

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**COLLEGE ART AND SOCIAL SCIENCES**

**SCHOOL OF BUSINESS**

**GROWING CUSTOMER BASE OF BANKS WITH INWARD REMITTANCES:  
A CASE STUDY OF ENERGY BANK GHANA LIMITED**

**A THESIS SUBMITTED TO THE KNUST SCHOOL OF BUSINESS IN  
PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF  
MASTER OF BUSINESS ADMINISTRATION DEGREE IN FINANCE**

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**September, 2015**

## **DECLARATION**

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

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I declare that I have supervised the student in undertaking the research reported herein and I confirm that the student has my permission to present it for assessment.

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Date.....

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## **DEDICATION**

I dedicate this work to God who saw me through my period of study. And also to my parents whose encouragement, direction and toil has helped me achieve what I set out for.

## **ACKNOWLEDGEMENTS**

My greatest appreciation goes to Mr. Michael Adusei, my supervisor, who helped enrich this work with his constructive criticism, directions and patience.

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## **ABSTRACT**

This study investigated remittances and how it could help increase the customer base of banks. It adopted the case study design with purposive sampling of the Head of Operations of Energy Bank and systematic sampling of 100 remittees who had received remittance in the last two years. Questionnaires and unstructured interview were the main instruments of data collection. This study revealed that the active population between the ages of 18 years and 45 years received the most remittances. These were mostly the unemployed and the self-employed. The study also found that the bank did not have any special products and services in place to transform these remittees into account holding customers. Among the recommendations of the study was that Energy bank should introduce special products and services that are tailored to the needs of the remittees. Also, remittees were advised to save part of their remittances with the banks to meet unforeseen contingencies and also to be able to meet the loan requirements of the bank.

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## **CHAPTER ONE**

### **INTRODUCTION AND BACKGROUND TO THE STUDY**

#### **1.0 Introduction**

Remittances imply the monies that are transmitted to families by migrants working outside of their birth countries. In spite of the fact that they can similarly be sent in kind, the expression "remittances" is by and large compelled to suggest cash related and other cash trades transmitted by migrants to their families and friends back home (Adams and Page, 2005).

Various factors account for the regular and consistent flow of remittances to developing countries. Despite varied reasons for these transfers, the underlying focus has been to help the poor and needy back home or sometimes particularly investment. "Remittances are personal money flows from migrant to their friends and families...targeted to the needs of recipient who are often poor" (Ratha and Mohapatra 2007, pp.1). Remittances are a help for creating nations and they influence the family units specifically. Nations with high migration rates, particularly toward the western nations can hope to get high measures of remittances from these displaced people. In this way, there exist an imperative part in the connection in the middle of migration and advancement as they add to enhancing the migrant's family welfare, help to fund education and health services and have a multiplier impact in the economy all in all as neediness lessening (Haxhikadrija, 2009).

Worldwide stream of remittances to developing economies is presently progressively piece of talks in scholastic and open discussions. In 2011, remittances stream to under developed countries surpassed \$350 billion, Mohapatra et al. (2011). Accessible information from the Bank of Ghana demonstrates that the measure of remittances to

Ghana surpasses Official Development Assistance (ODA) and it is accordingly of basic concern considering its development rate as of late specifically. The estimation of remittances expanded from \$3.1 million in 1999 to \$1.4 billion in 2002. In spite of the monetary downturn, remittances seem to stay flexible contrasted with other asset streams and in 2004 they were twice as vast as the level of global guide towards under developed countries (Adams and Page, 2005).

Aside from concentrating on the development impacts of remittances stream, analysts are regularly intrigued by examining whether expanded settlement adds to money related improvement. As of late, various studies have endeavoured to inspect the relationship in the middle of remittances and monetary improvement (Oke et al.,2011; Motelle, 2011; Shahbaz et al., 2007; Gupta et al.,2007; Aggarwal et al., 2006). Besides, concentrates on by Giuliano and Ruiz-Arranz (2005); Mundaca (2005) uncovers the part of money related advancement in remittances development nexus. In another late study, Ahamada and Coulibaly (2011) explored how money related advancement impact the effect of remittances on development unpredictability utilizing information from 87 rising and creating economies and finds that larger amount of budgetary improvement helps remittances to have a high balancing out effect on development instability.

Increment in remittances stream can build interest for budgetary administrations either amid exchange of remittances or when they are directed into funds by beneficiaries. In addition, increment in remittances stream to beneficiaries' record may make them qualified for bank advance and therefore grow the measure of their credit market (Motelle, 2011). It is likewise conceivable that because of rising remittances, banks may turn out to be more inspired by catching this fragment of the business and therefore lessen exchanges costs.

The patterns of remittances have had vital ramifications for the economies seen both in miniaturized scale and full scale point of view. In microeconomic point of view, remittances straightforwardly influence family's salary and utilization; though in macroeconomic viewpoint remittances impact destitution decrease (Adams and Page, 2005), monetary development, business and money related improvement (Aggarwalet at., 2006).

Transients working outside their nation of conception returned more than US\$167 billion to relatives in their nations of beginning in 2005 (World Bank, 2006). Late research proposes these remittances have essential ramifications for the economies of settlement beneficiary nations. Various studies examine their effect on neediness, disparity, development, education, baby mortality, and business. Be that as it may, shockingly little consideration has been paid to the topic of whether remittances influence the money related division in beneficiary nations.

This issue is critical in light of the fact that money related frameworks perform various key financial capacities and their improvement has been demonstrated to cultivate development and decrease neediness. Also, this subject is intriguing in light of the fact that some contend that intermediating remittances through the keeping money segment can increase the improvement effect of settlement streams.

### **1.1 Problem Statement**

Remittances have turned into a standout amongst the most essential global capital streams after FDI around the world. For some developing nations, particularly those with high migration rates, they have turned into a significant source of external funding, frequently surpassing fares and advancement help.

Because of this sensational increment in the flow of remittances in most recent years, and in depth exploration has been done on the theme. Most studies [(Adams, 2004, 2006); (Litchfield and Waddington, 2003); (Adams and Page, 2005)] have concentrated on the effects of these remittances on poverty reduction and household welfare to the neglect of the proximate factors such as savings, household expenditures as well as products and services available for such people in the banks through which they receive their remittances. Understanding some of these proximate effects of remittances on the receiving individual is of much importance so as to gain a deeper understanding of how these factors operate to effect macroeconomic results. According to Aggarwal et al. (2010) remittees who did not previously have bank accounts would be known by the banks through receiving remittances, making way to access other financial services, especially the opening of bank accounts with the bank through which they receive the remittance.

With a high level of involvement of banks and other financial services such as savings facilities, remittance beneficiaries will have greater options to use remittances more productively and have increasing rates of financial inclusion through banking. Indeed there is a general believe that a stronger financial sector within a country contributes to economic growth for that country. It is against this backdrop that this study was carried out. This is because there is huge inflow of remittances annually and this study purported to find out how that impacts bank's customer base.

## **1.2 Objectives Of The Study**

The main aim of this study was to examine the extent to which banks are able to convert remittees from the informal sector and have no connections with any bank whatsoever, to open an account with them.

In line with this, the study specifically looked at the following objectives:

1. Examine the demographics of people who receive remittances.
2. Examine structures designed to transform remittance receivers into bank's customers.

### **1.3 Research Questions**

1. What are the demographic characteristics of people who receive remittances from abroad?
2. What structures are designed to transform remittance receivers into bank's customers?

### **1.4 Research Hypothesis**

From literature reviewed, the following hypothesis was stated to be tested with data collected from the field. The Spearman correlation ( $\rho$ ) was used.

$H_0$ : There is a positive relationship between remittances and opening a bank account by receiver.

### **1.5 Significance Of The Study**

This study is significant to three categories of people; academics, banks and national policy makers. For those in academia, findings of this study contributes to the current body of knowledge on demographics of remittees and the effects of growth of customer base on banks.

Furthermore, by revealing the understanding and the view point of relevant receivers of remittances, the general public will be aware of what is happening with the families of emigrants.

Even though empirical evidence has proved that, private unrequited transfers form a major component of a nation's developmental inflow, developing nations are not able to keep track of these inflows because they are not able to regulate the routes and channels of these inflows GDF (2003).

This study seeks to solve a multi-faceted problem through provision of analytical framework for effective policies to route remittances through the formal sector, to give a vivid statistical analysis for development of inward remittance in Ghana, and to appraise the benefits of inward remittances to the banks in Ghana in terms of growth of customer base. It is the belief of the researcher that this study broadens the horizon of the remittees as they are exposed to the other benefits of the banking sector.

## **1.6 Justification/Purpose of the Study**

Because of the fast development that remittances have encountered in the most recent years (Ratha, 2003; World Bank, 2006a) and their imperative financial ramifications (for a decent outline, see World Bank, 2006a and Shahbaz et al., and 2007), a great deal of examination has been done on the theme. A territory that has not got much consideration is the connection in the middle of remittances and monetary area advancement.

This is a pertinent field of study in light of the fact that the money related segment performs various key monetary capacities. Its improvement has been demonstrated to encourage development (e.g. Ruler and Levine, 1993; Beck et al., 2000) and decrease neediness (e.g. Beck et al., 2004). In addition, some contend that, incorporating getting families in the money related division will help duplicate the formative effect of settlement streams (Hinojosa-Ojeda, 2003; Terry and Wilson, 2005; World Bank, 2006a). Adams (2005), utilizing a procedure that gauges what family unit uses would have been had the families incorporated the transient, he finds that remittances lessen



neediness yet has no impact on pay conveyance in Guatemala and Ghana. Since this study was comparative, the special attention on the Ghanaian individual was neglected. Also, the immediate effect of changes in household expenditure and savings and the rippling effects of opening a bank account and its effects on the banks were neglected. This study contributes to filling this gap. Furthermore, no consideration was made with regards to the banks through which individuals receive remittances and as to whether there is any service or product for them. This study was justified in looking into these.

