KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI

COLLEGE OF ARTS AND SOCIAL SCIENCES

SCHOOL OF BUSINESS

FINANCIAL PERFORMANCE APPRAISAL OF GARDEN CITY SAVINGS AND LOANS LIMITED (GCSL) AS A MICROFINANCE INSTITUTION FROM 2001- 2008.

Submitted in Partial Fulfilment of the Requirements for Master of Business Administration (Honours) Degree

To the School of Business

By
MUSAH BASHIRU

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DECLARATION

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

MUSAH BASHIRU (PG1642707) .... 16/10/09 ....

Student Name & ID Signature Date

Certify by:

J.M FRIMPONG .... 19-10-09 ....

Supervisor's Name Signature Date

Certify by:

J.M FRIMPONG .... 19-10-09 ....

Head of Department's Name Signature Date

ABSTRACT

Micro-finance as an economic development tool has evolved as an approach to benefit low income sector in both rural and urban centres. It refers to the provision of financial and sometimes social intermediation services to low-income clients. Suppliers of micro-finance can be categorized as formal, semi-formal and informal financial institution depending upon the form of regulation. The formal financial institutions as defined by the PNDC Law 225 and PNDC Law 328 for banks and NBFIs respectively (Banks and Non-bank Financial Institutions (NBFIs)) are regulated and supervised by the Bank of Ghana

The general objective of this work is to review the performance of Garden City Savings & Loans Limited (GCSL) as a micro finance institution and its ability at promoting a more facilitating environment with regards to the development of micro, small and medium term enterprises in Ghana.

The performance of GCSL since its establishment has been reviewed and the inductions are that the Institution has performed creditably, thus enhancing the Government of Ghana's policy on the growth of microfinance. This foreshadows the creation of future for the industrial growth and development of Ghana' SME's sector

Further, detailed financial performance analysis, impact of portfolios granted, contribution to employment, socio-economic impact have been diagnosed and explained with emphasis on problems of the sector and recommendations made to ensure growth and expansion for the benefit of Ghana's development.

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TABLE OF CONTENT

CHAPTER THREE: GARDEN CITY SAVINGS & LOANS LIMITED

METHODOLOGY

CHAPTER FOUR: RESEARCH FINDINGS AND ANALYSIS

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS & RECOMMENDATIONS

FIGURES

LIST OF TABLES

LIST OF ACRONYMS

ERP – Economic Recovery Programme

IMF – International Monetary Fund

SAP – Structural Adjustment Programme

FINSAP – Financial Sector Adjustment Progamme

NBFI – Non Bank Financial Institution

BOG – Bank of Ghana

GCSL – Garden City Savings & Loans Limited

MFI – Micro Finance Institution

MSB – Micro Enterprise & Small Business

ROCSA – Rotating Savings & Credit Associations

NGO – Non Governmental Organization

MSME – Micro, Small & Medium Enterprises

NBSSI – National Board for Small Scale Industries

PAMSCAD – Programme of Action to Mitigate the Social Cost of Adjustment and Development

BOD – Board of Directors

CHAPTER ONE

1.0 GENERAL INTRODUCTION

The purpose of this chapter is to introduce the subject for the long essay, identify the problems to be analyzed, state the purpose and specific objectives of the study and explain the contribution of the research to business management practice. The methodology, scope, limitations and the organization of the study of the other chapters are also set out.

1.1 BACKGROUND OF STUDY

In the year 2000 the United Nations set up the "Millennium development goals" striving to make the world a better place. One of these eight goals was to reduce poverty by half by the year 2015. A promising tool for this is microfinance, which has evolved into a global phenomenon and gained supporters across the globe. Much of the international attention on microfinance today is a result of the work by Nobel peace price laureate Dr Mohammed Yunus and his Grameen bank in Bangladesh. The concept of micro financing has been known and used for many years but not well developed in the Ghanaian economy. The bank of Ghana in 1976 promulgated the rural banking idea and established it as a supplement to the commercial and development banking and as a boost to facilitate business transactions and financial services for the general development in the rural areas. Among their functions are:

- To mobilize savings in the rural communities and provide credits to them.
- To offer credit to rural dwellers engaged in farming, and SME's; assist the rural communities in initiating socio-economic projects to improve their living conditions.

- To monetize the rural community by way of inculcating in the rural dwellers the banking habit; serve as instrument for the development of business in the rural communities and thereby facilitate the rapid growth of the national economy.

However, this goal for economic growth was impeded among other things by the lack of a diversified and in-depth financial system capable of not only meeting the financing requirements of households, informal enterprises, the self-employed and the poor, but also providing them the necessary support and sustenance in the economic activity in which they are involved.

The combined effort of different organizations, companies and groups has laid the foundation for modern microfinance with new projects starting on a regular basis helping millions of people around the world. Microfinance has carved out a niche to help poor people in especially rural areas to overcome poverty and to take part in the society on a more extensive level. Recent history has shown that the difficulties facing banks operating in poor, rural areas have been hard to overcome; many formal credit institutions have failed in their attempts to provide financial services to the poor in a sustainable way. Interesting to note is that where the formal bank sector failed in the recent past microfinance is thriving today. The question that comes in mind is: What do microfinance institutions do differently compared to their peers that leads to the high degree of success, measured in terms of high repayment rates that they attain today?

The purpose of this paper among others is thus to assess the performance of microfinance institution within the context of meeting the financial needs of the poor.

Microfinance as defined by Steel et al (2004, pp 1) refers to small financial transactions with low-income households and micro enterprises (both urban and rural) using non standard methodologies such as character-based lending, group guarantees, and short-term repeat loans. A typical example is the evolution of the microfinance era of the Grameen foundation and the Mohamed Yunus concepts which is of the view that the microfinance institution can grow and expand its services to further support those without financial services within a particular society, Yunus (2003, pp 142-43).

To enhance international development, the United Nations Organization (UNO) announced the millennium development goals, aimed to eradicate poverty by 2015. In this regard, microfinance is the form of financial development that has its primary aim to alleviate the poverty. Governments, donors and NGOs around the world responded enthusiastically with plans and promised to work together towards the realization of these goals. In the recognition of microfinance, the UNO celebrated the year 2005 as a year of micro-credit, as a result this financing instrument is perceived worldwide as a very effective mean against hunger and poverty, mainly in developing countries.

In 1983, the Government of Ghana embarked on an Economic Recovery Programme **(ERP)** after determining the macro economic framework jointly with the World Bank and International Monetary Fund **(IMF).** The objectives of programme were: to free the economy from state controls and market distortions, promote a liberalized private-sector led trade and investment regime, pursue an export-led economic growth strategy and the restructure of the public sector of the economy in order to improve the prospect of growth.

The recovery programme which was pursued in three phases spanned from 1983-1993. The first phase was focused on stabilizing the economy by reducing severe imbalances in government finances, restraining credit expansion and encouraging productive activities (1983-1986).

The second phase which covered the period of 1987-1989 and called **Structural Adjustment Programme (SAP)** was sought to rehabilitate the economy by tackling structural imbalance through removal of major bottlenecks in the economy and laying the foundation for sustained growth.

The third and final stage also focused on the accelerated structural and institutional reforms, and by laying of firmer foundation for growth of the private sector included **Financial Structural Adjustment Programme (FINSAP).**

The **FINSAP** which was implemented in two stages of **FINSAP I (1989-1990)** and **FINSAP II (1991-1993)** had the broad objectives of enhancing sound banking system through improved regulatory and supervisory framework and to improve the mobilization and allocation of financial resources including development of money and capital markets. The FINSAP was implemented in two stages

FINSAP I (1989-1990) saw the enactment of a new banking law PNDC Law 225 in 1989 which focused on the improvement in the banking sector for independent financial performance and to ensure liberalized financial sector from state control.

FINSAP II also brought about the enactment of financial institution (non-banking) law 328. This sought to provide supervisory and regulatory framework for non-bank financial institutions (NBFIs).

In the past the government competed with firms and individuals to access funds from conventional banks with the individual especially the poor self-employed or low income customer missing out. These conventional banks often varied cost and risks to the detriment of the poor self-employed. The banks often cited cost, profit, risk and collateral among others as reasons to deny the poor self-employed or low income customers access to credit.

However, Microfinance Institutions (MFIs) have emerged to address this market failure and provide financial service to low-income customers (Littlefield and Rosenberg, 2004). In Africa, the poor self–employed or low income customers are proving to be reliable, stable customers who make MFIs twice as profitable as commercial banks (Littlefield and Holtmann, 2005). A recent survey depicts that the 163 African microfinance leaders provide $742 million in loans to 2.5 million customers and deposit service of $713 million to 6.4 million customers. The portfolio at risk rates average 4% on par with microfinance operations worldwide. The average return on assets on MFIs globally is 3.9% as against 2.1% for commercial banks (Littlefield and Holtmann, Ibid). Moreover, the Ghanaian financial environment is replete with instances or activities which serve as indicators as to how profitable the microfinance industry might be. Some successful commercial banks are extending their operations into the microfinance industry. A recent example is Barclays Bank, who has expanded its activities into micro- banking. The bank has teamed up with about 173 "susu" collectors to extend appropriate financial services and training for the many unbanked Ghanaians (Daily Graphic, February 15 2007, page 32).

By resting on market incentives, microcredit is able to promote small scale investment that generates sufficient revenues from otherwise unrealized market activities while yielding a return on the amount lent. This is a powerful lever to provide credits and deposits possibilities to poor individuals who are largely ignored by commercial banks and other lending institutions. The reasons for this neglect are many. Often, such credits are just not profitable enough for banks, because of economies of scales. By focusing on small amounts and easing collateral requirements, microfinance institution (MFIs) are better equipped to target poor individuals or groups who need resources to finance small scale investments.

1.2 STATEMENT OF THE PROBLEM

Poverty reduction remains the greatest challenge facing governments in many countries, especially those in the developing world like Ghana. Microentreprenuer's lack of financial services is often critical constraints to the establishment or expansion of viable microenterprises. Microfinance as a tool provides access to financial services to the economically active or productive poor whose scale of operations or level of revenue may not be adequate to provide household food security or barely meet household obligation adequately. Given the potential role expected of microfinance in poverty alleviation, the sector requires increased attention in all aspects hence the need to assess the performance of the industry so far. A comprehensive study of the performance of Garden City Savings and Loans Limited (GCSL) will help test, if trends in their performance replicate the pattern in the microfinance industry so that it could serve as a benchmark for emerging microfinance banks.

1.3 OBJECTIVES OF THE STUDY

The overall objective of this project is to review the performance of Garden City Savings & Loans Limited (GCSL) and its ability to promote a more favorable environment for the development of Microenterprises in Ghana.

The specific objectives are

i. To conduct financial analysis of GCSL with respect to its profitability, liquidity, leverage, efficiency and growth trends.

ii. To analyze the company's shareholder ratios over the time specified.

iii. To examine the impact of GCSL as a microfinance institution in relation to its outreach and sustainability

iv. To describe in detail the various financial products by GCSL

v. To examine the impact of GCSL products on economic activities within its catchment area.

vi. To explore the challenges faced by GCSL in its operations

vii. To make recommendations that will assist decision makers or policy makers on how to enhance the growth of poverty alleviation in Ghana.

1.4 JUSTIFICATION OF THE STUDY

Microfinance industry enhances the financial system and has the potential to promote the growth of the private sector. Development of the private sector is a key policy of government. It is therefore necessary to do a study of this industry. It will guide the management of GCSL to device policies and programmes to make the company viable and sustainable to play its role of making financial services available to the Small and medium scale enterprises in Kumasi and its environs. It will also help management to make their services more accessible to customers.

Again, it will make available first hand information to the monetary authorities in Ghana on how to enhance the services of MFIs.

1.5 THE SCOPE OF STUDY

The research will look at a period of 8 years that is 2001-2008. This period is chosen because it falls within the span of time that the country has witnessed economic stability and can also form the basis of objective assessment

1.6 LIMITATIONS

Numerous constraints were encountered in this project work. First of all, Ghanaian companies' are less transparent with information. The success of getting the needed information will also depend on the goodwill of the officials involved and the level of confidence they will have in you that information divulged would not be disclosed to their competitors. A lot of these institutions are scattered and uncoordinated and this made it difficult to gather data. Time constraint was another factor as a lot of time was used to gather the scattered information.

The trustworthiness of respondents cannot be guaranteed, since personal opinion can influence responses. In view of these limitations, generalized conclusions may not be made out of the findings. However, it can serve as a useful input into decision and policy making.

1.7 ORGANIZATION OF THE STUDY

This project work will be organized into five chapters.

CHAPTER ONE: Covers Introduction, Statement of the Problem, Objectives, Justification, Methodology, Scope, Limitations and Structure of the Study.

CHAPTER TWO: This chapter will review literature on savings and loans companies' and the NBFIs and their effects on the economy of Ghana and the growth of world-wide micro finance institutions.

CHAPTER THREE: This chapter will focus on the historical background, organizational set-up and the performance of GCSL LTD in the savings and loans industry.

CHAPTER FOUR: This will focus on analysis and discussion of findings.

CHAPTER FIVE: This chapter will discuss conclusions and recommendations and as well distill some for policy lessons.

CHAPTER 2

LITERATURE REVIEW

2.1 WHAT IS MICROFINANCE

Microfinance is a form of financial development that has primarily focused on alleviating poverty through providing financial services to the poor. Microfinance is not only about micro-credit i.e. lending small amounts of money to the poor, but it has a broader perspective which also includes insurance, transactional services, and more importantly, savings. According to James Roth, "Microfinance is a bit of a catch all-term. Very broadly, it refers to the provision of financial products targeted at low-income groups. These financial services include credit, savings and insurance products. A series of neologisms has emerged from the provision of these services, name micro-credit, micro-savings and micro-insurance".

The Canadian International Development Agency (CIDA) defines microfinance as, "the provision of a broad range of financial services to poor, low income households and micro-enterprises usually lacking access to formal financial institutions".

2.2 CHARACTERISTICS OF MICROFINANCE

Microfinance gives access to financial and non-financial services to low-income people, who wish to access money for starting or developing an income generation activity. The individual loans and savings of the poor clients are small. Microfinance came into being from the appreciation that micro-entrepreneurs and some poorer clients can be 'bankable', that is, they can repay, both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs. According to Murray, U. and Boros, R. (2002), Microfinance as a discipline has created financial products and services that together have enabled low-income people to become clients of a banking intermediary. The features of microfinance products are;

• Little amounts of loans and savings.

• Short- terms loan (usually up to the term of one year).

• Payment schedules attribute frequent installments (or frequent deposits).

• Installments made up from both principal and interest, which amortized in course of time.

• Higher interest rates on credit (higher than commercial banks rates but lower than loan-shark rates), which reflect the labor-intensive work associated with making small loans and allowing the microfinance intermediary to become sustainable over time.

• Easy entrance to the microfinance intermediary saves the time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status.

• Application procedures are simple.

• Short processing periods (between the completion of the application and the disbursement of the loan).

• The clients who pay on time become eligible for repeat loans with higher amounts.

• The use of tapered interest rates (decreasing interest rates over several loan cycles) as an incentive to repay on time. Large size loans are less costly to the MFI, so some lenders provide large size loans on relatively lower rates.

• No collateral is required contrary to formal banking practices. Instead of collateral, microfinance intermediaries use alternative methods, like, the assessments of clients' repayment potential by running cash flow analyses, which is based on the stream of cash flows, generated by the activities for which loans are taken.

