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Access to loans at Ezi Savings and Loans Ghana Limited at Ashaiman Municipality of Ghana

By

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A thesis submitted to the Institute Of Distance Learning, Kwame Nkrumah University of Science and Technology in partial fulfillment of the requirements for the degree of

COMMONWEALTH EXECUTIVE MASTERS OF BUSINESS ADMINISTRATION

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DECLARATION

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

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ABSTRACT

This study seeks to examine how accessible are the loans given at Ezi savings and Loans Limited at the Ashaiman Branch in Tema Municipality. This was done by determining the types of loans accessible, analyzed the processes of accessing the loans, determine the customers perception on the accessibility of the loans and the trend in access of loans.

The study employed the descriptive design approach using the survey method of data collection and analysis. Data was collected from 151 respondents using a questionnaire, simple random sampling method was used as a basis for selecting 151 respondents from the 435 customers for the study. Both primary and secondary sources of data were used for the study. Reports on access to loans over the past five years were used for the trend analysis. Major findings of the study are that microfinance and personal loans are main types of loans accessible with the least being constructional and agricultural loans. It was also found that most customers perceive loans to be accessible at Ezi Savings and Loans Limited. A major recommendation is that management should reveal its policy and guidelines on interest rate as well as on collateral for specific loans so as to increase access to loans.

DEDICATION

The researcher dedicates this work to his wife Doris Bansah who gave him the needed encouragement and financial support in undertaking his research work.

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I thank the ALMIGHTY GOD for making this project and my study a very successful one. I will also like to extend my sincere gratitude to my supervisor Mr. Nicholas Apreh Siaw for giving me the necessary guidelines and for his excellent supervision. I thank him for his numerous pieces of advice and his input which made this project success. I take this opportunity to thank all my lecturers, Mr. Foster Ofori, Mr. Samuel Nartey, Ezi Savings and loans Ltd and its customers who in one way or the other helped made my study as well as this project a success. Finally, I appreciate the immense efforts of Elvis Koranteng, Bernard Obo Essah, my brothers and of my dear parents in making my study successful.

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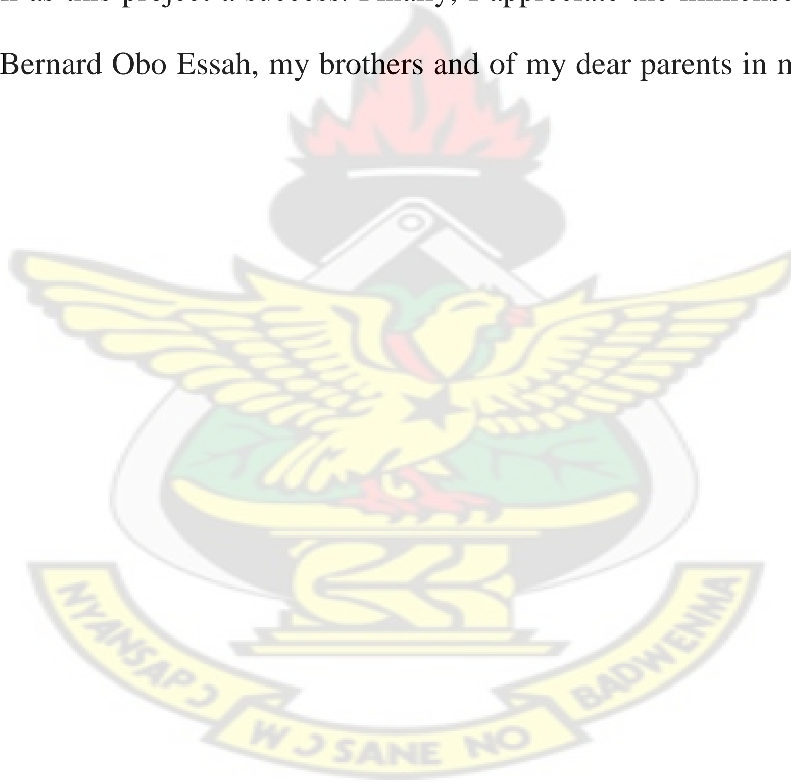

TABLE OF CONTENT

Content Page

Declaration……………………………………………………………………..……….ii

Abstract ……………………………………………………………………………….iii

Dedication …………………………………………………………………..……iv

Acknowledgement…………………………………………..…………………..……..v

Table of Contents…………………………………………………………...…………vi

List of Tables…………………..……………………..……………………………………x

List of Figures…………….…………………….…………………………………...xi

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study ………………………………………………………...1

1.2 Statement of the Problem ………………………………………………………...3

1.3 Objective of the Study ……………………………………………………………4

1.4 Research questions ……………………………………………………………….4

1.5 Significance of the Study……………………………………………………………...4

1.6 Limitation of the Study ………………………………………………………………..6

1.7 Scope of the Study ………………………………………………………………...6

1.8 Organisation of the Study…………………………………………………………...6

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction………………………………………………………………………8

2.1 Definitions of Loan and Credits………..…………………..…………………………8

2.2Types of Loans………………………………………….…………………… …………..9

2.2.1 Secured Loans……………………………………………………………………...10

2.2.2 Unsecured Loans……………………………………………………………………...11

2.3 Abuses in lending……. ……………………………………………………………...15

2.3.1 Predatory lending …………………………………………………………………15

2.3.2 Usury…………………………………………………………………………………16

2.4Loan Classifications and Provisions …………………………………………………17

2.4.1 Performing Loans …….……………….………………………………………...18

2.4.2 Non-Performing Loans (NPLs)..…………………………………………………...19

2.4.3 Classification by the World Bank ……………….…………………………………...21

2.4.4 Classifications by the International Monetary Fund (IMF)………………………...23

2.4.5 Classifications by the Bank of Ghana …..…………………………………………23

2.4.6 Loan Provision Issues………………………………………………………………25

2.5 Loan Management Process……………………….………………………………...28

2.5.1 Loan Initiation ……………………………………………………………………..29

2.5.2 Documentation and Disbursement…………………………………………………31

2.5.3 Credit Administration………………………………………………………………33

2.6 Loan Processing in Banks …………………………………………………………...35

2.7 Factors influencing access to Loans/credit…………..………………………………37

2.7.1 Market Failure Problems in Rural Financial Markets……..………………………..37

2.7.2 Credit Rationing Problems…………………………………………………………38

2.7.3 Individual Finance Institutional Constraints……………………..………………...39

2.7.4 Institutional Environmental Constraints…..………………………………………..40

2.7.5 The costs of loans……………….…………………………………………………41

CHAPTER THREE: METHODOLOGY

3.0 Introduction ……………………………………………………………………………43

3.1 Research Design……………………………………………………………………...43

3.2 Study population……………………………………………………………………..43

3.3Sources of Data ……………………………………………………………………...43

3.4 Sample Methods……………………………………………………………………...44

3.5 Sample Size Determination…………………………………………………………..44

3.6 Instruments of data collection ………………………………………………………44

3.7 Methods of Data Presentation and Analysis…………………………………………44

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.0 Introduction…………………………………………………………………………..45

4.1 Socio-Demographic Characteristics of Respondents ………………………………..45

4.1.1 Sex of Respondents.…………………………………………………………………..45

4.1.2 Age of Respondents……………………………………………………………………...46

4.1.3 Level of Education of Respondents ………………………………………………….46

4.1.4 Level of Income of Respondent ……………………………………………………...47

4.1.5. Marital status of Respondents…………………………………………………….48

4.2 Types of loans Accessible to customers ……………………………………………..48

4.3 Processes of Accessing Loans……….……………………….………………………51

4.4. Customers perception on accessibility of loans…………………………. ………55

4.5 Trends in Access of Loans at Ezi Saving and Loans Limited………………………57

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary ……………………………………………………………………………60

5.2 Conclusion……………………………………………………………………….....61

5.3 Recommendation……………………………………………………………………..62

REFERENCES……………………………………………………………………………...64

APPENDIX…………………………………………………………………………………69

LIST OF TABLES

Table 2.1 Categories of Loans and their Provisions..…………………………………….28

Table 4.1 Sex of Respondents ……………………………………………………...45

Table 4.2 Age of Respondent ……………………………………………………..46

Table 4.3 Level of Education of Respondents …..…………………………………….47

Table 4.4 Level of Income of Respondents ………...…..…………………………………..47

Table 4.5 Marital status of Respondents………………………………………………48

Table 4.6 Types of loans Accessible to customers ……………….…………………...49

Table 4.7 Processes of Accessing Loans ……………………………………………...52

Table 4.8 Customers perception on accessibility of loans …………….………………..55

Table 4.9 Trends in Access of Loans at Ezi Saving and Loan Limited…….….………57

KNUST

List of Figures

Figure 4.1: Trends in Access of Loans at Ezi Savings and Loans Limited………………………...58

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

According to Okojie(2010) micro finance institutions are categories into three types of providers: informal, formal and semi-formal institutions. Informal institutions are traditional credits providers such as money lenders pawnbrokers and traders with unregistered source of credits. Informal micro-finance includes loans from friends and relatives or micro-credits that are based on traditional informal groups. Informal providers have existed both in the rural and urban areas prior to the emergence of formal micro-finance institution. Okojie (2010) identified the following characteristics of informal micro-finance associations, provisions of saving and credits to the poor, informality operations and higher interest rate than the form banking sector. On the other hand Okojie (2010) studies found formal micro-finance institutions to be the financial providers that are subject to the operating countries' banking laws. The semi-formal providers fall between the informal and the formal institutions. These semi-formal providers are microfinance institution that are register as banks with a especial charter or as NGO's that serve those who have been excluded from the formal banking system. They provide loans that are rapid and small, frequent and manageable installment. Borrowers are encouraged to repay loans through groups, cooperation. Norm's values and a number of incentives such as repeated loans and access to group members are considered.

Micro finance institutions have three distinguishing features associated with their financial products: the small size of loans advance or savings collected the absence of asset-based collateral and simplicity of operations (IEAMF2010).

Micro finance programmes has significant potentials for contributing to women's economic, social and political empowerment and to reducing poverty if the very poor client are reached. It is estimated that 84.2 per cent of the poorest microfinance client worldwide are women. Thus an assessment of the poverty level of micro finance client is an importance issues for both practitioners and donors (CIDA 2010).

The Aspen institute estimated that only 2% of potential U.S Micro finance customers are been served compared to the 17% been served in the developing world (opportunity fund 2010). This suggests that U.S have a market for Micro finance operations since only a small percentage has access to such credits.

Increasing the supply of micro credits is important for encouraging new business, stimulating economic growth and opening doors to people who would not otherwise have such opportunity (Marlier et al, 2008). Traditionally the term micro credits is most commonly used in relations to developing countries where it involves much smaller amounts and is focused on eradicating poverty. Entrepreneurs often find it difficult to borrow small amount because many banks see micro finance as a high-risk, loans-return activity, and their handling cost are high in relation to the lengthy amount. Many EU member states have specialised micro finance institutions to overcome these problems. The European commission seeks to help EU member states and regions improve their provisions of micro credit by policy development and by spearheading good practices. One of the EU initiatives to develop micro credit in support of growth and employment is to improve the availability of microloans for small business and for socially excluded people wanting to become self-employed. It operates on four fronts; improving legal and

institutional conditions for business, promoting a positive view of entrepreneurs, spreading best practices, top up financial capital for micro credits institution (EU 2008).

