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**ANALYTICAL STUDY OF SAVING HABITS AMONG INFORMAL SECTOR
EMPLOYEES IN GHANA: A CASE STUDY OF MANHYIA SUB-METRO**

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DEDICATION

I solemnly dedicate this research work to the almighty god for his mercies throughout my studies and to my dear mother Abena Konadu for sponsoring my education. May the good Lord bless you and replenish whatever you have lost.

ABSTRACT

This study is centered on the analytical study of saving habits of the informal sector employees in Ghana. The study is conducted purposely to assess the saving habits and unearth the factors that influence the saving habits of informal sector employees at Manhyia Sub-Metro, the capacity of the saving institutions are also evaluated. The population estimated to be all informal sector employees at the Manhyia Sub-Metro and 240 employees are sampled for the purpose of the study. Convenience and purposive type of non-probability sampling technique is adopted. Purposive involves the selection of key informants considered to be the most appropriate source of data in terms of objectives of the study. With the purposive only employees who are considered to be in the informal sector are selected and given questionnaire to answer. Convenience also involves in selecting those respondents who are easiest to obtain for one's sample. From the study conducted, it revealed that the informal sector employees do have saving habit. It was also came to light that; quality of life, to avoid over spending, unforeseen contingency, income satisfaction, and low level of dependency are the reasons for savings. Again, low income, low interest, number of dependent family, inflation and high cost of expenditure are also the factors that influence saving according to the study conducted. Moreover, it also reveals that the informal sector personnel use formal method of saving their money. Finally, the financial institutions do not have the absolute capacity to help improve the informal sector business and to enrich their standard of living in the country. It is also recommend that, their unions should also provide information on credit facilities, so that the workers can assess to support them in their business.

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CHAPTER ONE

INTRODUCTION

1.1 Background of Study

Savings is an important component to individuals, businesses and to nations as a whole. People need to save to provide for their retirement and for the meeting of future needs like children's education, establishing and expanding of businesses, purchasing of raw materials and formation of capital for investment. Besides these, in an event in any economic emergencies, such as the loss of jobs, unforeseen sickness or unexpected medical bills, savings provide a crucial buffer. Central to the understanding of the process of capital formation is the observation that savings provide funding for investment. The savings of any economic unit has a close connection to its wealth. This close relation goes further to emphasize that saving is important, this is because rates of saving today lead to faster accumulation of wealth, and wealthier a nation is the higher the standard of living among those who have accumulated it (Franke and Bernanke, 2001).

However, increased in savings does not always matches up to increase in investments. If savings are hoarded in a mattress or otherwise not put down in to a financial mediator e.g bank, there wouldn't be any chance for those savings to be used as investment by businesses. This implies that savings may increase without increasing investment, probably causing a short fall of demand thus, a pile up of inventories, a cut-back of production, employment and income and therefore a decline rather than to economic growth. In short term, if savings decreases below investment, it can lead to growth in total demand and an economic boom. For growth is made possible by foregoing present consumption to increase investment. For instance in a primitive agriculture economy,

savings might take the form of holding back the best of the corn harvest as seed corn for the next planting season. If the whole crop were consumed, the economy would deteriorate to hunting and gathering the next season. This shows that is inevitable in any place.

Personal saving is defined as personal disposable minus personal expenditure. On the other hand, income that is not consumed instantly in buying goods and services is saved by the households; firms and businesses save their retained earnings (profit minus dividend and tax payments) while in the case of the government, the budget leftovers are saved (Franke and Bernanke, 2001).

At the national level, capital goods like factories, equipment and housing are produced through the nation's collective savings which include private savings together provide employment for others, housing and many benefits which goes a long way in improving the lives of people in that nation. If income is not use in buying customer products, it is likely for resources to be invested to produce fixed capital goods such as factories and machinery. Savings can be therefore be vital to increase the amount of fixed capital available, which contribute to economic growth. Having realized that saving is unavoidable and offers some sort of financial protection and the creation of capital for investment, many people expressed their dismay and concerned when United States government reported that the savings rate had turned negative (Franke and Bernanke).

In assessing the amount of savings taking place at a point in time, the saving rate is used as a universal measure. The savings rates are the amount of savings expressed as a percentage of one's disposable income. In 1930s, people had to draw on their savings to

get by, this was solely because the saving among the people of united kingdom was very low (Bearshaw, etal, 1998).

The rates at which people save differ from country to country, state to state and from sector to sector. This is attributable to the fact that there are differences in structures and habit among individual towards savings. Increased savings is needed by individuals and for our overall economic welfare and firmness. For instance pension saving is long term commitment and will be crucial not only for avoiding a whole generation of pensioner poverty, but in helping to restructuring the economy as well as recapitalizing the banking sector. Base on the impact of savings on any economic unit, it is essential to develop the habit of savings.

1.2 Problem Statement

Dovi (2008), in his assertion, about 20 percent of African families have bank accounts, and in Ghana, just a third of all households own savings accounts; Two-fifth of the saving accounts are possessed by urban households, and also in the rural households or the informal sector only 22 per cent of the accounts are owned (Ghana Statistical Service, 2008) and adopted from Bremang (2012). According to Adriana Morawski (2007) and also adopted from Bremang, the low rate of savings in Ghana as compared to a country like China proposes that Ghanaian financial mediators only grasp a small portion of the country's capital, and therefore, would not be able to proficiently apportion money amongst the various sectors of the economy. Financial mediators such as banks are responsible for allocating money between the different economic sectors in any economy to boost commerce and create wealth.

Having established the impact of collective savings on national economy at large, of which every individual plays active role in ensuring that these savings are put in a more viable venture to stimulate the growth of these savings of which all people including informal sector employees are not an exception, perhaps the extent of these is not well felt among the employees. The study therefore attempts to analyze the attitudes of these informal sector employees towards saving. The research explores how the informal sector employees perceive saving, what motivates them to save and how they saved.

1.3 Objectives of the Study

The researcher aimed at examining the following issues which were adopted from (Butte Gotu, et al. 2011):

1. To spot the factors that influences the saving habits of the informal sector workers. (accomplished in pages 54 to 57)
2. To bring to light the type of saving practices of the informal sector workers at Menhya Sub-Metro. (accomplished in page 57)
3. To assess the capacity of saving institutions that the workers used. (accomplished in page 58)

1.4 Research Questions

1. What are the factors that influence the saving habits of these employees?
2. What is the current status of saving practices of informal sector employees?
3. What capacity of saving institutions that employees used?

1.5 Significance of the Study

The research will assist the informal sector employees to acquaint themselves to the new trends of saving. Again policy makers may also benefit from this study to enable them come out with better policies for the sector. For the example, institutions like; the national board for small-scale industries (NBSSI), fund for small and medium enterprises development (FUSMED) etc can help provide some basic needs for the sector. These needs can be social needs like job security, protective against income losses during sickness and other needs by putting in place some measures which will cater for those needs. Besides this significance, the researcher will be of value to financial institutions in their saving mobilization process as to whether to target the informal sector or not. It will also serve as reference to anyone who will undertake further research on saving habit of the informal sector employees.

1.6 Scope and Limitation of the Study

The scope of the research is limited to Menhyia Sub-Metro in the Kumasi metropolis because of proximity and that place has also been identified for having various kinds of informal work. The study is aimed at getting the relevant information related to the saving habits of the informal sector workers.

Among the limitations is logistics, due to logistics constraints a large number of the employees could not be reached. More also since not all the employees in the informal sector are literates, there is difficulty in filling and answering the questionnaire.

1.7 Organization of the Study

The study is organized into five chapters, chapter one, the introduction, which focused on the background of the study, problem statement, objective of the study definition of terms, significant of the study, scope and limitation of the study. Chapter two is about review of literature relating to the theories and some concepts of savings and informal sector. Chapter three looked at the scope of the methodology, the design, sampling and procedure. Chapter four presents the analysis of data, presentation of data. Finally, chapter five also presents the summary, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 General Overview of Informal Sector in Ghana

The basis of the informal sector in Ghana's economy can be marked out back to the beginnings of colonial free enterprise in the then Gold Coast. The dualistic economy with two separate sub-economies emerged alongside each other right from the beginning. The important characteristics of the colonial economy included export of key commodity production, investments in mining, transportation and related services, infrastructure and public works, and social development. On the other hand, a small formal sector covered fundamentally capital investment in mining, transportation, infrastructure, company, social services and administrations with remuneration employment characterizing the survival and operations of labor therein.

