ASSESSING THE EFFECTS OF INADEQUATE SAVINGS MOBILIZATION ON THE PERFORMANCE OF SAVINGS AND LOANS COMPANIES IN GHANA: A CASE OF MULTI CREDIT SAVINGS AND LOANS LTD

By

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DECLARATION

I hereby declare that this submission is my own work towards the Masters of Business Administration and that, to the best of my knowledge, it contains no material previously published by another person or 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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DEDICATION

This thesis is dedicated to my mother, Mrs. Comfort Fosuah and my dear husband, Mr. Frederick Sarfo-Asante for their inspiration and faith in all stages of my life.

ACKNOWLEDGEMENT

First, I would like to thank God Almighty for giving me the grace and the opportunity to study at this level.

I would also like to pass my appreciation, gratitude and thanks to my Supervisor, Mr. Kwasi Poku, for all the help, guidance and effort he put at my disposal to enable me complete this work.

Again I would like to thank my sisters and brother for their positive impact in my life and their interests in my education.

My profound gratitude goes to the Authority of KNUST particularly the School of Business, for the opportunity offered me to study at this level.

Finally, I wish to state that I am solely accountable for any flaws that this contribution to knowledge may contain.

ABSTRACT

The general objective of the study was to assess the extent to which a decrease in savings mobilization by Multi Credit savings and Loans affects the organization's shareholders, the profitability of the institution and the general administrative expenses. A questionnaire was used to collect responses from some selected field cashiers, whereas face-to-face interviews were adopted to acquire basic information from key management persons of the institution. The study discovered that, the major clients of the institution are individuals and small and medium enterprises (SMEs). Mobile bankers were found to be the primary means where the institution mobilizes savings from its clients. Further investigations revealed the managerial procedures for the mobilized funds. The study also revealed that, if branch heads do not achieve set targets for mobilization, they lose some allowances. The institution uses profit from its main operations and revenue generated from other sources to finance the organizational costs incurred. This means that if inadequate savings are mobilized, the impacts become severe and turns to affect every province of the organization. The study concluded that shareholders' have a share in the profit of the institution. So if inadequate savings are mobilized, profit decreases and this affects the investment levels of shareholders negatively. Further investigations also revealed how the company's reputation dwindles if inadequate savings are mobilized. The researcher discovered that, in worse case scenarios, when low savings are mobilized, salaries and other major expenses like rents and electricity will be financed through deposits made by the institution's clients. Therefore, recommendations were made to the institution to educate the mobile bankers on the implications of fraudulent acts and on how to educate small scale businesses to manage their businesses so they do not default in their loan repayments. The study was however limited by the geographical expanse of the study area, inadequate financial resources and time constraints also reduced the chances of contacting more respondents.

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CHAPTER ONE

GENERAL INTRODUCTION

1.1 Background of the study

The significance of savings and loans is acknowledged by most Heads of State and Governments, corporate bodies and other agents of development in the world over. A Savings scheme is a programme designed to encourage savings through small but regular deposits or automatic deduction from salaries or wages. Savings and credit scheme aims at poverty alleviation to poor and law income families Savings and credit schemes are becoming a beacon of hope to the developing countries. These institutions grant loans to members at reasonable rates of interest in times of need. The lent money helps entrepreneurs in impoverished societies to start essential businesses in their communities (Guilford 2007).

One process of micro lending that has been successful for people at both ends of the economic spectrum is a microfinance credit scheme. Socially conscious investors can go to Savings and credit schemes and invest whatever amount they want, and even choose the area where the money will go and what annual return they would like to earn on the money (Guilford 2007).

Credit Schemes then distributes the investment to the micro lenders that service the chosen area or project. The money is lent to the impoverished entrepreneurs who use the money to start or finance businesses that enables them to rise up out of poverty. The entrepreneurs repay the loan with interest, and the original investor has helped raise someone out of poverty and earns a return on his investment at the same time (ibid)

According to Guilford (2007) credit facilities enable impoverished persons to start businesses, rebuild after natural disasters like floods and hurricanes, and to receive both short- and long-term loans to meet their financial needs and improve their overall quality of life. The impact of micro lending is changing the economic landscape of the areas where it is most prevalent.

Magyezi (1999) states that savings act as collateral security for the savers to acquire more and bigger loans, he confirms that such practices promote saving culture. The extent to which savers benefit from the savings remain unclear as the credit providers attach very low interest to it

According to Hanning (1997) MFI clients who attend business education and other co-curricular activities provided by Savings and Credit Schemes save on sustainable basis compared to those who do not attend. Ndora (1999b) recommends that participants in Microfinance institutions should be encouraged to save in every training session in a bid to promote clients' saving. According to him, business education and saving culture should be encouraged in every training session in a bid to promote clients' saving culture.

Mulira (1991) contends that what Micro Finance Institutions do by establishing clients' interests and feeling through education is essential. He clarifies that education enhances learners' self-motivation by developing inquiring mind; they gain proficiency in speaking, reading, and writing and can communicate effectively as individuals or as groups.

He adds that business education develops attitudes for group work, social justice, cooperation, friendship and respect for humanity. Needham (1996) describes the need for education for developing participants' skills for transfer in the new and changing situations. It develops the creativity and potential for communication.

He explains that the participants apply a range of skills and techniques to develop a variety of ideas in the creation of new and modified products.One of the biggest challenges facing developing countries throughout the world, their development advisors and policy makers today is how they can find enough funds to ensure continuous development that can safeguard a life of dignity and hope for their people and their future.

Since the late 1970s the government of Ghana has tried to put in shape a developing obtuse in the economy of the country which is tending to deny the needed financial mobilization for banks and other financial institutions to operate at maximum capacity thereby playing their mandatory roles in ensuring the availability of sufficient funds for borrowing to undertake ventures and activities within various small scale businesses and individual trades with direct links to rapid growth and development (Ghana Statistical Service 2008).

A livelihood, according to a UN definition, is a set of economic activities, which may include self-employment and or wage employment and which enables a person to meet their individual, social and household (domestic) requirement. The core interest of financial institutions and other operators in the financial business arena is to ensure among others the following; higher Capital Mobilization, effective credit delivery and management, presence and management of stringent and prudent management information system and reduced levels of non-performing loans(Ghana Statistical Service 2008).

1.2 Problem Statement

The concept of savings and loans has been in Ghana since early 1960s with the establishment of the National Savings and Loans Bank. Before then there has been the traditional ways of people saving and/or taking small loans from individuals and groups in their communities in the spirit of self-help to start businesses, travel, farming, building, reconstruction, paying fines and medical bills etc.

With the government liberalizing the financial sector, a lot of Savings and Loans companies have been formed leading to the thinning and eventual dwindling of deposits and the mobilization of deposits. Some of these companies have not kept faith with their depositors and customers.

This has led to a high level of mistrust among the depositors. Some other companies have also put in place processes and procedures that have tend to hamper retrieval of deposits, thereby creating in the minds of depositors some barriers to their own money.

This affects deposits and mobilization significantly leading to serious challenges for an operating saving and Loans company. The inadequate mobilization has tricking down effects on the company revenue, sale, customer growth, employees morale among other. These have the potentials of resulting in absolute liquidity of the company.

Even though, there exists preponderance of works on the topic. The researcher wants to contribute general body of knowledge by assessing the effects of inadequate savings mobilization on the performance of Multi credit savings and Loans Company in Ghana.

1.3 Objectives of the study

The objectives of the study are divided into two. Namely: General and specific objectives. These are elaborated in the following sub-section.

1.3.1 General Objective

The general objective of this study is to assess the effects of inadequate savings mobilization on the performance of Multi Credit Savings and Loans Ltd in Ghana.

1.3.2 Specific Objectives

Specifically, the study seeks

1) To assess the effects of inadequate mobilization on the company's profitability/investment
2) To ascertain the effects of inadequate mobilization on Shareholders' investments and dividends
3) To assess the effect of inadequate mobilization on general administrative expenses

1.3.4 Research Questions

The following research questions were posed.

