UNIVERSITY OF CAPE COAST

SAVING AND INVESTMENT BEHAVIOUR OF RURAL FAMILIES IN THE HO MUNICIPALITY OF THE VOLTA REGION OF GHANA

BY

MANASSEH EDISON KOMLA AMU

Thesis Presented to the Department of Vocational and Technical Education of Faculty of Education, University of Cape Coast in Partial Fulfilment of the Requirements for the Award of Master of Philosophy Degree in Home Economics

DECEMBER 2008

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DECLARATION

Candidate's Declaration

I hereby declare that this thesis is the result of my own original work and that no part of it has been presented for another degree in this University or elsewhere.

Candidate's Signature: …………………………………………… Date…………

Name: ………………………………………………………………………..

Supervisors' Declaration

We hereby declare that the preparation and presentation of this thesis were supervised in accordance with the guidelines on supervision of thesis laid down by the University of Cape Coast.

Principal Supervisor's Signature …………………………………Date…...............

Name: ………………………………………………………………………

Co- Supervisor's Signature ………………………………………Date.................

Name: ………………………………………………………………………

ABSTRACT

The general objective of the study was to explore the savings and investment behaviour of rural families in the Ho Municipality of Ghana. The study was conducted using 160 rural households in four rural communities in the Ho Municipality. Interviews were used to collect data from the sampled families. Pearson's product moment correlation coefficient, chi-square and percentages were used to analyse the data collected. It was found that the savings and investment among rural families in the municipality were low and rural households in the Municipality preferred informal forms of savings to the formal forms of savings. There was a negative correlation between age and savings as well investment. No significant relationship was found between family size and savings and investment; as well as knowledge in saving and investment as against actual savings and investment of the respondents. Inadequate income, over-reliance on natural conditions and other societal demands were found as constraints to respondents' investment, while inadequacy and fear of safety of income were constraints to their saving. The level of knowledge of respondents on savings and investment was also found to be low. The study concluded that rural households' low saving and investment is the result of economic, social and organisational factors. Based on these findings, it was recommended that education on savings and investment be made accessible to rural families in the form of financial counselling and introduction of basic concepts in family management into the school curriculum.

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Finally, I am deeply indebted to my parents Rev. Renaultus Kwesi Amu (of blessed memory) and Mrs. Beatrice Mawunya Akumiah-Amu for their sacrifices and toils without which I would not have come this far.

DEDICATION

In memory of my Father Rev. Renaultus Kwesi. Amu, to my Mother Mrs. Beatrice Mawunya Akumiah-Amu and my Daughter Maalike Vanessa Amu.

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CHAPTER ONE

INTRODUCTION

Background to the Study

Financial security is an important goal of families all over the world irrespective of the cultural, political, economic and geographical milieu in which the families find themselves. In spite of the many changes in society that have altered the roles and functions of the family, families the world over, continue to provide financial and material support essential to the growth and development of their members. In recent years, in most developed, as well as developing countries like Ghana, attention has been shifted from meeting the immediate needs of the family to ensuring the family's future financial security and total wellbeing. Ensuring the financial security of the family implies that the individual families must be able to have the culture of putting aside part of what they earn today for future use, or put them into ventures where the money stands a chance of increasing in value in future.

Most individuals and families hold the view that the primary aim of earning money is to be able to spend it to meet their immediate needs and wants and that the future will cater for itself. Many people also hold the view that, saving and investment is a moral habit, and that persons will need to save since the future is not known to them (Olson & DeFrain, 2000). There is the belief that many individuals and families in both developed and developing countries believe that savings and investment serve as a form of financial security to them (Olson & DeFrain, 2000). To those individuals and families who hold the view that they have to spend whatever they earn today and allow the future to cater for itself, savings and investment is not an option.

In Ghana and most developing parts of the world, families find it difficult or almost impossible to save due to low levels of incomes (Boateng, 1994). The low incomes of Ghanaian families are due primarily to the low levels of economic growth coupled with other factors such as illiteracy and political instability. The current economic conditions in Africa have adversely affected most African families and therefore Ghanaian families, both rural and urban, with the rural families being the worst affected, resulting in high levels of poverty and therefore low levels of saving and investment.

In Sub-Saharan Africa, there has been what is described as a sharp rise in poverty over the last two decades. The World Bank (2004) reported that the poverty situation in Sub-Saharan Africa rose from 41% in 1987 to 46% in the year 2001. The report also observed that over one hundred million people in the region survive on less than US$1.0 a day; a situation the World Bank ascribed as "extreme poverty". In Ghana, as reported by the World Bank in 2004, between 1998 and 2003, the country recorded an average inflationary rate of 26.7%, Gross Domestic Product (GDP) growth of 5.2% and per capita income of US$270.0, and Ghana is home to a lot of these poor families who mostly reside in the rural areas. According to Ghana Statistical Service, (1988), over 82% of the poorest 20% of

Ghanaians reside in the rural areas of Ghana. Generally, gross domestic savings, as a percentage of GDP in Ghana is low compared to that of many other African countries. For instance, statistics available indicate that, between 1980 and 2001, gross domestic savings as a percentage of GDP averaged 6.4% in Ghana, 37.4% in Botswana, 21.4% in Cameroon, 21.6% in Nigeria, 7.3% in Malawi and 13.9% in Kenya (World Bank, 2004). The low savings in Ghana has been attributed to multifaceted factors such as macro and microeconomic factors, low levels of family incomes, as well as political factors (Quartey, 2002; Zorklui & Barbee, 2003).

Rural families in Ghana are mostly peasant farmers, fishermen and petty traders in mainly agricultural products. As a result, they fall within the low-income families whereby most of their earnings are considered permanent. This implies that a large percentage of their incomes is used only to meet basic needs. For households to be able to save and invest, they need to have excess income after meeting life's basic necessities. Households, will therefore, spend mostly the permanent part (income that is used to meet basic life necessities) of their income while the transitory part (the income left after basic needs have been met) is channelled into savings and subsequently investment. That is to say that before a family decides to put some money aside for future use and into productive ventures, the family might have met the basic needs of its members.

Money saved or invested stands a greater chance of increasing to ensure the financial security of the family. Families' decision to or not to save, how much to save, the frequency of saving, where to save and the forms of saving they engage in are influenced by a multiplicity of factors. Knowledge about the available financial intermediation institutions, safety of the outlet, ease of accessibility, level of return among others are some of the factors that are likely to influence the saving and investment behaviour of families.

Communities in the Ho municipality are predominantly farming communities. Most of the families are farmers who cultivate mainly food crops such as cassava, maize, yam as well as vegetables. Consequently, the incomes of these families are likely to be only enough to meet their basic needs. In situations where family income is only able to meet the needs of the family, savings, and for that matter investment, is usually not a consideration. The unavailability or few formal financial intermediaries in the rural areas of Ghana could also be a disincentive for formal saving in these rural areas.

Statement of the Problem

Savings and investment in rural areas all over the world have been found to be very low. Several researches have been conducted in the areas of savings and investment. However, most of these studies relegated the savings behaviour of households to the background. Studies in Africa have focused mainly on the relationship between financial liberalisation and private savings. Many other studies also focused on the relationship between income growth and private savings (Attansio & Banks, 2000; Loayza, Schmdit-Hebbel & Serven, 2000). Others also focused on financial reforms and private savings (Maimbo & Mavrotas, 2000)

In Ghana, several studies were also conducted in the areas of savings and investment, but like all the others, most of the research in these areas also focused on relationship between financial sector reforms and private savings (Zorklu & Barbie, 2003; Akoena and Gockel, 2002; Brownbridge & Gockel, 1998 and Aryeetey & Gockel, 1991). My casual observation showed that the families in the rural Ho Municipality did not usually have access to banks and other financial intermediaries. It was therefore mind boggling as to whether the families saved at all, and if they did, how often, where and what problems did they encounter as they saved and invested. All the above studies concentrated on the impact of financial sector reforms on aggregate private savings with little or no mention of the savings behaviour of the people and their family units. It was at the backdrop of these that this study sought to investigate the savings and investment behaviour of rural families in the Ho Municipality of Ghana with varying characteristics such as income level, economic activity, and family size among other variables.

Purpose of the Study

The purpose of this study was to investigate the savings and investment behaviour of rural families in the Ho Municipality. Specifically, the study sought to evaluate the forms of savings and investment commonly undertaken by the rural families, factors influencing their savings and investment behaviour and to assess the level of rural families' knowledge of the forms of savings and investment that are available in Ghana. The study also looked at the forms of savings commonly engaged in by rural families, the frequency of saving and investing, and how much the families save, among others.

Objectives of the Study

The specific objectives of the study were to:

1. describe the forms of savings and investment that rural families in the Ho Municipality normally undertake as well as saving financial intermediaries or outlets that the families usually saved with and the reasons influencing their choice of these financial intermediaries.
2. investigate the level of knowledge of rural families on saving and investment and the factors that influenced the rural families' decision to engage in the forms of savings and investment that they currently undertake.
3. investigate rural families' level of knowledge regarding the forms of investment that they can engage in, both formal and informal
4. evaluate the frequency of saving and investment and factors that influence saving and investment by rural households or families.
5. find out the relationship between dependent variables of saving and investment as against the independent variables of age, family size, income, budget and knowledge of savings and investment

Research Questions

The study sought to find answers to the following research questions:

1. what forms of savings and investment do rural families in the Ho Municipality normally undertake?
2. what reasons account for the choice of any particular form of savings and investment that rural families in the Ho Municipality undertake?