Microfinance is defined by what it does: self help through financing the entrepreneurial abilities of the poor. (Counts and Fukuyama, 2005).

Definitions differ, of course, from country to country. Some of the defining criteria used include;

- Size - loans are micro, or very small in size.

- Target Users - micro entrepreneurs and low income households.
- Utilization -The use of funds- for income generation, and enterprise development, but also for community use (health/ education) etc.
- Terms and Conditions - Most terms and conditions for microcredit loans are flexible and easy to understand, and suited to the local conditions of the community. (The Virtual Library on Microcredit).

Microcredit is the extension of small loans to entrepreneurs too poor to qualify for traditional bank loans. It enables those without access to lending institutions to borrow at bank rates, and start small businesses. (The Virtual Library on Microcredit)

These individuals lack collateral, steady employment and verifiable credit history and therefore cannot meet even the most minimal qualifications to gain access to traditional credit. Microcredit is a part of microfinance, which is the provision of financial services to the very poor; apart from loans, it includes savings, micro insurance and other financial innovations. (Wikipedia, the free encyclopedia)

2.3 METHODOLOGY OF MICROFINANCE

Majority of the microfinance institutions offer and provide credit on a solidarity-group lending basis without collateral. There is also a range of other methodologies that MFIs follow. Some MFIs start with one methodology and later on move or diversify to another methodology so that they do not exclude certain socio-economic categories of clients. So it becomes important to have a basic understanding of methodologies and activity of MFIs (Murray, U. Boros, 2002).

2.3.1 Group Lending

Group based lending is one of the most novel approaches of lending small amounts of money to a large number of clients who cannot offer collateral. The size of the group can vary, but most groups have between four to eight members. The group self-selects its members before acquiring a loan. Loans are granted to selected member(s) of the group first and then to the rest of the members. Most MFIs require a percentage of the loan that is supposed to be saved in advance, which points out the ability to make regular payments and serve as collateral. Group members are jointly accountable for the repayment of each other's loans and usually meet weekly to collect repayments. To ensure repayment, peer pressure and joint liability works very well. The entire group will be disqualified and will not be eligible for further loans, even if one member of the group becomes a defaulter.

The creditworthiness of the borrower is therefore determined by the members rather than by the MFI (Ibid)

One of the best-known institutions for lending and savings money, in Bangladesh, is the

Grameen Bank. Grameen Bank mainly targets women (98% of their clients are women) on the basis that women repay their loans better than men and due to the oppression they need more favor. It is believed that loans expanded to women benefit all the household members with improved level of food intake, health, and education. Average loans range from US$100 to US$200 for a period of 3-12 months. The loan amount varies from country to country. Average loan amounts tend to be higher ($500 or more) in countries in transition of adapting to this system (Murray, U. and Boros, R. 2002).

On one hand, the group formation guides to lower transaction costs for the MFIs, but on the other hand there are social costs related with this process. These social costs can be a negative restraint to group borrowing and joint liability approaches, and include coercive peer pressure, loss of faith and the likelihood that the poorest and most vulnerable will remain excluded or further stigmatized. Such social costs are higher in some societies than in others, depending upon underlying social relations (which influence the ease/difficulty of group formation) and the distances that people must travel to participate in-group activities. In rural areas, these costs can be higher (Ibid, p. 12).

2.3.2 Individual Lending

Unlike MFIs, there are very few conventional financial institutions which provide individual loans to low-income people because poorer clients are considered higher risk clients due to their lack of collateral, plus the labor-intensive nature of the credits and hence the lack of profitability of small-credits. BASIC BANK (Bangladesh), Bank Rakyat Indonesia (BRI) in Indonesia, ADEMI in the Dominican Republic and are some examples of successful lenders to poor clients. However, BRI does request collateral and a loan co-signer, while ADEMI and BASIC BANK will take the best collateral it can (Ibid).

2.3.3 Credit Unions

Credit unions are the organizations that are formed on the basis of financial relation of savings and loans between its members. They accumulate savings from its members and provide short-term credit to the needed members. The demand for loans in general exceeds the supply of savings. In most rural areas credit unions are still the solitary source of deposit and credit services, besides the informal financial market. Because credit unions have social as well as commercial objectives, they may have a key role to play in offering pro-poor financial services. It has been observed that some women have not benefited much from the credit unions because the level of savings required is too high (Murray, U. and Boros, R. 2002).

Credit unions have achieved financial self-sufficiency within the last few decades.

According to one statistics from the World Council of Credit Unions (WOCCU), by the end of the 1980s there were about 17,000 credit unions in 67 developing countries around the world. These unions maintain nearly 9 million members and 60% of these members are from Africa and the Caribbean Islands. These credit unions handled approximately US$2 billion in deposits and share capital. It is estimated that they are disbursing US$300 million in small loans to about 1.5 million small businesses (Ibid).

2.3.4 Self Help Groups/Associations

Rotating Savings and Credit Associations (ROSCAs) exist in several parts of the world but recognized under different names, like as Tontines and Susus. They are known to be female dominated organizations that save small amount of money and members can borrow from common pool on a rotating basis. These types of self help groups have sometimes been used by MFI for group lending among the members (Murray, U. and Boros, R. 2002).

2.4 SAVINGS MOBILIZATION

Savings mobilization has recently been recognized as a major force in microfinance. In the past, microfinance focused almost exclusively on credit; savings were the "forgotten half" of financial intermediation (Vogel, 1984). The importance of savings mobilization has been highlighted in several papers in the context of microfinance. Few analyses have been shaped in order to take an in-depth look at the savings mobilization strategies, which are employed by various institutions and are then compared to the results (Fiebig, M. Hannig, A. Wisniwski, S. 1999).

Deficiency of savings facilities creates problems at three levels:

(i) at the individual level,

(ii) at the level of the financial institution; and

(iii) at the level of the national economy.

At the individual level, the lack of appropriate institutional savings facilities forces the individual to rely upon in-kind savings, such as the savings in the form of gold, animals or raw materials, or upon informal financial intermediaries, such as Rotating Savings and Credit Associations (ROSCAs) or money-keepers. These alternative informal savings facilities do not guarantee the combination of security of funds, ready access or liquidity, positive real return and convenience, which are basic requirements or necessity of a depositor (Elser, L.; Hannig, A.; Wisniwski, S. 1999).

Microenterprise programs can play a significant role for foster savings among the poor populations, with considerable benefits both for the savings and for the programs.

According to Harper, "Domestic Savings provide the assets for the economy's investment in future production. Without them, the economy cannot grow unless there are alternative sources of investment". People's propensity to save varies significantly. Common astuteness states that as a person's disposable income increases, so does his or her capacity and willingness to save. Persons, who are living at subsistence or near subsistence levels, often we call them low-income groups, thought to be among those who are least able to contribute to economic savings. It is demonstrated that most of the developing countries, where the poor constitute the great majority, have a lower propensity to save. It has been concluded that 'the poor cannot save' (Harper M. 2003). Exploring issues related to saving mobilization, among the poor people who are self employed in productive activities, is one of the important purpose of this study.

Experiences from the empirical findings have shown that many low-income people have the capacity to save and they usually do it through informal channels. Informal approaches for savings engross the formation of alternative structures, like group or associations, through which people undertake financial activities such as lending and savings (Harper M. 2003). There is enormous literature available, based on surveys, case studies, regional and cross country analysis, focusing on the nature of the savings capacity and ways of saving of poor. Many affirm that not only do the poor save, but their savings have substantial implications for policy and resource mobilization for financial markets and national economies (Harper M. 2003). Savings mobilization is an interesting issue among the poor for various reasons. Mobilizing savings lift up important considerations for development programs that are working to boost productive income and employment among low-income groups.

Finally, the process of saving on a regular basis can be an empowering experience for people used to living at the margin, and can contribute to an improvement in the quality of their lives. It serves to capitalize on the productive activities, which sustain the family and thereby enhancing income of the family. Informal savings schemes exist throughout the developing world. Most of the pertinent in this perspective are the rotating savings and credit associations (ROSCAs). These are informal institutions in which group of individuals come together to save, share risks, and borrow. These kinds of informal organizations can be found in many countries, with different names and almost among all sections of the society. Rotating saving and credit associations are organized spontaneously among socially homogeneous groups with the strength of each group varying from six to fifty people. These groups depend on a leader, who is usually the founder and he or she is responsible for the collection and distribution of the resources. Members make a fixed amount of payment into a pot and the total assets are distributed at fixed intervals among the members in turn. The distribution of the funds is agreed upon by lottery, seniority in the group, or another established arrangement. All informal credit and savings activities, work on the principle of rotating access to a capital fund, which is continuously fed by the members' contributions. The interest rates charged from borrowers, depends on the length of the term for which loan is taken (Harper M. 2003). Rotating savings and credit associations provide the idea, which can be a learning laboratory for understanding, what motivates poor people to save, and under what conditions they are likely to do so. The main character of most ROSCAs is a simple but resilient savings and loan system, grounded in the local culture, which is a flexible yet structured set of procedures agreed upon by all.

There are few micro-enterprise lending programs that have been designed to increase the productive activities of the poor and at the same time have shaped saving components for them. The supplement of savings as a component of micro-enterprise programs has received less concentration. The experience of several organizations, like the Grameen Bank, ASA, BRAC and PROSHIKA in Bangladesh and Accion International (ACCION) in Latin America that have mobilized savings among the poor, has provided interesting insights into this topic. While there are other organizations with experience in savings, such as, the World Council on Credit Unions (WOCCU), the Foundation for International Community Assistance (FINCA), and an Indonesian's organization, named Badan Kredit Kecamatan (BKK), have served as an illustration in which micro enterprise programs have addressed savings (Harper M. 2003).

In Grameen Bank of Bangladesh, savings are used as a tool to prepare the borrowers to manage credit. Prospective borrowers make weekly savings deposits, and their credit eligibility is based on their capability to maintain self-discipline in saving. Each borrower must save around one taka or US$0.04 every week through his or her group. In addition, 5 percent of each loan amount approved is set aside at the time of disbursement. This money goes into a group fund supervised by the respective group and is designed to provide social loans to its members in emergency. Each group sets the terms and condition for distribution of loans (Harper M. 2003).

Most of the MFIs in Bangladesh follow the same method as of Grameen Bank. The people of Bangladesh are far away from the social benefit system, provided by the government. From the fear of future insecurities, the people of Bangladesh have grown up their saving tendency. From this tendency, they have formed different kinds of informal savings organizations like as co-operative societies and credit unions. These kinds of organizations can be found almost everywhere in Bangladesh, with different names, like *Jubok, Urban Co-operative Society* etc. Microfinance organizations capitalized on this tendency as an opportunity and exploited it. They worked on the same pattern or methodology but provided the people not only with an option of more secure, reliable and formal savings organization, but also with many other social benefits.

2.5 THE OVERVIEW OF FINANCIAL INDUSTRY IN GHANA

The banking sector in Ghana has undergone various changes over the years. Economic programmes of the years have also impacted upon the banking sector. Some of these programmes are the Economic Recovery Programmes, the Structural Adjustment Programme and the Financial Structural Adjustment Programme (FINSAP).

The FINSAP was implemented in two stages. FINSAP 1 spanned 1989-1990, whiles FINSAP 11 1991-1993. The FINSAP had the broad objectives of promoting a sound banking through improved regulatory and supervisory framework and also improve the mobilization and allocation of financial resources and the development of money and capital markets.

FINSAP 1 saw a new banking law PNDCL 225 enacted. This law liberalized the banking sector and focused on the improvement in the banking sector for independent financial performance. FINSAP 11 also saw the enactment of the Financial Institution (Non-Banking) Law 328. This Law provides supervisory and regulatory framework for Non–Banking Financial Institutions (NBFIs). The Law defines NBFI as "any non-banking financial institution which carries on the business of or part of whose business is, any of the following characteristics:

a. taking deposits;

b. financing of any activity by way of making loans or advances or otherwise other than its own;

c. Companies not otherwise regulated under the Securities Industry Law dealing in shares, stock, bonds, debentures or securities issued by the Government or a company or other marketable securities;

d. Leasing, letting or delivering of goods to hirer under a hire purchase agreement;

e. Carrying on by insurance companies of any business other than insurance;

The law identifies institutions which are

1. Discount Companies
2. Finance Houses
3. Acceptance Houses
4. Building Societies
5. Leasing and Hire-Purchase Companies
6. Venture Capital Funding Companies
7. Mortgage Financing Companies
8. Savings and loans Companies
9. Credit Unions

(Databank's report, 2003), emphasize that the financial sector over the years has undergone some major transformation since the colonial era. During the colonial period, the then government focused its attention on monetary stability, and monetary growth was tied to export performance. Banking services then were geared towards the facilitation of trade between the British merchants and the colony. The financial system then transformed the colonial economy from a barter system to a modern currency system. At the time, there were virtually no NBFIs in the country except some insurance companies which provided commercial risk coverage for the trading houses.

According to (Databank report, 2003), the post independence era up to 1983 saw the adoption of a planned and closed economy with a wide range of restrictions on the financial sector. The restrictions involved import licensing, exchange controls and directed lending. These developments led to a complete domination and control of the banking industry by the government. The Bank of Ghana then carried out all international banking involving remittances, letters of credit, collections, allocations of foreign exchange, travel or tourism. The Bank of Ghana was empowered to control the banking system, set ceilings on advances or investments banks. A greater portion of the commercial banks' loan portfolio went to meet public sector borrowing requirement and the state enterprises. Capital could not therefore be allocated to the most productive project.

To further control the banking system, the Bank of Ghana provided the seed capital for the establishment of development banks to mobilize funds to finance medium and long-term investments.

Rural Banks were also set up (in 1976) to provide banking services to the rural communities. The non-bank financial sector was relatively undeveloped except for the existence of State Insurance Corporation (SIC) and National Trust Holding Company (NTHC). The control systems created serious distortions in the financial sector and also in the whole economy. The serious distortions in the financial sector led to the adoption of the Economic Recovery Programme (ERP) in 1983 to liberalize the economy and therefore the financial sector. The programme was designed to:

- restore discipline into government's fiscal and monetary policies;
- encourage the growth of productive sectors; and
- promote the private sector within the framework of an enabling environment.

The government implemented a Structural Adjustment Programme (SAP) in late 1986 to remove major structural bottlenecks in the economy and to lay a solid foundation for sustained growth. The Government also pursued free market policies which included: trade liberalization, a systematic devaluation of the cedi and the removal of subsidies on most goods and services.

These measures have resulted in:

A. an average of four (4) to five (5) percent growth rate of GDP since 1983

B. improvement in export earnings especially non-traditional export

C. a reasonable growth in financial sector which is playing a crucial role in the financial exchange auction and establishment of forex bureau.

For (Andah, 2000) the financial sector was further reformed through

- restructuring of financially distressed banks,
- Supervisory framework of the banking system,
- Improvement in the mobilization and allocation of financial resources including development of money and capital markets, and
- Promotion of the development of non-bank financial institutions.

The financial sector reform was further enhanced through the reduction of state shareholdings in Ghanaian financial institutions.

The financial sector reform has resulted in banks meeting capital adequacy standard and privatization of some state owned financial institutions. Significant in the financial sector adjustment is the change in the rapid growth of NBFIs.

To (Debrah, 1998), in 1993 the Financial Institutions (Non-Banking) Law was passed to provide a legal framework for a whole new set of financial institutions that were being established. The institutions include discount houses, finance houses, acceptance houses, mortgage finance, hire purchase, building societies, savings & loans, leasing companies and venture capital companies.

