Examining the economic impact and challenges associated with Savings & Loans companies in Ghana

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A. ABSTRACT

The paper strive to empirically deduce the exact contribution of Savings & Loans companies to Ghana's economy, and further analyze the extent of it economic impact as against the challenges faced by the industry in support of the development of the financial system in Ghana

B. INTRODUCTION

i. Objective of the Research

The ultimate focus of this research was to examine the contribution of savings & loans companies to Ghana's economy through it credit availability and mobilization of savings. Furthermore to analyze the extent their contributions address the needs of the marginalized sector of the economy that the traditional banking system has been unable to resolved satisfactorily up to date. With the ultimate aim to guide the policy makers to formulate appropriate strategies to tap the full potentials of that sector, for the financial system in Ghana, as well as formulate classical strategies for effective supervisions.

ii. Historic background of Ghana Financial System and Banking

The financial landscape of Ghana has gone through a chequered history over the past three decades. In the 1970's and the early 1980's; the economy of Ghana was characterized by a steady decline with hyperinflation and exchange rate depreciation being the major features (Ameyaw S. D., 2004). The malaise that afflicted the economy took its toll on the banking and financial system of the country. Among the ills bedevilling the financial system as at that time, the following were mentioned as prominent:

- Low capital base of banks
- High risk concentration
- Large portfolio of non-performing loans
- Weak accounting and management information systems
- Weak internal controls

- Weak supervision and deficiencies in the legal and regulatory framework (Appiah, M., 1994).

In addition to these, the Banking system suffered from over-regulation of interest rates as well as sector allocation of credit, being tightly regulated by the Central Bank. The weaknesses among others were identified by a Diagnostic Study of Banks commissioned by the Government of Ghana in 1987. Although the Diagnostic Studies mainly covered the state owned banks, the findings were largely relevant to the industry as a whole in that time, because the state owned Banks were dominating the industry. Following the publication of this findings, the government with the assistance of International Development Association (IDA), embarked on financial sector adjustment programme (FINSAP).

The objective of the FINSAP included the following stated below;

- Restructuring of distressed banks
- Improvement of deposit mobilization
- Enhancement in the efficiency of credit allocation
- Improvement in the supervisory and regulatory frame work

Other measures pursued under the project included interest rate deregulation, abolition of credit ceilings and sectoral allocation of credit, as well as market determination of exchange rate (Appiah, E., 1994). As a consequence of these reforms, a new Banking Law, PNDC Law 225 was promulgated to replace the then clearly outdated Banking Act, Act 339. Under this new Law, new minimum capital requirements were prescribed for the various categories of Banks. Other innovations introduced by the PNDC Law 225 included Capital Adequacy Ratio (CAR) and other prudential requirements. (This legislation has since been replaced by the Banking Act, 2004, Act 673). Subsequent to the reforms, came the rise of Banks in Ghana with the majority foreign ownership. A couple of state owned Banks specifically Social Security Bank (SSB) and Ghana Commercial Bank (GCB), have undergone divestiture with the former almost wholly foreign owned while the latter has had a substantial portion of its shareholding offloaded to the Ghanaian investing public (Anin, T. E., 2001). Alongside the PNDC Law 225, a separate legislation was introduced to regulate the licensing and operation of other players in the financial market which were not banks, namely the Financial and Investment Institutions(Non-Banking) Law, 1993(PNDC Law 328). Among the Institutions covered by the Non-Banking Financial Institutions Law was Savings & Loans Companies, which is the subject of studies of this paper. Since the advent of PNDC Law 328, Savings & Loans Companies have gained greater visibility and are perceived as an important component of the financial system in Ghana.

Formal Banking began in Ghana (then Gold Coast Colony) in 1896 with a branch of the Bank of the British West Africa (Fry, 1976) followed by Barclays Bank in 1917 (Crossley and Blandford, 1975). Both Banks were operated and supervised as branches of their London head offices. The first indigenous bank was the Gold Coast Cooperative Bank, which was established in 1945. Its main business was to support the marketing societies to buy cocoa from the farmers. It registration of operation was cancelled in 1961 and its active operations absorbed into the Ghana Commercial Bank (Republic of Ghana 1970). In 1953, the Bank of Gold Coast was established by the Statue as the first indigenous commercial bank with some of the current central bank functions as part of it operations. In 1957 the Central Bank and the Commercial Bank functions were separated to form the Bank of Ghana and the Ghana Commercial Bank respectively (Steel and Andah,2003). At the time of Ghana Independence, the Banking Industry in Ghana consisted of three (3) banks only. The Industry has grown over the years. As at 31st December 2007, there were twenty three (23) banks, one hundred and twenty six (126) rural and community banks and forty one (41) non-financial Institutions, including fourteen (14) savings and loans companies (Bank of Ghana, 2007). As at 2016, 31st December the Banking Industry has grown with thirty (30) Banks, one hundred and forty (140) Licensed Rural and Community Banks, seventy (70) non-Financial Institute and twenty eight (28) Savings & Loans Companies.

The first formal microfinance Institution in Ghana arose out of the micro savings product of the post office system. The Institution was upgraded to the post office Savings Bank under the Savings Banking Act 1962 (Act 129), to operate independently within the Post Office system. It attained full Bank Status as National Savings and Credit Bank in 1972 under National Redemption Council Decree 38. The new management of the agency, abandoned the use of the network of the post office system and developed its own, leading to the destruction of it micro savings product (Anim, 2000). Long before reforms, government in sub-Saharan Africa attempted to diversify the Institutional structure of the formal financial system resulting in the establishment of specialized banking and non-banking Institutions (Aryeetey, 2008). Aryeetey asserted on records that Central Banks were challenged to create commercial banks, merchant banks, and development financial institutions, non-banking and specialized finance Institutions including insurance and provident funds.

For their lending operations, banks have always been characterised by high value and longer duration loans which require formal Institutions that governments created and yet they failed to solve the problem of the huge financial gap. Aryeetey (2008) further argued that, the difficulty of trying to reach small borrowers with large formal Institutions, among others, led to poor banking practices that eventually weakened many banks and made reforms necessary. In contrast individual savings collectors known all over West Africa made advance to their regular clients. These advances were usually low value, very short term (less than a month), provided interest free and disbursed immediately. Many analyst were of the view that combining the Banks' capital with the intrinsic advantages of the informal agents could result in solving the financial gap problems (Aryeetey, 2008). The idea that led into the conceptual development of Savings & Loans sector in the financial system of Ghana.

iii. The relevancy of studies

Savings & Loans companies in Ghana are noted to create access to productive capital for the poor; together with human capital, which is empowered through education and training, and social capital incentives achieved through local organisation building, which enables people to move out of poverty. By assisting the poor with material capital, their sense of dignity is strengthened and this can help to empower the individuals to participate in the economy and the society (Otero, 1999). The aim of micro-finance as asserted by (Otero, 1999) is not just about providing capital to the poor to combat poverty on an individual level but also on the Institutional level of micro and small scale enterprise credit accessibility, the sector of the economy which is continuously ignored by the formal banking sector.

Littlefield and Rosenberg (2004) argue that, the poor and the micro-enterprise are generally excluded from the financial service sector of the economy, which the micro-finance Institute have emerged to address this market failures by addressing this gab in the market in a financially sustainable manner. And therefore express the concern of increasing the lending portfolios through it accessibility to the capital market funds. Accomplished commentators such as Littlefield, Murduch and Hashemi (2003), Simanowitz and Brody (2004) have commented on the critical role of the micro-credit in achieving the Millennium Development Goals (MDGs). According to Simanowitz and Brody (2004) micro-credit is a key strategy in reaching the MDG's and in building global financial systems that meet the needs of most poor people. Littlefield, Murduch and Hashemi (2003) state ‘micro-credit is a critical contextual factor with strong impact on the achievements of the MDG’s. It play a unique role among the development interventions, it deliver social benefits of transformation on permanent and large scale bases, as result drive the studies to appraise the current role and the challenges facing the Savings & Loans companies in Ghana, the means to aid policy makers and Industrial regulators to formulate appropriate strategies, to tap into the full potentials of this sector in the financial system of Ghana. It will also serve as a reference and guidance towards the Intellectual studies in Banking & Investment, Finance and Economics of Ghana.

C. LITERATURE AND THEORY

Micro & Small Scale Enterprise, and most of the poor population in Sub-Saharan Africa have very limited access to deposit, credit facilities and other financial services provided by formal financial Institutions. For an example, in Ghana and Tanzania, only about 5-6% of the population have access to the formal banking sector. The formal Banks in their tradition, are generally reluctant to give credit, especially to start-up enterprises without quality collateral due to perceived high risk, which is equally extended to micro and small scale enterprises operating in developing and underdeveloped economy. The cost of handling micro-credit and it perceived risk association, makes the start-up entrepreneurs not bankable thus of no interest to the traditional banks (council, 2002).