On the other hand, the promotion of key commodities production for export and the import of customer goods for household trade gave rise to large contingent of the labor force in both agriculture and petty trading who were either self-employed or hired under traditional or informal arrangements. Even at such an early stage an essential feature of labor in the informal sector was its heterogeneous character that provided for varieties of peasant proprietors and agricultural laborers, distribution agents, buyers, transport owners and employees, porters, repairers, etc. (Ninsin 1991). The informal sector has been receiving escalating concentration in the progress of Ghana since the mid-1980s and the beginning of 1990s. Because of this, the government and non-governmental institutions including the trade unions has in effect been the important of some policy programs and action. The increasing of the informal sector and the decreasing of the formal sector has

been one of the superseding outcomes of the structural modification in Ghana since middle 1980s. The public sector reform that had a massive decrease of its labor as its key component is the reason for the increase or expansion in the informal sector. It is interesting to note that there has been a turn down in formal private sector employment as well while labor cutback was invasive in the public sector.

The economically active population was budgeted to be expanding whilst the formal sector employment was decreasing fast as well. The education institutions were also estimated to be graduating over one hundred thousand personnel to enter the labor market yearly within the same period. Sixteen point one (16.1) percent is at present budgeted to be in wage employment in Ghana's labor force while the remaining being self-employment, the informal sector is also included. Meanwhile, the total labor force of Ghana's informal sector was placed at 80 percent (Hormeku, 1998). The large-scale cutback of labor, coupled with the inability to offer employment for the emerging labor force has created a large pool of persons who have naturally gravitated towards the informal sector (Hormeku, 1998).

2.1.2 Features of the informal sector workers

Between 1980s and 1990s the expansion of the informal sector and the decreasing in formal sector employment have constituted one of the most enduring features of the structural amendment programs enforced in Ghana.

In the 1990s, the majority of the studies focused on the informal sector in the urban components, which provides a haven for the working poor. In the last couple of years, the interest in the informal sector has grown in the rural areas. Aged, young and women

workers who are basically low skilled and are involved mostly in the services sector, and only to a lesser degree in the construction and manufacturing sectors. The large part of that interest by organizing rural workers has been generated by the General agricultural workers' union (GAWU) of the Ghana Trades Union Congress, as well as through the participation of some other non-governmental organizations (NGOS). Interest in the sub-sector is also underlined by the fact that among Ghana's comparatively large labor force of self-employed workers, two-thirds are engaged in agriculture, which is predominantly rural based (Adu-Amankwah and Tutu, 1997).

2.1.3 Rural Informal Labor

Ghana trade union (GTUC) leadership produced an interesting opinion of informal sector activities in 1995. The following were identified in the rural sector:

Agricultural activities. In the rural areas, the workers are made up of a huge number of small farmers in the deprived area and semi urban areas, which are mostly predominated by farming activities and dependent on relatives. The farmers have no formal education and are generally semi- educated or are uneducated and have no formal training.

Fishing and fish processing activities. The workers are primarily composed of married men aged 18- 40 years and these can be seen typically along Ghana's seashore. The experience and the skills of the workers are acquired through practice from their early childhood. The women also add value to the fish by smoking and marketing of the fish.

Rural agro-based processing activities. Under this the married female workers mostly over 30 and are mostly illiterate who dominate the agro-based processing activities. The activities which these married female workers do are mostly comprise release of cassava

into gari, cassava dough, palm kernel, groundnut and copra oils, palm wine tapping, local pito brewery, local gin distillery, and traditional soap making are the commonly activities which are undertaken the women. They obtain their knowledge and skills from their family members. Their experience of cyclic underemployment is pronounced.

Ratten and bamboo artisans, wood carvers and woodworking machine operators are also forest products workers who are mostly male and are carpenters.

In a case study on the informal rural agricultural sector (APADEP, 1998) and adopted from (Osei –Boateng and Apratwum, 2011), six unique types of rural labor were identified and are as follows:

Family labor. This type of labor permeates all the sub- sector in the agriculture. It is also regarded as vital for the survival and viability of the enterprise from the labor market and economic point. The labor also is mostly found in food and cash crop farming, fishing and agro-processing. It is the apprenticeship type of labor and the shift of skills from generation to next generation.

Casual labor: Casual labor exists under diverse kinds of contract, and has a high level of mobility migrating from the northern half of the country and even from beyond the northern borders (from Burkina Faso) to work in the Ashanti, Eastern and Western regions of Ghana on cocoa, coconut and oil palm farms .Whereas in the Brong-Ahafo region, these workers are connected on maize and yam farms and carry out a variety of assignments, such as weeding and preparation, the construction of mounds, and planting.

Apprenticeship: in the areas of Shea butter processing, oil palm extraction and coconut oil extraction as well as fisheries and the agro-processing are seen as the apprenticeship

type of labor. They may be given cash as pocket money or given some of the products in kind eg fish but not directly paid.

Permanent labor: this rural agriculture labor force also comprises of small amount comparatively. The durability of labor is greatly determines by the dimension of the farm and the extent of the stability of the crop type. These permanent tree crops such as cocoa, oil palm, coconut and rubber are generated by those permanent personnel.

Common labor. This is also another type of labor of which farmers within the same vicinity come together by common conformity team their labor jointly to help each other in turns in an agreement form.

2.1.4 Urban Informal Workers

According to the international labor organization (1997), urban informal sector in Ghana, as elsewhere in Africa, is remarkable for its heterogeneity and variety. A wide range of operations in the urban informal sector that can be grouped according to services, construction, and manufacturing which were disclosed by studies on the urban informal sector in Ghana.

Services:

Urban food traders and processors- food sellers in the market, itinerant wholesalers and retailers, bakers, caterers and cooked –food sellers are personnel who are mostly women and predominantly illiterate or semi-illiterate. Their acquaintance and skills are largely attained from family.

Domestic workers, who are also mostly women;

Young male workers under 45 years and have either received some basic education or are drop-out, but whom are to be found skilled workers whose skills are largely acquired through years of apprenticeship. These workers are Repairers of watches, refrigeration apparatus, and radios, mechanical or electrical/electronic equipment.

Garages – some of these workers are: auto mechanic, sprayers, welders, vulcanizes, auto electricians, whom are mostly some basic formal education in conjunction with many drop-outs, and are also mostly male. They have limited formal vocational training and apprenticeship but also have basic formal instruction and they obtained their skills through years of training. These workers also have basic formal instruction but limited formal vocational training and apprenticeship.

Graphic fashionables, they are also workers between the ages of 25 and 50 years who are also mostly male, they obtained skills through a limited vocational training and traineeship. They also have about two to six workers in each of the component.

Audio-visual personnel – they have partial proper proficient training and traineeship but experienced personnel obtained basic proper education. The number of female personnel is increasing but mostly male. They include; artistes, musical group, photojournalists, cinema/video workers, film-makers.

Hair stylists and men's hair stylist/personal security men who are matured workers with very low educational values, ill-equipped, lack job safety and without any social safety protection and chances for career progression.

Construction: the workers often have some basic training whereas all the additional groups go through years of traineeship. They are workers such as plumbers, steel benders,

carpenters, and masons, house wiring electricians who are basically male and aged between 20 and 40 and are usually dropouts of school.

Manufacturing: the predominant activities in this sub- sector of informal sector cover wood processing, textiles clothes, Food processing, and metal works. The men constitute a clear majority of metal works and wood processing whereas the women also dominate the food processing. Apprenticeship is the most common form of skill acquisition and employment in urban informal manufacturing informal manufacturing units (adopted from Osei- Boateng and Apratwum, 2011).