Availability of adequate and timely credit will help in expanding the scope of operation and adoption of new technology as well as enhancing the purchase and use of some improved inputs which are not available on the farm (Oladeebo and Oladeebo, 2008). For a farmer to derive benefits from an institutional credit, the size of the loan, the process of granting such loans, timeliness in disbursement and repayment are important, apart from the level of education, farm size and marital status (Nweze, 1991).

1.2 **Statement of the Problem**

According to the Ezi Saving and Loans (2011) First Quarter Report, about 20% of customers who apply for loans are not able to access such loan facility due to a number of problems. Key among such problems is inability to get a collateral security to support the claims or personal guarantor. The high rate of illiteracy is another problem that makes it difficult to some customers to access loans from microfinance organisations.

Ezi Savings and Loans operates on the principle of providing micro finance and personal loans to a target market with the aim of accelerating growth in the private sector. Unfortunately, most customers are not able to access such loans even though the organisation is willing to advance credit to customer in their catchment area. This study seeks to explore the problems of access to credit with the aim of putting remedial actions in place to help improve access to loans to customers.

1.3 Objective of the Study

The general objective of the study is to analyse the processes as well as the problems associated with accessing loans from Ezi Savings and Loans Ghana Limited.

The specific objectives are to;

1. Determine the types of loans accessible at Ezi Savings and Loans Ghana Limited.
2. Analyse the processes of accessing loans at Ezi Savings and Loans Ghana Limited.
3. Determine customer's perception on the accessibility of Ezi Savings and Loans Ghana Limited.
4. Determine the trends in access of Ezi Savings and Loans Ghana Limited.

1.4Research Questions

The study was guided by the following research questions:

1. What are the types of loans accessible to customers at Ezi Savings and Loans Ghana Limited?
2. What processes are involved in accessing loans at Ezi Savings and Loans Ghana Limited?
3. What perceptions do customers have on the accessibility of loans at Ezi Savings and Loans Ghana Limited?
4. What are the trends in access of loans at Ezi Savings and Loans Ghana Limited?

1.5Significance of the Study

There are number of importance to be derived from the study. The importance can be related to the customers, the financial institution and the government as a whole.

In the case of the customers, this study which seeks to explore the problems of access to loans could identify all the problems customer have in accessing loans from Ezi Saving and Loan institution. The understanding of the problems associated with access to such loans can inform policy makers on the problems customers have so that amendment to such policies if necessary for customers to be able to access credit.

The understanding of the problems associated with access to credit could also be of immense help to customers since this study can be a reference material which could be used to educate customers on how to prepare for the accessing credit. It is important to note that, one needs to start early by looking for guarantors as well as collateral security in order to get the credit.

This study which seeks to improve on the strategies of increasing access could help to increase the profitability of the financial institution since more customers could be attracted to the institution due to the improved ways granting credit to the customers. The government of Ghana as well as the municipal assemble in which the organisation operates can also benefit in terms of taxes and social cooperate responsibility of the financial institution. It is assumed that, the more customers the financial organisations have, the higher their profit margin and the higher the tax they pay to the government.

The turnaround time in accessing loans will be reduced since both the customers and the staff of the institution will know what is required of each of them in terms of standard protocols and processes required in accessing loans. When due processes are followed, it has the capacity to reduce default rate, hence reducing the burden of default on both the customer and the institution.

1.6. Limitations of the Study

A major limitation of the study was the difficulty identifying customers with credit portfolio in the institution. Individual customer information was seen as classified information.

Another problem is the unwillingness of customers to disclose their credit status to the researcher since most customers in the study do not want others to know that they have gone for credit from the institution.

The problem of illiteracy among certain customers made it difficult for the researcher to get information on their credit study since such customer can neither read nor write in order to record basic information. For instance, most of such customers could not recall the date in which they access the credit and cannot also tell when the date in which they also tell when they will finish paying. This problem of illiteracy led to delays in date collection since it took a long time for felling the questionnaire.

1.7 Scope of the Study

The study is limited to access to credit from micro-finance organisation in the Ashaiman Municipality.

The study is also limited to access to short term loans with a maximum of one year (12 months) duration.

1.8 Organisation of the Study

This thesis was divided into five chapters. The first chapter dealt with the introduction of the study. This included background of the study, statement of the problem, objectives of the study, research questions, significance of the study, limitation, scope and organization of the study.

The second chapter which looked at the review of literature, concentrated on reviewing literature basically on the definitions and types of Loans, Loan Classifications and Provisions, Loan Management Process, Factors influencing access to Loans/credit.

The third chapter considered the methods used for the study, while the chapters four and five highlighted data presentation and analysis as well as conclusions and recommendations respectively.

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CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter focuses on the review of relevant literature on access to loans and other core aspects of the topic under study. Areas such as definitions and types of loans, loan classifications and provisions, loan management process, factors influencing access to loans/credit are covered.

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2.1 Definitions of Loan and Credits

A loan is a type of debt. Like all debt instruments, a loan entails the redistribution of financial assets over time, between the lender and the borrower (Wikipedia 2012).

In a loan, the borrower initially receives or borrows an amount of money, called the principal, from the lender, and is obligated to pay back or repay an equal amount of money to the lender at a later time. Typically, the money is paid back in regular installments, or partial repayments; in an annuity, each instilment is the same amount.

The loan is generally provided at a cost, referred to as interest on the debt, which provides an incentive for the lender to engage in the loan. In a legal loan, each of these obligations and restrictions is enforced by contract, which can also place the borrower under additional restrictions known as loan covenants. Although this article focuses on monetary loans, in practice any material object might be lent.

Acting as a provider of loans is one of the principal tasks for financial institutions. For other institutions, issuing of debt contracts such as bonds is a typical source of funding.

The definition of credit has been delineated by a number of economists and finance professionals. As per financial theories, credit has been defined as the procedure of

providing a loan. In this process, wealth is transferred from one party to another. Nevertheless, credit can be defined in many other ways. Following are the some different definitions of credit:

Credit is a legal contract where one party receives resource or wealth from another party and promises to repay him on a future date along with interest. In simple terms, a credit is an agreement of postponed payments of goods bought or loan. With the issuance of a credit, a debt is formed (Maps of world, 2012).

According to Microsoft Encarta (2009), credit, in commerce and finance, is a term used to denote transactions involving the transfer of money or other property on promise of repayment, usually at a fixed future date. The transferor thereby becomes a creditor, and the transferee, a debtor; hence credit and debt are simply terms describing the same operation viewed from opposite standpoints.

Merriam-Webster (2012) defines credit as the provision of money, goods, or services with the expectation of future payment.

Credit generally refers to the ability of a person or organization to borrow money, as well as the arrangements that are made for repaying the loan and the terms of the repayment schedule (Financial-Dictionary, 2012).

From the definitions of loans and credits above, it is therefore obvious that loans and credits are two different terms describing the same activity. For this reason, the terms loan and credit are used synonymously throughout this thesis.

2.2 Types of Loans

Loans are generally divided into two types: secured loans and unsecured loans.

2.2.1 Secured Loans

Secured loans are guaranteed by collateral, which is an item of equal or greater value than the amount of the loan, such as a car, home or cash deposit. In this type of loan, the borrower pledges some asset (e.g. a car or property) as collateral.

Financial institutions offer four types of secured loans including mortgage loans, non-recourse loans, foreclosure and repossession. The last two may surprise many readers as foreclosures and repossessions are not generally considered loan types. Because all secured loans require some form of collateral, a mortgage loan stipulates that property will function as collateral for the mortgage. If the mortgage is not repaid, the applicant will lose the property. Non-recourse loans are secured loans that stipulate that only the collateral will be available for claim if the applicant defaults on the loan. In this case, collateral can be a vehicle, expensive jewelry, property or stocks. A foreclosure is a secured loan that resells the property to recoup monies lost on an unpaid loan. A foreclosure is only applicable to a property. Repossession is similar to a foreclosure in that the claimant (e. g. the bank) can secure lost monies owed on a vehicle, for example. In the last two instances, the property and the vehicle are the collateral that allows both loan types to function as secured (Ehow, 2012)

According to Miriam Caldwell (2012), there are several types of secured loans. Mortgages and car loans are the most common types of loans. You can also get a secured credit card by attaching a Certificate of Deposit (CD) to a credit card. Banks will do this for customers who are trying to rebuild their credit history. The credit limit will be about the same amount as the CD and if you fail to pay, then the bank takes money from the attached CD.

A mortgage loan is a very common type of debt instrument, used by many individuals to purchase housing. In this arrangement, the money is used to purchase the property. The financial institution, however, is given security a lien on the title to the house until the mortgage is paid off in full. If the borrower defaults on the loan, the bank would have the legal right to repossess the house and sell it, to recover sums owing to it.
In some instances, a loan taken out to purchase a new or used car may be secured by the car; in much the same way as a mortgage is secured by housing. The duration of the loan period is considerably shorter often corresponding to the useful life of the car. There are two types of auto loans, direct and indirect. A direct auto loan is where a bank gives the loan directly to a consumer. An indirect auto loan is where a car dealership acts as an intermediary between the bank or financial institution and the consumer.

Secured loans are available to people who have been denied unsecured loans. They are an excellent way to work towards building your credit score. Banks like them because there is less risk involved. The lower interest rates are also an advantage to choosing a secured loan. You should be careful as you choose what you will use as collateral most banks require a home or a car in order to give the loan, although a savings account such as a CD may work, but you will not be able to access that money for the entire duration of the loan.

2.2.2 Unsecured Loans

Unsecured loans do not require collateral and are made based on your credit score and ability to repay. Unsecured loans are monetary loans that are not secured against the borrower's assets. These may be available from financial institutions under many different guises or marketing packages:

Aside from the requirements set by the lender, the debtor/borrowers are normally asked to sign some documents for confirmation that they agree to the terms and conditions of the loan.

Unsecured loans are also called signature loans and although they do not list credit scores as one of the requirements, they still come with higher interest rates because of their equally high default rates. The best lenders have various terms and conditions and they provide different sets of conditions for different types of unsecured loans.

Unsecured loans or usually called personal loans are loans that do not need any collateral from the borrowers. Unsecured loans are easy to obtain by loan applicants and it is easier for the borrowers because they do not give any collateral to get the loan. Unsecured personal loans totally depend on the credit rating of the borrowers. People with bad credit normally find it very difficult to get their loan applications approved.

According ‘’Supervisory in Business’’ (2011), there are three main kinds of unsecured loans. These are: personal loans, payday loans and credit card loans.

Personal Loans as Unsecured Loans: Otherwise known as consumer loans, these types of unsecured loans are granted on the basis of personal, family and household needs. Personal reasons can be for example medical or utility bills. Family-related expenses could be because of education or trips and lastly, home renovations, purchase of appliances and car repairs fall under the category of household reasons.

Personal loans can either be secured or unsecured. They are considered secured if the borrower can present collateral or he or she can have someone else sign as the guarantor. On the other hand, if there is no collateral or guarantor, approval of these unsecured loans are based on the borrower’s ability to repay the loan through proof of employment.

The borrower and the lender should come in mutual agreement in terms of the interest rate of these unsecured loans. If however, the borrower fails to repay the money owed, claims in court could be filed. Unsecured business loan and unsecured business loan with personal guarantee are all personal loans.