2.6 Capital Adequacy

At all times whilst in operation a Financial Institution is required to ensure that it maintains minimum capital adequacy ratio of 6% for banks and 10% for NBFIs (PNDCL225 (8); PNDCL 328 (15)) A default of this attracts penalty from Bank of Ghana. Adapted from (CGAP, 1996b) Capital Adequacy refers to the level of capital in organization that is available to cover risk. All financial institutions are required to have a minimum amount of capital relative to the value of their assets. This means that in the event of loss of assets, the organization would have sufficient funds of its own to cover the loss. Capital adequacy standards refer to the percentage of assets that is funded by debt. Stated differently, capital adequacy standards refer to a maximum level of debts versus equity that a financial institution can have.

The capital base, emphasized by the CGAP includes;

a. primary capital which includes issued and fully paid–up shares, disclosed reserves, surplus profits and other distributable and legal

b. secondary capital which includes debt/equity capital instruments that are unsecured, subordinated and fully paid up, instruments that are not redeemable at the initiative of the holder or without the consent of the supervisory authority being obligated to cease trading. Also included are capital instruments with a fixed term maturity and limited life redeemable preference shares in excess of five years and which are not normally available to absorb the losses of the Financial Institution should it continue trading.

c. The adjusted asset base of the Financial Institution is made up of its total assets after specific balance sheet items have been added and deducted.

2.7 The role of Government

The government position regarding the informal sector and micro-enterprise development is important as this affects policies that may influence the behaviour of micro-entrepreneurs. Active collaboration, according to (Streans and Otero 1990), involves the establishment of a favourable climate to enable these institutions to continue and expand their work with support but not interfere from government agencies.

According to the government, its vision for the microfinance sector is consistent with the Vison 2020 programme which will ensure a diverse well-integrated financial system that offers adaptive and flexible financial products and services at competitive cost to micro and small-scale enterprises particularly in the informal sector. This will include enabling environment that promotes innovative services on a sustainable basis within the sector.

(The budget statement, 2004) the government contended that it has placed significant emphasis on microfinance as a tool for development. It mentioned among other things the creation of a National Micro Finance Administration Bureau to concentrate and coordinate efforts towards improving this sector. Technical support from donors such as the World Bank has helped to pave the way towards Ghana's flexible regulatory environment with regards to serving the SMEs sector. Currently, they said the government is supporting institutional capacity building through training and dissemination of industry best practices with the aim of increasing linkages between the formal and informal financial sector. They further stated that there are many micro and small businesses operating in Ghana than larger, urban-based business. Yet, despite this undeniable market for financial services, large commercial banks in the country continue to serve primarily larger urban firms, with 60 per cent of Ghana's money supply outside the commercial banking system. Less than 1 per cent of Ghanaian commercial banks total lending portfolio is invested in MSME sector. (The Budget Statement, 2004) indicated that Ghana's requires a strong financial sector that will mobilize and allocate funds efficiently and also fully integrate into the international financial system. It emphasized that the development of such financial sector is paramount in order to propel Ghana's economy to realize the levels of savings and investments needed to achieve higher rates of growth and employment that will make meaningful impact in the fight against poverty. To realize these objectives, the government has initiated a number of milestones legislations including, the passage of Banking Bill which was intended to provide the framework for effective supervision of the banking system by BOG, and the Payments System Bill which has the objective of modernizing the legal framework and improving the efficiency of the payment system. They also signed an agreement with DANIDA to provide funding for the establishment of commercial courts to facilitate resolution of business conflicts.

It further stated the establishment of Venture Capital Fund to be fully implemented during the course of the year and in order to offer support and improve access of MSMEs to credit

2.8 PROBLEMS FACING THE MICRO-FINANCE SECTOR

(Quainoo, 1999) identified the various problems facing the micro-finance sector in Ghana. She addressed the problems from the demand and supply side with the demand side, based on target clientele whilst the supply was based on MFIs.

On the demand side emphasis was made that the socio-economic conditions of clients of MFIs, who are mostly the productive poor are faced with several constraints which affect their service absorption capacity. The constraints she said include:

The lack of Capacity building such as technical support/extension service and business development training for the majority of target clientele has resulted in a long gestation period for building capacity within target clientele for service absorption. This affects outreach (that is, numbers of clients that can be reached in a short period of time), expansion of services, impact and the sustainability of micro credit schemes.

There is also non financial service to serve the needs of clients, in the form of health, education, family planning, which affect family income retention and therefore the quality of loan repayment.

Mentioned was also made of the problem of isolation and weather vagaries which affects particularly the Northern and Upper regions of Ghana sometimes resulting in low investment returns and low loan repayment.

Poor infrastructure and road networks she said, affect clients outreach and access to financial services for the poor in isolated communities.

Mention was also made of service withdrawal due to high transaction costs of delivering financial services to isolated rural communities.

On the supply side, problems affecting MFIs, in her opinion are numerous and stem from institutional development and financial factors which include,

A. weak capital base which leaves most MFIs with limited financial resources. This affects the general capitalization level for operations and the availability of funds for lending.

B. also, poor and inappropriate management information systems affect the quality of financial and portfolio reporting. As a result of this situation information for decision-making is usually inadequate.

C. some MFIs do not have appropriate organizational structures, staffing levels and the right calibre of Board members. This affects the quality of board/management relations, policy formulation and decision making.

D. she further remarked inappropriate qualifications and skills of some key MFI personnel for managing credit schemes affect the quality of service delivery and loan portfolio management.

E. they also lack operational policies and manuals to guide and manage their operations.

It is in addressing these problems and constraints that led to the formation of Micro-Finance Institutions Network by MFIs in Ghana. The Network is collaborating with the stakeholders of the micro-finance industry to develop a strategic approach for developing and harmonizing interventions for the sector.

2.9 MEASURING OPERATING AND FINANCIAL PERFORMANCE

White et al, (1990) indicated that traditional ratio analysis is primarily designed to meet informational needs of equity investors and creditors. The objective of ratio analysis they said, is the comparative measurement of risk and return facilitating investment and credit decisions.

The informational needs and appropriate technique needed for specific investment and credit decisions are a function of the decision makers' time horizon. They emphasized short-term bank and trade creditors are interested in the immediate liquidity of the firm, whilst longer-term creditors are interested in the long-term asset position, solvency and earning power of the firm.

Their focus therefore is to minimize risk and ensure that resources are available to assure payment of interest and principal obligations. Equity investors on the other hand are primarily interested in the long-term earnings of the firm. By bearing the residual risk, the equity investor requires a return commensurate to that of their risk. As a residual risk taker, which is being volatile, is difficult to quantify the equity investor's time horizon. This analysis by the equity investor needs to be the most comprehensive, and it subsumes the analysis carried out by other users. Gyasi, (1992) emphasized that general financial statement information should be able to meet the users' information needs in:

a. evaluating the performance of the entity

b. assessing the effectiveness of the entity in achieving objectives established previously by its management members or owners or by society

c. assessing the economic stability and vulnerability of the reporting entity

d. evaluating managerial performance, efficiency and objectives

e. assessing the liquidity of the entity

f. estimating the future prospects of the entity, including its capacity to pay dividends, and other cash outflows

g. attesting to compliance with the company law and other legal obligations

h. ascertaining the ownership and control of the entity

2.9.1 Purposes, uses and types of ratios

White, et al, (1990) emphasized that ratios, in general, involve a process of standardization and are there to standardize reporting methods, financial statements and other relevant variables, allowing for comparisons over time and cross sectional between firms. Also, ratios they say measure a firm's crucial relationships by relating inputs (cost) with outputs (benefits) and facilitate comparisons of these relationships overtime and across firms. White,(ibid) enumerated that; there are four (4) broad categories of analysis that measure such relationships. They are:

a. Activity analysis: This evaluates the level of output generated by the assets employed by the firm.

b. Liquidity analysis: This measures the adequacy of a firm cash resources to meet its near-term cash obligations

c. Long-term debt and solvency analysis examines the firm's capital structure in terms of the mix of its financing sources and the ability of the firm to satisfy its longer-term debt and investment obligations.

d. Capital adequacy ratio (CAR), also called Capital to Risk (Weighted) Assets Ratio (CRAR) is a ratio of a bank's capital to its risk. National regulators track a bank's *CAR* to ensure that it can absorb a reasonable amount of loss and are complying with their statutory Capital requirements.

e. Profitability analysis measures net income of the firm relative to its revenues and capital.

In measuring these relationships, ratios provide a profile of firms and their management's operating, financial and investment decisions. Thus, an intelligent analysis of the firm's ratios can provide insight into a firm's economic characteristics and competitive strategies.

Micro Rate, (2003) in their performance indicators for Microfinance Institutions presented in the Technical Guide the major industrial micro finance average as follows:

Operating Expenses Ratio	**Operating Expenses/Period Average Gross Portfolio (15%)**
Number of Borrowers per Staff	Number of Borrowers / Credit Staff (250)
Portfolio at Risk	Outstanding Balance on Arrears Over 30 Days plus Restructured Loans/ Total Outstanding Gross Portfolio (5%)

Financial Expenses Ratio	Interest and Fee Expenses/ Period Average Gross Portfolio (10%)
Liquidity Ratio	Cash and Bank Accounts plus Readily Marketable Investment/ Current Assets (15%)
Debt/Equity	Total Liabilities/ Total Equity (2 times)
Return on Equity	Net profit After Tax/ Net Worth (10%)
Return on Assets	Net Profit after tax/ Total Assets (20%)
Equity Multiplier	Total Assets/Total Equity (1 cent equivalent to C 94)
Current Ratio	Current Assets/Current Liabilities (200% or 2:1)
Assets Utilization	Interest Income/Total Assets (15%)
Return on Earning Assets	Net Profit After Tax (Investment plus Advances) (2%)
Gross Profit Margin	Profit Before Tax/Operating Income (15%)
Net Profit Margin	Net Profit After Tax/Interest Income (10%)
Return on Current Assets	Net Profit/ Current Assets (5%)
Return on Fixed Assets	Net Profit/ Fixed Assets (2%)

Return on Capital Employed	Net Profit/Average total equity (20%)
Debt to Assets	Total liabilities/ Total Assets (75%)
Interest Cover	Profit before Interest & Tax / Interest Paid (1.5 times)
Total Assets Turnover	Total Interest Income /Average Assets (0.5 times)
Fixed Assets Turnover	Total Interest income/Average Fixed Assets (3.5 times)
Earnings Per share	Net Profit/ No. of shares (20%)

2.9.2 Standards of comparison

Gyasi, (1992) explained that, ratios on its own is of little value to the analyst. The correct use of ratio analysis involves comparison. It should be compared with a standard in order to determine a favourable or unfavourable situation. The standards of the comparison normally used are:

- ratios obtained from the past financial statement of the same organization
- ratios calculated from projected financial statements of the same organization
- ratios of some selected firms in the same industry, the financial statement of which must have been prepared based upon similar accounting policies.
- industrial average ratios of the industry to which the firm belong.

2.9.3 Limitations of ratio analysis

Brigham et al. (1999) and Pandey (2004) writes that ratios provide useful insight into a company's operation and financial health. They, however, warn that ratios have to be used with intelligence and good judgment. This is because ratios have the following limitations.

1. It is difficult to find a proper basis of comparison between companies.
2. Company differences make it difficult to make comparison.
3. Different accounting practices can distort comparisons.
4. Inflation may distort a firm's balance sheet causing reported values to be substantially different from true "values."
5. The differences in the definitions of items in the balance sheet and the Profit and loss statement make the interpretation of ratios difficult.

In the light of these factors enumerated as usefulness and limitations, CGAP, (1998), Brigham et al, (ibid) and Pandey (ibid) proposes the use of trend analysis and benchmarking or industrial average standards in assessing a firm's performance. Whiles benchmarking facilitates comparison, trend analysis reveal whether the firm's ratios are improving or deteriorating over time.

CHAPTER 3

METHODOLOGY AND COMPANY PROFILE

METHODOLOGY

3.1 Scope

This study involves the appraisal of the financial performance of Garden City Savings & Loans Limited (GCSL) over the past eight years that is, from 2001 to 2008, its compliance with regulation as regards a micro financial institution; and its performance over the period in terms of operational performance, asset quality, leverage and efficiency.

3.2 Data Sources

Data for the study will be drawn from primary and secondary sources. The primary sources will be from observations of management and shareholders of the bank. The secondary sources will be the audited financial statements of Garden City Savings & Loans Limited (GCSL) for the years 2001 to 2008. Since this study is meant to be for an eight year period, projected financial statements will be used as a proxy for audited financial statements for the year 2008. The institution's internal loan classification and Bank of Ghana annual on-site inspection reports on the same will also be used to assess the impact of credit impairment on profitability.

3.3 Methods of Data Analysis

Univariate models or financial ratios will be used to assess the banks performance in terms of profitability, liquidity, efficiency and the management of credit risk, through a trend analysis over eight years. We shall through this, find out if there has been steady growth over the years since the inception of the institution's to date. These will be put into graphical demonstrations for the purpose of assessing GCSL financial performance in its years of operations. The nominal terms assessment for the performance of GCSL will be translated into real term data analysis to ascertain the efficiency level of the Institution's asset used. Also, calculations of percentages and simple proportions were demonstrated to further assess the firm's impact on society in the in the forms of loan performance on the growth of micro, small and medium term businesses.

This analysis will also reveal the extent to which the banks credit portfolio impacts on its profitability through "provisioning"

3.4 Limitation

This study is meant to cover the operating life of Garden City Savings & Loans Limited (GCSL) and involves an analysis of the audited financial statements of the bank for that period. It has been realised however that the bank does not have audited financial statements for 2008. We shall therefore base our analysis on the financial statements for the eight year period 2001 to 2008. Since the audited financial statements for 2008 will only be ready in the later part of 2009, we shall rely on the banks management accounts for 2008 for our study.

- Performance Assessment

This is the complex process of evaluating an Institution's performance in terms of the environment, internal operations and external activities. This study concerns itself with the assessment of the internal performance of a bank by analyzing accounting statements through the use of financial ratios. The key ratios used by bank analysts to evaluate different dimensions of financial performance in banks include profitability ratios, efficiency ratios, liquidity ratios and asset quality or lending risk ratios.

A. Profitability Ratios:
B. These ratios measure the operating efficiency of a firm in terms of the four widely used measures of profitability in banks which are return on assets, return on equity, profit margin and the net interest margin.
C. Efficiency Ratios

These ratios indicate how effective a bank is in utilizing its human or other resources. Some of these ratios are the operating efficiency ratio, the non-interest expense ratio and interest expense ratio.

D. Liquidity Ratios

Liquidity ratios measure the ability of a firm to meet is current obligations. This obligation finds more prominence in the business of banking where the inability to meet demand deposits at any time can result in a run on the firm, leading to its failure.

- <u>Loan Charge Offs/Provisions</u>

A bank is expected to charge a percentage of its advances to its earnings. The higher the degree of impairment, the greater the amount charged to the bank's earnings. It can therefore be said that impaired advances have a direct negative impact on the profitability of an Institution.

3.5 HISTORY AND BACKGROUND

3.5.1 ESTABLISHMENT AND OWNERSHIP STRUCTURE

Garden City Savings & Loans Limited (GCSL) was incorporated as a private limited liability company under the Companies Code 1963 (Act 179) on 17th September, 1998. GCSL was licensed by the Bank of Ghana on 5th July, 1999 and authorized to carry out the business of non-banking financial institutions under the Financial Institutions (Non-Banking) Law 1993 (PNDCL 328). Having complied with the provisions of Sections 7 and 28 of the Companies Code, it commenced business on 9th August, 1999.