2.1.5 Common Needs of informal Workers.

In broader perspective, it is said that labor ideologies in the casual sector are not in agreement with individuals that apply in the formal sector. Some of the informal sector desires that are distinguished amongst several groups of informal sector workers, rural and urban include:

Social/common desires – the common needs of the informal workers that the people desire comprises of the social desires that include; job security, protective clothing, protection against revenue losses during sickness, well-being care and the upgrade of occupational health and safety, yearly leave and parenthood rights, least wage, general substructure and environmental sanitization; and

Economic desires: the economic needs/desires are the things that will help workers to increase or improve their productivity. These needs comprise training and education for skills, progress, basic tools, corporate buildings, financial credit, and marketing opportunities.

In the views of Adu-Amankwah and Tutu (1997), Labor regulation and practice far and wide suggest for the welfares of all employees, they however reveal some limitations with regard to informal sector personnel. The informal labors are not sufficiently cater for with respect to the written agreement by the labor legislation, worker's compensation, and labor check, annual maternity leave are also affected. The unproductive operational, wherever they existed at all, of civic employment centers, labor inspectorate and minimum wage-fixing and checking machinery have been well-known, With respect to governing institutions. In the same way, the noticeable disuse of the wide optional influences of the public authorities for labor safeguard has been cited.

2.1.6 Institutions and Programs Relating to the Informal Sector

The informal sector has expanded for the last twenty (20) years and over, so have a diversity of organizations and programs that relate to the segment have been born. The surfeit of established organizations and programs include the Ghana Regional Appropriate Technology Industrial Service (Gratis), The Fund for Small and Medium Techno serve and the council for indigenious business associations (CIBA). Institutions like the internal revenue service's (IRS) as well as the metropolitan and district assemblies also offer the governing structure for the actions of the sector offer different types of credit and programs that are geared to the informal sector grant different types of credit and technical hold up to the sector. Whereas the government has recognized the importance of the informal sector and its probable contribution to employment, incomes and even a local industrial base, it has not demonstrated the corresponding financial commitment to it. The government's estimate for supporting the informal sector is at best

not enough. On the other hand, non-governmental institutions also intercede in the informal sector, but again, inadequate finance is their overriding limitation.

2.2 National Savings and Its Components

According to Franke and Bernanke (2001), national savings is the saving of the entire economy, which is the Gross Domestic Product or national income less consumption expenditure and government purchase of goods and services. Bialy and Friedman (1995), also made his assertion that, these saving are comprised of business firms and government as well as that of households.

2.2.1 Private and Public Components of National Saving

Private Savings

It is the saving of private sector of the economy. The income of the private (non-governmental) sector of the economy is the economy's total income less net taxes paid to the government. The sector saving can also be further be broken into savings done by households and company firms. Savings done by families and individuals are also called Household's savings or personal savings. Companies are very important savers in most countries especially in the United States. A business firm's savings are accessible for the acquisition of new capital equipment or the expansions of its operations. On the other hand, a business can put its saving in the bank for future use. Mathematically private = $Y - T - C$, where Y is the total income, T is the net taxes and C is the consumption expenditure.

2.2.3 Public savings

This is the savings of the government sector including states and local government as well as the federal government. Mathematically, public savings = $Y - G$, where y is the total national income and g is the government spending. We can rewrite national savings as s – private savings + public saving.

The equation above confirms that national savings is the sum of private savings and public savings. Private savings can be broken down into households and business saving, we see national saving is composed of the saving of three groups, households, businesses and the government (Franke and Bernanke, 2001).

2.3 Forms of Informal Savings

Developed countries show substantial similarity in the informal methods used by the poor form of savings, in the reasons they save, the ways they save, and the ways they match the type of savings with saving purpose. Studies a study carried out in India, Sri Lanka, Bolivia, China, Kenya and by conversation about local savings held with people in some developing countries and some part of Latin America showed that almost all informal sector exhibits the same forms of savings except that some savings are more valued in some places than the others (Robinson, 2001). The people whose saving was explored by Robinson were microenterprises (traders, producers, and service providers). The primary need for poor savers is to swap small savings flows for lump sums needed for a variety of purpose (Rutherford, 2000). The various forms identified according to studies conducted by Robinson are as follows, however most of such forms are not liquid but there is

evidence that in some cases these savings method satisfy an “illiquidity preference” (Aryetey and Steel 1994).

2.3.1 Cash

Cash is liquid and convenient. In monetized areas it is generally thought important to hold cash in the house, mainly for emergencies. In addition, cash is considered valuable because business opportunities sometimes arise unexpectedly for example, the purchase of raw materials for household enterprises at a low price. Young people in the informal sector often store their cash with trusted elders (Rutherford, et al., 1999, Mutesasira, et al., 1999).

2.3.2 Grains and Cash Crops

Attitudes towards saving in grain tend to be similar to those expressed about cash. A store grain is relatively liquid and serves as a hedge against poor crops. Almost everybody wants to have enough grain to meet unexpected need above expected requirements. Farmers try to store cash crops that are not easily perishable such as cloves, nutmeg, rubber, cotton, cocoa, and coffee.

2.3.3 Animals

In developing countries, rural households that can afford to do so typically keep a few large animals. These vary according to the environment, but cows, goats, sheep, horses, donkeys and pigs are common. Poultry and other smaller animals are also kept.

2.3.4 Gold, Silver, Jewellery, and Other Valuables

Gold, silver, jewellery, and similar valuables are fairly liquid, and can easily be pawned; and can also serve as a hedge against inflation or currency devaluation and may provide capital gains. Collateral for loans and status symbols can also be represented Gold and other valuables to serve as that.

2.3.5 Land

Land serves as a source of livelihood, residence, and status in rural areas. In urban areas, also land serves as a permanent base for microenterprises, household residences or both, and as a status symbol. In all areas where land is valuable and privately owned, its ownership is a long term investments that can increase in value overtime.

2.3.6 Raw Materials and Finished Goods

This is common among goods producers. Producers like to save up to a point, in raw materials. Shoemakers save in leather, carpenters save in wood, and knitters save in wool, garment makers save in cloth, metal workers save in metal stocks, craft producers save in materials of their crafts and so on. Microenterprises who produces or trade in goods also frequently save in finished goods that are ready for sale.

2.3.7 Construction Materials

Microenterprises that are connected in construction as a business, saving in construction materials falls into group of saving in raw materials. But many other people also save in construction materials. Houses are often built or renovated bit by bit.

2.3.8 Saving by Lending

A lot of people, not just professional money lenders, lend cash and grain. The merits of this form of saving are the possible high returns to the lender. The demerits are factor limitation on numbers of borrowers per lender, the operation costs of making and collecting the loans, a general inability to diversify the portfolio, and risk, especially at times of regional shock or political disorder.

2.3.9 Deposits with Savings Collectors

The services of savings are in such great demand in developing countries that the poor are willing to pay for the chance to save outside the house, entrusting their savings to paid collectors. In Ghana at a time when annual inflation was more than 30 percent, a lot of people operating in the informal labour sector were paying savings collectors a 3.3 percent monthly fee to keep their money for them (Aryetey and Steel 1994). The Ghana cooperative Susu collectors association (GCSCA), a registered self-cooperative organization with regional and district offices in seven of Ghana's ten regions, mobilizes funds from the informal sector through savings collectors. The clients mostly women save a fixed amount each day, at the end of the month the collector receives one days savings as a commission (GCSCA 1999, 2000).

2.4 Reasons for Savings

Why do people save part of their income instead of spending everything they earn? Economists (Franke and Bernanke, 2001) and others have recognized at least three broad reasons for savings. Among the three identified are as follows,

2.4.1 Life – Cycle Saving

Life – Cycle Saving is the most vital reason why people save. This is the saving to meet long-term objectives such as comfortable retirement, thus putting aside ones income during their working years, they can live better after retirement than they would if they had to rely solely on social security and their company pensions. Other long term objectives might include college tuition for one’s children and the purchase of a new home or car.

2.4.2 Precautionary Savings

A second motive to save is to guard oneself and family against unexpected setbacks, the loss of a job for example or a costly health problem, shortage of raw materials death and many others personal financial advisors typically suggest that families maintain an emergency reserve (“a rainy day fund”) equal to 3 to 6 months’ worth of income.