According to the 2000 population and housing census in Ghana, 80% of the working population was found in the primary and the informal sector of the economy, after 10 years later, the new housing census of 2010, further reiterated that the working population of Ghana has 93.1% in the private sector with 86.1% found in primary and private informal sector. This type of group is characterised by lack of access to credit, which constrains the development and growth of that sector of the economy. As a matter of fact, access to financial service is imperative for the development of the primary and the Informal sector, and also helps to mop up excess liquidity through savings that could be made available as investment capital for national development. The goal of attaining economic development in many more countries around the world is unlikely to be realised when 1.7 billion working adults make less than US$2 a day and having little or no access to basic financial services (World Bank, 1999). According to Firpo (2005), the history of financial system in the United States has shown that, providing citizens with

capital and their ability to save are key underpinnings of economic growth, yet between 70%-80% of the world's population has no access to even the most basic financial service.
This lack of access to financial services from the formal financial system is quite striking, when one considers the factors which define the Africa economic system, whereby the poor represent the largest share of it population and that the informal sector constitute the largest and the vital ingredient of it economy. However to meet this unsatisfied demand for the financial service, a large variety of micro-finance Institutions has emerged over time in Africa. Some of these Institutions concentrate only on providing credits, while others engaged in providing both deposit and credit facilities and finally some are involved only in deposit collection (Basu et al, 2004).

Traditionally, commercial banks have shunned the microfinance sector, allowing it to be dominated by the Alternative financial Institutions (AFIs) which consist of small savings and loans companies and Susu collectors with the reason that this category of the market fall into the scope of low-income earners hence investment return in this type of market is unattractive and not bankable. The Consultative Group to assist the poor (CGAP) once highlighted the vast potential market of retail financial service to low-income earners. The CGAP reported that, as at 2003 there were approximately three billion potentials clients worldwide for the microfinance market with only one-sixth of it market being served, mostly by AFIs. (Boateng, D., 2009). Firpo, (2005) argues that the microfinance industry has proven that the extreme poor are bankable. Not only do they repay loans, but they also do so with very low defaults and relatively high interest rates. Banks and Entrepreneurs in developing countries are beginning to realise that, there is a viable market for financial products among the vast unbanked populations of the world (Firpo, 2005). According to (Appiah, 2008) microfinance has been successful in reaching the poor and helping them gradually escape poverty because of its strong competency in using scarce resource to efficiently reach the underserved. He therefore defines microfinance as the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients.

By the mid-1990's money-lending had become more of a part-time activity by traders and others with liquid funds than a full-time profession. Loan from money-lenders typically average 3 months and rarely are made for more than 6 months (although some borrowers may take longer time to pay back the credit facility). The typical interest rate in the early 1990s was

25-30% for three-month loan; this represented a sharp decrease of interest rate from 100% on loan in 1983 reflecting some market sensitivity to lower inflation and increased liquidity in the post-reform period (Aryeetey, 1994). Money lenders preferred security in the form of physical assets like buildings, farmlands and undeveloped land assets etc. This resulted in incurring a little transactional cost in enforcing pledges of such collateral as they could simply make use of the property until the debt were paid. Loans made to employees, including civil servants were often secured by an arrangement with the paymaster. Verbal guarantees from family heads, friends and relatives were also accepted as security (Steel and Andah, 2003).

Steel and Andah (2003) explained the operations of the Susu system as follows: The Susu system primarily offers savings as a products to help clients accumulate their own savings over a certain time period, ranging from one month to two years, although credit packages was also a common feature, all members of the Susu group except the last, receive their lump sum earlier when they saved independently or in their own capacity with the ultimate purpose to accumulate funds. Susu club operators try to attract more clients by advancing credit to members' to target a savings amount before the end of the circle. The operators occasionally advanced credit facilities to best customers before the end of the months and in some cases may extend the loan up to three months, which in most cases their abilities were constrained by the fact that they generally lack the capital apart from the savings they mobilized. In an effort to capitalize on Susu collectors' and intimate knowledge of clients; Savings and Loans Companies introduced a pilot program to provide funds to Susu collectors for them to on-lend to their clients (Steel & Andah, 2003) as a result the following Susu Institutions in Ghana was identified as follows

- Susu collectors
- Susu associations or mutualist groups
- Susu Clubs
- Susu Companies

Susu Collectors: Were noted to be individuals who collect daily amounts set-out to be paid by each of their clients and return the accumulated amounts at the end of the month, minus one day's amount as a commission.

Susu Association or Mutualist group: It was noted to be of two types (i) Rotating Savings & credit association and (ii) Accumulating Savings & credit associations.

(i)*Rotating Savings & credit associations*; the membership regularly either in weekly or monthly contribute a fixed amount that is allocated to each member in turn.
(ii) *Accumulative Savings & credit associations*; Membership makes regular contributions with the funds lent to members or paid out to support members in certain circumstance like death of family members, accident, health cost etc.

Susu Club: It is the combination of "*Susu collectors*" and "*Susu association arrangement*" in which members commit to savings towards a sum that each decides over a 50 or 100 weeks cycle. However 10% commission on each payment including additional fee when the targeted amount is advanced as a credit to a member before the due date.

Susu Companies: It existed as a registered businesses whose employees collected daily Savings using "*Regular susu collecting*" methodology, but promised loans twice the amount saved after a minimum period of six (6) months. Owusu (1993) argued that the mobilisation of domestic savings form the bedrock of any financial system in Ghana and much of this could be tapped from the informal sector

Financial Sector reforms in Ghana came as a package with the Economic Recovery Programme (ERP) which was introduced in the country primarily to get the wheels of the economy back on track. This programme was implemented because the economy of Ghana had not been performing to the expectation. According to (Owusu, T., 1993), the implementation of the financial sector adjustment programme (FINSAP), under the Economic recovery programme was aimed at strengthening the overall financial system, including the informal non-banking sector in Ghana. In the late 1980's quite a number of Susu and finance companies sprang up and their objectives was to mobilise savings ostensibly for on-lending to their customers. Owusu (1993) asserted that 'the generous credit overtures made by these companies enthused many pretty traders, mostly women, to make colossal deposits with them'. It was later noted that most of the companies in this sector of the economy had fraudulent intentions and millions of cedies were misappropriated by the owners and the employee without any recourse to redress by depositors.
In an effort to instil sanity into the system, the Bank of Ghana took steps in 1990 to license the Susu/finance companies under the classified name of Savings and Loans companies. The effort being made to regulate, modernise and sanitize the Institutionalisation of traditional and informal saving societies with the ultimate aim of achieving higher growth in mobilisation of

savings for supporting economic ventures, as a complement to the improvement in the formal banking sector and passed out a new law PNDCL 328 known as Financial Institutions (Non-Banking Law) to regulate what was classified then as Non-Banking financial Institutions.

The Non-Banking Financial Institutions, under which the subject of this study falls, form an integral part of the financial system in Ghana and the fact that, they were registered under a different law does not detract from their importance. The distinction is only the means Bank of Ghana use to identify this Institutions and their inability to create money unlike how the traditional Banks do. The advent of Savings & Loan Companies and their rapid growth followed the passage in 1993 Financial Institution Non-Banking Law. It was then restricted to certain ranges of services which are most active in Microfinance and small-scale intermediation using various microfinance methodologies which became most effective instrument to reach large numbers of depositors and potential depositors due to their ability to locate their self far in the urban communities as compared to the traditional banks.

This Non-Banking Financial Institutions were required to be licensed by the Bank of Ghana to operate as such with the conditions that a license could be revoked or suspended if the non-banking financial Institution fall a victim to the follow regulations as stated below

- Obtained it license by fraud or mistake
- It operations as an Institute contravenes any provision of the law or any terms and conditions upon which the license was granted
- It engages in undesirable methods of conducting the business in respect of which the license is issued
- Fails to maintain the minimum paid-up capital (PNDCL 328)

Savings & Loans, building societies and mutual savings banks are also classified as thrift Institutions. (Johnson, 1993) defines a thrift institution as a financial institution that encourages moderate-income earning workers to save money on regular basis. Likewise such institutions invest in loans to these depositors, especially mortgaged loans. Johnson (1993) further stated at that time, building societies were necessary because commercial banks did not actively seek small savings deposits or solicit mortgage loan business. In the early days Savings and Loans associations were largely funded by savings deposits. However, unlike savings and loans associations, savings banks invested in consumer loans as well as mortgage loans. In addition, Savings Banks gave depositors more flexibility in terms of denomination, maturity and withdrawal. It has become obvious that, the Savings & Loans companies emerged and evolved because of unmet financial needs in the Ghanaian system. Wage earners required an outlet form small savings, a source of mortgage and consumer finance product. At the time the Commercial Banks were not positioned to satisfy this kind of needs.