GCSL's registered main business premises are located in the Trust House at Bantama in Kumasi. It is the third Savings and Loans Company to be established in Kumasi and the seventh to be established in Ghana.

3.5.2 Ownership Structure

GCSL was established with 500,000 ordinary shares of no par value out of which 340,300 shares valued at ¢340.0 million was subscribed and paid for. However, in compliance with the minimum capital requirement under the Financial Institutions (Non-Banking) Law, the company raised its capital to ¢15.0 billion in 2005.

3.5.3 Corporate Objective

Garden City Savings & Loans Limited was set up with the objective of providing financial services that are specifically tailored to the needs of such client groups thereby narrowing the gap that exists between the supply of and demand for financial services at the lower end of the market. GCSL has the following main objectives among others:-

(i) To provide financial services through savings mobilization and granting of credit/loans to individuals and small scale operators who cannot obtain such services from the existing banks.

(ii) To design and implement attractive financial products to suit the varied needs of customers both in the formal and informal sectors of the Ghanaian economy.

(iii) To reach out to target clients in its catchment area.

(iv) To provide business advisory services to micro, small land medium scale entrepreneurs through training and counseling.

3.5.4 Vision and Mission

A. Vision

It is the vision of GCSL to maintain a high public image as the leading savings and Loans Company in Ghana.

B. Mission Statement

The mission of the company is to develop demand-driven financial products and services and make them easily accessible to its target market through:

- Comprehensive understanding of the market;
- Application of State of-the-art technology and systems;
- The use of innovative, flexibility and enthusiasm in meeting the needs of la changing environment and
- Presence and accessibility to products and services.

In this regard, the company is engaged in the following activities:-

A. Provision of excellent and efficient customer service and a wide range of financial products and services that will ensure profitability and sustainability;

B. Focusing on lending to individuals, micro, small and medium-sized enterprises and thereby contribute to the socio-economic development of its catchment area.

C. Investment in the training of staff in order to create an enjoyable and efficient working atmosphere and;

D. Provision of the friendliest and most competent services possible for customers.

3.6 INSTITUTIONAL TYPE, GOVERNANCE AND ORGANISATIONAL STRUCTURE.

3.6.1 Legal Capacity and Governance

GCSL was founded under the Financial Institutions (Non-Banking0 Law 1993. Apart from the Law, the company is regulated by provisions in the Non-Bank Financial Institutions Business (BOD) Rules applicable to non-deposit-taking non-banking financial institutions.

The company has established a legal structure and governance that permit it to provide identified services and mobilize the resources implied in its mission statement and business plan. The company operates according to an organizational structure with well defined direct and clear vertical links between the different reporting levels and units with well specified, discrete functions, clear individual roles and accountabilities which are tied to the achievement of the corporate plan. The organizational structure of the company is flexible and could be adjusted to meet changing requirement.

3.6.2 Board of Directors

At the apex of the organizational structure of the company is the Board of Directors (BOD). The Board is the decision making body responsible for the formulation of policies and provides the overall strategic direction to the company to ensure that it maintains focus on its objectives and vision. The Board is also responsible for the appointment of key management staff of the company. It exercises supervision of the management through various sub-committees.

3.6.3 Sub-Committees

(i) **<u>Administration, Audit and Finance Committee</u>**

The Board has a 3-member sub-committee responsible for policy, personnel, audit and finance issues that arise prior to the monthly meetings of the Board.

(ii) **<u>Loans and Credit Committees</u>**

This committee is responsible for approval of loans over and above the management's limit. The committee submits its reports to the full Board for ratification. The Senior Manager in charge of loans and credit is a member of the committee.

3.6.4 <u>Top Management Team</u>

The financial services industry is highly competitive, ever-changing and comes with its own set of unique challenges. A special combination of skills is therefore required in this challenging market. The skills are clearly evident throughout the company and are well directed by a highly qualified executive team who has positioned GCSL as a company known for its entrepreneurial flair supported by sound business acumen.

A. <u>Composition</u>

The top management team of the company comprises the Chief Executive Officer (CEO), the Executive Director, the Head Banking Operations, the Senior Manger Loans & Credit and the Head Internal Audit. The Executive Director is responsible for the day-to-day management of the company. He reports directly to the CEO.

B. <u>Functions</u>

The Top Management of the company has oversight responsibilities over the day-to-day administration of the company. Their function involves strategic decision making and planning that determine the goals of the business. The decision on funds to be invested, how to invest the funds and the loans to be granted and management of assets and liabilities to avoid mismatches. The function of the team includes the following:-

- Identifying promptly, problems relating to the operation of the company and recommending possible solutions.
- Developing plans and strategies for consideration by the Board.
- Implementing policies and decisions of the Board;
- Approving loans and expenditure within the approved limits;
- Evaluating and appraising staff performance and making relevant recommendations for onward transmission to the Board.

3.6.5 Organizational Structure

The organizational structure of GCSL is kept simple and its size purposely kept small. The Board is at the apex of the organizational structure. The CEO reports directly to the Board.

The company currently has four branches and four departments namely; Loans and Credit Department, Central Accounts Department, IT Department and Internal Audit Department.

(i) Branches

All issues in respect of provision of financial services are handled through the branch operations. Each of the branches is headed by a Branch Manager who is assisted by a Branch Accountant. The Management of the branch has the overall responsibility for the day-to-day administration of the branch.

(ii) Loans and Credit Department

This department is responsible for handling all issues relating to credit administration which involves loan evaluation, loan disbursement and loan monitoring. At the branch level this is the responsibility of the Loans and Credit Officers who process loan applications for approval by either the Branch Manager or the Board depending on the size of the loan.

(iii) Central Accounts Department

This department is responsible for managing and consolidating finances of all branches of the company and it's Head Office. It is the nerve centre of all branch operations. Among others, it ensures that all deposits are credited to customers' accounts while withdrawals are debited to account of customers. Other activities include, checking of control registers, general ledgers, reconciliation of accounts, balancing of accounts, preparation of financial returns etc.

The department produces vital consolidated management accounts efficiently and accurately on regular basis, usually monthly and provides effective cost control through closely monitored budgets.

(iv) ***IT Department***

Information and Communication Technology systems are at the core of the company's stability. The development of a leading-edge software solution has enabled the company conduct business effectively and efficiently, but with the necessary flexibility to meet the demands of a challenging business environment. This department turns out all transactions that go through in a day into information detailing the true position of each account. The department also generates information like profit and loss, balance sheet, general ledger accounts, individual accounts customer statement of account and other relevant information needed for the smooth operation of the company.

(v) ***Internal Audit Department***

Keeping pace with the rapid expansion of the company, the internal audit department maintains a vigilant eye on operations, ensuring that all risk areas are highlighted all policies and procedures are adhered to and that corrective action is put in place with speed and efficiency. They reports directly to the Board's Sub-Committee on Administration, Audit and Finance.

(v) ***Debt Recovery Unit***

This unit alerts Management about credit facilities that show signs of being in default so that measures are put in place to avert the risk of the facility going bad. It also examines the various means used to recover facilities whose repayment periods are past due. The unit consists of a five-member team headed by the Executive Director. The unit makes recommendations for the incentives to be paid to staff involved in the recovery of bad debt and penalties for staff who fail in their duty to collect or alert on loans that are likely to go bad.

(vi) ***The Human Resource unit***

(i) *Staff Recruitment*

The staff strength of GCSL increased over the year and currently stands at 171. The growth in employee numbers over the years reflects the company's commitment to meaningful transformation and also a strong indication of its leadership position in a growing market.

GCSL selectively recruits people with specialist skills and passion who perform effectively with common sense in a high pressure, multi-task environment. The staffs are at the heart of the company and this is acknowledged through its training and development policy. Employees are encouraged to focus on delivering the key business objectives of the company and are guided by management with extensive industry experience and clear understanding of their roles and responsibilities, resulting in capable, well directed leadership.

(ii) *Staff Training.* The Management acknowledges the importance of human resource development for the company and therefore forms part of the in-house strategy of the company. Each staff in the mainstream of operation is eligible to participate in appropriate training courses or seminars. The company either conducts training on its own or relies on external organizations such as the Bank of Ghana, consultants and donors.

3.7 THE BUSINESS APPROACH

The business approach of GCSL is designed to achieve its stated mission and vision. Its main customer base is composed of small depositors and borrowers across all sectors such as farmers, fishermen, market vendors, small and micro entrepreneurs and government and private sector employees. Although women account for a high percentage of the company's clients, there is no specific gender-related policy towards that target group. The company employs credit technology specifically adapted to match and solve the information problems which financial institutions usually experience when lending to the lower end of the market. The business approach including the specifications of the applied credit technology has been elaborated in the subsequent paragraphs of the overall business plan which has been unanimously approved by the Board and Management of the company.

3.8 PRODUCTS AND SERVICES

3.8.1 Deposit Service

The main thrust of the company's business is the acceptance of micro deposits and provision of micro loans to economically active but poor individuals and groups in the society. As implied in its name, saving mobilization has been a very important integral part of the company's philosophy and strategy. Since most of the people tend to be savers rather than borrowers at any one time, the company has realized that providing better savings services is more effective in achieving an equitable distribution of financial services than providing cheap credit. It is the belief of the management of the company that the demand for loan could be largely financed through locally-mobilized savings. It is worthy of note that the emphasis on savings is not meant to keep surplus money away, but rather considered a desirable habit that must be acquired by the poor and sustained. GCSL has focused on voluntary savings; however, it believes that compulsory savings and voluntary savings are incompatible. The deposit services which primarily differ in terms of liquidity and return include:

- Regular Savings Deposits
- Time/Fixed Deposits
- Susu Savings Deposits and
- Group Savings Deposits

The company realized the need to provide its savers with security, convenience, liquidity and return. In this regard, it is always conscious of ensuring the following:-

Maintaining a good reputation;

- Providing physical proximity easy access and little waiting time, as well as fast service delivery to its customers to reduce the cost and time needed for making deposits and withdrawals;
- Offering product mix to provide different types of liquidity or ease of withdrawals to cater for different liquidity preferences; and
- Setting interest rates at appropriate levels to ensure positive real return.

In addition to savings deposits, the company provides demand deposit (Current Account) service. On the credit side GCSL offers various products which address the needs of certain target groups like micro, small and medium entrepreneurs, co-operatives, solidarity groups, market vendors and salaried employees.

3.8.2 Characteristics of Deposits

a. Savings Deposits

Traditionally, savings deposits earn interest and have limited withdrawal periods and therefore should not be operated as current account. GCSL operates a passbook system which allows all payment and withdrawal transactions to be entered in the book. A customer needs a minimum amount of ¢50,000/GH¢5 to open a regular savings account. However, only accounts with balances of at least ¢200,000/ GH¢20 earn interest. The interest rate on regular savings is 6% per annum, calculated monthly and credited to the accounts.

b. Time/Fixed Deposit Account

Interest rates on time/fixed deposit accounts are higher than those on the regular savings accounts. These rates are competitive and fixed based on Treasury bill rates. Currently, interest rates on fixed deposits range from 8% to 10% per annum.

c. Susu Savings Accounts

The company launched a susu-savings scheme in 1999 by organizing traders and other customers mainly in the informal sector to enable them make regular daily savings in the company and qualify for loan facilities. Minimum daily contributions are collected by agents of the company. All contributors are issued with passbooks into which all contributions and withdrawals are recorded.

3.8.3 Short-Term Lending Services

The company offers credit services, oriented primarily to the microfinance market. Loan sizes are mostly smaller and terms are shorter than traditional credit services due to its orientation to a target market. Credit is structured to require limited or no collateral in most cases using deposit as collateral. Credit operations focus on both individual and group lending which include education. The short term lending services of the company include the following loans:-

- Emergency loans – loans requiring prompt attention.
- Special purpose loans – loans for financing LPOs, supplies, contract works, general merchandise etc.
- Working capital loans – provision of additional funds
- Business loans – loans for traveling businessmen/women.
- Import/export finance loans – these are meant to cover payment of duties, freight charges, port charges etc; designed for importers and exporters.
- Yen Mma Daakye – education assistance for parent and guardians.
- Rent assistance – means for the payment of rent advances mainly for salaries workers.
- Group Guarantee Loans – additional working capital loans designed for business groups and self help groups.

3.9 Characteristics of Credit Delivery Services

(i) ***Overdraft Facility*** some of the current account holders of the company are given overdraft facilities on request. The facility enables the account holder to withdraw amounts over and above the balance in the account to a level approved by the company. Amounts granted are payable over a specified period, usually within 6 months. Credible customers are usually granted repeat facilities. This facility is however, limited to very few, customers since the company's emphasis is more on savings.

(ii) ***Loan Facility***

The company mainly offers consumer and micro enterprise credits. Consumer loans are for salaried workers ad individuals with stable source of income. Micro enterprise loans on the other hand are for entrepreneurs and self-employed professionals who are customers of the company. The credit process that the company uses varies slightly from that used in the additional banks, in terms of requirements, customer service, application form and contract. In addition, the organization of human resources, credit application, evaluation and the authority for loan approval have been modified and simplified to suit the operation in the micro finance sector. The purpose of the reforms is to improve the quality and speed of customer service while allowing the company to improve on personnel efficiency and productivity and maintain portfolio growth and quality.

(iii) ***Susu Loans Scheme***

Holders of Susu savings accounts with the company are permitted to withdraw from their savings. The amount in the account could also serve to avail a customer a loan using a factor announced by the company. Repayment of loans should be completed within six (6) months.

The following credit facilities are available under the scheme for repeat loans, depending on the number of times beneficiaries have taken loans and honored their repayment obligations on schedule: Special Susu Loan, Golden Susu Loan and Golden plus Susu Loan

CHAPTER 4

DATA ANALYSIS AND DISCUSSION

4.0 INTRODUCTION

This chapter first of all examines financial performance in nominal terms. This is followed by corresponding analysis in real terms. There is no standardised approach to the analysis of research data. The approach adopted depends on the research methodology and data collection techniques used. To be able to capture the richness and fullness associated with qualitative and quantitative data, Perry, C. (1998) suggested that the approach should involve disaggregating the mass of data collected into meaningful and related categories to enhance a systematic rearrangement and vigorous analysis of the data.