2.4.3 Bequest Saving

A third reasons to save is to accumulate an estate to leave ones heirs, usually ones children but possibly a favorite charity or other worthy cause. Bequest saving is done primary by people at the higher end of the income ladder. This saving is an important part of the overall savings.

Though the largest parts of people are usually inspired to save because on one of the above-discussed reasons, on the other hand, the amount they choose to save may base on the economic environment. One economic erratic that is quiet important in saving decision is the real interest rate.

2.5 Savings and Interest Rate

The analysis of the classical economist was that the sum of savings is determined by the rate of interest. Interest rate is the price on the current claims on assets in terms of future claims, thus interest rate is the fee that a lender gets for postponing present consumption to sometime in the future according to Incoom (1998).

2.5.1 Theories of Interest Rates

Two theories are significant in explaining in general level of interest rates in the economy. Classical and the Keynesian are the theories. Basically, these theories try to find to out the general level of the rates of interest somewhat than the sharing of interest rates that may be relevant at a point in time.

2.5.2 Classical Theory

The classical theory is also identified as the loan able funds theory, it focuses on the so called real economic variables and disputes that the level of real interest rates is established by level of savings and investment in capital equipment. Capital investment gives a demand for money and Savings also offers a flow of loan for able funds. The higher the saving, the lower the level of interest rates as the supply of loan able funds

tends to exceed demand. On the other hand, the lower the savings the higher the level of interest, as the supply of loan able funds falls short of demand. The classical theory is a real occurrence and rules out of the importance of money. It contends that money is relevant merely to determine the absolute price level but does not the real amounts of savings and investments (Boundless, 2015).

2.5.3 Keynesian Theory

The Keynesian theory is a solely monetary experience and regards interest rates as a return for leaving with liquidity, which is settled on in the money market by the demand and supply of money. Therefore the extra money or liquidity that people desire to hold, the higher will be its price or the rates of interest, and the better the money supply, the lower the price or interest rates (Keynes, 1973).

2.5.4 Real Rates and Savings

In the views of Franke and Bernanke (2001), the majority of people do not save by putting their cash in a mattress; as an alternative, they make financial savings that they expect will provide a good gain on their savings. More sophisticated financial investments, such as government bonds or shares of stock in a corporation also pay returns in the form of interest payments, dividends, or capital gains. High returns are desirable, of course, because the higher the return, the faster ones savings will grow. The most significant to saving decisions is the actual interest rate; this is because it is the reward for saving. The actual interest rate is the rate at which the real purchasing power of a financial asset increases over time. The real interest rate equals the market, or

nominal interest minus the inflation rate. Empirical evidence suggests that, in practice, higher real interest rates lead to modest increases in saving.

2.6 Advantages and Disadvantages of Savings

Why does most informal sector as well as the formal sector save? According to the study conducted by Rutherford et al., (1999), Mutesasura 1999, Mugwanga (1999) and micro save – Africa (1999). These various advantages and disadvantages were identified. The advantages of financial and some non-financial savings combine security, convenience, liquidity, confidentiality, access to loans and returns. Besides these advantages they came out with the following as disadvantages of savings, among them identified are:

- The real value of the deposits may decline because of inflation or currency devaluation
- There are transaction costs to the saver.
- There is a risk the bank may fail or go bankrupt or the form may of saving may decline in form.
- For savers with small accounts, no interest may be paid if the account is below a minimum monthly balance.
- A saver may need her funds when the bank is not open.

2.7 The features of urban informal sector economy in Ghana

According to Ofori, (2010) in his study on taxation and informal economy, urban informal sector has been grouped in to four kinds which are particularly linked with certain features.

They comprise the following:

- i. Employment (features of the persons hired in the informal sector);
- ii. Enterprise (the informal sector features and their activities);
- iii. Habitat (land and housing features of the informal sector); and
- iv. Credit (credit market features of the informal sector) (Farrell et al., 2000) and was adopted from Osei Boateng and Ampratwum, (2011).

This study will be limited to the first two characteristics for the purpose of this study.

2.7.1 Features of the People Employed In the Informal Sector

These features are considered as follows:

Absence of Official Protection and Recognition

Informal sector entrepreneurs in the urban vicinities do not have the benefit of security from the state machinery in the form of legislations against any deceitful fraudsters who may deceive such entrepreneurs in the way of business dealings. Because of fear of being taxed the personnel of the informal sector don't want to be recognized. They do not have the benefit of the security that may be obtainable to them from state because they avoid of being recognized (Farrell et al., 2000; Ofori, 2009).

Pervasiveness of self-employment work

The fact that workers in the informal sector are self-employed there can't be no opposing, and they do their business from their homes, typically, with others using (popularly referred to as 'no man's land) thus any available public space. With the assistance from

family members you just need chair and table and you can start up your business with no trouble (Adu Amankwah, 1999).

Non coverage by minimum wage legislation and social security

Most of the urban informal sector employees usually get paid below the national minimum wage. Moreover, when it comes to contributing to pension scheme for the employees most urban informal sector employers fall short in contributing to pension scheme on behalf of their employees. The employers normally escape necessary sanctions because the illegal activities of such employers are out of sight from the law enforcement organizations (Farrell et al., 2000). And the employees also fail to report their employers most often for the necessary actions to be taken. It might be either fear of been dismissed or out of ignorance of the law on the part of the employees attitude. (Farrell et al., 2000; Ofori, 2009).

Absence of trade union organization

Looking at the informal sector the rural employees are dependent thinkers as compare to their colleagues in the urban cities in nature with a wide range of activities. So, establishing trade unions to shield the interest of the members is extremely difficult. It is unblemished that formation of such trade unions may uncover the informal workforces and risked being formalized (registering with a proper body) and later pay tax for which motive some work informally (Gockel, 1998).

Low income and wages

Because there is additional supply of labor, the salaries and wages which are paid to the persons who are employed in the informal sector are usually paid low. One of the reasons that account for not attracting higher salaries is lack of skills of the employees, because

the employers also get low returns on their investment as a result of intense competition which exist in the sector (Farrell et al., 2000; Ofori, 2009).

Little or no job security

The workers can lose their jobs at any point in time at the impulses and caprices of the employer in the informal sector. These things happen, because there is usually no mandatory pledge of employment, and for that substance the workers cannot take any legal actions for any maltreatment or partial dismissal. Compensations also usually not paid for such dismissal and that is the worst of it all (Gockel, 1998).

2.7.2. The Enterprise Features of the informal Activities

The informal economy most over and over again reveal certain exclusive features which are well set out in the economic activities which is being taking place as follows:

Small scale operation with individual or family ownership. In Yankson's view, (1992) the informal sector is normally operated and owned for less than five years period in the typically urban area. It is often comprises with family and apprentices who are normally engaged or capital invested and also determined by the number of workers in general. The average size of the engagement is four and is also from sole proprietor to partnership and ventures and cooperatives, however the number may vary from with the nature and kind of operation.

Secondly, ease of entry is also one of the features. There is free exit and entry, anyone, may choose to start up in the urban informal sector regardless of your status at any given point in time, the reason being that, the capital needed for operating in the sector is rather low. There are no requirements needed to enter into the sector, in other words, there are

also no governing rules which are the standards for the personnel to follow or guide them in their operations. In the view of Yankson (1992), he indicated that, most of the entrepreneurs use labor intensive, with the largest units having the most fixed capital per employee, this means that, there is low capital intensive in the sector.

Thirdly, reliance on locally available resources, urban informal sector enterprises lack the capacity to do offshore purchase of resources or materials because they are relatively small in size, human and financial for the setup of the business. Hence, the informal sector companies have a propensity to hinge on so much, if not solely, on the limited assets. (Barwa, 1995; Ofori, 2009).

Furthermore, family ownership in the vein of the rural informal sector, in the cities areas, the informal sector businesses are controlled and owned by family. This is because of the fact that relative's offers inexpensive supply of labor for the organizations. The creation of partnership and joint ventures in the informal sector is not encouraging because of the loss of hope on the part of individuals.

