EXPLORING THE SAVING BEHAVIOUR AND THE CHALLENGES CLOTH SELLERS HAVE WITH BANKING IN THE ASHANTI REGION OF GHANA;

(A CASE STUDY OF CLOTH SELLERS AT-KUMASI CENTRAL MARKET)

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DECLARATION

I hereby declare that the submission of this compilation is the true findings of my own researched work presented towards an award of a second degree in the Common wealth Executive Masters in Business Administration and that, to the best of my knowledge, it contains no material previously published by another person nor submitted to any other University or institution for the award of degree except where due acknowledgement has been made in text. However, references from the work of others have been clearly stated.

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Abstract

Lack of savings in an economy cripples economy's development. It presents problems of resource allocation and efficiency both at the micro and macro level of the economy. The study had the objective of (1) investigating the saving habits of the cloth sellers (2) analysing the proportions of income the cloth sellers save (3) also seek to assess the social, cultural and economic factors that influence saving among the cloth sellers (4) exploring the alternatives to formal savings for a peculiar group of business men and women - cloth sellers in Kumasi central market – in Ghana and also recommend the best practice that suit them. Randomly sampling fifty cloth sellers within a survey method, and using the general proportion of profits saved by the cloth sellers to determine or generalise their saving habit. The study found that nine out every ten cloth sellers saved in one way or the other. However, only six out of ten of those who practiced thrift saved their money in formal institutions such as banks and savings and loans companies or other financial organization. Though the marginal to have been saved was found to be low, results showed that cloth sellers saved mostly in Savings and Loans Company or similar institutions, followed by *Susu* clubs and then, the banks. This made the *Susu* savings the best alternative to formal financial services exploited by cloth sellers in the area of study. The assumptions of the life cycle model on income, saving and consumption was not supported while education was not found to have a relationship with saving habit. Increased revenue inferred from sales volume did not also influence saving habit. However, the absence of rent charges was found to influence saving habit. The results also showed that the cloth sellers had challenges with saving in the banks because of high interest rates, collateral demand, perceived loss of money following bank bankruptcy and impoliteness on the part of bank staff. A recommendation from the study was that banks should educate cloth sellers more about savings while designing special products for them with incentives. Susu companies also have the opportunity to increase their competitive edge.

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INTRODUCTION

1.0 Background of the Study

The savings pattern of every economy has become very phenomenal in the development of the nation and the globe. This is seen in the developed, the developing countries and the underdeveloped countries in the world and has therefore caught global attention to be studied. This section of the trading population of the Kumasi metropolis has become very imperative because they seem to make so much profit from their sales and has attracted my attention for study. This study is about exploring the saving behaviour of traders – notably cloth sellers – in the Kumasi central market of Ghana.

The market is located at the centre of the business district of Kumasi. The market is surrounded by some universal banks like Barclays Bank, Cal bank, SG-SSB, Ecobank, Unibank, Stanbicbank, ADB and Ghana commercial bank. It is also privilege to have some rural banks and savings and loans like Odotobri rural bank, Nwabiagya rural bank and Adansi rural bank. It has few savings and loans and microfinance such as First Allied savings and loans and Multicredit savings and loans. With all these abundance of financial institutions, one may ask, that it influence the savings pattern of these business women? The study further seeks to explore the challenges these women face in their quest to save portion of their profit, the average or marginal propensity of savings. Do these financial institutions take advantage of their location to motivate or mobilize funds from these traders? Anecdotal evidence suggests that the cloth sellers, mostly women, have poor saving habits even though their businesses are perceived to be lucrative for a micro enterprise. The banks in these communities have evidently not been able to attract them into the formal banking business. In the discipline of economics, this presents a setback in the normal flow of income in an economy of Ghana. But more importantly, the traders forfeit any benefits of the growing banking system, which have many tailored products. This study is a case study of the described phenomenon on cloth sellers in Kumasi, a cosmopolitan city in Ghana. The introduction to this study shall cover the background of the project, objectives of this study, statement of the problem understudy, research questions of the study, justification of the research, scope of the study, limitations and organization of the study.

Ghana, like any other sub-Saharan countries in Africa, traditionally it has experience unemployment, low productivity, low income levels, low domestic savings, and malnutrition are common. These factors are interconnected in such a way that a destabilization or shortage in one affects the other components. Hence the life-cycle of savings is discussed later in this chapter as well as the factors that impinge on saving.

The advent of various banks and thrift institutions has done a lot to mobilize the savings in Ghana. Research has shown that aggregate savings in the long run improves capital assets which are used for further production to increase output of a nation. However, the target and catchment group of the various banking institution vary, the pattern of saving of the individual vary. There are variations in financial literacy and education. People save for different reasons. The complex phenomena of savings has made banks employ more innovative tactics than ever to widen their market and segments in recent times – in the light of competition. Traditional commercial banks that hither-to focused on corporate banking and other business products with little focus on personal savings now have varied product for individuals of all classes within the economic sphere. Community and rural banks, money lending, savings and loans companies, credit unions – which are basically thrift institutions which were established to serve the lower social class and small business – have become more proliferated helping the rural folks and giving them options in savings often for some mutual gain. Nonetheless, all efforts have resulted in only a third of all households in Ghana having savings account (GSS, 2008). Findings from the GLSS 5 report published by the Ghana Statistical Service (GSS) show that majority of urban households operate savings accounts as against only a small portion of their counterparts in the rural areas. In other localities like the rural savannah, households are recorded to have the highest rate of around 85 percent without savings accounts. This is preceded by households in the rural coastal and rural forest with about 75% and 73%, respectively. Majority of the male about (60%) have savings accounts than females of (40%) and this is the case for most localities.

A world bank view economic report in 2000, shows that east Asia saves more than 30 percent of gross national disposable income (GNDI), while most sub-Saharan Africa saves less than 15 percent (Loayza, Schmidt-Hebbel, and Servén, 2000). The report shows that regional differences have been increasing gradually over the past three decades but have doubled in East Asia and stagnated in Sub- Saharan Africa and in Caribbean and the Latin America. However, 10 years down the line, just about half (2.9 billion adults) of the adult population of the world are unbanked; and 90% of them are from low and middle income countries, World Bank report in 2010.

1.1 Statement of the Problem

Ghanaians just like any other Sub-Sahara African countries are prejudice that the continent and the people within not excluding traders like cloth sellers are comparatively poor, because of a poor savings habits they exhibit. This argument is supported by the fact that richer nations are characterised by good saving habit of its citizens. Indeed, financial experts have commented that increased mobilization of funds from saving deposits will make cost of loans cheaper as such deposits constitute a cheap source of funds. Clearly a poor saving habit, at least in the financial sector, would make these positive notes a mirage. The saving behaviour of people can therefore, impede on expected growth, in an economy and launch or retain any geographical community into a viscous cycle of poverty. Indeed there have been researches alluding to the fact that an improved saving habit can help alleviate poverty. While, the cultural, socio economic underpinnings to the poor saving behaviour is not known for certain among the people, there is also the rife probability that the saving behaviour of the people are partly influenced by some challenges, borne out their experience with the banking sector. It is against this background that the study investigates into the challenges that the identified target population faces in banking and explores their saving habits.

1.2 Objectives of the Study

The survey will attempt to cover the following research questions:

i. This study sort to analyse the rate of saving among cloth sellers in Kumasi market?

ii. How much proportion of income (the marginal propensity to save) is saved among the cloth sellers?

Iii The study seek to assess the social, cultural and economic factors that influence saving among the cloth sellers?

1.3. The Research Questions

Thus the study is guided by the following questions for the study:

1. What the rate of saving among the cloth sellers is?
2. How much proportion of income (the marginal propensity to save) is saved among the cloth sellers?
3. What are the social, cultural and economic factors that hinder saving by the cloth sellers?
4. What alternatives, apart from traditional savings, are available for the unbanked cloth sellers?

1.4 Significance of the problem

The purpose of the study is to explore the saving behaviour and catalogue the challenges of clothe sellers face in banking in the Kumasi market and to offer useful recommendations to improving the saving habit of the women. This inquest is of supreme importance due to a number of reasons. The first is to inculcate the habit of saving among the cloth sellers and Ghanaians as a whole. An extension of this reason lies in how to make many Ghanaians who are at the lower level of middle income bracket and have peculiar socio- demographic characteristics such as low level of education, low financial knowledge, low income, rampant movement between jobs, dominated by vocational jobs and petty trading rather than white and blue colour jobs, to begin to form the habit of saving. It is quite common knowledge that many Ghanaians do not like saving. While this is not unique to Ghana alone, economic reports indicate low levels of saving within sub-Saharan Africa and other third world countries. The solution to rising out of a third world status into a first world country status is to save more, in order to increase investments, and bring about employment and greater domestic output, economic experts have said. The second reason highlights the mobilisation of funds which is the bedrock as of any financial sector in the world over. In order to make for a vibrant financial sector, it is necessary to increase the mobilisation of funds. The mobilisation of funds through savings has the advantage of providing reduced sources of loanable funds to the financial institutions to be able to give out loans at a much lower rate. This endeavour is likely to increase competition in the banking sector as well as giving banks better leverage. On the hand, entrepreneurs and businesses that will be able to secure loans at lower rate, translating into lower cost of production can produce on a larger scale. Currently, the cost of borrowing is between 22% - 28% percent for many banks while some saving and loans companies take up to 30% or more on loans, a situation which is largely at variance with interests rates in the United States and other advanced economies. Lower cost of borrowing has positive implications to pricing of final products, inflation, cost of living and then, in the final analysis standard of living of the people in the economy. The study which will explore in part the financial sector, will also investigate the reasons why some clothe sellers do not save. In this way the research succeeds in offering practical solutions to improving the saving habits of the identified populace, and also presents insightful theoretical perspectives on the subject of saving, given the unique socio-demographic characteristics of the traders. Whiles banks could learn from findings of the research to devise strategies aimed at mitigating the challenges of the traders and thereby mobilizing more deposits from them, the central bank learns about the effect of its policies on the informal sector. It can, just like the banks, be directed on how to improve the saving behaviour of citizens. Indeed savings in times of recession have proven to be helpful. A nation in recession can only be 'saved' by the amount of savings and resources it has at its disposal. The government, based on the viable strategies that could change the tide of savings currently in the country, could formulate forward looking policies that seeks to move the country to greater economic development. For individuals, who perhaps have the same demography and characteristics as those investigated in this study, would come to realize more the importance of saving, especially in a thrift institution, thus helping to maximize potential interest income on money they hither-to held in demand. Indeed, the researcher, a banker, gets more clarity on the saving habit of the cloth sellers, a form of knowledge that could prove beneficial at his/her workplace.

1.5 Scope of the Study

In spite of the growing financial sector of Ghana, there are a number of constraints in the banking industry that militate against saving. For instance the few number of people who have access to financial services are poorly serve. A lot of people e.g. cloth sellers do not channel their excess money to any productive activity instead keep the money at home. Having a lot of thrift institutions and yet cloth sellers do not want to save presupposes that the peculiarity about saving habit among Ghanaians determines whether it is an intercultural phenomenon which needs to be investigated. This is a point investigation nonetheless a minor one in this research as the study finds out the economic cost of cloth sellers in the selected metropolis, not saving. In other words, if these business men and women hold on to some money stashed away somewhere.

What is the value of such deferred consumption?

The idea is to create a strong base to further rationalise the need to save and subsequently provide enough motivation for the recommendations that are made in this paper to bank the unbaked cloth sellers.

1.6 Limitation of the Study

The research is limited by the following.

- Limited time frame required to complete this work.
- Availability to project materials like literature and other articles is expected to be difficult since is a sole project to be studied.
- Resources needed to undertake such study is limited such as funds and people to assist in this noble study.
- The difficulty of combining work with such project is expected to occur.
- Willingness of the cloth sellers to release information about their finances to the researcher is likely to be a difficulty.
- The credibility and authenticity of the information given out to the researcher is also questionable.

1.7. Organization of the study

The study will be divided to five chapters thus:

Chapter one comprising the following comprising the background of research under study, statement of the problem, objectives of the study, research question, importance or significance of the study, scope of the study and the limitations of the study.

Chapter two comprising the review of the literature and the chapter three highlights on the research design, population of the study, sampling techniques, sampling size, data collection data analysis, reliability, ethical issues and others.

Chapter four which is the final chapter will comprise the following: the research findings and discussions, the observations and recommendations. The last chapter of the study will summarize and raw conclusion of the entire study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

To place the study in the anticipated context of savings mobilization, the researcher deemed it appropriate to review some current related articles and publications on the saving behaviour in Ghana as far as this project is concern. A short review on the history of banking or financial institutions in Ghana will also be captured in this review to ascertain the relevance of this study in general. The savings mobilization has become a major goal of the central bank of Ghana and all the other financial institutions in and outside the country as a whole. In relation to this, the central bank has increase the holding accounts of the major banks from three million Ghana cedis (3,000000.00) to sis million Ghana cedis (6,000000.00) www. Bog.gov.gh/banking requirement 2012. This is to serve as a security for the bank and its customers as a whole in times of crises.