4.1 FINANCIAL PERFORMANCE OF GCSL 2001- 2008

The tables below show the historical performance of GCSL from 2001 -2008

Extract from Profit and Loss Accounts (in GH¢' hundreds)

YEAR	2001	2002	2003	2004	2005	2006	2007	2008
Interest income	1,144	2,045	3,448	6,550	7,386	12,383	15,093	20,384
Interest Expense	415	890	863	2,061	1,844	2,049	1,849	2,010
Net Interest Income	729	1,155	2,585	4,489	5,542	10, 334	13,244	18,374
Commission and fees	249	283	385	519	802	1,830	2,824	4,725

Total Income	978	1,438	2,970	5,008	6,344	12,164	16,068	23,099
Provision for Loan Loss	22	87	128	109	300	2,099	369	738
Interest on Loan Capital	-	-	-	-	12	12	103	181
Operating Expenses	860	1,324	2,413	4,437	5,067	8,497	13,263	19,537
Net Operating Income	-	-	-	462	965	1,556	2,333	2,643
Profit/Loss on Disposal Fixed Assets	-	-	-	-	5	8	-	16
Other Income	-	-	-	8	9	83	331	141
Profit before Tax	96	27	434	470	969	1,631	2,664	2,800
Taxation	22	13	162	189	295	681	382	364
National Reconstruction Levy	-	-	-	-	26	41	66	42
Net Profit	74	14	272	281	648	909	2,216	2,394

INCOME SURPLUS ACCOUNT 2001-2008

YEAR	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Balance b/f	-10	28	31	167	308	554	203	695
Transfer to stated Capital	0	0	0	0	0	-395	0	1,831

Proposed Dividend	0	0	0	0	0	-411	-616	0
Prior-Year Adjustment	0	-3	0	0	-78	0	0	0
Transfer to mandatory Reserve	37	7	136	141	324	455	1,108	1,197
TOTAL	27	32	167	308	554	203	695	61

BALANCE SHEET – 2001 -2008

YEAR	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Cash & Short-term Funds	2,090	1,424	1,317	5,155	8,405	11,346	17,305	15,178
Investment	1,510	2,246	5,906	12,368	19,610	26,061	31,294	21,569
Advances	2,323	4,788	7,316	9,966	14,412	18,114	27,929	59,900
Other Asset Accounts	158	251	346	553	967	1,265	2,430	3,839
Sub total	**6,081**	**8,709**	**14,885**	**28,042**	**43,394**	**56,786**	**78,958**	**100,486**
Fixed Assets	574	630	1,022	1,449	1,582	4,227	7,616	9,526
Deferred Expenditure	-	-	-	-	-	-	-	777
Total	**6,655**	**9,339**	**15,907**	**29,491**	**44,976**	**61,013**	**86,574**	**110,789**
Overdraft	0	59	0	0	0	5	0	2,240

Deposit& current Account	5,896	8,520	13,775	25,846	39,657	54,422	73,580	92,923
Other Payables& Accounts	48	45	70	185	301	289	418	763
Taxation	19	-7	95	-8	31	279	-268	-538
Proposed Dividend	0	0	0	0	0	411	616	-
Managed Funds	0	0	0	1,671	2,607	203	463	29
Total	**5,963**	**8,617**	**13,940**	**27,694**	**42,596**	**55,609**	**74,809**	**95,417**
Short term loan	-	-	-	-	-	-	-	250
Long term loan	0	0	505	-	283	399	-	-
Stated Capital	627	627	627	627	627	3,702	8,862	15,000
Income Surplus	28	31	167	308	554	203	695	61
Mandatory Reserve	37	44	180	321	645	1,100	2,208	61
Loan Capital	0	0	488	542	271	0	-	-
Sub –Total	**692**	**702**	**1,462**	**1798**	**2,380**	**5,404**	**11,765**	**15,372**
Total	**6,655**	**9,319**	**15,907**	**29,492**	**44,976**	**61,013**	**86,574**	**110,789**

4.2 PERFORMANCE ANALYSIS OF GCSL

Garden City Savings and Loans ltd since its inception and the period under investigation rendered impressive financial performance. In 2001, the company recorded an interest income of GH¢110,000 which increased to GH¢2.03million indicating a growth of 1,745.45%.

Interest expenses witnessed a fluctuating trend from 2001 -2008. The year 2001 recorded GH¢41,500, 2002 saw an increase to GH¢89,000. It then declined to GH¢86,300 in 2003. The figure for 2004 was GH¢206,100 declining to GH¢ 184,400 in 2005, but rising again to GH¢204,900 in 2006. In the year 2007, it declined again to GH¢184,900. The year 2008 recorded an increase which was GH¢201,000. The resultant interest margins were 63.72% in 2001, 56.48% in 2002, 74.97% in 2003, 68.53% in 2004, 75.00% in 2005, 83.45% in 2006, 87.75% in 2007 and 90.14% in 2008.

The GCSL net profit also declined from a net profit of GH¢ 7,400 in 2001 to GH¢ 1,400 in 2002 due to investment made in the establishment of a new branches. Net profit bounced back in 2003 to register GH¢27,200. The Institution's net profit also improved from GH¢28,100 in 2004 to GH¢64,800 in 2005. The impressive growth trend continued in 2006 with GH¢90,900 increasing to GH¢221,600 in 2007 and then GH¢239,400 in 2008.

The Institution's total deposit at end of 2001 was GH¢ 590,000 which increased to GH¢ 850,000 in 2002. Total deposits as at the end of 2003 were **GH¢1.4million**, which nearly doubled to **GH¢ 2.6million** in 2004. The year 2005 recorded an amount of GH¢ 4.0 million.

The total deposits at the end of 2006 were GH¢ 5.4 million which impressively increased to GH¢ 7.4 million in 2007 and then to GH¢ 9.3 million in 2008.

The amount of investment as at end of 2001 was **GH¢ 150,000** and this was increased to **GH¢ 270,000** in 2002 and then to **GH¢590,000** in 2003. The Investment amount at the end of 2004 was GH¢ 1.2 million and this increased to GH¢ 2.0 million in 2005 then to GH¢2.6 million in 2006. It also increased to GH¢3.1 million in 2007, but declined to GH¢ 2.2 million in 2008.

Advances granted to clients stood at **GH¢ 230,000** in 2001, this increased to **GH¢ 480,000** in 2001 and **GH¢730,000** in 2003. Advances granted customers totalled GH¢ 1.0 million in 2004 increasing to GH¢ 1.4 million in 2005. This amount also increased to GH¢ 1.8 million in 2006, GH¢ 2.8 million in 2007 and more than doubling to GH¢6.0 million in 2008.

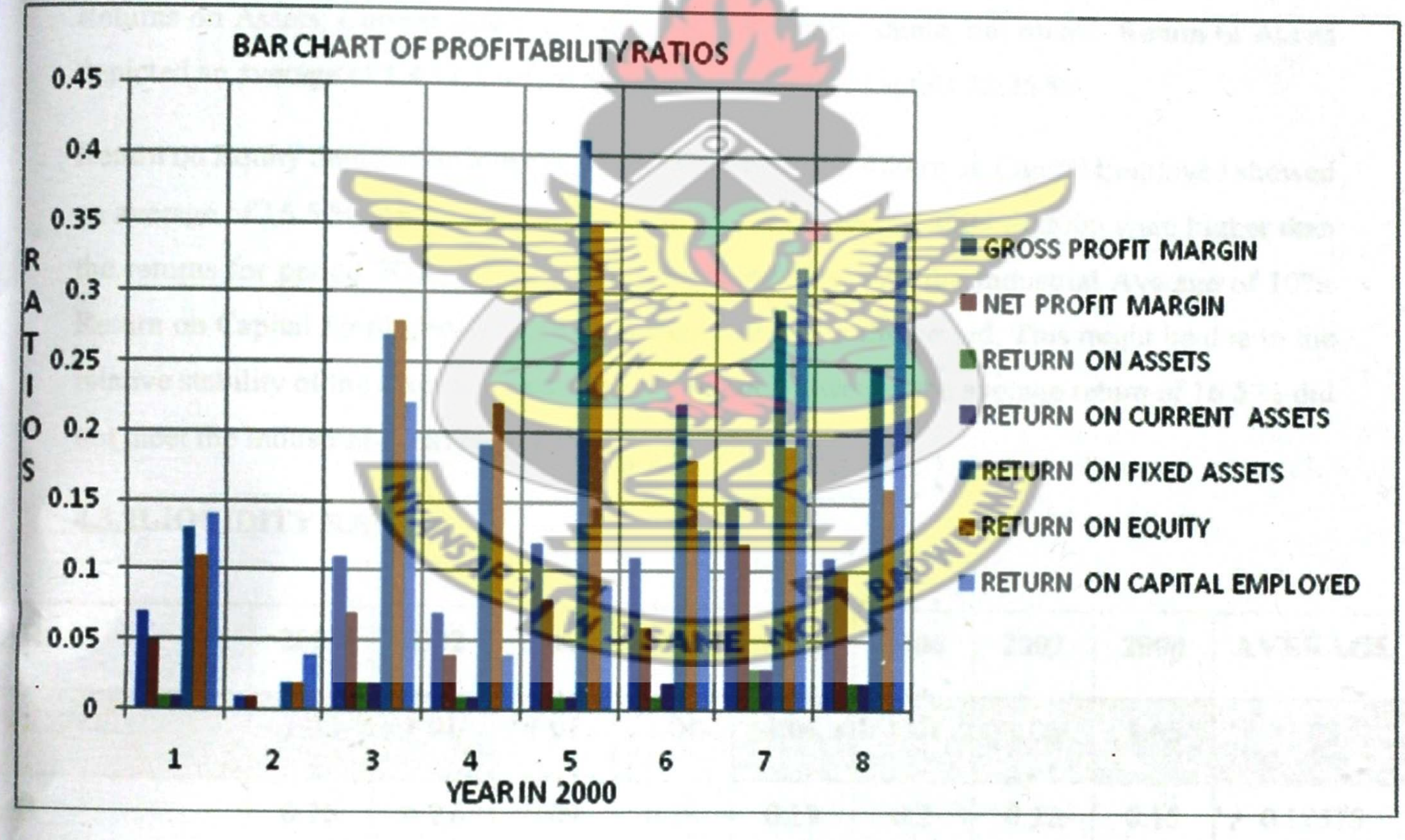
Shareholders' funds improved from **GH¢ 69,200** in 2001 to **GH¢ 70,300** in 2002. It further went up to **GH¢ 97,400** in 2003. Shareholders' funds saw an increase from GH¢ 130,000 in 2004 to GH¢ 140,000 in 2005. The amount also rose from GH¢ 500,000 in 2006 to GH¢ 1.2 million in 2007 and then to GH¢ 1.5 million in 2008.

4.3 RATIOS AND GRAPHICAL OF GCSL'S PERFORMANCE

4.3.1 PROFITABILITY RATIOS

YEAR	2001	2002	2003	2004	2005	2006	2007	2008	AVERAGE
GROSS PROFIT MARGIN	0.07	0.01	0.11	0.07	0.12	0.11	0.15	0.11	0.09375
NET PROFIT MARGIN	0.05	0.01	0.07	0.04	0.08	0.06	0.12	0.1	0.06625
RETURN ON ASSETS	0.01	0	0.02	0.01	0.01	0.01	0.03	0.02	0.01375
RETURN ON CURRENT ASSETS	0.01	0	0.02	0.01	0.01	0.02	0.03	0.02	0.015

RETURN ON FIXED ASSETS	0.13	0.02	0.27	0.19	0.41	0.22	0.29	0.25	0.2225
RETURN ON EQUITY	0.11	0.02	0.28	0.22	0.35	0.18	0.19	0.16	0.18875
RETURN ON CAPITAL EMPLOYED	0.14	0.04	0.22	0.04	0.09	0.13	0.32	0.34	0.165



Profitability analysis

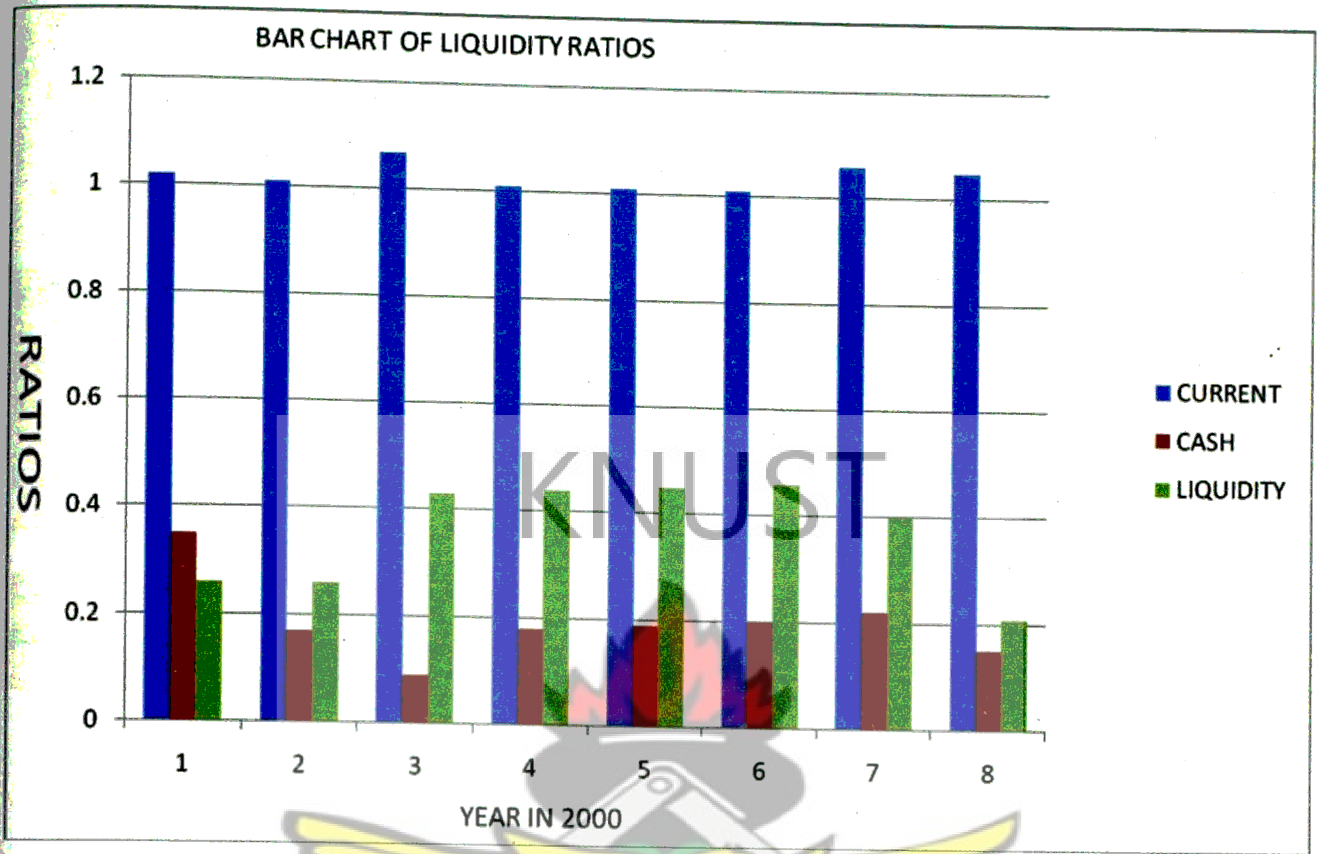
Profitability is the net result of a number of policies and decisions. The ratios provide a useful clue as to the effectiveness of a firm's operations. The ratios show the combined effects of liquidity, asset management and debt management on operating results (Brigham et al 1999). When performance is measured in percentage terms the gross profit and net profit margin figures witnessed a fluctuating trend. The gross profit and net profit margins had average of 9.3 % and 6.6% respectively. This trend needs to be watched carefully and appropriate measures should be taken to improve the bank's performance.

Returns on Assets, Current assets, Fixed Assets were fairly stable, but mixed. Return of Assets depicted an average of 1.4 %, Current assets 1.5 % and fixed assets 22.25 %.

Return on Equity depicted an average of 18.86% whiles the Return on Capital Employed showed an average of 16.5 %. Though Returns on Equity for the period 2004 to 2006 were higher than the returns for period 2006-2008, it compares favourably with the Industrial Average of 10%. Return on Capital Employed showed consistent trend over the period. This might be due to the relative stability of the macroeconomic environment. However, the average return of 16.5 % did not meet the Industrial Average of 22%.