Outsider remittances are a vital piece of the Ghanaian economy and Ghanaian family units specifically; global remittances are essential to the prosperity of natives of the creating scene by and large. While there has been a developing assemblage of examination on the impacts of such streams on total financial execution and parity of installments, it is just as of late that a couple of studies have researched the impacts of universal remittances on the welfare of family units in developing countries. In addition, the vast majority of the studies on the subject have concentrated on the employments of global remittances and identified with economies all in all. This study was justified by its focus on the unbanked individual in the household and the benefit the banks gain by growing their customer base as a whole with particular attention to Kumasi.

### **1.7 Area and Scope of Study**

According to 2010 Population and Housing Census, Kumasi had a population of 2,035,064 people. Energy Bank is one of the major banks that serve the Kumasi metropolis on issues of cash transfers and international remittances. Energy Bank branches in Kumasi can be located at Adum, Manhyia and Suame, which are considered the biggest and busiest commercial areas in the metropolis.

In order to get a deeper attention, this study focused attention on regular customers of Energy Bank in Kumasi, examining the reasons, and effects of remittances on the unbanked customers. The bank's officials served the purpose of unearthing the product and services of the bank for the unbanked remittees and the actions they took to enhance their customer base by getting the unbanked on-board. This focus served to give a richer understanding and establish facts.

### **1.8 Overview of Methodology**

This study adopted the case study design with special attention to Energy Bank branches in Kumasi. With population constituting those who received remittances and banking officials, and employed the probability sampling technique of systematic sampling to select 100 remittees and 3 banking officials (Operations Managers). Questionnaires and interviews were used to collect data needed for the study.

### **1.9 Limitations of the Study**

This study was affected by time and money. This is because all the recipients of remittances were dispersed in Kumasi and also the time frame to accomplish the study was short. Officials of Energy Bank were also busy and served to pose a problem in data collection.

However, I scheduled a time table to sync with the school's time table so as to enable me finish in time. Also, the dispersed nature of respondents was managed by the database found in Energy Bank, Kumasi branches. This was because the details of all the recipients were taken whenever they come over to receive their cash. Permission was also sought from the branch managers of Energy Bank in Kumasi so as to allow for the smooth administration of the questionnaires.

### **1.10 Organization of Study Report**

This study's report is organized into five (5) chapters. Chapter one contains the introduction to the study, problem statement, objectives of the study, scope and area of study, significance of the study, justification of the study and limitations of the study. Chapter two is devoted to the review of literature. It broadly covers the theoretical review and empirical evidence gathered on the subject of study.

Chapter three described the methodology used for this study. This comprised the research strategy, sources and method of data collection, the type of data (primary and secondary) as well as description of the mode of the presentation and analysis of data.

Chapter four discusses the research findings resulting from the analysis of the data while chapter five summarizes the entire research, conclude the study, and offer recommendations for policy consideration.

### **1.11 Ethical Consideration**

Ethical approval was sought from the Management of Energy Bank so as to enable me gain access to the records of their client base. Also respondents were told what the study was about and the underlying understanding that it is for academic purposes only. The bank officials were also assured of their anonymity and confidentiality.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter introduces and discusses literature by authorities in the domain of remittances and financial sectors of economies and other academics. Critical review of their works and findings will be undertaken to serve as a domain for the topic under study. Understandings of what others have done and the outcomes of their works will serve to provide some tentative answers to the research question under investigation.

This review takes off with the concept of remittance and its multifaceted view with reference to internal and external remittances, who sends remittances, channels for remittances and reasons for remittances as this affects the use of the money remitted. An understanding of the nexus between remittances and the financial sector of the economy with reference to savings and serving to increase the customer base of banks has also been looked at. With concluding section on the historical springing up of banking in Ghana could not be left out.

#### **2.1 Remittances**

Understanding the marvel of remittances is an unpredictable undertaking surrendered the way that to now there is no accord on how remittances are conceptualized or measured and in the literature different writers connect diverse implications to the idea (Radha, 2006). This absence of ordinarily concurred meaning of remittances is a ground concerning why there's trouble in evaluating the aggregate estimation of remittances to a specific nation and district (Taylor and Fletcher, 1999). These remittances can be sent to or between countries. As such, in this study the term remittances will mean global fiscal remittances.

In the vast majority of the writing remittances are characterized as far as money or monetary exchanges sent by migrants who left their nation of origin setting aside those sent in kind. The term is additionally restricted to migrant workers' money transfers to their families and their groups back home with the exception of transfers from refugees and other migrants who don't profit by lawful status of migrants (Van Doorn, 2001; Sorensen, 2004). Remittances are cash migrants gain abroad that are sent back home. They represent a private stream of capital from the nation of livelihood to the nation of origin (Daianu and Tolici, 2001).

A few individuals have attempted to use a more extensive meaning of remittances to enhance the system for catching the money related exchanges of migrants. Remittances are typically characterized as the total of labourers' remittances, remuneration of workers and migrants' transfers in a critical position of instalments (Ratha, 2003). The most generally utilized authority meaning of remittance was created by the International Monetary Fund (IMF). Remittances are global transfers of money sent by immigrants from the nation where they are working to individuals in the nation from which they originated from.

Remittances are progressively turning into a critical wellspring of outer financing for the developing countries. For a percentage of the developing nations, it shapes just about 40-50% of their GDP. The authority recorded remittances are much lower than the genuine remittances that happen through official and informal channels. Remittances through casual channels could add no less than 50 percent to the comprehensively recorded streams (World Bank, 2006).

In spite of the monetary downturn remittances seem to stay flexible contrasted with other asset streams and in 2004 they were as twice as huge as the level of global aid towards growing nations (Adams and Page, 2005). Remittance streams, cash sent by migrants, are an essential wellspring of pay for the greater part of underdeveloped countries. The pattern of remittances has had an imperative ramifications for the economies from the point of view of both micro and macroeconomics.

Global remittances are turning out to be progressively essential wellsprings of money for under developed countries. As per World Bank gauges, the aggregate sum of universal remittances sent to under developed countries in 2008 was 325 Billion USD while the Foreign Direct Investment for that year was 593 Billion USD. East Asia and the Pacific got the most astounding sum with 86 Billion, South Asia came next with 72 Billion while Sub-Saharan-Africa got the minimum with 21 Billion. It is significant that the World Bank evaluation is in view of formal exchanges and thus is certain to think little of the real size of remittances.

The principle wellsprings of worldwide remittance streams are the United States, assessed to be US \$53 billion in outward remittances in 2011, trailed by Saudi Arabia with \$28billion. Switzerland, Germany, and Russian Federation are likewise imperative wellsprings of remittances. South-South remittance streams compensate for pretty nearly 40% for each penny of remittance got by developing countries, which implies that about a large portion of migrants from under developed countries relocate to other under developed countries. Truth be told, remittances to low-wage nations primarily begin in middle-income nations. Moreover, remittance streams to Africa predominantly start somewhere else in Africa as opposed to in different main lands. Remittances from Europe and Asia are fundamentally sent to North Africa (Agunias, 2006).

## **2.2 Who Sends Remittances?**

Literature on remittances show that for African nations and the Latin America and the Caribbean area, remittances predominantly begin from low-talented immigrants (Fajnzylber and Lopez, 2008, Orozco, 2004, Mohapatra et al., 2011, Ratha et al., 2011). The econometric results by Faini (2007) likewise demonstrate that the connection between the offer of talented migrants and remittances is negative, which recommends that the reunification impact (conveying close relatives to destination) is more grounded than the pay impact (sending remittances).

In the same vein, the study for 71 under developed countries by Adams (2008) finds that nations that fare a bigger offer of high-talented (educated) migrants get less per capita remittances than nations that fare a bigger extent of low-gifted migrants. In the same study, instrumental variable results propose that a 10 percent expansion in the offer of high-talented migrants from a work sending nation will diminish the measure of per capita remittances got by 11.2% to 19.7%, while a comparable 10% increment in the offer of low-gifted migrants will build the level of remittances got by 9.1% to 19.8%.

One conceivable clarification is that either high-gifted migrants originate from privileged families that may not expect remittances or that families are more inclined to join migrants at destinations, so reserve funds, utilization and venture would for the most part happen at migrants' destinations (Niimi et al. 2008). Interestingly, for low-gifted migrants, large portions of them originating from a regular workers foundation, sending remittances can be a superior choice since hard coin with frequently higher and more steady buying force than local coinage can bolster fundamental utilization, wellbeing and training, spending, microfinance, and acquiring of area and lodging.

In any case, a cross-country study that covers distinctive creating areas by Docquier et al. (2011) observes that high-talented migrants are more prone to send remittances than low-gifted migrants when movement laws are prohibitive. This discovering may show that low-talented outsiders are more delicate to prohibitive migration laws so they would return home or spend/contribute more at destinations, especially when they are undocumented. It is likewise conceivable that the study did not consider the way that prohibitive movement may agree with higher rates of unemployment and lower wages for low talented settlers e.g. last Great Recession, so they would not sufficiently spare to keep remittances at same levels. The study does not give enough data on its suspicions and information social event to have a more distinct reaction.