1) What are the effects of inadequate mobilization on the profitability and investment of Multi Credit Savings and Loans?

2) What are the effects of inadequate mobilization on the Shareholders' wealth of the company under review?
3) What are the effects of inadequate mobilization on the general administrative expenses?

1.5 Justification of Study

The study will help policy makers to understand the reasons for some of the problems faced by Savings and Loans Companies.

It will also help in ensuring that there is a significant mobilization and deposits of monies to ensure smooth operations.

Furthermore, the study will ensure that targets set for deposits are realistic and achievable and that there is the availability of security for contingencies and continued sustenance of the institutions.
This study therefore is not only important for understanding the impact of low deposits but also finding weaknesses in the processes of mobilization and withdrawals for redress which can form a key part of any policy making process and feed into the design and implementation of future development strategies for the institution studied.

The study will help in widening knowledge savings mobilization and performance of the company. It will review the improvement in the organization handling the financial statement and show equally the ways through which improvement could be accomplished finally this research will equally serve as a reference to students in this noble institution and other schools who may be interested to embark on a further research study of this nature and above all, report of this study shall definitely add to existing knowledge in research methodology.

1.6 Scope of the study

The scope of the study is divided into four main thematic areas. Namely, research design, geographical, context and time scope, the study deployed a mixed method strategy. Geographically, the study is limited to Multi credit Kumasi agencies. Contextually the study seeks to assess the impact of inadequate mobilization on savings and loans companies in Ghana. Time scope covers the last five(5) years of business operation, starting from 2008 and ending at 2012.

1.7. Limitations of the study

There are some limitations encountered by the researcher in the process of this research which limited the scope to only multi credit Kumasi agencies. These limitations are as follows; uncooperative attitudes of the respondents; the researcher could not get some necessary information from the respondents because of their negative attitude in their response to the questionnaires.

Time constraints; despite the time provided, it was not still enough for the researcher to go all the relevant places like banks and company to get relevant information and due to the combination of project and academics work.

Financial constraints; financial constraints is also another factor that limited the researcher to go to many branches of multi credit and even other financial organizations. The researcher lacked finance for transportation, electronic library etc. and as such was limited to only Kumasi agencies.

As may be common with studies of this nature, the time available was inadequate for detailed engagements and the information available to this study was not sufficient. Again most officers spoken to were busy most of the time and reluctant to give detailed information since they bordered in company and trade secrecy.

Poor record keeping and retrieval was also found to be one major factor influencing the information obtained for this study. The company considered for this study though had some record, seeking permission for retrieval and the appropriate authorization was a major setback and delayed the study unduly.

1.8 Organization of the study

This work is divided into five chapters. Chapter one introduces the study, defines the problem, and clarifies the objectives of the study and limitations and how the research is organized.

Chapter two reviews related literature. This covers objective and analytical reviews of the theoretical framework within which the study is conducted as well as previous essays, commentaries and accepted publications on the subject area. The study also relied on published material both in print and on accepted internet sites.

Chapter three focused on the methodology used in gathering data. It described the research design, the population, sampling procedures, and data gathering instruments, pre-testing technique, data collection procedures and methods of data analysis.

Chapter four focused on data presentation analysis and discussion of findings whilst Chapter five dealt with the summary of findings, conclusions, recommendations and suggestions for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In general savings and credit schemes have contributed much towards rural development and rural financial accessibility. This chapter presents what other researchers and writers have written about how savings and Credit schemes, financial accessibility, development and the relationship between savings and credit schemes and financial accessibility among others. The chapter ends with a summary.

2.2 Savings and Credit schemes

A Savings scheme is a programme designed to encourage savings through small but regular deposits or automatic deduction from salaries or wages. Savings and credit scheme aims at poverty alleviation to poor and law income families. Savings and credit schemes are becoming a beacon of hope to the developing countries. These institutions grant loans to members at reasonable rates of interest in times of need. The lent money helps entrepreneurs in impoverished societies to start essential businesses in their communities (Guilford 2007).

One process of micro lending that has been successful for people at both ends of the economic spectrum is a microfinance credit scheme. Socially conscious investors can go to Savings and credit schemes and invest whatever amount they want, and even choose the area where the money will go and what annual return they would like to earn on the money. Credit Schemes then distributes the investment to the micro lenders that service the chosen area or project. The money is lent to the impoverished entrepreneurs who use the money to start or finance businesses that enables them to rise up out of poverty. The entrepreneurs repay the loan with interest, and the original investor has helped raise someone out of poverty and earns a return on his investment at the same time (Guilford 2007).

2.3 Perspectives to Credit

Credit is an amount or sum placed at a person's disposal by a bank upon application and usually to be repaid with interest in a specified time (Longman Pitman Office Dictionary). A person to whom a debt is to be paid to is a creditor and the one who owes a debt is known as a debtor. Other authors argue that it is borrowed funds with specified terms for repayment.

According to Water field and Duval (1996) when there are insufficient accumulated savings to finance a business and when the return on borrowed fund exceeds the interest rate charged on the loan, it makes sense to borrow rather than postpone the business activity until sufficient savings can be accumulated assuming the capacity to service the debt exists. Turner and Turner (1994) argued that lending money is perhaps the most important of all banking activities.

Aryeetey et al. (1994) identified three sources of credit. These include formal, informal and semi – formal source. The formal sources of credit included financial institutions regulated by the banking laws. The informal were defined as activities that operated outside the scope of the banking laws and other financial sector regulations by the government. These include mutual assistance groups, money lenders and "Susu" collectors among others. The semi – formal (microfinance) combines some characteristics of the formal and that of the informal. Ghate (1992) found out that the formal source of credit can be distinguished by their officially recognized status and the fact that they are subject to at least some government regulations. The formal source of credit include credit unions, bank credits, co – operatives and donor – funded programmes. Out of these credit sources, donor – funded programmes tend to be most accessible to traders and farmers.

2.3.1 Perspectives to Credit Management

According to the small business development corporation (2007), they perceived credit management as "implementing and maintaining a set of policies and procedures to minimize the amount of capital tied up in debtors and to minimize the exposure of the business to bad debts". Others argue that credit management is a branch of accountancy, and is a function that falls under the label of "Credit and Collection". There is the risk of loss due to a debtor's non-payment of a loan or other line of credit (either the principal or interest (coupon) or both). Other authors argue that credit management may involve the policies and practices retailers follow in receiving payments from their customers.

At the point of agreeing a sale on credit, the creditor assumes that he will collect full payment on the due date; this assumption is flawed if no steps have been put in place to try and minimize the granting of a bad debt. It is important that these steps are instituted and followed before the credit is granted. The objective of credit management, from the ongoing discussion, is aimed at reducing bad debts and maximizing profits through a set of policies and procedures put in place by financial institutions.

2.4 The role of savings and Credit schemes

According to Guilford (2007) credit facilities enable impoverished persons to start businesses, rebuild after natural disasters like floods and hurricanes, and to receive both short- and long-term loans to meet their financial needs and improve their overall quality of life. The impact of micro lending is changing the economic landscape of the areas where it is most prevalent.

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Needham (1996) describes the need for education for developing participants' skills for transfer in the new and changing situations. It develops the creativity and potential for communication. He explains that the participants apply a range of skills and techniques to develop a variety of ideas in the creation of new and modified products.

2.4.1 Financial accessibility

According to Anupam et al (2004) Micro credit came into existence in the 1970s with programmes in Bangladesh and Brazil. This was based on solidarity group lending mechanism in which every member of the group guaranteed repayment of the loan by members. Early pioneers include Grameen in Bangladesh, Accion in Latin America and the self-employed women's association in India.

In Africa, Nigeria is the only African Country south of the Sahara of which it is documented that microfinance existed at least as early as 500 years before, namely in the form of rotating savings and credit associations. They are called esusu among the Yoruba in Nigeria, now a lingua franca term in many West African countries. As a form of social capital, the esusu was transported during the slave trade to the Caribbean islands, where both the institution and the term still exist today; they are now being carried to major American cities by a new wave of migrants who are banked on their new environment (Seibel 2005).