There has also been an uplift of the holding accounts of the rural banks and savings and loans to also "three hundred thousand Ghana cedis (300,000.00)" as well as the microfinance institutions to two hundred thousand Ghana cedis (200,000.00)". this is to help the financial institutions to stand firm in their monetary issues in times of crises for them and their clients. This has indeed necessitated the upward roll of swift strategies to mobilize savings from their customers in order to achieve this set target. This chapter will review some publications on a study on the rural households in the Ho Municipality of the Volta Region of Ghana, an article by Mr. Manasseh Edison Komla Amu and Mr. Ephraim Kumah Amu (2012). This study investigated household saving behaviour of Ho Municipality on the Volta Region of Ghana. The study concluded that various constraints ranging from personal, societal and organisational inhibit the respondent families' capacity to save, while households did not have a particular pattern of saving.

Another article to be reviewed was authored by Angela C. Lyons and Erik Scherpf (2004), which is on shifting from unbanked to banked: Evidence from the Money Smart program. Using the data collected from participants of the Federal Deposit Insurance Corporation's (FDICs) *Money Smart* program, the study investigated the impact that financial education has on an individual's decision to move from unbanked to the banked. The article noted that most programs and initiatives that target the unbanked, define programme impact by the number of bank accounts opened.

One article also very relevant to be reviewed was authored by Gina A. N. Chowa : Savings Performance Among Rural Households in Sub-Saharan Africa: The Effect of Gender investigates savings performance among participants in a matched savings program in Uganda, modelled after the Individual Development Accounts (IDAs) in the United States.

2.1 Brief History of banking in Ghana

Commercial banking only developed in the past two decades in Ghana. In 1990, the banking system saw the existence of central bank (the Bank of Ghana), three large commercial banks (Ghana Commercial Bank, Standard Chartered Bank of Ghana and Barclays Bank of Ghana), and other seven secondary banks in the monetary business of the economy. There were only a few merchant banks operating in corporate finance, advisory services, and specialised in money and capital market activities. Merchant Bank like Ecobank Ghana, and Continental Acceptances, the latter two were both established in 1990. These and the commercial banks placed short-term deposits with two discount houses set up to enhance the development of Ghana's domestic money market. The Consolidated Discount House and Securities Discount House, established in November 1987 and June 1991, respectively. The commercial banks number about 28, now rural and community banks (RCBs) have proven very important to rural banking. RCBs are currently regulated under the Banking Act 2004 (ACT 673) (BoG, 2007, www.bog.gov.gh). According to the World Bank paper on rural and community banking in Ghana (Nair, and Fissha, 2010), RCBs also employ a unique deposit type, the *susu* deposits. These deposits composed of the daily or weekly deposits that were collected by the *susu* collectors, who are either from a rural bank or agents from a financial home been paid on a commission basis. Savings and Loans Companies, on the other hand, are currently been regulated under the *Non-Bank Financial Institutions (NBFI) Law 1993 (PNDCL 328) (BoG, 2007)*. There are some SLAs that give loans to specialized groups because of the area they find themselves in. For example, Chord (2000) notes that First Allied Savings & Loans Company uses a group and individual savings with credit scheme with existing, registered occupation-based association or groups which can be traced when necessary such as butchers, kente weavers, carpenters, and others. Citi Savings and Loans as pioneer has partnered with *susu* collectors and clubs, and offers a micro-leasing product to clients with at least two successful loan terms in the country (Anin 2000). Credit Unions are another financial institution that uses the format of the susu scheme in the mobilization of deposits and loan repayments.

On the other hand, with regards to the informal financing of the economy, money lending became more of a part-time activity by traders and others with liquid funds than a full-time profession over the years *(Offei 1965, cited in Aryeetey 1994)* in Ghana by the middle of the 1960s. Following the birth of RCBs, *susu* associations, CUs and clubs, and especially SLAs, the importance, and numbers of individual moneylenders may have been reduced. This is because the organisations have money lending-type operations which are licensed. The *susu* system helps clients save their own funds over periods ranging from one month with *susu* collectors to one years (*susu* clubs) or more, although credit is also a common a feature of the everyday saving and susu mobilization nationwide. The *susu* collectors are the most visible and extensive form among the lower social class. On the other hand, the central bank has left the susu collectors to regulate and formalize their own operations, this a the long run does not help their operations and supervision.

La Verle (1994) holds that despite the high lending rates in West Africa, Ghana's banks enjoyed growth business in the ~~early 1990s~~ due of high deposit rates. With real interest rate being positive, there was the incentive to save. From 1990 to 1991, savings deposits grew by 45 percent to ¢94.6 billion and demand deposits rose to ¢118.7 billion. Loans also rose, with banks' claims on the private sector up by 24.1 percent, to ¢117.4 billion. The activities of banks and their contribution to the economy of Ghana has even expanded as more banks streamed into Ghana and the government's introduction of the universal banking business licence (UBBL) in February 2003. The universal banking licence which involves the removal of restrictions on banking activity allowed banks to indulge in retail banking and engage in merchant banking among other activities.

The cost of savings is first looked at from a macro point of view. The immediate opportunity cost of saving is a decrease in consumption. Nonetheless, the marginal product of capital exceeds the opportunity cost of saving, and then an incremental unit of saving will increase intertemporal consumption opportunities (Baumgartner and Meredith, 1995). Authors such as Harberger (1972) and Feldstein (1977) in calculating the opportunity cost savings adjusted the return to capital for corporate and personal taxes to find the net-of-tax return received by investors. Baumgartner *et al* (1995) notes that the supply price of saving derived from the approach by Harberger and Feldstein is the market's revelation of investors' rate of time discount.

Individuals cost of saving (or the opportunity cost of saving) is represented by some forgone consumption and the satisfaction that would have been derived from it. The forgone consumption are the needs or expenditures that the money saved would have been used for. If the money saved were to be used for some capital investment which will generate income far above the interest on savings, then we could say that the opportunity cost of saving is the income from investments which is forgone. In the mechanics of loan contracts and the various considerations that banks take into account to give out a loan, it is possible that the opportunity cost of saving is the loan that a businessman or woman would not have secured if he were not saving. This is against that background that some banks might consider persons who save in their banks and give out loans to them.

2.2 The concept of savings

Here, the question is what savings actually means comes to mind. Saving according to Google search the act of *saving* is in responds to normal *preservation* of money for future use "http://en.wikipedia.org/wiki/Saving". savings could be in different form such as the cloth sellers buying more cloth to save and sell in festive times where a particular brand will be on high demand or depositing money or keeping part of their funds in a bank and earn interest which can also be withdrawn or taken at any time when needed or top it up as loan to be able to buy more goods.

A Keynesian economics puts savings as the amount of money left over when the cost of an individual expenditure is subtracted from the amount of disposable income that he or she earns within a given period of time is referred to as saving. Economists in many ways have avoided giving an explicit definition for saving. Nonetheless, there is a huge literature on the subject of saving. The Cambridge dictionary defines savings as 'the money you keep in an account in a bank or similar financial organization' or 'an amount of money that you do not need to spend'. A broader definition is that it is "an economy of or reduction in money time, or another resource" (Oxford English Dictionary). These definitions suggest a conscientious effort to put money away from once normal spending money. The former definition, however, defines the scope of saving where savings are destined for the bank or other similar arrangement. This definition at least, suggests that such arrangements should offer interests like banks do for all their clients on the savings accounts.

One may ask, whether the issue of interest offered on savings affect the savings pattern of traders especially cloth sellers understudy? Woethan (2011), points out that money has value because it builds bridges, hospitals, schools, manufacturing plants and windmills. In the same way money not spent can only be seen as valuable when it is earning interest income, otherwise it could be corroded by inflation. This very assessment defines the opportunity cost of holding money.

This study has become academically motivated because of different reasons why people save such as education, inflation, future security or investment. In a study by the Kennickell, Starr-McCluer and Sunden (1997), the focus group discussion by this team revealed that a number of things with regards to reasons for saving, the reasons hinged on life cycle saving and precautionary measures though there were some variations in the extent of apparent concern with these issues of the reasons for which people save and the mode of savings. Specifically the reasons included retirement, consumer durables, vacations, mortgage or to buy a home, children's education, and starting a business. These were life cycle motivations while precautionary motives constituted poor health, risk of getting laid off at work during individual working age, possibility of becoming frail when old. Other reasons, quite logical is that participants put money away 'out of reach' to avoid the temptation of spending the money. This, some did, by transferring money from their savings account to a mutual fund a fixed deposit they cannot lay hands on until the due date set for maturity. One cannot, but agree with the authors of how interesting this finding is considering that the participants are wealthy people who have accumulated substantial amount of savings.

Wessels (2006) from a certain social point of view, mentions that 'people hold money for different reasons than they save" (p.217) making it clear that bonds and other forms of savings do not act as close substitutes for money. It is very important to appreciate this point when one considers how liquid money is, as compared to bonds and the fact that savings typically (in banks) are necessarily what they are because they are not that liquid. Samuelson (1980) recognises that savings are influenced mainly be disposable income and mentions that the growth of nations depends critically on savings and investments. The disposable income and how much we come of it is inextricably linked to the national income of an economy. While there are trade off in the national income depending on the fraction of money saved (that is the marginal propensity to save) and the fraction consumed (which defines the marginal propensity to consume), the effect of saving is only seen in the long run and also conditioned on the fact that money saved is invested. This in fact is one of the main components of the classicalist model (Wessel's, 2006).

2.3 Why people save

Are the cloths sellers suppose to save because it has become the order of the day where everybody is saving or for a purpose? The issue of whether people save because they have more than enough to use so they save the left over or excess is also a matter of concern. According to Manasseh Edison Komla Amu and Ephriam Kumah Amu on the saving behaviour in Ghana, many people are of the view that, saving and investment is and should be a moral habit since the future is not known to anyone. Many people and families in developed, developing and under developed countries believe that keeping part of one's income or savings and investment serve as a form of financial security to them now and the future. References from other literatures that in Ghana and many parts of the world, families find it difficult or almost impossible to save due to low their levels of income. This trace the history of savings: where people set part of whatever they had for use in times of scarcity, and then later begun to save in gold and silver. (Family/household).

There are several reasons why families will want to keep part of what is earned today for use in the future. Olson and DeFrain (2000) as well as Ahmed (2002) and Landburg and Feistone (1976) argue that the most reasons why people save is to cater for the following, prepare for the possibility of financial crisis, illness, pregnancy, job loss, accidents, , divorce and many other crisis not known.

Fiscal policies and government saving, social security arrangements, financial market development, and macroeconomic stability by the government economists are major reasons for savings. The non-policy factors which are likely to affect savings in any given economy are growth, demographic modules, and external factors. While the differences between policy and non-policy factors are open to debate, its purpose is to convey the idea that policymakers have a direct influence on only some of the variables that affect saving in the nation's economy. Individuals also have their personal reasons why they save but only known to themselves, other factors such as growth, demographics, and external factors also influence their savings in diverse ways.

The World Bank report 2003 shows a comparative analysis of the savings pattern between some African countries including Ghana *(World Bank report, 2003)*. It states that the savings in Ghana has always been low even when compared to other African economies like Nigeria, South Africa and some others. Savings as a percentage of gross domestic products (GDP), in Ghana is low compared to other countries in African. It averaged 37.4% in Botswana, 21.4% in Cameroon, 21.6% in Nigeria but only 6.4% in Ghana between the periods of 1980 and 2001.

With regards to the trend of savings in both formal and informal institutions, Quartey and Blankson (2005) research outlined that the number of households with savings accounts was low and children form majority of the peoples with savings account around 60%. This denotes possible reasons to low financial intermediaries and low incomes of the populace. Studies by Quartey and Blankson (2005 cited in the paper, revealed that household investment in appliances such as sewing machine, radio and furniture and a means of transport increased around 1991/1992 and 1998/9 among the respondents. Interestingly, however, it was observed that the proportion of households who owned plot, house and those who invested in various shares declined within the same period, all directing the fact that savings was generally low in Ghana. This can also be generalised and relate to the cloth sellers understudy.

The family and household might seem relevant to micro finance, as has been stated by some World Bank reports above; many enterprises in the third world are sourced from private savings of individuals. Indeed, the entrepreneurial business focus in many developing countries are very much personalised to the extent that the personal accounts of the business are not very much different from that of the business synonymous with market or the trading sector like the cloths sellers at the Kumasi central market.