### **2.3 Channels For Transmitting Remittances**

Remittances streams are transmitted through formal and casual channels. Formal channels incorporate banks, money transfer organisations (MTOs), small scale money associations and postal houses. Settlers' inclination in the utilization of these channels shifts as per aggregate exchange cost, security, speed, and access. On account of remittances sent from the United States, Latin American migrants want to utilize MTOs. Banks would charge a higher rate for a normal remittances' exchange of \$100-300 and would oblige that senders and families be customers of the bank. The normal rate that a MTO charges is 5-7% (Terry and Wilson, 2005). In any case, Latino migrants in Spain have a tendency to utilize the bank La Caixato to send remittances in light of the fact that it has a system of entrenched accomplice banks in accepting nations, and gives security, national coverage, speed and miniaturized scale credit projects connected to remittances (Maimbo et al., 2005). It is evaluated that South-focal Asian nations (Nepal, India, Bangladesh and Pakistan) get 60 percent of remittances through formal channels e.g. banks, the rest is sent through casual channels.



A critical extent of the remittances streams sent to African nations are not enrolled since they are transmitted through casual channels (e.g. xawilaad in Somalia). Overviews on remittances sent through casual channels still stay sparse. Social and expense components influence the utilization of casual channels. Sending remittances with co-ethnics help to fortify social relations with companions, family and nearby groups. High expenses, double trade rates for cash exchanges, absence of legitimate documentation for formal exchanges by settlement sender migrants, and lacking cash exchange framework are extra explanations for the utilization of casual channels (Irving et al., 2010; Grabel, 2008). It is evaluated that no less than 80 percent in Uganda and Sudan are sent through casual channels, while for some African nations the estimation of remittances in-kind may be equivalent or higher than cash remittances (Sander and Maimbo, 2003).

#### **2.4 Motivations For Inward Remittances**

As a rule, remittances stream are mostly sent for sustenance, attire, wellbeing, and school spending, albeit obtaining of durables, area and land or beginning a smallbusiness are additionally critical. Then again, outsiders' hobbies in sending remittances are connection particular e.g. fluctuate from area to district and from nation to nation.

The Orozco (2003) study, for instance, finds that on account of Mexico, Nicaragua and El Salvador at the very least 75 percent of remittances are spent on sustenance things. Research in Guatemala likewise shows that 50 percent of remittances are utilized for utilization merchandise (nourishment, apparel), however men spend somewhat more on these things than ladies, who spend marginally more on wellbeing and training (United Nations-INSTRAW, 2007). On account of Albania the extent of remittances spent on sustenance things is 63 percent and 25 percent on durables (Castaldo and Reilly, 2007).

Thus, while 50 percent of remittances streams to Kenya are spent in buying land, building houses, organizations, enhancing the homestead, agrarian hardware and different speculations, in Nigeria 20 percent of remittances are spent in buying lands (Ratha et al., 2011). On account of Indonesian migrants in Hong Kong (China) and Japan, remittances are essentially sent for education and investment funds, like the decision made by Malaysian outsiders in Japan (AsianDevelopment Bank, 2006).

In nations where the vast majority of the remittances are gotten by a portion of the poorest, a bigger extent of remittances are utilized as a part of nourishment, apparel and other essential utilization merchandise. Case in point, the study by Adams and Cuecuecha (2010) on Indonesian families found that contrasting family units accepting remittances in 2007 and a counter verifiable circumstance in which these family units did not get remittances, families getting remittances expanded their peripheral consumptions on nourishment by 8.5percent, and diminished their minor uses on lodging by 39.1 percent.

From the perspective of the settler, purchasing land, a house (or building one), is a venture. These are resources that could possibly increment in worth and whose administrations may give a rent, while additionally diminish dangers connected with the need of liquidity or an advance guarantee. For the instance of Guatemala, Adams (2005) contends that families accepting remittances spent less of the edge on utilization and more on speculation products, for example, lodging, education, and wellbeing. For migrants, expanded uses on lodging speak to a kind of venture and also a type of nearby monetary advancement by making new pay and job open doors for talented and incompetent labourers. Ratha et al. (2011) show that more seasoned Nigerian migrants are more inclined to put resources into lodging in the place where they grew up and commit a bigger offer of family unit wage to lodging ventures than more youthful

transients. Truth be told, lodging ventures may be the first phase of a more extensive speculation relationship in the middle of transients and their nations of beginning.

In aggregate, remittances are private exchanges got by family/relatives to be utilized for private utilization, spared or put resources into wellbeing, education (social venture), land and little organizations. Be that as it may, the effect of remittances on residential request and money develops since they circle generally all through the accepting economy, as a sizable piece of viable interest and as a monetary influence for generation and exchange. Truth be told, remittances are directed by business sector constraints and can change private account. While their effect is comprehensively molded by monetary arrangements, remittances can likewise change the normal result of these strategies e.g. exchange, fiscal. The inquiry is whether financial approaches can channel remittances all the more successfully towards improvement money.

## **2.5 Remittances and Banking/Financial Services**

The solid increment in remittances – the cash sent by migrants to their families staying in their nation of origin – has offered ascent to a noteworthy open deliberation on the effect of these budgetary streams on accepting countries. This segment pivots a question that – albeit well known in strategy dialogs – has gotten moderately little consideration in the scholastic literature: Remittances and increment in bank's client base through access to monetary administrations among the recipients of remittances. Taking a gander at the immediate impacts of remittances on family units and the utilization of these trusts alone disregards imperative parts of how remittances impact accepting nations.

An expansive piece of the populace in under developed countries need access to budgetary administrations. Case in point in most Latin American nations, one and only fourth of the populace possesses investment accounts, contrasted with more than 90

percent for most Western European nations (Honohan 2008). This absence of access to money related administrations among poor families confines their methodologies for danger administration and resource gathering as poor families frequently clutch trade or put it in for cold hard currency the type of settled resources like area and steers. Moreover, they have constrained chances to accomplish credit from formal money related establishments keeping in mind the end goal to adapt to unforeseen stuns, account bigger buys, or put resources into little organizations (for a general exchange, see Armendáriz de Aghion & Murdoch (2005); for a writing audit concentrating on provincial markets, see Conning & Udry (2005)).

In this setting, connecting remittances with extra monetary administrations (managing an account) can have beneficial outcomes on settlement accepting family units as well as on getting nations all the more for the most part, and has consequently turned into an imperative issue on the approach motivation (see, for instance, Orozco 2004, Terry & Wilson 2005, and Orozco & Fedewa 2006). In the first place, collectors themselves may profit by more proficient resource building methods through money related funds choices and in the long run by getting entrance to other monetary administrations like credit and protection items. Past these immediate advantages to collectors, connecting remittances with money related administrations has possibly more extensive monetary impacts. Investment funds from remittances can be diverted to their most gainful utilize and be coordinated with the interest for credit somewhere else, in this manner additionally profiting the individuals who don't straightforwardly get remittances themselves. To this impact, there is a wide accord among advancement business analysts that money related organizations assume an essential part in the process of monetary improvement (see Levine 1997 for an outline).

Case in point, cross-country studies have demonstrated that a relative increment in investment funds and acknowledge is related for an increment in both development and per capita pay (Goldsmith 1969; King & Levine 1993; Thorsten Beck et al. 2000b; Thorsten Beck et al. 2000a). Access to money related administrations is a key measurement of monetary improvement in light of the fact that a more comprehensive budgetary part is equipped for producing higher supreme levels of reserve funds and venture, decreases reliance on remote capital, and prompts more impartial advancement (Jalilian & Kirkpatrick, 2002; Thomas Beck et al., 2007).

Despite figuring so noticeably being developed arrangement, the scholarly world has remained moderately noiseless on the issue, with couple of studies having efficiently drawn closer the effect of remittances on the budgetary division. Utilizing cross-country board information, Aggarwal et al. (2010) give worldwide level proof that remittances are connected with more profound money related areas in getting nations, measured as funds and, to a lesser degree, credit in connection to GDP. Taking after a comparative strategy, Gupta et al. (2009) study the effect of remittances on monetary advancement particularly for Sub-Saharan Africa and discover a correlation of remittances with stores in connection to GDP and cash supply M2 in connection to GDP.

A few contentions clarifying why remittances could be gainful to monetary improvement are presented by these creators. To start with, banks may 'become more acquainted with' remittees who did not beforehand have ledgers through remittances, preparing for further budgetary administrations. Second, remittances may make an interest for budgetary administrations from recipients in light of the fact that remittances are sent intermittently and collectors require a protected spot to store their reserve funds. At long last, banks can procure wage from settlement charges, making a motivator to find bank offices close settlement recipients (Aggarwal et al., 2010; AshDemirgüç-Kunt et al., 2011). Different

creators anxiety situations where remittances may be acknowledged by budgetary foundations as a substitute for the absence of formal pay (Orozco & Fedewa, 2006). Cuecuecha & Da Rocha (2011), for instance, contends that adjustments in remittances influence pay and destitution rates straightforwardly, as well as by implication by encouraging access to credit among recipients.

Monetary organizations paying remittances have the capacity to assemble a budgetary history taking into account remittances for collectors who generally do not have a formal salary – remittances could then be incorporated as an extra wellspring of pay to a customer's assessment when asking for credit. In addition, remittances are conveyed of charitable thought processes and have a tendency to expand and balance out a family unit's pay (Bugamelli&Paterno,2009; Buch&Kuckulenz, 2010), lessening the danger of default in light of the fact that settlement beneficiaries have extra 'protection', making them less unsafe indebted individuals from a bank's perspective.

Demirgüç-Kunt et al. (2011) take an option way to deal with concentrating on the effect of remittances on money related advancement on a meso-level for their situation study on Mexico, as they cross budgetary information with settlement information at the level of regions and find that the offer of families getting remittances in a region is decidedly corresponded with stores to GDP and, to a minor degree, with credits to GDP at the civil level. Asiedu (2003) uncovers that almost 30 percent of remittances are utilized with the end goal of speculation and development of houses in Ghana. Adams et al. (2008) likewise found that families in Ghana regard remittances as some other wellspring of pay and there is no lopsided inclination to spend it on utilization. So also, as indicated by Drinkwater et al. (2003), if the essential wage worker stays at home and keeps on keeping up the family, income from relocation are all the more effortlessly redirected to reserve funds and speculation.