According to Food and Agricultural Organization (FAO) Economic and Social Development Department (2002) in their document, “savings mobilization to microfinance: A historical perspective on Zimbabwe”, it is stated that the first savings club in Eastern Africa was started by a Catholic missionary, Brother F. Waddelove, in 1963. This is certainly true of what came to be known as the savings movement in Zimbabwe. However the idea of developing means of saving amongst the poor in Zimbabwe, pre-dates the savings movement, and can be traced to the emergence of burial societies from the early years of colonial occupation after 1890.

Burial societies were developed by migrant workers, often from outside of what was known as Rhodesia, namely Portuguese East Africa and Nyasaland, to both assist newly arriving migrants and assist with funeral arrangements of such workers. The average size of these societies was between 10 and 100. Most had a formal leadership structure of Chairman, Secretary and treasurer, with some producing formal constitutions even at this early stage. In terms of fees, family, members paid a joining fee and monthly subscriptions. In the event of a death in the immediate family, members were paid a lump-sum payment.

2.4.2 Measures of financial accessibility

According to Stiglitz and Weiss (1981) interest rates charged by a credit institution are seen as having a dual role of sorting potential borrowers (leading to adverse selection), and affecting the actions of borrowers (leading to the incentive effect). Interest rates thus affect the nature of the transaction and do not necessarily clear the market. Both effects are seen as a result of the imperfect information inherent in credit markets. Adverse selection occurs because lenders would like to identify the borrowers most likely to repay their loans since the banks' expected returns depend on the probability of repayment. In an attempt to identify borrowers with high probability of repayment, banks are likely to use the interest rates that an individual is willing to pay as a screening device.

However, borrowers willing to pay high interest rates may on average be worse risks; thus as the interest rate increases, the riskiness of those who borrow also increases, reducing the bank's profitability. The incentive effect occurs because as the interest rate and other terms of the contract change, the behavior of borrowers is likely to change since it affects the returns on their projects. Stiglitz and Weiss further show that higher interest rates induce firms to undertake projects with lower probability of success but higher payoffs when they succeed (leading to the problem of moral hazard).

Bell (1990) demonstrates that incomplete information or imperfect contract enforcement generates the possibility of loan default and eventually problems of credit rationing. The result is loan supply and implicit credit demand functions, both of which are simultaneously determined. The role of risk in allocation of credit through its effect on transaction costs, therefore, becomes important in incomplete credit markets.

Accordingly, where default risk exists, with an upward sloping supply curve, lenders offer borrowers only a choice of points on the supply curve, and borrowers are restricted to these points. It is impossible to identify the loan demand schedule using the observed loan amounts since these only reflect the existing supply. The credit demand function can only be interpreted from the borrower's participation decision, i.e., the decision to borrow or not, and from which sector to borrow. Such a decision will depend on, among other things, the borrower's economic endowment and opportunities.

The credit demand schedule identification problem therefore implies the existence of credit rationing. Commercial banks and other formal institutions fail to cater for the credit needs of smallholders, however, mainly due to their lending terms and conditions.

It is generally the rules and regulations of the formal financial institutions that have created the myth that the poor are not bankable, and since they can't afford the required collateral, they are considered Unicredit worthy (Adera 1995). Hence despite efforts to overcome the widespread lack of financial services, especially among smallholders in developing countries, and the expansion of credit in the rural areas of these countries, the majority still have only limited access to bank services to support their private initiatives.

2.5 Appraisal Procedures before Granting Loan

Appraisal procedures before granting loan in microfinance institutions has been receiving increasing attention because it minimizes the amount of capital tied up in debtors and the exposure of the business to bad debts. According to Edward (1990), a manual of credit and collection procedure is not a "bureaucratic nonsense" but rather a sign of a well-organized approach to investment in debtors by a profit conscious management. According to Kent (1966) safety is the watch word in commercial lending activities.

He further asserted that judgment or the safety of a loan outlet is generally said to be based upon the threefold criteria of character, capacity and capital. Character here refers to the personal integrity of the prospective borrowers of their obligation to the bank without default of any kind. Capacity also measures the managerial ability of the prospective borrowers (ability to use the facility wisely and efficiently to achieve set goal).

Capital is the measure of the borrowers own resources to which the loans of the bank will be added. Kent (1966) agrees with Ahead (1996) that to arrive at a judgment of the character, capacity and capital of a loan application, the credit department of a bank should draw upon several sources of information including final account and others. According to Graham et al (1990) there are four elements of establishing credit policy namely: The Company's preparedness to offer credit. The standard to be applied in taking decisions to grant a credit to a customer, how much credit a customer should receive, Under what terms will credit be granted?

When credit has been offered and accepted, the bank must then seek to ensure that the promised amount is paid.

2.6 Methods of Credit Delivery

Methods of credit delivery can generally be divided into two broad categories of individual and group approaches based on how the MFI delivers and guarantees its loan Water field and Duval, (1996). That is: Individual loans are delivered to individuals based on their ability to provide the MFI with assurances of repayment and some level of security. Group-based approaches give loans to a group that are, either to individuals who are members of a group and guarantees each other's loan or to groups that sub loan to their members.

2.6.1 The Credit Process

The credit process also known as the loan acquisition process of most MFIs involves four basic functions Eric Compton, (2004). These are:

2.6.1.1 Business development and credit analyses

Where would a bank be without customers? Under this process the institution seeks to market its services to existing and potential customers. With lending, it identifies new credit customers as well as maintaining relationships with current customers. The normal starting point for any business development effort is marketing research. The purpose is to forecast the demand for banks services.

2.6.1.2 Credit analyses

Once a customer requests a loan, lending officers analyze all available information to determine whether the loan meets the institutions risk-return objectives. The institution also evaluates a borrower's ability and willingness to repay. Eric Compton, in 2004, identified three distinct areas of commercial risk analyses related to the following questions.

a. What risk is inherent in the operation of the business?

b. What have managers done or failed to do in mitigating those risks?

c. How can a lender structure and control its own risk in supplying funds.

One of the most important aspects of credit analyses is determining the customers desire to repay the loan.

2.6.1.3 Credit execution and administration

The formal credit decision can be made individually by an underwriting department, or by committee, depending on a bank's organizational structure. This structure varies with a bank's size, number of employee, and the type of loans handled. A bank's board of directors normally has the final say over which loans are approved. Once the loan has been approved, the officer notifies the borrower and prepares a loan agreement.

This agreement formalizes the purpose of the loan, the terms, repayment schedule, collateral required, and any loan covenants. It also states what conditions may be included such as the principal and interest payment, the sale of substantial asset, declaration of bankruptcy, and breaking any restrictive loan covenant. The officer then checks that all documentation is present and in order. The borrower signs the agreement along with other guarantors, turns over the collateral if necessary, and receives the loan proceeds.

2.6.1.4 Credit review

The loan review effort is directed at reducing risk as well as handling problem loan and liquidating assets of failed borrowers. Effective credit management separates loan review from credit analyses, execution and administration. The review process can be divided into monitoring the performance of existing loans and handling problem loans. Many banks have a formal loan review committee that reports directly to the chief executive officer and directors to verify that the borrower's financial condition is acceptable, loan documentation is in order, and pricing meets return objective. If the audit discovers problems, the committee initiates corrective actions.

2.6.6 Principles of Lending

Elisabeth Rhyne and Sharon L. Holt, in the year 1994, identified four distinct principles of lending and these are:

2.6.7 Offer Services that Fit the Preferences of the Customer/Entrepreneurs

Give short-term loans because they are compatible with enterprise outlay and income patterns.

