. Data and information collected have been critically analyzed to suit the research problem and identified objectives in section 1.3. Again, the researcher selected Techiman Municipality because, first, it was realized that not much research has been conducted on the challenges facing savings and loans institutions operating in Techiman Municipality. Second, the type of economic activities prevalent in the municipality. Most of the people are engaged in small scale businesses such as commerce (trading), dressmaking, hairdressing, farming, and mechanics among others. These and other factors aroused the interest of the researcher and hence the need to examine the factors that affect customer patronage of savings and loans products and the challenges facing the savings and loans institutions in Techiman Municipality.

1.8 Limitation of the study

Despite the useful finding of this study, this empirical study has several limitations. Even though the savings and loans institutions in the country share common characteristics and face

similar challenges, there is still the possibility that some aspects are peculiar with the Savings and loans institutions that are not covered in the study. A sample and not the entire population of credit staff and branch managers of the institutions were interviewed or administered with questionnaire to obtain the primary data. This obviously imposed some limitation on the study. Again, another limitation was access to information as not much research has been done regards to savings and loans institutions in Techiman Municipality. Most financial institutions will not readily disclose information to researcher for fear of breach of oath of secrecy (Duty of confidentiality).

The next limitation of this research was that data was collected through surveys, so there is high probability of inaccurate information. The sample size that was selected was not enough to determine the actual challenges in the Municipality under studied. More researchs need to be conducted on many savings and loans institutions in order to come out with the challenges affecting the sustainability of savings and loans institutions operations.

1.9 Organization of the study

The study is organized into five chapters. The first chapter is made up of the background of the study, the statement of the problem, the objective of the study, the research question, the significance of the study, scope and limitation of the study and the organization of the study. Chapter two reviews literature of the concept of non-banking financial institutions, the informal sector and savings and loans companies in Ghana,products and services offered by the savings loans sector, factors that affect customer patronage of savings and loans products, challenges facing savings and loans institutions and conceptual framework. Data for the work would therefore be obtained from sources such as textbooks, manual and other pertinent documents, interview would be conducted with and questionnaires administered to relevant persons within the institution. Data obtained would be analysed using quantitative method.

Chapter three describes the research methodology and profile of the study areas. Here the target population, the sampling technique, sample size; the research instrument and data collection procedures are obtained. The data analysis, interpretation and discussion are contained in chapter four. Chapter five provides the summary, conclusions and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two reviewed empirical data and existing literature regarding the subject. The chapter compared the findings and theoretical underpinnings of other studies and assessed their correlations to this study. The study considered other literary works, textbooks, journals and reviewed web articles and other credible sources of data.

2.2 The Concept of Non-Banking Financial Institutions

Kormaier (2005) defines non-bank financial institutions as financial institutions that do not have full banking license to operate as mainstream banks yet offer some financial services to individuals and corporate groups. Costea (2011) on the other hand defines non-banking financial institutions as financial institutions, other than banks, that engage in lending activities on a professional basis.

Though these definitions aptly describes non-bank financial institutions, Acha (2007) provides a more comprehensive definition of non-banking financial institutions, defining it as any individual, body, association or group of persons, whether corporate or unincorporated, other than the banks licensed under the Act which carries on the business of a discount house, finance company and money brokerage and whose principal object include factoring, project financing, equipment leasing, debt administration, fund management, private ledger services, investment management, local purchase order financing, export finance, project consultancy and pension fund management. The import of all three definitions is centered on the fact that non-banking financial institutions are not really banks but offer banking services. Such a comprehensive definition could make room for institutions that are not necessarily set up to deal directly in monetary exchanges.

2.3 The Informal Sector and Savings and Loans Companies in Ghana

In Ghana, financial services to the informal sector have been made accessible largely through non-bank financial institutions, many of whom started operations in the mid-1990s. The country's banks have long considered the informal sector un-bankable and for the better part shunned it, because of the perceived risk of high loan defaults and low savings mobilization potential.

Actually, the banks can hardly be blamed for their rather dismissive attitude towards the informal sector because, traditionally, banking operations work with formal set ups where proper books are kept and have a defined management structure with a deep sense of appreciation for accountability. All of these are lacking in the informal economy, and what is worse is that in the case of Ghana the personal residential address system is nearly nonexistent and many people do not have proper title to their assets to afford them the opportunity to use them as collateral for loans (Amanor, 2009).

With the entry of non-banking financial institutions, particularly the deposit-taking ones, into Ghana's financial services industry, businesses and individuals that were hitherto considered un-bankable simply on account of being an informal sector or low-income player, now have access to finance and credit through the country's non-bank financial institutions. And the sector has produced remarkable results in recent years through their all-important role of providing financial intermediation to Ghana's informal sector which accounts for the biggest piece of the pie in terms of the nation's economic activity.

At the end of 2008, for example, the total assets of all savings and loans companies in the country was more than GH¢247 million and, altogether, savings and loans companies in Ghana mobilized a total of GH¢130 million from th e public in 2008. The industry also disbursed a total of GH¢61 million in loans to private enterprises and as much as GH¢81 million to individuals (Amanor, 2009). Again from him, no doubt, the sheer size of the savings and loans

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market will get the mouth of any bank watering, and it is not surprising that some are beginning to take advantage of their universal banking license to enter the ever-more lucrative microfinance and credit market. Much as the microfinance players concede the market is big enough to accommodate the universal banks, they are determined to grab as much share of the market as they can before the anticipated big competition takes full effect.

Already, big savings and loans players like Procredit, Opportunity, Ezi and up-and-coming ones like Garden City and others, are making efforts to further spread their operations to anywhere that they can find an attractive concentration of economic activity. Procredit, Ghana"s biggest savings and loans company in terms of assets, client base and deposits, currently has 20 branches spread across six of the country"s 10 regions and plans to roll-out more outlets this year, The company originally traded as Sikaman Savings and Loans, later changed its identity to Procredit. This resulted from it becoming part of the procredit international group of banks and financial institutions, which comprises of 22 financial institutions and is led by Procredit Holding AG, a holding company headquartered in Germany. In Ghana, Procredit currently has more than 170,000 clients and over GH¢31 million in deposits, accounting for nearly 24 percent of the total market share.

Opportunity International Savings and Loans, which emerged from Sinapi Aba Trust a private non-governmental organization set up in 1994 to provide microcredit and training to the poorest of the economically active population currently has 16 branches and accounts for about 12 percent of total deposits in the savings and loans industry. The company"s total assets as at the end of December 2008 were GH¢32 million and it currently has over 50,000 borrowers and more than 100,000 deposit account holders. Opportunity International allocates as much as 93 percent of its loan portfolio to commerce. Only 2 percent of its loanable funds is available for the small scale manufacturing sector and 5% of its loanable funds are reserved for emergency purposes (Agbenorwu, 2011).

Ezi Savings and Loans, like its peers mentioned earlier, also recently underwent restructuring and recapitalization and changed from its original trading identity of Johnson Savings and Loans to its present name, with a much broadened scope and mandate. Currently, the company has six networked branches, five in the Greater Accra Region and one in the Ashanti Regional capital, Kumasi, and plans to have a branch in all regional and district capitals of the country by 2015. Ezi S avings and Loans allocate 80 percent of its loan portfolio to commerce. Those in small-scale manufacturing are able to attract 10 percent of Ezi''s loanable funds and 10% of its loanable funds reserve for emergency situations (Agbenorwu, 2011).

Garden City Savings and Loans which has largely dominated the Ashanti regional market with its five branches and its headquarters in Bantama, is resolved to remain the banker of choice for the region''s many informal sector players, particularly those in the business of hairdressing, dressmaking, artisans, and other service providers (Agbenorwu, 2011).

2.4 Products and Services offered by the Savings and Loans Sector

The Savings and Loans industry offers its customers mainly mainstream banking products at a reduced cost and other more targeted products for its special clientele.

2.4.1 Savings and loans Institution Products and Services

Woller (2002) states Savings and Loans institutions provide similar products and services to their customers as formal sector financial institutions. The scale and method of delivery differ, but the fundamental services of savings, loans, and insurance are the same.

Notwithstanding, to date most efforts to formalize savings and loans have focused on enterprise lending (loans for enterprise formation and development) which remain by far today the dominant product offered by Savings and Loans institutions (Nourse, 2001). This, however, has slowly begun to change. Increasingly today Savings and Loans institutions have

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begun to offer additional products, such as savings, consumption or emergency loans, insurance, business and education. Nourse (2001) reviews the context and rise of savings and loans products and argues there is a need for savings and insurance services for the poor and not just credit products. He goes on to argue that Savings and Loans institutions need to provide tailored lending services for the poor instead of rigid loan products. Supporting this latter assertion of Nourse (2001), Eyiah (2001) develops a model of small construction management contractors and Savings and Loans institutions in developing countries that provides a tailored lending structure for microenterprise contractors.

Similarly, Woller (2002), Cohen (2002), and Dunn (2002) argue that Savings and Loans institutions need to be more client-focused, including offering a mix of financial products tailored to the varied needs and wants of poor consumers. Microcredit is most often extended without traditional collateral. If physical collateral were a requirement for borrowing, most MFI clientele would be unable to participate due to their extreme poverty level. Because borrowers do not have physical capital. Savings and Loans institutions focus on using social collateral, via group lending. Group lending encompasses a variety of methodologies, but all are based on the principal of joint liability. In essence, the group takes over the underwriting, monitoring and enforcement of loan contracts from the lending institution (Wenner, 1995).