Finally, Labor intensive and adopted technology is also a key feature. In the views of Yankson, 1992; Barwa, 1995; Ofori, 2009; Osarenkhoe, A (2009), the height of technology used in the urban informal sector business groups is low and in deprived conditions. The tools are self-made or purchased locally and any follow up progress are also done by the businessperson in the informal sector. The informal sector shows 'technological ingenuity' by means of locally made tools. Additional modern technology is not introduce because they lack adequate financial resources. The sector relies greatly on the labor for its production.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

The study utilizes a descriptive research design, specifically survey, the purpose of which was to capture the saving habits among informal sector employees.

3.2 Population

The population as defined is the group on which the research findings are generalized. The informal sector employees in Manhyia Sub-metro area at the Kumasi metropolis constitute the population of this study. The population covers different kinds of workers in that area, some of these are; food sellers in the market, itinerant wholesalers and retailers, bakers, cooked food-sellers, electricians, mechanics, refuse collectors, drugstore operators, funeral undertakers. The traditional or herbal healers, attendants in private maternity homes, domestic workers, repairers of watches, refrigeration equipment, radios, garages-auto mechanics, sprayers, welders ,hairdressers and barbers. Contraction workers like masons, carpenters, steel benders, small-scale plumbers, house-wiring electrician etc are also part of the population.

3.3 Sample and Sampling Technique

A sampling is a subset of the population under study. The sample must have all the characteristics of the population and must be reflective of the population. The sample size of this study is two hundred and fifty (250) informal sector employees in the Manhyia sub-metro area to give a fair representation of the entire population. The reason for

selecting the two hundred and fifty as sample size came as a result of time constraints which the researcher has no option than to limit himself to only two hundred and forty (240) out of the vast population. The sampling technique that is adopted is non-probability method. Non – probability method is adopted because it is very convenient to use. Non-probability sampling is a method of selecting a part of a whole group for observation with the intension of making inferences about the whole group. Convenience and purposive type of non-probability sampling technique is also adopted. Purposive involves the selection of key informants considered to be the most appropriate source of data in terms of objectives of the study. With the purposive only employees who will be considered to be in the informal sector and are considered to be the informant only will be selected and give questionnaire to answer. Convenience also involves in selecting those respondents who are easiest to obtain for one’s sample.

3.4 Data Collection

Both primary and secondary data are used in this study. In the case of primary data, a questionnaire is used. The primary data information is gathered by sending out questionnaire to the target group. The questionnaire also is structured to meet the requirements of the study.

3.4.1 Type of Data Collection

Qualitative data is used as it is driven towards gathering the opinions of the informal sector employees on their saving habits.

3.4.2 Source of Data Collection

The primary sources of data are pertinent to this research. The primary source of data is questionnaire given to the respondents in question.

3.4.3 Instrument for Data Collection

A structure type of questionnaire is administered to sample respondents to generate data. The researcher also use close questions in the questionnaire. The questionnaire is suitable instrument for the researcher to obtain all the data needed for the study. The questionnaire is suitable because of the busy schedules of the informant and thus, the questionnaire being handy and quick is the appropriate instrument.

3.4.3.1 Instrument Validity

To ensure validity and reliability of the tool for the study, the researcher exercise care to ensure that the questionnaire is accurately structured to meet the objectives of the study. The researcher also ensured that an expert (study supervisor) to examine the questionnaire. The questions are structured in a way that help respondents to provide consistent answers to the questions.

3.5 Procedure for Data Collection

Questions are distributed personally and randomly, all questionnaires also are collected instantly. Finally, data collected are presented and analyzed, conclusion is also drawn from the analysis.

3.6 Method of Data Analysis

Data is analyzed quantitatively. The data is analyzed using tables, frequencies and charts to analyze the data with the help of statistical package for social science (SPSS), this system is used to derive the accurate results of the study. In analyzing the data collected, presentation is made in tabular and other documentation form to simplify and make it understandable to all.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

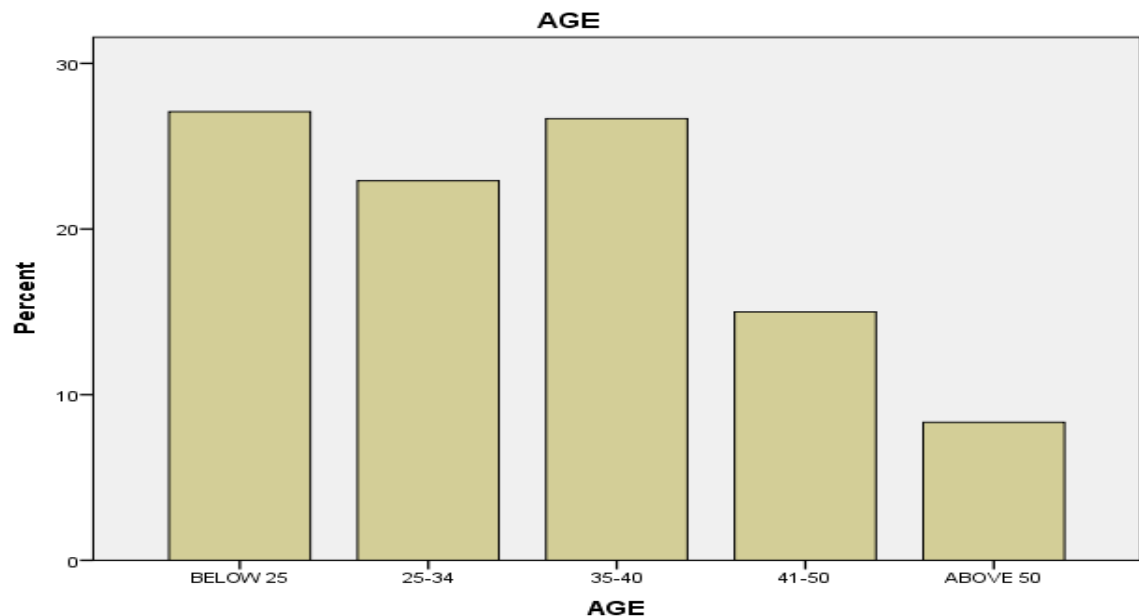
4.1 General Information of the Respondents

Table 4.1.1 Gender of Respondents

GENDER	Frequency	Percent	Valid Percent	Cumulative Percent
MALE	130	54.2	54.2	54.2
FEMALE	110	45.8	45.8	100.0
Total	240	100.0	100.0	

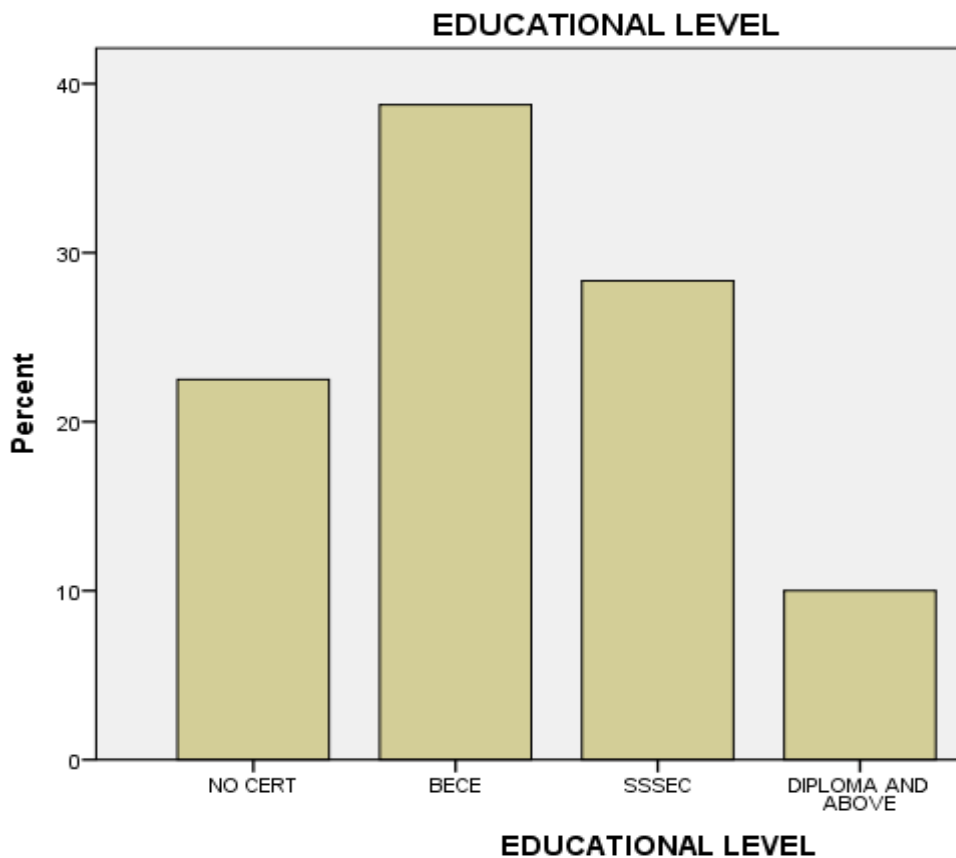
From the table above, it depicts the total number of respondents who take part in the study. It shows the number of male respondents and female respondents, the male respondents are one hundred and thirty (130) which represents 54.2 percent and the female respondents also are one hundred and ten (110) which represents 45.8 percent out of the total respondents.