It is also purported that some people indulged more in saving towards their old age rather than for purposes or events in their life while still strong. This may look like an inappropriate practice especially when the people (inhabitants) do not engage in any other form of savings at their youthful age but rather use those money they could have save in other avenues not know. Nonetheless, this only shows the kind of things some people place importance on as their priority in life. Personal interview with some cloth sellers reviewed that most women take pride in stocking their wall drop and houses with items such cooking utensils and others. The motivation and practice of saving here is however, different from the case where persons who have a funeral policy also do have bank accounts and save normally also exist as a fraction of the economy. In fact the technology used in the insurance sector of Ghana is that which makes regular (monthly) deduction of premiums from ones account automatically without personal interference, which in one way or the other if possible will be interrupted for other personal use. This finding is also in accordance with Olson and *DeFrain (2000); Ahmed (2002) and Landburg and Feistone (1976)* who argue that the most important reason why families save is to prepare for the possibility of financial crisis in the future, future unforeseen accidents like illness, pregnancy, job loss, divorce and many other crisis, and financial gains which happens.

We are also compelled to think that one the motivating factor to save arise out of the availability of extra income in the region and some challenges inhibiting savings were sickness and fear of safety of their income or moneys saved with the financial institution especially with the out birth of numerous microfinance institutions in the region. Further considering factors advanced for choice or mode of savings, it is realised that inadequate income was not a major reason for the poor saving. A snow ball exercise the researcher took and a personal interview with some people shows that over 60% of the people kept their moneys at home because of their past experience with some financial institutions like PIRAM some mentioned. Perhaps more detailed information would have help to nests the responses on challenges to savings in the considerations on deciding where to save, would have provided a more insightful explanation to the poor savings and resentments some have towards saving in a bank or an institution but preferred to keep it in their houses. This suggested approach is also based on the fact that saving behaviour are seen as functions of formal savings and also savings in other recognisable but informal avenues.

2.4. Shifting from unbanked to banked: Evidence from the Money Smart program

Angela C. Lyons and Erik Scherpf (2004)

The myth still exist about people being unbanked or under banked in this modern global village of technology advancement and the spread of mushroom financial institutions at the length and breadth of the country. In the complex financial world just as can be seen in any other country including Ghana, it is easy for the "unbanked" to be victims of these lenders and other financial scams, especially because many lack accurate financial knowledge and are not previewed to the banking sector. Nonetheless there has been efforts to conduct financial education programs to empower the under banked with financial education and bring them into the financial mainstream. But there has been little success which is evidenced by little research in that area of endeavour. *Beverly et al., (2001)* among others, mentioned that the lack of research suggests that programs to entice the unbanked to the banked industry have had limited success in transforming the unbanked into the financial mainstream. According to the 2001 *Survey of Consumer Finances,* it was evident that about 9.1% almost 10% of U.S. families are "unbanked," such that they do not have a transaction account (Aizcorbe et al., 2003). This is only a simplest improvement from 1995 and 1998 statistics, which indicate that 13.0% and 9.4%, respectively; of U.S. families did not have a transaction account (Hogarth and O'Donnell, 1999). Who are the unbanked, and why has the financial institutions have had difficult times moving them into the financial mainstream? Is a question yet to be answered. Past research have shown that a number of characteristics as being important determinants of account ownership irrespective of the area or location of study covering age, education, race, employment status, credit history, income, and net worth. (e.g. Bond and Townsend, 1996). *Toussaint-Comeau and Rhine (2000)* also note that immigrants are less likely to use formal financial institutions. Other reasons commonly stated in the literature include: (1) financial constraints (i.e., do not have enough money, no able to write enough checks, previous account mismanagement, poor credit history), (2) the costs associated with an account managements are too high (i.e., high minimum balances, high fees and service charges), (3) limited access and availability to financial institutions ready to serve the class of the cloth sellers (i.e., hours or location are inconvenient), and (4) products design factors does not suit the saving style of the cloth sellers. (i.e., minimum balances, fees, other account options). Another reason frequently asked by the unbanked is related to an individual's level of financial knowledge and comfort with new financial technology, institution and innovation.

The *unbanked* are defined by the Federal Deposit Insurance Corporation (FDIC) as those adults without an account at a bank or other financial institution and are considered to be outside the mainstream for some reasons. The FDIC estimates there are 10 million unbanked or underbanked American households. The majority of them are American born while most number are immigrants where the two groups have low income as a commonality and lack the minimum balance to the savings accounts. According to Congressman Hinojosa, half of the unbanked previously had bank account but prefer not to have an account and opting to using the services of check cashers and payday lenders instead. Some studies have stated that people who have experienced some form of banking challenges in their countries of are not likely to have bank accounts in the U.S or any new location. (*http://en.wikipedia.org/wiki/Unbanked)*. This shows that the issue of unbanked is a global issue just as experience in Ghana and among the cloth sellers too here in Kumasi.

A study took place in the United States of America and basically it investigated the impact of financial education. This adds up to the many papers that have been written on financial education and many other related papers seems to come from the United States, where the studies are more empirical, in the nature of working papers for policy formulation and implementation. The author recognises that it is the unbanked that usually fall victim to predatory lenders and financial scams globally and can also be relevant in Ghana. This happens because the victims lack financial education. Programmes have been rolled out to boost with the aim of encouraging bank savings but the programmes seem not to have been too successful, the author noted. Perhaps, the programmes have not rake into cognisance the various background information of its targets. People are different and respond to issues different. While it might be possible to perform studies and group persons based on a certain viable factor into various programmes before formulating programmes to incite saving behaviour, it is also possible to engage tailor made programmes to teach people financial education and offer them appropriate products. Perhaps banks might find it difficult to engage in such research activities as it might increase their overhead costs, but the opportunity costs of failed programmes is usually expensive, labour time and money lost. Time for example might never be regained. The author in this light did not recognise that many banking innovative schemes that fail are hatched in the board room and are usually based anecdotal information and singular cases. It therefore becomes mind bogging if one considers the United States, well developed and generally with a highly educated citizenry, with such attitude to saving behaviour; how would developing nations, many of whom were not introduced to thrift in their early childhood might respond to financial education?

The following factors that affect savings such as education, race, race, employment status, income, history and net worth were important. These factors however do not cover experience which can prove to be a very important factor. Other *banking factor*s such as the costs associated with an account (i.e., high minimum balance requirement, high charges and service fees); limited access to financial institutions (i.e., hours or location which could be inconvenient); and product design factors (i.e., minimum balances, fees, other account options) could also play a role. It is evident that there is a complex of reasons why it is difficult to bank the unbanked and the under banked. It might be expensive to find products that will suit every person with peculiar problems or challenges. Cost benefit analysis of engaging research and new product designs might be the decider.

Nonetheless, the cross-section of participants these American researchers sampled was quite encompassing. It has the ability to broaden the scope of results. If enough samples are collected from these categories, analysis could be performed on whether these differentiations had any impact on the people saving behaviours irrespective of the fact that they were undergoing the same programme.

Though the researcher argued that the over 150 participants of the 408 surveyed will not make for any bias as it is unlikely since the pre-evaluation features of the 112 individuals do not vary significantly from those who completed the entire programme that could be contested. If 112 (over a quarter of the sample surveyed) were for example excluded because they were not interested in the programme; that alone might be because there was a problem with the administration of the treatment. It suggests that the way financial education is administered influences the appreciation of individuals about the need to save.

The last part of the research work outlined three key findings thus, over 90.0% of the sampled respondents attested that, they have been equipped with much financial knowledge for their participation and can now manage their business and finances. A good number stated that they *strongly agreed* with all three impact statements, with majority of the respondents strongly agreeing that they could use what they learned on to develop themselves. Finally, respondents who already had an account at the before the program were more likely than those without an account to *strongly agree* to all three statements of impact. In addition, the third finding was as a result of the fact that those who were more satisfied with the program were more likely to respond that they "planned to open an account. The author thus states this clearly:

"As a result of the *Money Smart* program, the individual may know the benefits associated with mainstream banking. They were previewed to that fact that resorting to other forms was more risky and expensive. In these cases, the program is "not a failure" even though the increase in knowledge did not lead to the specific change in savings behaviour as used to measure the success of the program. Policy makers, financial institutions, and community leaders need to occasionally remind the unbanked with some financial knowledge.

Furthermore, the study identified three groups of people in the unbanked population who could be explored for further studies in future. The first group are individuals who are in a financial position to open and maintain a healthy account, but who do not have the financial knowledge needed to enter the financial mainstream. The second group consists of unbanked individuals who are in a marginal position to open an account, but need the "right" product. The final group consists of those who are unable to open and maintain a healthy account regardless of knowledge and/or financial product. Though the author suggested some implications for these groupings, empirical studies will better define how beneficial they can be served. One other thing is that these groups might have varied social, cultural and economic tendencies and also peculiar experiences.

2.5 Savings Performance among Rural Households in Sub-Saharan Africa: The Effect of Gender.

There is also the need to review the performance of the savings among the sub-Saharan African households to ascertain their level of savings as well. This article investigates savings performance among participants in a matched savings program in Uganda, modelled after the Individual Development Accounts (IDAs) in the United States Gina A. N. Chowa (2006).

Many other stakeholders have had their share in the savings pattern of Ghanaians. Mr Poku the Managing Director of KINA Group Limited advised Ghanaians should set aside as savings, a considerable percentage of profits accrued from their businesses for re-investment for futures occurrences. He said "We must sacrifice to make savings to invest", Mr Poku said. "When we spend our savings, we spend our investments". *(http://www.modernghana.com/news/63025/1/ghanaians-must-reverse-poor-savings-habit-kinaphar.html)*

The trend of savings among most African women is changing, such that their financial role assumed them in this recent world has compelled them to save. In the quest to satisfy this, they find financial institution that best suit their demand and request. Saving is a significant mode of improving well-being, insuring against unexpected events, and providing a buffer to help people cope in times of crisis *(Miracle, Miracle, & Cohen, 1980; Rutherford, 1999; Zeller & Sharma, 2000).*

Some research works shows that gender has some effect on savings. In the quest to answer these questions, the researcher needs to focus on the following research questions like How significant is gender in explaining savings performance? Marital status, Is there a gendered pattern of savings at different levels of education, and type of work they are engaged in?

Savings behaviour is compared by gender, level of education, marital status, and type of work one is engaged in was performed. The outcome show that both women and men are saving well. However, the women are saving more than their male counterparts across levels of marital status, education, and type of work. The women exhibited significantly different savings behaviour from the men, such that women prepared for the unknown future than men. Women may be motivated to accumulate wealth assets for the household to serve as security or insurance because they are the primary managers of the home and therefore spend less than the men. Also, although most women are faced with societal norms that affect them in terms of managing or controlling and owning assets in most traditional areas, the avenue to acquire assets that was stated by the asset-building project might have been welcomed as an opportunity for them to acquire assets that they can control on their own.

Education had inconsistent trends of savings behaviour among the participants. Interestingly, where women who did not have formal education had higher savings performance than their primary and secondary educated male counterparts as well as college-educated female counterparts.

The findings of the study showed that both women and men saving pattern was impressive. However, women are saving more on the average than men across levels of education, marital status, and type of work. The article gave various explanations for the reasons women were likely to save more than males did. These explanations were good and made sense. They showed women's attitude towards enterprises, and their greater will to succeed. Perhaps the social situation of the community where men might tend to shirk their responsibility of taking care of their children act as incentive for women to out in greater effort at saving. It would have been expected that in Africa where there is patriarchal dominance, the men would have saved more to be able to earn bigger assets and ~~put plans~~ for the future – thereby re-enforcing their authority of over the home. It perhaps suffices that the women had a greater motivations in the various considerations mentioned in the finds (read on explanations why women tend to save more than men) than the men had.

Additionally, marital status and education were found to have direct effects on savings pattern in some studies whereas work type does not influence so much. The single or none married ones are exposed to higher risk, which enhances their precautionary ideas of savings for the future (Kennickell & Lusardi, 2003) leading to lower consumption and an increase in asset acquisition. Whereas that is true, married couples might also have a greater reason to save when they consider that their children have to go to College, or have to build up some property for their future. It is the quest to achieve these things that is why the respondents would opt to buy bigger livestock, perhaps as an investment.