Under joint liability each group member is made responsible for the loans of other group members. If one member defaults, the other group members are required to cover the loan from their own resources, and if they do not, they lose access to future loans. It is thus in each member‟s interest to ensure that the other members pay. Social collateral also works through reputational effects on group members in which repayment of loans is seen by group members as necessary to maintain their social standing in the community (Woolcock, 2001). Goldmark (2001) suggests methods that may help build social collateral, thereby making loans even more secure. Van Tassel (1999) constructs a model and one-period game to determine

the optimal group lending contract under asymmetric information. He concludes that agents will always form groups with agents of the same type and that agents' types can be distinguished according to the rate at which they are willing to trade increased joint liability commitments for lower interest rates. Ghatak (1999) concludes that group lending not only increases repayment rates and welfare via social collateral, but also due to peer selection by members of the lending group. Similar to Ghatak, Islam (1995) concludes that lenders using peer-monitoring systems can charge lower rates relative to conventional lenders and that at the same interest rate, the expected rate of repayment is higher with lower risk when using peer monitoring.

Within the lending function of savings and loans, it is useful to divide loans into enterprise loans and consumption/emergency loans. As mentioned above, the loan programs typical of Savings and Loans institutions almost entirely consist of enterprise loans. Nonetheless, significant unfulfilled market demand also exists for consumption and emergency loans (Woller, 2002). The demand for consumption/emergency loans is evident in developing countries by the thriving business of the local moneylenders. Although stereotyped as a loan shark preying on the desperation of the poor by charging exorbitant interest rates and employing unsavory collection methods, the traditional moneylender provides a valuable service for poor people who require quick and flexible infusions of cash to meet immediate and pressing consumption needs or to cope with emergencies. Like savings, consumption/emergency loans form an integral component of poor households" risk management and coping strategies.

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Those in the savings and loans industry who assumed th t formal Savings and Loans institutions would drive the traditional money lenders out of business have been shocked to learn that the demand for moneylenders has remained robust, even among clients of savings and loans programs. A good illustration is the case described by Perry (2002), in which women moneylenders in Senegal used loans from a local MFI to finance their own money lending businesses. It turns out that just as the terms of the loans offered by moneylenders (rapid loan approval, fl exible terms, repayment periods measured in days or weeks, and lump-sum payments at exorbitant interest rates) makes them generally ill-suited as a source of enterprise financing, the terms of enterprise loans offered by Savings and Loans institutions (slow turnaround, inflexible terms, repayment periods measured in months or a year, and regular small payments at relatively low interest rates) are gen erally ill-suited for emergency/consumption purposes.

One form of savings is voluntary, flexible savings (Nourse, 2001). Montgomery (1996) states that millions from all strata of poor do not operate enterprises but they do save, albeit often in very small amounts and at inconsistent intervals. Beverly and Sherraden (1999) opine that savings are integral to poor households" risk management strategies; they constitute the first line of defense to help poor households cope with the external shocks, emergencies, and lifecycle events to which they are so vulnerable; and they play a crucial role in allowing the poor to take advantage of productive investment opportunities (Grosh and Somolekae, 1996). A reasonable estimate of the market for savings among the poor indicates that savings demand substantially exceeds over the demand for enterprise loans. Christen (2001) for example, reports that over a space of two to three years, retail banks in Latin America opened millions of small deposit accounts in countries in which Savings and Loans institutions added fewer than 200,000 loan customers over the same period. At Savings and Loans institutions that offer

both enterprise loans and volunt ry savings, moreover, savers typically exceed borrowers by large multiples.

Characteristic of poor households is extreme vulnerability to risk and external shocks. Traditionally, poor households have managed risk and coped with external shocks through a combination of informal social support networks, savings, and borrowing from informal moneylenders. Participation in savings and lo ans programs offers another set of risk management and coping options for poor households. Participation in formal microinsurance schemes offers yet another option. Just as a large demand for formal savings and loans exist among the poor, there is also believed to exist a large demand for formal insurance (Bosma et al., 2008).

Although micro-insurance is in the early stages of development, efforts are being made to formalize and design the process. There are some success stories (e.g., FINCA Uganda offers its clients health and other types of insurance through an AIG subsidiary based in South Africa), but overall progress is modest so far owing in part to the very different nature of insurance compared to savings or loans and to the fact that few Savings and Loans institutions possess specialized knowledge of how to set up or run insurance programs. In another example of micro-insurance research, Mishra (1994) analyzes crop insurance in Gujarat and finds that the availability of crop insurance resulted in increased loan repayments in absolute terms, although it is not clear if the propensity to repay improved. Additionally, Mishra documents a significant increase in the flow of credit to insured farmers after the introduction of the insurance program.

Our overview of issues related to savings and loans products and services would not be complete without brief discussion of integrative approaches (integrating non-financial services, usually education with financial services) to savings and loans. A handful of

articles have examined integration of savings and loans with other development services. Smith (2002) compares minimalist MFI services in Ecuador nd Honduras to those offering financial services integrated with health education. Using surveys of 963 Ecuadorian clients and 981 Honduran clients, he finds that clients in integrated programs experienced improved family health, while those in minimalist programs did not. Using 20 minimalist Savings and Loans institutions and 84 banks that offered health education, Smith finds no significant difference in the performance of the Savings and loans institutions. Also in support of an integrative approach, Edgcomb (2002), Cook et al. (2001), and Dumas (2001) each use case methodology to analyz e Savings and Lo ans institutions offering integrated business development training. They conclude that business development training significantly improves microenterprise performance and micro-entrepreneur empowerment.

A final issue meriting mention is provision of equity in lieu of credit for enterprise formation and start-up capital. Pretes and Seibel (2002) discuss several cases of this practice in East Africa. They refer to this service as providing enterprise equity, however, in finance vernacular, this service would most likely be considered a grant. They argue that those who invest (donate) the equity in such cases receive their returns intrinsically, as they do not receive a financial ownership position in the startup firm (microenterprise).

The discussion in this section has demonstrated that at the core, the issues challenging savings and loans institutions and formal sector institutions are very similar. The commonalities between both sectors encourages us that mainstream finance tools can be applied to savings and loans. At the same time, the unique characteristics of savings and loans provide an interesting laboratory to test existing financial theory and to create new theory.

2.5 Factors That Affect Customer Patronage of Savings and Loans Products

Individuals and private enterprises face enormous limitations in their bid to access finances from mainstream banks as well as non-banking financial institutions. The study captures some common credit constraining factors.

2.5.1 Credit Appraisal

This is basic stage in the lending process. Anjichi (1994) describes it as the 'heart' of a high quality portfolio. This involves gathering, processing and analyzing of quality information as way of discerning the client's creditworthiness and reducing the incentive problems between the lenders as principals and the borrowers as agents. The bank's credit policy, procedures and directives guide the credit assessment process. Banks should base their credit analysis on the basic principles of lending which are Character, Capacity, Capital, Collateral and Conditions (Matovu and Okumu, 1996).

According to Doumpos et al., (2009), character represents the customers" willingness and determination to meet a loan obligation. Character is generally discovered through interview and investigation into the customers" payment habits, the way they manage their business affairs and the way they respond to adversity. Capital, also called equity or net worth, represents reserves a business has in the event of unforeseen problem. The lender attempts to investigate capital adequacy of the enterprise. Capital is also indicative of level of commitment by stakeholders of the company. This mitigates moral hazard. Collateral is the assets or assets pledged to secure a loan (Ahmed and Chowdhury, 2007). Collateral provides the lender a secondary or tertiary source of repayment if the primary source of repayment is not available. Conditions are the external variables that can affect credit and credit quality.

This refers to national, international and local economy, the industry and the bank itself. In assessing conditions, the lender determines whether the prevailing conditions are conducive for not only lending but also for borrowers ability to repay the loan (Doumpos et al., 2009). All the five C"s are fundamental tenets of lending and credit. It is designed to ensure lenders take actions which facilitate repayment or reduce repayment likely problems. This information about the riskiness of the borrower makes the financial institution to take remedial actions like asking for collateral, shorter duration of payment, high interest rates and other form of payments (Stiglitz and Karla, 1990). The variables mentioned, according to Hunte (1996) included the length of time taken to process applications, credit experience, proportion of collateral security to the loan approved. It was found out that long waiting time reflected a shortage of credible credit information required to make informed credit decisions. This in turn leads to greater risk more intense credit rationing and low repayment rates. Hunte (1996) also observed that loan experience indicated the ability to manage the business loans better hence good quality borrowers for the business. A less experienced borrower has less ability to manage a business loan and therefore is not credit worthy (Hunte, 1996). This implies that there are big risks associated with new borrowers since the loan officer has no familiarity of recovery from them.

2.5.2 Credit Documentation

Credit documentation and disbursement is another aspect of credit assessment process. It encompasses the conduct of key exposure control measures that ensures securities and documentation is obtained before funds are disbursed, and that modification on all credit facilities is approved within credit policy. It also includes the maintenance of orderly up dated credit files and the imposition of relevant fees, updating of records and prompt notification of credit reviews and renewal dates (Kayanula & Quartey, 2000). Loan documentation involves

the legal drafting, document review, collateral checks and the waiver of terms. While the disbursement function involves checking the validity of notes as well as ensuring that the documentation for the credit facilities are properly executed. Loan documentation defines the necessary security and covenant before the loan is made. It provides risk protection by providing grounds for th e banks to take legal action when borrowers fail to honor their obligations (Doumpos et al., 2009). Credit documentations clearly states the credit terms which are the conditions attached to the loan after the borrower's loan application has been favorably appraised. These include among others.