3. what is the level of awareness of rural families in the Ho Municipality on the various forms of savings and investment opportunities in the Municipality?
4. what is the frequency of saving and investing by rural families in the Ho Municipality?
5. what saving outlets do rural families in the Ho municipality prefer and why?
6. what challenges do rural families in the Ho Municipality face when saving and investing?
7. what is the relationship between dependent variables of savings and investment as against the independent variables of age, family size, income, budget and knowledge of savings and investment?
8. what factors influence the decision of rural families in the Ho municipality to save for the future?

Significance of the Study

Savings provide a sense of freedom from financial worries. This is obtained by looking into the future, anticipating expenses and achieving personal economic goals (Olson & DeFrain, 2000). Olson and DeFrain (2000) also observed that lower income families are incapable of saving much income as they spend a high percentage of their income on life's essentials like food, clothing and shelter. On his part, Panikar (1961) observed that the prevailing habit in the disposition of rural savings, such as hording cash and precious metals, or constructing monumental buildings, divert savings into unproductive channels. Panikar (1961) also noted that the low degree of monetisation inhibit the most effective utilisation of rural savings and investment. Additionally, he observed that the paucity of financial intermediaries and the absence of institutional savings habits prevent the flow of savings into the most productive uses, in other words known as investment. It is from the foregoing backdrop that this study is justified and will be useful in numerous ways.

In the first place, the study was considered useful to the Government of Ghana through the Ho Municipal Assembly and other NGOs working in the area of poverty reduction, as it could help redirect policies or inform the formulation of new policies to direct rural family savings to monetary forms for productive purposes. The study is therefore useful in the formulation of policies on rural poverty reduction in the study area.

Families in the study area are the ultimate beneficiaries of the findings of this study as the findings of the study could expose them to the various forms of savings and investment avenues in which they can engage to ensure the financial security and general wellbeing of their members. The study also has the potential of influencing the formulation of policies to help bring financial intermediation to the doorstep of families in the rural areas of the study area. This will help save them from the hustle and bustle that the families in the study area go through to have access to these financial intermediaries.

People in the academia are also beneficiaries of the findings of the study as the study added up to the existing stock of literature on the savings and investment behaviour in rural Ghana. It therefore serves as a source of literature to people who intend to conduct a similar research either in Ghana or elsewhere in the world. The study also served as catalysts to generate interest among Ghanaian researchers in the area of family and personal finance.

Home economics educators, especially in the area of personal finance, are also beneficiaries of the findings of this as the study provides them with information regarding savings and investment among families that will help them fashion out new models for educating families on their financial matters.

The findings of this research could also help redirect government, as well as donor agencies' policies on rural poverty reduction in Ghana. Financial institutions such as banks and other non-bank financial institutions also stand to benefit from the findings of this research as the findings expose them to opportunities to provide rural communities in the area with savings and investment outlets which will enable these businesses also make profit.

Delimitations

The purpose of this study was to find out the savings and investment behaviour of rural families in the Ho Municipality of Ghana. The Ho Municipality consists of two different types of communities - the urban area and the rural areas (which form the majority of communities that make up the Municipality). Although this study was conducted in the Ho Municipality, it was limited to only rural communities in the Municipality. This presupposes that the urban communities in the Municipality were excluded from the study. The study also did not try to find out the effects of government policies on private saving and investment nor did it try to find out strategies devised by financial intermediaries to get the families to save and invest with them. The study was limited to the savings behaviour of the households in the study area.

Limitations

Every research work has its own limitations and this research was not an exception. A major limitation of this study was related to the instrument used for data collection. A structured interview was used. The items on the structured interview were in the English language. As a rural area, majority of the families were illiterates and could not speak nor read the language. There was therefore the need to interpret the items into their local language to enable them understand well what is required of them and provide accurate responses. During the process of interpreting the items from English language to the local language (Ewe) and also interpreting the responses from Ewe back to English, there was the likelihood of altering the original meaning of some of the items and responses. This posed a threat to the validity of the total result. To deal with this problem, the field assistants recruited to assist in data collection were well trained and were involved in the pre-testing of the instrument. During the training, emphasis was placed on interpretation of the items and likely responses. This made the field assistants familiar with the various ways to interpret the items into the respondents' local language and their responses back into English language with accuracy.

Another limitation of this study was the fact that respondents may have faked responses to please the research team. More often than not, issues relating to money are very vital and sensitive to many families. Respondents were therefore likely to paint a good picture of themselves to avoid what they might consider as an embarrassment; instead of providing the true information about their savings and investment behaviour. This faking of responses by the respondents was another threat to the validity of the results of the study. To tackle this hurdle, probing questions were asked and some of the items repeated to cross check the accuracy of the information that the respondents provided.

Readers of the findings of this study are also cautioned about the generalisation of the findings of this research. The findings of this research can only be generalised to the geographical area where the study was conducted (rural Ho Municipality). It should not be generalised to any other population because the findings may be peculiar only to the study area.

Another main limitation to the study was the refusal of some selected families to participate in the study. Great time was spent convincing respondents that the study was only an academic exercise and had nothing to do with politics or any developmental agenda. Respondents were in most cases initially reluctant to take part in the study. They contended that many researchers and politicians had in the times past, made fruitless promises to them in similar endeavours. They had therefore lost all confidence in all researchers and resolved never to grant any interviews. Consequently, I had a problem getting a considerable number of selected households to respond to items and so had to replace them with other families. This resulted in many of the families that were initially selected to participate in the study being dropped and replaced with other families next on the sampling frame who were willing to participate in the study.

Definition of concepts

For the purpose of this study, the following terms were used as defined below:

Saving and investment behaviour: This has to do with the forms of saving or investment, frequency of saving and investing and saving outlets or types of investment a family engages in and factors influencing the family's decision to use any savings or investment outlet.

Family/household: Family was used synonymously with household to mean a group of related persons either through blood, marriage and/or adoption, who share a common dwelling, pool resources together, share common responsibilities and eat from the same cooking pot.

Investment: Investment means putting money into ventures or instruments like stocks, bonds, and farming among others, where the money stands a chance of increasing in value.

Non-bank financial institution: The Non-Bank Financial Institution Law (1993), section seven, defines a non-bank financial institution as any institution apart from banks which carries out the business of, or part of, taking deposits, financing of any activity by way of making loans or advances not otherwise regulated under the securities industry law dealing in shares, stocks, bonds debentures or securities issued by the government or a company or other marketable securities, leasing, letting or delivering of goods to a hirer under a hire purchase agreement. This definition is adopted and used for this study.

Rural family: A rural area is any settlement whose population is less than 5000 peoples (Ghana Statistical Service, 1993; Nukunya, 2003). These communities are characterised by lack of modern infrastructure and facilities such as hospitals or clinic, variety of schools, pipe-borne water, postal and banking services and where the peoples engage predominantly in primary sector production. For the purpose of this research a rural family is any family (as defined above) who dwells in any area that has the above mentioned characteristics; irrespective of the family's occupation, economic status and other demographic characteristics, the family is considered as a rural family. The basic consideration in defining a rural family therefore is purely based on place of abode or residence.

Savings: This refers to any income (either real as in purchasing jewellery or in monetary form) that the family puts aside for future use.

Head of family: This refers to any person or persons who assume the economic responsibility of a nuclear family unit. That person must be the main source of income to the upkeep of the household or family.

Organisation of the other chapters

The rest of the study was organised into four other chapters. Chapter two dealt with a review of relevant literature related to the work which included the conceptual framework that formed the basis of the study. Chapter three covered the methodology employed to conduct the study. It covered such topics as the research design, study area, the population, sample size and sampling procedure, instrumentation and data analysis. Chapter four dealt with the findings and the discussions of the findings whiles the final chapter, chapter five, covered the summary, conclusions and recommendations based on the findings of the study.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter reviews literature relating to savings and investment behaviour of rural families. The literature covered such areas as the definition of savings and investment, history of savings, forms of saving institutions, reasons for saving, forms of investment, and investment by rural families among other things. It also covers literature on families or households, human needs and the conceptual framework adopted for this study.

Savings

Saving is a common word used by individuals on daily basis. It simply means putting something aside for future use or what will be considered as deferred expenditure. Several definitions of savings exist as there are about people who write on the topic. According to Miller and VanHoose (2001), a saving is a forgone consumption. They explain forgone consumption as when one does not spend all the income that is earned within a given period. To them, once part of what is earned today is left for future use, there is a saving. On his part, Ahmed (2002) put it in a simple language as "putting money aside for future use".

He argues that saving is the result of careful management of income and expenditure, so that there is something left to be put aside for future use.

Clayton and Brown (1983) in defining savings, looked at the concept purely from the economists' point of view. They explain savings as the absence of spending. Other writers on the topic such as Smith (1991), attempted to explain the concept of savings mathematically as: Income – Consumption = Savings

This means that saving is the amount of money left from one's earnings after all consumptions are deducted. This means, for instance, if a family gets two hundred and fifty Ghana cedis (¢ 250 GH) a month and spends two hundred Ghana cedis (¢ 200 GH) for that month, the remaining fifty Ghana cedis (¢ 50 GH) represents the family's savings for that particular month.