(Aryeetey, 2008) asserted that long before reforms, government in Sub-Saharan Africa has attempted to address this problem. One vital outcome of the reform is the elevation of the Savings and Loans associations from the informal organisation to the formal financial institution, yet retaining the characteristics of the informal programme. The mode of operations in Savings & Loans companies appears, it had modelled largely along the line of the Susu operating system. The "Susu" is said to have originated in Nigeria and spread to Ghana from the early 1900s. In the market place of West Africa, individual mobile bankers help traders and others to accumulate savings through daily deposits. A market woman in Ghana typically sees her 'banker' every day to deposit a little as 25cents. At the end of the month, she gets back her accumulated savings, with which she replenishes her stock or buys something that she could not afford out of one day's profits. She often requests an advance, on a month's in expectation of proceeds to repay, but her banker may avoid lending sometime because of lack of cash reserves or access to credit in case repayment is delayed. This kind of 'Banker' is classified as informal savings collector, known in Ghana as a Susu Collector (Aryeetey, 1994). Savings & Loans companies has utilised the traditional Susu methodology of daily or weekly patterns in deposit collections to raise their savings mobilisation and to provide lower-income households with greater access to financial services (Steel and Andah, 2003). They have provided convenient transactions for urban commerce and households through adaptations of traditional susu and money lending methodologies. Their microfinance strategies is very highly innovative in reaching relatively poor clients with very small, short-term transactions but which remain both costly and risky (GHAMFIN). The Interest rates of these institutions are therefore higher than the traditional Banks. However clients place greater value on ready access to funds than interest charges because it mode of frequent payment in small batches (daily, weekly, fortnightly and monthly) makes it easier for the clients to bear the cost of borrowing and loan payment. The Savings orientation program became a useful strategic tool to be used to screen and select potential clients to qualify for credit facility, a means to reject indiscipline clients. As a result led into the employing of both individual and group lending strategies.

The Clientele of Savings & Loans companies is essentially and largely urban-based female (Goldstein et al, 199). Savings & Loans companies deal with clients who are able to contribute to their strategy of savings mobilisation. These clientele are made up of people with peculiar financial needs. They are people of relatively low social status and low income. And comparatively large numbers to be served for the credit operations to be profitable. There is a high risk of default which needs to be well managed (Boateng, 2009).

C-1. Differences of Service delivery of the Traditional Banks and Savings & Loans

Traditional Commercial Banks approaches to microfinance delivery often do not work. With their principle, the credit methodology requires documentary evidence, long-standing banker-costumer relationship and collateral, which most micro and small businesses do not possess. It was statistically proven by the Bank of Ghana that, the Commercial Banks system reaches only about 5% of households and captures 40% of money supply in Ghana (Bank of Ghana 2007). Savings and Loans Companies tend to rely heavily on personal guarantees of the borrowers while Banks often insist on third-party guarantors who are in a strong financial position and clearly understand their obligations and commitment (Steel & Andah, 2003). Formal financial Institutions had to their advantage extensive infrastructures and systems, funds and opportunities for portfolio diversification which allows them to present a wide range of services to their clients. However, they are mostly accessible to populations in the upper and middle income strata and very often inaccessible to rural and urban low income populations (Aryeetey, 2008). In contrast Aryeetey further assert that, the Savings & Loans companies operate close to rural populations and have information on their clients which enables them to conduct their operations productively. However, given their mode of operations they are unable to offer service beyond a small geographical area, resulting in highly concentrated loan portfolios. Aryeetey concludes that, the informal financial institutions have much better information about small borrowers than the formal. Hence the informal lenders are often able to build a personal relationship with their borrowers that could ensure an extremely low default rate.

Savings & Loans companies are not directly included in the clearing and payments system. This succinctly define the part of the trade-off that allows the entry of specialised financial Institutions with lower minimum capital than Commercial Banks, with the ultimate task to mitigate the risks of relatively weak internal controls which Savings & Loans companies was licenced for; with the object clause to address the anticipated gab in the financial system as a Savings Institutions, but not a general deposit Institutions. It is not in favour of them to issue their own cheques. Savings & Loans companies rely very little on external funding, and do not have access to refinancing by the Central Bank in Ghana. Client savings make-up nearly the entirety of their financial resources. Therefore there is that great deal of competition among Institutions to capture savings, which has led some Savings & Loans companies to set up alliance with the informal sector mechanism, such as Susu collectors, in order to increase their funding base (Goldstein et al, 1999).

C-2. Factors that Contribute to Savings Mobilisation

The purpose of savings among people, diverse. It has been observed that different people save for different purpose. Bass et al (2000) identified the following factors that influence the decision to save, namely, product design, product flexibility, rate of interest and transactional cost. In their view savings products must be designed to respond to the characteristics of different segments. Product design must therefore consider earnings, consumptions habits, socio-cultural obligations, personal ambitions, surrounding geographic and economic conditions. (Bass et.al, 2003) further asserts that individual voluntary savings products attract a larger number of depositors and a higher savings volume than compulsory savings since the voluntary savings market is not limited to those who save only as a precondition agenda for gaining access to credit. Product design must therefore be flexible to accommodate all potential depositors irrespective of their motivations. According to (Bass et al., 2000) the demand for Savings facilities by the poor also increases as the interest rate (on Savings) increases. They maintained that, even though it is assumed that the poor save even under negative real interest rates, evidence point to the importance of positive real interest rates. With regards to the transactional cost of transforming available surplus into specific savings options, it was found out that, the time spent to gain access to Savings in formal Institutions, is one such cost (very time consuming and complex) that leads small depositors to prefer informal savings methods.

As regards to product type Goldstein et.al (1999) identified two categories of Savings products namely (i) Voluntary Savings and (ii) Compulsory Savings. "*Voluntary Savings"* comes in two forms which are Cash deposits and Time deposits. **Cash Deposits** are the most commonly used savings products. They offer a great deal of flexibilities to depositors. A small sum is required to open an account; deposits are made according to clients' needs, while account are highly accessible and provide liquid deposit facilities. This kind of Savings offers an opportunity for client to place excess liquidity in a safe and secure place thus providing the capital for future investment or consumption expenditures. Institutions relying on savings to finance lending operations are concerned with attracting cash deposits while at the same time keeping transactional cost low. **Time Deposits** on the other hand represents a large sum of savings for fixed term and at fixed interest rate (Investment return). This kind of deposit is primarily utilised by middle income earners.

According to (Goldstein et al., 1999) compulsory savings are directly linked to credit disbursement and are of two types namely, "*Preliminary Savings*" and "*Collateral Savings*". **Preliminary Savings** are based on the idea that potential borrowers should prove their creditworthiness. The client is expected to show the capabilities of saving a fixed sums of money on a regular basis over a relatively long term (usually 3 to 6 months) a means of contributing to his/her own capital as a portion of the credit. In some cases, clients who make deposits cannot withdraw if they wish to take a loan. While **Collateral Savings** is a contrast to the preliminary in which the collateral savings is used as a guarantee for individual, and sometime group loans. The required sum can be as much as 50% of the required credit. Goldstein et al., (1999) proceeded by stating that compulsory savings are generally mobilised in three ways. The **first method** is to require a client to deposit savings into an account before he receives a loan. The **Second method** is the deduction of percentage of the loan from the initial loan disbursement. The **third method** is the collection of a percentage of each loan 'repayment' which the repayment means is the amount received from the borrower minus the amount applied to the savings account. It was further noted that savings are always linked to particular target or purpose which was classified as follows

- Retirement Savings
- Investment Savings Plans
- Housing Savings Plans

With the **Retirement Savings plan,** savings are blocked until the client retires and earn interest at agreed rate. **Investment Savings plans,** enable clients to put money in savings, with the aim to obtain a credit for investment purposes. Finally under **Housing savings plans**, clients, after saving for a specified period are able to get a loan in order to build their home.