2.5.3 Collateral

This is the borrower's asset pledged in exchange for the receipt of a loan. Banks request for collateral before extending loans to customers. The collateral is always higher value than the loan taken to ensure that the loan is paid back. The use of groups as collateral is accepted by some banks (Bosma et al., 2008). When one member fails to pay, the other group members pay on the person''s behalf. Thus, this system makes it possible for group members to monitor one another thus leading to improved loan repayment. However, some studies have found out that group members do not want paying for others and they also do not like others paying for them (Goldmark, 2001).

2.5.4 Interest Rate

It is the price of the loanable funds which serves to allocate credit and moderate the level of investment (Root, 1994). Interest rates can be looked at from the borrowers' and lenders' point of view. To the borrower, interest rate is the costs of borrowing money expressed as a percentage of the amount borrowed (Carter et al., 2005). A borrower evaluates all costs including interest rates and expected returns before deciding to take a loan or not. To the

lender, interest rate is determined by factoring in costs such as costs of production, th e inflation rate, personnel, administrative costs, loan loss provisions and capital growth (Hollis and Arthur, 2001). The rate charged should be able to cover costs and make a contribution for the financial institution. Financial institutions charge different interest rates depending on their peculiar conditions ranging from 2 to 4% per month (Bazibu, 2005).

2.5.5 Size of Loan

Loan size is the amount of loan advanced to the client. It can be small, medium or big. Banks prefer bigger loans largely because their transaction costs are lower. Efficient loan size should fit the borrower's repayment capacity and stimulate enterprise performance. Ross et al., (1991) argues that poor loan sizing is illustrated by extensive credit rationing, which issues too little credit to too many borrowers. However, according to Chirwa (1997), relatively large loans may tempt the borrowers to divert a portion for non-business purposes.

2.5.6 Purpose of Loan

The purpose for which credit is sought is an important consideration to the bank because of the risks in the lending activities. Banks being profit driven, seek to maximize returns while minimizing risks. This seemingly paradox constrain banks to examine not only viability of a project but also loan repayment prospects. Vittas and Chao (1996) observed that in many countries, Banks favor lending for low-risk activities, such as self liquidating, short-term working capital and trade finance. They are generally less willing to finance high risk projects with long payback periods, and small forms that lack adequate collateral even though such firms may be more innovative and promising than others.

2.5.7 Loan Period

The World Bank (1996) reported that Banks have little capacity and interest to provide longterm capital. This is attributed partly to the high composition of short term liabilities in their portfolio and also their concern for risks associated with lending activities. Banks in Uganda are therefore reluctant, for reasons of prudence as well as profit to lend for periods longer than twelve months and because of stringent provisions of the Financial Institutions Statute in 2004.

2.5.8 Disbursement

Disbursement on the other hand ensures that money is not availed until all approvals and documentation requirements are met. It also ensures that security and other required documentations are obtained before funds are disbursed. If disbursement control is weak, the whole integrity of the credit process can be weakened and abused (Bazibu, 2005). Thus, documentations and disbursement are important in the management of credit because they ensure that the bank has proper documentation, collateral and guarantees. These are important in the advent of the clients' inability to pay because the bank would be properly secured and have legal recourse to ensure the settlement of debt. This would ultimately decrease the amount of bad debts the banks may have.

2.5.9 Repayment of Bank Loans

After the credit assessment and disbursement is done, the credit customer is expected to payback the installment as per agreed schedul e. Each bank has a different repayment mechanism. Based on the specifics of the bank, customers can pay weekly, bi-weekly or monthly installments (Dongo, 2004). In order to ensure good repayment, Banks have to ensure proper monitoring and follow up actions.

2.5.10 Monitoring and Follow up

According to Anjichi (1994), many of the agonies and frustrations of slow and distresses credits can be avoided by good loan supervision. Supervision helps keeping a good loan. It may be visiting the borrowers' premises to investigate the general state of affairs and maintenance of plant and equipment. Inadequate maintenance is often an early sign of financial distress. Also to be observed is the state of employee morale and the physical stock of materials and finished goods. The general business policy and advice is considered. If a bank is sanitizing to business development it can revise its own credit and loan polices as well as advising its customers. Ag ain keeping track of deposits and balances gives clue to the affairs of the borrowers.

2.6 Challenges Facing Savings and Loans Companies

Generally, since the beginning of government involvement in Non-banking financial service in the 1950s, the sub-sector has operated without specific policy guidelines and goals. This partially accounts for the slow growth of the sub-sector, and the apparent lack of direction, fragmentation and lack of coordination. There has so far not been a coherent approach to dealing with the constraints facing the sub-sector. Among the constraints are inappropriate institutional arrangements, poor regulatory environment, inadequate capacities, lack of coordination and collaboration, poor institutional linkages, no specific set of criteria developed to categorize beneficiaries, channeling of funds by MDAs, lack of linkages between formal and informal financial institutions, inadequate skills and professionalism, and inadequate capital. Better coordination and collaboration among key stakeholders including the development partners, government and other agencies, could help to better integrate Non-banking financial services with the development of the overall financial sector.

Secondly, traditional commercial banking approaches to Non-banking financial services delivery often does not work. According to traditional commercial banking principles, the

credit methodology requires documentary evidence, long-standing bank-customer relationship and collateral, for which most private businesses do not possess. According to Aryeetey (2008), the commercial banking system, which has about twenty-three (23) major banks, reaches only about 5% of households and captures 40% of money supply. Therefore there is room for expanding the non-banking financial service sector in Ghana. The specific challenges facing the industry are discussed into more detail below:

2.6.1 Institutional Arrangements

Doumpos et al., (2009) contend that the stakeholders in the sub-sector play various roles which are expected to be complementary. Due to the lack of defined areas of operation, the roles and responsibilities of stakeholders currently overlap in some cases. The overlap is also due partly to the fact that organizational and institutional hierarchy and reporting relationships among all the stakeholders are not clearly defined. Non-banking financial institutions could play an increasing role. There is the need therefore to clearly define relationships and roles to enhance effective implementation and delivery of services.

2.6.2 Capacity Building and Funding for the Non-Banking Financial Sector

In order to promote the sub-sector, the various stakeholders organize training programmes and activities with the view to upgrading the human capital in the industry. Nevertheless, the staffing and competency level being achieved with these training programmes is still below what is desired. The random and incoherent nature of training programmes has also probably hampered the achievements of the projected gains for the sub-sector, as the flaw in the human capacity of all the stakeholders may have had a rippling effect on the governance and structure of the industry.

Furthermore, the current Non-banking financial service apex bodies lack an adequate cadre of in-house trainers and/or facilitators as well as in-house monitoring and evaluation units to continually measure progress of their activities consistently over time. Infrastructural capacity in the sub-sector is yet to be developed around an integrated and holistic logistical support and internal operating systems. Funding for the subsector has been from three sources: the institutions themselves, government, and development partners. Firstly,

available funds have not fully met the needs for developing and expanding the sub-sector; and, secondly, the varying sources come with their conditions, and distort the market in some cases. There is considered to be a need for a central Non-banking financial service fund to which all non-bank financial institutions can apply for on-lending and/or capacity building support, building on experience such as the Training Fund under the Rural Financial Services Project.

2.6.3 Credit Delivery and Management

The current strategies for credit delivery are not adequately diversified or efficient, and therefore are unable to fully meet the varying demands of the market and different categories of end users. There is no framework for categorizing and upgrading some of the emerging Non-banking financial service institutions in the semi-formal and informal sub-sectors in accordance with their operational capacities and capabilities. The objective of Non-banking financial service is to provide resources for the poor. Nonetheless, there is yet to be adequate, reliable and acceptable methods for classifying various poverty levels to enhance the categorization of potential and actual non-banking institutions clients and other forms of support that may be more appropriate for some groups.

2.6.4 Targeting the Vulnerable and the Marginalized

People with disabilities and impairments do not have products and services designed to meet their needs and also are not adequately served by existing Non-banking financial service funds and services. This target group in particular could benefit from complementary skills training programmes. The existing skills training and funding arrangements for women do not seem to be market-driven. Thus, specific services and products that target women for entrepreneurship development to enable them engage in economic activities and become more self-reliant need to be more coherent. Young people aged 15-24 years account for about a third of the population of Ghana and constitute over half of the unemployed population. There is a n eed for special Non-banking financial service, grant and training programmes that target the youth for entrepreneurial development.

2.6.5 Data/Information Gathering and Dissemination

Generally, there is paucity of information on Non-banking financial service institutions, their operations and clients in the country. Approaches to and methodology for data and information gathering at the national level are not uniform, making it difficult to centrally monitor progress of the sub-sector. The current attempt to develop a national data bank on Non-banking financial service is yet to be fully realized. There is a lack of well defined reporting system by both the government and development partners with regards to their interventions.

The outcome is inadequate data base for decision making and planning. At the institutional level, data/information gathering and dissemination are weak within and between institutions. The lack of common benchmarks, methods for measuring and information sharing further inhibits the performance of the sub-sector. Lack of adequate and reliable information on outreach in terms of its depth and breadth remains one of the most daunting in the sub-sector. This l ack of information has affected targeting of clients and ultimate poverty reduction.

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2.6.6 Regulation and Supervision

There is a need for dialogue on the formulation, implementation and review of regulatory and supervisory policies and procedures to ensure consistency and cost-effective approaches to regulation across different types of Non-banking financial service institutions and products. There is a need to balance permitting continued evolution of a variety of institutions providing Non-banking financial products and services with the need to protect depositors' funds, provide adequate information and protection to consumers, and coordinate expansion and regulation of different segments of the market.