Full repayment of one loan brings access to another. Repeat lending allows credit to support financial management as a process, not an isolated event so MFIs or banks should give repeat loan. Money lenders must allow relatively unrestricted use of the money given to customers. While most programs select customers with active enterprises (and thus cash flow for repayment), they recognize that clients may need to use funds for a mix of household or enterprise purposes, while emphasizing the latter. In order to be customer-friendly, MFIs/banks should locate outlets close to customer/entrepreneurs; use extremely simple applications (often one page), and limit time between application and disbursement to a few days. They should also develop a public image approachable by poor people.

2.6.8 Streamline Operations to Reduce Unit Costs

Money lenders should develop highly streamlined operations, minimizing staff time per loan and standardize the lending process. Also applications should be very simple and should be approved on the basis of easily verifiable criteria, such as the existence of a going enterprise. MFIs should maintain inexpensive offices and select staff from local communities, including people with lower levels of education than staff in formal banking institutions.

2.6.9 Motivate clients to repay loans

MFIs/banks should substitute for pre-loan project analysis and formal collateral by assuming that clients will be able to repay. They should also concentrate on providing motivation to repay the loan. Money lenders should use incentives such as guaranteeing access to loans, increasing loan sizes and preferential pricing for all who repay promptly. Institutions that successfully motivate repayments also develop staff competence and a public image that signal that they are serious about loan collection.

2.6.10 Charge full-cost interest rates and fees

The small loan sizes necessary to serve the poor still result in costs per loan which require interest rates that may be significantly higher than commercial bank rates (though significantly lower than informal sector rates). Poor customers/entrepreneurs have shown willingness and ability to pay interest rates, higher than commercial bank rates, for services with attributes that fit their needs.

2.7 The relationship between credit schemes and financial accessibility

Hulmes and Mosley (1996) found that there is a positive impact of the MFI programmes on borrowers income (the poor), with an average increase over the control group ranging from 10percent-12percent in Indonesia, to around 30percent in Bangladesh and India. However, their study found that for the very poor, loan impacts on income are on average, small or negative in comparison to the control group.

Sebstad and Snodgrass (2002) examined the impact of MF programmes on opportunities (income, assets, and employment), capabilities (education, nutrition), vulnerability (coping strategies and financial shocks), and employment (participatory decision making, self esteem, women's roles) at the individual levels, households, and enterprise levels. The study was based on three MFIs, namely; SEWA bank in India, Zambuko Trust in Zimbabwe and Accion Communitarian del Peru, which offered loans to their clients with SEWA also offering voluntary savings services.

The study revealed the overall impact of these MF programmes on the clients (comprising 46percent below world's Bank poverty line in SEWA, 4percent in Accion and 34 percent in Zambumko) as very moderate. Coleman (1999) found no evidence linking months of access to a village bank program on any asset or income variable and no correlation between loan access from village bank and increased productive activity, while Pitt and Khandker (1998) study estimated that 5 per cent of participants' households were pulled above the poverty line annually.

Overall, the impact of MFIs' credit programmes is positive among the middle to upper income poor but rather unclear to the very poor clients. Studies by Yaron et al. (1998) depicts such Rural Financial Institutions (RFIs); GB in Bangladesh, Bank of Agriculture and Agricultural Co-operatives (BAAC) in Thailand, and Village Banks (Unit Desas, BRI-UD of Bank Rakyat Indonesia BRI) as being largely successful in achieving the primary performance objectives of outreach and self-sustainability in poverty reduction. BAAC served about 76 per cent of borrowers of the Thai farming households, while the BRI-UD credit reached approximately 5 per cent of all the Indonesian households (1.9 million households) with as many as 14.5 million households' savers. These numbers grew to 2.5 million loan accounts and a phenomenon 16.2 million deposit account in 1996.The GB had 2.06 million clients and provided an estimated 36 per cent of the total credit to the poor Bangladesh people.

2.8 Conclusion

In the above literature much has been said about savings and Credit Schemes and how they lead to financial accessibility. However, only a paucity of the writer's talks about whether the savings and credit schemes are serving the people satisfactorily and using the best strategy and the impacts of inadequate savings mobilization on the growth of major stakeholders in the industry such as customers, management, and investors. This study will be mainly concerned with finding out whether inadequate savings mobilization has impact on the savings business.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0. Introduction

This chapter focused on the techniques and methods used by the researcher to carry out the study. It covered the research design, sample and sampling techniques, data collection techniques and data analysis.

3.1. Research Design

The research was an exploratory and judgmental study which gathered preliminary information that defined problems and suggested improvements in the area of mobilizing funds; sought new insight; asked questions and assessed credit management practices of Multi Credit Savings and Loans Ltd. To achieve these purposes, analytical sample survey was used to collect some amount of data from sampled respondents out of a large population. This method was used because in a research study where questionnaires and interviews are deployed, the survey becomes the most appropriate and common instrument for data collection Gray (1987). It was conducted using two Multi Credit institutions as studies.

3.2. Population

Parahoo (1997:218) defines population as "the total number of units from which data can be collected", such as individuals, artifacts, events or organizations. Burns and Grove (2003:213) describe population as all the elements that meet the criteria for inclusion in a study. Burns and Grove (2003: 234) define eligibility criteria as "a list of characteristics that are required for the membership in the target population". Due to the nature of this study, the population consisted of key management persons at Multi Credit Head office at Bantama, and the branch manager of a selected branch.

3.3 Sample and Sampling Technique

Due to factors such as, budget constraints, time constraints, and quickness of data collection, a sample size of 20 workers, 6 of which included key management persons, and the rest being field cashiers and internal staff, were selected. Convenience non-probability sampling technique was used, thus, the researcher was present at their premises at a particular time and the probability of the respondents being selected was unknown. The sample size was based on certain characteristics or criteria set by the research such as position held and number of years worked with the institution.

3.4 Sources of Data

This thesis uses both primary and secondary data.

3.4.1 Primary Data

This is the kind of data that is collected at first hand. In this research the main instrument used in collecting the primary data is the use of questionnaires.

3.4.2 Secondary Data

This type of data collection is the one based on already existing data. Secondary data for this thesis are collected from literature (books, journals, articles, magazines, etc.) internet, and databases. The banks operational manual and policy documents were also studied for some information. Books from libraries and on-line formed the substantial part of the literature review.

3.5 Data Collection Instruments

In view of the nature of the topic, it was realized that both questionnaires and face-to-face interview would be the main and the most appropriate instrument to use. Questionnaires are an inexpensive way to gather data from a potentially large number of respondents. The researcher gave a serious thought to the wording of individual questions. This was done to ensure that respondents answered objectively to the questions in the questionnaire.

The questions were in the open ended and closed or forced choice-format. In the open ended question, the respondents formulated their own answers. In closed format, respondents were forced to choose between several given options. The open ended format allowed exploration of the range of possible themes arising from an issue. It was used where a comprehensive range of alternative choices could not be compiled.

The closed or forced choice-format was easy and quick to fill and also minimized discrimination against the less literate (in self-administered questionnaire) or the less articulate (in interview questionnaire). It was easy to code, record, and analyze results quantitatively and easy to report results (Leung, 2001)

3.6 Data Analysis

Data analysis is concerned with examining, categorising, and tabulating sources of evidence to address the initial proposition of the study. Analysing data is an essential component of case study research, but it is often difficult because the strategies and techniques for coding and testing this evidence are the least defined (Yin, 2009).

Before analyzing the data, the data will be cleaned up to remove possible errors to ensure accuracy and consistency. Quantitative data were analyzed, summarized, and interpreted accordingly with the aid of descriptive statistical techniques such as total score and simple percentage. Microsoft Excel and Statistical Product and Service Solution (SPSS) were used. .

3.7 Validity of instrument used

The validity of the instruments used in this research work where highly controlled by the researcher. There is clear information as how to complete the questionnaire by the respondents and the researcher personally administered and collected them to ensure high rate of turn.

3.8 Reliability of instrument used

The truthfulness of the instrument used in collecting data cannot be defined. This is because analysis relied on future researchers. Reliability of instrument can be based on the statistical roll employed as used for data analysis. Questionnaires were tested by an accountant who makes it reliable and they assist the researcher in achieving the aims and objective of the research questions and hypothesis which are also to be tested.