Unsecured business loan is just like the other personal unsecured loan, but the business is the one that has the responsibility to repay the entire loan.

Unsecured business loan with personal guarantee is when the borrower may be a business, but you as individual can be the one who has the responsibility to pay the loan.

Payday Loan as Unsecured Loan is another type of unsecured loan. This is short-term loan wherein the amount borrowed plus interest is paid on the next payday. There are a lot of companies online that are offering payday loans and these firms do not normally run credit checks. Depending on your agreement with the lender, these unsecured loans normally come with your consent to let the lender access your checking account to automatically deduct the borrowed amount, with interest, from payroll checks. However, even the best lenders usually require you to be at least 18 years old.

Credit Card Use as Unsecured Loan: Although not really considered unsecured loans per se, the use of credit card also falls under this category. This is because whenever you use a credit card, you are borrowing money from the issuer on the basis that you promise to pay it back on the due date. As such, credit cards work on the same principle as unsecured loans.

In the case of credit cards, additional fees are added if the money owed is not paid on time. In some instances, the account might be sent to collections prior to the start of a legal battle.

The problem with credit cards as unsecured loans is that they are provided on the basis of the borrower's credit worthiness. And since banks are the main providers of credit cards, a thorough background check plus a credit report would be required prior to issuance.

All types of unsecured loans have high default rates. They pose great risks to the lender and thus the high interest rates. In addition, all unsecured loans are short term loans so there will be a set limit of cash allowed. In most instances, unsecured loans will only be good for a few hundred to one thousand dollars, depending on the length of the term you choose. So if you are looking for the best unsecured loans, the internet will be an excellent place to start.

The interest rates applicable to these different forms may vary depending on the lender and the borrower. These may or may not be regulated by law. In the United Kingdom, when applied to individuals, these may come under the Consumer Credit Act, 1974.
Interest rates on unsecured loans are nearly always higher than for secured loans, because an unsecured lender's options for recourse against the borrower in the event of default are severely limited. An unsecured lender must sue the borrower, obtain a money judgment for breach of contract, and then pursue execution of the judgment against the borrower's unencumbered assets (that is, the ones not already pledged to secured lenders). In insolvency proceedings, secured lenders traditionally have priority over unsecured lenders when a court divides up the borrower's assets. Thus, a higher interest rate reflects the additional risk that in the event of insolvency, the debt may be uncollectible.

2.3 Abuses in lending

There are various forms of abuses in lending but the most common types are predatory lending and usury.

2.3.1 Predatory lending

Bankruptcy Attorneys Nationwide (2002) states that, there is no official legal definition for predatory lending, but many activists and scholars have developed working definitions, which generally include the following elements:

i. **Lender deception**: knowingly presenting loan terms untruthfully or incompletely to borrowers;
ii. **Unfair and/or abusive loan terms**: charging more than is reasonable or charging for products/services that are unnecessary;
iii. **Exploitation**: taking advantage of a borrower's incomplete understanding of a contract, violating terms of agreement knowing that a borrower does not know his rights, breaking laws the borrower may not be aware of, etc.; or
iv. **Violation** of consumer protection laws.

Lenders who practice one or more of the above are generally agreed to be engaging in predatory lending. Predatory loans are offered in all borrowing areas, so awareness is important for anyone who plans to borrow money in the near or distant future.

Predatory lending usually involves granting a loan in order to put the borrower in a position that one can gain advantage over him or her. Where the money lender is not authorized, they could be considered a loan shark.

Abella-Austriaco (2006) defines Predatory Lending as any unfair credit practice that harms the borrower and eventually affects the credit or ownership interest of the borrower. It is a broad definition but there really is not one accepted definition of

predatory lending. There are many different types of predatory lending practices that not one definition captures it all.

A predatory loan is one that is lent based on the borrower's equity in the property, and not on the borrower's ability to repay the loan. For example if a borrower has a high equity in the home but does not have the ability to repay that loan based on his low income the lender will lend the loan anyway since the intent is to seize the equity in the home possibly through foreclosure or some other dramatic way.

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2.3.2 Usury

Usury is a different form of abuse, where the lender charges excessive interest. In different time periods and cultures the acceptable interest rate has varied, from no interest at all to unlimited interest rates. Credit card companies in some countries have been accused by consumer organisations of lending at usurious interest rates and making money out of frivolous "extra charges" (Eason, 1983).

Investopedia (2012) defines usury as the act of lending money at an interest rate that is considered unreasonably high or that is higher than the rate permitted by law. Usury first became common in England under King Henry VIII, and originally pertained to charging any amount of interest on loaned funds. Over time it evolved to only mean charging excess interest, but in some religions and parts of the world charging any interest is considered illegal.

Abuses can also take place in the form of the customer abusing the lender by not repaying the loan or with intent to defraud the lender.

2.4 Loan Classifications and Provisions

Loan classification refers to the process banks use to review their loan portfolios and assign loans to categories or grades based on the perceived risk and other relevant characteristics of the loans. The process of continual review and classification of loans enables banks to monitor the quality of their loan portfolios and, when necessary, to take remedial action to counter deterioration in the credit quality of their portfolios (Basel, 2002).

There is no harmonization of asset classification rules at an international level. Loan portfolios of banks are classified into various classifications to determine the level of provisions to be made in line with banking regulations. Loans classification is particularly important because it provides a mechanism to classify loans by degree of riskiness and develop specific remedial management strategies. The two main classes of loans are Non-Performing Loans and performing loans.

Basel (2002) noted that, even a cursory review of classification systems reveals the absence of international consensus on loan classification approaches. The approaches used to classify loans are considered either a management responsibility or a regulatory matter. Among G-10 banking regulators, the United States and, to some extent, Germany used a classification approach. In countries with no detailed regulatory classification regime, bank managers are normally responsible for developing necessary internal policies and procedures to classify loans. A typical view in such countries is that in this area the role of external parties including supervisors and external auditors should be restricted to providing an opinion on whether banks' policies are adequate and if they are implemented in a satisfactory and consistent way.

According to the definition in the Basel Committee's 1999 Loan Accounting Paper, a loan is "a restructured troubled loan when the lender, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider." Restructuring the terms of a loan may result in an impaired loan being upgraded even though an upgrade might not be justified. Without adequate safeguards, the extent of impairment could be concealed, since the improvement in quality expected from a bank's restructuring efforts could be unrealistic or even false. Thus, it is worthwhile that regulatory classification regimes provide guidance in this regard particularly in countries where banks often reschedule loans.

2.4.1 Performing Loans

Legally, a loan or credit facility refers to a contractual promise between two parties where one party, the creditor agrees to provide a sum of money to a debtor, who promises to return the said amount to the creditor either in one lump sum or in installments over a specified period of time. The agreement may include provision of additional payments of rental charges on the funds advanced to the borrower for the time the funds are in the hands of the debtor (Gormley, 2009). The additional payments that are in the form of interest charges, processing fees, commissions, monitoring fees among others, are usually paid in addition to the principal amount lent. Indeed these additional payments when made in accordance with the loan contract constitute income to the lender or the creditor. A loan may therefore be considered as performing if payments of both principal and interest charges are up to date as agreed between the creditor and debtor.

Bank of Ghana (2008)'s classifications of loans indicates that loans that are current are those for which the borrower is up to date in respect of payments of both principal and

interest. It further shows that an overdraft would be considered as current or performing if there were regular activity on the account with no sign of a hard-core of debt building up. The foregoing reveals that loans that are up to date in terms of principal and interest payments are described as performing facilities. These types of loans constitute quality asset portfolio for banks in view of the interest income generated by such assets.

2.4.2 Non-Performing Loans (NPLs)

The term ''bad loans'' as described by Basu (1998), is used interchangeably with non-performing and impaired loans as identified in Fofack (2005). Berger and De Young, (1997) also considers these types of loans as "problem loans". Thus these descriptions are used interchangeably throughout the study.

Generally, loans that are outstanding in both principal and interest for a long time contrary to the terms and conditions contained in the loan contract are considered as non-performing loans. This is because going by the description of performing loans above, it follows that any loan facility that is not up to date in terms of payment of both principal and interest contrary to the terms of the loan agreement, is nonperforming.

Available literature gives different descriptions of bad loans. Some researchers noted that certain countries use quantitative criteria for example number of days overdue scheduled payments while other countries rely on qualitative norms like information about the customer's financial status and management judgment about future payments (Bloem and Gorter, 2001).

Alton and Hazen (2001) described non-performing loans as loans that are ninety days or more past due or no longer accruing interest. Caprio and Klingebiel (1990), cited in Fofack (2005), consider non-performing loans as loans which for a relatively long period

of time do not generate income, that is the principal and or interest on these loans have been left unpaid for at least ninety days.

A non-performing loan may also refer to one that is not earning income and full payment of principal and interest is no longer anticipated, principal or interest is ninety days or more delinquent or the maturity date has passed and payment in full has not been made.

A critical appraisal of the foregoing definitions of bad loans points to the fact that loans for which both principal and interest have not been paid for at least ninety days are considered non-performing. A classification of advances of the banking industry in December, 2008 showed that out of the total loan portfolio of GH¢5,966,804,133.00 in Ghana, 7.68% was non-performing. This included loans captured within substandard, doubtful and loss categories. Loans in these groups have exceeded ninety days in terms of repayment (Bank of Ghana, 2008).

This study uses the quantitative criteria for identifying bad loans. Therefore any loan that is outstanding for ninety days or more is considered a non-performing loan. According to Berger and De Young (1997), such loans could be injurious to the financial performance of banking institutions.

The definition of bad loans or asset impairment varies across countries (Lis, Pagés and Saurina, 2000). The differences among countries increase when examining loan loss provisioning rules and practices. Fuchita (2004) distinguished Bad Loans from Bad Loans Problems. While arguing that the finest definition of Bad Loans might be “a loan which fails to meet certain obligations to pay interest and/or principal”, he said it is bad loan problems we have to focus on instead of bad loans per se.

Various institutions have classified loans and debts based on the degree of risks involved in recovery such loans. Below are the classifications, provisions as well as practices recommended by three of such institutions, these institutions are:

i. the World Bank
ii. the International Monetary Fund
iii. the Bank of Ghana

2.4.3 Classification by the World Bank

According to the World Bank (2004), the five basics that a financial institution must have in order to successfully deal with bad loans are:

i. A validated and properly functioning system of credit quality control and asset classification
ii. The needed reserves to write off all portions of the identified losses
iii. The removal of these assets from the line organization which underwrote them and their transfer to a specially trained group of collectors
iv. The usage of a well-functioning legal system to help force collection
v. The stoppage of making, or renewing, bad loans

The recommended loan classifications of the World Bank are as follows:

Standard or pass: When debt service capacity is considered beyond any doubt. In general, loans and other assets fully secured (including principal and interest) by cash or cash-substitutes (e.g banks certificates of deposit or treasury bills and notes) are usually classified as standard, regardless of arrears or other adverse credit factors.

Specially mentioned or watch: these are assets with potential weaknesses that may, if not checked and corrected weaken the asset as a whole or potentially jeopardize a

borrower's repayment capacity in the future. This, for example, includes credit given through an inadequate loan agreement, a lack of control over collateral, or without proper documentation. Loans to borrowers operating under economic and market conditions that negatively affect the borrower in the future should receive this classification. This applies also to borrowers with an adverse trend in their operations or an unbalanced position in the balance sheet, but which have not reached a point where repayment is jeopardized.