Non-banking financial service institutions in this category face rigid regulatory and supervisory systems that present some challenges for product innovativeness, outreach and ultimately the performance of the institutions. There is a lack of well specified guidelines for operations among apex bodies and Cooperative Council. This leads to uncoordinated activities and invariably hampers the performance and outreach of their member institutions.

2.6.7 Collaboration and Coordination

There is no national body which is responsible for coordinating all activities associated with non-banking financial service, nor is there a forum for dialogue among stakeholders on policy and programme issues. As a result there is lack of coherent approach, fragmentation, duplication and inadequate collaboration between and among MDAs, MMDAs, development partners, service providers, practitioners and end users. In this regard, the role of GHAMFIN as an umbrella body for Non-banking financial service apex institutions, as well as their member institutions, needs to be strengthened to ensure the transfer of best practices and setting of standards for the industry. The existing institutional structure does not include all practitioners and service providers, and needs to be addressed.

2.7 Conceptual Framework
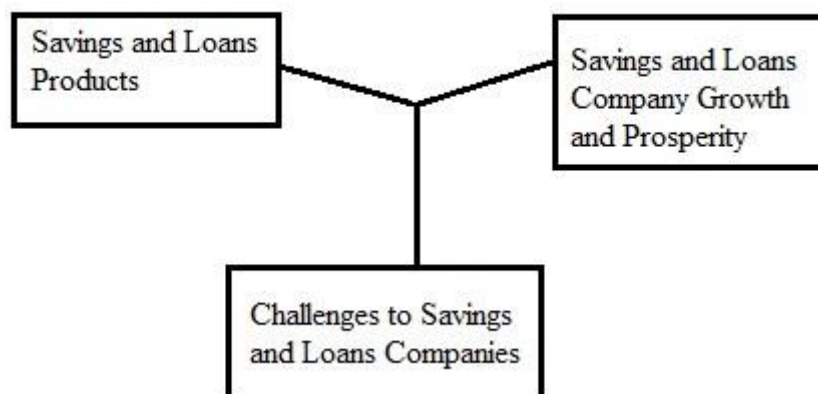
Figure 2.1 Conceptual Framework (Source: Researcher's Construct)

The study's conceptual framework is based on the successes that savings and loans companies must achieve in terms of promoting and marketing their products and services to the populace of Techiman Municipality in order to experience overall company growth and prosperity. Growth and prosperity however is limited by the challenges that plaque savings and loans companies in the Techiman Municipality. This study seeks to investigate the situation and come out with credible findings for implementation by the sampled savings and loans companies and all other stakeholders.

CHAPTER THREE

METHODOLOGY AND PROFILES OF SELECTED COMPANIES

3.1 Introduction

This chapter gives a comprehensive depiction of the choice of the study area. It explores the population from which subjects for the research were selected and the sampling procedures

used. A detailed depiction of data collection instruments, data Collection procedures, the research design, data analysis, ethical issues and it would also reveal the profile of three institutions used as case study for the project. It is concluded with the limitations.

3.2 Research Design

To adequately achieve the research objectives, the study employed quantitative research approach together with a descriptive research design. Quantitative analysis was deployed purposefully to develop and utilize statistical models, theories and numbers (figures) in the analysis of research data. The study selected a descriptive study to enable the study to accurately portray the characteristics of the study respondents and data collected Polit and Hungler (1993). The combination of the two approaches enabled the study to meet the research objectives of the study.

The study also adopted a case study approach that focused on three selected savings and loans companies in the Techiman municipality in the Brong Ahafo Region of Ghana. This enabled the study to do a detailed study using a specific situation instead of a sweeping statistical analysis. Fraenkel and Wallen (2003) posit that the use of case study approaches allow researchers to achieve a more focused, yet comprehensive understanding of situations and analysis of data.

3.3 Population of the Study

The study population included all management staff (managers) of savings and loans institutions in the Techiman municipality in the Brong Ahafo Region of Ghana. The total number of savings and loans institutions numbered approximately six (6). The total population of management staff numbered fifteen (15) .The total numbers of customers of the three (3) selected savings and loans companies were in excess of two thousand, five hundred and sixty six (2566). In tot al, the total population was two thousand, five hundred and eighty one (2581).

3.4 Sample and Sampling Technique

A sample size of three hundred and three (303) respondents were selected from a study population consisting of one (1) management staff from each of the three (3) selected savings and loans companies and one hundred (100) selected customers from each savings

and loans companies. These selected companies included Utrak Savings and Loans, First Allied Savings and Loans and First Trust Savings and Loans Companies.

The study used purposively sampling techniques in selecting both the sampled companies and the management staff of the selected savings and loans companies. The study used purposive sampling to enable the study target savings and loans companies with relatively larger sizes in terms of customer base and perceived popularity amongst the public. This was done based on the assumption that large savings and loans companies in large cosmopolitan areas provide a higher probability of multi-cultural and diverse populations that serve to further improve the representativeness of the study sample and generalization of the study findings. Purposive sampling was also used to enable the study sample respondents perceived to have extensive requisite experience in the savings and loans industry in order to

ensure the authenticity and credibility of primary data.

In sampling customers of the selected savings and loans companies, the researcher used random sampling technique to ensure representativeness of all customer demographics and enable generalization of the study findings. To ensure that customers are selected on a random basis, a first-come-first-serve approach was chosen. Yin (2005) asserts that a firstcome-first-serve approach to random selection is effective in removing selection biases. The researcher, with the help of the branch managers of the selected branches of the case study companies, positioned himself in the various branches on various working days (specific to each savings and loans companies) and distributed the data collection instruments (questionnaire) on a first-

come-first-serve-basis. The researcher ensured that respondents who could neither read nor write were not exempted from the study.

Respondents who could not by themselves respond to the data collection instruments were assisted by the researcher to answer them. The sample size was considered adequate by the researcher because it was in line with the assertion of Britton and Garmo (2002) who state that a sample size, when selected to be representative of the study population, can be effectively generalized.

Table 3.4.1 Distribution of Respondents

Savings and Loans Company	Respondents	Population	Sample	Sampling Technique	Data Collection Instrument
Utrak Savings and Loans Limited	Customers	812	100	Random	Questionnaire
	Management staff	5	1	Purposive	Questionnaire

First Allied Savings and Loans Limited	Customers	1106	100	Random	Questionnaire
	Management staff	5	1	Purposive	Questionnaire
First Trust Savings and Loans Limited	Customers	648	100	Random	Questionnaire
	Management staff	5	1	Purposive	Questionnaire
Population		**2581**	**303**		

Source: Field Data Analysis, 2015

3.5 Sources of Data Collection

The study sourced data from only primary data sources. This section gives details regarding the types of primary data sourced.

3.5.1 Primary Data

Primary sources of data consist of first-hand data sources. Primary data source can include data collected through questionnaires, interviews (structured, semi-structure and unstructured), observations, discussions, etc. the study utiliz ed both questionnaires and semistructured interviews to collect data for the study.

3.5.1.1 Questionnaire

A questionnaire is a collection of structured question items presented on a sheet of paper and distributed to respondents to collect their opinions and responses (Britton and Garmo, 2002). Yin (2005) posits that a questionnaire allows for standardization in data taking and also allows for accurate statistical measurement of responses in order to arrive at credible results. Britton and Garmo (2002) opine that questionnaires allow respondents to exhibit objectivity and candidness, especially when it is designed to allow respondents to remain anonymous. The study utilized questionnaires as a primary data collection instrument.

The questionnaire contained both open-ended and close ended questions. The close ended questions came with response options from which the respondent was required to pick. A five-point Likert scale was used to enable measurement of responses. The questionnaire was divided into two sections. Section one solicited demographic data of respondents whilst section two sought responses to questions based on the research objectives.

The researcher personally distributed the responses to the selected respondents in person and by electronic mail. Special permissions were sought from the managers of the selected savings and loans companies to allow for data collection in their branches.

3.5.2.1 Pilot Testing of Data Collection Instrument

The assertion is made by Yin (2005) that pilot testing allows for early detection of weaknesses in the composition and wording of research questionnaires. In agreement, Britton and Garmo (2002) posit that pilot testing allows the researcher to test the data collection instruments on a section of the targeted population in order to effect necessary corrections and alterations to ensure clarity.

The study tested the questionnaire on a selected sample of employees of First Alli ed Savings and Loans, Techiman branch. Cooper and Schindler (2003) assert that sampling techniques are not of much value in a pre-test. The study required the selected pre-test respondents to respond to the questions contained in the questionnaire. This enabled the researcher to determine the level of understanding and perceptions which ensured the enhancement of the questionnaire by improving the wording and formating brevity. The feedback obtained from the pilot testing exercise enabled effective revision of the questionnaire to allow for easy understanding by all categories and demographics of respondents.

3.6 Data Analysis Procedure

To ensure effective analysis of data, the study sorted the primary data and manually coded it in categories under each research objective, into the Statistical Package for Social Sciences (SPSS) computer software. The study employed factor analysis in the analysis of the data. Factor analysis consisted of mean, standard deviation and coefficient of variation analysis. The study presented the findings of the analysis in tables and columns.

Mean analysis was conducted to determine the skewness of responses towards „Agree‟ or „Disagree‟. A skewness of responses towards 1 or 2 showed a skewness of responses towards Totally Disagree or Disagree whilst a skewness of responses towards 4 or 5 showed a majority of Agree or Totally Agree responses. The skewness of responses was determined by the mean figure as determined by the analysis.

The study calculated the mean figure using the following formula

$$M = \Sigma (X) / N$$

Where Σ = Sum of

X = Individual data points

N = Sample size (number of data points)

The study conducted standard deviation analysis to measure the variable and spread of data set and the relationships of the mean to the rest of the data. The closeness of the data points to the mean indicated the uniformity and other of the responses. When data points are close to the mean, the responses are fairly uniform, when data points are not close to the mean, the responses have a wide variance, and then the standard deviation will be large. If all the data values are equal, then the standard deviation will be zero.