The writing on the relationship between remote guide (otherwise called authority advancement help), funds and interest in under developed countries has been extremely plentiful amid the most recent thirty years, studies inspecting both smaller scale and large scale level and provincial or national level. On the other hand, the outcomes are blended and differ generally relying upon the specimen and the econometric technique utilized by creators. Weisskopf (1972), Fry (1978), Gupta and Islam (1983) demonstrate that the effect of help on reserve funds in under developed countries is essentially negative. Hadjimichael et al. (1995) find that when one considers Sub-Saharan Africa (SSA), the effect of outside guide is negative for reserve funds yet blended for venture. On the other hand, by isolating the example into two sub bunches, one with negative development rates and another with positive development rates, remote guide cultivates funds and venture for the sub bunch with positive development and along these lines in the vicinity of ideal financial conditions. The negative impact however perseveres for the sub bunch with negative development. Then again, Mosley (1987) did not locate a critical relationship. Avila and Schlarb (2008) dissected an observational connection in the middle of remittances and money related area advancement on a miniaturized scale level. The study uncovered that getting financial remittances had a positive and critical impact on the likelihood of having a ledger. Hence, this repudiated Rempel and Lobdell (1978) and Lipton (1980) contention that remittances were chiefly given to day by day utilization needs. Tests led by Leon-Ledesma and Piracha (2001) on 11 nations of Central and Eastern Europe and Drinkwater et al. (2003) on 20 under developed countries demonstrate that remittances contribute essentially in expanding the level of reserve funds in their nations of origin.

As per Adelman and Taylor (1990), internal remittances are accepted to have a positive effect on funds and speculation. Family unit overviews in Pakistan showed that in the

late 1980s and mid 1990s, the negligible penchant to spare was higher (0.711) for money from global remittances than from household urban provincial remittances (0.49) or rental salary (0.085) (Adams, 1998). The hypothetical writing predicts that on the residential front, remittances build family pay of vagrant families, enhance expectations for everyday comforts, improve reserve funds and for the most part add to national monetary development (Azad, 2005). As per Grabel (1996), unambiguous proof once fundamental needs are met, remittances are utilized for reserve funds, obligation reimbursement, buyer durables, land and lodging buys, little venture improvement and agribusiness, and interests in education and human services.

Obwona and Ddumba (1995) uncovered that in Uganda, the family part is the fundamental wellspring of residential reserve funds and one of the variables that impact the sparing conduct of families is the capacity to spare which relies on upon extra cash and the family consumption. Since remittances build a family's extra cash, this plainly shows that there is a positive relationship in the middle of remittances and household reserve funds. This is in concurrence with a study directed by Athukorala and Sen (2003) who likewise found that investment funds rate is expanded with the rate of development of extra cash.

BOU (2010) uncovered that 41% of the family units that were met in the study showed that the beneficiary families were in an ideal situation contrasted with non-beneficiary family units. Inside of these families, 63% credited the better conditions to upgrades in the way of life because of remittances. What's more, the outcomes uncovered that for all classes of consumptions, beneficiary family units enlisted higher mean uses. The distinction between the beneficiary and non-beneficiary family unit's consumption was observed to be factually huge. This demonstrates that the imperative part of remittances is smoothing family unit utilization. However this does not deter the way that



remittances might in the meantime likewise help family unit investment funds. Specifically, remittances may free up assets for more noteworthy funds from different wellsprings of family unit pay (Kapur, 2003).

In the exact work breaking down total reserve funds, outside investment funds markers are normally utilized as informative variables. The entrance to remote acquiring in universal markets is relied upon to supplement local funds and fill the crevice between residential venture and national investment funds. The capital inflows are consequently anticipated that would build family unit funds.

The writing on investment funds gives a not insignificant rundown of elements influencing the reserve funds rates. Studies have discovered a questionable impact of expansion in genuine interest rate on investment funds due to a positive substitution impact towards future utilization and a negative wage impact because of expanded profits for spared riches. Sear (1978) discovered a little however positive interest rate versatility of investment funds while Giovannini (1985) observed reserve funds to be inconsequential identified with genuine premium rates. The observational confirmation on the impacts of genuine interest rates on reserve funds has in this way turned out to be uncertain (Schmidt-Hebbel et al., 1999).

As indicated by Karagoz (2009), remittances have a capability of serving as an improvement instrument and emphatically affect on economies of beneficiary nations. At full scale – financial level, improvement impacts of remittances can be decayed into their effect on funds, ventures, development, utilization, and neediness and salary dissemination. At family level, they lessen imbalances in wages and opportunities, help in getting houses, advance entrepreneurial exercises, and meet instructive and wellbeing expenses. Be that as it may, remittances, as remote guide, might just be more powerful in

a decent arrangement environment. Case in point, a great venture atmosphere with all around created monetary frameworks and sound organizations is prone to infer that a higher offer of remittances is put resources into physical and human capital (Giuliano and Ruiz-Arranz, 2005).

The prior and demonstrated confirmations demonstrate a relationship between internal remittances and funds and also speculation. There is the drawing endlessly of abundance liquidity from remittances into stores which serves as credit to others.

## **2.6 Banking In Ghana**

Ghana has an all around created managing an account framework that was utilized broadly by past governments to back endeavors to add to the nearby economy. By the late 1980s, the banks had experienced considerable misfortunes various terrible credits in their portfolios. Furthermore, the devaluation of the cedi had raised the banks' outside liabilities. So as to reinforce the saving money area, the administration in 1988 started extensive changes. Specifically, the changed saving money law of August 1989 obliged banks to keep up a base capital base equal to 6 percent of net resources balanced for danger and to build up uniform bookkeeping and reviewing guidelines (Anin, 2000).

The law additionally acquainted points of confinement on danger introduction with single borrowers and parts. These measures reinforced the Central Bank's supervision, enhanced the administrative structure, and bit by bit enhanced asset preparation and credit portion.

Different endeavours were made to facilitate the gathered weight of awful credits on the books of banks in the late 1980s. In 1989 the Bank of Ghana issued interim promissory notes to supplant non-performing credits and other government-ensured commitments to state-possessed ventures as of the end of 1988 and on private-segment advances in 1989.

The recent were then supplanted by enthusiasm bearing bonds from the Bank of Ghana or were balanced against obligations to the bank. Viably, the legislature ventured in and reimbursed the advances. By late 1989, some ₵62 billion value of non-performing resources had been balanced or supplanted by Central Bank bonds totalling ₵47 billion (on the same page).

In the mid 1990s, the managing an account framework incorporated the Central (Bank of Ghana), three substantial business banks (Ghana Commercial Bank, Barclays Bank of Ghana, and Standard Chartered Bank of Ghana), and seven auxiliary banks. Three dealer banks had some expertise in corporate account, counseling administrations, and cash and capital business sector exercises: Merchant Bank, Ecobank and Continental Acceptances; the recent two were both set up in 1990.

These and the business banks put fleeting stores with two markdown houses set up to improve the advancement of Ghana's residential currency business sector: Consolidated Discount House and Securities Discount House, built up in November 1987 and June 1991 separately. At the base of the level were by most accounts 100 rustic banks which represented just 5 percent of the keeping money framework's aggregate resources (on the same page).

Before the end of 1990, banks had the capacity meet the new capital ampleness prerequisites. What's more, the administration declared the foundation of the First Finance Company in 1991 to help bothered however conceivably reasonable banks to recapitalize. The organization was built up as a major aspect of The Financial Sector Adjustment Program (FINSAP) because of solicitations for less demanding access to credit for organizations hit by the strategies of the Economic Recovery Program. The

organization was a joint endeavor between the Bank of Ghana and the Social Security and National Insurance Trust.

In spite of offering a portion of the most noteworthy giving rates in West Africa, Ghana's banks delighted in expanded business in the mid 1990s as a result of high store rates. The Bank of Ghana brought its rediscount rate up in stages to around 35 percent by mid 1991, driving currency business sector and business bank premium rates well over the rate of swelling, along these lines making genuine premium rates significantly positive. As swelling decelerated throughout the year, the rediscount rate was brought in stages down to 20 percent, cutting giving rates down as needs be (in the same place).

In the meantime, more cash moved into the keeping money framework in 1991 than in 1990; time and reserve funds stores developed by 45 percent to ₵94.6 billion and interest stores rose to ₵118.7 billion. Advances additionally ascended, with banks' claims on the private division up by 24.1 percent, to ₵117.4 billion. Banks' cases on the focal government kept on contracting in 1991, tumbling to a unimportant ₵860 million from ₵2.95 billion in 1990, an impression of proceeded with spending plan surpluses. Claims on non-money related open ventures ascended by 12.6 percent to ₵27.1 billion.

Outside financial balances, which were solidified soon after the PNDC came to power, have been allowed following mid-1985, in a move to build neighbourhood supplies of remote trade (ibid).

The Ghana Stock Exchange started operations in November 1990, with twelve organizations thought to be the best entertainers in the nation. In spite of the fact that there were stringent least speculation criteria for enlistment on the trade, the administration trusted that share proprietorship would support the development of new organizations and would expand funds and venture. After stand out month in operation,

be that as it may, the trade lost a noteworthy French partner, which diminished the beginning business capitalization to about US\$92.5 million (ibid).

Before the end of 1990, the total impact of value and volume developments had brought about a further 10.8 percent diminish in business sector capitalization. Exchanging consistently expanded, on the other hand, and by mid July 1992, 2.8 million shares were being exchanged with an estimation of ₵233 million, up from 1.7 million shares with an estimation of ₵145 million in November 1991. The business sector kept on being little, posting just thirteen organizations, more than half in retailing and fermenting.