2.6 The Habit of savings

According to George, more women continue to gain access to training and education and obtain the skills and qualifications needed to enter into the workforce. Due to these recent developments, women in Africa have been able to gain more control over their own finances. As a result, women entrepreneurs in most African countries have become increasingly important drivers of growth by engaging in various economic activities like trading in various markets around the continent. Due to their newly acquired financial responsibility, women are seeking banks that can cater to their specific needs. Banks located throughout Africa can tap into this growing market by providing personalized bank products and services to women throughout this continent. As women continue to manage their financial responsibility and independence in Africa, the need for new and specific banking products and services for this market has also emerged. *George E. Ekeha.* Savings Habits of African Women, The Case of Ghanaian Market Women *(First ed). Dudweiler: Lambert Academic Publication, 2011.*

Several studies have been conducted to investigate factors that can help improve the habit of savings (Hilgert, et al, 2003; Fafchamps & Quisumbing, 2005; LeBeau, et al, 2004; Esson, 2003; Grinstein-Weiss, et al, 2006; Wilmoth & Koso, 2002). Though their findings differ, showing how demography (that is marital status and gender), education and literacy affect saving habit, they show that saving cannot be an entrenched habit. Certain factors such as education/ literacy have been shown to be a strong influencing factor. The literature here focuses more on these dominating factors. Other factors such as gender nonetheless have been explored under saving habit (e.g. Bajtelsmit & Bernasek, 1996), in previous sections of this chapter.

From a more insightful perspective, there are arguments to show that even the poorest can save. Karlan (2010) proposes that saving money by the poor should even be easier if bankers to the poor would only make use of latest findings in economics and psychology. He makes references to the fact that when poor people increase their earnings, they spend only two-thirds of their windfall on food, suggesting that poor people are not just living from hand to mouth. According to Banerjee and Duflo (2007), people living on below $1 per day spend money on many nonessential items such as alcohol, tobacco, and televisions. So the question is, what financial products could help the poor lay away some of those funds for the future? Though in many developing countries, there are microfinance institutions that seem to offer saving options, these options are relatively few. Hence, most people would rather stash cash under mattresses or invest in assets such as livestock, land, or informal social savings arrangements (Rutherford, 2000). Karlan, however, concludes that microfinance institutions can, by simply changing the language that their employees and marketing materials use, easily and inexpensively increase how much their clients save. His deviation from the more technical features known to boost savings such as transaction costs, minimum balances, and liquidity, is interesting as results are quite revealing. He mentions that it is of utmost importance that in marketing financial services, focus is placed on working around people's natural psychological features—especially their tendency to short-change the future in favour of the present. this is important because most of the technical features just mentioned are based on economic models which assume that people make rational trade-offs between the things they want right now and the things they want in the future, and that the value of these trade-offs holds steady over time. But this is far from reality as psychological and economic research confirms the intuition that what people are engaged in now has effect on the future. Since these notions might prove relevant to the class of respondents who are involved in the study, the next subsection looks at financial literacy which is perhaps a capstone for greater success in saving which underlines engagement of strategies based on technical economic models or those proposed by Karlan.

2.5.1 *Financial Literacy and Education*

Financial literacy is significant component of human existence now in this era of modernity where savings has become relevant to individual life. How has Ghana place itself critically in the academic calendar to impact to the school going pupil of the country? This will be a good move on the right direction. Mrs. Mensah, who was addressing a public forum on finance on the occasion of the third National Financial Literacy Week (NFLWP) in Kumasi, stated that the government of Ghana shared views in the worldwide view that financial sector growth is crucial to economic development, for this it has demonstrated its commitment to promoting an enabling environment necessary for further development of the financial sector in Ghana to assist the private sector growth with the ultimate objective of reducing poverty.

She assured the government is committed to continue pursuing measures to set the National Financial Literacy Week on a sustainable path by instituting a financial education endowment fund, decentralization and increasing the number of organization of financial literacy programmes, extending such programmes to the Upper Primary and Junior High School curricula of teacher training colleges among others. (www. http://thechronicle.com.gh)

Hogarth (2002) stated that there are various definitions of financial literacy ranging from a broad to narrow definition. Generally, financial knowledge denotes "how one understands it and knowledge of financial concepts" (Fox, Bartholmae, & Lee, 2005, p. 195). Specifically, it is the "knowledge and skills that one has about money management". It includes the following, the ability to prepare a budget, balance a chequebook, take out a loan, buy insurance lastly manage credit card" (Beverly & Burkhalter, 2005, p. 121). Others also see financial literacy to combines both knowledge and understanding and actually implementing the knowledge to making financial decisions (Hogarth, 2002, p. 15). Financial education on the other hand, includes any program that covers the knowledge, attitudes, and/or behaviour of an individual toward financial topics and concepts" (Fox et al., 2005, p. 195). Specifically, Tennyson and Nguyen (2001) define personal finance education to include "the study of income and its determinants, money management and budgeting, savings and investing, and credit and debt" (p. 243). The knowledge acquired from financial education helps people to make relevant informed financial decisions (Valentine & Khayum, 2005). The difference though subtle between financial education and financial literacy is that the former involves the getting to know or discover the facts about basic financial management while the later constitute understanding such knowledge and using it. Clearly the two are intertwined. One comes before the other. To gain financial literacy, a community or group of persons or individuals must embark on financial education.

More empirically Study by Kennickel et al (1997), found that the participant who were wealthy and have a large amount of savings were familiar with basic recommendations of financial planning. Some participants would rather hire financial planners though. Courchane and Zorn (2005) also submit that there is a causal link between financial knowledge and financial behaviour and credit outcomes. He found this link to be significant indicating how important financial education is to improving saving habits. In combination with studies by Campbell (2006), it could be deduced that common financial mistakes are as a result of a lack of knowledge about key personal finance issues. Other studies by Esson (2003) and Quisumbing &

Hallman (2003) have also shown that financial education influences savings behaviour. Essons study took place in South Africa and involved a large sample. Using logistic regression, and figures on personal income and other indicators, he found that years of education were a important factor in determining whether the respondent had investment savings. The model used stated that an increase in per year level of education shows 10% increase having investment savings. His results also show that Africans were projected to have 2.43 higher odds of having investment savings than the non-Africans. Quisumbing & Hallman (2003) used comparable data sets and methodologies from Bangladesh, Ethiopia, Guatemala, Mexico, the Philippines, and South Africa, to find that husbands' assets at marriage increase through time in four countries and remain constant in two whereas wives' assets at marriage increase in three countries, remain constant in two, and decline in one. This was against the background that husband educational level had only seen slight changes and the husband age seniority had decreased in four countries. This is evident that education has played a role in the economic power of husbands. Nonetheless, other factors not taken into account by the authors such as cultural underpinnings of the countries selected influenced results. This becomes pertinent when one considers patriarchal dominance in Africa and some Arab and Muslim countries unless the sample for example from South Africa constituted majority of white folks.

The above literatures have been captured in this study to back the relevance of the study and to serve as a referral material for this study.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter describes the research design to be used for the study. It also explains the sampling methodology used and defines the sample size for the study. The last sections of the chapter will discuss the instrumentation and techniques for the analysis of data.

3.1 Research Design

A survey approach was used in this study. A survey produces quantitative data about an item of phenomena in a population. This survey is a cross-sectional one which uses different respondents or units at each measurement occasion where necessary. Survey has the advantage of flexibility in the sense that a wide range of information can be collected. They are standardized and usually are free from errors and they employ a large sample size which allows inferences to be made. Nonetheless, the survey method may have the disadvantage of low validity especially with close-ended questions, issues of honesty and ability of the subject to respond to certain questions because he/she might have forgotten the reasons for some actions. Public health researchers and social researchers mostly use the survey in their research approach to studying all kinds of social phenomena, disease outbreak, health practices, polling and other events. By definition, the administration of the questionnaire will be done once.

This survey took place in the Kumasi, the setting described in chapter one specifically with cloth sellers, thus making the study a case study. The case studied here is essentially defined by two dimensions – the location of some cloth sellers in a market and only the saving behaviour of the cloth sellers. In effect, the research uses a survey method embedded in a case study approach. Though case studies are often qualitative in nature, they could be quantitative depending on the nature of enquiry and design of methodology and data collection procedures. This study seeking to find the views of the cross section of the cloth sellers in the market imperatively uses a survey to arrive at answers to the research questions posed in this study.

3.2 Population of the Study

The target population for this study comprises cloth sellers in the Kumasi Market. Thus the cloth sellers could include men, women and anybody above 18 years who is or was once part of the cloths sellers. Nonetheless, the study was confined to only cloth sellers in stalls even though cloths hawkers who sold cloths on the street either in pans or on their hands could be included in the study or be doubly sampled to be part of the study.

These ground also consist of educated, semi-educated or semi elite and illiterates or people who never schooled. Their level of education determines whether they can write or not or probably read to make simple calculations and book keeping.

Again, the sellers who did not necessarily have a still but were positioned in the open space somewhere in the market could not been seen as so reliable since in their absentia, there was the high probability that their space would be 'empty' this was mean that if they were sampled before, they would have to be replaced. Thus, only cloth sellers in the stall were sampled.

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3.2.1 Instrumentation

This study made use of questionnaires designed to collect data on background information, saving behaviour, and influencing factors from the cloth sellers. To this end simple and easy to understand language was used, rid of financial terminologies. The instrument was close ended in most places (about 98%). However for many of the questions with option, a last option was granted for the respondent to add an answer he/she thought was not in the set provided. The close ended nature of the questionnaire helped to reduce the time for completion of the questionnaire compared to when it was close ended.

The questionnaire

The first part of the questionnaire bordered on background information that demographic data such as age, sex, marital status, number of children. Other background information was ownership status of shops, and whether the respondent indulged in other business apart from selling cloth in the selected market. The second part of the question bordered on business matters, particularly on sales volumes, use of profits, type of financial institution that respondent saves in, proportion of profits saved, and the reason for saving in the first place.

The final part of the questionnaire investigated the influencing factors to saving in a particular thrift institution. This covered bank/ SLAs/Susu collectors' efforts, past experiences, social and family influences, and influences from associations and clubs.

3.2.2 Pre-test

The questionnaire was pretested to identify and correct flaws in the construction. It was also a process for determining the target group's reaction to and understanding of the items in this study. The pretesting of the questionnaire was done on 15 cloth sellers outside the sample area. The responses thereof were analyzed and the questionnaire revised to take out ambiguous questions, and bad sequencing of questions. Thus, the data was rid of ambiguity or vagueness, with questions items arranged in a manner to give high response to question items.

3.3 Sampling Techniques

The research design necessitated a field survey. This required that the researcher visited the community of Kumasi, specifically in the central market. A familiarization tour was done before the study proper. This was to gain first hand information about the various types of stalls, distribution, marking and identification and also to plan on the technique for sampling of the stalls. Interaction with some cloth sellers also helped the researcher know some challenges she might face during data collection.

Some of the data collection was in the form of a structured interview. The questionnaire therefore was administered by the researcher at the respondents' stalls. For respondents who could speak and write English, answered the questions themselves were interpreted for by a helper. However, the researcher had to interview respondents who could not comprehend the English language. The interviewer tried as much as possible not to influence the response to questions in any way through the question she asked, the tone used and citing of certain examples so they could understand the researcher. This precaution was taken when the researcher had to translate directly with minimal paraphrasing of questions as stated in the questionnaire.

Apart from prior notification to the cloth sellers before the actual day of interview, based on the countenance of some respondents the researcher employed the foot-in-the-door requests. The procedure starts with small inconsequential requests, and trying to incite the interest of the cloth sellers before introducing supposedly some sensitive questions which might trigger moodiness or destruct the research. The researcher also convinced the cloth sellers that their involvement in the research could inure to their own benefit in the near future.

Another element worth noting is that the researcher took a lot of time to ask the questions in a clear manner and was polite in asking the questions to suit the respondents since they were also working or selling along the process. To avoid respondent fatigue, she at times veered off a little to discuss some social or religious issues which could have a bearing on the research as a whole to make the whole process not boring but interesting and attractive. Thus, the research in so doing was able to discover certain motivations behind the actions of some of the respondents before the interview was brought to a close.

3.4 Sample size

The sample size of households might be adequate. However, the justification of the sampling size using Nwana's (2002) prescription of sample sizes is not very insightful as it does not take into consideration the dynamics of various populations. Citing Fraenkel and Wallen (2000) to give more impetus to this choice of sample size is quite misdirected, as descriptive studies such as these which take the form of surveys would need more numbers (in relation to the population size) to increase generalise ability, especially in the case where the item explored in the interview does not seem numerous.

The survey initially was projected to cover around 115 cloth sellers or stalls but due to difficulties in operation and location of stall and its numbering, a sample of 100 individual's cloth sellers were settled upon for the survey. The survey sample was arrived at using propositions from Bartlett, Kotrlik and Higins (2001). Their propositions were based on Cochran's (1977) sample size formula for both continuous and categorical data and Krejcie and Morgan's (1970) formula for determining sample size for categorical data. Due to a large number of incomplete responses, the final sample used for the study was 50 cloth sellers, representing 50% of the sample selected.