All the above definitions point to one fact that savings represent money that is earned today but kept for use in the future. It is, however, worth to note that saving is not always a result of excess of expenditure, but sometimes it comes as a result of deliberate decision of an individual or family to put part of what is earned today aside for future use.

Panikar (1961), reporting on low savings and investment in India, observed that there has never been much savings in the rural sector. In Africa, some studies have revealed that there is no positive relationship between financial liberalisation and private savings and that there is also no positive relationship between income growth and private savings (Attansio & Banks, (2000), Loayza, Schmdit-Hebbel & Serven, (2000). Maimbo and Mavrotas (2000) in a case study of Zambia, also found that financial reforms have not resulted in increase in private savings. They attributed the low savings rate in Zambia to poor functional institutions. As a result, families hold their financial assets in hard currencies.

In their study of 25 African countries including Ghana, Hussain, Mohammed and Kameir (2002) found out that, real interest rate is not an important determinant of financial savings and investment in the studied countries. Instead, the activities of the informal financial market are an important determinant. Several other studies also confirmed the negative correlation between financial sector reforms and private savings in Ghana (Akoena & Gockel, 2002; Aryeetey & Gockel, 1991; Zorklui & Barbie, 2003).

History and Evolution of Savings

Saving has existed as long as the human race has existed. People had always put aside whatever that they had for use in times of scarcity. And this is the basic idea of savings. This continued until precious metals such as gold and silver came to be used as money. Individuals who had these precious metals and needed a safe place to keep them sent them to goldsmiths to store for them for safe keeping (Kaufman, 1975).

In West Africa and for that matter Ghana, this continued until in the late 18th century when money tokens such as cowries (locally called *sedee* in Akan language and *ekui* in Ewe", from which the modern Ghanaian cedi is derived) came to be used as currency. With time, the use of cowries declined in favor of expressing the value of goods and services in gold weight in the early parts of the 19th century. In 1922, dollars were introduced to pay soldiers and in 1925, the British coins were introduced and eventually became the common currency of the then Gold Coast. With the monitisation of the economy, it became very essential to establish banks and this led to the establishment of the first bank in Ghana. The Commercial bank for West Africa was set up for the British controlled West Africa in 1882 (Afful, 2002). The monitisation of the Ghanaian economy has made it easier for families to be able to save any excess monies.

Forms of Savings

An individual or a family's decision as to where to save so as to derive maximum satisfaction as well, as ensure the security of their income, is a very vital individual and family decision. It has been argued by Railly (1992) that people save when their incomes exceed their current consumption desires, and that the excess savings can be done in several ways. Railly (1992) argued that, to save money, families can decide to put the money under their bed or bury it in the backyard until some future time when consumptions exceed their current income.

Generally, there are two main outlets where families can deposit any savings that they intend to do. These are formal and informal saving outlets (Ahmed, 2002; Aryeetey & Gockel, 1998; Boateng, 1994).

Formal Savings

Formal savings occur when individuals or families keep their money with formal financial institutions such as commercial banks or other non bank financial institutions such as insurance companies, credit unions or savings and loans companies (Boateng, 1994).

Commercial Banks

Commercial banks are the most dominant and complex institutions among all formal financial intermediaries. A commercial bank, according to Henderson and Poole (1991), is any financial firm or division of a larger firm that accepts deposits - subject to withdrawal by cheques on demand - and invests those depositors' funds in interest bearing loans as well as marketable investments. The importance of commercial banks as formal savings outlet for families cannot be overemphasized. Lloyd (1999) observed that interest in commercial banks as an outlet for savings, stemmed among families not only because they play a dominant role among financial intermediaries but also because they have the ability to influence the money supply process. The activities of commercial banks also constitute the primary conduit through which central banks' monetary policies influence a nation's money supply and credit conditions to families and individuals. Ahmed (2002) observed that commercial banks in Ghana operate three main types of accounts; the current account, fixed deposit account and the savings account. Commercial banks perform several functions. Their activities are classified by Reed, Cotter, Gill and Smith (1976) into the following:

(i) **Money creation:** Commercial banks have the ability to create and destroy money through their lending and investment activities. This is one of the major functions of commercial banks that distinguish them from other forms of financial intermediaries.

(ii) **Payment mechanism:** Commercial banks perform the function of transfer of funds and payment mechanisms. This can be done through the use of cheques, automated teller machines or any other means that allows customers to withdraw cash from a deposit account, make deposits and loan payments and transfer payments on their savings.

(iii) **Pooling of savings and extension of credits:** Another important function of commercial banks as identified by Reed et al. (1976) is that they pool savings from private sources and make them available for investment. Commercial banks are responsible for the redistribution of income between deficit spending units and surplus spending units in an economy. This function is made possible by rewarding the saver in the form of interest payment on his or her savings. This means that commercial banks have the duty to gather incomes that families and individuals are unable to spend today and make them available as loans for those who need them for other purposes such as investment. Another function of the commercial banks is to extend credit to commerce as well as individuals and families so as to increase capital investment and a higher standard of living for families.

(iv) **Provision of trustee services:** Commercial banks provide trustee services such as acting as executors of 'wills', investing and caring for funds and distribution of the proceeds as established by the trust agreement on behalf of the clients. They also perform other activities relating to the redemption of stocks and bonds to customers.

(v) **Safe keeping of valuables:** Finally, commercial banks help to keep safe valuables for individuals and families. This function is considered as the oldest of all the functions of commercial banks. The banks have vaults that are difficult to enter and this is where they keep valuables that are deposited with them.

Non-Bank Financial Institutions

In 1993, a new banking law that established the non-bank financial institutions (NBFIs) was promulgated. According to Section 27 of the NBFIs decree, a non-bank financial institution is any institution which carries on the business of, or part of, the business of taking of deposits, financing of any activity by way of making loans or advances or otherwise, which is not regulated by the securities industry law, dealing in shares, stocks, bonds, debenture or securities issued by the government or a company or other marketable securities, leasing, letting, or delivering of goods to hirer under a hire purchase agreement; carrying on duties related to insurance and insurance itself. By this definition, a non – bank financial institution is a very broad concept comprising of discount houses, leasing and hire purchase companies, mortgage finance companies, savings and loans companies, building societies, insurance companies and credit unions among others. As at the end of December 2005, there were 34 (excluding insurance companies) NBFIs comprising of 12 savings and loans companies, 2 discount houses, 15 finance companies and 5 leasing companies operating in Ghana (Bank of Ghana, 2006).

The lines of business of the NBFIs include, but not limited to, taking deposits and lending to small scale enterprises as well as consumers, mobilizing resources, trading in short dated financial securities, intermediate between banks, commerce and industry and the finance of acquisition of equipment, vehicles and consumer durables. It is, however, worth to note that there are three major NBFIs whose operations are regulated by other special statutory legislation instead of the provisions of the NBFIs Law (Decree 328). These are the Social Security and National Insurance Trust (SSNIT) (Social Security Law), the Ghana Stock Exchange (Securities Law, 1993, Decree 333) and the Insurance Companies (Insurance Law, 1989, PNDC law 227). Ahmed (2002) observed that the insurance companies provide four main types of insurance for families and individuals. These are life insurance that includes term insurance and permanent insurance, motor insurance, fire and theft insurance. Families can save their money in life insurance policies with insurance companies for use in the future.

Credit Unions

Another formal savings outlet available to families is the credit unions. Credit union is a non bank depository institution that is organized by people who share a common bond such as employees of a company, religious groups or labour unions with the main aim of helping members procure such items as automobiles, household appliances and sometimes meet emergencies (Clayton & Brown, 1983). Credit unions are usually owned and managed by the members. It is an avenue where families can deposit their savings. Boateng (1994) observed that credit unions accept deposits and make loans to only its members. Membership of credit unions are usually defined and restricted to a particular group of people who are encouraged to make regular contributions towards a common fund from which loans are usually granted to members at very low rates.

Informal Saving Institutions

Informal savings are any savings that occur within the informal sector of the economy. Aryeetey and Gockel (1998) observed that the informal financial sector participates in all commercial savings and lending that take place outside the formal sector in the Ghanaian economy. Informal saving options available to Ghanaian families include “susu”, “walking banks”, and welfare societies as well as keeping the money at home or with a trusted member of the community.

“Susu”

According to Boateng (1994), “susu” is applicable to a group of people with a common interest, for example co-workers, traders in the same area or neighbours who agree to make contributions periodically and the total sum is given to one of the members at a time until every member has his or her turn. Susu enables individuals and families to be able to acquire items which they might have had difficulty in making personal savings towards.

“Walking Bank”

This is a thrift form of arrangement where an individual makes a daily or weekly round and collects contributions from individuals who want to save (Ahmed, 2002; Boateng, 1994). At the end of each month, the collector gives each contributor their contributions less one day’s contribution as his service charge. People in the informal sector who do not get their incomes in bulk mostly undertake this form of savings. They use it to accumulate funds to undertake a venture or to procure some goods.

Welfare Society

This is formed in most communities and work places with the aim of assisting each other in times of need. Members contribute dues of fixed amounts and an elected treasurer keeps these amounts. Although members do not have direct access to their savings, the money is available for members to fall on as loans in times of need, sometime without any interest or if any at all, very minimal (Ahmed, 2002).