Fiakpe (2009) in his study of Nigeria Savings market, he concluded, the interest paid on Savings deposit is usually very small in a comparative analysis to the capital market earnings, however the cost of administration was very high due to retail nature of the market. It therefore became very clear, that funds pooled together in this market constitute a veritable source of cheap money for banking business. The more of this funds a bank can garner, the cheaper it will be for it to transact business on credit facilities. It is for these reasons why most Banks are deploying men and resource to explore this market the more. Fiakpe was of the opinion that comparing this kind of market to any other market segments in the financial industry, the savings market is still the least developed, an indication that, not much has been done to mobilise sufficient funds from the informal sector of the economy to control about 40% of the country's economy.

In a study of Citi Savings & Loans Company absorbed currently by Intercontinental Bank Ltd. Bass et.al, (2000) explicitly argued that, the company worked through the traditional Susu providers to finance Susu clubs and collectors. It saw itself as a 'wholesaler' of funds and viewed the Susu Networks as a microfinance 'retailers'. Citi made use of Susu collectors, with each collector having between 100 and 800 clients who he/she visited personally each day, taking an average deposit of US$1, for 6 days in a week. Collectors received as much as US $10,000 per month in individual deposits, of which 50% was deposited with Citi in an interest bearing account. At the close of 1997, Citi's Kaneshie Branch in Ghana, which was serving majority of the Susu Collectors, had 71 collectors with savings accounts totalling US$120,000 in deposits. To win the market competition in those days, Citi decided to find innovative ways to attracts new clients through customer satisfaction survey to understand its client better. Able to develop a client driven methodology, Citi grew in it client of 100 in early 1997 to 10,000 in early 1998; provide it service through it three branches and mobilize US$1.4 million in savings. Maintained a very low overhead structural cost and preserved the Susu network's flexibility.

Through the products and methods discussed above, Savings & Loans companies and other microfinance institutions can be an important Vehicle for mobilization of substantial savings. Basu et al (2004) mentions the experience of how microfinance institutions in some African countries have been successful in mobilising deposits, while the outreach of the banking sector remains limited. He states that in the Republic of Benin, the outreach of the Banking sector is very limited with a small number of Bank branches (35 nationwide for a population of 7 million) that mostly concentrate around the capital city. Against this back drop, formal savings and loan cooperatives have been able to mobilise a significant amount of savings. Deposits at the Savings & Loans companies reached the equivalent of 10% non-central government commercial bank deposits at the end of 2003. According to Basu et al (2004) in Ghana, the microfinance sector has a strong savings orientation and has much greater role as a licence institutions relative to non-governmental organisation in many countries. The Savings & Loans companies' accounts for most microfinance activities in the country, in the non-banking sector, eight Savings & Loans companies had over 160,000 depositors and 100,000 borrowers by 2002 and offered savings and credit products. In Tanzania, the primary source of microfinance service are about 650 Savings and Credit cooperatives with a total of 130,000 depositors about 0.4% of the population.

C-3. Micro-Savings contribution to credit availability

The extent of growth in Loans and advances, to small businesses, individuals and groups by the Non-Bank Financial Institutions (NBFIs) in Ghana has been positive according to the following statistical report. The total of such loans and advances, amounted to Gh¢50.97 million in 2002 as against Gh¢39.64 million in 2001 indicating about 22.2% growth. This kind of loans continued to increased and reached Gh¢72.85 million in 2004 showing an average annual growth rate of 45.6% over the 2-year's period. In 2006 the total loan stood at Ghc¢160.47million which represent 75.3% increase from 2001 over 5 year's period. Now in 2015 in a period of 14years later, the loan and advances had grew to Gh¢3,455.39 million an estimate of 98.9% growth from 2001 and finally in 2016 which is 15years later the loan and advances from the Non-Bank Financial Institutions has grown up to Ghc¢4337.25 million an estimate of 99.1% growth since from 2001 indicating about 0.2% rise from 2015 to 2016 which may not be that encouraging analysing the trends from 2001 up to date but still confirm a significant improvement in a positive direction.

Availability of credits from micro-depositors also helps in savings mobilisation effort. In reference to Steel and Andah (2003), report indicated Citi Savings & Loans now Intercontinental Bank in Ghana was able to gain Susu club operators as clients not only by providing a safe place for weekly sums of funds mobilised, but also by providing loans that would enable the susu-operators to offer more advances than they would have been able to make out of their own accumulated resource. Operators were willing to borrow at 53% per annum even though they were earning only a 5% fee per month on early advances plus 10% commission on savings, because being able to make advances to a substantial number of clients improved their reputation and attractiveness to new client who pays an upfront membership fee. Citi helped provide liquidity to the club by providing the Susu operators with loans which allowed them to make pay-outs as early as possible. The operators charged a small commission from all members that enable him/her to borrow the funds and reap a small profit. The average weekly individual deposit to the Susu clubs is between US$2 and US$90 for a total weekly collection of approximately US$3,333 which is used to make the weekly pay-out and to cover the fees charged by the club operator. Some of the monies were deposited at Citi account by the operators as a primarily means of obtaining loans as susu clubs. By the end of 1997, Citi's Fadama Branch had made loans in amounts ranging from US$54,000.00 to US$125,000.00 totalling US$390,000 to only four of the 12 clubs the branch served (Steel & Andah, 2003).

However, the noted problem among the Savings & Loans companies was the high minimum capital requirement which was a restraint on a Ghanaian-owned Savings & Loans companies, whose microfinance methodologies and relatively poor clientele tend to make them relatively small and local. As deposit-taking Non- Bank Financial Institutions, Savings and Loans companies have to post the same minimum capital as Discount Houses, implying that they would be expected to book comparable risk assets. Steel and Andah (2003) argue that in reality, Savings & Loans companies assets average only one-eighth of those of the discount houses and double those of the Rural Banks. The Table below shows total and average assets of various categories of Financial Institutions

Table: Assets of Depository Financial Institution (Gh¢ million, 2001)

	Major Banks Gh¢ million	Discount House Gh¢ million	Savings& Loans Companies Gh¢ millions	Rural Banks Gh¢ millions
Total	1,443.36	36.03	7.86	51.81
Number	17	3	8	115
Average	84.90	12.01	0.98	0.45

Source**: Steel and Andah, 2003.**

Efficient use of a minimum capital of US$2 million imply a risk of assets in the range of $18-$20 million, implying the present capital requirement misaligned with the type of business Savings & Loans company actually do. To further mobilise substantial additional capital would then create pressure to raise loan portfolios tenfold to enable them use those funds efficiently which is a risk rate of expansion for any financial Institution. Steel and Andah (2003) further argue that, such US$ 2 million capital requirement, risk losing all those Savings & Loans companies that will be unable to comply with the fee, hence reversing the positive trends of both formalising what was essentially money lending operations and also denying successful Non-governmental organisations to move into mobilising and intermediating savings as a basis of greater outreach.

C-4. Regulatory Framework for Savings & Loans Companies in Ghana

The Savings & Loans companies belong to a group of financial institutions previously regulated by the Financial Institutions (Non-Banking) Law, 1993 (PNDC Law 328). Following the passage of the Non-Bank Financial Institution Act, 2008 (Act 774) on 23rd December 2008, PNDC Law 328 was repealed. A notable consequence of the advent of Act 774 is the migration of Institutions previously regulated under PNDCL 328 to other regulatory regimes. Under this Act 774 Savings & Loans companies, amongst others, are to be regulated under the Banking Act 2004 (Act 673). However by virtue of section 49(1) of Act 774, regulations, rules, instruments, licenses, orders and decisions made under PNDC Law 328 remain valid and binding and deemed to have been made under the Acts. The legislation governing the period covered by this study is the PNDC Law 328. Under the law, the Bank of Ghana is the regulatory authority for all non-banking financial Institutions. To qualify for a license, Savings & Loans companies, like other non-bank financial Institutions, must have a prescribed minimum paid-up capital. This minimum capital is subject to change from time to time as the Bank of Ghana deem fit. Consequently whereas upon the promulgation of PNDC Law 328 the minimum paid-up capital was ten thousand Ghana cedies (Gh¢10,000) and further shooted-up to one hundred thousand Ghana cedies (Gh¢100,000). Then somewhere 2014, a report from the then Governor of Bank of Ghana announced of the raise for a new minimum capital requirement for Savings & Loans to fifteen million Ghana cedies (Gh¢15,000,000) Ghana web (2014). Which the studies was unable to acquire any evidential document which indicate that, such minimum capital payment for Savings & Loans companies in Ghana proposed to become a new policy and published by the Central Bank of Ghana, General secretary on 31st December 2013 on its website and made a press release to Ghana web on September 2014 is actively under implementation currently as at January 2017.