3.9 Organizational profile – multi credit savings and loans Limited

Multi Credit Savings and Loans Limited (MCSL) was incorporated as a private limited liability company on August, 9, 1999 under the Ghana Companies Code, 1963 (Act 179). MCSL was incorporated as a non-bank financial institution to operate a savings and loans business in the country. The Institution was granted an operating license by the Bank of Ghana under the Non-Bank Financial Institutions (NBFI) Law (PNDCL 328) of 1993 on November, 20 1999 to accept deposits from the public and provide credit services to businesses and consumers. MCSL commenced official business on August 9, 1999 after it had received a certificate to commence business on November, 9 1999 MCSL's authorized business is to carry on savings and loan services. The Institution was established purposely to engage in micro-financing activities through the mobilization of savings from the retail public – mainly households and small business enterprises – and the provision of credit largely to its target group (micro and small businesses). The target group oriented credits are usually linked to savings. MCSL started operations on August 9, 1999 at the upper floor of its building at Bantama, the capital city of the Ashanti Kingdom.

Vision Statement The vision of Multi Credit Savings and Loans Limited is to create an excellent institution and be a leader in the provision of quality financial services to the micro and small enterprise sector in Ghana.

Mission Statement

Multi Credit Savings and Loans Limited commenced operations with the mission “to offer convenient access to efficient, innovative and responsive financial services to the micro and small scale entrepreneur on a sustainable basis for the mutual benefit of all stakeholders”.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSIONS OF FINDINGS

4.0 Introduction

The chapter presents the analysis of data and findings obtained from the staff of Multi Credit Savings and Loan Limited in Kumasi (Adum and Bantama Branches) with particular reference to the established objectives of the study as well as variables identified from literature.

As indicated in the previous chapters, this study deployed descriptive survey approach to study variables. Before analyzing the data, it was first cleaned up to remove possible errors to ensure accuracy, consistency, uniformity and completeness. For the purpose of this research and for accuracy of information, and as indicated earlier on, two branches of Multi Credit Savings and loans ltd were examined, including the head office at Bantama. Six(6) out of 20 respondents interviewed held key managerial positions, namely the Operations Manager at the Head Office, two(2) branch managers from the various branches, two(2) Accountants from separate branches, and the Estate Manager. The fourteen(14) other respondents consisted of four(4) internal staff members from the two branches and ten(10) field cashiers, formally known as mobile bankers. The figure below summarizes the various respondents from the two branches:

Table. 1 Respondent from Head Office

Positions held	No. Of yrs worked	No. Of respondents
Operations Manager	7 years	1
Branch Managers	More than 6 years each	2
Accountants	More than 5 years each	2
Estate Manager	More than 5 years	1
Staff Members	More than 4 years each	4
Field Cashiers	2 years and above	10
TOTALS		**20**

4.1 RESPONSES FROM THE SURVEY

4.1..1 Sources of Mobilizing deposits And Procedures Of Multi Credit Savings And Loans Limited

Multi Credit Savings and Loan Limited in Kumasi like any other financial institution provides among others the following services;

1. Susu collections
2. Granting of Loans,
3. Money transfer
4. Safe keeping of valuables
5. Fixed Savings and Current deposits

The financial institution has field cashiers who go into the field to collect deposits from clients at the clients own convenience. According to the Head of Operations, Mr. Akwaboah at the Head Office, about 80% of the deposits mobilized by the institution are obtained from this mode of service rendered. Traditionally, this method is known as the “susu” collection.

Another service the financial institution renders is granting of loans. With respect to credit management policies and procedures, the institution stated that once a customer requests for a loan, their lending officers analyze all the available information to determine whether the applications meet the institutions' risk-return objectives. They also evaluate the borrower's ability and willingness to pay based upon the threefold criterion of character, capacity and capital. In terms of Character, the institution looks at the personal integrity of the prospective borrowers of their obligation to the institution without default of any kind. With Capacity, they measure the managerial ability of the prospective borrowers (ability to use the facility wisely and efficiently to achieve set goal). Also with capital, they measure the borrowers own resources to which the loans will be added. The institution also performs a loan review process aimed at reducing risk as well as handling problem loan and liquidating assets of failed borrowers. This process seeks to monitor the performance of existing loans and help to reduce the rate of bad or default loans. The institution also has a formal loan review committee that reports directly to the directors to verify that the borrower's financial condition is acceptable and loan documentation is in order. If the audit discovers problems, the committee initiates actions. Example disapproving the loan request. From the survey, the institution has resorted to these policies and procedures which they perceive will minimize the amount of capital tied up in debtors. Multi Credit Savings and Loans also have a prompt payment policy which seeks to award a portion of the interest charged to clients who repay their loans before the due date. This offer aims at ensuring that clients pay their debts in time. According to the branch managers, these loans are offered to the public at a fee known as the interest rate. From the information above, we can conclude that the institution mobilize funds through the interests charged on loans granted.

4.1.2 Requirements of Granting Loans

On the issue of loan requirements, the credit manager of Multi Credit and Savings and loans stated that loans are given to customers with good account operations, permanent place of business and a credit worthy customer. The institution also requires collateral/security which usually depends on the volume or amount of risk they are exposed to. Facilities which are above GH¢10000 requires a security in the form of a vehicle or land/building together with a guarantor. Other facilities just require a saving/deposit with them for a time period and a guarantor. The information given shows that clients are systematically appraised by the MFIs before a loan is approved for them. The collaterals/securities charged make it difficult for clients to default in loan payment thereby reducing the MFIs exposure to bad debt.

Moreover, data obtained from the staff indicates that the institution asks customers for their personal information, the number of years they have been in operation, collaterals, financial statement of their businesses and previous savings records. In a case of a start-up business, clients are asked to provide their business plan and if possible, a projected financial statement.

Another means of mobilizing funds or acquiring capital by Multi Credit is through Money transfer. Money transfer is generally the electronic means of transferring sums of money from one destination to another, (Elisabeth Rhyne and Sharon L. Holt, 1994). According to the survey, clients walk in and request to transfer money electronically to family and friends, mostly outside the country. The Operations Manager of Multi Cerdit stated that, the institution offers this service at a commission. Meaning that, at the end of the day, if total sums of money are reimbursed to customers who have made transfer of monies, the institution's commission is also reimbursed to her.

Related to the above service is the safe keeping of valuables, where clients entrust Multi Credit with valuables, being it cash (mostly foreign currencies), jewelries, and so on, for safe-keeping, at a commission charged by the bank.

These services rendered earn Multi Credit commission which serve as a source of revenue to the institution.

The entire above mentioned are means this financial institution use to acquire savings or mobilize funds from its clientele.

4.1.1.1 Clientele of Multi Credit Savings and Loans and Means of Deposits

The clientele of Multi Credit Saving and Loans Ltd were mainly individuals, SMEs, private corporations and other business entities, as attested by all 20 respondents. This means that the growth and downfall of Multi Credit Savings and Loans has got a link with various SMEs operations. According to the Adum Branch Manager, the major clientele of Multi Credit Savings and Loans ltd are individuals and SMEs.

The survey discovered that, there are basically four major means through which these clients make deposits to the institution. These include through;

- field cashiers (mobile bankers),
- personal deposits (customer walk-ins),
- door-to-door and
- the use of vans to collect from enterprises.

Multi Credit Saving and Loans Ltd used high interest rates on deposits as innovative schemes and access to deposit to attract depositors. Another innovative scheme used to attract depositors was access to credit. This indicates that customers kept dealing with the financial institution because of the interest rates and easy access to deposits.

4.1.2. Managerial Procedures For Mobilized Funds

From the survey, once deposits are received, individuals' accounts are credited accordingly. According to the various branch Heads and the Head of Operations, exactly 70% of total deposits received are given out as loans to individuals or enterprises, and the remaining 30% is invested by the institution to generate interest income which also becomes revenue to the financial institution.