Substandard: This classification indicates well-defined credit weaknesses that jeopardize the debt service capacity, in particular when the primary sources of repayment are inadequate and when the bank must consider other sources of repayment such as collateral, the sale of a fixed asset, refinancing, or fresh capital. Substandard assets typically take the form of term credits to borrowers whose cash flow may be not sufficient to meet currently maturing debts or loans, advances to borrowers that are significantly undercapitalized. They may also include short-term loans and advances to borrowers for which the inventory to cash cycle is insufficient to repay the debt at maturity. Non-performing assets (NPLs)that are at least 90 days overdue are normally classified as substandard, as are renegotiated loans and advances for which delinquent interest has been paid by the borrower from his own funds prior to renegotiations and until sustained performance under a realistic repayment program has been achieved.

Doubtful: Such assets have the same weaknesses as the substandard assets, but their collection in full is questionable on the basis of existing facts. The possibility of loss is present, but certain events that may strengthen the asset defer its classification as loss until a more exact status may be determined. Non-performing assets (NPLs) that are at least 180 days past overdue are also classified as doubtful unless they are sufficiently secured

Loss: Certain assets are considered uncollectible and of such little value that the continued definition as bankable assets is not warranted. This classification does not mean that an asset has absolutely no recovery or salvage value, but rather that it is neither practical nor desirable to defer the process of writing it off, even though partial recovery may be possible in the future. Non-Performing Assets that are at least one year past overdue are also classified as losses, unless such assets are very well secured.

2.4.4 Classifications by the International Monetary Fund (IMF)

For the IMF, the existence of both financial and non-financial early warning systems plays an important role in problem loans management since they may prevent the bank from losses if actions are taken in time to develop a remedial strategy. In addition, loan documents must contain clauses that allow the bank to examine the books of the borrower. There are two essential work-out strategies recommended depending on the assessment of the problem:

If the problem area can be corrected, banks are encouraged to restructure the loan by increasing collateral, revising repayment and/or changing management.

If the problem area cannot be corrected, banks must exit the business by selling collateral and taking legal action.

The loan classification of the IMF is quite similar to the World Bank's but with the following classes: Sound, Weak, Substandard, Doubtful and Loss.

2.4.5 Classifications by the Bank of Ghana

The Bank of Ghana guidelines classifies loans as follows:

Current: Advances in this category are those for which the borrower is up to date (i.e. current) with repayments of both principal and interest. Indications that an overdraft is

still current would include regular activity on the account with no sign that a hard-core of debt is building up.

Other loans especially mentioned ("OLEM"): Advances in this category are currently protected by adequate security, both as to principal and interest, but they are potentially weak and constitute an undue credit risk, although not to the point of justifying the classification of substandard. This category would include unusual advances due to the nature of the advance, customer or project, advances where there is a lack of financial information or any other advance where there is more than a normal degree of risk.

Substandard: Substandard advances display well-defined credit weaknesses that jeopardise the liquidation of the debt. Substandard advances include loans to borrowers whose cash flow is not sufficient to meet currently maturing debt, loans to borrowers which are significantly undercapitalized, and loans to borrowers lacking sufficient working capital to meet their operating needs. Substandard advances are not protected by the current sound worth and paying capacity of the customer. Non-performing loans and receivables which are at least 90 days overdue but less than 180 days overdue are also classified substandard. In this context advances become overdue when the principal or interest is due and unpaid for thirty days or more.

Doubtful: Doubtful advances exhibit all the weaknesses inherent in advances classified as substandard with the added characteristics that the advances are not well-secured and the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors, which may work to the advantage and strengthening of the advance, its classification as in estimated loss is deferred until its more exact status may be

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determined. Non-performing loans and receivables which are at least 180 days overdue but less than 360 days overdue are also classified as doubtful

Loss: Advances classified as a loss are considered uncollectable and of such little value that their continuation as recoverable advances is not warranted. This classification does not mean that the advance has absolutely no recovery value, but rather it is not practical or desirable to defer writing off this basically worthless advance even though partial recovery may be effected in the future. Advances classified as a loss include bankrupt companies and loans to insolvent firms with negative working capital and cash flow. Banks should not retain advances on the books while attempting long-term recoveries. Losses should be taken in the period in which they surface as uncollectible. Non-performing loans and receivables which are 360 days or more overdue are also classified as a loss.

2.4.6 Loan Provision Issues

In many countries, the rules for loan loss provisioning do not aim to capture losses at an early stage, but rather to consider "objective" factors that could be taken into account by the fiscal authority. Some countries provide principle-based rules, with only general guidance on how to determine adequate provisioning. This approach is common in the European Union (Table 6). In contrast, countries that issue detailed regulations on loan classification often define quantitative minimum provisioning requirements. Most emerging markets take this approach. The rationale behind issuing detailed regulatory parameters could be to level the playing field or make bank regulations more easily enforceable. Among non-G-10 economies, provisioning requirements are usually defined in four or five categories, though Brazil (nine) and Mexico (seven) use more categories.

Australia takes an intermediate stance. Banks are allowed to set provisions based on their "internal model," while nonbank deposit-taking institutions are required to use parameters prescribed by the supervisor. Although banks may consider applying the supervisory parameters, it is generally expected that they have in place systems and procedures for assessing provisioning levels in line with the supervisor's prudential requirements.

Provisioning requirements may differ significantly for several reasons. One initial factor is, of course, the conceptual basis for provisioning requirements: Do they aim at addressing only losses that follow from visible and identifiable events, or do they aim at establishing provisions for probable losses? A related aspect is if only specific provisions are used or if general provisions are also permitted or required. Furthermore, the approaches differ as to whether the impairment is measured on the basis of discounted cash flows or undiscounted cash flows. One important aspect is if and how banks are expected to factor in the value of collateral. In many countries, the value of collateral is then subtracted from the required provisions to determine the level of the actual provisions to be established.

Under a second approach, collateral is taken into account when classifying a loan, allocating it, for example, to a more favourable category than that reflecting its own risk and determining the level of provisions accordingly. No evident convergence toward one of the two approaches has emerged from the survey. Countries that have defined specific provisioning requirements for collateralized assets include Argentina, Hong Kong, India, and Spain.

A central feature of provisioning systems is typically to refer to losses that have already been incurred or are anticipated with a high degree of confidence. The general orientation of a provisioning practice is often hard to determine. For instance, although there might not be any explicit reference to general loan loss provisions, bankers can follow a forward-looking approach if bank supervisors support it or if there are fiscal or accounting incentives to do so. In general, though, a minimum requirement for standard loans (which amounts to a de facto general provision) can be considered a minimum requirement of a forward- looking system in that it requires, other things being equal, that more resources be set aside during periods of economic and loan growth than during downturns. To date, an explicit forward looking approach has been adopted only by Spain, which has introduced a "statistical" provisioning requirement in addition to a minimum level of general provisions. Statistical provisions allow Spanish banks to set aside provisions up to a ceiling consistent with EU regulation that can be depleted when loan portfolio quality deteriorates.

In most countries loan classification and provisioning involve substantial subjective judgment, requiring difficult assessments under considerable uncertainty. The room for subjective judgment further increases if banks are allowed to use their own classification and provisioning criteria or if they are given several regulatory options. Such flexibility may contribute to the limited use of penalties and sanctions that could be justified in view of inappropriate classification and provisioning. Instead, supervisors appear to rely more on moral suasion and the threat of sanctions rather than specific penalties and sanctions to enforce classification and provisioning regulations.

Corporate law gives directors and auditors certain rights and obligations to ensure that financial statements provide a fair statement of a bank's financial position, complying

with adequate provisioning practices. Banking and financial legislation often provides specific penalties for violations of prudential regulations in general and of the banking and financial services act specifically. The Banking Law of Ghana (Art, 2004) requires financial institutions in Ghana to make the following provision for the various categories of loans:

Table 2.1 Categories of Loans and their Provisions

	Category	Provision (%)	Number of Days of delinquency
1	Current	1%	0-less than 30
2	OLEM	10%	30-less than 90
3	Substandard	25%	90-less than 180
4	Doubtful	50%	180-less than 360
5	Loss	100%	360 and above

Source: Banking Act (2004)

2.5 Loan Management Process

Problem loans are at the end of the credit channel. Before a loan becomes bad, it needs to be granted. Moreover, the poor quality of a loan is sometimes due to factors not attributable to the lending institutions such as adverse selection and moral hazard (Stiglitz and Weiss (1981) or any other external shock that may alter the borrower's ability to repay the loan (Minsky, 1982 & 1985). Nevertheless, there are cases where the ways financial institutions grant and monitor credits can be responsible for the bad loan portfolio. In other terms, weak credit risk management systems can also be sources of problem loans or bad loans (Nishimura and al, 2001).

For these reasons, it is essential to overview the credit risk management process of financial institutions in order to capture the framework of the bad loans management. Significant details related to the credit management processes are revealed here. Credit management processes by financial institutions can be summarised in three main stages. These stages are Credit initiation, Documentation and disbursement and Credit administration

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2.5.1 Loan Initiation

The credit initiation is a process that starts from a market analysis and ends at the credit application approval. The steps of the credit initiation are listed below:

- **Surveys and industry studies**: Relationship Officers scan the market and economic sectors to identify key players and potential business for the institutions. In the same vein, industries with high potential of growth that can be good business for the institutions are also listed.
- **Risk Asset Acceptance Criteria (RAAC)**: for each industry, criteria are designed to guide the relation with both industry and clients in order to limit the level of exposure at credit risk. Risk Asset Acceptance Criteria applied to industries include both quantitative and qualitative information such as net sales, net profit, years of experience in the business and the quality of corporate governance.
- **Prospect lists**: some prospects (companies and individual customers) identified as the main role players are short listed in accordance with the industry studies and the minimum risk criteria. This prospect list is ranked in order of preference.
- **Customer solicitation**: at that stage, although the primary source of target is the prospect list, the initiation of a credit comes either at the bank request in the

frequent contact with existing customers or at the clients request if they have a need for financing.

- **Negotiation**: the relationship officer identifies the financing needs of the borrower and gathers background information such as the latest financial statements, project details, projections over the loan life. This information will allow the officer to check whether the risk is bearable by the institutions / Bank and its compliance with the bank's targets.
- **Presentation**: the conformity of information given with the market and industry analysis is the reliability of the information once again verified by consulting other sources. A draft of the credit application (CA) is prepared in conformity with the Group Credit Policy and Procedure
- Manual (GCPPM) and consideration of the market and industry analysis by the account officer based on information collected.
- **Credit committee approval**: a copy of that CA is submitted to each member of the credit committee. The members review and approve submission of the final CA.
- **Control and reporting requirements**: the final CA package is submitted to the credit committee with highlights on the credit exposures of the bank.
- **Advise to customers**: once the credit is approved, the customer is advised in writing with details concerning the terms and conditions and with the statement that the credit can be subject to review, modification or cancellation at the Bank option.

2.5.2 Documentation and Disbursement

The documentation and disbursement refers to the compliance of documents provided with the law applicable and the requirements of the Bank's legal department. Documentation provided must satisfy the Bank's legal department and afford maximum protection to the Bank. The documentation is periodically reviewed to keep them in fine with ever-changing legal systems and practices.