The businesses that Savings & Loans companies are permitted to engage are enshrined in rules made under the main legislation. These rules are known collectively as the Non-Banking Financial Institute (NBFI) business (BOG) Rules. The NBFI Business (BOG) Rules have divided the NBFI into four categories, namely

A. Deposit taking Institutions (Other than Discount Houses)
B. Non-deposit taking Institution in credit business
C. Discount Houses
D. Venture Capital Fund Companies

Savings and Loans companies belong to category 'A' that is Deposit taking Institutions. And it core business is defined as follows;

Savings & Loans Companies engage in mobilisation of retail savings by acceptance of deposits from the public-mainly households and small business enterprises and further provide credit largely to target group orientation (such as micro and small business financing) as well as extending consumer credits and finance to mid-market business. Within the context of this prescribed business, a 'deposit' is defined as a sum of money placed with or paid to a financial institution on terms under which it will be repaid with or without interest/premium on demand at a time or in a circumstance agreed by on behalf of the person making the payment and the person receiving it. Deposits from the public is referred to as 'Public deposits' means deposits placed or paid by members of the public but exclude

i. Amounts deposited by the directors and shareholders of the company (The rules require a separation of Shareholders/Directors deposit in the financial reports of the company)
ii. Amounts received from Banks and other financial Institutions
iii. Amount received in the ordinary course of business as dealership/earners money deposits, security deposits (from employees) etc.
iv. Subscription monies received towards bonds and debentures to be issued by the company or for the purchase of securities issued by others

It must be noted that these exclusions are made for the purpose in definition of 'deposits' and not meant to represent prohibited business. This classification is important within a context, on the fact that certain regulatory/prudential requirements are defined in terms of deposit liabilities. Example are;

- The Primary Liquidity Ratio (PLR)
- The Secondary Liquidity Ratio (SLR)

The two type deposit liability, prescribe respectively; minimum amounts of primary and secondary reserve assets that must be maintained by deposit-taking Institution, expressed as a ratio of deposit liabilities. The NBFI (BOG) Rules for deposit taking Institutions also provide the following definitions for Micro and Small Business finance as follows;

Micro-Finance means lending to borrowers that have the capacity to service/support loans of not more than Gh¢100 and in the case of group lending or several guarantees of the members of the group having access to credit not more than Gh¢1,000

Small Business-Finance refers to lending to borrowers having capacity to support/service loan of Gh¢2,000; these definitions of 'Microfinance' and 'Small Business Finance' must not be mistaken for limits on financial exposures that Savings & Loans can undertake. While Microfinance and Small business finance are an important characteristic of Savings & Loans companies; they are not by any means restricted to these levels of lending. The actual limits on financial exposures that Savings & Loans companies can undertake are provided by the NBFI (BOG) Rules as follows:

- No licensed Savings & Loans shall assume financial exposure by lending or otherwise, including investing in equity, to a single entity/borrower or a group entities/borrowers which in aggregate exceeds:
  - ❖ 15% of the Institution's net worth, if the loan/exposure is secured
  - ❖ 10% of the Institution's net worth, if the loan/exposure is unsecured

These rate may be contrasted with Section 42 of the Banking Law, 2004(Act 673) which prescribes the corresponding rate of 25% and 10% for Banks. Financial exposure otherwise than by lending included undertaking credit commitments by the issue of financial guarantee or indemnity on behalf of a customer or carrying out any other credit transaction for a person or customer. It must be noted that the passage of the NBFI Act, 2008 (Act 774) on 23rd December 2008 has effectively removed this distinction between Savings & Loans Companies and the Banks. Section 46 (6) of the Act requires that Savings and Loans companies be migrated to the regulatory regime of the Banking Act, 2004(Act 673) as amended.

The NBFI (BOG) Rules include 'Deposit-Taking Rules' which impose certain 'restrictions on depository products to be offered to the public'. Rule 32 provides as follows:

(i) No non-bank finance Institute shall accept public deposits which are payable or withdrawable by cheque going through the clearing system. In other words the deposit product of current or chequing account(s) shall not be offered by NBFIs

(ii) Savings Institutions may offer to their customer's savings accounts beside other deposit products such as fixed and recurring deposits. They may, if they consider expedient, offer in-house chequing' facility in the 'Savings accounts' to their customers. Which the in-house chequing facility means, redrawing cheques on savings accounts of customers of the same Institution and subject to the Institution having put in place necessary controls, permitting selected or well-rated savings account to customers to draw cheques on current account of the Saving Institution with a Bank, under prior arrangement.

From the foregoing, it is clear that while Savings & Loans companies can offer various types of deposit product, they are prohibited from offering current accounts or demand deposits in the strict sense. This may be a major factor that distinguishes Savings & Loan companies from mainstream banking Institutions. However the concession in the rules which allows them to fashion out a sort of quasi current or checking accounts for prime customers, makes this distinction rather blurred. In view of competitive pressures it is easy to imagine that such a facility could well end up being extended to all customers. The fact that the Institutions have to fashion out their individual clearing arrangement for these cheques, does still create a difference between them and the traditional Banks. Even though in the area of credit, the rules restrict Savings & Loans companies, for that matter any company licensed under the PNDC Law 328 to their core business as their principal object clause, yet they are allowed to undertake ancillary business subject to the prior approval of or no objection certification from Bank of Ghana.

Principal business is defined by the NBFI (BOG) Rules as 'the Financial activity/business of a licensed company (NBFI) from which not less than 75% of its income is derived in a financial year. Ancillary business is defined as any of the finance activities engaged in by non-bank institutions in credit business (ICBs) which a licensed ICB may undertake in addition to its principal business. Any such ancillary business undertaken shall be complementary to and supportive of its principal business. The room for ancillary business makes the range of allowed business operation rather open ended and appears to further narrow down the distinction between Savings & Loans companies and Banks. However, the requirement of prior approval or a no objection certification from the Bank of Ghana does represent a difference. This is because once a Bank has obtained the appropriate class of license for its principal business operations, it could conduct all the businesses in the financial industry without the need for prior approval from the Central Bank. It may be argued that, licensing process is the action of obtaining prior approval. Which such argument could be considered very weak considering the fact that once licensed as a Bank, it is obliged not to seek any new permission in respect of desired businesses. For instance, the section of the rules stated earlier on lending restrictions in the form of single borrower exposure limits and prudential requirement that serves as an indirect curb on credit expansion considering capital adequacy requirement. Under this regulations, Savings & Loan companies are not allowed to expand the level of its risk assets beyond the level of its unimpaired own funds ten times folds, in other words every Savings & Loans company is required to maintain at all time a capital base which is not less than 10% of its total risk weighted assets while in operations

D. METHODOLOGY AND EMPIRICISM

The project adopted both method of sampling, which is probability and non-probability at the same time based on the nature of the subject in studies. According to Jankowicz (1995) non-probability sampling involves identifying and questioning informants because you are interested in their individual positions, roles or background while in contrast probability sampling involves identifying and questioning people because they are members to some population. The primary source of data were obtained through the administering of questionnaires to respondents who were categorised as (i) Working staff of Savings & Loans Companies in Ghana (ii) Clients of Savings & Loans Companies in Ghana; this resulted in two types of questionnaires developed for the two set of category already stated above.

Understanding the nature of population to deal with and the kind of information the researcher was striving to extract from respondent, semi-structured questionnaires were adopted as a tool for the survey. (Sarantakos, 2005) defined population as the entire set of object and event or group of people who are the object of research and about whom the researcher want to determine characteristics.

Table S.1: Population Sample Size

Key Participant	**Size of Participant**	**Size of Respondent**
Savings & Loans Companies	25 companies	35 staffs
Client of Savings & Loans Companies	8 regions in Ghana	165 customers

Source: *Field Report, 2017.*

To measure the reliability of results in reflection to the field of research studies, responses elicited from respondents were all examined critically in correspondent to the questionnaires and it objectives, which was estimated per the consistency of the scores rated across the repeated observation: the reliability of coefficients was determined as 0.90, which signify a high degree of confidence in the data, responding to the reality on the field.