Figure 4.1 Age of Respondents



The figure 4.1 above is the age distribution of the respondents which shows that majority of the respondents fall between the ages below 25 and 40years. This tells us that the active and energetic people are in dominance of the informal sector employees in Ghana.

Figure 4.1.2 Educational Level of the Respondents



The figure above clearly shows that 22.5 percent of the respondents have no certificate, while 38.8 percent of them are BECE holders. 68 respondents, representing 28.3 percent have SSSCE certificate and the remaining 24 respondents, representing 10 percent are Diploma holders. Looking at the figure those with diploma and above are very small in the informal sector, this means that those people are tend to be in the formal sector rather than working on their own.

Figure 4.1.3 Religion of Respondents

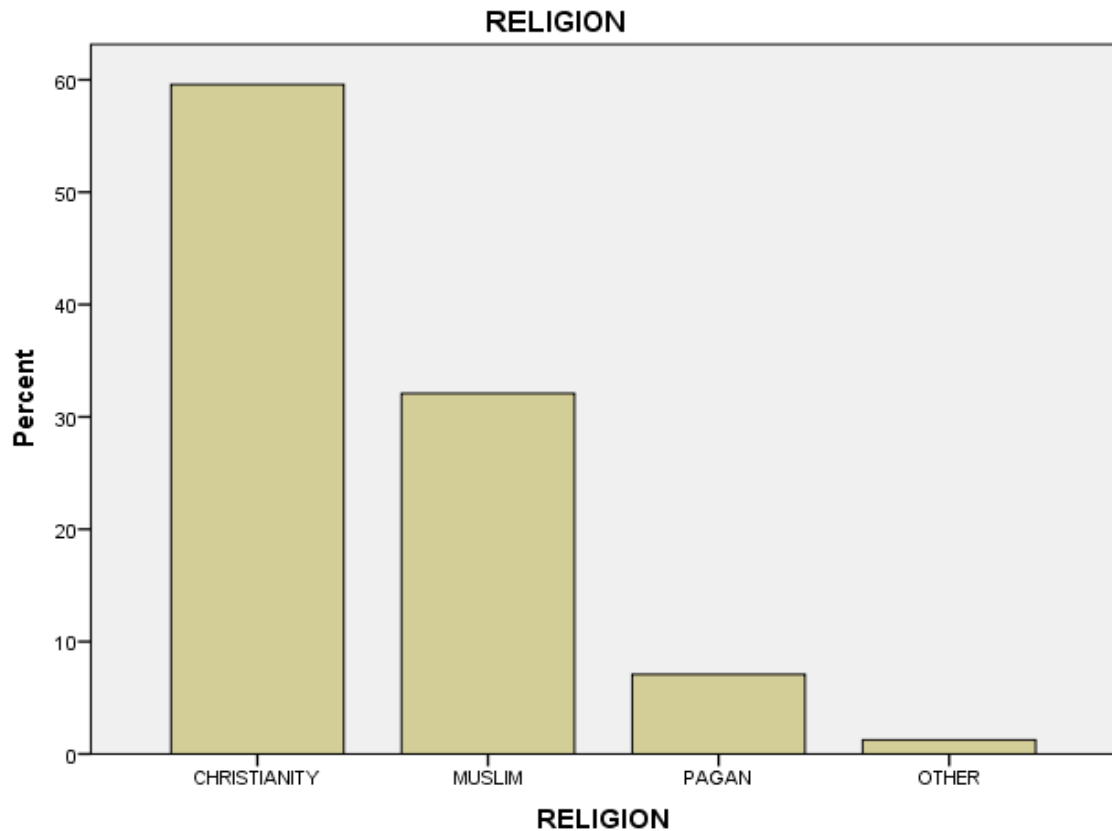


Figure 4.1.3 indicates that, 60 percent of the respondents are Christians whilst Muslims also amounted to 30 percent of the total respondents. Pagans were also 17 respondents representing 7.1 percent of the total respondents and three people also representing 1.3 percent belong to other religion apart from the other three mentioned above. The Christians are more than any other religion because of the place where the study was conducted.

Table 4.1.2 Marital Status of the Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
SINGLE	90	37.5	37.5	37.5
MARRIED	127	52.9	52.9	90.4
SINGLE WITH CHILDREN	23	9.6	9.6	100.0
Total	240	100.0	100.0	

From table 4.1.2 ninety (90) respondents representing 37.5 percent are single and 127 respondents also representing 52.9 are married. 23 of the total respondents representing 9.6 percent are single but they are with children. The analysis of the table shows that, there are more people who are married in the informal sector weather formally or informally married.

Table 4.1.3 Ethnicity of the Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
ASHANTI	109	45.4	45.4	45.4
FANTE	40	16.7	16.7	62.1
NORTHERNER	73	30.4	30.4	92.5
EWE	9	3.8	3.8	96.3
OTHER	9	3.8	3.8	100.0
Total	240	100.0	100.0	

The above table indicates that, 109 of the total respondents which represent 45.4 percent are Ashantis and 40 of the respondents are Fantes which represent 16.7 percent. The Northerners are 73 of the total respondents which also represent 30.4 percent, ewes and other ethnic groups are 9 respondents each which is 3.8 percent. The Ashantis are far more than the other ethnic groups in this study followed by the Northerners because the area of the study is dominated by those group of people.

Table 4.1.4 The Type of Employee

	Frequency	Percent	Valid Percent	Cumulative Percent
OWNER/FOREMAN	128	55.1	55.1	55.1
APPRENTICE	112	44.9	44.9	100
Total	240	100.0	100.0	

From the study, it is clear from the table above that 128 respondents of the total respondents which represent 55.1 percent are owners of the work they do and 112 of the total respondents are also apprentice representing 44.9 percent. The owners in this study are more because of the nature of the informal sector job which is easy and requires small capital to establish.

Table 4.1.5 Housing of the Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
TENANT	143	59.6	59.6	59.6
LANDLORD	97	40.4	40.4	100
Total	240	100.0	100.0	

According to table 4.1.5, 143 of the total respondents which represent 59.6 percent are tenants; on the other hand, they rent their house or the room in which they are staying. 97 respondents out of the 240 respondents are also staying in their own house.