It can therefore be observed that, the three (3) main sources of income to Multi Credit Savings and Loans Ltd are:

- interest received from loans granted
- interest received from other investments
- commission generated from services rendered such as money transfer

These incomes, according to the Operations Manager, serve as profits to the financial institution, and they are used to cater for some of the following costs/expenses:

- pay up shareholders' dividends
- cater for the institution's fixed and variable costs
- plough back

4.1.2.1 Who are Multi Credit's Shareholders?

According to the Advanced Oxford Learners Dictionary, any person, company or other institution that owns at least one share of a company's stock is known as Shareholder. Shareholders are company's owners. They have the potential to profit if the company does well, but that comes with the potential to lose if the company does poorly. The profit these shareholders derive is called dividends.

According to the Head of Operations, Multi Credit Savings and Loans has in all ten(10) shareholders, but a list of only eight(8) of them were ascertained. The list below shows the various shareholders of the institution:

Shareholders of Multi Credit Savings and Loans (In no particular order)

- Nana Yaw Adjei
- Daniel Ofori
- Owusu Hemeng
- Robert Donaldy
- Kwabena Otchere Sarpong
- Stephen Boateng
- Eunice Appiah
- Kwabena Brobbey

These shareholders invest their monies into the operations of the company by purchasing shares issued by the company. At the end of the accounting period, they earn profit for their investments, known as dividends. Upon the survey, it was discovered that Multi Credit pay these shareholders out of the profits that are accrued from the mobilized funds. “Dividends are paid based on the respective contributions of shareholders”, (Operations Manager, Multi Credit Savings and Loans)

Furthermore, from the survey, the Adum Branch Manager of Multi Credit Savings and Loans, Mr Alex Adjei, admitted that, profits generated by the institution are also used to finance the general administrative costs of the institution, be it fixed or variable costs.

4.1.2.1.1 Difference between Fixed and Variable Costs

“A fixed cost is a cost that does not change with an increase or decrease in the amount of goods or services produced. Fixed costs are expenses that have to be paid by a company, independent of any business activity. It is one of the two components of the total cost of a good or service, along with variable cost." (Investopedia US, 2014). Examples of fixed costs incurred by the institution under review include

- Depreciation. This is the gradual charging to expense of the cost of a tangible asset (such as production equipment) over the useful life of the asset.
- Insurance. This is a periodic charge under an insurance contract.
- Property taxes. This is a tax charged to a business by the local government, which is based on the cost of its assets.
- Rent. This is a periodic charge for the use of real estate owned by a landlord.
- Salaries. This is a fixed compensation amount paid to employees, irrespective of their hours worked.
- Utilities. This is the cost of electricity, gas, phones, and so forth. This cost has a variable element, but is largely fixed.

Variable costs on the other hand, are costs that vary with the level of output. Unlike fixed costs which remain fixed regardless of outputs, variable costs are in direct proportion with the level of production, thus they rise whenever production increases, and falls when production falls. Examples of such costs incurred by Multi Credit include the following:

- Production supplies. Things like machinery oil are consumed based on the amount of machinery usage, so these costs vary with production volume.
- Commissions. Salespeople are paid a commission only if they sell products or services, so this is clearly a variable cost.
- Freight out. A business incurs a shipping cost only when it sells and ships out a product. Thus, freight out can be considered a variable cost.

These are examples of the many costs incurred by Multi Credit and they are catered for or financed from the income received from the mobilized deposits.

"Sometimes too the company just decides to use the revenue to open up an additional branch for the institution. This I call "plough back". This explains why we have about 55 branches in Ghana currently, and we are still counting"- Head of Operations, Mr. Akwaboah, Bantama Branch.

4.1.3 Does the Company Set Targets for Deposit Mobilization?

According to the Operations Manager, target setting and measurement is one of the strategies used by Multi Credit to assess individuals' performance, be it a manager or field cashier. It was mentioned that, all targets are assessed on quarterly basis and they come from the Head Offiice at Bantama. Managers and field cashiers lose their allowances once they refuse to meet the quarterly target. Bonuses are paid once targets are met. Below is a table of the targets of some various branches in Ashanti Region:

Table 3. Branches and their targets

BRANCH	YEARLY TARGET (GHS'000)
Bantama	15,000
Alabar	6,000
Adum	12,000
Tafo	3,000
Konongo	1,500

It was observed from the survey that, when these targets are made, the respective branch managers are attributed their share of the targets, and they in turn apportion it on the bases of field cashiers, such that if field cashiers do not meet their respective targets, as mentioned earlier on, they lose their commissions and field allowances. This in turn affects the Branch

Head to lose his or her performance allowance. On the other hand, as mentioned earlier on, if these targets are exceeded, allowances are paid to them.

4.1.4 MOBILIZATION TREND FROM 2008 TO 2013

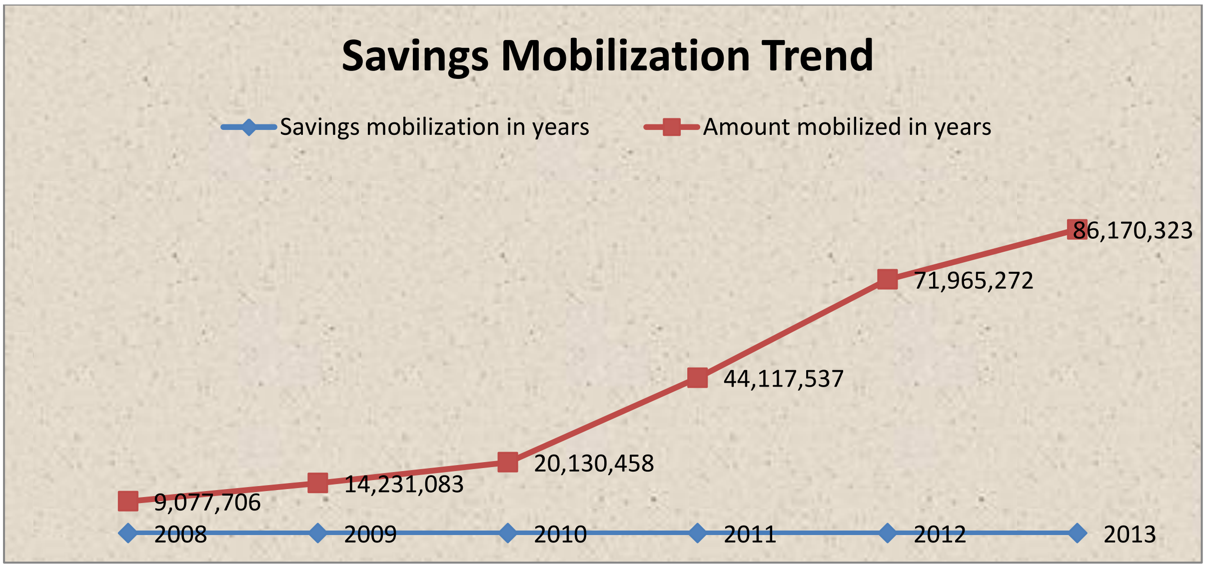
Table 4

The table below elucidates the mobilization trend at the institution's head office at bantama from 2008 to 2013.

YEAR	AMOUNT MOBILIZED (GHS)	% INCREASED
2008	9,077,706	3.69
2009	14,231,083	5.79
2010	20,130,458	8.19
2011	44,117,537	17.96
2012	71,965,272	29.29
2013	86,170,323	35.07
TOTALS	**245,692,379**	**100%**

Source: The Annual financial statements of the period under review.