The standard deviation was calculated using the following formula.

$$S2 = \Sigma(X - M)^2 / n\text{-}1$$

Where Σ = Sum of

X = Individual score

M = Mean of all scores

N = Sample size (number of scores)

To give the mean and standard deviation analysis further meaning, the study calculated the relationship of the standard deviation to the mean, also known as coefficient of variation (CV). The coefficient of variation analysis allowed the study to have a more uniform method of determining the relevance of the standard deviation and what it indicates about the responses of the sample. The closer the CV is to 0, the greater the uniformity of data. The closer the CV is to 1, the greater the variability of the data. The equation used in calculating the coefficient of variation was also indicated below:

$$CV = S/M$$

3.7 Ethical Considerations

In conducting the study, the researcher sought to consider ethical situations that might make a respondent eligible to provide primary data or a data set ineligible to be included in the overall data set for analysis. The non-banking financial sector has regulation prohibiting employees from revealing sensitive and company secrets. The study respected this time tested tradition by giving respondents the option to opt out if participation would cause any ethical or legal concerns. To allay fears, the study comprehensively explained the research objectives and the purpose of the study as well as the statement of the problem to all the participating respondents. The study also afforded respondents the chance not to include their names or any identification symbol on the questionnaire to enable respondents remain anonymous.

3.8 Organizational Profile

This section details the profiles of the three selected companies.

3.8.1 Utrak Savings Loans company Limited

Utrak savings and loans company was incorporated as a private limited liability company that was licensed by the bank of Ghana in 2nd April 2012 to begin operations in May 2013 in conformity with the provision of financial institution under the (PNDCL) law 328 to mobilize deposits from the public and grant loans and other credit facilities to its custom ers. Utrak savings and Loans Company has its Head office located at Asokwa in Kumasi in the Ashanti Region of Ghana. Utrak has 14 branches across the country.

Vision

The vision of Utrak Savings and Loans Company is to be the leading bank in delivery total financial solutions in the Ghanaian economy and beyond.

Mission

Th e Comp any‟s mission is to serve as the channel of growth for individuals and corporate organizations through the provision of quality services.

Products/Services

The following are the products accessible, Savings Deposit Account, Fix ed Deposit Account, Susu Savings Account, Group Loans, Personal Loan, Funeral Loan, E-banking, Money Transfers, Current Account and Utility bills payment.

Core Value

The company‟s strong corporate values have been established on essential principles which guide the operations of procredit institutions.

- Transparency
- High professional standards
- A high degree of personal commitment

3.8.2 First Trust Savings and Loans Company Limited

First trust savings and loans (FTSL) Limited is a limited liability company that is licensed by the bank of Ghana as a deposit taking non-banking financial institution (PNDCL 328) of 1993. FTSL as a financial institution was established in March 27, 2013 and began operation in September 2014 to mobilize deposits from the general public and extend credit to micro, small and medium scale enterprises (MSMEs)

First trust savings and loans limited is a member of the Association of savings and loans companies in Ghana and currently have ten (10) branches in Accra, Kumasi and Techiman. The head office of the company is currently located at Dzorwulu on the N1 Highway, opposite Nugahil hotel, Accra.

Vision

To be the hallmark of excellence in the financial industry.

Mission

First trust seeks to provide a unique and convenient banking experience where innovative tailor-made products are within the reach of clients irrespective of location.

Core Values

- Excellence: We deliver what we promise and add value that goes beyond what is expected; we achieve excellence through innovation, learning and agility.

- Loyalty: We maintain respectful relations with customers, partners, suppliers, employees and communities.

- Integrity: We exhibit honesty and transparency at all times. We are ethically unyielding honest and inspire trust by saying what we mean, matching our behavior to our words and taking responsibilities for our actions.

- Trust/ Team work: Trusting our coll eagues and ourselves to do the right thing for the business, for ourselves and for our communities.

- Efficiency: we perform tasks in an organized and capable way without waste.

Products/Services

The following are the products accessible; investment (Fix ed deposit account), savings and current account, credits/loans/overdraft facilities, e-banking, remittances (money transfers), utility bills payments and funds management.

3.8.3 First Allied Savings And Loans Company Limited

First Allied savings and loans (FASL) limited was incorporated as a private limited liability company on May 24th 1995 under the Ghana company code, 1963, (Act 179). FASL was incorporated as a non banking financial institution (NBFI) to op erate a savings and loans business in the country. The institution was granted an operating license by the bank of

Ghana under the non banking financial institution law (PNDCL 328) of 1993 on m arch 27. FASL commence operation on September 25, 1996 at the ground floor of its building at Adum the capital city of the Ashanti Region, which now houses the Head office, the Adum branch, and section and department of the institution. FASL is a leading savings and loans company in Ghana with 23 branches across the country. Techiman in the Brong Ahafo region of Ghana is one of the branches.

Vision

The vision of First Allied savings and loans (FASL) is to create an excellent institution and be a leader in the provision of quality financial service to the micro and small enterprise sector in Ghana.

Mission

First Allied Savings Loans (FASL) commenced operations with the mission "to offer

convenient access to efficient, innovation and responsive financial services to the micro and small scale entrepreneur on a sustainable basis for mutual benefit of all the stakeholders".

Products/Services

With 16 years of providing excellent banking services first allied has been consistent in building a differentiating brand through its superior services and irresistible customer support. As a customer centered institution, first allied cherishes the service of providing broad range of accessible financial solution to its custom ers in a timely m anner at optimum convenience. FASL provides well-customized products and services targeted at meeting personal financial needs and growth of business.

The following are the products accessible; savings deposit account, current account, fixed deposit account, susu savings account and the golden susu which include (Allied mpontuo group loans), commercial and institutional loans, consumer managed loan funds, salary loans, money transfer and e-banking. What is remarkable about first allied is that,

- It offers the lowest interest rate in the savings and loans sector.
- It does Saturday banking.

- It is a listening institution. Every customer is given the attention to understand.

With the informal sector being the larger of the economy of Ghana, financial institution cannot afford to ignore the strategic opportunities of sourcing and financing businesses in this sector which is constantly tilting towards growth. Thus management is focused on creating a financial system that meets the expectation of SMEs and micro businesses.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter captured the presentation of data collected, the results of analysis conducted and discussions of the findings.

4.2 Demographic Characteristics of Respondents

The study analyzed the demographic characteristics of the respondents to confirm their qualification and competence to give responses for the study. Analysis of demographic characteristics also sought to enable the study gauge the likelihood of biases that may be occasioned as results of respondents" backgrounds.

In relation to age distribution of respondents, the study showed that 6% of the sampled respondents were aged between 18-25 years, 38% of the sampled respondents were aged between 26-35 years, 35% were aged between 36-45 years and the remaining 27% were aged between 46-60 years. This finding indicated that the study succeeded in sampling respondents from all categories of age brackets. This enabled the study to capture the opinions and perceptions of the different generational gaps.

Gender distribution of respondents showed that females formed the majority of 72% of the study sampled compared to males who formed 28%. The study indicates that females patronize savings and loans companies a lot more than males and therefore form the bulk of savings and loans customers.

Table 4.1 Distribution of Respondents by Demographic Characteristics

Variable	Frequency	Percentage
Age Distribution of Respondents		
18-25 years	17	6%
26-35 years	99	32%
36-45 years	107	35%
46-60 years	80	27%
Gender Distribution of Respondents		
Male	85	28%
Female	218	72%
Distribution of Respondents by Highest Academic Achievement		
No /Basic Education	64	21%
Secondary Level Education	156	51%
Tertiary Level Education	69	23%
Post-graduate Level Education	14	5%

Source: Field Data, 2015

Distribution of Respondents by Highest Academic Achievement showed that 51% of the study respondents had attained secondary level education, 23% had achieved tertiary level education, and 21% had either no education at all or had achieved some basic education whilst the remaining 5% had achieved some form of post-graduate education. This finding is indicative of the diverse individual capacities and thinking perceptions captured. This gives the study enough representativeness to enable generalizations of the study findings.
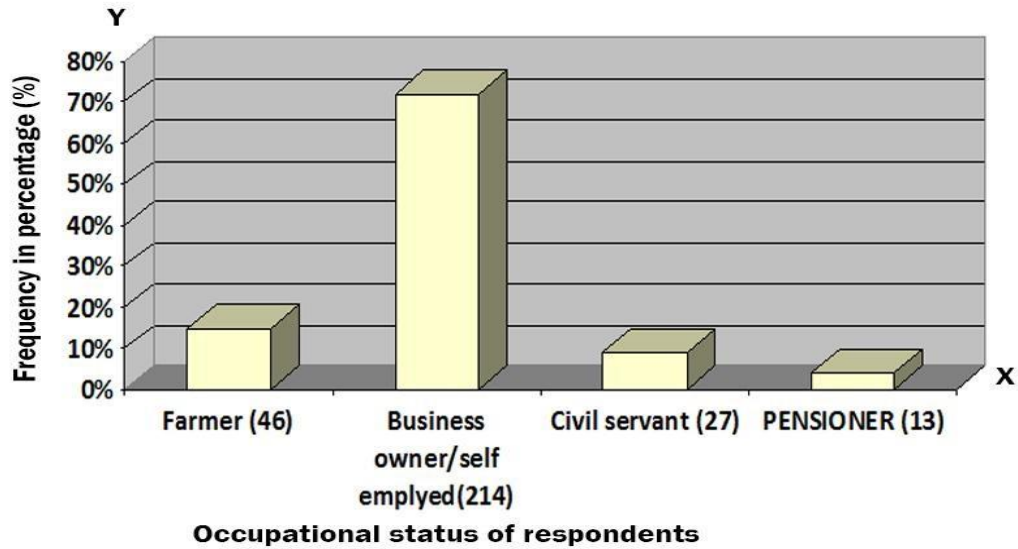
Figure 4.1 Occupations of Customer Respondents(Source: Field Data, 2015)

Analysis of occupations of the selected customer respondents showed that business owners in the informal sector formed the significantly large majority of 72% of the sample size, followed by farmers who formed 15%, civil servants formed 9% and pensioners formed 4% of the study sample. The study therefore showed that savings and loans companies are mostly patronized by businesses in the informal sector of the economy.