4.3.2LIQUIDITY RATIOS

EAR	2001	2002	2003	2004	2005	2006	2007	2008	AVERAGE
URRENT	1.02	1.01	1.07	1.01	1.01	1.01	1.06	1.05	1.03
ASH	0.35	0.17	0.09	0.18	0.19	0.2	0.22	0.15	0.19375
IQUIDITY	0.26	0.26	0.43	0.44	0.45	0.46	0.4	0.21	0.36375



Liquidity Ratios

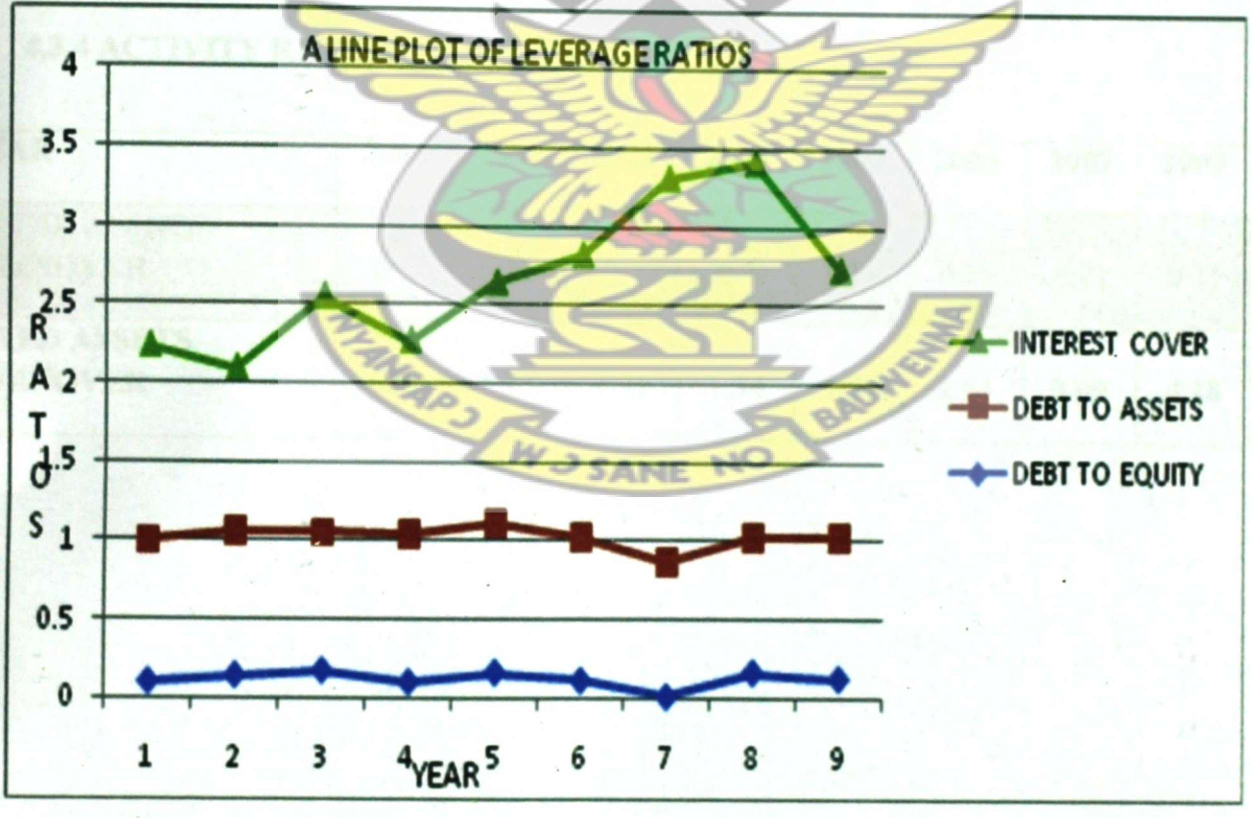
These ratios measure the ability of the company to meet maturing obligations. These ratios show the relationship of a firm's current assets to its current liability, and thus its ability to meet maturing debts (Brigham et. al. 1999).

Thus, a company is assumed to be able to meet its maturing obligation if it has current assets that are adequate to support the existing level of current liabilities.

The liquidity graph captured three types of ratios which are current, cash and liquidity. These ratios depicted mixed performance over the period. The Current, Cash and Liquidity showed an average of 103%, 19.37% and 36.37 % respectively. The average liquidity ratio of 36.37% companies favourably with the Industrial average of 18% an indication of higher average performance. This therefore measures that the firm in its existence has the capacity to meet its maturing obligations adequately.

4.3.3 LEVERAGE RATIOS

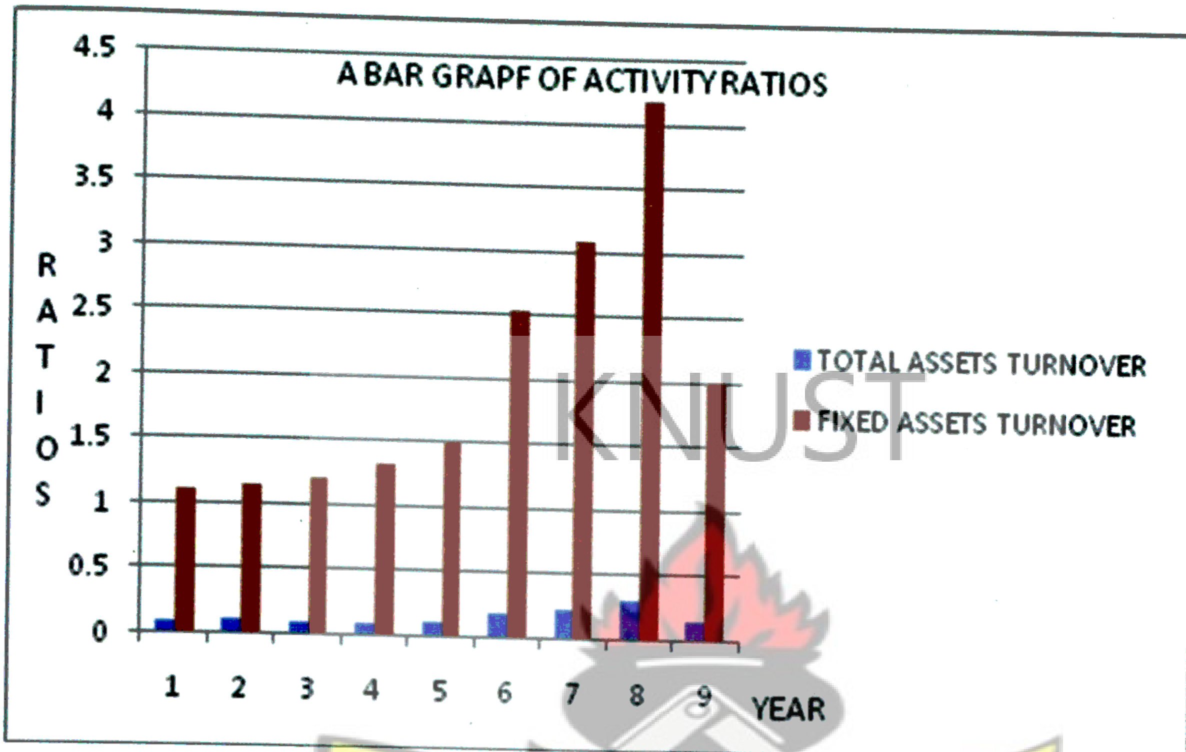
YEAR	2001	2002	2003	2004	2005	2006	2007	2008	AVERAGE
DEBT TO EQUITY	0.1	0.14	0.17	0.1	0.16	0.11	0.01	0.16	0.121428571
DEBT TO ASSETS	0.9	0.92	0.88	0.94	0.95	0.91	0.86	0.86	0.902857143
INTEREST COVER	1.23	1.03	1.5	1.23	1.53	1.8	2.44	2.39	1.702857143



Financial leverage reflects the amount of debt used in the capital structure of the firm. It measures debt in relation to assets, and equity and determines how readily equity multiplier in relation to capital employed. These ratios measure the proportion of outsiders' capital in financing the firm's assets. Debt to Equity ratios fluctuated during the period under investigation averaging 0.12 which falls below the Industrial average of 2 times. However, the Debt to Assets ratio of an average of 90.29 % compared favourably to the Industrial Average of 75%, through it declined over the period. Interest cover indicates the extent to which a firm's earnings before interest and tax cover interest paid. This ratio depicts an increasing trend with an average of 1.7 times. This compares favourably to the Industrial benchmark of 1.5 times. The increasing trend in the interest cover ratio portends well for the bank because it indicates how readily the firm's earnings can cover the interest expense.

4.3.4 ACTIVITY RATIOS

YEAR	2001	2002	2003	2004	2005	2006	2007	2008	AVERAGE
TOTAL ASSETS TURNOVER	0.1	0.11	0.1	0.1	0.11	0.19	0.23	0.31	0.15625
FIXED ASSETS TURNOVER	1.11	1.15	1.21	1.34	1.51	2.54	3.09	4.18	2.01625



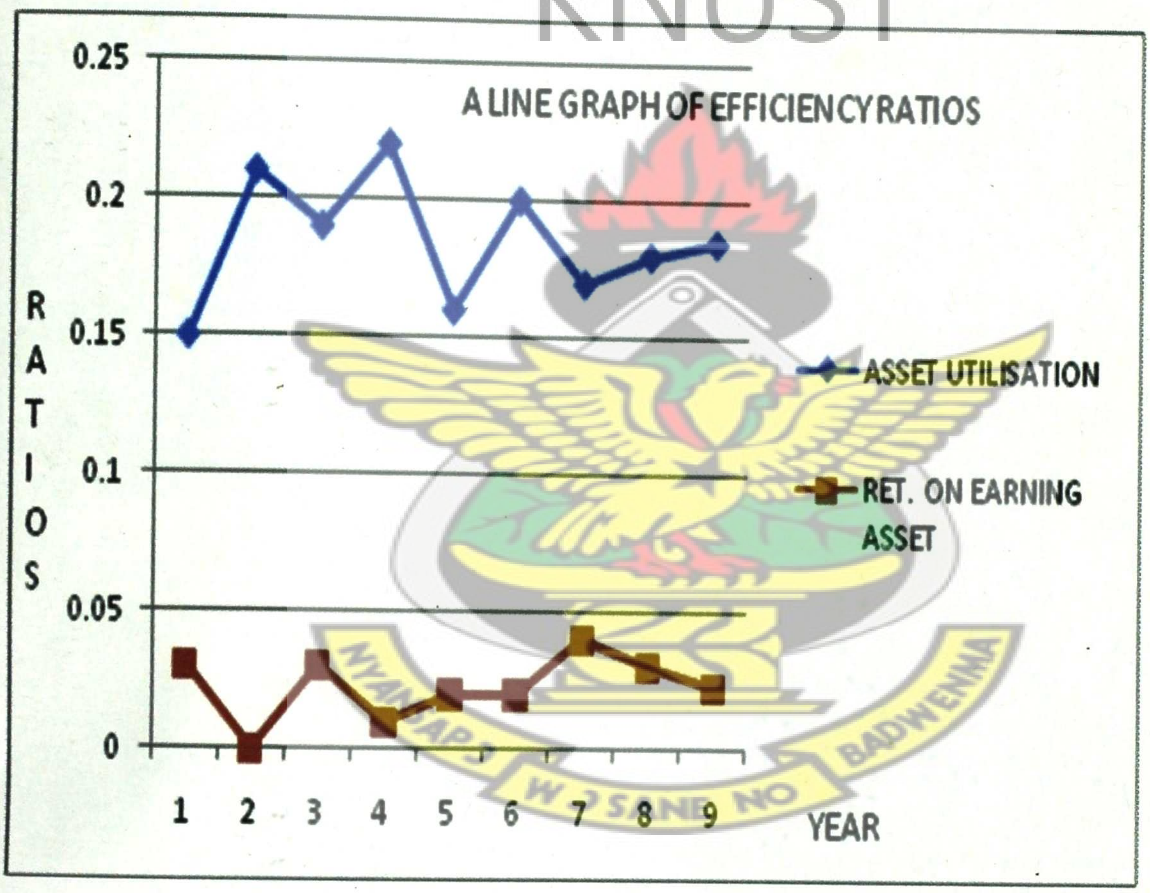
Activity Ratios

These ratios measure the speed at which the firm is turning over account receivables, inventory and long-term assets. These ratios are also called turnover ratios because they indicate the speed with which the firm manages, utilizes and turnover over account receivables, inventory and long-term assets. (Pandey, 2004). The Total Assets and Fixed Assets Turnover figures are 0.15 and 2.01 times.

These ratios indicate an improving trend over the period under investigation. This might be due to the relative stability in the macro-economic environment and general levels of income

4.3.5 EFFICIENCY RATIOS

EAR	2001	2002	2003	2004	2005	2006	2007	2008	AVERAGE
SSET TILISATION	0.15	0.21	0.19	0.22	0.16	0.2	0.17	0.18	0.185
ET. ON EARNING SSET	0.03	0	0.03	0.01	0.02	0.02	0.04	0.03	0.0225

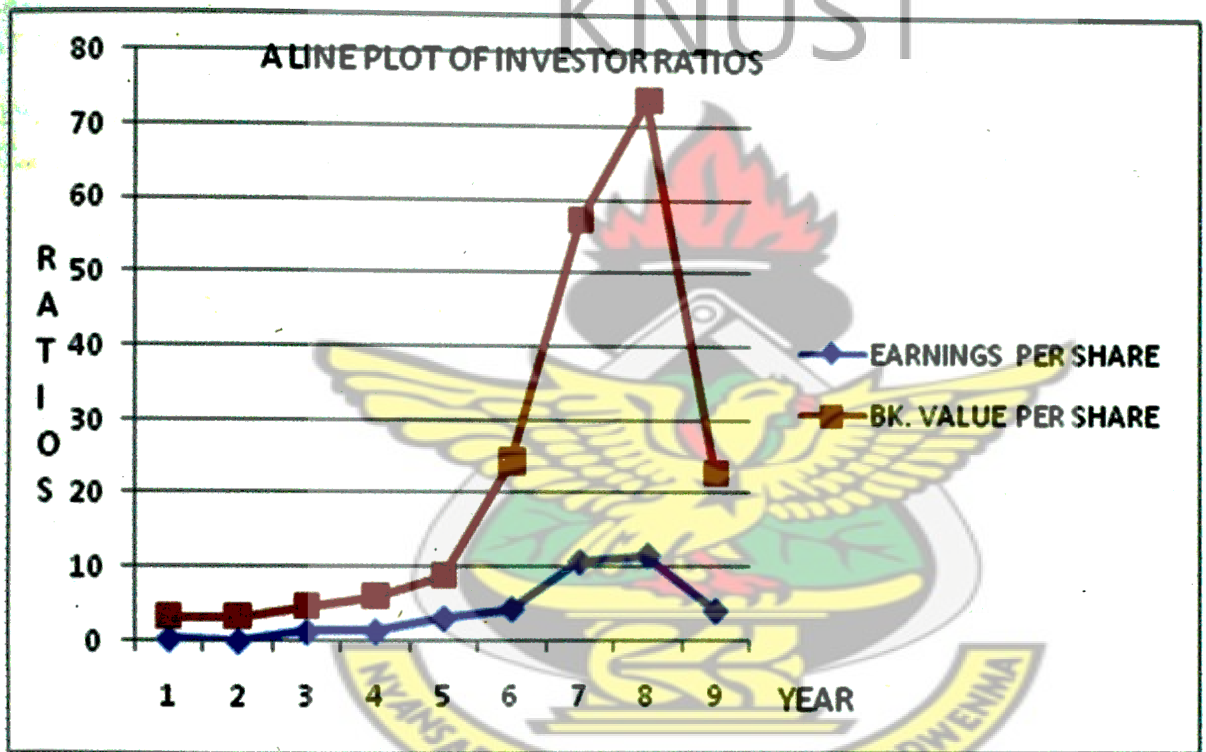


Efficiency Ratios

These ratios assess how effectively managers utilize the resources at their disposal. Asset Utilization and Return on Earning Assets ratios were considered under this analysis. Where Asset Utilization returns an average of 18.5 %, Return of Earning Assets showed an average of 2.25 %. Assets Utilization on the average compared favourably with the Industrial Average of 15% and Return on Earning Assets comparing favourably with Industrial average of 2%.