Figure 4.1 Savings Mobilization Trend Analysis



Source: Field Survey, 2014

4.1.4 Effects of Low Mobilizations

The study discovered that though Multi Credit Savings and Loans has not experienced any tremendous decline over the past years in its savings mobilizations in the various branches under study, the following major parties will greatly be affected by the outcome of low mobilization if ever experienced in the institution. They include;

- shareholders,
- profitability/investment level
- general administrative expenses

As stated earlier on, shareholders use their wealth to finance the institution by purchasing shares from it. At the end of the accounting period, they receive profits called dividend. Now from the survey, it was realized that, in the event of low mobilization (and in worse cases bankruptcy), shareholders are placed under the following category:

i. preferred shareholders

ii. common shareholders

According to Professor Joseph Magnus Frimpong 2014, like common stock, preference shares represent partial ownership in a company, although preferred shareholders do not enjoy any of the voting rights of common stockholders. Also unlike common stock, preference shares pay a fixed dividend that does not fluctuate, although the company does not have to pay this dividend if it lacks the financial ability to do so. He further explained that, the main benefit to owning preference shares are that the investor has a greater claim on the company's assets than common stockholders. Preferred shareholders always receive their dividends first and, in the event the company goes bankrupt, preferred shareholders are paid off before common stockholders.

From the above explanations, when Multi Credit Savings and Loans fail to mobilize adequate saving mobilization, the shareholders, especially common shareholders, lose their profits. This according to the Branch Manager for Bantama, will result to a decrease in the level of shareholdings since more investors will be discouraged to invest in a low earning institution.

Furthermore, the overall profit of the institution dwindles if adequate savings are not mobilized. According to the survey, the institution sometimes uses part of its profit to invest in other institutions like the Central Bank of Ghana, to enable it generate additional income for sustainability and growth. It can therefore be observed that if adequate savings are not generated, the level of investment in other institutions also diminishes. Now, according to the Operations Manager, the Bank Of Ghana periodically inspects the activities of Multi Credit Saving and Loans, to ensure that all activities comply with the rules and regulations of the Central Bank. They inspect their internal affairs and their audited financial statements to attest to the fact that they reflect a true and fair view.

Mr. Akwaboah further stated that, if it comes to the notice of the Central Bank Of Ghana(BOG) that Multi Credit Savings and Loans is not performing up to expectations, and that the financial institution is continually “fading out”, then BOG can implant its own managers to control internal affairs, and put the institution up to a reputable standards where it can make enough profits. He further explained that, the BOG sets in such worse situations because if a Savings and Loans institute should collapse, it will undermine their credibility as the nation's central bank, which controls all other financial institutions.

Another area of concern in the event of a low saving mobilization is the impact on the general administrative cost of the institution. These costs as stated earlier on include both fixed costs such as depreciation, insurance, property tax, salaries, rent, etc and variable costs such as production supplies, commissions to field cashiers, etc. According to the Branch Accountant at Adum, Mr. Samuel Adjei Anaman, salaries of workers must be paid whether the company does well or not. If adequate savings are however not mobilized though the branch has not yet experienced such scenario before, the institution will be forced to pay off salaries from the amount of deposits made by the institution's clients. Low savings mobilizations can as well affect many administrative costs such as:

- inability to pay for rent
- inability to pay for insurance
- failure to finance for depreciation and wear and tear in other fixed intangible assets

Upon further research, it was discovered that, low savings mobilization can lead to a form of organizational risk known as Reputation Risk. This risk stems from the public perception of an institution. Reputation risk can be particularly damaging, for financial intermediaries, since savings mobilization requires earning the trust of depositors, creditors, and the public at large. According to the Operations Manager, reputation risk is very difficult to measure, but must be monitored constantly. It takes time for a savings institution to build a trustworthy reputation in the local market. He further stated that, this reputation can be ruined instantly if institution does not manage its savings mobilization adequately. As a clear example, clients will lose confidence in the institution if they are aware of a liquidity crisis, and subsequently, are likely to transfer their savings to another institution or to an alternate form of savings as a result.

Further studies also reviewed the following impacts as a result of low savings mobilization:

- Sustainability becomes a major issue
- Employees morale are reduced as a result

On this note one can confidently say that, there will not be effective organizational growth when there is inadequate mobilization.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents findings summarized from the interpretation and discussions in the previous chapter, a drawn conclusion from the major findings and some recommendations.

5.1 Summary of findings

Based upon the investigations, it was found out that Multi Credit Savings and Loans ltd render various services to its clientele, some of which include the traditional method of mobilizing funds popularly known as “susu”, granting loans, money transfer, safe keeping of valuables, fixed and current deposits.

It was also determined that the institution in granting loans to clients required that they are credit worthy and that, they have existing businesses. In order to qualify for loans, collateral in the form of a savings deposit with the institution, guarantor who should save with the institution, vehicle or land are examples of the many collaterals that need to be provided.

Also clients whose salaries are paid them through the institution serve as collateral to secure loans. These buttress the point that the institution, one way or the other, request for collateral/security from their client before loans are granted them.

The various measures taken by the institution to reduce the rate of loan default risk were also analyzed.

The study also revealed that the major clients of Multi Credit Savings and Loans are individuals, SMEs, private corporations, and other business entities. However, the Adum Branch Manager, Mr. Alex Adjei, revealed in the study that the main clients are individuals and SMEs.

The study again revealed the various means through which these clients deposit to the institution. These are through field cashiers, by personal deposits also referred to in the study as customer walk-ins, door-to-door collections, and the use of vans to collect from enterprises Upon investigations, it was found out that as soon as these deposits are received, individual accounts are credited respectively. 70% of the mobilized funds is further given out to the public as loans, whereas the 30% is invested by this institution.

It was further discovered that there are three(3) main ways Multi Credit Savings and Loans generate income to facilitate its operations namely; interest received from loans; interest from other investment; and commission generated from services rendered like money transfer.

These incomes upon further investigations were found to be used by the institution to settle costs as;

- Pay up Shareholders' dividends
- Cater for the institution's fixed and variable costs
- Plough back into the business. That is by opening additional branches of Multi Credit Savings and Loans.

Through the administration of questionnaires and the granting of interviews, it was found out that every branch of the institution receives yearly targets from the head office. According to the operations manager, branch managers and affected field cashiers lose their allowances if the targets are not achieved. The various yearly targets for about five(5) branches within Kumasi Metropolis were outlined in the previous chapter.

Furthermore, it was discovered that, from 2008 to 2013, the overall savings mobilization of Multi Credit Savings and Loans Ltd has consistently increased from a percentage of 3.69 to about 35.07%. The graphical representation of the Savings mobilization trend analysis was shown in fig 4.1 of the previous chapter.

5.2. Conclusions

Based on the above discoveries the study is therefore concluded as follows:

The study concludes that, the largest clientele of Multi Credit Saving and Loans Ltd are SMEs followed by Public Servants, Private Corporations and other business operators.

It was again concluded that, Mobile bankers are mostly used as a method of deposit collection with less emphasis on the customer walk-in method. Now on a personal observation, if these field cahiers are not credit worthy, they can lead the institution to lose huge sums of money.

The institution have debt recovery department or team which follows up clients who have been granted loans by them and also defaulting clients so that they can recover their loan.

It was also concluded that institution performs other banking or financial services apart from their core operations of savings and loans delivery to the poor. Such services include automated teller machine (ATM), international and local money transfer, outreach service, fixed deposit, savings and current account.

In determining the credit policies of Multi Credit Saving and Loans, the researcher came to the conclusion that, the institution used as a case study (personal observation), have mission statements which guides their operations, therefore the institution is guided by the mission statement throughout the various branches.

Multi Credit Savings and Loans ltd receive their revenue/income from interest charged on loans, interest received from other investments, and commission received from services rendered like money transfer, safe keeping of valuables. It was concluded that these revenues are in turn used to pay up some expenses incurred internally such as shareholders' dividends, administrative costs, salaries, etc.

Furthermore, it was concluded that, Multi Credit Savings and Loans Ltd is one of the few financial institutions, which is performing well in the industry due to the consistent rise of savings mobilized from 2008 to 2013.

However, upon further investigations, it was concluded that if such cash inflows become inadequate, the following areas will greatly be affected:

- Shareholders will either lose their share of the profit (in the case of a common shareholder), or experience a delay in their dividend received (in the case of a preferred shareholder)
- The profit of the company will be reduced. This will lead to the company's inability to invest in other institutions to acquire additional revenue for its operations, growth and sustainability.
- The institution will also not be able to cater for its general administrative expenses like payment of salaries, rent, financing depreciation of assets, electricity and water, etc.