4.2 Products and Services Offered by Savings and Loans Companies in Techiman Municipality

The study sought to achieve research objective one by identifying the products and services of the savings and loans companies in Techiman Municipality. The study analyzed responses from three (3) of the selected savings and loans companies.

Tabl e 4.2 Products and Services offered by Savings and

Loans Companies in Techiman Municipality

	First Allied S&L	Utrak S&L	First Trust S&L
Savings Account Products	Yes	Yes	Yes
Funeral Loans	Yes	Yes	Yes
Personal Loans	Yes	Yes	Yes
Hire Purchase Funding	No	No	No
Group Loans	Yes	Yes	Yes
Susu Services	Yes	Yes	Yes
Current Account Services	Yes	Yes	Yes
Investment Portfolios	Yes	Yes	Yes
Insurance	No	No	No
Fix ed Deposit Account	Yes	Yes	Yes
E-banking	Yes	Yes	Yes
Money Transfers	Yes	Yes	Yes
Utility Bills Payment	Yes	Yes	Yes

Source: Field Data, 2015

The findings as portrayed on table 4.2 above showed the products and services that are offered by the sampled savings and loans companies. The study showed that all 3 savings and loans companies offered savings accounts products, funeral loans, personal loans, group loans, susu services, current account services, investment portfolios, fixed deposit account, ebanking products, money transfers services and utility bills payment. This finding was attested to by all the three (3) selected respondents from the savings and loans companies.

The study however showed that none of the three (3) selected savings and loans companies offered hire purchase funding and insurance products. In spite of this, the study showed that

savings and loans companies in the Techiman Municipality offered an extensive array of financial products and services to meet the needs of its varied clientele. The products and service offered by the three (3) selected savings and loans companies are not unique to them. Extant literature and previous studies show that most savings and loans companies in developing countries shore up their products and services portfolio in order to compete effectively in a dense financial services market. Bosma et al.,(2008) in their treatise on the impact of the savings and loans sector on small and medium enterprises in sub-Saharan Africa posited that the savings and loans sector has positioned to becoming a competitive force due to the vast array of products and services they offer, which are targeted toward the demographics of customers they attract. After identifying the products and services offered by the savings and loans companies sampled, the study went further to examine which of the products and services customer patronize mostly.
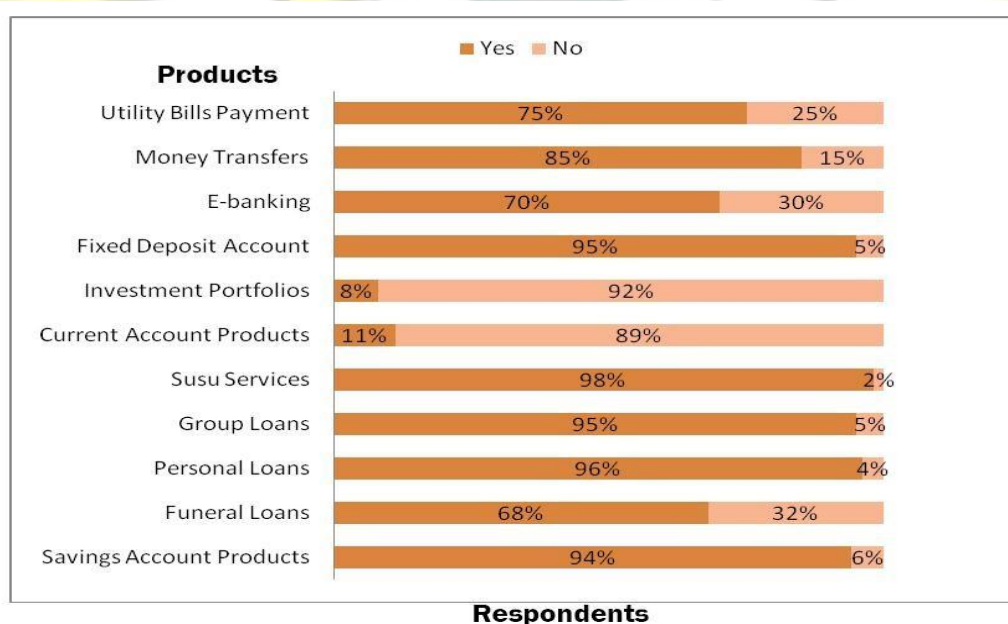

Figure 4.2 products and Services Customers Access Frequently (Source: Field Data, 2015)

The study showed that although most of the products and services identified in figure 4.2 above were patroniz ed by customers of the savings and loans companies, some were much

more patronized than others. The findings showed that 98% of the study respondents subscribe to and have accessed Susu services at their savings and loans institutions. The study also showed that 96% of the study respondents had accessed personal loans, making personal loans the second most patronized product amongst customers of savings and loans products.

Next, the study showed that 95% of respondents patronize fixed deposits and group loan products, savings account products (94%), money transfer services (85%), utility bills payment services (75%), e-banking (70%) and funeral loans (68%).

However, certain products and services like current account services and investment products were found to be sparsely patronized by customers. The reason for the low patronage of these products cannot be readily explained by this study. However certain pronouncements can be shared in relation to these findings. Agbenorwu (2011) opines that the success of savings and loans products is highly dependent on their connection to the demographic characteristics and needs of customers.

Going by this, the study can therefore postulate that current accounts products and services and investment products do not meet the needs and expectations of customers of the three (3) selected savings and loans companies. The availability of the various products and services also serve to offer customers with choice options as to which specific products or services best suits their needs and should be patronized and to examine the specific factors that turn them away from some of the products and services.

4.3 Factors That Affect Customer Patronage of Savings and Loans Products in the Municipality

After identifying the products offered by the sampled savings and loans companies in the Techiman Municipality, the study went ahead to examine the factors that affect customer patronage of savings and loans products in the municipality. To achieve this, the study

examined the responses of customers of the selected savings and loans companies regarding which factors affect their patronage of the products and services of their institution.

Tabl e 4.3 Factors That Affect Customer Patronage of

Savings and Loans Products in the Municipality

	N	Frequency		Mean
		Agree	Disagree	
Poor Customer service	300	222 (74%)	78 (26%)	3.6867
High interest rate	300	229 (76%)	71 (24%)	3.8000
Poor customer accessibility to Bank	300	80 (27%)	220 (73%)	2.1067
Requirements for loans too difficult on customers	300	242 (81%)	58 (19%)	3.7826
Poor customer relationship management	300	233 (78%)	67 (22%)	3.8700
Negative perceptions about this savings and loans company in particular	300	128 (39%)	182 (61%)	2.5900
Negative perceptions about savings and loans companies in general	300	43 (14%)	257 (86%)	2.0667

Source: Field Data, 2015

The study showed that many factors affect the patronage of products of savings and loans companies. Most pronounced amongst them being the difficulty customers have in satisfying the requirements for loans. This factor was attested to by 242 respondents, representing 81%

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of the sampled respondents. The study also showed 233 respondents representing 78% of the study respondents agreeing to the fact that Poor Customer Relationship Management was a major factor affecting custom er patronage of savings and loans products in the municipality, compared to just 12% of the study respondents who disagreed.

In similar vein, the study showed majority of respondents agreeing to the assertion that high interest rates (229 respondents representing 76%) and poor customer service (222 respondents, representing 74%) were major factors that affects customer patronage of products offered by savings and loans companies. In like manner, negative perceptions about this savings and loans company in particular were not found to be a factor to lack of customer patronage. The study respondents revealed that the savings and loans sector, unlike the microfinance sector has acquired an image of resilience and trustworthiness, and do not easily collapse like microfinance companies. This perception of resilience has ensured that negative customer perceptions do not significant serve as a factor to low patronage of savings and loans products. However, the study revealed that negative perceptions about savings and loans companies in general do not affect customer patronage of savings and loans products. This finding was attested to by 257 respondents representing 86% of the study respondents compared to 14% of respondents who agreed that negative perceptions affect customer patronage. Similar patterns of responses were recorded for poor customer accessibility to savings and loans institutions. 220 respondents representing 73% of the study respondents disagreed to the assertion that poor customer accessibility to savings and loans companies was a major factor for lack of customer patronage of SME products. The findings therefore indicate that customers have access to savings and loans companies and therefore are not restricted by

access in their ability to purchase savings and loans products.

The findings of the study therefore showed the various factors that inhibit customer patronage of savings and loans products in the municipality: poor customer relationship management, high interest rate, poor customer service and requirements for loans too difficult on customers.

The findings of the study correlate to findings of previous studies and extant literature. Woller (2002) conducted a study using 120 savings and loans companies in the United States, sampling responses from 2600 individual respondents and found that the most pervasive factors to low custom er patronage of savings and loans products were based mostly on poor customer-bank relationship and hyper-inflated interest rates. Similarly, Ahmed and Chowdhury (2007) in an analysis of 15 savings and loans companies in Gujarat found that customers are easily influenced by good relationships and flexible terms of credit access and repayment.