4.3.6. INVESTOR RATIO

EAR	2001	2002	2003	2004	2005	2006	2007	2008	AVERAGE
ARNINGS PER HARE	0.36	0.07	1.32	1.37	3.15	4.43	10.79	11.66	4.14375
K. VALUE PER HARE	3.37	3.42	4.74	6.11	8.89	24.37	57.28	73.63	22.72625

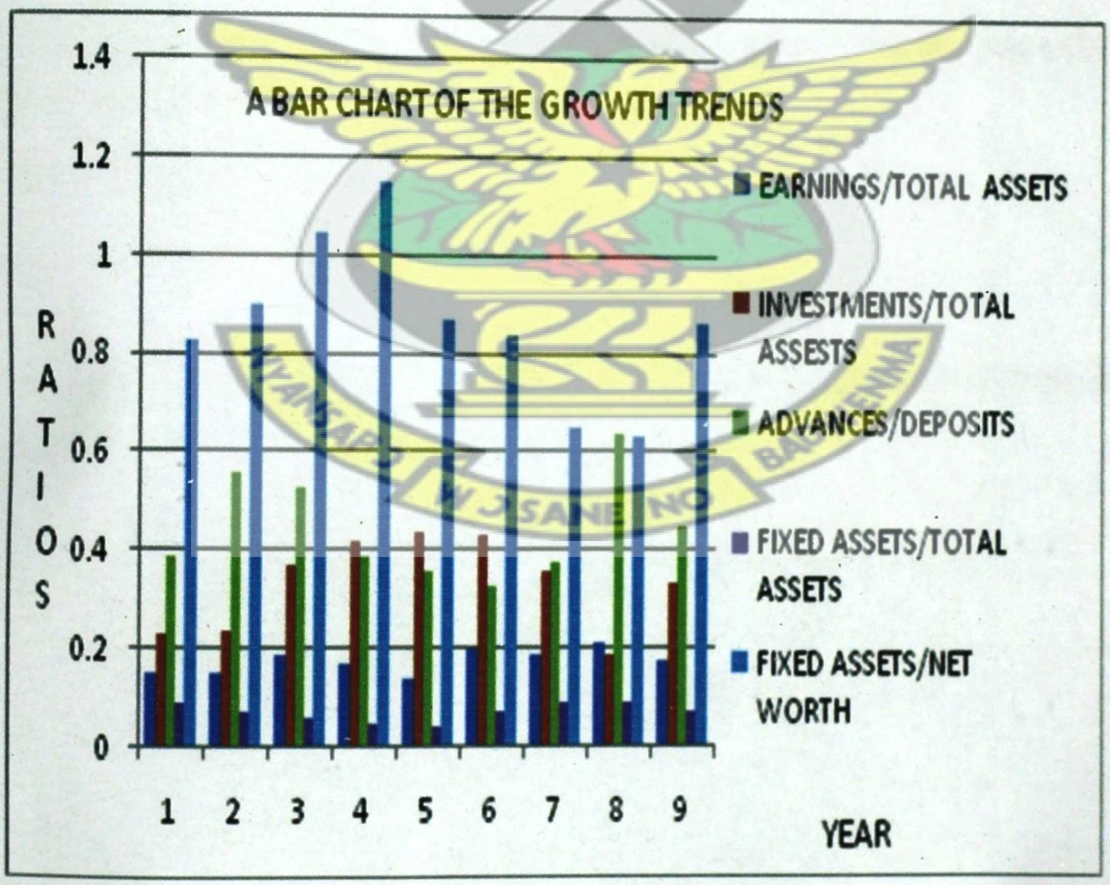


Investors Ratios

This measures the spread of the earnings or net profit of the firm over the number of outstanding shares. These ratios measure the value of shareholders over time. The Book Value per Share and Earnings per Share depict an increasing trend with an average of 2,272.63 % and414.37 % respectively. This trend is positive because shareholder value has been increasing, though dividends were paid in only 2006 and 2007.

4.4 GROWTH TREND ANALYSIS

YEAR	2001	2002	2003	2004	2005	2006	2007	2008	AVERAGE
EARNINGS/TOTAL ASSETS	0.15	0.15	0.19	0.17	0.14	0.2	0.19	0.21	0.175
INVESTMENTS/TOTAL ASSESTS	0.23	0.24	0.37	0.42	0.44	0.43	0.36	0.19	0.335
ADVANCES/DEPOSITS	0.39	0.56	0.53	0.39	0.36	0.33	0.38	0.64	0.4475
FIXED ASSETS/TOTAL ASSETS	0.09	0.07	0.06	0.05	0.04	0.07	0.09	0.09	0.07
FIXED ASSETS/NET WORTH	0.83	0.9	1.05	1.15	0.87	0.84	0.65	0.63	0.865



Growth Trends Analysis

This measures the combined effect of average of the earnings to total assets of 17.5%, investment to total assets of 33.5%, advances to deposits of 44.75%, fixed assets to total assets of 7% and fixed assets to net worth of 86.5% which indicates consistent trend of growth. The growth trend has been encouraging showing improvement in the bank's assets and advances base.

4.5 CAPITAL ADEQUACY RATIO OF GCSL AS AT 2008.

Capital adequacy ratio is defined as

$$\mathrm{CAR} = \frac{\mathrm{Capital}}{\mathrm{Risk}}$$

Where, Risk can either be weighted assets (a) or the respective national regulator's minimum total capital requirement.

CAR= GH¢ 110,789/ GH¢ 150,000

CAR= 7.4%

GCSL capital adequacy ratio of 7.4% is far below the BoG's 10% minimum capital requirement for NBFI'S

4.6 REAL TERMS DATA ANALYSIS OF GCSL'S PERFORMANCE

The analysis of the Institution's performance were based on nominal value terms and do not take in account inflationary trends over the period 2001-2008.

In real term analysis, effective interest rate is calculated (CGAP, 1998) as

$$\left(\frac{1+\text{nominal effective interest rate}}{1+\text{inflation rate}} - 1\right)$$

YEAR	2001	2002	2003	2004	2005	2006	2007	2008
Interest Rate (%)	0.49	0.42	0.45	0.32	0.32	0.32	0.32	0.30
Inflation (%)	0.16	0.14	0.41	0.21	0.15	0.24	0.12	0.15
Real Rate (%)	0.28	0.25	0.03	0.09	0.15	0.06	0.18	0.13

(In hundreds of GH¢)

YEAR	2001	2002	2003	2004	2005	2006	2007	2008
Interest	1,144	2,045	3,448	6,550	7,386	12,383	15,095	20,384
Real income	320.32	511.25	103.44	589.50	1,107.90	742.98	2,717.10	2,649.92

From the real rate data analysis, interest income in real terms were recorded as **GH¢ 32,500** (2001), **GH¢50,200** (2002), **GH¢ 9,800** (2003), GH¢59,000 (2004) GH¢110,800 (2005), GH¢74,200 (2006) GH¢272,000 (2007) and GH¢265,000 (2008).

These show that the institution's rate of growth from 2004 to 2006 was 35.06% in nominal terms, whereas in real terms the growth rate was 14.99%. Assuming an average inflation rate of 17.4 %, this means that the institution's performance was influenced by inflation.

4.7 DEPOSIT MOBILIZATION TREND ANALYSIS

YEAR	2001	2002	2003	2004	2005	2006	2007	2008
TOTAL	5,896	8,520	13,774	25,846	39,657	54,422	73,580	92,923
GROWTH (%)	0	45	62	88	53	37	35	26

4.8 DEPOSIT CUSTOMER BASE

YEAR	2001	2002	2003	2004	2005	2006	2007	2008
TOTAL	15,341	21,818	37,115	51,049	66,420	83,009	86,040	91,024
GROWTH (%)	0	52	70	38	30	25	4	5

Deposit mobilization grew from GH¢589,600 (2001) to GH¢ 9.3 million (2008) in absolute terms. However in percentage terms the growth rate increased from 45 % in 2002 to 88% in

2004.the growth then declined steadily in the subsequent years. The year 2008 registered the lowest growth rate which was 26%.

This is not good news for a micro financial institution and measures should be put in place to halt the decline in growth. The bank had a customer as base of 15,341 (2001) which grew to 91,024 (2008) in absolute terms. . This depicts a tremendous growth for the Institution's customer base. The tables above explain the Institution's deposits trend and customer growth from 2001 to 2008.

4. 9 PORTFOLIO ANALYSIS

YEAR	2001	2002	2003	2004	2005	2006	2007	2008
No of employees	63	98	106	122	148	154	170	176
No of branches	3	3	3	4	4	4	4	4
No of active borrowers	702	1,462	2,244	2,643	3,400	8,628	5,198	6,766
No of loan officers	9	13	13	22	22	19	14	13
% of women customers	33	41	48	46	43	50.4	56	59.3
Total amt. of loans disbursed In hundreds of GH¢	2,100	3,085	7,172	13,700	15,205	27,635	53,442	123,725
Total loans outstanding In	2,371	4,904	7,575	10,334	14,886	18,756	29,023	60,938

hundreds of GH¢								
Total no. of loans disbursed	645	902	1,127	2,100	3,173	5,761	5,528	8,206
Productivity per loan officer	78	112	173	120	155	454	371	520
Personnel productivity	11.7	15.89	20.78	20.81	23.45	55.66	30.22	38.66
Portfolio per loan officer In hundreds of GH¢				900	950	1,094	1,906	4,688

Source: GCSL Administration, 2008

The Institution made growth in loan disbursement from **GH¢210,000** in 2001 to **GH¢ 2.8 million** in 2008 with a customer base of 15,341 in 2001 and 91,024 in 2008.

The bank saw an increasing trend in its total number of active borrowers in the period under review. In 2001 the active borrowers were 702 growing to 6,766 in 2008 with an average of 47.1% of women customers. Loan officer productivity measures the productivity of the bank's loan officers. The higher the ratio, the more productive the institution is. It indicates how well the MFI has adapted its processes and procedures to its business purpose of lending money. (Micro Rate, 2003.). The client per loan officer on the average is **247.87** which is a little below the micro finance client/officer ratio of **250 per officer** (CGAP 1996A).

Personnel productivity captured the productivity of the bank's staff – the higher the ratio the more productive the bank. It also measures the extent to which the bank has adapted its processes and procedures to its business purpose of lending money. (Micro Rate, 2003). The indicators are

11.7 (2001), 15.89 (2002), 20.78 (2003), 20.81 (2004), 23.45 (2005), 55.66 (2006), 30.22 (2007) and 38.66 (2008). Discounting 2003, the indicators show a high personnel productivity.

The recovery rate of loans can also be measured by determining the extent to which interest income is used to finance loan loss. An increasing trend indicates the failure of institutions to recoup loans granted.

Inadequate management information system affects the quality of financial and portfolio reporting. As a result of this information for decision making is not adequate and which affect monitoring and loan recovery rates.

4.10 OUTREACH

Outreach refers to the extent to which a company has provided accessibility to its financial services by a critical mass of individuals in its catchment area, who formerly lacked access to these services. The GCSL main comparative advantage is its potential for expanding the breadth and depth of its outreach through its extensive branch network and adaptive approach to clients.

The extent of outreach by the company is measured in two major areas:

- The success in achieving the scale of operations that is reaching a significant percentage of people in its catchment area with savings and credit services. The scale should be seen to be increasing over time, which would be an indication of better market penetration and economy of scale which should reduce cost.
- The success in reaching targeted groups, normally low income households with particular emphasis on women.

Analysis of GCSL data on deposits and loans and overdrafts from 2001 to 2008 has revealed a considerable progress in the company's outreach. This is evidenced from encouraging results of outreach indicators.

The number of depositors increased continuously during the period under review and stood at 91,024 at the end of 2008. Similarly, the total outstanding balance on deposits (savings, current and time deposits) increased continuously from GH¢589,600 in 2001 to GH¢9.3 million in 2008. The number of customers who benefited from loans and overdrafts also increased during the period under review.

Loans and overdrafts increased from GH¢210,000 in 2001 to GH¢717,200 in 2003 and increased further to GH¢12.4 million in 2008. Susu loans increased from GH¢1.9 million in 2001 to GH¢8.9 million in 2008. The ratio of Susu loans to Susu deposits decreased from 55.6% in 2001 to 33.1% in 2008.

It was anticipated that some of the loans granted would not earn interest and may not be paid back. The company was therefore very particular about the quality of its loan portfolio, as poor loan management could endanger its assets. GCSL has therefore continued to utilize prudent measures to monitor arrears and portfolio at risk, which was complemented with stringent loan monitoring and recovery measures to ensure high portfolio quality, however, the total loans outstanding, is still on the ascendency that is from GH□ 237,100 in 2001 to GH□ 6.0 million in 2008.

GCSL's OUTREACH 2001-2008

YEAR	2001	2002	2003	2004	2005	2006	2007	2008
NO. of clients	15,341	21,818	37,115	51,049	66,420	83,009	86,040	91,024
% Growth rate	0	52	70	38	30	25	4	5
% of Women	33	41	48	46	43	50.4	56	59.3
Total amt. of loans disbursed In hundreds of GH□	2,100	3,085	7,172	13,700	15,205	27,635	53,442	123,725

4.11 SUSTAINABILITY

GCSL has demonstrated the long-term capability of being a financially viable company as it generated sufficient revenues from its services to cover the costs of providing those services. The company achieved operational self-sufficiency as its operating incomes were enough to cover its administrative expenses, direct financial costs, loan loss provisions and other operational expenses. The company also achieved financial self-sufficiency in view of being able to meet the above stated costs, as well as costs of capital using its generated revenues.

The company is however, faced with the challenge of ensuring that the levels of its sustainability indicators are not only maintained, but also improved upon in the subsequent years.

CHAPTER FIVE

SUMMARY OF FIDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 OVERVIEW AND THE OBJECTIVE OF THE THESIS

This chapter concludes the study and gives a summary of the findings of GCSL. It also provides recommendations that may help to improve its performance as a financial intermediation institution.

The main objective of this project was to comprehensively assess the performance of Garden City Savings and Loan ltd. (GCSL) as a financier to the small, micro and medium enterprises in their bid to invigorate the country's economic base. The assessment only covered profitability, Liquidity, Efficiency, Activity, Leverage and Investor ratios. It also assessed growth trend, outreach indicators and loan portfolio.

5.2 PERFORMANCE INDICATORS AND THE FINANCIAL SECTOR DEVELOPMENT

Garden City Savings & Loans Limited (GCSL) was incorporated as a private limited liability company under the Companies Code 1963 (Act 179) on 17th September, 1998. GCSL was licensed by the Bank of Ghana on 5th July, 1999 and authorized to carry out the business of non-banking financial institutions under the Financial Institutions (Non-Banking) Law 1993 (PNDCL 328). Having complied with the provisions of Sections 7 and 28 of the Companies Code, it commenced business on 9th August, 1999.