Figure 4.1.4 Monthly Income of the Respondents

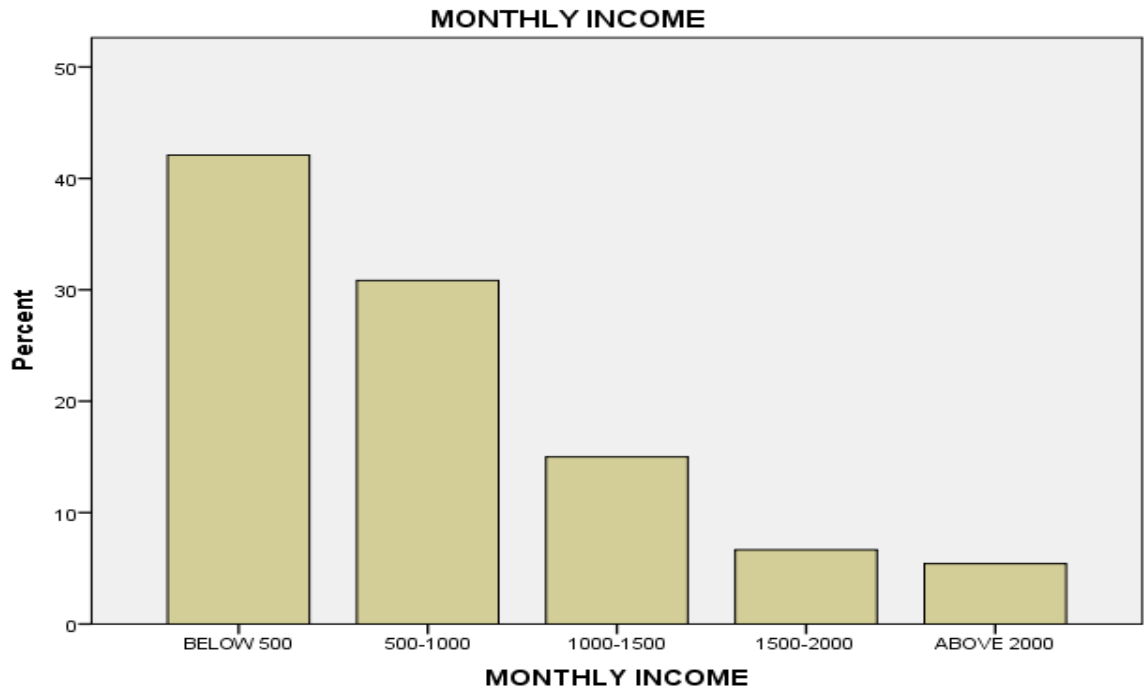


Figure 4.1.5 gives a clear picture of the respondents' monthly income, which indicates that 101 of the total respondent earned below GHS 500.00 monthly, 74 of the total respondents which also represent 30.8 percent received between 500 and 1000 GHS a month. 36 respondents which represent 15 percent are also in the category of 1000 and 1500 GHS per month, 16 and 13 respondents are in the category of GHS 1500-2000 and above GHS2000 respectively. From the figure it clear that those below GHS500 can be linked to the apprentice looking at the number of the respondents and the majority of the respondents who are above GHS1000 per month can also be connected to the landlords according to the study.

4.2 Data Presentation and Analysis

Table 4.1.6 Member of Saving Association

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	188	78.3	78.3	78.3
NO	52	21.7	21.7	100.0
Total	240	100.0	100.0	

According to the table 4.1.6, one hundred and eighty eight (188) respondents are members of saving association whilst 52 out of the total respondent said NO, meaning they don't belong to any of the saving association in the area.

Table 4.1.7 Save or Not Save

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	181	75.4	75.4	75.4
NO	59	24.6	24.6	100.0
Total	240	100.0	100.0	

From table 4.1.7, one hundred and eighty one (181) respondents out of the two hundred and forty respondents which represent 75.4 percent saved out of their income whilst fifty nine (59) of them do not save out of their income. Comparing table 4.1.6 and table 4.1.7, it can be said that almost all the respondents who are members of saving association save out their income except few respondents which do not save part of their income.

Table 4.1.8 Quality Of Life

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	203	84.6	84.6	84.6
NO	37	15.4	15.4	100.0
Total	240	100.0	100.0	

Table 4.1.8 is one of the reasons accounting for the savings of the individuals. Two hundred and three (203) out of the total respondents amounting to 84.6 percent made it categorically clear that they save out of their income so that improve their standard of living. And thirty seven of the total respondents which also amount to 15.4 percent said that is not part of the reason why they part of their income.

Table 4.1.9 To Avoid Over Spending

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	199	82.9	82.9	82.9
NO	41	17.1	17.1	100.0
Total	240	100.0	100.0	

From the table 4.1.9 above, the majority respondents testify that they save in other to avoid unnecessary spending of their income. Forty one respondent representing 17.1 percent attest that to avoid over spending isn't part of the reason why they should save. From the table it is obvious that most of the people save part of their income in other not to misuse their earnings and is one of the reasons why people save according to the study.

Table 4.1.10 unforeseen contingencies

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	195	81.3	81.3	81.3
NO	45	18.8	18.8	100.0
Total	240	100.0	100.0	

It clear from the above table 4.1.10 that 81.3 percent of the total respondents agreed that one of the reasons why they save some of their income is to be able to meet any unforeseen contingency which they come across, 18.8 percent of the respondents also said unforeseen contingency is not part of their reason to save. But according to study it is obvious that unforeseen contingency is also one of the most reasons why people save so that they meet their future unplanned situation that they find themselves.

Table 4.1.11 Income Satisfaction

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	125	52.1	52.1	52.1
NO	115	47.9	47.9	100.0
Total	240	100.0	100.0	

Table 4.1.11 gives a clear picture that one hundred and twenty five (125) out of the two hundred and forty (240) respondents, representing 52.1 percent said they are satisfy with their income that is why they are also able to save part of their returns, one hundred and fifteen (115) respondents representing 47.9 percent disagree that income satisfaction can't be the reason why for them to save.

Table 4.1.12 Job Satisfaction

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	103	42.9	42.9	42.9
NO	137	57.1	57.1	100.0
Total	240	100.0	100.0	

Table 4.1.12 shows that one hundred and thirty seven (137) out of the total respondents of two hundred and forty (240) representing 57.1 percent disagree that job satisfaction of the employees may lead to their saving habits. And one hundred and three also attest to it that job satisfaction is one of the reasons for savings. From the study, it implies that job satisfaction is not the reason why they save.

Table 4.1.13 low level of dependency

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	147	61.3	61.3	61.3
NO	93	38.7	38.7	100.0
Total	240	100.0	100.0	
	240	100.0		

It is clear from the above table 4.1.13 that 61.3 percent of the respondents attest to the fact that the lower the level of dependents family the higher the savings and the higher ones level of dependents the lower the savings of an individual. Ninety three (93) of the respondents disagreed about the assertion. It can be assumed that low level of dependency of an individual is also one of the reasons why people save.

Table 4.1.14 Factors: Low Income

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	190	79.2	79.2	79.2
NO	50	20.8	20.8	100.0
Total	240	100.0	100.0	

Table 4.1.14 shows that, one hundred and ninety (190) out of two hundred and forty respondents representing 79.2 percent accepted that low income is also one of the factors influencing their saving habit, fifty (50) also said no that low income is not a factor that influence their savings. With this analysis from the table above, it can be assumed that low income is one of the most important factors which affect savings if the individual.

Table 4.1.15 location of financial institutions

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	103	42.9	42.9	42.9
NO	137	57.1	57.1	100.0
Total	240	100.0	100.0	

From table 4.1.15 location of financial institutions is not really the reason why they can't save, because looking at the table one hundred and thirty seven (137) respondents representing 57.1 percent are saying No to that factor whilst one hundred and three agreed that it might be one of the reasons why they can't save. From the table, it implies that location of the financial institution isn't one of the factors that influence savings because majority of the respondents said No to that factor.

Table 4.1.16 Low Interest

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	155	64.6	64.6	64.6
NO	85	35.4	35.4	100.0
Total	240	100.0	100.0	

Table 4.1.16 gives a clear picture that one hundred and fifty five (155) out of the total respondents of two hundred and forty (240) representing 64.6 percent made it clear that because the interest of the various financial institutions is low, it doesn't motivate them to save their money. Eighty five of the respondents (85) which also represent 35.4 percent said it is not because of the low interest or the low interest is not the cause of their saving.

Table 4.1.17 Benefit in Saving

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	122	50.8	50.8	50.8
NO	118	49.2	49.2	100.0
Total	240	100.0	100.0	

From the table above, 50.8 percent which is one hundred and twenty two respondents (122) said they see any benefit in saving at the financial institutions if the money can be used for any other thing which profitable whilst hundred and eighteen respondent disagreed to that factor. From the majority view point, no benefit in saving can be classified as one of the factors influencing savings.