Purchasing Non – consumable Items

Again, Boateng (1994) identified the propensity of families and individuals to purchase and keep non - consumable items as a way of saving. He argued that people who use this medium of savings buy capital items whose prices are likely to increase in the future and resell them at higher prices in the future. This form of saving can also be considered as an investment due to the propensity of the value of the item to increase in the future. For instance, in Ghana, many families and individuals buy pieces of land and re-sell them in the future at a higher price. This is so especially for residential lands located in urban areas whose value increase with the passage of each year.

Keeping the Money Home

Keeping money at home is also one of the ways in which families and individuals save money. This mode of saving is usually the option of people in the rural areas where access to other financial intermediaries is almost a nightmare. It is also the option of people who do not trust banks and other financial institutions

(Ahmed, 2002). Most of the times, rural families find it more convenient to save with the informal financial intermediaries as the formal financial intermediaries are in most cases not available in the rural areas of Ghana.

Reasons for Saving

There are several reasons why families will want to put aside part of what is earned today for use in the future. Olson and DeFrain (2000) argued that the most important reason why families save is to "prepare for the possibility of financial crisis, accidents, illness, pregnancy, job loss, divorce and many other crisis, which all have financial consequences " pp108. They also observed that the fact that money saved stands a chance of increasing substantially in amount is one of the reasons why people may also want to save. The above argument was also advanced by Ahmed (2002) and Landburg and Feistone (1976). They were, however, quick to add that savings take a careful planning and careful budgeting but the result is a relative financial gain and security. In addition to these, Smith (1991) added the accumulation of funds for planned major expenditure, to defray expensive costs such as the down payment for homes, purchase of new car, or for education as some of the reasons why families save money. Another reason why families may want to save money is to enable them to access credit facilities from the institutions that they save with (Landburg & Feistone, 1976).

Factors that affect saving

The factors that influence saving behaviour are many, complex and often interrelated. However, the several determinants widely accepted among economists can be classified into policy and non-policy factors (Akpokodje, 2004). The main policy variables that have been found to influence saving behaviour are fiscal policy and government saving, social security arrangements, financial market development, and macroeconomic stability. The non-policy factors most likely to affect saving are growth, demographics, and external factors. While the separation between policy and non-policy factors is open to debate, its purpose is to convey the idea that policymakers have a direct influence on only some of the variables that affect saving. Other factors, such as growth, demographics, and external factors, including the terms of trade, may be influenced by economic policy but are not themselves policy variables.

Policy Factors

(i) **Fiscal policy and government saving:** Fiscal policy can potentially affect saving through revenue policy (tax structure, tax incentives), expenditure policy (transfers, income redistribution), and the degree of government saving. It has been found that the last mentioned has crowded out private saving only partially and therefore helps private savings. This means that raising government saving helps raise national private and for that matter family saving.

(ii) **Social security systems:** Social security systems are thought to have a significant impact on private saving. This is so because social security systems have the potential to replace an important saving motive - provision for retirement. Cross-country data, however, revealed little correlation between the private saving rate and the size of the pension system (International Monetary Fund, 1995b). Feldstein (1995) found a significant negative impact of pay-as-you-go pension systems on private saving, but his findings have been criticized on empirical and theoretical grounds (Busch &Wueger, 1981; Koskela & Viren, 1983). Some economists have argued that public pension schemes can even encourage saving because they create awareness of the need to provide for retirement. In studies on developing countries, social security schemes were found in some cases to have a significant impact on private saving in some developed as well as developing countries (Edwards, 1995; Shome & Saito, 1980).

(iii) **Financial market development:** The development of financial markets has been shown to be a double-edged sword with regard to saving. Naturally, the development of such markets increases the availability of saving instruments and most likely also the return that savers get on saving, but it also makes it easier for individuals to borrow and can thus result in lower saving (Bayoumi, 1993; Ostry & Levy, 1995). Financial market development is difficult to quantify. The volume of total assets (or employees) of financial institutions and the geographical density of banking outlays all affect household savings. In their study of the relationship between financial market development and private savings, Edwards (1995) and Johansson (1996) found a positive coefficient which was significant leading to the conclusion that financial market development has a positive net effect on saving in developing counties.

Non-policy Factors

Apart from the policy variable discussed earlier, several other variables have been identified as affecting individual and family savings the world over. These factors are explained below.

(i) **Growth:** The rate of growth is an obvious factor for explaining the rate of saving for two reasons. First, saving and growth have been highly correlated over long time horizons as well as for many regions and stages of development (Bosworth, 1993; Schmidt-Hebbel, Serven & Solimano, 1996). Secondly, saving is directly associated with output through investment. To the extent that it increases domestic investment, higher domestic saving will generally result in higher economic growth. The main theoretical foundation for the link between growth and saving comes from Modigliani's life-cycle hypothesis, which tried to establish a relationship between income and savings by arguing that growth increases saving because it increases the income of the young relative to that of the elderly (Modigliani, 1970). There are additional channels through which growth can positively affect saving, particularly in developing countries. Growth and higher incomes raise more households above the subsistence level, below which they cannot save, and make households more responsive to changes in the interest rate (Ogaki, Ostry, & Reinhart, 1996). The permanent-income hypothesis, however, would suggest a negative link between growth and savings.

(ii) **Demographics:** The effect of demographic changes on saving can also be derived from the life-cycle model when the share of the working population relative to that of retired persons' increases (Bosworth, 1993; Higgins & Williamson, 1996; Lahiri, 1989). Demographics, however, are likely to help explain only the long-term trends in saving and not short-term fluctuations. Writing on the determinants of household savings in Nigeria, Akpokodje et al. (2004) observed that:

> The influence of demographic factors is significant in savings. The life cycle model postulates that the age composition of the population has a significant bearing on savings behaviour in developing countries. The youth and the elderly have low incomes and low savings. Those in middle age have higher productivity, income and save more to repay past obligations and to finance their retirement. Thus aggregate savings will be affected by the age distribution of the population (pp. 23 -26).

Akpokodje *et al* (2004) in testing the impact of dependency ratio in Nigeria found that it has a robust negative influence on savings.

The life cycle model has a mix finding about the relationship between savings and dependency ratio. While some studies find a positive relationship between dependency ratios and private savings (Manzocchi, 1999), other studies such as those of Deaton (1995) and Loayza et al. (2000) found that high dependency ratios have negative impact on savings.

Another demographic characteristic that has been identified to impede household savings, especially in the rural areas, is high birth rates. This viewpoint was postulated several years ago in the late 60s by Leff (1969) in one of his hypothesis when he was conducting a study on dependency rate and saving rates. The finding of this study was that the disparity in aggregate savings rates between developing and developed countries is attributable to high dependency rates in developing countries. This high dependency rate is one of the main attributes of rural families in Ghana.

(iii) **External factors**: For open economies, it is natural to investigate whether external factors influence saving. The current account balance has often been tested in this context and has consistently been found to affect the level of private domestic saving positively (Edwards, 1995; Masson, Bayoumi & Samiei, 1995). These findings suggest that foreign saving is a substitute for domestic saving.

(iv) **Urbanization:** Urbanization has also been identified as exerting a significant influence on private saving in developing countries. In his study of the savings trends and behaviour in Nigeria, Akpokodje et al. (2004) observed that increased urbanization could be negatively related to savings owing to the increase or better availability of consumer and other goods in the urban areas. He however observed that the same urbanization could on the other hand have a positive effect on savings by providing urban dwellers an increased access to financial instruments that increase savings rates. Another finding of Akpokodje et al (2004) which is interesting was that, the lifecycle motive for saving to finance retirement is not important among Nigerians. In the Ghanaian situation, an analysis of the GLSS 3 and 4 shows that mean savings balance of households increased significantly between the two periods with children and the aged having higher savings than the working population. This finding also contradicts the life cycle theory. These two findings are indications that the life cycle theory is not applicable in all situations. The Ghanaian and the Nigerian experience could be as a result of low incomes of the working class or a multiplicity of several factors that need to be investigated.

Savings in Ghana

In Ghana, savings have always been low compared to other African economies. Savings as a percentage of Gross Domestic Product (GDP) in Ghana is low as compared to that of several African countries. It averaged 37.4% in Botswana, 21.4% in Cameroon, 21.6% in Nigeria but only 6.4% in Ghana between 1980 and 2001 (World Bank, 2003). The apparent low savings in Ghana has been attributed to political as well as macroeconomic factors (Zorklui & Barbie, 2003).

There have been some studies in Ghana to find out the impact of policy on savings behaviour of Ghanaian households. Zorklui and Barbie (2003), in their study, tried to examine the impact of financial sector reforms on private savings and found out that the financial sector reforms failed to achieve its intended purpose of enhancing saving rates in Ghana. The explanation for this was that during the reform period, interest rates on savings was in real terms negative as a result of the high inflationary rates at the time of the reforms. This situation still exists where interest paid on savings account is far lower than inflation. This finding is a confirmation of an earlier one by Gockel and Brownbridge (1998) and Gockel and Akoena (2002).

In Ghana, with regard to savings with both formal and informal institutions, Quartey and Blankson (2005) found that the proportion of households who hold savings accounts is still very low and that children form over sixty percent of people with savings account. The low savings in Ghana as indicated by the above finding could be due to the inadequate financial intermediaries as well as low incomes of the populace.

In a careful analysis of the GLSS III and IV, by Quartey and Blankson (2005), it was found that household investment in domestic appliances such as sewing machine, furniture and radio and a means of transport increased between 1991/92 and 1998/9. Interestingly, however, it was observed that the proportion of households who owned land, house and plot as well as those who invested in shares declined within the same period.