The Legal department is consulted before making any compromises with the customer. Any amendments are done in consultancy with the legal department. Once the credit application satisfies all these conditions, a thorough analysis is done and if the application complies with the Bank's conditions, instruction is given to the Credit administration for approval and disbursement.

According to Sample Credit Policies and Processes Manual (2009), All Loans should be approved based on amounts and opinions of different officers on the following aspects of the applicant:

- Honesty, integrity and credit worthiness of the borrower
- Net worth of the borrower
- Outside borrowings
- Financial condition of other businesses operated by the borrower.
- Technical and managerial competence
- Marketability of products
- Profitability of operations
- Financial requirements of the borrower and basis for calculation
- Quality and value of securities offered by the borrower.
- The terms and conditions on which Loan can be sanctioned, i.e., amount of Loan, repayment frequency, security, etc.

- Technical competence and experiences of the client on the use of Loans applied for
- All Loans shall be approved only after discussions and agreement with the client, based on the limits provided for each Loan product.
- The Loan Agreement and Contract form shall be a legally binding document once the parties to the contract sign it.

Loans should be disbursed by cheques / cash/electronic in the name of the applicant at the scheduled time specified in the Loan agreement and guarantee form Sample Credit Policies and Processes Manual (2009). The following guidelines should be followed in disbursing loans:

- No Credit Officers (CO) should be allowed to carry or disburse any Loans by cash.
- For associations/groups, Lending should be disbursed in phases in cases where an association/group have more than 100 members to minimize risk.
- Copies of Loan documents should be sent back to clients after being processed into the Loan tracking system.
- The client acknowledges that he/she has selected the credit facility, including their size, design, model and capacity, and suppliers
- For Asset finance/lease, the client shall at his own cost, procure and take delivery of the Leased asset from the Suppliers and shall safeguard the Leased assets on behalf of the institution for the duration of this Agreement.

2.5.3 Credit Administration

The credit administration refers to the credit support, control systems and other practices necessary for the effective monitoring of credit risks taken by or from the financial institution Michael, C. D (2004).

Credit administration is a critical element in maintaining the safety and soundness of a bank. Once a credit is granted, it is the responsibility of the business function, often in conjunction with a credit administration support team, to ensure that the credit is properly maintained (Basel 2000).

Some of the important features of the credit administration are:

- Control of Credit files.
- Safekeeping of credit and documentation files.
- Follow-ups for expirations of essential documents like CA's and insurance.
- Control of availments and excesses over approved lines.
- Monitoring of collateral inspections, site visits and customer calls.
- Monitoring of repayments under term credits.
- Reporting: the portfolio is periodically reviewed to make sure that the names tiered are still complying with the risk acceptance criteria.

Basel (2000) states noted that, given the wide range of responsibilities of the credit administration function, its organisational structure varies with the size and sophistication of the bank. In larger banks, responsibilities for the various components of credit administration are usually assigned to different departments. In smaller banks, a few individuals might handle several of the functional areas. Where individuals perform such sensitive functions as custody of key documents, wiring out funds, or entering limits into

the computer database, they should report to managers who are independent of the business origination and credit approval processes.

In developing their credit administration areas, banks should ensure:

- the efficiency and effectiveness of credit administration operations, including monitoring documentation, contractual requirements, legal covenants, collateral, etc.;
- the accuracy and timeliness of information provided to management information systems;
- the adequacy of controls over all “back office” procedures; and
- Compliance with prescribed management policies and procedures as well as applicable laws and regulations.

For the various components of credit administration to function appropriately, senior management must understand and demonstrate that it recognises the importance of this element of monitoring and controlling credit risk (Basel, 2000).

The credit files should include all of the information necessary to ascertain the current financial condition of the borrower or counterparty as well as sufficient information to track the decisions made and the history of the credit. For example, the credit files should include current financial statements, financial analyses and internal rating documentation, internal memoranda, reference letters, and appraisals. The loan review function should determine that the credit files are complete and that all loan approvals and other necessary documents have been obtained (Basel, 2000).

2.6 Loan Processing in Banks

There is risk in the provision of credit to borrowers. This risk exists because an expected payment may not occur. Credit risk is defined as potential losses arising from the inability of credit customers to pay what is owed in full and on time. Bank lending involves a bank, providing a loan in return for the promise of interest and principal repayment in the future (Kay & Associates Limited, 2005).

Available literature on lending indicates the lender's role in ensuring good decisions relating to provision of loans in order to minimize credit risk. Rouse (1989) explained that a lender 'lends' money and does not give it away. There is therefore a judgment that on a particular future date repayment will take place. The lender needs to look into the future and ask whether the customer will repay by the agreed date. He indicated that there will always be some risk that the customer will be unable to repay, and it is in assessing this risk that the lender needs to demonstrate both skill and judgment.

The lender should aim at assessing the extent of the risk and try to reduce the amount of uncertainty that will exist over the prospect of repayment. The lender must therefore gather all the relevant information and then apply his or her skills in making judgment. Though there might be pressures from customers and elsewhere which may sway away the lender's judgment, the lender must seek to arrive at an objective decision.

In view of these credit risks that might lead to bad loans, banks have some loan request procedures and requirements contained in their credit policy documents to guide loan officers in the processing of loans for customers. The following are some of the factors considered in granting loans (ADB Desk Diary, 2008):

- Applicant’s background.
- The purpose of the request.
- The amount of credit required.
- The amount and source of borrower’s contribution.
- Repayment terms of the borrower.
- Security proposed by the borrower.
- Location of the business or project.
- Technical and financial soundness of the credit proposal.

Among the criteria outlined above, credit vetting or appraisal is one of the crucial stages in the loan processing procedures. This is because this stage analyses information about the financial strength and creditworthiness of the customer.

Kay & Associate Limited (2005) identified five techniques of credit vetting known as the five Cs framework used in assessing a customer’s application for credit. Firstly, the character of the customer is assessed. This determines the willingness of the customer to pay the loan and may include the past credit history, credit rating of the firm, and reputation of customers and suppliers. Secondly, the capacity of the customer which is described as his or her ability to pay in terms of cash flow projection is critically assessed. Besides, the capital or soundness of the borrower’s financial position in terms of equity is assessed. The conditions such as the industry and economic conditions of the business are also assessed. These are important because such conditions may affect the customer’s repayment ability. The last C is collateral. This is referred to as the secondary source of repayment. This is considered in appraising the customer’s request.

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2.7 Factors influencing access to Loans/credits

Studies undertaken in Mozambique by Manganhele (1999) and in Tanzania by Mohamed (2003), managed to establish six important common socio-economic factors determining an individual's chances to access Loans (credit) from semi-formal, and/or formal financial sources. These are terms of credit and conditions, years of formal education, age, gender, income and degree of awareness of available credit services. Particularly for women, the level of power in decision making of an individual within the household was also established as an important finding was supported by (Mohamed, 2003:29), who found that "although some of micro-credit programmes target women, they do not benefit equally with men from the available credit services". These findings imply the existence of serious weaknesses in the credit system in targeting the right beneficiaries for poverty alleviation, since women are the majority the most disadvantaged groups in many developing countries particularly in Africa.

Apart from the problems of institutional constraints imposed by each type of financial institution, lending policies such as terms of payment and credit duration also limit access to smallholder farmers in developing countries. These limiting factors suggest that the current status of access to credit for smallholder farmers in the developing is a major concern to their governments in their efforts to meet the millennium development goals and to fight poverty. Below are some factors that influence access to credit:

2.7.1 Market Failure Problems in Rural Financial Markets

According to Besley (1994), market failures occur when a competitive market fails to bring about efficient credit markets. The functioning of the latter is based on supply and demand forces. The interest rate is the cost of borrowing and, in a market-based approach it is determined by the law of supply and demand.

The reality in the developing world is that there are many mismatches between potential demand and supply of financial services, which makes the exact source of market failures vague when they occur. In addition, "evidence on what is affecting households' and firms' access to financial services across countries in limited" (Claessens, 2005). When demand exists and the environment is sufficiently competitive, banks can be expected to extend access to credit to include a larger variety of clients, including serving poor smallholder farmers and firms who are currently considered to be high-risk and too high-cost propositions(Claessens, 2005).

Stiglitz (2005) argues that the reality in the developing world is that markets are very often imperfect and when markets are imperfect, both imperfect competition and imperfect information exist. In this case, simplistic models (perfect competition and perfect information) are no longer valid. Instead of the operation of credit markets being based on the supply and demand principle, there is a need for more realistic theories of labour and financial markets that provide explanations for the existence of unemployment and why those most in need of credit, particularly small scale businesses often cannot obtain it.

Efforts by governments in many developing countries aiming to partially resolve market failure problems where undertaken. This suggests that the failure to address market failure problems results from the fact that financial providers have simply been rationing smallholder farmers.

2.7.2 Credit Rationing Problems

Credit rationing strategies are also known to hinder access to credits/loans. Information and incentive problems may lead to market imperfections that induce credit rationing (Gonzalez-Vega and Graham, 1995). For example, the problem of high collateral

requirements is one form of pure credit rationing which restricts market access to otherwise creditworthy clients (Pederson and Khitarishvili, 1997). On the other hand, market imperfections increase the costs of screening and monitoring borrowers and the cost of enforcing financial contracts, which may lead to credit rationing. They arise when private market participants, acting in self-interest, do not allocate resources efficiently (Gonzalez-Vega and Graham, 1995). According to Zeller and Sharma (1998), owing to imperfect information problems, commercial banks usually shy away from rural clients' altogether, limiting their services to the urban per-urban economy. In these areas, information on prospective borrowers in less costly to obtain and transaction volumes are larger. Therefore, imperfect and costly information, risks (arising from uncertainties about their income that create borrowers' potential to default), lack of effective contract enforcement and market segmentation in rural credit markets, may also emerge as important explanations for credit rationing. In addition to market failure problems and credit-rationing strategies, financial institutions' constraints on lending to rural areas also form part of the problem impacting negatively on access to credit, institutional constraints may also explain the problem of lack of access to loans. They are based on two dimensions, namely financial institution specific constraints and barriers arising from the overall institutional environment.

2.7.3 Individual Finance Institutional Constraints

Individual finance institutional constraints occur when appropriate types of financial services are not being provided. For example, many NGOs are providing credit mainly for trading purposes, while majority of farmers demand credit for investment purposes such as mechanised equipment, tractors or trucks, and for consumption purposes (Manganhele, 1999; MRFSP, 2003). This suggests that financial needs of farmers are

possibly not being adequately addressed by these financial institutions. High transaction costs are associated with the fact that small businesses demand small amounts. Together with high fixed cost of applying, collateral requirements and other non- pecuniary barriers, such as requiring literacy, often lead to high rejection rates (Claessens, 2005; FAO, 1993). According to Atieno (2001), Besley (1994) and Claessens (2005), other barriers to access to loans explain why many financial institutions have been failing to provide appropriate financial products and services to category of people and other segments in rural areas. They include

i. Low population density (making it difficult to provide physical infrastructure in rural areas)
ii. Lack of security in cash transfers and branches (which implies that financial services cannot be operated commercially and in a profitable fashion)
iii. High transaction costs for small volumes (smallholder borrowers frequently borrow and repay in small installments).