Cloth sellers were sampled randomly using an improvised sampling frame. Since there were no official sampling frame, the researcher based on the numbering on the store, counted about 200 stores in the Kumasi market. The numbering of the stalls was alphanumeric. The researcher then assigned arbitrary numbers to the stalls to help make random sampling possible since random numbers generated by the computer or random number table were numeric in nature.

Simple random sampling presents each variable in the population an equal chance of being selected such that every individual has the same probability of being chosen at any stage during the sampling process, and each subset of k individuals has the same probability of being chosen for the sample as any other subset of k individuals *(Yates, Daniel, Moore & Starnes, 2008).* There are advantages of the simple random sampling are that, it is free of classification errors, and it requires minimum advance knowledge of the population rather than the frame.

CHAPTER FOUR

FINDINGS AND RECOMMENDATIONS

4.0 Introduction

This chapter encapsulates the findings of this research and the recommendations stated for further studies and also for study to the financial institutions operating within and outside the region. This chapter reveals the basic and fundamental root cause of why people save how much they save, where they save and why others do not save at all.

4.1 Data Analysis

The research data was analyzed quantitatively throughout the study. Thus descriptive statistics were produced for various the various items. Central tendency measures were calculated for ratio or scale data. However, before analysis, completed questionnaire was sorted, coded and entered into the Statistical package for social Sciences (SPSS) on a computer file after which it was cleansed. This was done to make sure that first responses to question items were meaningful to the idea proposed in the question and later entered data into the data editor file were not outside the range of the coded responses.

The statistical package for social sciences (SPSS) was the software used in the analysis of data.

4.2 Reliability

As in all research, construct validity should be given much attention, internal validity, external validity, and reliability *(Yin, 1989)*. *Levy (1988)* instituted to construct validity through the single-case exploratory design and internal validity using the single-case explanatory design. Yin (1994) suggested the use of multiple sources evidence as the way to ensuring constant validity. Specific source of data was used instead just as said by Churchill (1979). They are;

1) Specify what information will be sought,
2) Select the type of questionnaire and method of administration
3) Choose the form of response to each question
4) Re-examine steps 1-5 and revise if necessary and

5) Pre-test the questionnaire and revise if necessary
6) Determine the number of questions and sequence of each question
7) Determine the content of the individual questions,

Robson (1993) stated that a high reliability of response can be obtained when respondents are presented with same set of questions. Thus, all cloth sellers were provided with the same instrument.

Validity is more difficult to establish within a single statistical measure. If a perfectly valid questionnaire, it should be measure in such a way that accurate inferences are drawn from the questionnaires. Suskie (1996) reports that validity and reliability are enhanced when the researcher takes certain precautionary steps: Have people with diverse backgrounds and viewpoints review the survey before it is administered. Find out if:

- they interpret each item in the intended way
- each item is clear and easily understood
- the items have an intuitive relationship to the study's topic and goals, and
- Your intent behind each item is clear to colleagues knowledgeable about the subject" (p. 59).

The instrument was developed with the help of a personnel versed in the questionnaire design and the pre-testing of the questionnaire allowed the second and third point stated above to be explored adequately. Weisberg, Krosnick, and Bowen (1989) that researchers can assess reliability by comparing the answers respondents give in one pre-test with answers in another. The specialization of the unit of analysis also provides the internal validity as the theories are developed and data collection and analysis test those theories.

Savings has become very necessary to the economic and monitory development of the financial companies and the country at large, such that most of the developmental projects in the country are been carried out with these fund being lended to the government to finance them. The trading or the business economy just like the cloth sellers also need such information to boot their moral to save a greater percentage of their profits. This study is very liable to the economy of Ghana and to the cloth sellers in general and a sole project of mine effort and other referred related literature cited.

4.3 Ethical Issues

The researcher took into consideration the right of citizens to decline to partake in a research study. Thus cloth sellers who did not want to get involved in the study were exempted from the study. Data were not collected from cloth sellers who were below 16 years and sat at their mother's stalls. The researcher also paid attention to some belief and practices of the people that had anything to do with the whole process of collection of data, to make sure that nobody was offended in the process.

4.4 Discussion and Findings

This section presents the results and discussions of the study. The results are presented in three sections. The first section presents the background information of participants involved in the study and some preliminary information on ownership and sales performance of business. The study involved 4 (8%) males and 46 (92%) females aged between 20 and some years above 60 years. Table 1 show that the distribution of ages was concentrated around the 41-50 years age group. Nonetheless, a good number of respondents were single (38%) with only a slight majority married (52%). Of the married group, less than half (42%) lived with their partners. Altogether respondents had 170 children and 53 dependents, yielding an average of approximately 5 children/ wards to each respondent's family. Eight percent of the cloth sellers had no children and 40% had no dependents. Additionally information not shown in the table is that age range of the children was 7 months to 45 years old.

Table 1: Demographic information on respondents

Feature	Number	Percent
Gender		
Male	4	8.0
Female	46	92.0
Age distribution		
20 - 30	4	8.0

31 - 40	10	20.0
41 - 50	22	44.0
51 - 60	12	24.0
above 60	2	4.0
Marital Status		
Married	26	52.0
Not married but stays with a partner	5	10.0
Single	19	38.0

Table 1 continued...

Feature	Number	Percent
Number of Children		
No child	4	8.0
1	4	8.0
2	7	14.0
3	8	16.0
4	15	30.0
5	6	12.0
6	5	10.0
8	1	2.0
170 (total no. of children)		

Number of dependents		
0	20	40.0
1	16	32.0
2	8	16.0
3	4	8.0
4	1	2.0
5	1	2.0
53 (total no. of dependents)		

3.8.1 Preliminary information

The preliminary information shall cover the length of operation of business entity and ownership status. Figure 4 shows the distribution of length of business operation by the cloth sellers, while Table 2 shows the ownership status of the business.

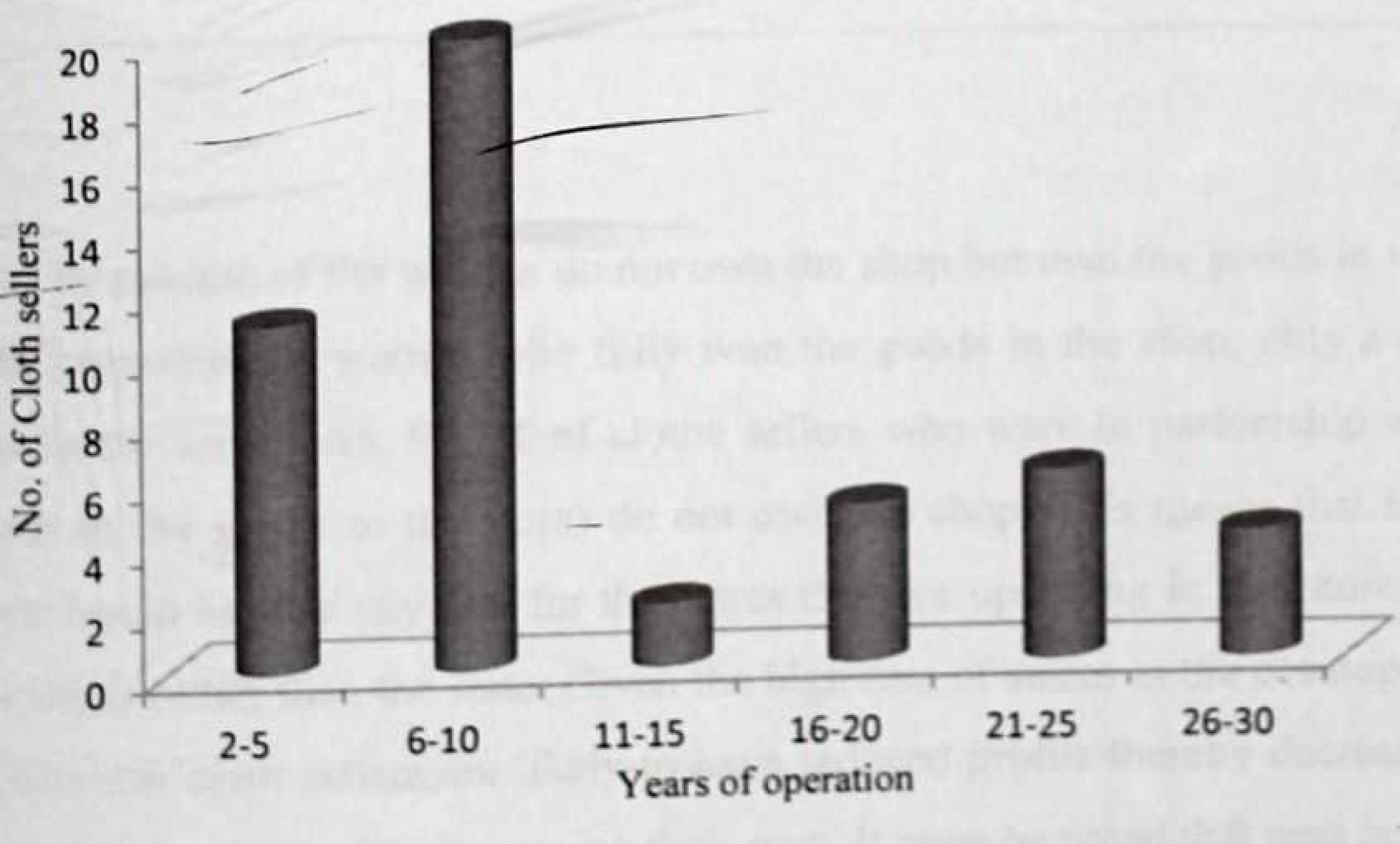

Figure 4: Distribution of years of business operation

From Figure 4, the modal length of years in the cloth business was 6 - 10 years although chunk of this number has actually operated for 10 years. A good proportion of cloth sellers had also operated for the last 2 - 5 years with the longest in business to be 30 years.

Table 2: Ownership status of business

		Ownership of store		Total
		Own the shop	Do not own the shop	
Ownership status of goods in store	Own the goods with somebody	1 (8.3%)	11 (91.7%)	12 (100%)
	Own the goods alone	8 (25.0%)	24 (75.0%)	32 (100%)
	Work for somebody	-	5 (100%)	5 (100%)
Total		9 (18.4%)	40 (81.6%)	49 (100%)

About 80 percent of the women do not own the shop but own the goods in it. Table 2 shows that of the proportion of women who fully won the goods in the shop, only a quarter also own the shop. In the same vein, 91.7% of clothe sellers who were in partnership with somebody (with regards to the goods in the store) do not own the shop. This means that basically, many cloth sellers would have to pay rent for the stores they are operating in. the stores are owned by other individuals rather than the state. Given the high rent of stores in the cosmopolitan cities of Accra and Kumasi, cloth sellers are likely to have reduced profits thereby decreasing the amount they save, without necessarily decreasing their mps. It must be noted that mps is a function of income (in this case profits). Nonetheless it is possible that cloth sellers who do not pay rent would increase the amount and proportion of money saved. Refer to section under research question three for details.

A little detail on preliminary information has to do with diversification into other business. Figure 5 show that only about one-third indulge in other businesses. The presentation of findings and discussions follows subsequently using the research questions as a guide.