In June 1993, the administration evacuated trade control limitations and offered consent to non-inhabitant Ghanaians and non-natives to contribute on the trade without earlier endorsement from the Bank of Ghana. In April 1994, the trade got an extensive help after the administration sold piece of its property in Ashanti Goldfields Corporation (ibid).

## **2.7 Chapter Summary**

From the foregoing, it can be realized that studies have really much expounded on the issues of inward remittances and the impacts it has on the receiving economy. However, there is little focus on the issue of expanding bank's customer base as a result of inward remittances. Apart from a study by Aggarwal et al. (2010) which brought to fore the owning of bank accounts as a result of receiving remittances, others concentrated on aggregate variables in the economy. This literature review has helped chart a course for the study.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

Methodology deals with the methods and procedures used in collecting data for the study. The researcher needs to provide a clear description of how data was collected to enable the reader replicate the study. It includes subsections such as research design, sampling frame, sampling techniques, data collection, instrument used and data analysis.

#### **3.1 Research Design**

This study considered a case study design making use of questionnaire for data collection. Case study is here considered appropriate because I intended looking at a group of individuals with similar precursor characteristics of receiving remittances from abroad.

#### **3.2 Sources Of Data**

Primary data was collected using the questionnaires. The questionnaires were administered to the remittees by the researcher after the addresses of the sample have been retrieved from the data base of the bank. The Operations Managers of the three branches were interviewed; this is because they were the ones considered to be in right standing to provide the needed information. Secondary source of data included published articles and books by noted scholars in the area of remittances, especially inward remittances to the developing countries.

### **3.3 Units Of Analysis**

The units of analysis for this study constituted all remittees who receive their cash from Energy Bank Kumasi branches and all the three Operations Managers in the three branches of the bank in Kumasi. This is because it is from them that data can be obtained for the study.

### **3.4 Population and Sample Frame**

The population for this study constituted all individuals who have received remittances from abroad through Energy Bank – Kumasi Branches together with all the banking officials in the bank. The complete enumeration of those who have ever received cash from abroad from the branch qualified to be included in the population of study.

The sampling frame however was a head count of all individuals who had received remittance from abroad at least once in the year 2013 and 2014. This was simply to help make account of immediate effects of the received cash in their lives. The head count of the Operations Managers in the bank also formed a sampling frame for the banking officials.

### **3.5 Sample Size**

A total sample size of 103 was selected for this study. The sample size was made up of 100 remittees who received their cash from Energy Bank Kumasi branches and 3 Energy Bank Operations Managers operating in Kumasi.

### **3.6 Sampling Technique**

Probability sampling technique was used to select the sample of interest for the study. Systematic sampling technique which is a variant of probability sampling was use to select the 100 remittees for the study.

The sampling fraction will be calculated as shown below;

$$\text{Sampling fraction} = \frac{\text{actual sample size (100)}}{\text{Remittees who have received remittance at least once in 2013 and 2014}}$$

All the names of the remittees were assigned numbers and with the help of the sampling fraction, the 100 sample size was selected. The purposive sampling frame was used to select the Operations Managers of the three branches in Kumasi.

### **3.7 Data Collection Instruments**

Questionnaires were the main instruments for data collection. Open and closed ended questions were included in the questionnaires. According to Saunders et al. (2007: 139), a case study design is likely to use triangulation (the use of different data collection techniques within one study) to ensure that data are telling you what you think they are telling you. A structured interview guide was also used to collect data from the Operations Managers.

### **3.8 Pilot Testing**

The instrument was pretested on some banking officials and some customers who came to the baking hall. This allowed for reframing any question if need be and also to check for leading questions and filter questions that were employed to collect responses accurately for the study.

### **3.9 Data Analysis and Presentation**

Mixed method of data analysis was used on the data. Quantitative data was analysed by the use of a statistical software package. Statistical Package for Social Sciences (SPSS version 20) was used on the quantitative data that was gathered through the use of the questionnaires.



Data was presented in figure and tables with comprehensive explanations for reader's comprehension.

### **3.10 Brief Profile of the Case**

The study was directed inside of the city of Kumasi. Kumasi is the capital town of the Ashanti Region and the second biggest city in Ghana with a populace of more or less 1,625,180 and a yearly development rate of around 5.47% (GLSS, 2010). The day by day flood of an extensive mixed bag of individuals to the city has made business sector open doors for the generation, circulation and utilization of similarly enhanced sustenance mixed bags (GLSS, 2000).

Energy Bank Ghana Limited was incorporated in September 2009 as an exclusive organization. The Bank is authorized to do universal banking services. The bank formally commenced operations on 22<sup>nd</sup> of February 2011 with the vision to “*build a strong bank based on the timeless principles of loyalty*”. The bank has 11 branches concentrated in Greater Accra, Ashanti, Western and Northern regions of Ghana.

## **CHAPTER FOUR**

### **DATA PRESENTATION AND ANALYSIS**

#### **4.0 Introduction**

This chapter presents and analysis the data collected from the field. The analysis is aided with tables and charts. First is the presentation and data analysis from the operations managers within the three selected branches. Followed by the presentation and analysis of data from the remittees sampled for the study. This segregation in data analysis was deemed appropriate because questionnaires were administered to the remittees while interview guide was used for the operations managers. The Spearman test of association was also performed to show if a relationship exists between remittances and savings.

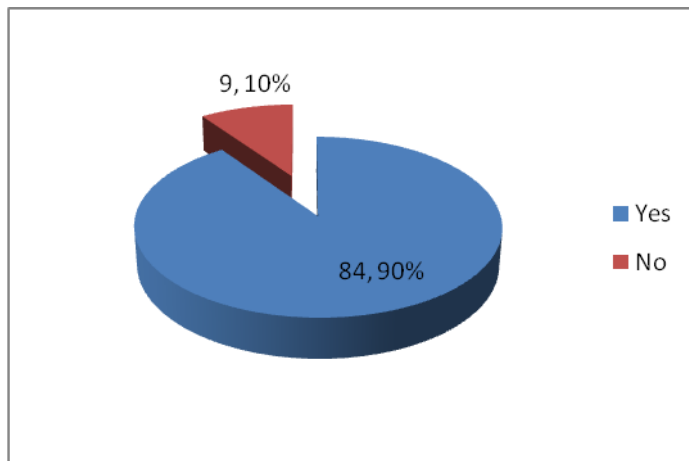
#### **4.1 Remittees Data Presentation And Analysis**

A total of 100 remittees were sampled for the study, with 100 questionnaires administered. Out of the 100 questionnaires, 94 were returned with one unusable, thus, only 93 representing 93% response rate was used for the analysis. These remittees were those who had received remittances from Energy Bank branches in Kumasi over the last two years.

##### **4.1.1 Sex Of Respondents**

The sex of the remittees was sought by the study. It was found that more males, that is 61 representing 66% received remittances in the past two years in the bank than females who were 32 representing 34%. This finding is in agreement with a finding of United Nations in Guatemala that men received remittances more than women and thus spend more on food and clothing than women (United Nations-INSTRAW, 2007). This is shown in figure 2 by the pie chart.

**Figure 2: Sex of Remittees**



**Source: Field Data, 2015**

#### **4.1.2 Age Group of Respondents**

The study sought to establish the demographics of the recipients of remittances from Energy Bank Kumasi. The age group of the respondents showed that 75 representing 80.6% were between the ages of 18 and 30 years of age. This is showing an active population receiving remittances. Six representing 6.5% were aged between the ages of 31 and 45 years. These two age groups account for more than 85% of those who received remittances in the last two years. According to Niimi et al. (2008), sending money home serves to supplement the income of those working back home to expand their purchasing power. This means that finding most of the receivers of remittances within the active population age group is not very surprising. Eight of the remittees representing 8.6% were within the ages of 46 to 59 years while those aged 60 years and above were four representing 4.3%. This is shown in table 4.

**Table 4: Age group of Remittees**

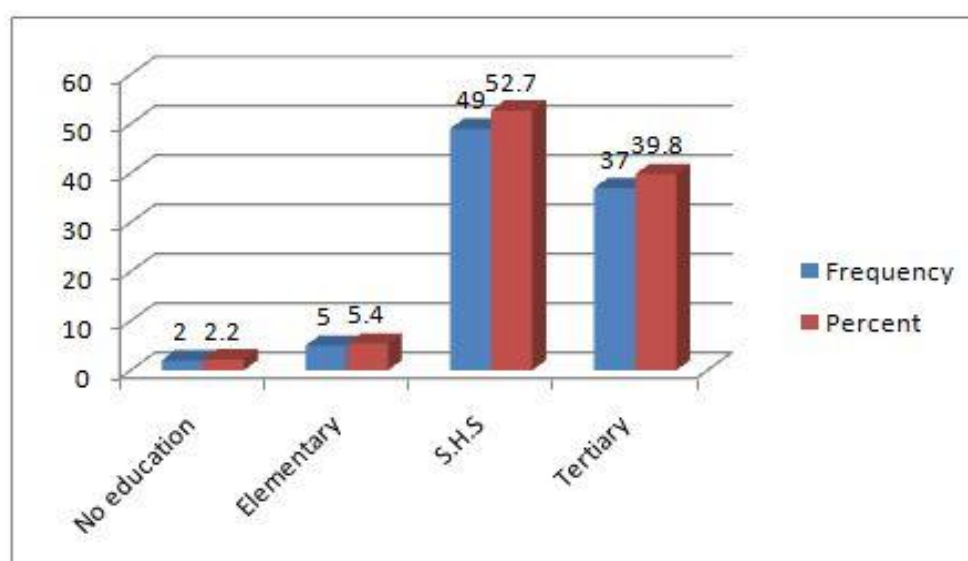
Age Group	Frequency	Percentage
18-30	75	80.6
31-45	6	6.5
46-59	8	8.6
60 and above	4	4.3
Total	93	100.0

Source: Field Data, 2015

#### **4.1.3 Level of Education of Respondents**

On the level of education of respondents, it was revealed that more than half (49, representing 52.7%) had completed Senior High School and 37 representing 39.8% had completed Tertiary education. Five representing 5.4% had completed only Elementary School while two representing 2.2% had no formal education. This is shown in figure 3.