All these findings are clear indications of the fact that savings in Ghana is generally low and that most Ghanaians will prefer to save in the form of "liquid" assets like buying properties rather than putting the money in savings accounts where the real value of the money stands a chance of eroding as a result of inflation.

Saving Behaviour of People

Individuals and families attitude towards money vary greatly. Even within the same family, individuals vary in the way they perceive money. A person's perception about money influences the person's attitude towards money. People have different behaviour towards savings and disparities in income levels, orientation toward money and their future goals and aspirations for the future might influence this. There are people who believe that money obtained today must be used to meet present needs and the future will take care of itself (spenders). There are others who also hold the view that, no matter how little one's income is, there is the need to save part of that income (savers). Savers compulsively save money only keeping very little free for essentials. On the other hand, spenders take delight in purchasing items (Olson & DeFrain, 2000).

There have been great interests in people with low incomes who do not have access to financial intermediaries as financial intermediaries spend a considerable amount of time chasing after people with comparatively higher income levels. Wheley and Kempton (2000) observed that savings and investment behaviour among people of just below average incomes is mainly driven by age and that lasting saving habits seem to develop in childhood. They also found that interest rates do not influence the savings behaviour of people in low-income categories.

Investment

The concept ‘investment’ originates from the word ‘garment’ or ‘vestment’ and means the action of putting something into somewhere else. In economics, the concept is used to mean the purchase of capital goods – goods which are not consumed, but instead, used in future production – such as railroads, or a factory, clearing land, or putting oneself through education. In corporate finance, ‘investment’ means buying securities or other monetary or paper (financial) assets in the money markets or capital markets or in fairly liquid real assets such as gold, real estate or collectibles (Wikipedia.com). In personal finance, the concept is used to mean money used to purchase shares, put in a collective investment scheme or used to buy any asset where there is an element of capital risk. Ahmed (2002) put it in a very simple language as “putting money into some venture in order to make profit” pp 88. There are several other explanations to the concept. But all point to the fact that, there is some financial commitment to make more money in the future or to increase one’s future purchasing power. Pollack and Heighberger (1998), for instance, explained investment as putting money into instruments like stock, bonds, mutual funds and other securities where the money is expected to increase in value. To Railly (1992), investment is the current commitment of an individual's income to derive future payment to compensate the investor for the time and fund committed, the expected rate of inflation and the uncertainty of future payments.

Investment is always characterised by risk and uncertainty. Risk is explained as a measurable possibility of losing money or not gaining interest on one's investment. Pollack and Heighberger (1998) tried to differentiate between risk and uncertainty by saying that risk is measurable but uncertainty cannot be measured.

Reasons for Investing

Several reasons have been advanced as influencing people's decision to invest. However, the main reason why people invest is to earn a return on their invested fund or capital due to their deferred consumption. People invest because they want a return to compensate them for the time, the expected rate of inflation (a general increase in the price of goods and services over time) and the uncertainty of the return (Pollack & Heighberger, 1998). Other reasons advanced by Weirich (1983) are safety of income as well as liquidity of income. He also observed that the primary objective for investing by individuals is the hope of earning a capital gain at the time of sale.

Types of Investment

In any economy, there are many types of investment opportunities that are available to households and families. Types of investment have to do with the various forms of investment that individuals and families can engage in at any particular time. Raman (2002) identified three broad types of investment that an individual or a family is likely to engage in. These are real investment, contingent investment and titular investment.

Real investment is also known as tangible investment and is described as those investments which have physical or tangible existence. In common parlance, the word real investment is used to exclusively indicate real estate (land and building) only. Other types of investment that are also real are the purchase of jewellery, bead, precious stones like gold and diamond. This type of investment seams to be popular among most families in Ghana. This might be due to a multiplicity of factors. As observed by Raman (2002), in areas of a country where the monetary system and capital markets are still not well developed, and are in primitive or agrarian forms, these real investments are extremely popular among the individuals and families living there. He also observed that these real investments only enhance the owners' sense of possession and psychological satisfaction. This however cannot be true for all real investments as the value in terms of money of most of these real investments appreciates over time providing the owner a huge profit.

Commenting on the Indian experience, Raman (2002) pointed out that real investment, few decades ago, was the only choice for rural and semi – urban dwellers with the exception of deposit with commercial banks. He described the belief by investors that the value of real investment or assets keep on increasing with respect to time and that the rate of appreciation is far superior to deposits as misconceptions. But as argued earlier, this point of view of Raman (2002) is subject to debate as it might be true only in other jurisdictions. In Ghana for instance, money put in real investment increases appreciably and at a far higher value compared with bank deposits.

Contingent investment is the investment whose value is related to a contingency. If that contingency arises, the money paid towards the investment comes back to the investor, nominee or legal heir many folds. However, if no such contingency occurs during the holding period, the money paid towards the investment vanishes and might appear an unnecessary expenditure to the investor. Life insurance, health insurance, accident insurance, flood, fire and theft insurance are some examples of this contingency investment that families can engage in. A decision by a family to invest in a contingency investment is based on the family's judgement on the possibility of occurrence of the contingency (Raman, 2002).

Titular investment is the type of investment that comes with mere tittles to the investor by way of certificate, deposit receipts and promissory notes among others, issued by a competent authority. They are financial rights enjoyed by the investor in return for his/her invested amount. These types of investment are not tangible and physical as in the case of real investment like land or house. Typical examples are bonds and shares.

Ahmed (2002) put the types of investment available to families in a very simple term. The types of investment that were identified by him include building up a business such as setting up a farm, building a house, buying land, purchasing bonds or shares, investing in oneself and keeping an investment account such as fixed deposit account with a bank. All the types of investment advanced by Ahmed (2002) are the divisions of Raman's (2002) classification of contingency or titular investments with the exception of contingency investment that Ahmed (2002) considers as savings but not investment.

Factors Influencing Investment Behaviour

Like saving behaviour, investment behaviour of0 families is influenced by multifaceted factors. These factors, in some cases, are similar to those factors that influence the family's saving decisions or behaviour. Onwioduokit (2002) in trying to investigate the push factors in private investment in Nigeria observed that two main factors are responsible for the private investment in Nigeria. These are the macroeconomic environment as determined by government policies on trade, monetary control, fiscal and exchange rates and the institutional factors such as administrative, legislative and regulatory framework.

There are typically three types of investors. These are the aggressive investor whose objective is immediate and large gain, the long term investor who invests so as to obtain regular gain for a long period of time and finally the income investor who needs income for living expenses but who is growth oriented investor with the main purpose of maintaining his or her purchasing power (Weirich, 1983).

There are some theories which also suggest that people's investment behaviours are influenced by factors such as the culture and the personality of the individual. Socio-cultural theories and the personality trait theories of entrepreneurship are some of these theories. Both theories try to explain motivations behind individuals and families' decision to invest. The personality trait theories are more related to investment behaviour of families than the socio-cultural theories.

The aspects of culture that were found by Hofstede as cited in Hills (2002) as having an influence on a person's investment behaviour are the power distance, individuality versus collectivism, uncertainty avoidance and masculinity versus femininity. The personality trait theory identified individual characteristics such as need for achievement, locus of control and risk taking propensity as exerting some influence on the investment behaviour of families and individuals.

The need for achievement trait can be inculcated in individuals during their childhood, if emphasis is placed on self-reliance, industriousness, initiative, maternal warmth and low father dominance among others. On the contrary, child upbringing practices that emphasize loyalty, flattery and obedience, will not promote the need for achievement individuals (McClelland, 1961). Locus of control theory describes how individuals attribute responsibility for events that occur in their lives to factors within themselves and their control or to factors outside their control. Internally and externally controlled individuals are the two kinds of controls identified by Gibson, Ivancevich and Donnelly (1997). Internally controlled individuals are persons who believe that they are in control of their own lives and that control of their lives comes from within themselves. On the other hand, there are those who believe that their fate is controlled by outside forces and are beyond their control. These are the externally controlled people. These two categories of persons have different attitudes toward investment. Whereas the externally controlled individuals are likely not to invest, the internally controlled person will invest to improve his or her living condition, as they believe they can change their own lives.

The third theory advanced as having an influence on the investment behaviour of people is the risk-taking propensity. The theory explains that some persons are more likely to take risk than others (Akplu, 2002). Although these theories purposely attempt to explain entrepreneurship, the theories have great bearing on the motives behind the decisions of individuals or families to invest and hence, also explain greatly the investment behaviour of families - why families may want to invest.

The Family

The question of what a family is, has had different answers from different scholars in the field of family studies. Some are of the view that we need to explore the root of family variations in a multitude of ethnic, racial, and cultural identities. Others are, however, of the view that, we are yet to understand variations in family structures as most people still look at families in terms of white middle class nuclear families rather than on their own term in a particular socio-cultural context. In view of these divergent views of what a family is. Ingoldsby and Smith (1995) argued that there is no single correct definition of a family that can suit all situations or cultures. There are multiple definitions formulated based on the particular theoretical perspective that one comes from.