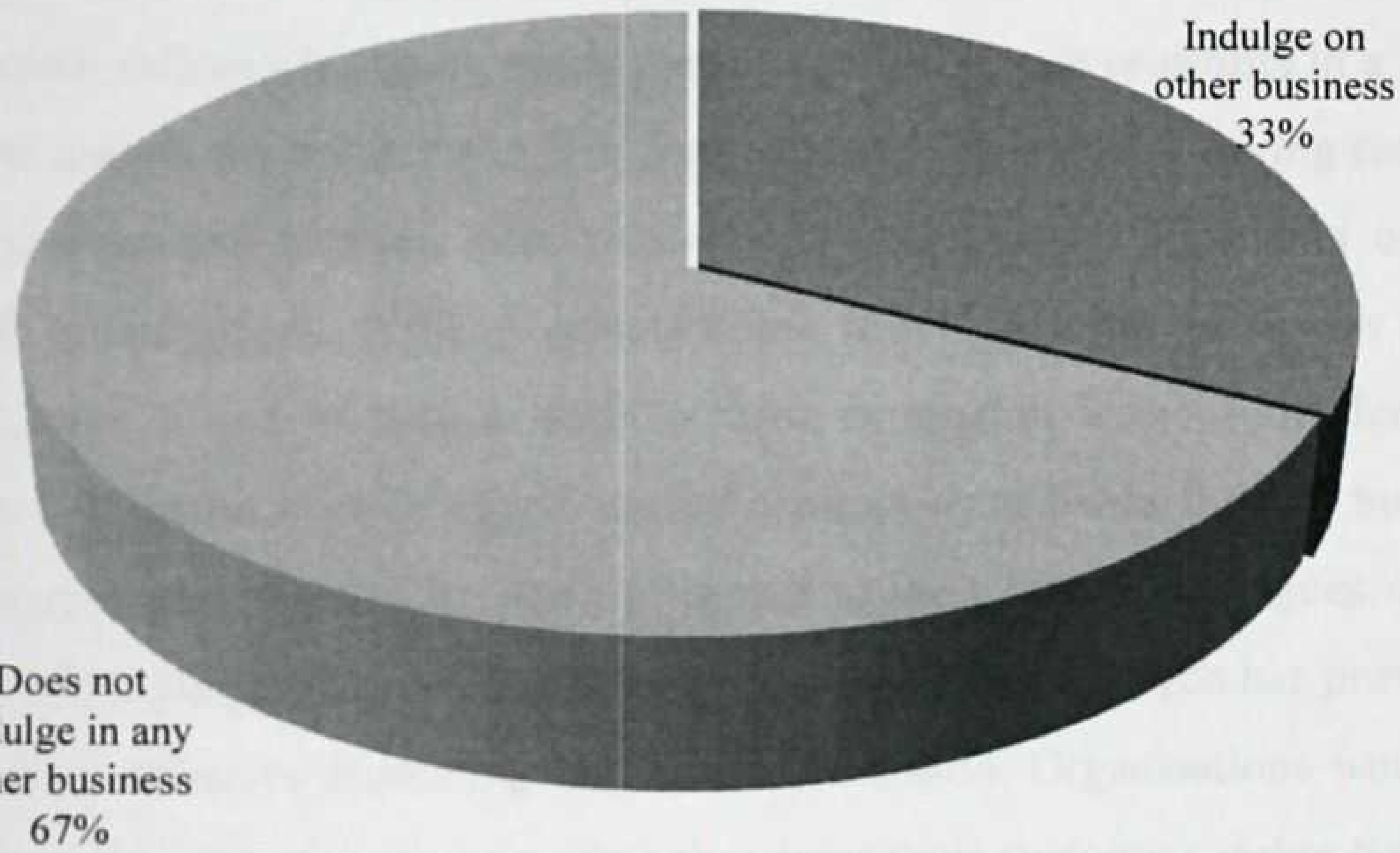

Figure 5: proportion of Cloth sellers who indulge in other businesses

4.5 Research question one: What is the rate of saving among cloth sellers in Kumasi market?

The rate of saving among cloth sellers is captured here by the proportion of cloth sellers who save primarily within the market. However, the primary reason why the traders started saving is also explored here. The motivation to save or whatever the pushing factor was has the potential to influence once behaviour. Table 3 gives details.

Table 3: Rate of saving among cloth sellers

Feature	Number	Percent
Proportion who save	44	88.0
Save in formal institution	*27*	*61.4*
Do not save in formal institutions	*17*	*38.6*
Proportion who do not save	6	12.0

The rate of saving could be said to be appreciable (88%). Out of this proportion, about 61.4% saved in a formal institution such as a bank, or savings and loans company. There are, however, only 38.6% of cloth sellers who do not engage in any form of saving. Thus, it can be said that 9 out of every 10 cloth seller saves part of his/ her income. Also a good number of about out every ten cloth sellers who saves, saves part of his/her income or profits in a formal savings institution either around the market or a few distance away. This rate of saving can only progress further. It is expected that attrition rates would be low. But this is dependent on the performance of the thrift organisations. If thrift organisations should provide customers with enough motivation, customers would be able to save in those companies without any fear. When customers have such confidence trust in their financial institutions or banks they do business with, they are able to market such entities by word of mouth to their fellow colleagues or relatives to also follow suit. Marketing executives' worldwide and marketing research has proven that word of mouth is the most effective marketing tool in the profession. Organisations would have to practically lie back in the area of marketing when they have their customers *doing the marketing* for them such as stated before. Nevertheless, it is obvious that those cloth sellers who do not save in formal thrift organisations mention in the chapters before might not be comfortable saving with the banks or do not have complete information about these formal entities to consider saving their money there for their own personal reasons.

One major issue worthy of exploring is the reason for which the respondents started saving in any of the institutions or form. Some were introduced to savings by friends while others were introduced by representatives from thrift institutions as shown in the table below (see Table 4).

Table 4: Respondents primary reason for beginning savings

Reason	Number	Percent
Introduced to saving by a friend	12	28.6
Introduced to saving by a representative of a thrift institution	14	33.3
Learnt about the importance of saving from Radio and TV	3	7.1
Personal decision to save because	7	16.7
Others (start up for business, project, open a shop and secure loan from bank)	6	14.3
	42	**100.0**
Non response	2	
Not applicable	6	

Other personalized reasons were ~~getting~~ into a business enterprise, the quest to start a project or open a shop, saving for unforeseen contingencies and the incentive to secure a loan from the financial entity around. Only a few decided to save because they felt that it was the right thing to do and knew of the benefit of savings before they proceeded in this direction. While this (seen from the distribution of reasons in Table 4) might suggest that many people were not so conscious of saving, it does not preclude that sellers with personalized reasons as explained do not know of the benefits of savings. All theories on saving show that there is a motivation, whether precautionary or saving for old age. They had to be incited by somebody to save. A laudable point to support this is that only a few cloth sellers could be considered to be of higher education as per this survey. The rest were semis educated while some had no education at all. Persons who were considered highly educated were those who had at least a secondary school education. And savings rate was high among people with some level of education thus, (100%)

compared to those with no education or low level of education (69%). This is shown in Table 5 below.

Table 5: Saving rate among women with different Level of education

		Proportion of cloth sellers who save		
		Save	Do not save	Total
Level of education	No education	9	4	13
		69.2%	30.8%	100.0%
	Low level of Education	11	-	11
		100.0%	-	100.0%
	High level of education	16	-	16
		100.0%	-	100.0%
Total		36	4	40
		90.0%	10.0%	100.0%
Non response		10 (16%)		

4.6 Research question two: How much proportion of income (the marginal propensity to save) is saved among the cloth sellers?

It's quite difficult to differentiate between the marginal propensity to save (MPS) and average propensity to save (APS) of the cloth sellers since their income was found not fixed. Their total revenue and indeed their profits depended on the amount of yards of cloth sold at the end of the day, week or month. The table 6 below provides the responses of the women about the proportion of income they save, whether in times of good sales or relatively poor sales.

Table 6: Proportion of profits saved

Proportion of profits saved	**Number**	**Percent**
Less than half	26	59.1
Half	13	29.5
More than half	5	11.4

More than half of cloth sellers saved less than half of their money with almost 30% savings of their profits either daily or at the end of the week. This is very impressive since it projects a normal level of savings among them. While it is quite difficult to tell the socio-economic status of these women, the business of selling cloth is not regarded as a small business in Ghana. People need a considerable amount of capital to procure or build stores and stock it with cloth. It suffices that this group of women could be in the middle income group. With such record of proportion of income saved, the finding seem to support studies by Mayer (1966, 1972) and earlier empirical works by other economists which favoured the view that high-income people did in fact save a higher fraction of their income. The proportion of amount saved is higher than the statistic given by the World Bank report in 2000 where the savings rate in Sub-Saharan Africa was 15% (Loayza et al, 2000). However, there is not much information to determine the marginal propensity to save of the majority of the proportion of cloth sellers who save less than half of their profits; for example how many save 40%, 30% or less.

However, juxtaposing on the proportion of traders who saved half of their profits, and assuming minimum variance among amounts saved, such a high saving rate and such favourable attitude towards savings, would these thrift societies be able to mobilize enough deposits to undertake other business activities or invest them as these cloth sellers expect?. The proportion of cloth sellers who save in a personal vault are little, implying that opportunity cost of engaging in such savings option is reduced. The opportunity cost of choosing that option is the potential interest income that is foregone. We can therefore conclude that the saving habit of the cloth sellers is good. In effect, cloth sellers are assured of interest income on savings. They are able to avoid certain unfortunate incidences such as loss of money through frequent fires or other disasters.

4.6.2 Research question three: What are the social, cultural and economic factors that influence saving by the cloth sellers?

This question sought to find out some influencing factors, whether cultural, social economic or even psychological, that come to play in the habit of saving. From the discussion in research question one, the rate of saving and the marginal propensity to save is commendable. This section explores the relationship between saving habit and ownership of stall, age, education, volume of sales, and spending pattern of the women. The proportion of money saved is used as a proxy for saving habit because, the study showed that most of the cloth sellers saved one way or the other, either through the thrift organisations identified or their associations. Also, desisting from using the proportion of people who save as the measure of saving habit follows from the suggestion of Lyons and Scherpf (2004) that the measure of any *treatment* of strategy to influence saving behaviour should not be done using the number of accounts opened. Given the peculiar nature of their studies, the saving habit of the individual rested on whether the program has provided the unbanked with the skills and tools necessary to make sound financial decisions given their financial circumstances. The focus then should be on the proportion of profits or income they save from their ~~profit. The~~ latter part of the section expounds on the challenges or problems faced by the cloth sellers in saving in the various alternatives. Table 7 shows the relationship between ownership and saving habit while Table 10 shows the relationship between age and saving habit. The Pearson Chi-square and kendall's tau_b are used for statistical bordering on the relationships, respectively.

Table 7: Ownership and saving behaviour

		Proportion of profits saved		Total
		Less than half	Half or more	
Ownership of store	Own the shop	1 (10.0%)	9 (90%)	10 (100%)
	Do not own the shop	25 (73.5%)	9 26.5%)	34 (100%)
Total		26 (59.1%)	18 (40.9%)	44 (100%)

χ^2 *(degree of freedom) = 12.901, p = .001)*

Table 7 shows that ownership status of stores significantly impacted on the amount of money the women saved. There are significant difference between of owner occupied stalls and rented stall with regards to marginal propensity to save.(χ^2 = *12.901, p<.01)*. In other words, significantly more women who owned their shops saved more. Ninety percent of the women won their shop save half or more of their profits compared to those who operate in rented stores (26.5%). This supports the submission by Das (1993) and indeed economic theory that people's consumption pattern do not change so much with changes in their income. Otherwise, the change in income as a result of the not paying rent would have motivated some spending elsewhere and cloth sellers who owned their own shop would have been seen exhibiting the same saving pattern as their colleagues who operate in rented stalls. It is this theory that supports the life – cycle model by Mason (1987).

The relationship between age and proportion of money saved did not prove significant (P>.05) (Table 8).

Table 8: The relationship between age and proportion of money saved

			Proportion of Profits saved
Kendall's tau_b	Age Distribution	Correlation Coefficient	.177
		Sig. (2-tailed)	.190
		N	44

Per the life cycle patterns of income, consumption and saving (Das, 1993), the mps of the clothe sellers should go up, enlargening the amount and proportion of money saved. In relation to the lifecycle hypothesis, it is expected that as workers approach the most productive ages of their lives the magnitude between income and consumption widens. All things being equal, it is expected that the magnitude- savings become larger enough, to allow dis-saving in the future, old age. The corollary to this expectation is that age distribution would have a certain relationship with the proportion of money saved. This is not the case in the table above. The results from Table 8 show that there is no relationship between age and proportion of money saved. The ideal explanation might be that since age assumes a symmetric measure with income generally, which ever significant relationship between age and saving habit is confounded. Any significant correlation between age and saving habit in a early to the middle ages is counteracted by relationship between older age and saving. This particular study shows the contrary (Table 9).

Table 9: Cross tabulation between Age Distribution and Saving Habit (Proportion of Profits saved)

		Proportion of Profits saved			
		Less than half	half	More than half	Total
Age Distribution	20 - 30	3	-	1	4
		75.0%		25.0%	100%
	31 - 40	7	1	1	9
		77.8%	11.1%	11.1%	100%
	41 - 50	11	6	2	19
		57.9%	31.6%	10.5%	100%
	51 - 60	4	5	1	10
		40.0%	50.0%	10.0%	100%
	Above 60	1	1	-	2
		50.0%	50.0%		100%
Total		26	13	5	44

Table 9 shows that more cloth sellers in the age group 51 – 60, than any other age group save half or more of their money. The number of respondents who were above sixty years was so few and so the saving habit in that age group could not be determined. However, if people should start this saving habit from early retirement (age 55), there would have been a relatively lower proportion of cloth sellers who save at least half of their income.