2.7.4 Institutional Environmental Constraints

The institutional environment is the second dimension of institutional constraints that also hinders access to credit in the financial markets.

In designing viable rural finance institution policies, financial technologies are crucial but, in order for them to be appropriately adopted and implemented, organisational design also matters. Access to technology can impact positively on demystifying some unknown dimensions of access to credit, but many rural financial institutions lack access to technology. As a result, the product design in many developing countries reflects poor organisational design. For this reason, institutional environment constraints have been hindering access to credit for certain people (Gonzalez-Vega, 1994). Poor institutional

design can be reflected in many ways. For example, financial institutions operating in an environment with an absence of credit information, can find it difficult to assess collateral that can be registered and recovered, if necessary. In addition, difficulties in enforcement and general contract design, or an uncertain repayment capacity arising from volatile income and expenditure, can seriously curb the efforts of financial institutions in attempts to improve access to credit.

In the past, the development and spread of financial institutions were suppressed by excessive state interference, such as rigid exchange rate regulations and caps on interest rates. But today, it is widely recognised that the role of establishing macroeconomic stability and of maintenance and enforcing a legal framework that ensures contract compliance, has to be played by the government. This is important to ensure that financial markets are free to respond to economic incentives, while following prudential banking practices. Therefore, while a liberalised financial market is a necessary condition for improving the supply of financial services to the poor, it is not sufficient. Institutional innovation is also necessary (Zeller & Sharma, 1998).

2.7.5 The costs of Loans

Formal financial services are expensive because they are almost a luxury good and require a lot of valuable human and material resources with high opportunity costs. For this reason, formal finance usually implies high fixed costs. Moreover, an efficient evaluation of creditworthiness is essential to make services less costly, for both the financial intermediary and the society. Borrowing costs include nominal interest payments made to lenders; additional loan transaction costs include the purchasing power of money. In turn, borrowers' transaction costs are affected by time and travelling costs to

and from the office to negotiate the loan, application fees, bribes, forced purchases of other services provided by lenders, service fees, compensatory balances and loan-closing costs (Njie, 1983).

According to Klein et al (1999), there is many factors contributing to raising the costs of lending, as highlighted stated below;

i. Dispersed clients
ii. Seasonality and loan term structure
iii. Risks of loan collateral limitations
iv. Moral hazard risks in distorted credit culture
v. Risks form changes in domestic and international policies
vi. Risks of high default rates in lending

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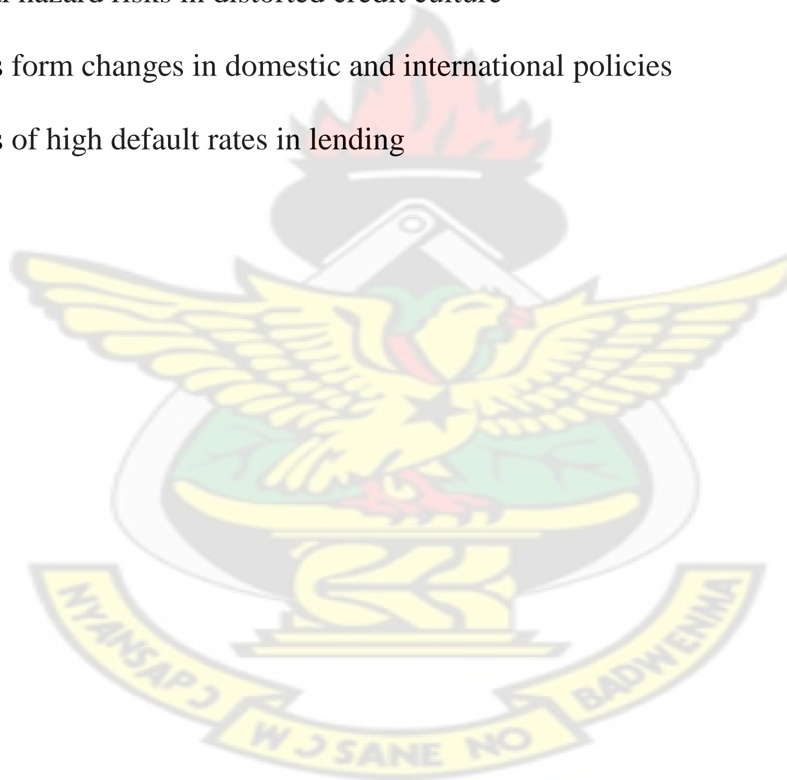

CHAPTER 3

METHODOLOGY

3.0. **Introduction:**

This chapter presents the methods on data presentation and analysis. This includes the research design, source of data, instrument of data collections, sampling methods, sampling size, methods of data presentations and analysis.

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3.1 Research Design

The study employed the descriptive study approach with quantitative methods of data presentations and analysis

3.2 Study Population

The study unit for this research is the customers and staff of Ezi Savings and Loans at Ashaiman branch in the Tema Metropolis.

3.3 Sources of Data

The two main sources were used for the study. The primary source of data was collected through the use of questionnaires and this consisted of both opened and closed-ended questions on the types of loans accessible, at Ezi Savings and Loans, processes of accessing loans, customers' perception on accessibility of loans and the trends in access to loans at Ezi Saving. Secondary sources of data in the forms of reports and journals on customers' access to loans were also used.

3.4Sampling Methods

Simple random sampling method was used to select the customer with credit portfolio for the study. There are 453 customers with credit portfolio with Ezi Savings and Loans at Ashaiman branch.

The list of all these customers was used to develop a sample frame for the study after which the lottery method was used to select the sample size randomly.

3.5. Sample Size Determination

One-third (1/3) of the population was used as a sample size for the study. According to Fox et al (2009), studies involving hydrogenous can best be represented by using as high as 30% of the population due to the high variability involved. Based on this assertion; one-third of the population which was 151 was used for the study (i.e. 1/3*453 =151).

3.6 Instrument of Data Collection

The main instrument used for data collection was a structured questionnaire. It was used to collect data on; types of loans accessible to customer, processes of accessing loans and customers' perception on the accessibility of the loans

A total of 151 questionnaires were self-administered to the study unit. The self-administration method was used because of the high illiteracy rate in the study area as well as the need to get a high response rate.

3.7. Methods of Data Presentation and Analysis.

Data collected were summarised and presented using tables and charts. The descriptive method of data analysis was used in analysing the data.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0. Introduction

This chapter presents the data collected and the analysis made on the types of loans accessible, processes of accessing loans, customers' perception on accessibility of loans and the trend in access to loans from Ezi Savings and Loans Limited. The socio-demographic characteristics are first analysed to help explain the dynamics in accessing loans in the study area.

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4.1. Socio-Demographic Characteristics of Respondents

The socio-demographic characteristics considered for the study are sex, age, level of education of customers of Ezi Savings and Loans Limited.

4.1.1. Sex of Respondent

The study found that more males (58.9%) have accessed loans than females (41.1 %) in the study area. The reason for this might be due to the fact that, it is easier for males to get collateral security in support of the documentation processes for loans in the study area than females could do. The details are presented in table 4.1 below.

Table 4.1 Sex of Respondents

Sex	Frequency	Percentage (%)
Male	89	58.9
Female	62	41.1
Total	**151**	**100**

Source: field work (2012)

4.1.2. Age of Respondent

The analysis on the age of respondents indicated that, the most dominant age group which has accessed loans is between 30 to 39 years. This constituted 41.7%. This is followed by age 40 to 49, constituting 32.5 %. It was found that, no customer aged above 60 years was granted loans in the facility. This is due to the policy guideline of the facility, the details on ages of respondents are found in table 4.2.

Table 4.2 Age of respondents

Age of respondents	Frequency	Percentages (%)
20-29	12	7.9
30-39	63	41.7
40-49	49	32.5
50-59	27	17.9
60 and above	0	0
Total	**151**	**100**

Source: field work (2012)

4.1.3. Level of Education of Respondent.

The level of educations of customers accessing credit is found to be generally low in the study area. Majority of the customers accessing credit are middle school or JHS certificate holders representing 34.4 % of the respondents. This is followed by those with primary level of education representing 21.2 %. Customers with no formal education also constituted 15.3%. The details are presented in table 4.3.

Table 4.3 Level of Education of Respondent

Level of education	Frequency	Percentage (%)
No Formal Education	23	15.3
Primary	32	21.2
JHS/Middle School	52	34.4
SHS/Secondary education	29	19.2
Tertiary	15	9.9
Total	**151**	**100%**

Source: field work (2012)

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4.1.4 **Level of Income of Respondent**

Analysis on the income of customers' reviews that most customers have generally low level of income as high as 47.0% of the respondent earned a month by salary or wage of between 250.01-500.00 Ghana Cedis. It was also found that, 35.1% of the customers earn a monthly income of between 100.01-250.00 Ghana Cedis. The details are presented in table 4.4 below.

Table 4.4 Level of Income of Respondents

Income (Ghana Cedis)	Frequency	Percentage (%)
Less than 100.00	11	7.3
100.01 – 250.00	53	35.1
250.01 – 500.00	71	47.0
500.01 – 750.00	8	5.3
750.01 – 1000.00	6	4.0
Above 1000	2	1.3
Total	**151**	**100**

Source: field work (2012)

4.1.5. **Marital status of Respondents**

Majority (59.6%) customers who access loans in the facility are married while 33.8% are single. Those who are divorced separated or window also constituted 1.3%, 3.3% and 2.0% respectively. The details are presented in table 4.5 below.

Table 4.5 Marital status of Respondents

Status	**Frequency**	**Percentage (%)**
Single	51	33.8
Married	90	59.6
Divorced	2	1.3
Separated	5	3.3
Widowed	3	2.0
Total	**151**	**100%**

Source: field work (2012)

4.2. **Types of loans Accessible to customers**

To have a thorough understanding on the problems of access to loans among micro finance institutions, there is the need to identify the types of loans accessible and the condition at which these loans are given. Table 4.6 gives the summaries of the types of loans accessible at Ezi Savings and Loans Limited.

Table 4.6 Types of loans Accessible to customers

Types of Loan	Frequency	Percentage
Personal loans	41	27.2
Commercial loans	20	13.2
Agricultural loans	0	0
Micro finance	84	55.6
Constructional loans	6	4.0
Total	**151**	**100**

Source: field work (2012)

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From table 4.6 it is found that the main type of loans accessible at Ezi Savings and Loan Ghana Limited at Ashaiman is a loan for micro financing. This constituted 55.6%. The study found that most customers come for the loan for the purpose of expanding their trade. The most common trades normally financed under such a scheme are petty trading, retailing, artisans' such as carpenter, masons, auto electricians, auto mechanics. The availability of this source of micro financing has made it possible for a category of customers who hither to would not have qualified for loans from banks, have access to small credit at a short time to benefit from such product. The ability of most customers to benefit from such a product has helped improved the economic status and wealth creation of such beneficiary. This finding is consisted with Okojie (2010) studies which revealed that the availability of microfinance institution have helped reduced poverty among lower income households, since they can now have loans to expand their business enterprise and at the same time be able to meet the financial commitment of their family. Okojie's 2010 studies, is also in line with European union policy on social inclusion 2008 which indicated that increasing the supply of micro credits is important for encouraging new

business, stimulating economic growth and opening doors for people who would not otherwise have such opportunity.