Another important conclusion drawn from the study was that, if Multi Credit savings and loans experience low savings mobilization, the reputation of the organization will be greatly at risk. This is because clients will lose confidence in the institution if they are aware of a liquidity crisis, and subsequently, are likely to transfer their savings to another institution or to an alternate form of savings as a result.

It is further concluded that, products and services do not have good standing if there is inadequate mobilization of funds. The study revealed that, there can be no customer satisfaction and growth, quality improvement and employee morale if there is inadequate fund mobilization.

5.3 Recommendations

On the basis of the findings and conclusions drawn from the study, the researchers made some recommendations which could improve the credit operations of Multi Credit Saving and Loans Ltd.

First and foremost, it is recommended that, management of Multi Credit Saving and Loans Ltd organizes all mobile bankers and customer relations personnel to educate and impact into them necessary human interface skills and strategies to boost customer base and sales. Since the clients of the institution are mostly low income earners or poor people, interest rates should be adjusted (minimized) slightly below the market rate and also repayment period should be longer enough to enable them pay off the loans in due time.

Since keeping proper books of account is not a common practice (especially among MFIs clients because most of them are illiterate or semi-literate), it is suggested that the institution should educate their clients on basic accounting and management practices to enable them become more effective in managing their businesses and minimize the risk of loan default. For example, educating them on basic bookkeeping, cash flow and management skills.

Related to the above is the fact that, most small scale businesses operated by the borrowers have no permanent physical address and worse still many do not have proper title to their assets to afford them the opportunity to use them as collateral for loans. In order to curb loan delinquency, the institution should demand extensive and accurate information about the borrower so that in case of defaults their whereabouts could be traced. Also titles to assets used as collateral evidence should be absolutely and genuinely owned by borrowers with proper checks done on the title papers/deed as to the source authority, date of acquisition, owner's name, signature, consideration or amount paid for the assets, receipts etc.

At least, supervisors and managers of the institution should undertake random visits with their field officers to interact with some of its clients and to verify their deposits in the case of loan repayment and Susu clients. This, when done, can reduce internal fraud among field staff who understate the actual deposits or repayments of their clients.

It is further recommended that, the non-financial services provided by Multi Credit Saving and Loans Ltd should be intensified since it has a major role in improving the safety and health of the region and country as a whole. These services have a significant impact on the health and sanitation of their clients, business management and family maintenance. Example is corporate social responsibilities.

As a general recommendation, the government should help provide a stable macroeconomic environment wherein clients can take advantage of the economic opportunities with the loans they receive to grow their enterprises, in that sense, clients who secure loans to expand their businesses or establish small scale businesses, can repay the loan as fast as possible as a result of booming businesses and increasing sales. They can also increase their savings which will enable Micro Finance Institutions as well as Savings and Loans to continue being in existence.

The presence of MFIs would not be felt: that is their contribution to raising the income levels of the low income earners and the productive poor through the provision of loans and other services will not be felt if the basic requirements needed to grow the micro finance industry are not employed. As more and more MFIs spring up in Ghana, regulatory bodies concerned should act to support the activities of these institutions and also to protect the clients dealing with them so that in the wake of the "microfinance revolution", authorities and the poor will not be caught unaware.

It is finally recommended that Multi Credit Savings and Loans Ltd should bring to the notice of their clients the interest they get on their (clients) savings. This will create awareness to the ignorant customers so they can as well increase the level of their savings and attract such interest rates accordingly.

5.3.1 Recommendation for Further Studies

Multi Credit is established mainly to assist the poor and low income earners have better financial backing by providing them with credit facilities. However as to whether these are the actual customer group served is another question to be considered. The researcher recommends that further studies be undertaken to determine the customer groups of Multi Credit Savings and Loans Ltd.

The investments the institution makes with other financial institution like the Central Bank of Ghana is expected to yield to Multi Credit adequate returns for growth and sustainability. As to whether such investment is yielding the expected returns to the institution is a question to be considered. It is therefore recommended that further studies be made to know the sought of investments Multi Credit engage in, and the quantum of returns it attains for its growth and sustainability.

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APPENDIX 1

QUESTIONAIRES FOR STAFF AND FIELD CASHIERS

Dear Respondent:

This is an academic research being undertaken by a Student of KNUST on the topic "Impact of inadequate savings mobilization by Savings and Loans companies". I shall be grateful if you could respond to the understated questions. All information shall be treated as confidential.

1. Name of Institution

……………………………………………………………………………………………………..

……………………………………………………………………………………………………..

2. Date of incorporation

…………………………………………………………………………………………………

3. What savings instruments do you provide to the public?

i. Fixed deposit ( ) ii. Savings deposit ( ) iii. Demand Deposits ( )

iii. Susu ( ) v. Others (Please specify)

4. Who are your clientele?

i. Public Servants ( ) ii. Small & Medium scale enterprises and Traders ( )

iii. Corporate Organisations ( ) iv. Individuals ( )

v. Others (specify)

5. What method(s) do you employ for deposit collection from your customers?

i. Mobile banking teams to get to customers at their business locations ( )
ii. Waiting for customers to come into the banking halls ( )
iii. Others ( ) Please specify…………………………………………..

6. How promptly do you serve your customers/clients?

……………………………………………………………………………………………

……………………………………………………………………………………………

7. What innovative schemes have you put in place to attract depositors?

i. High Interest rates ( )
ii. Access to credit ( )
iii. Access to money deposited ( )
iv. Taking financial service to the customers at their doorstep ( )
v. Others ( ) Please specify………………………………………………………….

……………………………………………………………………………………………

8. At what frequency do your customers make deposits?

Daily ( ) Weekly ( ) Monthly ( )

Others ( ) Please specify………………………………..

9. Who are your largest categories of borrowers?

i. Public servants ( ) ii. Medium & Large Enterprises ( )

iii. Petty Traders & Artisans ( ) iv. Corporate bodies ( )

vi. Others (please specify) ………………………………………………….

10. What factors have you put in place to evaluate your loan applications ? (List them)

i.………………………………………………………………………………………

ii………………………………………………………………………………………

iii……………………………………………………………………………………...

iv……………………………………………………………………………………...

v………………………………………………………………………………………

……………………………………………………………………………………….

11. What is your loan default experience?

i. High ( ) ii.Moderate ( ) iii. Low ( )

12. How do you protect yourself against possible loan default?

………………………………………………………………………………………

………………………………………………………………………………………

………………………………………………………………………………………

………………………

………………………………………………………………………

13. Do you have possible plans for your savings mobilization?

Yes ( ) No ( )

14. If Yes, what are the plans? List them

i. …………………………………………………………………………………………

ii. ………………………………………………………………………………………….

iii. …………………………………………………………………………………………

15. If No, what management procedures do you have in check to reduce risks in savings mobilization? List them

i. ……………………………………………………………………………………………..

ii. …………………………………………………………………………………………….

iii. ……………………………………………………………………………………………

APPENDIX 2

INTERVIEW GUIDE FOR KEY MANAGEMENT PERSONS

1. What process does funds mobilized from your clients go through?
2. Can you explain how targets are distributed to the various branches of Multi Credit Savings and Loans Ltd, and the implications if these targets are not achieved?
3. How often are targets assessed, and is/are there any specific procedures in assessing these targets?
4. Are targets not met carried forward to the next year's target?
5. Are there some other services this institution renders to generate additional income outside its normal curricular operations?

6. Can you provide the overall savings mobilized in your branch for the years listed below?

YEAR	**AMOUNT (GHS)**
2008	
2009	
2010	
2011	
2012	
2013	

7. What are the consequences of low savings mobilization on the following:

i. The profitability of this institution?

ii. The profits and level of investments on shareholders?

iii. The general administrative costs of the institution?

8. Who are the major shareholders of Multi Credit Savings and Loans Ltd, and what amount of shareholdings does each have?