**Figure 3: Level of Education of Remittees**



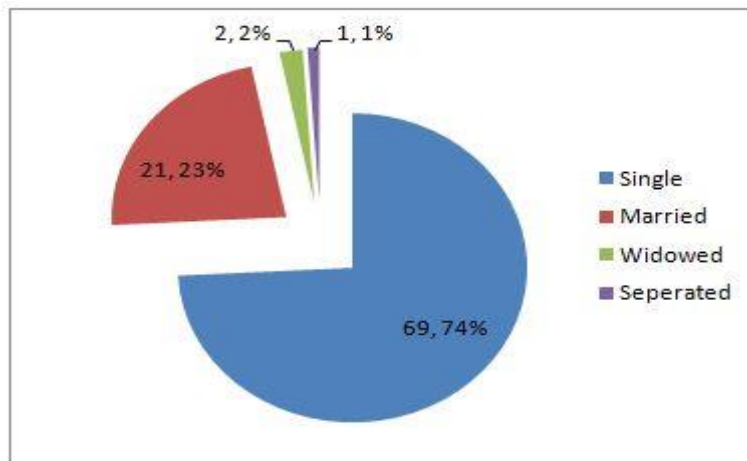
Source: Field Data, 2015

#### **4.1.4 Marital Status of Respondents**

More than two-third of the remittees (69, representing 74%) were single. This was closely followed by 21 remittees representing 23% who were married and two remittees

representing who were widowed. The study found one remittee who was separated. Marital status was asked since it has implication for receiving remittances especially if a married individual has the other partner abroad. This is shown in figure 4 below.

**Figure 4: Marital Status of Remittees**

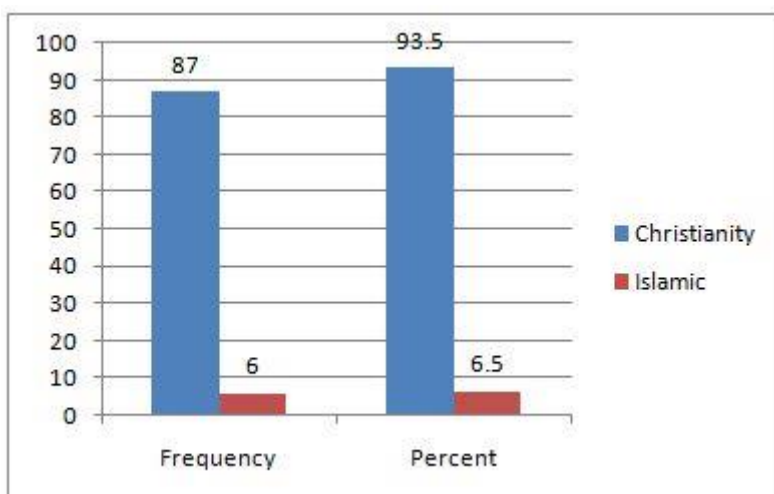


Source: Field Data, 2015

#### 4.1.5 Religion of Respondents

Among the 93 remittees, 87 representing 93.5 were Christians while only six representing 6.5% were Muslims. This is shown in figure 5.

**Figure 5: Religion of Remittees**



Source: Field Data, 2015

#### **4.1.6 Family Size**

From table 5 it can be seen that 11 remittees representing 11.8% had less than four people in a family. Twenty two remittees representing 23.7% had exactly four people in the family and 18 remittees representing 19.4% had five people in a family. Another 18 remittees also representing 19.4% had a family of six. As much as 24 remittees representing 25.8% had more than six people in a family. The large a family size is, the more consumption expenditure will be and so the likelihood of spending remittances on consumption expenditure with little or no leftover money for savings. In Albania the proportion of remittances spent on food items is 63 percent and 25 per cent on durables (Castaldo and Reilly, 2007) largely because of large family sizes of remittees.

**Table 5: Family Size**

Family Size	Frequency	Percentage
Less than four	11	11.8
Four	22	23.7
Five	18	19.4
Six	18	19.4
More than six	24	25.8
Total	93	100.0

Source: Field Data, 2015

#### **4.1.7 Employment Status**

The employment status of remittees was also sought as a contribution to the demographics of remittees. From table 6 it can be observed that as much as 40 remittees representing 43% were unemployed and were living off the remittances they received from abroad. Thirty two representing 34.4% of the remittees were self-employed. Those employed in the private sector were 13 representing 14% of the total remittees. Public servants were only eight representing 8.6%.

**Table 6: Employment Status**

Employment Status	Frequency	Percentage
Unemployed	40	43.0
Self employed	32	34.4
Private sector employed	13	14.0
Public servant	8	8.6
Total	93	100.0

Source: Field Data, 2015

#### **4.1.8 Income Range of Respondents in a Month**

Income range of respondents was asked to ascertain whether the remittances they received were for income supplementation or some other reasons. From table 7, 24 of the remittees representing 25.8% were earning not more than GHS100 in a month. Thirty three respondents representing 35.5% were earning from GHS101 to GHS 300. Those who earned from GHS 301 to GHS 500 were 19 representing 20.4% of the remittees. However, those who earned more than GHS 500 were 17 representing 18.3%.

**Table 7: Income in Ghana Cedis**

Income in Ghana Cedis	Frequency	Percentage
0- 100	24	25.8
101-300	33	35.5
301-500	19	20.4
501 and above	17	18.3
Total	93	100.0

Source: Field Data, 2015

#### **4.1.9 Reasons for often Remittances**

Adams (2005) argues that households receiving remittances spent less the margin on consumption and more on investment goods such as housing, education, and health. Based on this assertion, remittees were asked of the reasons for their receipt of remittances. This is shown in Table 8. Nine remittees representing 9.7% said they received remittances for the purpose of building projects while 28 representing 30.1%

said they received remittances for educational purposes. As much as 31 remittees representing 33.3% received remittances for business. This finding agrees with a finding by Ratha et al. (2011) that more than 50% of remittances that flow into Kenya are used for businesses.

**Table 8: Purpose of receiving Remittance**

Reasons for Receipt of Remittance	Frequency	Percentage
Business	31	33.3
Building projects	9	9.7
Household upkeep	16	17.2
Education	28	30.1
Others	9	9.7
Total	93	100.0

Source: Field Data, 2015

#### **4.1.10 How long Remittees have been receiving Remittances**

From table 9 it can be observed that 35 remittees representing 37.6% of the remittee respondents had been receiving remittances for more than six years. This was followed by 31 representing 33.3% who had received remittances from four to six years. Four representing 4.3% had received remittances from one to three years. Twenty three representing 24.7% had been receiving remittances for less than a year now.

**Table 9: Length of Receiving Remittance**

	Frequency	Percentage
Less than one year	23	24.7
From one to three years	4	4.3
From four to six years	31	33.3
Over six years	35	37.6
Total	93	100.0

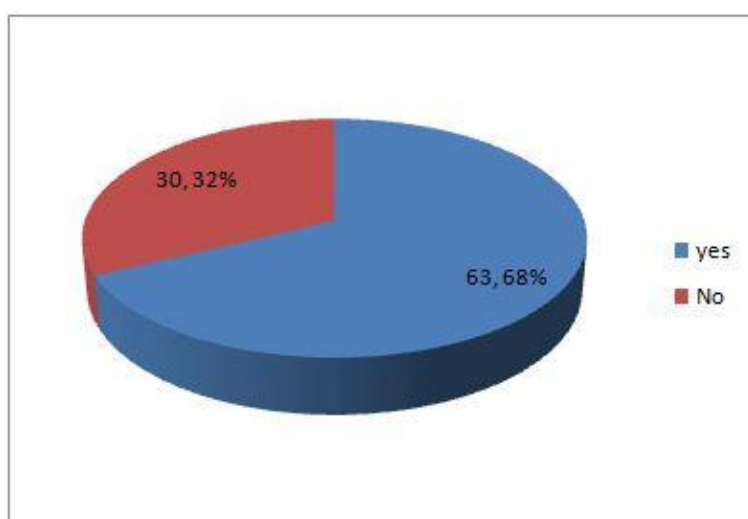
Source: Field Data, 2015



#### 4.1.11 Extra money for Savings

Remittees were asked if they had extra money from the remittance from which they saved. As much as 63 representing 68% said they did get surplus funds to save. This is in agreement with a study conducted by Athukorala and Sen (2003) who also found that savings rate is increased with the rate of growth of disposable income. This was contrasted by 30 representing 32% who said they did not have surplus to save and that the remittance was used for the purpose for which it they were sent and other expenditures. This is shown in figure 6.

**Figure 6: Extra money for Savings**



Source: Field Data, 2015

#### 4.1.12 Savings serving the purpose of money Accumulation and Access to Loans

Table 10 shows a cross tabulation of savings serving as a means of money accumulation and granting remittees access to loans. Among the 63 remittees who said they save surplus money, as much as 48 representing 76% were of the idea that they were saving in order to have access to loans when the need arises. Increase in remittances flow to recipients account may make them eligible for bank loan and thus expand the size of their credit market (Motelle, 2011). Four representing 6% were not of the idea that they

were saving to accumulate in order to gain access to loans. Nine representing 14% said they were accumulating money but not in order to gain access to loans.