The study found that another major type of loans accessible at Ezi Savings and Loan Ghana Limited in the study area is personal loans, this constituted 27.2 %. It was found that Ezi Savings and Loan Ghana Limited often grant access to customers especially salary workers who want personal loans for purpose such as rent, furniture, household appliance and school fees. The ability of the facility to provide such loans is a relieved for most customers because it saves them from having to access loans from the bank, with it stringent policy guidelines. Given of personal loans to customers is normally tied to how much they earn in a month and the ability to provide a guarantor. Once these conditions are met, the loans requested by the customer are provided. The study found that customers who are not public servant find it difficult to access personal loans because of their irregular income and the inability to provide pay slips to authenticate how much they earn at the end of the month.

Granting of commercial loans to customers (13.2 %) was another type of loans accessible at Ezi Savings and Loan Ghana Limited. The study found that, a small number of customers normally access commercial loans to either start a new commercial venture or revamp an existing one. It was found that, due to high interest rate coupled with short term of loan repayment most customers do not often go in for such loans. This finding is in line with (Oladeebo and Oladeebo, 2008) finding which noted that, microfinance institutions needs to consider reducing their interest rate in other to increase access to individuals and groups for commercial loans.

Given of constructional loans (4.0 %) was seen as another type of loans accessible to customers at Ezi Saving And Loans Ghana Limited. It was found that customers who are into construction of short term project which do not go beyond six month are granted access. It was found that such contractors are normally given contract sum after they have shown evidence of the award of the contract to the credit department for evaluation. The study found that when the project document has been fully evaluated, such funds are released to the customer with the understanding that the repayment schedule will not go beyond six month. It was identified that due to the short term nature of such loans most customers do not prefer to take such contract loans. It was further found that, those who take such loans normally take it as the last resorts

A type of loan that is not commonly patronized is the loans for agricultural purpose. The study found that since the establishment of the branch in the study area, no one has ever come for loan for agriculture purposes. This might be due to the location of the bank. It was found that farmers in the catchment area have not shown interest in accessing such loans, probably because of the short term nature and the high interest on the loan.

It can be concluded that there are four main types of loans accessible to customers in the study area and the most accessed is the micro-finance loan while lest access is the agricultural loans.

4.3 Processes of Accessing Loans

Knowledge on the processes involved in accessing loans at Ezi Savings and Loans Limited could help to understand the problems costumers go through in accessing loans.

It could also give an indication as to whether the loans are accessible or not. The processes involved in accessing loans have been summarised in table 4.7 below.

Table 4.7 Processes of Accessing Loans

Processes	Frequency	Percentage
Credit Initiation	72	47.77
Documentation	23	15.2
Disbursement	37	24.5
Credit administration	19	12.6
Total	**151**	**100**

Source: field work (2012)

As high as 47.7% of the respondents indicated that the first process they are normally taking through in accessing loan is the credit initiation process. The study found that, in this process, the customer writes to apply for the loan indicating the type of loan and the purpose to which it is to be used for as well as the number of months to use in repaying the loan. Another requirement expected to be met in the process of applying for the loan is the ability to provide a collateral security and a personal guarantor.

As part of the credit initiation process, the credit officers need to examine the application from the customer to ensure that all required pieces of information have been provided after which an application form given to the customer to fill. This application serves as a formal document to be used in applying for the loan. The study found that the application form needs to be appraised by management to determine whether to grant the loan or not. The decision to grant or not to grant the loan is based on whether the application was filled based on the guidelines for accessing loans. The study found that in most of the

time, customers whose requests are turned down do not either provide adequate collateral or credible guarantor.

Another process in accessing loan at Ezi Savings and Loans Ghana Limited is the documentation process, this constituted 15.2%. A small number of customers indicated that most often they are invited to the credit department and the legal department to finalise the documentation processes on the loan they want to access. The study found that, most often when customers who are into construction request for huge loans which will be repaid in short time, such customers are invited to the credit and legal department for verification purpose. The study further found that, when customers want to make amendment in their application, such customers are required to personally meet the credit officers and the legal department for this amendment to be made. This process most often requires starting a new process of documentation for the loan being accessed. It was found that until the documentation processes are finalised, no loan can be accessed. The study also found that delays in documentation process also lead to delays in approval of the loan.

Once the documentation process is finalised the next process in the access of loans is the disbursement. As high as 24.5 % of the respondents are of the view that, once the credit application satisfies all the conditions, instruction is given for the disbursement of the loan. The study found that, it can even be paid over the counter or into the customers' account. On the contrary, when one is accessing a huge loan, the disbursement is done in phases based on the availability of funds.

Credit administration (12.6 %) is another process of accessing loan. The study found that under this process, the credit officers ensure the safe keeping of credit and documentation files so that schedule payment can be tracked. Follow up of expiration of essential documents, control of availment and excesses over approved line and monitory of collateral inspection, site visit and customer calls as well as monitory of repayment under term credit are major credit administrative proceeding undertaken when accessing loans.

There are four main processes involved in accessing loans at Ezi Savings and Loans Limited. These processes are credit initiation, documentation, disbursement and credit administration. A delay in each of the processes affects and delays access to loans.

4.5. Customers' perception on accessibility of loans

The core business of Ezi Saving and Loan Limited is to mobilise deposits and grant credit to customers. The perception customers have on accessibility of loans at Ezi Savings and Loans Limited would determine how often they come for loans. Based on this background, the researcher wanted to analysis the customers' perception and summarises are provided in the table 4.8 below.

Table 4.8 Customers perception on accessibility of loans

Customers' Perception	Frequency	Percentage
Very Accessible	16	10.6
Accessible	79	52.3
Fairly Accessible	51	33.8
Not Accessible	5	3.3
Total	**151**	**100**

Source: field work (2012)

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From table 4.8, it was found that a small number of customers (10.6%) have the perception that. Loans are very accessible at Ezi Savings and Loans Limited, Ashaiman branch. It was found that the credit officers are very professional and would diligently assist customer in filling the application and meeting all requirement with regards to documentation so approval is given without delays by management. It was found that, once there are no errors in the application and documentation processes, there are no delays in accessing loans. The study further found that, it is very easy accessing loans because majority of the customers normally apply for microfinance loans which are very small in nature and easy to access. It was found that accessing loans at Ezi Savings and Loans Limited is very easy because, most of the customers under micro-finance loans do not require collateral but rather minimum amount to be kept in their account as cash collateral. This amount constitutes 20.0% of the loan amount being required.

Majority of the respondents representing 52.3%felt that loans at Ezi Saving and Loans Limited are just accessible. This category of customers has the perception that had it not being the personal guarantor required before accessing loan; the process would have been

very accessible. It was found that in most of the time, some customers are not able to access the loans simply because they are not able to get guarantors. The study also found that in some instances, the applications were turn down because the guarantors were not credit wealthy.

Another limiting factor to access is the age of the customer. The study found that, most of the time, customers who turn 60 years are barred from accessing loans at Ezi Savings and Loans making the facility unfriendly to the aged.

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Another group of customers constituting 33.8 % were of the view that it is fairly easy accessing credit at Ezi Savings and Loans Limited. The reasons given were that, most often customers come for personal loans and such loans are not very easy to access. One needs to submit a current pay slip and a bank statement. Most often such customers are not able to get such supporting documents. It was found that, those customers who are able to get these supporting documents are not able to access large loans because of the small nature of their salaries. Another reason accounting for fairly accessibility is that customers who want to access overdraft facility most often are not able. The reasons for this are that overdraft attracts a higher interest rates and one also requires a guarantor. The inability to pay the high interest rate or provide the guarantee does make it easily accessible.

A small number of customers representing 3.3% have the perception that loans at Ezi Savings and Loans are not accessible. This category of customers are the self-employed, petty traders, who do not have access to pay slip but want to access personal loans. It was found that customers also aged above 60 years are not granted credit. This is based on the

policy guidelines of the facility. Loan applicants who are not customers are also not given loans.

4.5 **Trends in Access to Loans at Ezi Saving and Loans Limited**

A strategy for determine the number of people who have subscribed to the various types of loans at Ezi Savings and Loans Limited is to undertake trend analysis over the past five years and this has been summarised in table 4.9.

Table 4.9 Trends in Access to Loans at Ezi Saving and Loan Limited

Types of loans	**Years**					
	2007	**2008**	**2009**	**2010**	**2011**	**Total**
Personal loans	31	53	71	94	120	**369**
Commercial loans	12	20	32	39	52	**155**
Micro-finance	72	141	164	177	181	**735**
Constructional loans	0	3	5	5	7	**20**
Total	**115**	**217**	**272**	**315**	**360**	**1279**

To help determine the dynamism in the type of loans over the past years, a group bar graph was used and which is presented in figure 4.1

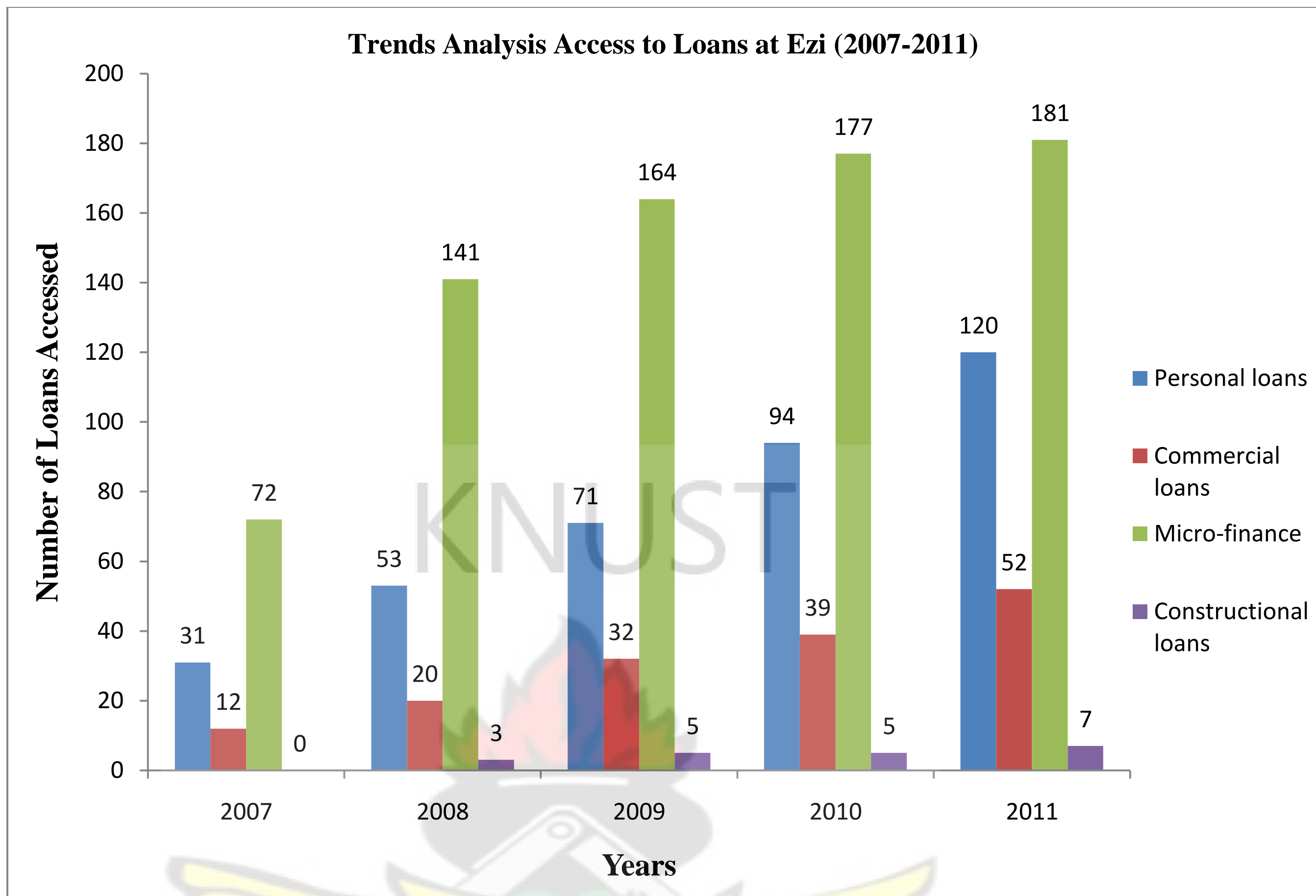

Figure 4.1: Trends in Access to Loans at Ezi Savings and Loans Limited

From figure 4.1, it was shown that generally, assessment of loans have continuously increased over the past five years. It was found that 2007 saw a total assessment of 115 customers, this increase sharply to 217 in 2008. There was a further rise in 2009 to 272 customers. It further rose to 360 customers in 2011.