To know the working hours and days in the week and weekends designated to serve clients as Savings & Loans companies in Ghana, question was posed to the respondents and the feedback was computed into Table S.2 below

Table S.2: Examining the workings hours of Savings & Loans Companies in Ghana

Average working Hours of Savings & Loans	**Week Days**	**%**	**Week Ends**	**%**
8:30am- 4:00pm GMT	5	2.5%	0	0
8:30am- 4:30pm GMT	195	97.5%	0	0
10:00am- 2:00pm GMT	0	0	2	1%
10:00am- 3:00pm GMT	0	0	198	99%

Source: Senzu. T. (2017) Field Report

The Table S.2 above ascertain that 97.5% of the respondents which comprises of both the Staffs of Savings & Loans companies in Ghana and Client that transact with them, admitting that, averagely the working hours of operations of Savings & Loans companies is 8:30am - 4:30pm; while 99% of the same respondents agreed that in weekends only Saturday is made available to bank with the Savings & Loans companies from the hour of 10:00am to 3:00pm

The studies further seek to know and understand the methods employed by Savings & Loans Companies for Deposit Collections which the Table S.3 below represent such information statistically.

Table S.3

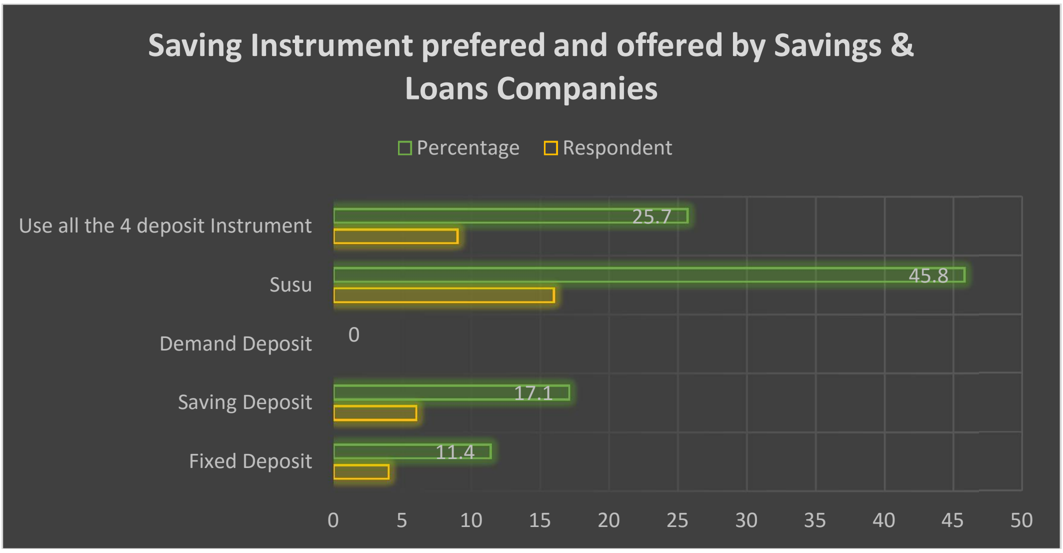
Methods	N	%
Mobil Banking team getting to customers business site to collect funds	8	22.9%
Waiting for customers to walk into the Banking Hall for transaction	6	17.1%
Public Announcement and media promotion to attract customers	1	2.9%
Adopting either two or the three methods above simultaneously	20	57.1%
TOTAL	35	100

Source: Senzu, T. (2017) Field Report

Averagely about 57.1% of the staffs of Savings & Loans companies responded that, their companies' combined the three methods stated above simultaneously to achieve their intended market target because the competition to survive is very high while about 22.9% of the respondents said they use mobile banking team technique solely and it working effectively for them and finally followed by 17.1% who relied on their customers walking to their Banking Hall to transact with them. However 2.9% indicated they rely on public announcement and media promotion for deposit collections as the data above depicts. Finally it was observed that those Savings & Loans companies that relied on single method of deposit collection and yet very successful, seem to have a long years of existence in the Ghanaian financial market than the companies who has adopted more than one method for deposit collections.

The next effort was to examine the types of Savings Instrument offered to client as Savings & Loans Companies and graphically computed as Figure X1.

Fig. X1: Types of Saving Instrument preferred and offered

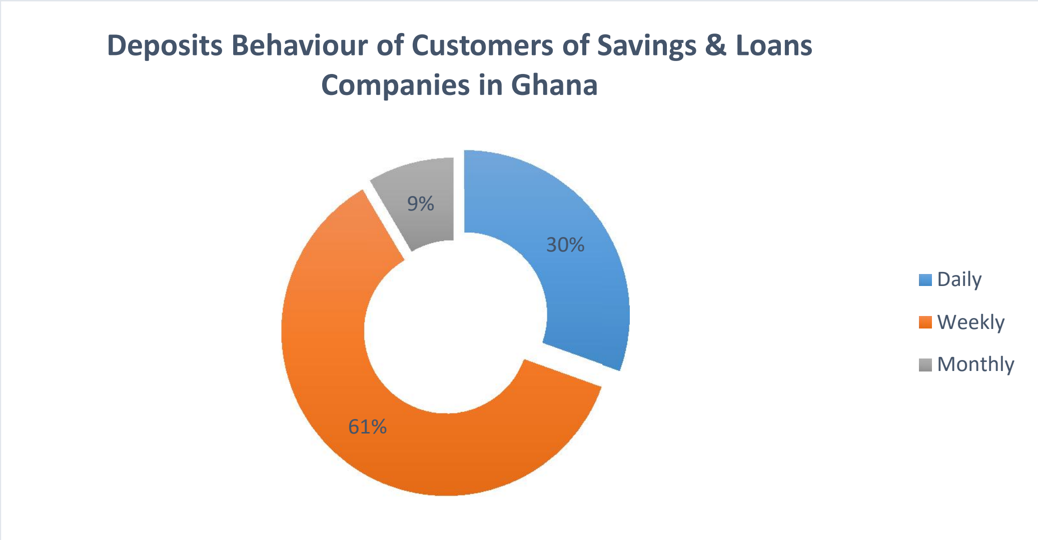


Source: Senzu, T. (2017) Field Report

The Data stipulate that, majority of the Savings & Loans companies use the Susu product as a Savings Instrument with a respondent of 45.8%, then followed by those who use all the deposit instrument simultaneously with the exception of demand deposit with a respondents rate as 25.7%, then Saving deposit as the third preferred Saving Instrument offered with it respondent rate as 17.1%, while Fixed deposit was least patronised.

To examine the deposit behaviour of customers of Savings & Loans within a period of 30-31days precisely one month. The measurement from the studies was graphically computed below as Fig. X2 below

Fig. X2: Measuring deposit behaviour of Customers of Savings & Loans companies in Ghana



Source: Senzu, T. (2017) Field Report

The studies revealed that averagely Savings & Loans companies turn to have more deposit coming in weekly bases, comparable to daily and monthly per independent measurement of variables. Most customers indicated that considering the nature of their business climate, weekly deposits was more convenient to their business especially during the period of loan payment, it give the room for their business to breath with 61% responding to the weekly deposit as the most convenient and preferable.

The studies further sort to know the Volume of Savings mobilisation by the leading category of Financial Institution in Ghana from 2012-2016 and the findings was computed into a Table as S.4 below

Table S.4: Volume of Savings Mobilisation of the leading Financial Institutions in Ghana from 2012-2016

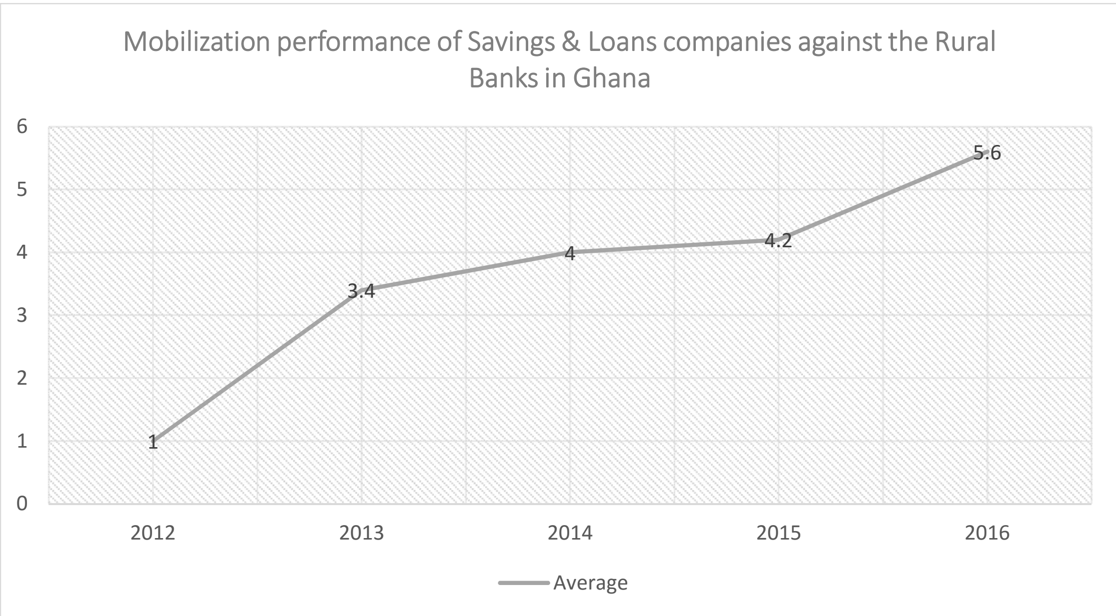
Financial Institutions	2012	%	2013	%	2014	%	2015	%	2016	%
					(Gh¢ Millions)					
Savings & Loans (NBFIs)	1,387.3	6.3	2,288.2	8.5	3,053.8	8.3	3,979.22	8.4	5,758.54	9.5
										87.4