GCSL's authorized business is to carry on savings and loan services. The Institution operates with the mission "to develop demand-driven financial products and services and make them easily accessible to its target market". In furtherance of its mission and objectives, GCSL has been accepting deposits from the public and granting advances to its customers. The institution was established purposely to engage in micro-financing activities through the mobilization of savings from the retail public – mainly households and small business enterprises – and the provision of credit largely to its target group (micro and small business financing). The target group oriented credits are usually linked to savings.

The Institution has focused on small, micro and medium scale enterprises, which have not been prioritized by the traditional commercial banks. In addition to agriculture, these enterprises constitute a major source of employment and therefore income for majority of Ghanaians. The relatively low entry barriers for these types of enterprises have accounted for the large pool of people being engaged in these businesses.

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The nature of enterprises and the people engaged in these businesses call for specialized and unique financial skills and products in order to satisfy their needs. Such financial skills and products are very laborious and cumbersome for the traditional banks, which have therefore sidelined these enterprises in their service delivery. GCSL has been able to succeed in this area because of the experience and specialized skills it has developed over the years in micro-financing. The skills have enabled the Institution to develop customized products and services to meet the needs of its customers. It is in recognition of the important role that Garden City Savings & Loans Limited has been playing by granting of loans to micro, small or medium enterprises to help alleviate poverty in the region, the first regional financial services excellence awards organized in 2004 and 2005 under the auspices of the Manhyia Palace awarded the Bank a silver medal as the second best financial institution under the Savings and Loans category.

Appraising the institution in line with the objectives set in the project work, GCSL posted a fairly impressive performance from 2004 to 2005. GCSL posted an average profitability of 13%, liquidity of 39.2 %, efficiency 12% and Investor Ratio of 628%.

The deposits and customer base increased over the year's whiles the volumes increased from GH□ 589,600 (2001) to GH□ 9.3 million (2008) The customer base increased from 51,049 in 2001 to 91,024 in 2008, but at a declining rate.

The recovery rate of loans can also be measured by determining the extent to which interest income is used to finance loan loss. An increasing trend indicates the failure of institutions to recoup loans granted. The provision for loan loss to interest income ratio was 1.65% (2004), 4.6 %(2005) 16.95% (2006), 2.44% (2007) and 3.62% (2008). These ratios indicate a high default rate.

5.3 GCSL OPERATIONAL CONSTRAINTS AND LIMITATIONS

5.3.1 HIGH MICROFINANCE OPERATIONAL COST.

The operations of microfinance institutions are costly. From 2001 to 2008 the transactional cost of GCSL forms an average of 87% of the total net interest income which falls below 75% in the conventional banking sector. This has constrained the institution's expansion programme.

5.3.2 INADEQUATE CAPITALIZATION/ REGULATORY CONSTRAINTS

One of the major issues is that micro-finance service providers do not meet the entry requirements for licensing by the bank of Ghana. Thus by the year end 2006 the minimum capital required to operate a Savings and Loans Institution in Ghana is ¢15 billion, whilst GCSL has only ¢5.8 billion leaving a balance of ¢9.2 billion to be raised by 2008. This capitalization issue had put undue pressure on all Savings and Loans companies and Garden City Savings and Loans Company is no exception. The argument put forward by Bank of Ghana is that as public deposits of these institutions, rise significantly depositor interest must be safe guarded by increasing equity as a buffer against the deposits. Capital adequacy therefore examines the long term survival of the institution.

Savings and Loans companies and for that matter Garden City Savings and Loans Limited must probably find alternate means of raising capital to an appreciable level to meet the growing concerns of increases in deposits, and this would include listing on the stock exchange or equity shares from an institutional investor.

5.3.3 Inaccurate reporting systems and delay in submission of report

It can also be said that the operational requirements for the operation of either a NBFI or a financial institution are clearly stated by the regulatory authorities. However, these requirements lack components that provide a good environment for the operation of these institutions. The operational requirements touched on issues such as corporate governance, markets and clients, credit methodology and distribution, but failed to address the issue of information technology of the various micro finance institutions. Since information technology is not seen as one of the major operational requirement, most microfinance institutions are rather semi-computerized including that of GCSL. This partially explains the unnecessary delays and the untimely submission of reports to the regulatory authorities which poses a major problem for the institution.

5.3.4 Lack of an Integrated Database Management Information System.

Modern institutions require the infrastructure to network its branches and integrate every facet of its operations. Efficient software is required to meet all of its requirements. GCSL falls short in this respect. Also there is no proper database on micro small and business institutions for micro-finance industry in Ghana. Various attempts have been made to put these service providers with wide variations together for the purpose of enabling them undertake unified system of data gathering for the purpose sharing common information.

Further to the regulatory policies in shaping financial institutions is the principal legislative instruments under which GCSL working under the NBFIs law 328 and the Bank of Ghana Business rules. The major constraints placed on GCSL by these legislative instruments are: that GCSL, like all the other savings and loans companies, is prohibited from clearing customers' cheques through the clearing house system as well as engage in foreign currency transactions. Not being able to engage in clearing system deprives them from mobilizing high deposits from medium term enterprises with networks around the country and beyond. The institution's inability to deal in foreign currency transactions deprives the institution from a source of high fee income which their counterparts in the banking sector rake in lots of foreign currency income for expansion and growth. Rule 7.1a of the NBFI law 328 requires the savings and loan companies to maintain a reserve fund into which shall be transferred "an amount of not less than **50%** of the net profit, until the amount in the institution's Mandatory Reserve Fund equals the minimum prescribed paid up capital". This rule deprives shareholders of any meaningful dividends in the institutions operations in the first six (6) years.

5.3.5 LACK OF OPERATIONAL POLICIES AND MANUALS.

A key to efficient and effective operations is an operational manual. This manual gives guidance as to how transactions are raised and the control requirements of different aspects of the operations. The absence of an operational manual has resulted in a situation where the institutions branches and department use different operational procedures in their work.

5.3.6 POOR RECOVERY RATE

The recovery rate of loans can also be measured by determining the extent to which interest income is used to finance loan loss. There is also high risk associated with recovery rate of the micro-finance institutions in Ghana.

The provision for loan loss to interest income ratio was 1.65% (2004), 4.6 % (2005) 16.95% (2006), 2.44% (2007) and 3.62% (2008). These ratios indicate a high default rate.

Further contribution to the problem of poor recovery rate is the poor and inappropriate management information systems. This affects the quality of financial and portfolio reporting. As a result of this situation information for decision making is usually inadequate and that affect tracking of customers and recovery rates.

5.3.7 Poor Human resource planning and training

There is also no laid human resource planning for job placement and training. The establishment of human resource department for the development human resource planning for staff placement from the beginning of the year and the assessment of staff training needs so that staff do not attend course in an ad hoc basis.

Also, staff training is done through external institutions such the Banking College (Industry based college), Management Development and Productivity Institute (MDPI), and Ghana Institute of Management and Public Administration (GIMPA). Training provided by these institutions are generic and therefore not tailor made to meet the needs of GCSL Ltd. This type of training is not planned and therefore do not cover all levels of operations. Thus, certain categories of employees do not have access to any training at all apart from on the job training which lack a well laid down procedure manual for staff to use as a guide.

5.3.8 Lack of Competitive Intelligence System

The relative success of microfinance institutions has attracted competition into the sector. Even conventional banks are now moving into the microfinance sector. This poses a threat to existing microfinance institutions. These conventional banks are entering with their financial and operational strength. There is the need for an effective system to track the movement of existing rivals and these conventional banks so that appropriate strategies will be adopted. GCSL lacks such a system.

5.4 CONCLUSION

The spectrum of microfinance institutions in Ghana is so wide and varied in scale to the extent that it is difficult for the Central Bank to regulate and supervise all of them efficiently and cost effectively. Microfinance institutions play a strategic role in the financial system in Ghana and also provide financial services to participants. It would also not be prudent to use cut-off points to eliminate the numerous unregulated informal microfinance service providers. It is also a known fact that about 60% of the money supply in Ghana is outside the formal banking sector (Dadson, 1997). It is obvious that the commercial banks would not serve "poor" customers. Most of institutions reaching the very poor clientele right now are Non Governmental Organizations (NGO) and the informal money lenders. Since these institutions do not have financial licenses, they can not leverage their resources by capturing deposits, and they cannot provide savings services to their clients. The requirements for a regular banking or NBFI license are too high for these institutions interested in poor clients. Thus we need a separate window for Micro Finance Institutions, with lower barriers to entry and standards better suited to microfinance. The existence of such a window will improve performance of the NGOs and even moneylenders trying to qualify for it, and will draw forth solid new entrants who are not yet on the microfinance scene.

This thesis recommends an approach to establishment of information technology based process for the operations of microfinance institutions to enable them get a uniform operational procedure for efficient performance.

GCSL has since its incorporation carved for itself an enviable reputation among the savings and loans companies within the economy. The Institution's reputation has been encapsulated in its sustained programme of provision of efficient and innovative financial services to meet the needs of its customers. The Institution is currently rated high among its competitors in terms of services delivery and responsiveness to clients' needs.

GCSL success within its short period of existence has been due to pro-active strategies that management has been pursuing. The Institution has very experience and talented personnel despite its lack of human resource development planning. The Institution's responsiveness to its customers' door steps through the outreach programme has contributed to the Institution's positive image and rapid deposit growth. The location of the Institution's branches and agency and its ability to develop products to satisfy its market niche have enabled it to be more competitive within the industry.

The success of the Institution is also due to effective structures that have been put in place to ensure efficiency in its operations. Currently, the institution has a fully fledged credit department, distance banking department, debt recovery team and inspectorate department to ensure that advances to clients are effectively recovered.

The liberalization of the economy and the policy measures that have been put in place to invigorate the private sector have led to the setting up more enterprises which are creating demand for financial services. Further, the small scale sector, which used to be dominated by the less educated has now witnessed an increasing entry by the educated who understand and appreciates the financial services being provided by savings and loans companies of which GCSL is a major player. These developments therefore bode well for the future of micro-financial services required by small, micro and medium scale enterprises.

Garden City Savings and Loans Ltd having carved a niche for itself and will continue to do well if prudent and appropriate strategies are adopted.

5.5 RECOMMENDATIONS FOR THE DEVELOPMENT OF MICRO-FINANCE INSTITUTIONS AND GCSL LTD

5.5.1 The need to go public and float shares

As a way of helping Savings and Loans companies to meet Equity demands from Bank of Ghana, it is suggested that Savings and Loan companies should be prepared to go for listing on the stock exchange market i.e. to go public and float shares so as to be able to raise the needed funds for the long term expansion envisage by the Bank. Alternatively, the participation of institutional investors in buying equity shares will go a long way to make them more liquid. GCSL would seriously have to work towards that direction.

The issue of floating shares which could lead to increase in capital could help the bank access enough capital to embark upon an expansion programme and thereby get enough money to take care of the **wide area net working** of linking all the branches of the Bank to the Head Office in order to make service delivery easier, convenient and affordable.

5.5.2 Strengthening of microfinance apex body for effective regulation and supervision

There is therefore the need to strengthen the authorized apex body Ghana Microfinance Institution Network (GHAMFIN) for micro finance institutions that will see to the general development of the microfinance sector. The apex body will then be authorized agency that would be charged with the regulation, supervision and the development of the system.

5.5.3 Micro- credit and Micro Insurance Delivery System

A micro–credit delivery system should be adopted which will be simple and adaptive to the requirements of target customers. It should also have an in–built security, opportunity to save, access to loans and a monitoring system.

GCSL could also branch into Micro-Insurance schemes which provide insurance services to clients as a way of safe guarding the business of its numerous customers against unforeseen contingencies. This will go a long way to secure the business of customers, and raise their confidence level, in the unlikely event of either death or incapacitation.

5.5.4 Well Resourced Human Capital

It is recommended that GCSL would put in place an efficient and knowledgeable loans recovery team to be able to track down loans both at the pre-disbursal and post-disbursal stages to monitor them closely and quickly bring to the attention of management all those loans that show traces of being irregular.

5.5.5 Competitive Intelligence System.

The institution should consider the establishment of an in-house competitive intelligence to track and monitor competitor activity and respond accordingly. In this regard GCSL would have to strengthen its marketing team in order to be competitive in the fast growing industry.

5.5.6 The role of government

Financial support is the most vital area to promote the small, micro and medium enterprises in Ghana. Apparently, the foregoing analysis suggests that government has since independence been making impressive efforts to assist small scale businesses in the form of credit. However, it must be emphasized that the impacts of these efforts have not been very significant. The problem of finance still appears to be intractable among small business holdings. While funds made available under the various schemes are simply not adequate, an overwhelming majority of small business holdings are not aware of such facilities. Other problems thwarting the government's efforts include the diversion of funds, low recovery rate and institutional bureaucracy

Therefore in order for government to ensure that its efforts are not in vain, the government can choose to support the microfinance institutions through macro policies, the allocation of resources that affect micro production, or work with these institutions that provide services and training. Government's active collaboration involves the establishment of favourable climate to enable these institutions to continue and expand their work with support but not interference from government entities. These efforts can include recognition of micro enterprises sector, support to discuss issues confronting their smooth operations, funding research, and scaling up pilot programs

Further the legal system of the economy, the government must ensure to make it as efficient as possible to help financiers enjoy rapid judgment from their defaulting clients to improve upon their recovery rate and to enable them generate enough income for growth and expansion.

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Appendix 1

QUESTIONAIRE

KWAME NKRUMAH UNIVERSITY OF SCIENCE & TECHNOLOGY

FINANACIAL PERFORMANCE APPRAISAL OF GARDEN CITY SAVINGS & LOANS LIMITED (GCSL) AS A MICROFINANCE INSTITUTION

1. Name of Institution

2. Address

....

3. Year of establishment

4. Number of Staff

Year	2001	2002	2003	2004	2005	2006	2007	2008
Number								

5. Available Operational Policies/Procedure Manual (please tick)

- Credit policies/procedure manual yes no
- Savings policies/procedure manual yes no
- Accounting policies/procedures & admin manual yes no
- Internal auditing manual yes no

*Personnel policies/procedure manual yes no

6. What is the total number of depositors since 2001

Year	2001	2002	2003	2004	2005	2006	2007	2008
Number								

7. What is the total deposit mobilized?

Year	2001	2002	2003	2004	2005	2006	2007	2008
Amount								

8. What is total number of borrowers?

Year	2001	2002	2003	2004	2005	2006	2007	2008
Number								

9. What is the total amount of loans granted to your customers?

Year	2001	2002	2003	2004	2005	2006	2007	2008
Amount								

10. Please classify your loan into the categories below

Year	2001	2002	2003	2004	2005	2006	2007	2008
Amount Due								
Amount Paid								

11. What are the main activities of the Institution?

12. What is the total assets of the company?

Year	2001	2002	2003	2004	2005	2006	2007	2008
Amount								

13. What are the major problems facing the Institution's operational efficiency?

14. What sector of the economy do you serve most? Please rank them

a. Commerce

b. Manufacturing

c. Services

d. Agriculture

e Construction

Others: Please specify

15. Indicate highlights of the Institution's performance over the years

Year	2001	2002	2003	2004	2005	2006	2007	2008
Interest Income								
Interest Expenses								
Comm. & Other Incomes								
Prov. For doubtful								

debts								
Depreciation								
Taxation								
Total Assets								
Advances								
Liabilities								
Stated Capital								
Reserves								
Other Liabilities								

16. Please list the number of individuals and Institutions you have responded to the social request.