The influence of education is not statistically significant (p>.05)

Table 10: relationship between level of education and saving habit

		Proportion of profits saved		Total
		Less than half	Half or more	
Level of Education	No education	6	3	9
		30.0%	18.8%	25.0%

Low level of education	8	3	11
	40.0%	18.8%	30.6%
High level of education	6	10	16
	30.0%	62.5%	44.4%
Total	20	16	36
	100.0%	100.0%	100.0%

χ^2(degree of freedom) = 3.876, p = .144

contingency coefficient = .312, p=144

P value is the probability value of the test statistics. If p<.05, then there is significance

Majority of persons who saved half or more of the income were highly educated. There were 62.5% of cloth sellers who exhibited this high saving character as opposed to 18.8% who exhibited such trait for either persons of low level of education or no education. The lack of significant difference between these groups only suggests that the difference is not large enough. In any case the trend of results does not necessarily mean that people save because they are highly educated. That would be a wrong interpretation given that savings first, depend on size of income and other factors. It can be concluded that people who are highly educated may tend to save more. This might be because they better understand the essence of savings and see it an ultimate way of gathering wealth and keeping money to invest later. Studies by Chowa (2006) support the current results but are at some variance with Kennickel et al (1997). Kennickel et al (1997) found that the participant who were wealthy and have a large amount of savings were familiar with basic recommendations of financial planning. Though it did not state where the knowledge might have come from, it is possible that highly educated people might be inclined to have some bits and pieces of financial planning management and also be in a better position to understand finance. On the other hand, in the study of Chowa, the critical factor of significance was gender. This study had less than 10% male involvement and so could not investigate the influence of gender. Studies by Courchane and Zorn (2005) also suggest a causal link between financial knowledge and financial behaviour and credit outcomes. The same can be said of studies by Esson (2003) and Quisumbing & Hallman (2003). Whiles the suggestion of a link between education and saving behaviour can be deduced from the results and thus corroborate many of these preceding studies, its lack of significance support the study by Kennickel et al (1997). Nonetheless, the lack of significance in the results may be due to the relatively low sample size.

Investigation of sales volumes and saving habit showed no significant correlation (contingency coefficient = .466, p = .451>.05) (Appendix B). The cross tabulation does not suggest any potential relationship. Statistical tests using the chi-square and contingency coefficient did not show any significant relationship between spending patterns and saving (p>.05) (see appendix c). Spending pattern was defined items that respondents spent most of the incomes on. The items were (1) feeding the children and family, (2) developing some projects (3), expanding their cloth selling business, and (4) just saving. Results here shows that spending pattern have no influence on the amount of money saved. This suggests that saving for the future and demand for money does not affect savings. With respect to the former results however, following the lifecycle model on consumption and income it would have expected that increase in sales volume might result in higher proportion of saving margins. This is against the background that sales volumes are a function of revenue and subsequently profits or income. Though Keynesian theory does not project the marginal propensity to save to increases with increase in income (Y), the lifecycle pattern of income, consumption and saving by Das (1997) does when it submits that consumption is fairly stable over the household lifetime.

The last section under the research question explores the challenges faced by the cloth sellers in doing business with the various thrift organisations. Thirty-six percent of cloth sellers fear to save in the bank. Some of the problems, challenges faced by the customers are that the banks charge too high interest rates followed by the perception that they might lose their money either through bankruptcy or deductions from their account which they might not be able to tell. Others mentioned that the banks hardly give out loans. However, what prevented people from saving in the bank or the saving and loans company was mostly based on the feeling that profits made was too small. Others were just not in the habit of saving; whole others feared they might not get their money back. Some complained about an impolite bank staff and other lamented over length of time spent at the banks. Nonetheless, the most touted reason for saving with the '*Susuman or Susuwoman'* was that customers wanted to be able to collect their money from their agents at any time. Other reasons were based on trust and social (friends and relatives) influence while others did not have time to go to the bank.

People might tend to bank with commercial banks if they offer lower interest rates on bowing, give mote interests on saving, give more and bigger loans and give loans without collateral. A number of women suggested that bank staff could treat them more politely while a few thought the banks could work for longer hours. Another thing that banks could do, advised one woman was to introduce mobile banking. This practice is an innovative strategy that has been employed by commercial banks. It is akin to usurping the modus operandi of the Susu collectors, thereby increasing competition in deposit mobilization. The case study of Chowa (2006) that involved Uganda saw the use of mobile banking or bankers in the financial industry. One more reason intimated by one illiterate woman was that unless she could read and write she would never patronize traditional banking. This is an issue that is hinged on personal development but the crux of the issue is that the woman feared that she might be cheated without knowing. It might be difficult for banks to work on such customers to repose that trust in them, but it is possible. A solution of reposing trust can be found in long term relationship with individuals in the bank.

4.6.2 Research question Four: What alternatives in terms of recommendations apart from traditional savings are available for the unbanked?

This research question sought to inquire which other options was available to the cloth sellers in terms of savings. The traditional form of savings is savings in the bank, and in more recent times saving in savings and loans company. Other thrift organisation which might not regarded as the traditional are Susu savings and saving with credit unions. Personal saving may be an age long tradition, but will not qualify as a formal traditional saving practice. Results show that the Susu savings had become a better alternation to the formal traditional way of saving. Also the activities of savings and loans companies seem to have paid off, as many cloth sellers saved with them. Table 11 shows more details.

Table 11: proportion of savers and where they save

Feature	Number	Percent

Proportion who save	44	88.0
Keep the money a personal safe	*4*	*9.1*
Susu	*13*	*29.5*
Savings and Loans company	*15*	*34.1*
Bank	*12*	*27.3*
Proportion who do not save	6	12.0

Of the proportion of cloth sellers who save, less than 10% (9.1%) decided to save their money in a personal safe. The rest, in order of popularity saved it in a savings and loans company (34.1%), Susu (29.5%) or the bank (27.3%). This shows that the savings and loans companies are more popular among the people. Savings and Loans Company are usually more proactive when it comes with dealing with micro and small scale enterprises. Because of their opaqueness, banks usually do not like to deal with micro and small scale enterprises. Indeed, the business of selling cloth can be said to a micro or small scale enterprise. It is primarily because of the gap between commercial banking and financing of micro and small scale businesses that microfinance companies emerged. Thus the popularity, though marginal of Savings and Loans Company only reflects the view that such companies have been able to harness the opportunity inherent in the gap of financing micro and small scale enterprises. It is however not surprising that the banks have at least been able to capture ~~a fair number~~ of cloth sellers. This is because some banks have used the same tactics that the savings and loans companies and Susu clubs used. They have decided ~~to~~ also concentrate on the lower class, strengthen the middle by designing products meant to serve these people. The banks visited by the cloth sellers in order of patronage were Ghana Commercial Bank, Barclays Bank Ghana, SG-SSB, Unibank, Ecobank and Procredit.

Another possible alternative to the traditional savings known could be the club or associations that have a mutual interest. The cloth sellers had an association which had only cloth sellers as members and existed to project the interests of the cloth sellers. The cross section of answers choices by cloth sellers on benefit derived from the association are: getting loans from banks, getting loans from the common fund of the group establishing the same price for cloth sold on the market and the association fights for the rights of its membership in the market (Figure 6). Whilst the latter benefits were widely mentioned by the cloth sellers, the second benefit suggests that the association also served as a bank for some members. This is the essence of credit unions. The definition of credit unions and its functions, at least, from its activities in Ghana (BOG, 2007) supports the function (benefit) of the cloth sellers association to act as a credit union.

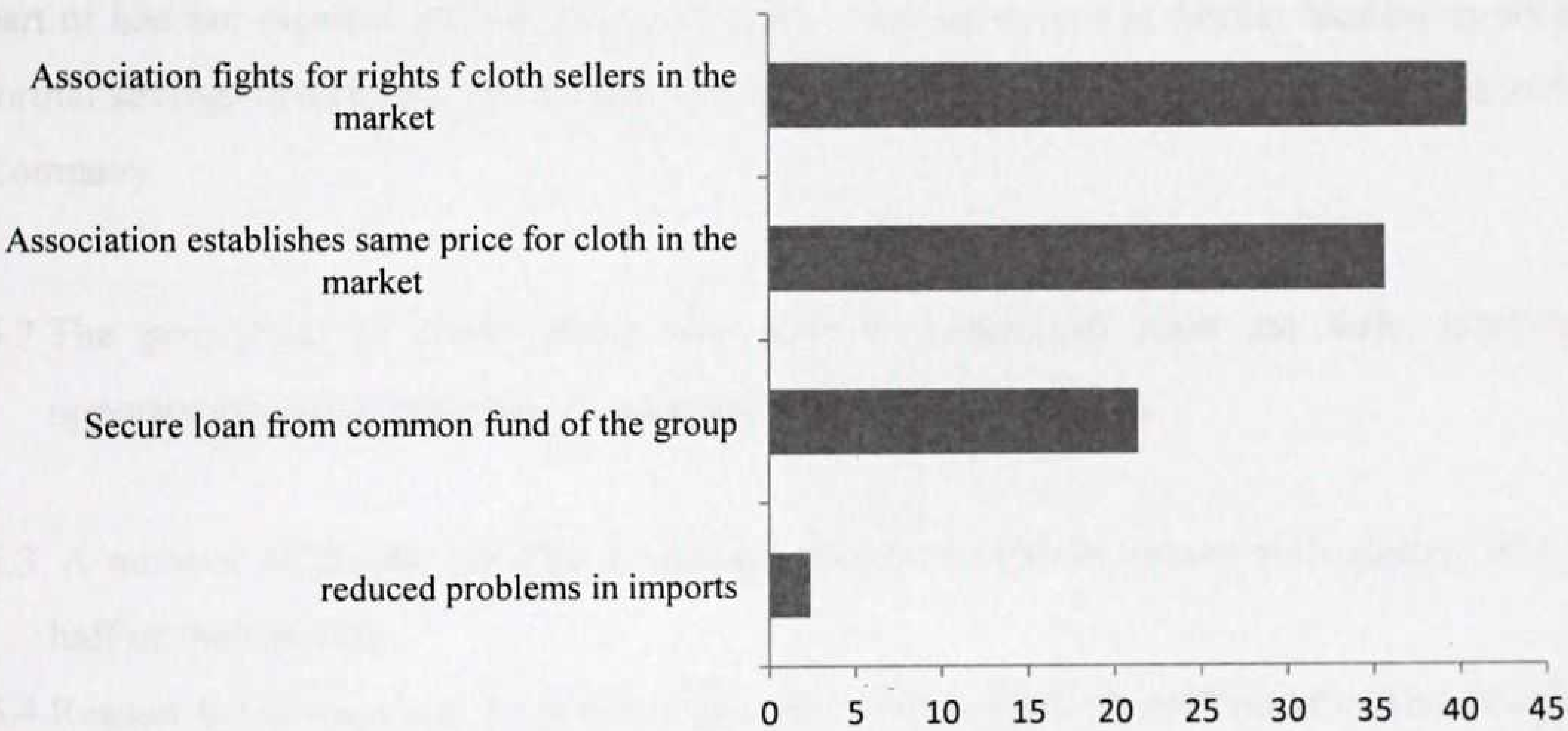

Figure 6: Benefits derived from Cloth sellers association

From Figure 6, the function of the association as a bank received less priority as a benefit to its members. This means for majority of cloth sellers - even though they might benefit from some loans from the association - securing loans from the association was not the most important reasons why they joined the association or the most important reason for which they are still in the association. This is not farfetched as many of the cloth sellers were saving in other organisations. Further investigation shows that there was no perceptible relationship between non savers and the benefit of securing loans from the common fund of the group.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

5.1 Summary of research findings

The savings rate of cloth sellers can be said to be appreciable. 9 out of every 10 cloth seller save part of his/ her income. Six out every ten cloth seller saves part of his/her income or profits in a formal savings institution. The formal savings institutions include banks, and Savings and Loans Company.

5.2 The proportion of cloth sellers who save in a personal vault are little, implying that opportunity cost of engaging in such savings option is reduced.

5.3 A number of people (59.1%) saved less than half of their money with almost 30% saving half of their profits.

5.4 Reason for savings can be divided into two. One borders on motivations from people while the other borders on personal incentives. The first motivations established were that respondents were introduced to savings by friends while others were introduced by representatives from thrift institutions. On the other hand, personal reasons put forward were to raise funds to get into a business enterprise, the quest to start a project or open a shop, saving for unforeseen contingencies and the incentive to secure a loan from the financial entity. Only a few based their motivation to save on the fact that they felt that it was the right thing to do and knew of the benefit of saving.

5.5 . In order of high patronage, cloth sellers mostly saved in Savings and Loans Company (34.1%), Susu (29.5%) or the Susu (27.3%). Results show that the susu savings had become a better alternation to the formal traditional way of saving. Another alternative, though could not be strongly established in the study is the cloth sellers association – which could *act* as a credit union in that regard. Nonetheless, the activities of savings and loans companies seem to have paid off, as many cloth sellers saved with them. The popularity, though marginal of Savings and Loans Company only reflects the view that such companies have been able to harness the opportunity inherent in the gap of financing micro and small scale enterprises

5.6 There are significant differences between of owner occupied stalls and rented stall with regards to marginal propensity to save.(χ^2 = *12.901, p<.01).* In other words, significantly more women who owned their shops saved more. Ninety percent of the women who own their shop save half or more of their profits compared to those who operate in rented stores (26.5%).