In terms of specific loans, it was found that, the most subscribed was microfinance attracting a total of 735 customers over the past five years. This is followed by personal loans; attracting 369 customers with commercial loans and the construction loans attracting 165 and 20 customers respectively. The reasons for high subscriptions for microfinance are that there are a lot of self-employed customers who need financial

support to expand their businesses, as a result of this majority of customers have access the microfinance loan. Another reason for the high patronage of this type of loan is the flexibility. Customers who need to access this loan do not need collateral but a personal guarantor. Another reason intern of flexibility is the small amount usually requested for. The small nature of the loan requested makes the loan processing easier and this is very attractive to the customers.

The least subscribed loan is the constructional loan. Reasons for this trend are that, there are few customers as building contractors and again they normally come for huge loans at high interest rate and this normally detracts such customers from accessing construction loans.

Analysis in terms of years revealed that in 2007 subscriptions to all the type of loan were low, because the company started operations that very year and most customers did not known of such loan packages. There was sharp increase in all the type of loans accessible from 2008 to 2011 because of increased publicity, personal sales and the attractive package offered to customers .Considering the trend in growth of assessment and the fact that all the loans subscripted are progressively increasing, it is estimated that the trend in assessment will continue to increase in all the types of loans subscribed since the loan products have not reach its peak yet.

It can be concluded that, assessment to all three types of loan have progressively increased over the past five years with the main types of loans being microfinance and personal loans.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

This study seeks to examine how accessible are the loans given at Ezi Savings and Loans Ghana Limited at the Ashaiman Branch in Tema Municipality. This was done by determining the types of loans accessible, analysed the processes of accessing the loans, determine the customers perception on the accessibility of the loans and the trend in access to loans.

This study was carried against the background that, about 20 % of customers who apply for loans in the institution, are not able to access such loans and the reasons to this must be explored (Ezi Savings First Quarter Report, 2011).

The study employed the descriptive design approach using the survey method of data collection and analysis. Data was collected from 151 respondents using a questionnaire, simple random sampling method was used as a basis for selecting 151 respondents from the 435 customers for the study.

Both primary and secondary sources of data were used for the study. Reports on access to loans over the past five years were used for the trend analysis.

5.2 CONCLUSION

The following trend was drawn in line with the conclusions;

1. More males have accessed loans than females in the study area.
2. Customers age between 30 to 39 years is the dominant age group accessing loan at Ezi Savings and Loans Ghana Limited
3. The level of education of customers accessing loans at Ezi Savings and Loans Ghana Limited are found to be generally low with most subscriber having up to middle school leaving certificate or junior high school leaving certificate.
4. The level of income of most customers are found to be generally low with majority of respondents earning between 250 and 500 Ghana Cedis a month
5. Majority if the loan subscribers are found to be married.
6. There are four main types of loans accessible to customers at Ezi Savings and Loans Ghana Limited with the main type being microfinance followed by personal loans and commercial loans respectively.
7. Constructional loans are the least preferred loans at Ezi Savings and Loans Ghana Limited, Ashaiman branch in Tema Municipality.
8. The main processes involved in accessing loans at Ezi Savings and Loans Ghana Limited, include; credit initiation, documentation, disbursement and credit administration.
9. Majority of customers hold the perception that, loans at Ezi Savings and Loans Ghana Limited are accessible to customers and this is due to the flexibility of access which allows a customer to access a microfinance loans without collateral.
10. The trend analysis revealed that, there is a progressive increase in all the loans accessed by customers from 2007 to 2011.

11. It is estimated that, there will be a continuous growth from 2011 onwards, since the trend is yet to reach its peak.

It can therefore be concluded from the findings that, there are four main types of loans accessible to customers in the study area and the most accessed is microfinance and the least accessed is construction loans.

There are four main types of processes involved in accessing loans at Ezi Savings and Loans limited and they are credit initiation, documentation, disbursement and administration and a delay in any of these processes affects access to loans.

Majority of the customers have the perception that, loans at Ezi Savings and Loan limited, Ashaiman Branch in the Tema municipality, are accessible.

5.3. RECOMMENDATIONS

1. More female should be encouraged to access microfinance loans at Ezi Savings and Loans limited. This could help them expand their business enterprise and improve on their financial status
2. The study found out that majority of the customers who access microcredit loans are between 30 to 39 years while customers in the other age cohort do not normally access such loans. It is therefore necessary for management to target specific age groups and address their concerns in order to access such loans.
3. It was found that there are four main types of loans accessible at Ezi Savings and Loans limited, but the most preferred is microfinance. It is therefore necessary for

management to encourage customers to access the other type's especially commercial, constructional and agricultural loans.

4. The main reasons why customers normally decline to access commercial and constructional loans are; high interest rate and inability to get collateral. It is therefore necessary for management to review the guidelines on interest rates and types of collateral suitable under specific loans.

5. It was found that credit initiation and documentation processes normally delay access to credit because customers most often do not provide the needed information to the credit department for appraisal of their loans. It is therefore necessary for management to educate the customers on the requirements needed to access specific loans in order to hasten the process at access.

6. There is generally a progressive increase in the trend of access to all loans accessible to customers from 2007 to 2011. To maintain this increase, management needs to improve on the processes of access, human relation and education of customers on the requirements for access.

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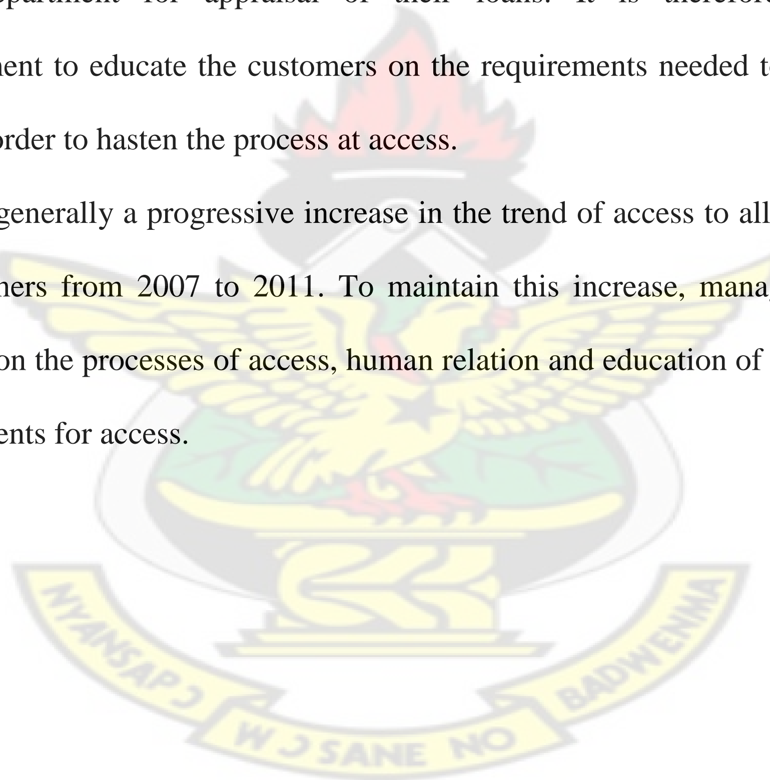

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APPENDIX

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

INSTITUTE OF DISTANCE LEARNING

QUESTIONNAIRE

The researcher is a commonwealth master of Business Administration (CEMBA) Student of the above named university. He is collecting data on the topic: "**Access to Loans at Ezi Savings And Loans Limited in the Ashaiman Branch in Tema Metropolis".** This study is for academic purpose only and every piece of information given will be treated confidential.

INSTRUCTIONS

Please Tick the box [√] where appropriate and provide the necessary information where applicable in the spaces provided.

Section A: Socio- Demographic Characteristics

1. What is your sex?

   [ ] Male

   [ ] Female

2. In which age group do you belong?

   [ ] 20 – 29

   [ ] 30 – 39

   [ ] 40 – 49

   [ ] 50 – 79

3. What is your level of education?

- [ ] No Formal Education
- [ ] Primary
- [ ] JHS/Middle School
- [ ] SHS/Secondary education
- [ ] Tertiary
- [ ] Others (Specify)…………………...........................

4. Which range does your monthly income fall?

- [ ] Less than ¢100.00
- [ ] ¢100.00 - ¢250.00
- [ ] ¢250.00 - ¢500.00
- [ ] ¢500.00 - ¢750.00
- [ ] ¢750.00 - ¢1000.00
- [ ] Above ¢1000.00

5. What is year marital status?

- [ ] Single
- [ ] Married
- [ ] Separated
- [ ] Divorced
- [ ] Widowed

Section B: Types of Loans Accessible at Ezi Savings and Loans Limited

1. What are the types of loans available at Ezi savings and Loans Limited

- [ ] Personal loans
- [ ] Commercial loan

☐ Agricultural loans

☐ Constructional loans

☐ Micro-finance

2. What types of loans do you normally access

....

....

....

3. Given reasons for your answer in question

....

....

....

4. How many times have you accessed loans from Ezi savings and Loans Limited?

....

....

....

Section C: Processes of Accessing Loans

1. What are the processes involved in accessing loans at Ezi savings and loans?

☐ Write to apply

☐ Fill application form

Verification from credit officers

Appraisal

Recommendation

Approval/disbursement

Section D: Customer Perception on Accessibility of Loa

☐

☐

☐

☐

1. What is your perception on the accessibility of loan from Ezi savings and Loans Limited?

   ☐ Very accessible

   ☐ Accessible

   ☐ Fairly accessible

   ☐ Not accessible

2. Explain the reasons for your choice in question 1 above?

   ……………………………………………………………………………………………………

   ……………………………………………………………………………………………………

   ……………………………………………………………………………………………………

   ………………………………

3. How can accessibility to loan at Ezi savings and Loans Limited be enhanced?

   ……………………………………………………………………………………………………

   ……………………………………………………………………………………………………

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