Winch (1979) defined a family as a group of related persons in differentiated family positions such as husband and wife, parents and children, aunt and niece, who fulfill the functions necessary to ensure family survival, such as reproduction, child socialization and emotional gratification. To Olson and DeFrain (2000), a family is two or more people who are committed to each other and who share intimacy, resources and decision making responsibilities and values. This definition is more inclusive as it allows for divergent family structures and family values. The American Home Economics Association (AHEA) cited in Rice and Tucker (1976) also defined the family as a unit of intimate, transacting, and interdependent people who share some values and goals, responsibility for decisions and resources, and who have commitment to one another over time. According to the definition of AHEA, a childless couple, a single parent with children, an elderly man and his house keeper, and a divorce person with his or her children all can be considered as a family if the commitment is one of sharing resources especially economic resource among other commitments (Rice & Tucker, 1976). This definition is almost similar to that of Olson and DeFrain (2000). Lauer and Lauer (1997) on their part viewed the family as a group united by marriage, consanguinity and or adoption in order to satisfy intimacy needs and/or bear and socialise children.

Although these definitions vary from one another to some extent, they all have some commonalities such as emotional connections, commitment to each other and the sharing of resources between members. How the family is defined has important and economic consequences (Cherlin & Calhoun, 1996).

Functions of the Family

As a unit, the family performs several functions to ensure its own survival and the total survival of the society. The world over, families have specific functions to perform to ensure the survival of the unit and the society at large. This has even been the basis upon which some family specialists define the family. Functions of the family identified include reproduction or procreation, status giving or identification, affection, recreation, socialization, physical maintenance and economic function among others (Rice &Tucker, 1986). Gross, Crandall and Knoll (1980) put these functions into two broad categories; instrumental functions which are related to decisions on acquiring and managing resources to accomplish family goals and expressive functions which are related to interpersonal relations as in meeting and developing emotional needs of the family members.

Murdock, as cited in Adams (1975), identified reproduction, socialisation, economic cooperation and sexual relations as the universal functions of the family. To ensure that the standard of living of the family improves in the future, the main economic function that the family performs is to engage in savings and investment of its current income. Economic function of the family is a vital function that the family performs if the family is to engage in meaningful savings and investment. Basic to all the functions of the family enumerated in the foregoing discussion is the provision of physical needs of food, shelter, and clothing, among others. For the family to be able to meet these and other needs, it is essential for the family to have a solid financial base. For the family to ensure a solid financial base, it has to engage in deliberate and planned savings and investment.

The Concept of Family Needs

Every family or individual has certain things that must be met for the survival of the group or person. Needs are described as construct; that is, a force (Salvatore, 1989). To Feist (1994), needs are tensions brought on a person by a biological imbalance between the person and the physiochemical environment, both inside and outside the organism. He also observed that needs are episodic. That is, once we satisfy them, they temporarily loose their power, but are likely to reoccur after some time. Rice and Tucker (1986) and Ahmed (2003) put it in a much simpler form as basic conditions of life that need to be met for self improvement. They are things that families and individuals cannot do without in their lives.

Needs, however, are put in hierarchical order. Several writers on needs have developed different orders for needs. For instance, Murray postulated taxonomy of twenty basic human needs ranging from abasement to understanding (Lindzey, Hall & Thompson, 1975). On his part, Abraham Maslow as cited in Feist, (1994) identified five basic needs of human beings and observed that this classification applies to all human beings the world over and not limited to one culture or a few cultures.

Levels of Needs

This concept is based on the premise that personal and family needs can be arranged on a hierarchy or staircase with each ascending case representing a higher level need but which is less basic to survival. Thus, a family will meet its basic needs before considering other higher level needs. Maslow, as cited in Feist (1994), listed the following needs in order of importance: physiological, safety, love and belongingness, esteem and self-actualisation.

Physiological Needs

These are needs that are important for sustaining life and are more specific than all other needs. These include food, shelter, clothing and water among others. These needs are so basic that persons will at all cost satisfy them before thinking about other needs. For instance, if a household has money, it will use the money to purchase food first and if there is any excess, it will use it for other things like savings or investment. It is only when these physiological needs are satisfied or over satisfied that the individual considers meeting other needs.

Safety Needs

When physiological or basic needs are relatively satisfied, then one is motivated to meet safety needs of security, stability, dependency, protection and freedom from such threats as illness, fear, danger and chaos among others (Feist, 1994; Rice & Tucker, 1986). It is at this stage that families begin to put aside some of what they earn today for future use and also put some into productive venture for profit so that they can protect the future financial security of their families. Savings and investment by households can, therefore, be seen as the household's decision to protect itself against the unknown future after they have been able to meet the basic needs of the household.

Love and Belongingness Needs

These needs are also referred to as social needs of the family or the individual. These include acceptance, love, belongingness, and desire for friendship. This level of needs make households to strive constantly to be accepted or fit into the status quo and could also be a reason why households may want to generate additional income to fit into a particular class of people. That is to say that the need for love and belongingness is one motivator for family investments.

Esteem and Self-actualisation Needs

According to Maslow, as cited in Feist (1994), the extent that people satisfy their love and belongingness needs makes them free to pursue esteem needs such as status, self-respect, confidence and competence. After meeting esteem needs, individuals or households will progress automatically and move to the highest level of need – self actualising needs. This is the stage where there is the desire for self fulfilment, to realise all one's potentials, become everything that one can as well as become creative.

The hierarchy of human needs are represented in a ladder form as in figure 1.

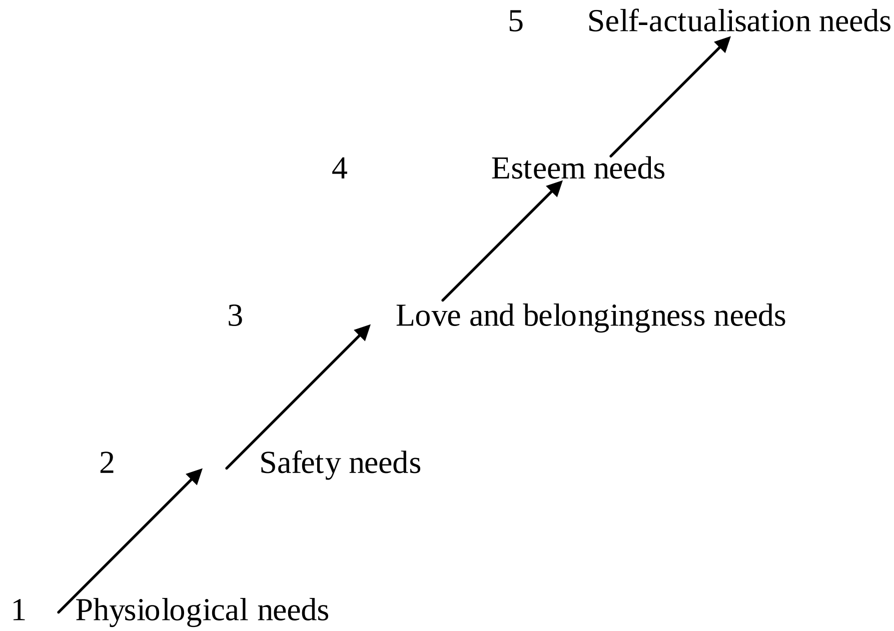

Figure 1. Maslow's classification or hierarchy of human needs.

Conceptual Framework (Adapted and modified from Raman, 2002)