4.4 Challenges Facing Savings and Loans Companies in Techiman Municipality Finally, the study sought to assess challenges facing savings and lo ans companies in Techiman Municipality.

Analysis of responses showed that savings and loans companies in the Techiman Municipality face a myriad of challenges. The most prominent amongst them was indicated by the three (3) respondents (managers of the selected savings and loans companies)

representing 100% of the study sample to be the inability of savings and loans companies in the Techiman Municipality to target the vulnerable and the marginalized in the municipality with financial products that would fit their profiles. This finding was indicative of the phenomenon where savings and loans companies are continually targeting already established medium scale enterprises leaving out the smaller scale enterprises. The challenge to identify and target small enterprises and marginalized and vulnerable businesses is a real one facing savings and lo ans companies in the Techiman Municipality.

Table 4.4 Challenges Facing Savings and Loans Companies in Techiman Municipality

		Frequency	Decision

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	N	Agree	Disagree	
Low Loan Repayment Rate	3	3 (100%)	0 (0%)	Agree
Poor Credit Documentation	3	3 (100%)	0 (0%)	Agree
Poor Credit Worthiness	3	3 (100%)	0 (0%)	Agree
Misapplication of Loans	3	3 (100%)	0 (0%)	Agree
Difficult/ Costly Follow Up and Monitoring	3	2 (77%)	1 (33%)	Agree
Collaboration and Coordination	3	3 (100%)	0 (0%)	Agree
Targeting the Vulnerable and the Marginalized	3	3 (100%)	0 (0%)	Agree

Source: Field Data, 2015

The analysis of challenges facing savings and loans companies in the Techiman Municipality showed that the major challenges were Low Loan Repayment Rate (cited by 3 respondents representing 100% of the sample respondents); Poor Credit Documentation (cited by 3 respondents representing 100% of the sample respondents); Targeting the Vulnerable and the Marginalized (cited by 3 respondents representing 100% of the sample respondents); Misapplication of Loans (cited by 3 respondents representing 100% of the sample respondents); Collaboration and Coordination (cited by 3 respondents representing 100% of the sample respondents); Poor Credit Worthiness (cited by 3 respondents representing 100% of the sample

respondents) and Difficult/ Costly Follow Up and Monitoring (cited by 3 respondents representing 100% of the sample respondents).

The study showed that the lack of payment of loans taken by some customers and inability of the savings and loans companies in the municipality to come together to compare notes in a collaborative and coordinative bid to stop high-risk customers from taking advantage of savings and loans companies in the municipality. The study also showed that misapplication of loans and difficulties involved in monitoring and following up loans given out is a challenge worthy of note. Other challenges found by the study included poor credit documentation and poor credit worthiness.

Overall, the challenges facing savings and loans companies in the Techiman Municipality were found to be the inability of savings and loans companies in the Techiman Municipality to target the vulnerable and the marginalized in the municipality with financial products that would fit their profiles, low loan repayment rate, lack of collaboration and coordination amongst the savings and loans companies in the Municipality to identify repeat loan defaulters, misapplication of loans and difficulties involved in monitoring and following up loans given out, poor credit documentation and poor credit worthiness.

The findings of this study correlates with previous studies and extant literature. Dongo (2004) in his assessment of constraints facing the savings and loans companies in Ghana cited several challenges. Prominent amongst them were inappropriate institutional arrangements, poor regulatory environment, inadequate capacities, lack of coordination and collaboration, poor institutional linkages, no specific set of criteria developed to categorize beneficiaries, channeling of funds by MDAs, lack of linkages between formal and informal financial institutions, inadequate skills and professionalism, and inadequate capital. Better coordination and collaboration among key stakeholders including the development partners. Other

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researchers like Doumpos et al., (2009) analyzed data from 2400 savings and loans customers in 3 sub-Saharan countries and made similar findings to those made by Dongo (2004). The study posits therefore that the challenges facing savings and loans companies in the Techiman Municipality as cited by the study respondents are credible and difficult to tackle. The issue of poor credit documentation is a pervasive national challenge that requires proper identification of streets, houses and individuals. The challenge of misapplication of loan funds is a real one, occasioned by a cultural need to show off wealth which results in business owners using loans acquired for business purposes for personal use.
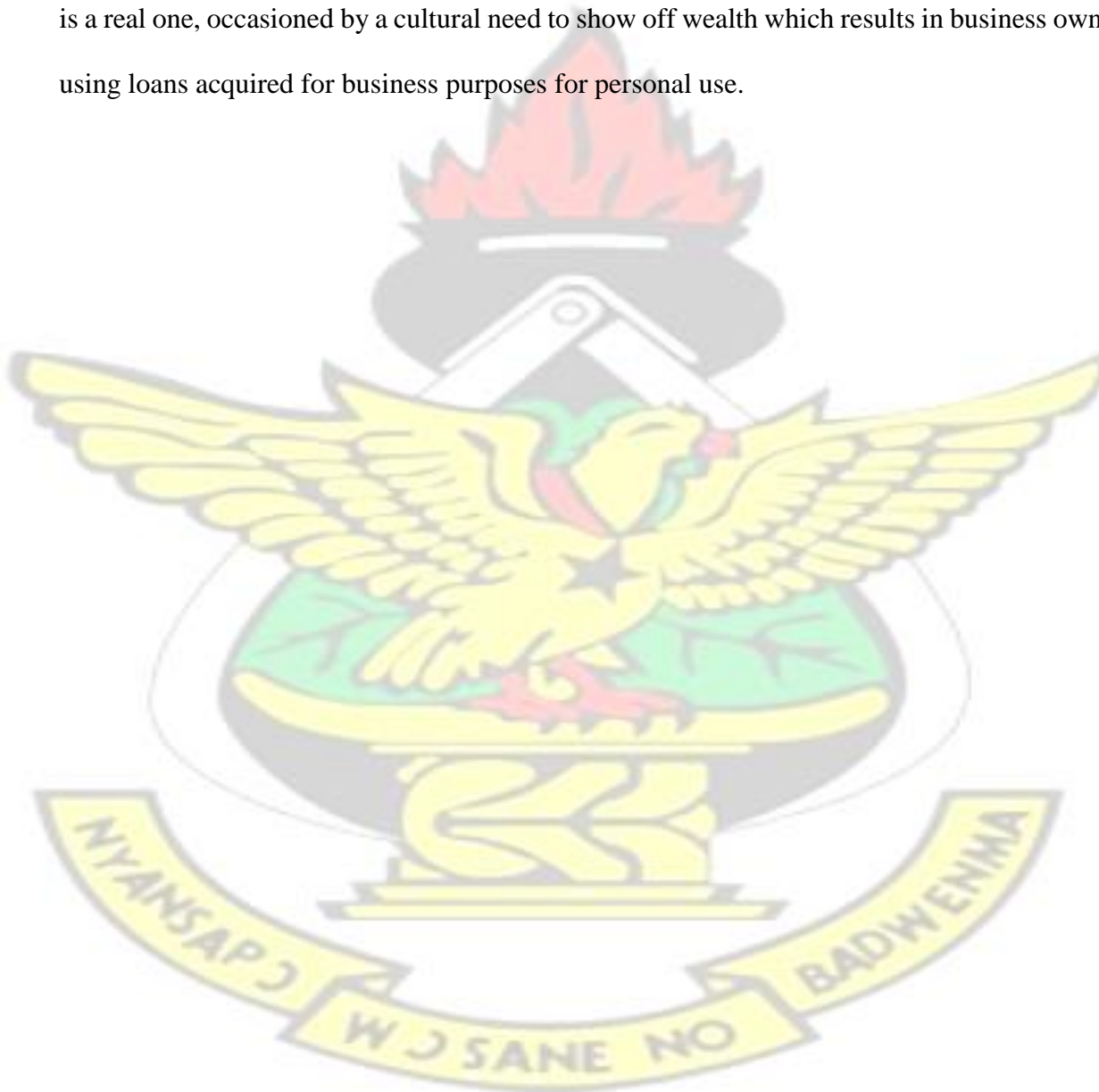
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presents a summation of the findings of the study, determines recommendations for various stakeholders and drafts a conclusion to the study.

5.2. Summary of Findings

The study's general objective was to assess the challenges facing savings and loans companies in the Techiman Municipality in the Brong Ahafo region of Ghana. This section presents the findings of the study.

The study showed that all the three (3) sampled savings and loans companies offered savings accounts products, funeral loans, savings account products, personal loans, group loans,susu services, current account services, investment portfolios, fixed deposit account, e-banking products; money transfers services and utility bills payment. The findings also indicated that most of the products identified were highly patronized by customers of the sampled savings and loans institutions.

The study showed that many factors affect the patronage of products of savings and loans companies; most pronounced amongst them being the difficulty customers have in satisfying the requirements for loans, poor customer relationship management, high interest rates and poor customer service.

The challenges facing savings and loans companies in the Techiman Municipality were found to be the inability of savings and loans companies in the Techiman Municipality to target the vulnerable and the marginalized in the municipality with financial products that would fit their profiles, low loan repayment rate, lack of collaboration and coordination

amongst the savings and loans companies in the Municipality to identify repeat loan defaulters, misapplication of loans and difficulties involved in monitoring and following up loans given out, poor credit documentation and poor credit worthiness.

5.3 Conclusion

The research showed that majority of customers of savings loans institutions in Techiman municipality were women with 72% sampled respondents compared to 28% of male. The customers were mainly deposit oriented and engaged in self employed businesses. This is because they could easily make the periodic deposits to the Susu account through the sale of personnel from the institutions or by depositing it themselves.