Table 4.1.18 Number Of Dependent Family

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	180	75.0	75.0	75.0
NO	60	25.0	25.0	100.0
Total	240	100.0	100.0	

One hundred and eighty respondents (180) representing 75 percent from the table above indicates that the higher the dependent family the lesser ones savings become or can't save at all because all the money are spent on the dependents. Sixty (60) of the total respondents disagree to that fact. Hence number of ones dependents family is also one of the basic factors which influence savings according to the study.

Table 4.1.19 Inflation

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	198	82.5	82.5	82.5
NO	42	17.5	17.5	100.0
Total	240	100.0	100.0	

Looking at the table, it gives a clear picture that inflation is also one of the factors that influence savings. Because one hundred and ninety eight (198) out of two hundred and forty respondents representing 82.5 percent attested that indeed inflation has been one of the major factors influencing their saving. Out of the two hundred and forty respondents forty two (42) of them disagreed that inflation is not a factor for not saving.

Table 4.1.20 HIGH COST OF EXPENDITURE

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	200	83.3	83.3	83.3
NO	40	16.7	16.7	100.0
Total	240	100.0	100.0	

From the table it is also clear that high cost of expenditure cannot be ruled out of the factors influencing saving of an informal sector employees. Two hundred (200) of the total respondents agree that, it is one of the most factors affecting their saving habits. Forty (40) respondents representing 16.7 percent disagree that it is not one of the major factors affecting their saving.

Table 4.1.21 Method Of Saving Institute

	Frequency	Percent	Valid Percent	Cumulative Percent
FORMAL	147	61.3	61.3	61.3
SEMI-FORMAL	50	20.8	20.8	82.1
INFORMAL	43	17.9	17.9	100.0
Total	240	100.0	100.0	

From the table above it is clear that one hundred and forty seven (147) respondents out of the total two hundred and forty (240) use formal method of saving, fifty (50) of the respondents use semi- formal and forty three (43) of them also use informal method of savings. It can be deduce from the study that the informal sector employees use formal method of saving.

Table 4.1.21 Community Development

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	119	49.6	49.6	49.6
NO	121	50.4	50.4	100
Total	240	100.0	100.0	

From the table it cannot be decided vividly that the financial institutions lack the capacity because the difference between the yes and no is just two. One hundred and nineteen respondents out of two hundred and forty representing 49.6 percent agreed that they have seen their financial institution embarking on community development whilst one hundred and twenty one disagree.

Table 4.1.22 Credit Facilities

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	141	58.7	58.7	58.7
NO	99	41.3	41.4	100.0
Total	240	100.0		

The table above shows that one hundred and forty respondents representing 58.6 percent made it clear that they get credit from their financial institutions whenever is needed to enhance their business. One hundred of them also reveal they do not get any credit from their credit institutions to help their operation.

4.3 Discussion of Findings

From the study, it is revealed that 75% of the total respondents do have saving habits and they save part of their income. It also came out that these are the basic reasons that the informal sector employees consider in saving; quality of life (84.6%), this testifies that majority of the informal sector employees are saving so that they can improve their standard of living. To avoid over spending (82.9%) is also one of the reasons for saving, again, unforeseen contingency (83.3%), income satisfaction (52.1%), low level of dependency (61.3%) are all reasons that are identified by the respondents as part of the reasons for saving. The above reasons identified imply that, if the level of the dependents is low, satisfy with their income and also have the plan to meet the future plans, then the saving habits of these employees will go up or that will enhance them to save more. These confirm the reasons for savings that were brought up by an economist Frank and Bernanke (2001).

The study also reveals that, low income (79.2%), low interest (64.6%), number of dependent family (75%), inflation (82.5%) and high cost of expenditure (83.3%) are the factors which influence the saving habits of employees. This means that if the number of dependents are more, then definitely it will affect the level of saving, it also apply to the high cost of expenditure and inflation which affect saving directly when prices of goods rises and cost of expenditure too goes up. The above factors which influences saving as indicated above by the respondents are also in agreement with those indicated by Genanew Timergu et al., (2001).

Furthermore, it is also reveal that the informal sector employees in Ghana use formal method of savings as shown in the analysis, 61.3% of the respondents used the formal method of saving.

Finally, the financial institutions that the respondents use in saving do have capacity but not the absolute capacity to help the informal sectors to improve their business and standard of living. Because looking at the percentages acquired that is 49% for the community development and 58.6% for credit facilities. With these findings discussed above, all the objectives of the study have been achieved.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The informal sector has received increasing attention in the development discourse of Ghana since the middle of the 1980s and the beginning of the 1990s. It has, in effect, been the target of some policy initiatives and activities by certain governmental and non-governmental institutions and organizations, including the trade unions and financial institutions as well. The attention to the sector at the intellectual and policy levels has arisen out of the realization that the sector has been dramatically expanding.

This really shows that the informal sector really play active role in the development of a nation and hence their attitude towards savings need to be monitored and check to see their saving habits. This is solely because savings is inevitable, provides some sort of financial security and the formation of capital for investments. It is against this background that, savings should be done by anybody irrespective of who you are because it promotes and improves one standard of living and collectively help increased the nation's capital base. This study is undertaken to capture the saving habits of the informal sector employees in Ghana, the case study of Manhyia Sub Metro. The study did emphasized on the overview of the informal sector employees in Ghana, reasons for savings, savings and interest rates and the advantages and disadvantages of savings. The research is a descriptive in nature. All the informal sector employees at Manhyia Sub-Metro constituted the population of the study, however a total of 250 questionnaires were used as a sample size.

The data are collected from primary source like questionnaires; other secondary source like books and other research work done by others are also used.

From the study conducted, it revealed that the informal sector employees do have saving habit. It was also came to light that; quality of life, to avoid over spending, unforeseen contingency, income satisfaction, and low level of dependency are the reasons for savings. Again, low income, low interest, number of dependent family, inflation and high cost of expenditure are also the factors that influence saving according to the study conducted. Moreover, it is also revealed that the informal sector personnel use formal method of saving their money. Finally, the financial institutions do not have the absolute capacity to help improve to the informal sector business and to enrich their standard of living in the country.

5.2 Conclusion

The informal sector employees contribute to the economic growth of the country so the policy makers should make it in their plans to create good atmosphere for these workers to work thereby increasing their revenue. Based on the findings, it was also identified that the majority of the informal sector employees are the active and energetic people in Ghana and must be given critical attention to get the best out from them.

5.3 Recommendations

The various informal sector employees unions and associations should more often conduct training to them about the impact of investment and savings to any individual as well as it role in capital formation of any country.

The trade unions should setup a database for the informal sector employees which would cover features, needs, composition and geographical profile; setting up another database on existing institutions and programs and their profile for helping the sector.

Their unions should also provide information on credit facilities, so that the workers can assess to support them in their business.

The government agencies in charge of the informal sector organization should link informal sector to national development which is paying of particular attention to the agriculture and the manufacturing companies to get the best out from them to increase productivity thereby increasing the GDP for the nation.

This research studied the analytical study of saving habits of the informal sector employees; it is therefore recommend that the future researchers also investigate into the prevailing challenges of the sector, the opportunities awaiting the sector etc.

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10. Are you a member of savings association? Yes [] No []
11. Do you save out of your income? Yes [] No []

Tick the appropriate effects

12. Which of the following do you think are the reasons for saving?

	Yes	No
➤ Quality of life?	[]	[]
➤ To avoid over spending?	[]	[]
➤ For unforeseen contingency	[]	[]
➤ Good income satisfaction of the Job?	[]	[]
➤ Job satisfaction in the sector?	[]	[]
➤ Low level of dependents?	[]	[]

13. Which of the following do you think are the causes that affect saving?

	Yes	No
➤ Low income?	[]	[]
➤ Location of financial institution?	[]	[]
➤ Low interest	[]	[]
➤ No benefit in saving	[]	[]
➤ Number of dependent family are more	[]	[]
➤ Inflation?	[]	[]
➤ High cost of expenditure?	[]	[]

14. Methods of Saving Institutes

➤ Formal methods of Savings	[]	[]
➤ Semi – formal methods of Savings	[]	[]

- Informal way of Savings
15. Does the financial institution support community development? Yes No
16. Do you get credit facilities to support your job? Yes No