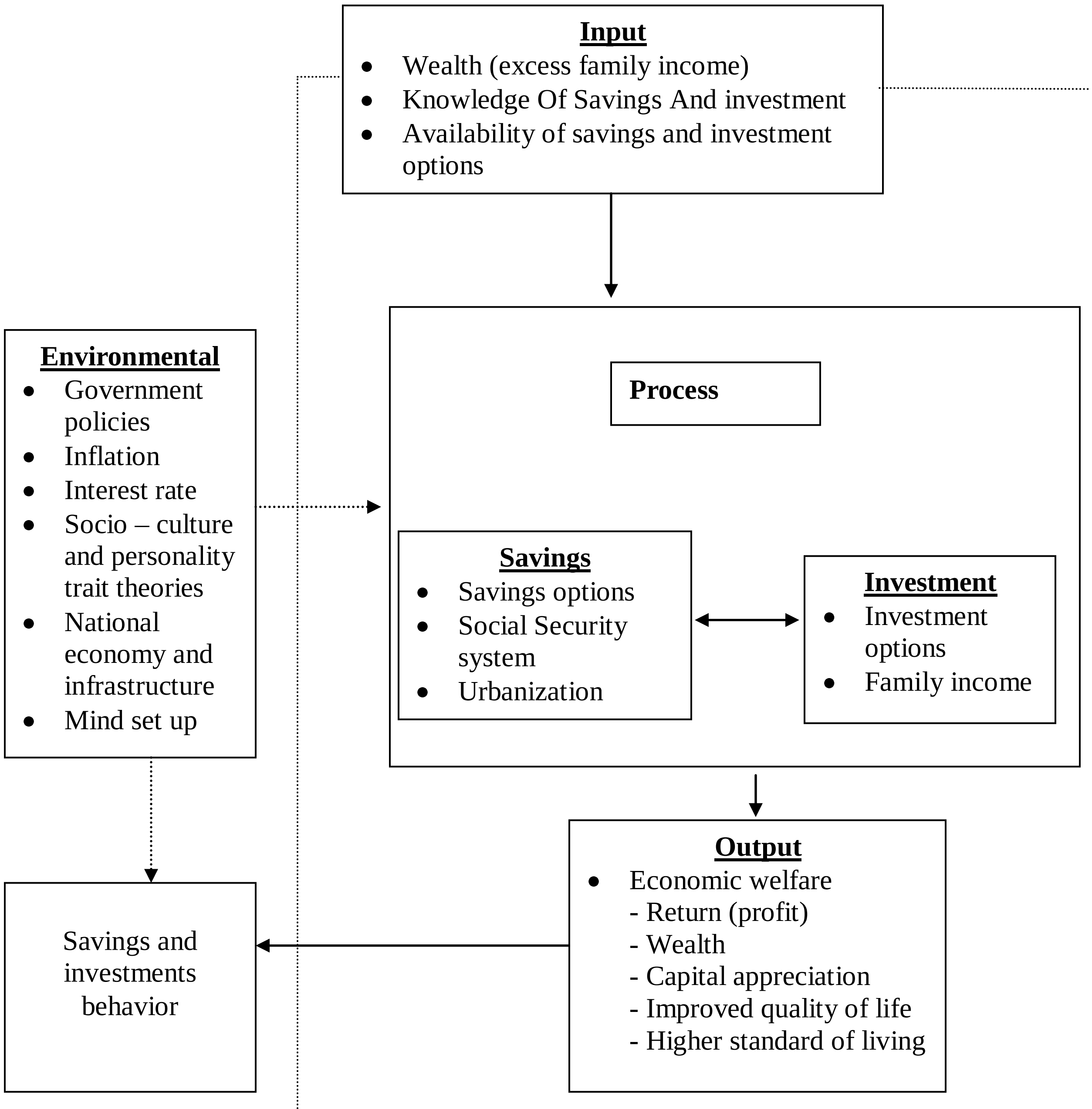

Figure 2. Input – Process – Out Put of savings and investment

The study was based on the Input → Process → Output conceptual framework adapted and modified from Raman's (2002) schematic presentation of investment. The Input →Process →Output (I → P → O) which also looked at the environmental factors that affect savings and investment was adapted and modified to suit the savings and investment behaviour of families (see figure 2). In the schematic diagram, there is a set of inputs that flow into a process and yield an output. Two arrows one from the input to the process and the process to the output direct this flow. There is also a relationship between savings and investment and the double-edged arrow linking savings and investment in the process box indicates savings that ultimately translates into investment and this relationship. There are some environmental forces or factors that also influence the process directly and the arrow leading from the environmental factors to the process indicates this. All these ultimately lead to the savings and investment behaviour of the family and this is indicated by the two arrows, one leading from environmental factors and the other from the output to the savings and investment behaviour box. The output characteristics desired by the investing family are key considerations in the process phase. Lastly, the output of the first cycle of savings and investment flows back to the input as the next cycle of family savings and investment and this is indicated by the arrow flowing from output to input.

The Environment

The economic indices indicated by government policies have a dramatic influence on family savings and investment behaviour. The general inflation level and interest rate on saved incomes have a major barring on saving types and investment avenues available to families. If interest rates are low and inflation is high in an economy, families will value their current income than the future wealth, and this will ultimately serve as a disincentive for families to save and also invest. Socio-cultural elements of the society are also major forces that can affect the savings and investment of families. The socio-cultural environment moulds the family in a subtle fashion, the mind set and in general the savings and investment behaviour of families.

Input

The most basic raw material in the I → P → O model is the wealth of the family. This is usually the income that is left after the family has met the basic and most important needs of its members. This together with the family's awareness of saving options and investment avenues, as well as the availability of these options and avenues, are the main things that precipitate the family to save and consequently invest.

Process

In the I → P → O model of savings and investments, the saver or investor has no or very little control over many of the elements of input, the environment and the desirable output. The family, however, has control over the process. At this stage, families will have to process their savings as well as their investment. Families will consider the saving options that will be influenced by the social security system as well as urbanisation which provides a wider range of savings options. On the investment side, families will also consider the investment types that they can engage in looking at the income that they have at their disposal.

Another element in the process is the indirect taxes that families have to pay. This is because investable savings are determined by the income and expenditure of the family which indirectly includes the indirect taxes that families have to pay. As indirect taxes are strong determinant of the family's net savings in the family's income-expenditure cycle, they affect the most basic input of the family's saving and investment, which is the investible wealth. The family is totally in control of decision about the analysis and the final choice to make within the available opportunities and unavoidable constraints provided by the other I $\rightarrow$P $\rightarrow$ O elements. It is important to note that the extent of control over these elements is not the same for all families but varies from family to family from zero to maximum. That is, control ranges from no control where families independently make savings and investment decisions to total control where the decisions of the family are influenced by the forces of the environment.

Output

The main output of investment by the family is the family's economic welfare. The economic welfare is, however, multi-faceted and hence has many sub elements. The output is the main goal for which the family saves and invests – that is to ensure the financial security of its members. The sub elements are not totally independent of each other; there is interdependence among many of them. They are only listed and treated separately for conveniences sake.

Summary of Literature Review

The literature review covered both theoretical issues and empirical studies in the areas of savings, investment and family functions and needs. It covered such areas as the definitions of savings and investment, reasons for saving and investing and the policy and non-policy factors influencing saving and investment, especially in developing economies. The policy factors identified were financial market development and social security systems. The non-policy factors that influence savings and investment are growth rate and demographics such as birth rates, dependency ratios and urbanization. The literature also covered the savings and investment behaviour of people and savings and investment in Ghana. The review showed that in areas where the monetary system is not well developed, families prefer to save and invest in real forms such as purchase of land rather than in titular and contingency forms.

Other areas that the literature covered were in areas such as the definition and functions of the family. The family was defined as a group of people who pool resources for the common welfare of all, to perform the functions of meeting the physical and security needs of the members. Hierarchy of human needs and also the input →process → output model of savings and investment as formulated by Raman (2002) was also covered in the review of literature.

CHAPTER THREE

METHODOLOGY

This chapter deals with the methodology used to conduct the study. It includes the research design used, population of the study, sampling and sample size, the instrument used for data collection, data collection procedure and how data collected was analysed.

Research Design

The main objective of this study was to investigate the savings and investment behaviour of rural families/households in the Ho Municipality of Ghana. As such, the research design considered most appropriate was the descriptive research design. This design was considered most appropriate because as observed by Anderson (1995), the descriptive design offers the researcher the opportunity to get the views of the population concerning some issue of interest and relevance to the study. This design was considered most appropriate because it provides me the opportunity to obtain the opinion of rural families in the Ho Municipality concerning their savings and investment behaviour. The study also involved finding answers to research questions and the result analysed using statistical instruments. It is based on the aforementioned, that the researcher deemed it fit to use the quantitative design for the study.

Population

The Ho Municipality is made up of several communities including Ho (the regional capital of Volta Region) itself. The Municipality covers an area of 2,660 sq km and has a population of about 200,000 people. The Municipality shares boundaries with the Adaklu-Anyigbe District to the south, Hohoe District to the north, South Dayi District to the west, and the Republic of Togo to the east. The Municipality has two types of communities – the urban and rural communities. The urban communities have a total population of 73,893 and represent thirty seven percent (37%) of the total population of the Municipality with about 17,969 households. The rural population stands at 126,107, being sixty three percent (63%) with about 25,221 households (Ho Municipal Assembly, 2005).

The main occupation of the people is petty trading, subsistence farming, artisanary and vocations such as hairdressing and dressmaking. Other forms of employment for the people are in the public service, Private construction companies and commerce (Ho Municipal Assembly, 2005).

The target population of the study was defined and restricted to include all families that resided in the rural areas of the Ho Municipality. To this effect, households or families that resided in the urban areas in the Municipality were excluded from the study. The study covered all families in rural Ho Municipality regardless of occupation, educational level among other socio economic indicators. The Municipality has two different types of communities – the Urban community (Ho, Tsito and Kpedze), and over 100 rural communities. The total population of the entire Municipality was about 200,000 people. Taking the population of the urban areas (73,893 people) from the total population, the population of the study area (rural Ho Municipality) was 126,107 people. Using the average family size of rural Ghana as indicated by the Ghana statistical service (2004), which stands at four members per family, the total number of families in the study area is estimated to be 31,527 households. This number was arrived at by dividing the total rural population of the study area (126,107) by the average household/family size (four).

Sample and Sampling Procedure

In view of the wide dispersion of the population of this study, the main procedure used to obtain the sample for the study was multi-stage cluster sampling. This technique was considered the most appropriate sampling method because of the comparatively wide coverage of the study area. If other methods like simple random sampling were to be used, it would have added a great deal to time and cost of conducting this research. To ensure that the sample selected was a true representation of the total population of rural families/households in the Municipality, the Municipality was divided into four zones. The zones were called the Southern zone, the Northern zone, the Eastern zone and the Western zone. This was to enable me achieve accuracy and greater precision.

As observed by Campton and Hall (1972), in a cluster sampling of this nature where the population is homogeneous, precision will be achieved with fewer cases than it will be possible within a random sample. After using cluster sampling procedure to put the study area into four main clusters (North South

West and East zones), cluster sampling or what is described by Campton and Hall (1972) as area sampling, was used to select the four rural communities to be studied. Where within each cluster, a list of communities was prepared and a simple random sampling method, specifically the lottery method was used to select one rural community from each of the four clusters from where samples were obtained for the study. The names of all rural communities in each cluster was written on pieces of paper and mixed together in a bowl. A field assistant was then called to pick one of the papers. The selected community then was used as another cluster within which families were obtained for the study. This procedure was adopted for the four zonal clusters. The four communities chosen were Anfoeta-Tsebi, Awudome-Anyirawase, Takla and Taviefe.