The challenges facing the savings and loans companies in the Techiman municipality have been shown by the study to be myriad and credible. These challenges have been found to include the inability of savings and loans companies in the Techiman Municipality to target the vulnerable and the marginalized in the municipality with financial products that would fit their profiles, low loan repayment rate, lack of collaboration and coordination amongst the savings and loans companies in the Municipality to identify r epeat loan defaulters, misapplication of loans and difficulties involved in monitoring and following up loans given out, poor credit documentation and poor credit worthiness.

Like extant literature and previous studies confirm, these challenges have significant effects on the financial outcom es of the sampled savings and loans companies and other nonbanking financial institutions. The review of literature and the an alysis of data has informed the findings of the study which has in turn informed the recommendations and conclusions preferred. The study therefore urges the sampled financial institutions and other non-banking financial institutions to adopt the findings and recommendations put forward by the researcher to enable them turn the tide on the challenges they face.

5.4 Recommendations

Based on the findings of the study, the study puts forward the following recommendations.

5.4.1 Find Workable Ways of Reaching out to Small Scale Enterprises

The findings of the study showed that savings and loans companies in the Techiman Municipality have challenges reaching out to really small scale enterprises and therefore resort to dealing with medium scale enterprises. Extant literature shows that the primary mission of the savings and loans industry, like the microfinance sector, is targeted at helping small and medium scale enterprises thrive in order to grow and increase their employment capabilities. The researcher therefore recommends that savings and loans companies introduce products and services that target small businesses and start-ups in the techiman municipality in order to really fulfill their role and mission in the financial services sector.

5.4.2 Create Outreach Services

The researcher also recommended that savings and loans institutions should undertake more mobile services or establish an outlet agency close to customers to minimiz e transportation cost to and from institutions by clientele. This would enhance accessibility to savings and loans companies and encourage the adoption of an increased and easy savings habit among the beneficiaries.

5.4.3 Find More Effective Measures to Recoup Loans

The findings of the study showed that one of the major challenges of the savings and loans sector in the Techiman Municipality was the inability of savings and loans companies to recoup loans advanced to certain businesses and individuals therefore causing the savings and loans companies significantly. To halt this trend and put savings and loans companies on the path to full loans / debt recovery, the researcher recommends that savings and loans companies contract the services of loan recovery professionals or put in place more effective measures to recoup loans to prevent them from been in default.

5.4.4 Ensure More Collaboration and Coordination amongst Savings and Loans Companies in the Municipality.

The findings showed that the inability of the savings and loans companies in the municipality to come together to compare notes in a collaborative and coordinative bid in order to stop high-risk customers from taking advantage of savings and loans companies in the municipality, is causing savings and loans companies in the Techiman Municipality lose significant financial resources. The researcher therefore recommends that savings and loans companies in the municipality should start collaborating and sharing data in order to identify high-risk customers and blacklist them to reduce loan defaults.

The researcher also recommends that on the issues of defaulters the S&L companies should collaborate and come out with a mechanism such as cross checking client loan liabilities with other institutions to detect multiply borrower(s).That is when a person borrows at more than two S&L companies it should be detected to avoid a person from borrowing from several S&L companies to pay debts.

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APPENDIX A: QUESTIONNAIRE

(For customers of selected savings and loans companies)

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY KUMASI.

CHALLENGES FACING SAVINGS AND LOANS INSTITUTIONS IN TECHIMAN

MUNICIPALITY IN THE BRONG AHAFO REGION OF GHANA

Dear Respondent,

The purpose of this study is to coll ect data for an academic research. Please take some time off your busy schedule to respond to the questions below. To ensure confidentiality, do not write your name or include any identification detail. Thank You.

Respondents' Background Information

Please tick [√] in the appropriate box provided to indicate your answers.

1. What's your gender?   a. (   ) Male   b. (   ) Female

2. Which age category do you belong? a. (   ) 18-30 yrs   b. (   ) 31-45yrs c. (   ) 46 – 60 yrs

3. What is your highest academic qualification?

a. (   ) No /Basic Education (   ) secondary   b. (   ) tertiary c. (   ) Post-Graduate

4. What is your occupation? a ( ) farmer b( ) Business owner/self employed c ( ) civil servant

    d( ) pensioner

5. How long have you transacted business with this savings and loans company?

a. (   ) 0-1   b. (   ) 1-3 c. (   ) 3-5 d (   ) 5 and above

Responses to Research Objectives

6. Which of these products have you bought / subscribed to? *Please tick as many as apply*

[   ] Savings   [   ] Insurance   [   ] Current Account Services

[   ] Funeral Loans   [   ] Group Loans   [   ] Hire Purchase Funding

[   ]   Personal Loans   [   ] Susu Services   [   ] Investment Portfolios
[   ] Other, please state …………………………

7. Which of these products do you access frequently? Please tick as many as apply

[   ] Savings   [   ] Insurance   [   ] Current Account Services

[   ] Funeral Loans   [   ] Group Loans   [   ] Hire Purchase Funding

[   ]   Personal Loans   [   ] Susu Services   [   ] Investment Portfolios

[   ] Other, please state …………………………

8. Would you say your patronage of the company"s products and services has increased over

the last year?

[   ] Yes   [   ] No   [   ] Other, Please Specify……………………………..

9. Please respond to the questions below relating to the challenges facing savings and loans institutions in Techiman municipality in the Brong Ahafo region of Ghana. Please tick off only one answer, using a scale of 1 to 5, where 1 represents total disagreement, 2 represents disagreement, 3 represents undecided, 4 represents agreement and 5 represents total agreement.

Question	1	2	3	4	5
Which Factors Affect Your Patronage Of Savings And Loans Products?					
Poor Customer service					
High interest rate					
Poor customer accessibility to Bank					
Requirements for loans too difficult on customers					
Poor customer relationship management					
Negative perceptions about this savings and loans company in particular					
Negative perceptions about savings and loans companies in general					

10. What would you recommend to the company in terms of factors that you think affects customer patronage of their products?

………………………………………………………………….

APPENDIX B: QUESTIONNAIRE

(For Management Staff of selected savings and loans companies)

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

CHALLENGES FACING SAVINGS AND LOANS INSTITUTIONS IN TECHIMAN

MUNICIPALITY IN THE BRONG AHAFO REGION OF GHANA

Dear Respondent,

The purpose of this study is to coll ect data for an academic research. Please take some time off your busy schedule to respond to the questions below. To ensure confidentiality, do not write your name or include any identification detail. Thank You.

Respondents' Background Information

Please tick [√**]** just response for the questions in this section

1. Gender   Male [ ] Female [ ]

2. Age   18-25 [ ]   26-35[ ]   36-45[ ]   45-60[ ] Over 60 yrs [ ]

3. What is your academic qualification?

Intermediate / Secondary [ ]   High /Tertiary [ ]   Very High / Postgraduate [ ] 4.

Position

[   ] Senior Management   [   ] Line Manager   [   ] Team manager

[   ] Individual contributor   [   ] Other (Specify)……………………

5. Years of work with this savings and loans company?

1-5 Years [ ] 6-10years [ ] 11-15 years [ ] 16-20 years [ ] 21 years above [ ]

Responses to Research Objectives

6. What products / Services does your institution offer?

[   ] Savings   [   ] Insurance   [   ] Current Account Services

[   ] Funeral Loans   [   ] Group Loans   [   ] Hire Purchase Funding

[   ] Personal Loans [   ] Susu Services [   ] Investment Portfolios [   ] Other, please

state …………………………

7. Which of these products and services are patronized mostly in this institution?
[   ] Savings   [   ] Insurance   [   ] Current Account Services

[   ] Funeral Loans   [   ] Group Loans   [   ] Hire Purchase Funding

[   ] Personal Loans   [   ] Susu Services   [   ] Investment Portfolios
[   ] Other, please state …………………………

8. Would you say patronage of your products and services has increased over the last year?

[   ] Yes   [   ] No   [   ] Other, Please Specify………………………………..

9. Please respond to the questions below relating to the challenges facing savings and loans institutions in Techiman municipality in the Brong Ahafo region of Ghana. Please tick off only one answer, using a scale of 1 to 5, where 1 represents total disagreement, 2 represents disagreement,3 represents undecided, 4 represents agreement and 5 represents total agreement.

Question	1	2	3	4	5
Which Factors Affect Customer Patronage Of Savings And Loans Products?					
Poor Customer service					
High interest rate					
Poor customer accessibility to savings and loans					

Requirements for loans too difficult on customers					
Poor customer relationship management					
Negative perceptions about this savings and loans company in particular					
Negative perceptions about savings and loans companies in general					
Credit Appraisal					
Credit Documentation					
Collateral					
Size of Loan					
Purpose of Loan					
Loan Repayment Duration					
Disbursement					
Monitoring and Follow up					
Products / services not relevant to potential customers					
Which Challenges do Savings And Loans Companies face In Techiman Municipality					
Low Loan Repayment Rate					
Poor Credit Documentation					
Poor Credit Worthiness					
Misapplication of Loans					
Difficult/ Costly Follow Up and Monitoring					
Credit Delivery and Management					

Data/Information Gathering and Dissemination				
Regulation and Supervision				
Collaboration and Coordination				
Targeting the Vulnerable and the Marginalized				

10. What would you recommend to management regarding factors affecting customer patronage of savings and loans products?

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11. What would you recommend to management regarding challenges facing savings and loans companies in Techiman Municipality?

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12. How do you recommend management to implement your recommendations?

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