Commercial Banks	19,581.1	88.4	23,331.7	86.4	32,413.8	87.4	41,258.84	87.4	52,690.15	
Rural Banks	1,185.6	5.3	1,372.5	5.1	1,604.5	4.3	1,993.42	4.2	2,381.76	3.9
TOTAL	22,154M	100	26,992.4M	100	37,072.1M	100	47,231.48M	100	60,830.45	100

Source: Senzu, T. (2017) Bank of Ghana annual report

Among the specialised depository Banks and Non-Financial Institutions the three major Institutions noted as the Commercial Banks, Savings & Loans companies and the Rural Banks were ranked as the highly savings mobilisation agencies in Ghana from 2012-2016. According to the Table, the commercial banks are the highest ranked savings mobilizer followed by the Savings & Loans then the rural banks in the financial market of Ghana. However in a careful analysis of Savings & Loans mobilisation comparative to Rural Banks in Ghana, Fig. X4 affirm the variation growth starting from 2012 to 2016.

Fig. X4. Measuring the mobilisation performance of Savings & Loans Companies against the Rural Banks in Ghana



Source: Senzu, T. (2017) Field Report

Despite the performance of the Savings & Loans Companies in mobilisation of funds from the informal sector comparable to the Rural Banks, it was also observed due to the various difficulties encountered with policies and the economic environment involved, their performance gab between the Rural Banks from 2013 began to decline sharply from 2.4% to 0.6% in 2014 and further decline to 0.2% in 2015 and just started picking up from 2016 at a rate of 1.4%.

The project studies went ahead to examine, how are potential borrowers data obtained for Loan decision marking by Savings & Loans companies in Ghana? The findings from the survey was computed into a Table as S.5

Table S.5: Method of obtaining borrower data for decision making

Methods of obtaining borrowers data	**Respondent**	**Percentage**
Through the community and neighbourhood	35	100%
From other Financial Institutions	25	71.4%
Financial Company Internal records with the customer	35	100%

Source: Senzu, T. (2017) Field Report

According to the data, it state that, almost all the Savings & Loans companies in Ghana, depends upon both the community and neighbourhood study report and their internal transactional records with the borrower, to build their data of risk analysis prior to the granting of the loan facility. It was then concluded on the studies that, 71.4% of Savings & Loans companies in Ghana agreed that, they further cross-check with the client historic credit performance data from other financial Institutions to complete their assessment and risk analysis report on the borrower.

Our next step was to examine the level of Loans and Advances by the three leading rank agencies in the financial market of Ghana that is the Commercial Banks, Savings & Loans companies and the Rural Banks. Which the data report was computed into a table below as S.6

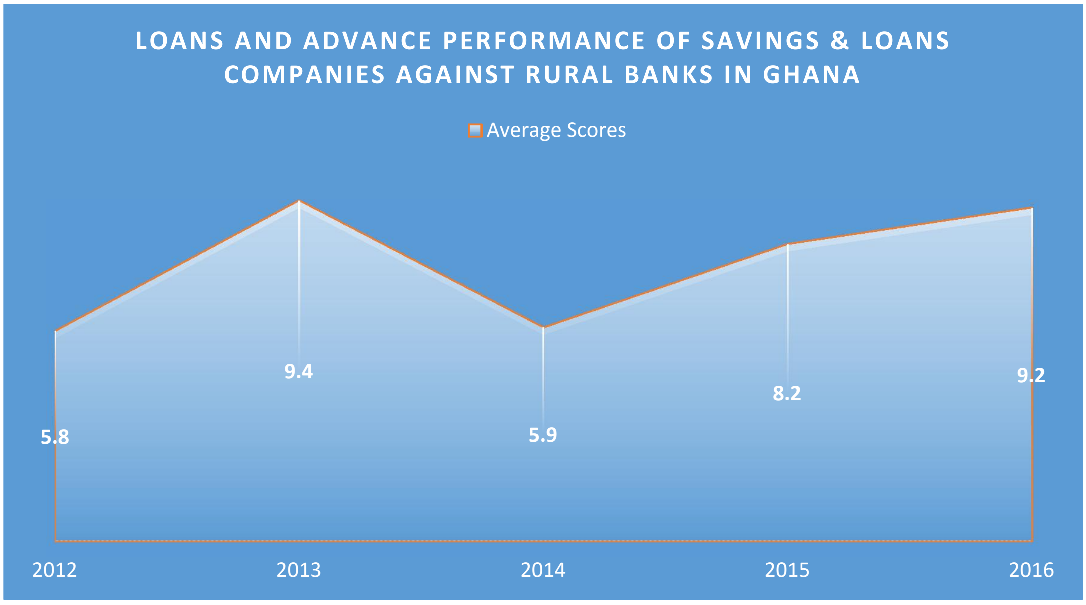
Table S.6: Loans and Advances by the leading Financial Institutions in Ghana (2012-2016)

Financial Institutions	2012	%	2013	%	2014	%	2015	%	2016	%
			(Gh¢	-	Millions)					
Commercial Bank	11,686.9	84.8	15,552.3	82.8	22,212.7	83.7	27,094.72	86.2	31,229.18	85.4
Savings & Loans Companies (NBFIs)	1,453.0	10.5	2,480.2	13.3	2, 938.8	11.1	3,455.39	11.0	4,337.25	11.9
Rural Banks	648.5	4.7	716.8	3.9	777.5	5.2	871.63	2.8	988.94	2.7
TOTAL	13,788.4	100	18,639.3	100	26,539.72	100	31,421.74	100	36,555.37	100

Source: Senzu. T. (2017) Bank of Ghana Annual Report

From the Table S.2 was very clear that the Commercial Banks leads in the Loans and Advances creation business, however it was also observed that, to conclude from the table that the high volume of loans and advances corresponding to Banks, indicate credit accessibility to numerous businesses in the economy of Ghana will be a misleading analogy because the Banks deal with very few profitable companies that is noted of credit worthy and quality assets for collateralisation to cause huge volume of loans and advance creation, while the Savings & Loans companies and the Rural Banks operate vice versa to the Banks in loans and advance creations. Hence it was reasonable to make a comparative analysis of the Savings & Loans companies against the Rural Banks in Loans and Advance creation programme which Fig X5 graphically project such findings.

Fig X5: Measuring Loans and Advances performances of Savings & Loans Companies against Rural Banks in Ghana

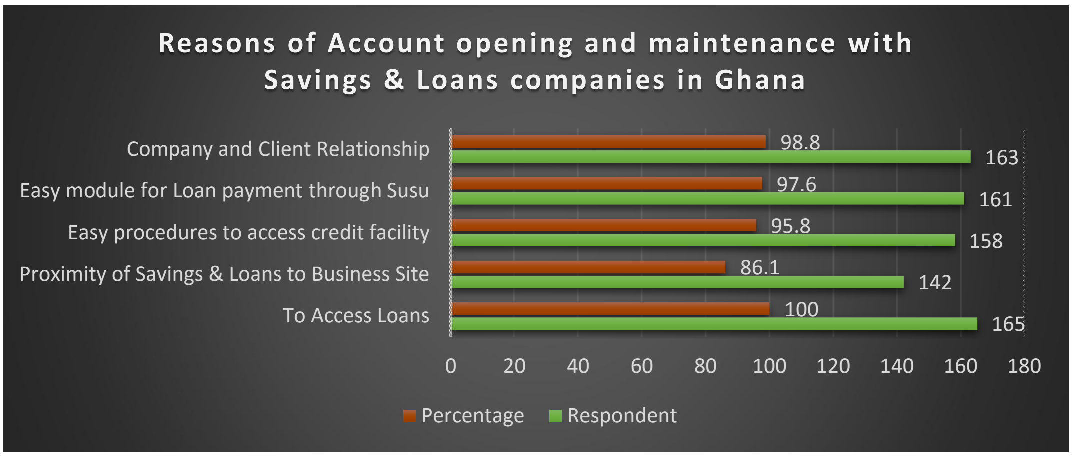


Source: Senzu, T. (2017) Field Report

This graphical report argue that in the period of 5yrs starting from 2012 to 2016; Savings & Loans companies in the business of Loans & Advance creation outperform rural Banks at an average rate of 7.7 in Ghana.