**Table 10: Savings and Access to Loans**

		Purpose of access to loan		Total
		Yes	No	
Purpose of money accumulation	Yes	48	9	57
	No	2	4	6
Total		50	13	63

Source: Field Data, 2015

#### **4.1.13 Reasons for Saving**

The respondents were asked for their reasons for saving in an open ended question. This was to get from them their own motives for saving. To the majority of them, they were saving as a precautionary measure against any unforeseen emergencies that would require money. With this, the bank can give them a loan to supplement if their savings are not enough. Only few actually had a concrete idea of what they were saving for. For example few of them were saving to start up new businesses or to expand existing businesses. One actually wanted to save to buy a car in the future. This gives a clear multiplicity of ideas of why remittees save with a bank.

#### **4.1.14 Owning a Bank Account**

When the remittees were asked if they had an account with any bank, as much as 82 representing 88.2% said they had a bank account. Only 11 representing 11.8 said they did not have any bank account. This is shown in table 11.

**Table 11: Owning a Bank Account**

Response	Frequency	Percentage
Yes	82	88.2
No	11	11.8
Total	93	100.0

Source: Field Data, 2015

#### **4.1.15 Remittees' idea of what a bank does and benefits derived from Banks**

According to the remittees, a bank has only two most important assignments to execute. These are to accept deposit and to give out loans to individuals who needed financial help. These overarching reasons were given by the remittees for the reasons why banks exist.

To the remittees, they derive the benefit of having their money being kept safe for them. They feel their monies are insured with a bank and that no matter what happens with the bank, they can get their monies back when they need it. To some other remittees, they derive free financial advice from the banks.

#### **4.1.16 Hindrance from doing business with the Bank**

Remittees were asked if there is any hindrance that keeps them from doing business with the bank. To start with, high interest rate was one of the reasons given by the remittees for not wanting to do any serious business with the bank. A remittee had this to write:

*“The high interest rates make you feel like you are working for them. They only know when to come for their repayment and not how to grow your business”*  
(Female, Trader)

However, few also stressed the worry that they cannot stand the queues in the banking hall. They say it is annoying when they have to just wait in queues for their own monies to be given to them. Despite these grievances, majority (77 representing 82.8%) said if these problems are dealt with, they would love to do serious business with the bank.

However, 16 representing 17.2% said they would not do serious business with the banks even if the problems are dealt with. This is shown in table 12.

**Table 12: Saving on hindrance Removal**

Response	Frequency	Percentage
Yes	77	82.8
No	16	17.2
Total	93	100.0

Source: Field Data, 2015

#### **4.1.17 Opening account with a particular Bank**

The remittees were asked what will make them open an account with not just any bank but a particular bank. This was to know their motivations in choosing any particular bank to save with. In their own words, a bank with many branches will be their preferred bank because of the possibility of withdrawals and deposits at these numerous branches. They considered that a bank with many branches serves the purpose of easy access to their monies wherever they go.

Again, the customer service was another niche that would make remittees consider opening a bank account with a particular bank. The remittees said customer service is very important. Owusu-Frimpong (1999) contends that because services of banks are of the credence type, friends and fellow customers constitute the main source of information for customers. This means that if a remittee is advised by a friend of how good a customer service of a particular bank is, the remittee is likely to open an account with such a bank.

Interest rates on loans and savings was another reason that came up. Remittees were of the idea that the lower the interest rate on loans from a particular branch the likelihood of them opening accounts with that bank. Also, higher interest rate on savings accounts in a particular bank can lure them to that bank.

Another reason by a very minority of the remittees is that banks that open early and close late will be an ideal bank to work with. Also Saturday banking was preferred by these remittees.

#### 4.1.18 Approached by a Staff

Among the 93 remittees, 69 representing 74.2% of them have been approached by a staff of Energy Bank Kumasi branches before to open an account with them. However, 24 representing 25.8% had not been approached before. This is shown in 13.

**Table 13: Approached by a Staff**

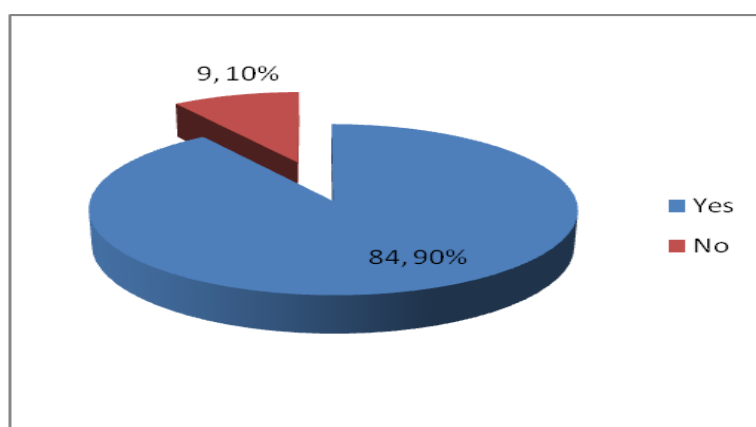
Response	Frequency	Percentage
Yes	69	74.2
No	24	25.8
Total	93	100.0

Source: Field Data, 2015

#### 4.1.19 Extra mile to win Customers

As much as 84 representing 90.3% of the remittees were of the view that Energy Bank Kumasi is making efforts to win customers or make them the remittees open a bank account with them. This was opposed by nine remittees representing 9.7% who said the bank is not making any efforts at all to win them over. This is shown in figure 7.

**Figure 7: Extra Mile to win Customers**



Source: Field Data, 2015

#### **4.1.20 Remittee Suggestions**

The remittees were asked to make suggestions as to what Energy Bank Kumasi can do to get the remittees to open account with them. Friendly and approachable customer service was suggested and also ease of access to loans at lower interest rates than the other banks was also made. The remittees also suggested promotions for new account opening and advertisement as means of getting them to open accounts with Energy Bank Kumasi.

### **4.2 Operations Managers' Data Presentation and Analysis**

All the three sampled Operations Managers were able to respond to the questionnaires. This gave a response rate of 100%. Here, an analysis is made of the structures in place to transform remittees from the branch into account holders.

#### **4.2.1 Remittees served in a Day**

According to the three Operations Managers, they each serve more than 20 remittees in a day. This serves to mean that in a week they will each serve close to one hundred or more of remittees.

#### **4.2.2 Remittance received on regular basis by Remittees**

The Operations Managers were asked if the customers who come in there for their services received remittances on a regular basis. It was surprising that all the Operations Managers were of the perception and understanding that the remittees received regular remittances from abroad. The reason for this question of regularity was to ascertain if there is the possibility of “selling” the idea of opening a bank account for these remittees by the bank. This is because occasional receivers may be difficult to transform into account holding customers than regular receivers.

According to Aggarwal et al. (2010), banks may get to know regular remittance receivers who did not have a bank account and may present the notion of having a bank account to

these receivers. This means that irregular customers though can be presented with the notion of opening a bank account, are not of much interest than regular receivers.

#### **4.2.3 Established Structures**

The Operations Managers were asked of their awareness of any officially established structures in place at the branch to transform remittees into account holding customers.

The Operations Managers were all in agreement that there existed structures in place to transform non-account holding remittees of the bank into account holders.

A follow up question was if the structures were designed specifically for remittees. This was to ascertain whether the bank's concern of expanding its customer base was remittees centred or not. Only one respondent representing 33% said the structures were remittees centred while the remaining two Operations Managers representing 67% were of the view that the structures were not only remittees centred but centred on the general public. This is shown in the table 2.

**Table 2: Structures in Place Specifically for Remittees**

Response	Frequency	Percentage
Yes	1	33.0
No	9	67.0
Total	10	100.0

Source: Field Data, 2015

#### **4.2.4 Number of remittee accounts by Staff**

A question on the number of remittee accounts opened a day was asked the Operations Managers. This was to help give an understanding of the speed with which the bank is transforming remittees into account holding customers. The Adum Operations Manager had this to say;

*“I can't really say much about that, but I do know that the staffs are doing their best to transform remittees into account holders.”*

#### **4.2.5 Opening accounts for remittees and performance Appraisal**

The Operations Managers was asked if their ability to transform remittees into account holders had any influence on their performance appraisal outcomes. From table 3 below, it can be observed that all the three representing 100% said their ability to increase the number of remittees saving with the bank had implications for the outcomes of performance appraisal.

**Table 3: Opening Bank Account for Remittees and Staff Performance Appraisal**

Response	Frequency	Percentage
Yes	3	100.0
No	0	0
Total	10	100.0

Source: Field Data, 2015

#### **4.2.6 Benefits of opening accounts for Remittees**

The Operations Managers were asked a question on the importance of transforming the remittees into account holders. This was to find out the effects of increasing customer base on banks. Three major responses were gathered. First, there is the increase in customer base which serves to increase deposit in the bank due to the regularity of receipt of remittances by the remittees. According to the operations managers, these remittees will serve to increase the customer base and have an impact on the deposit of the bank.

Another major response is that with increase in deposits, the bank will be best suited to increase its income by diversifying its portfolio. The increase in the mobilization of deposits from these customers will serve to increase reserves for investments and other income generating activities of the bank.



Lastly, there will be the increase in customers being served which will serve to make room for vacancies for employment so that new staff will be brought in to help. There will be the possibility of opening other branches to cater for the increasing customer base if so happens. The increase in customer base according to the staff will serve to raise the market share of the bank.

The above responses gives an understanding that the basic implication of increasing the customer base for the bank is increased deposit mobilization leading to strong portfolio diversification and profits.