5.7 There is no relationship between age and proportion of money saved (*Kendall's tau_b correlation coefficient = .177, p = .190>.05), almost contravening the* life cycle patterns of income, consumption and saving (Das, 1993) which suggest that the marginal propensity to save of the clothe sellers should go up, especially during from young to mid age. Another important result to state in association with is finding is that more cloth sellers in the age group 51 – 60, than any other age group save half or more of their money.

5.8 The influence of education on saving habit is not statistically significant from chi-square results (χ^2 = *3.876,* p>.05) and contingency coefficient results (= *312, p=144).* Nonetheless, descriptive statistics seem to suggest that majority of persons who saved half or more of the incomes were highly educated. There were 62.5% of cloth sellers who exhibited this high saving character as opposed to 18.8% who exhibited such trait for either persons of low level of education or no education.

5.9 Investigation of sales volumes and saving habit showed no significant correlation (contingency coefficient = .466, p = .451>.05).

5.10 Statistical tests using the chi-square and contingency coefficient did not show any significant relationship between spending patterns and saving (p>.05). Thirty-six percent of cloth sellers fear to save in the bank.

5.11 Some of the problems, challenges or fears faced by the cloth sellers are that the banks charge too high interest rates followed by the perception that they might lose their money either through bankruptcy or deductions from their account which they might not be able to tell. Others mentioned that the banks hardly give out loans, and the banks staffs were impolite. They spent too much time at the bank in queues. More personalized reason was that the profits were too small.

5.2 RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS

4.2.0 It is recommended that the financial institutions should embark on some comprehensive financial literacy education for cloth sellers and the entire people in the business community since all of them are potential customers of these institutions. This would help boost the confidence of the cloth sellers in the formal financial institutions participation. It also important to involve other community members by telling them to suggest the services and products of the bank to their colleagues and relations outside their business area of operation. This strategy is toed on the research finding that many respondents saved in particular financial institutions because friends and relatives were able to convince them to take such steps. In the same way they may be able to dissuade the cloth sellers from banking for instance, and so customer service should be enhanced.

5.2.1 It is also recommended that the banks educate staff on how to treat all kinds of clients that enter the banking hall, whether educated or not. In so doing, the staff should be made to appreciate that the cloth sellers are a viable business entity who can contribute tremendously to the liquidity and deposits of the bank, increasing loanable funds.

5.2.2 Though the level of marginal propensity to save (mps) can be said to be fairly good (given that almost 30% save half of the money and also taking into consideration dependency ratios), the lack of correlation between sales volume and saving habit suggest banks can also design their educative programmes or campaigns to include the importance of saving more. Better still they can design products with progressive interests (that is increase interest with marginal increase in deposits) or prize awards for some level of consistent deposits as made by customers

5.2.3 In close relation to the above, banks should educate customers on the economic advantages of saving with them compared to Susu companies who do not offer interests on savings.

4.2.4 In consideration of the finding that Susu collection was a strong alternative to the formal banking institution, the Susu companies can perhaps begin to offer some form of incentive or better financial planning for the cloth sellers so that they can favourably compete with the savings and Loans Company and also the banks. In so doing, Susu companies must employ personnel with the technical knowhow about accounting and financial risk management and very importantly the textile market.

5.2.4 It is also recommended that banks design loans that make less use of collaterals and reduce the cost of borrowing. They can alternatively develop a sort of relationship banking with the cloth sellers, following up on financial advice and teaching them simple book keeping. Whiles this will reduce the opaqueness that characterizes small and medium scale enterprises, it will also reduce the number of loans defaulted for the bank which could subsequently lead to a loosening of the apparently tightened state of loan issuance.

5.2.5 A number of women suggested that bank staff could treat them more politely while a few thought the banks could work for longer hours. It is recommended that banks take the constraints of the cloth sellers if they are a good target, into consideration. Banks in lieu of this can introduce mobile banking. This practice is an innovative strategy that has been employed by commercial banks. It is akin to usurping the modus operandi of the Susu collectors, thereby increasing competition in deposit mobilization.

5.2.6 The eighth recommendation is drawn from the experience of a cloth seller. An illiterate woman intimated that unless she could read and write she would never patronize traditional banking. This is an issue that is hinged on personal development but the crux of the issue is that the woman feared that she might be cheated without knowing. It might be difficult for banks to work on such customers to repose that trust in them, but it is possible. A solution of reposing trust can be found in long term relationship with individuals in the bank.

For cloth sellers

4.3.0. The following are recommendations that borders on how to improve the savings behavior of the cloth sellers. It is recommended that the cloth sellers exercise more discipline in their consumption and saving behavior. This is against the background that sales volumes and saving habit showed no significant correlation and there was no significant relationship between spending patterns and saving.

4.3.1. Given the results that there is a significant difference between owner occupied stalls and rented stall with regards to marginal propensity to save, it is recommended that cloth sellers should try to streamline their financing in order to own their own stalls. This would make them better off as they would be able to get more allowances towards savings.

4.3.2. Cloth sellers should endeavour to seek some form of education, and at least be willing to listen and equip themselves with information about the costs and benefits of saving in the various financial organizations. This would help optimize the use of liquidity and give higher returns for all financial transactions in the community while ensuring certain equilibrium in the market.

5.3 Conclusion

Saving and indeed the level of deposit in any economy is very important to the development of the country just like Ghana. It is more so for other developing countries within and outside Africa, since the crowding out of global investment by the much more developed economies and those in the upper echelons of the middle or second world countries, imply that economies such as Ghana must increasingly begin ~~to depend~~ on local investments for the economic development and the country at large. Thus the saving behaviour of people in a nation has become a very important factor in the development of their economies. Hence, the study had the objectives of determining the saving behaviour - rate of savings as well as marginal/average propensity to save - of the cloth sellers in Kumasi market; investigating the alternatives to formal saving institutions that could be exploited by the cloth sellers in their quest to save and exploring the social, cultural and economic factors – if they exist – that influence the identified saving behaviour.. The study found – in answer to the research questions that defined the stated objectives of this study; that there was a high saving rate (90%) among the cloth sellers, though only a slight majority saved in formal institutions such as the banks and savings and loans company. Nonetheless, the marginal propensity to save was quite low. In exploring the socio – economic and cultural influence on saving habit, the study found that friends and relatives can influence the saving habit of cloth sellers through their recommendations or otherwise. The study also found that ownership of stalls increased the marginal propensity to save following from absence of rent charges, and there were indications that education could enhance saving habit positively. Finally in response to the fourth objective the study found that Susu collection proved a strong alternative to the formal savings as some cloth sellers could repose a lot more trust in some of these entities and the advantage that the Susu companies can get them their money on demand.

In conclusion, it would be prudent if the financial institutions in and around the business district begin to organise some financial sensitization or education for the cloth sellers and the entire business fraternity as a whole. This is because the cloth sellers, though they operate on a micro or small enterprising basis, are able to generate a lot of revenue from their businesses given the volume of sales recorded and can contribute more to the deposit of these institutions. Savings have proved to have both short term and long term benefits for businesses and for the economy and can be exploited for economic development. While it can increase the ability to invest in more capital in the future increase gross domestic output for a nation, it also gives individuals such as cloth sellers a leeway to get access to loans from some financial institutions while the precautionary motives of engaging savings are also ensured concurrently to ensure swift economic growth. The study presents to the banking industry insight into what can be done not only to improve deposit mobilization from cloth sellers but indeed other small businesses and crafts men and women in the country as a whole. A related area of research to this study is to the effect of the saving habit on the women and the economy as a whole. While this might be challenged by the lack of reliable data on revenue, profits savings of the cloth sellers and the apparent poor book keeping and inadequate cooperation of such micro enterprises, a more quasi – experimental research that involves the rolling out of special modules of financial education and conscientious bank efforts at saving mobilizations and practically supervising more of less the accounts of the cloth sellers could help collect reliable financial data that could be used to quantify loss of benefit to the economy resulting from the saving habit of the respondents. It will at the same time provide a platform to look at interventions that could effectively improve the saving behaviour of the women.

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Appendix

Questionnaire to the Cloth sellers

Dear Respondent,

I will be very grateful if you could complete this questionnaire for me. The aim of the questions is to investigate the banking behaviour of cloth sellers in the Kumasi metropolis. While your results would be for academic purposes only, I assure you of complete confidentiality. Under no circumstance(s) would your results be traceable to you. Thank you.

Background information

1. Age (in years):20 – 30 [ ] 31 – 40 [ ] 41- 50 [ ] 51- 60[ ] Above 60 [ ]
2. Sex: Male [ ] Female [ ]
3. Educational level: No education [ ] primary [ ] Junior high/middle school[ ]
   Secondary education/ O/A level [ ] University/Teacher training/Nursing training [ ] Vocational [ ]
4. Marital status: Married [ ] Not married but stays with a partner [ ] Single [ ]
5. If you live with your partner, does he support the home in terms of finance?
   Yes [ ] No [ ]
6. Number of own children ________
7. Age range of children: Age of youngest child ____ Age of oldest child ____
8. How many other children (who are not yours) do you take care of?
   None [ ] One [ ] Two [ ] Three [ ] Four [ ] Any other ____
9. How long have you been keeping this shop? __________
10. Describe the ownership status of goods in the shop
    a. I own the goods with somebody [ ]
    b. I own the goods alone [ ]
    c. I work for somebody [ ]
11. Do you own the shop yourself? Yes [ ] No [ ]

12. Apart from selling cloth is there any other work you do? Yes [ ] No [ ]

Business

13. Over the past six months about how many clothes have you been able to sell in every month?

Type	**Number**
Half piece	________
Full piece	________
Other lengths(specify and state the number)	________

14. How do you think your business has grown (e.g. in profits)

Greatly [ ] Very much [ ] Average [ ] Just a little [ ]Not at all [ ]

15. What do you spend **most** of your profits on?

a. Feeding the children and family [ ]
b. Developing some project [ ]
c. Expanding the business [ ]
d. Just saving it [ ]
e. Any other ______________________________

Saving Behaviour

16. Do you save? Yes [ ] No [ ]

17. If yes, where?

a. I keep the money in my own safe [ ]
b. Susu [ ]
c. Savings and loans company [ ]
d. The bank [ ] Name of bank ________________

18. What proportion of your profits do you save?

a. Less than half [ ]

b. Half [ ]

c. More than half [ ]

19. When did you start saving (state year or month)? ____________________

20. Why did you start saving?

a. A friend introduced me to it

[ ]

b. A representative of the bank / savings & loans company introduced me to it [ ]

c. I learnt about the importance of saving from Radio and TV

[ ]

d. I decided to save my money because I think that is the right thing to do [ ]

e. Any other ____

Influencing factors

21. Do you have any fears with saving money in the banks? Yes [ ] No [ ]

22. What are some problems /challenges/ fears you have with the banks

a. The banks have only little savings [ ]

b. The banks hardly give loans [ ]

c. The banks have too high interest [ ]

d. I might not get my money back [ ]

e. Any other ____

23. Why do you save with the susu?

a. I trust them more [ ]

b. I know the susuman/ women personally [ ]

c. I want to be able to collect my money whenever I want to [ ]

d. I do it because my friends or relative do same [ ]

e. I do not have time to go to the bank [ ]

f. Any other ______________________________

24. Have any bank representative been to your shop to talk you into savings before?

a. Yes, I listened to him/her [ ]

b. Yes but I did not have time to listen to him or her [ ]

c. No, nobody has been here to talk to me about saving [ ]

d. Any other ______________________________

25. What do you think prevents you from saving in the Bank or Savings & Loans company?

a. I have a lot of people to cater for so I have nothing to save [ ]

b. I just do not like to save [ ]

c. I feel the profit I make is too small to be saved in the bank [ ]

d. Other reason ______________________________

26. When you need a loan who do you go to?

a. Friends [ ]

b. The bank [ ]

c. My susuman or woman [ ]

d. Savings and loan company [ ]

e. I do not go anywhere [ ]

27. Are you in any association that has to do with cloth sellers? Yes [ ] No [ ]

28. How do you benefit from that association?

a. I have less problems in imports [ ]

b. I get loans from banks [ ]

c. I get loans from common fund of the group [ ]

d. the association fights for rights of the cloth sellers in the market[ ]

e. To establish same price of cloth in the market [ ]

f. Any other state

____