The studies proceeded to examine why client opens and maintain an account with Savings & Loans companies rather than the Banks in Ghana. The findings is graphically projected as Fig X6 below

Fig X6: Reasons for Opening and Maintaining Account with Savings & Loans Companies rather than the Banks in Ghana

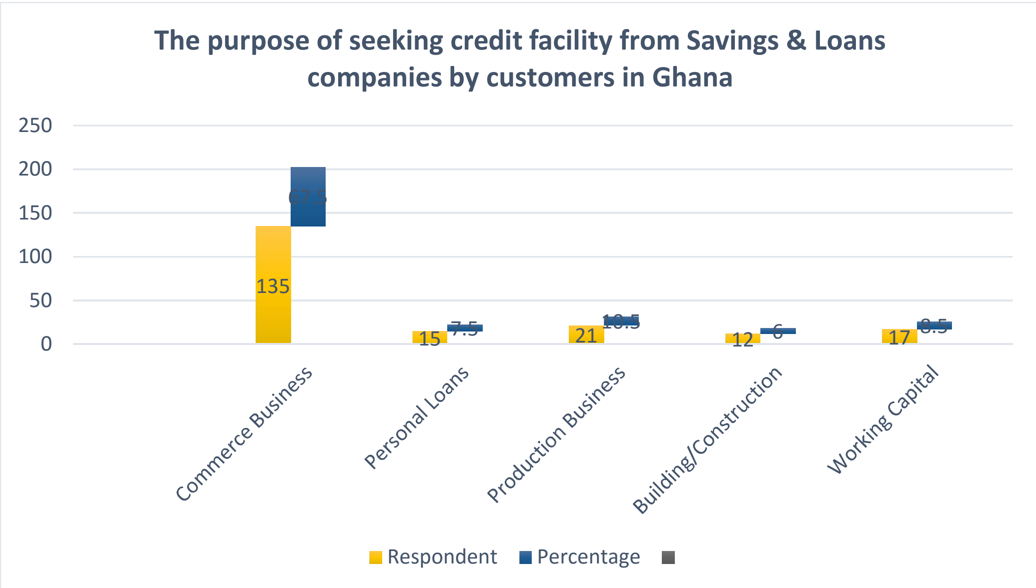


Source: Senzu, T. (2017) Field Report

The graphical data depict the order of preference and the reasons why customers resort to Savings & Loans companies in Ghana rather than the Banks and that could also be argued that majority of the Businesses in Ghana of both formal and informal sector forming 93.1% of the industrial economy of Ghana fall within medium, small and micro enterprises, which fall into the market bracket of microfinance Institutions, and observed to be the factor that has contributed to such graphical analysis above.

Finally the paper sort to examine the major reason behind the borrowing of loans from Savings & Loans companies in Ghana which could assist the Industry to know how best to repackage their loan product for the benefit of their market. This was graphically computed as Fig X7

Fig. X7: The Objective behind the usage of most of the borrowed funds from Savings & Loans companies in Ghana



Source: *Senzu, T. (2017) Field Report*

The data graphically depict that, majority of the Medium, small and micro scale enterprises that rely on Savings & Loans credit facility are commerce oriented which was noted as holding 67.5 % of the loan market, then production enterprise more of Agro-business oriented hold 10.5% as the second highest in the Loan market of Savings & Loans companies, the third was Enterprise that secure loans as a working capital example was the college management and administration which call for advance salary payment for staffs to be paid later through student fees payment, as well as church administration, they covered the 8.5% of the Loan market of Savings & Loans companies in Ghana.

E. FINDINGS, CONCLUSION AND RECOMMENDATION

The following were findings the studies seeks to elucidate;

1. In the strict sense, the Savings & Loans companies in Ghana were prohibited from offering currents accounts or demand deposits. However concessions in the rules provided by the Law in Ghana allow them to fashion out quasi current accounts which could permit them to offer in-house cheque facility to their customers. This kind of cheque are not cleared through the Central System at Bank of Ghana but through bilateral arrangements with the Bankers of such Savings & Loans companies

2. Savings & Loans companies in Ghana are allowed to undertake ancillary business to prior approval of or no objection certificate from the Central Bank of Ghana

3. The Savings & Loans companies dwell much on character based assessment of their customers than collateral based to advanced credits. And access to credit is an incentive for Savings. Finally their loan package is structured for short term payment module

4. Savings & Loans companies in Ghana mostly employ group based lending methodologies. In the instance where individual based lending is employed, they make use of the group to get reliable information on customers before credit is advanced. And it is noted that the processing time of loan applications is averagely within two weeks

5. The studies depict the great potential of the Savings & Loans companies in contributing to the growth of Savings mobilization in Ghana. The studies further exhibit the positive trends and the extent of it rise in savings mobilisation in the period of 4-5yrs in Ghana's economy from 2012-2016.

6. Understanding how the Savings & Loans companies target market operate in Ghana and to observed a study growth in Loans & Advances in a positive trends at an average of 7.7 for 5years in Ghana's economy since from 2012 to 2016 underscore the potential of Savings & Loans companies to enhance credit availability.

7. Problems encountering my Savings & Loans companies in Ghana therefore affecting the realisation of their full potential, were inability of clients to increase their deposits. Secondly clients engaging in multiple borrowing from various Institutions, thus creating problems of Loan recovery.

8. It was observed that majority of borrowers in the Loan market of Savings & Loans were into Commerce business (Buy and sell), followed by agro-processes and working capital for churches and school administrations and management.

Conclusion

Savings & Loans companies according to the studies could be concluded that, they form an Integral part of the financial system of Ghana. Even though their current relative shares of total deposits and total credit into loans and advance may not be highly significant yet it trends in contributions point to a great potential in enhancing overall deposit mobilization and credit availability. Which it could further be concluded that, they provide an alternative avenue for Savings and access to credit for micro savers and borrowers for whom the procedures and requirements of the traditional banks are too burdensome and discriminatory.

The distinction between Savings & Loans companies in the Laws of Ghana and that of the Banks has become increasingly blurred in the view of the possibility open to the former to undertake ancillary business in addition to their core business albeit with the prior permission or no-objection certificate from Central Bank of Ghana. In practical sense, Savings & Loans companies are banks but perhaps of a lower tier, the lower categorisation deriving from their exclusion from the Central Bank of Ghana clearing system and the need for prior permission before they can undertake ancillary business. It is perhaps in tacit recognition of this fact that the new NBFI Act 2008 (774) has provided for the migration of Savings & Loans companies from its regulatory ambit to that of the Banking Act 2004 (Act 673)

Recommendation

The geographical spread of the Savings & Loans companies has been more skewed in favour of Greater Accra and Ashanti region of Ghana comparative to the Rural Banks which is another recognisable Institutional vehicle for the mobilisation of deposits. Which call for branch expansion to establish presence in areas that their presence is not yet felt.

Savings & Loans companies could enhance their performance more, if branches were located closer to their clientele even within the regions where their presence is established.

As far us competitive consideration will allow, Savings & Loans companies should explore the possibility of sharing information on borrowers through opinion references from each other, which will help resolve the problem of multiple borrowing by customers and enhance improve loan recovery.

Savings & Loans companies should be innovative and examine services not currently provided, which potential client require as a result, resort to other financial avenues which with the permission of the Central Bank of Ghana to be included to their ranges of services, a means to attract and maintain quality client. This could be achieved through regular customer desire research studies in the market of Ghana.

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G. APPENDIX

1. MFIs- Micro-finance Institutions
2. IDA- International Development Associations
3. FINSAP- Financial Sector Adjustment Programme
4. PNDC- Provisional National Defence Council
5. MDGs- Millennium Development Goals
6. CGAP- Consultative group to assist the poor
7. ERP- Economic recovery programme
8. SLCs- Savings & Loans Companies
9. NBFIs- Non-Banking Financial Institutions
10. RCBs- Rural Community Banks
11. BOG- Bank of Ghana
12. CBs- Commercial Banks
13. SSB- Social Security Bank
14. CAR- Capital Adequacy Ratio
15. GCB- Ghana Commercial Bank
16. NRCD- National Redemption Council Decree
17. AFIs- Alternative Financial Institutions