#### **4.2.7 Ways of transforming remittees into account Holders**

The Operations Managers were asked to describe how they go about transforming a remittee into an account holder. This was to ascertain whether staff had the structures to transform remittees into account holders off hand and not just a formality they knew exists. Among their description was the coherency of first, identifying a regular remittee who receives remittances at the bank. This was to help point out a particular person of interest as a target. Secondly, the targeted regular remittee is talked to one-on-one by a staff, usually one of the customer service persons. This talk is centred on the regularity of receipt of remittance and the possibility of saving with the bank. The remittee is made aware of the banking service which is best suited for him or her. They are made aware of the benefits of saving with a bank and the possibility of falling on their saved funds whenever the need arises. They are also made aware of the fact that they can access loans from the bank if they have an account with the bank. Lastly, after the agreement of the remittee to buy the banks service, an account is opened for him or her.

Their description did not favour remittees per se but was a form of general means of getting customers. This general procedure was followed by the staff in increasing the

customer base of the bank. They target, convince and win you as a customer. There was no special account opening service which targeted at remittees. No particular service was sold to remittees different from the general public.

### 4.3 Statistical Test (Spearman's Rho)

The spearman's rho statistical test was done to ascertain if any relationship exists between remittances and saving with a bank by remittees. The spearman rank correlation was computed because the variables were measured at the ordinal scale. The result is shown in table 14.

**Table 14: Spearman's rho**

Statistic	Correlation Coefficient	N
Spearman's rho	.334**	93

**Correlation is significant at the 0.01 level (2-tailed).**

**Source: Field Data, 2015**

The correlation coefficient of .334 shows a moderate positive correlation between receipt of remittances and savings by remittees. This relationship is significant at .01 level of alpha. This simply means that as remittances increase savings also increase. This confirms a finding by Asian Development Bank (2006) that remittances are mainly sent for education and surplus for savings, similar to the choice made by Malaysian immigrants in Japan.

## **CHAPTER FIVE**

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

#### **5.0 Introduction**

This chapter presents the summary of key findings in the study and suggests recommendations for practice based on the key outcomes of the study. This is to make for easy understanding of what the study has been able to achieve. It ends with a comprehensive conclusion to the whole study.

#### **5.1 Summary of Findings**

This section presents the key findings from the study based on the objectives of the study

On the demographics of remittees, more males were remitted than females and more than 80% of the remittees were below the age of 45 years and had obtained at least Senior High School education. Most of the remittees were single followed by those who were married. Also, Christianity was the predominant religion among the remittees selected for the study. More than half of the remittees had family sizes of more than four and were either unemployed or self-employed. Only few were public servants. More than 60% of the remittees earned not more than GHS 300 a month.

Then on the products and services designed for these remittees, it was found from the Operations Managers that most customers received remittances on regular basis. This served as an opportunity for the bank to transform them into account holders. There were no established structures in the bank to transform remittees into account holders; the bank did not have a specific structure in place targeting remittees. There was only a generic structure in place that target the general public but not any specific structure for only remittees. However, some of the Operations Managers were able to transform some

of the remittees who enter the banking hall into account holders. It was revealed that opening accounts for remittees did add weight to the outcome of a staff's performance appraisal. This served as motivation for the staff.

Most of the remittances received were for businesses, education and household upkeep with little trickling down to savings. More than 70% of the remittees had been receiving remittance for more than three years. The study also found remittees were of the opinion that, they will save as a means of accumulating money and granting access to loans when the need arises. Varied reasons for saving by remittees were realised, but the overarching reason was for precautionary measures. Remittees perceived banks to be performing only two functions which were receivers of deposits and givers of loans.

On the effect of a growth in the customer base of the bank, the Operations Managers made a point that the bank will hugely benefit if the customer base increased. The bank would benefit from market share, deposits and other forms of investments that would fetch the bank more profit. Since the bank did not have any special products and services for remittees, the normal routine of fetching a customer was used to lure the remittees into opening accounts with them. This involved approaching the remittee, convincing him/her to open an account by explain the services in the bank that may benefit him/her.

Some remittees did not want to do any business with banks because they saw interest on loans as too high and also disliked the queuing that goes on in the banking halls. Remittees offered that reduced interest rates on loans, better and friendly customer service and longer banking operating hours informs their choice of bank. Most of the remittees had been approached by a staff to open an account with the bank but said the bank needs to do more to win them to open an account.

## **5.2 Conclusion**

This study set out to investigate remittances, by looking at the demographics of those who receive remittances as well as extending tentacles to cover the bank structures in place to convert these remittees into account holders. The study has established a positive significant relationship between remittances and savings. It was found that there are no special structures in place to transform remittees into account holders. This makes for an interesting understanding of a very great and potential customer base that have been neglected by banks.

## **5.3 Recommendations**

Based on the findings of this study the following recommendations were made.

To begin with, it was recommended that banks design accounts that would purposely suit the flexibility and financial requirements of these customers. They are seen as a great source of customer base if a bank is able to win them over. Banks should pay attention to these remittees and involve them in the design of a special service for them. This will go a long way to attract other remittees elsewhere to open account with the bank. This is because the study has revealed that remittees are not just any customers but a special breed of customer with special needs and so special treatments.

Based on the finding, it was recommended to the remittees to try as much as possible to save some of their remittances for precautionary measures and also know that their savings will make access to loans very easy for them. Remittees should see the banks as a place where they can go for financial advice on any issue regarding their remittances and not see the banks as an agency that is there to take and use their money.

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## APPENDIX

### Questionnaires

#### **GROWING CUSTOMER BASE OF BANKS WITH INWARD REMITTANCES:**

#### *CASE STUDY OF ENERGY BANK GHANA LIMITED*

I am a student from the Kwame Nkrumah University of Science and Technology, Kumasi-Ghana. I am conducting a research on the above topic and would most appreciate it if the under listed questions can be answered with utmost honesty. All answers provided by you will be treated with utmost confidentiality and anonymity and will be used for academic purposes only.

#### **Remittees**

1. Sex ☐ Male ☐ Female
2. Age in Years ☐ Below 18 ☐ 18-30 ☐ 31-45 ☐ 46-59 ☐ 60 and above
3. Level of education ☐ No education ☐ Elementary ☐ SHS ☐ Tertiary
4. Marital Status ☐ Single ☐ Married ☐ Divorced ☐ Widowed ☐ Separated
5. Religion ☐ Christianity ☐ Islamic ☐ Traditionalist ☐ Atheist
6. Family size ☐ Less than three ☐ Four ☐ Five ☐ Six ☐ More than Six
7. Employment status  
☐ Unemployed ☐ Self Employed ☐ Private sector employed ☐ Public servant
8. Specifically, what work do you do? \_\_\_\_\_
9. Income range per month in Ghana Cedi  
☐ 0-100 ☐ 101-300 ☐ 301-500 ☐ 501 and above
10. For what reasons do you most often receive remittances?  
☐ Business ☐ Building Projects ☐ Household Upkeep ☐ Education ☐ Others...
11. How long have you been receiving remittances?  
☐ Less than a month ☐ Less than a quarter ☐ Less than a year ☐ Over a year
12. How often do you receive remittances?  
☐ Once every week ☐ Once every month ☐ Once every quarter ☐ Once every year ☐ Other \_\_\_\_\_

13. Are you able to save part of the remitted? ☐ Yes ☐ No
14. How often do you save with the bank?  
☐ Once a month ☐ Twice a month ☐ Thrice a month ☐ As and when I have surplus money
15. Do you think saving with a bank serves your purpose of money accumulation? ☐  
Yes ☐ No
16. Do you think saving with a bank serves your purpose of access to loans? ☐  
Yes ☐ No
17. In your understanding what re your reasons for saving? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
18. Do you have an account with any bank? ☐ Yes ☐ No
19. What do you think a bank does?  
\_\_\_\_\_  
\_\_\_\_\_
20. What are some of the benefits you derive from doing business with a bank?  
\_\_\_\_\_  
\_\_\_\_\_
21. What is hindering you from doing business with a bank?  
\_\_\_\_\_  
\_\_\_\_\_
22. If these hindrances were removed, would you have liked to open an account with the bank?  
☐ Yes ☐ No
23. Do you think the bank is there to serve everyone or a particular group of people?  
\_\_\_\_\_
24. What will make you want to open an account with a particular bank?  
\_\_\_\_\_  
\_\_\_\_\_
25. Were you or have you ever been approached by a staff of the bank encouraging you to open an account with the bank?  
☐ Yes ☐ No
26. Do you think the bank is going the extra mile to win customers?  
☐ Yes ☐ No
27. What do you think the bank can do to get more remittees to open accounts with them?  
\_\_\_\_\_  
\_\_\_\_\_

**Thank You**

## Operations Managers Questionnaire

## **GROWING CUSTOMER BASE OF BANKS WITH INWARD REMITTANCES: CASE STUDY OF ENERGY BANK GHANA LIMITED**

I am a student from the Kwame Nkrumah University of Science and Technology, Kumasi-Ghana. I am conducting a research on the above topic and would most appreciate it if the under listed questions can be answered with utmost honesty. All answers provided by you will be treated with utmost confidentiality and anonymity and will be used for academic purposes only.

## Structures to transform remittees into bank's customers

28. How many remittees do you serve in a day?

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29. Would you say from your number of years of working here that most of the  
remittes who come here receive remittances on regular basis?            [         ] Yes

[     ] No

30. Do you have structures in place to convert these into account holders of the branch?

☐ Yes      ☐ No

31. Are these structures designed specifically for remittees? ☐ Yes ☐ No

32. How many remittees are you able to open accounts for on a weekly basis?

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33. How many remittees have you as a staff transformed into an account holding customer?

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34. Does your ability/inability to open accounts for these remittees affect your performance appraisal as an individual? ☐ Yes ☐ No

35. What benefits does the bank gain in opening accounts for these remittees?

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36. Describe briefly the ways in which you transform remittees into account holding customers.

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**Thank You**