The next step had to do with the selection of families/households from the four randomly selected communities to serve as the study units. In view of the lack of data on the population of the various communities to warrant the use of proportional method of selecting these families, the researcher used a disproportional method to choose 160 families from the four communities. For each community selected, the researcher used simple random technique to select forty (40) families/households for the study. All families/households were numbered by the researcher separately in each of the four communities; the researcher then used the numbers assigned to the families to prepare a sampling frame for each community and randomly selected the forty (40) families to be studied in each community. In view of the instrument used for data collection, which is cumbersome and time consuming, the researcher used 160 families out of the estimated 25,221 families or households in the study area.

For any family chosen, the head of the family was the one who responded to the items in the interview guide. However, for a head of family to qualify to participate in the study, the researcher ensured that the head met certain established criteria. These were:

1. the head was economically active by participating in an income generating venture either in the informal or the formal sector.
2. the head assumed responsibility of the up keep of the household.
3. was of sound mind (must be psychologically fit).

If in any household the supposed head did not meet these criteria, the researcher interviewed whoever assumed these roles in the family, assuming such a person is a permanent member of the selected family. In cases where the breadwinner of the selected family was a member of another nuclear family unit or household, such a household was eliminated from the study and replaced with the family next to it on the sampling frame.

Sample Size

One major decision in the conduct of any research is for the researcher to decide on the size of the sample that will be representative of the population. In the view of Nwana (1992), certain definitive practices among social researchers can be adopted. One such a practice had to do with the relationship between population of a study and the sample that will be representative of that population. Nwana (1992) suggested that if the population is a few hundreds (between one hundred and five hundred), a 40 percent or more sample size can be representative enough; if many hundreds (over five hundreds but less than a thousand), 20 percent sample will do; if the population is a few thousands (in tens of thousands), a 10 percent sample is recommended and if the population is several thousand (as is the case in this research), five percent or less will do.

Other people who argued on the representativeness of a sample size of any population looked at it in terms of the type of research. Fraenkel and Wallen (2000) suggested that for a descriptive study (such as this), a sample with a minimum number of 100 elements is essential; for correlational studies, a sample size of at least 50 will be necessary to establish the existence of relationships; for experimental and causal comparative studies, they recommended a minimum of 30 elements. For a descriptive study such as this where the population was over 25,000, the use of sample size of 160 was therefore justified in view of the above observations.

Instrumentation

The main instrument used to collect data from the sampled families was interview schedule. Interview schedule was found to be the most appropriate and effective to collect data from the sampled families because most families in rural Ghana and for that matter, rural Ho Municipality have low levels of education. That is to say that illiteracy was high in the area. Majority of the rural population in Ghana are illiterates as against over 60% literate rate in urban areas of Ghana (Ghana Statistical Service, 2003). This implies, as observed Campton and Hall (1972), interviews may yield more accurate information and greater depth of responses than could be obtained through questionnaires; particularly, when respondents are “poorly educated or when they are from low socio-economic areas” p.241. Rural families in Ghana and specifically the Ho Municipality met these two main criteria (there was high illiteracy and they belonged to low socio-economic category of families). It was against this background that the researcher found interview guide the most appropriate tool for data collection.

The interview schedule was developed by the researcher and was in seven sections. Sections A, B and C covered the demographic characteristics of respondent households, factors that account for the households’ choice of saving and investment form and frequency of saving and investing by the households respectively. Section D of the interview schedule dealt with the constraints to the respondents saving and investment behavior, whiles section E covered the saving and investment institution that the respondents prefer and the reasons for their preferences. The last two sections, sections F and G were used to gather data on respondents’ knowledge level regarding saving and investment and the forms of saving and investment that the studied households engaged in respectively.

Pre-Testing the Instrument

After selecting the four communities in the Municipality to be studied, the researcher selected one other community in the Municipality where the instrument was pre - tested to ascertain the appropriateness of the interview schedule items. The pre – testing enabled the researcher to test the items to see how useful the items were in eliciting the kind of information that the researcher was interested in from the sampled families. In all, the items were pre – tested on 10 families. All these activities preceded the actual data collection process but followed the same procedure as the data collection process. Pre – testing of the instrument enabled the researcher to:

1. rehearse the data collection procedure in order to appraise its appropriateness.
2. evaluate the appropriateness and the reliability of the items on the interview schedule, and
3. find out the possible problems that were associated with the chosen instrument and the procedure so as to effect any changes, modifications and adjustments where deemed necessary.

The pre-test helped to reframe some of the questions. The way the questions were framed prior to the pre-testing would have been difficult to translate into the local Ewe language of the respondents. It also afforded the data collection team the opportunity to rehearse the translation of all the items into the local language prior to the actual data collection. No major changes were, however, made after the pre-testing of the interview schedule.

Data Collection Procedure

To ensure that data was collected as accurately and as quickly as possible, the researcher recruited four research/field assistants to help in the collection of data. The selection of the research assistants was based on the following criteria:

1. a good educational level, preferably a minimum of Higher National Diploma (HND)
2. fluency in the native language of the residents (Ewe)

3. a good command of the English language which enabled them to translate the items to the respondents and also retranslate their responses back to English.
4. experience in research and data collection was also considered, which facilitated the training of the research assistants.

These research assistants were trained for three (3) days. They were taken through the items on the interview schedule and taught how to interpret the items in the interview schedule into the local language of the respondents. They were also involved in the pre – testing of the instruments as part of their training.

When the research team moved to any selected community, the team contacted the assembly member and or the chiefs of the particular community to brief them about their mission and also sought their approval to conduct the study in the community. This activity preceded the numbering of the families/homes in the communities. The researcher then distributed the research assistants in pairs and exercised a supervisory role over them during the whole process of data collection. The list of the sampled families which was obtained during the numbering of the families was used to trace the sampled families. The families were interviewed using the interview schedule. On reaching a selected family, the research team introduced themselves and the purpose of the visit was explained, and an interview was requested. If the respondents were willing and free at that time, the interview was conducted. Where the respondents were not free at that time, the family/household was asked to give any time convenient to the family for the interview to be conducted. In this case the researchers went back to the family on the scheduled time for the interview. In view of the fact that the study area is predominantly farming communities, interviews were mostly conducted during early mornings and late evenings during the entire data collection period.

Data collection took 16 days in all, the researchers spent about four (4) days in each of the four communities and about sixteen (16) respondents were interviewed each day. The small number of respondents interviewed each day was meant to achieve greater accuracy and reliability in the information collected from the families. It was a means of reducing stress on the research assistants and also ensured that the research assistants did not rush the respondents but took their time to explain the items to the respondents to help obtain the required information.

The researchers discontinued some interviews if in their own judgment, they observed that a respondent was not providing an accurate information or was not willing to answer some of the item or not in a sound frame of mind.

Data Analysis

Data analysis involved reducing accumulated data to a manageable size, developing summaries, looking for pattern and applying statistical techniques (Cooper & Schidler, 2001; Morse, 1991). The main objective of the study was to find out the savings and investment behaviour of rural families or households in the Ho Municipality of Ghana. After the data was collected, the information collected was edited to remove inconsistencies in responses. After editing, the data was coded and analysed using the Statistical Package for Social Sciences (SPSS). The analysis was based on the sections of the items on the interview schedule. In a study of this nature, the data was analysed using simple statistical instruments for easy understanding by readers. As a result, data collected was analysed using percentages frequency distributions. Measures of central tendencies such as mean scores and standard deviations were use to analyse the forms of saving and investment of the respondents, their level of awareness and the frequency of saving and investing. The challenges that the respondents face in saving and investing as well as the factors influencing their savings and investment decisions was also analysed using mean scores, percentages and frequencies. The reasons for their choice of saving and investment outlet or forms was analysed using cross tabulations.

Chi-square was used to find differences in some of the responses. To find answers to objective seven, Pearson's moment correlation was also used to analyse the relationship between dependent variables of savings and investment and the independent variables of age, knowledge in savings and investment, family income, and difficulty in saving among other independent variable.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This study sought to investigate the savings and investment behaviour of rural families in the Ho Municipality of the Volta Region of Ghana. This chapter presents the results and discussion of the results from the data collected. The following sections are presented in this chapter:

i. Demographic characteristics of the studied families.

ii. Forms of savings and investment engaged in by the rural families in the studied area.

iii. Forms of savings and investment that respondents engaged in, savings financial intermediaries that the families use and the reasons influencing their choice of these financial intermediaries.

iv. Level of knowledge of respondents regarding savings and investment.

v. Reasons influencing the decision of the families to engage in the forms of savings and investment that they do.

vi. Frequency of savings and investment by rural families in the study area.

vii. Factors that influence savings and investment by rural households or families.

viii. Relationship between age of household head, income and family size, on one hand, as against such variables as family budget, annual income and knowledge in savings and investment.

Demographic Characteristics of Respondents

The study identified the following demographic characteristics of the respondent families': age of head of the household, sex of family head, occupation of the head of the household, type of crop cultivated if household head was a farmer and the annual income of the family head.

Age of Head of Studied Families

The ages of the respondent family heads for the study fell between 24 years and over 75 years. A careful analysis of the age distribution indicated that quite a significant number (12.5%) of the respondent household heads were at least five years above the formal retirement age of 60 but still participated in income generating activities to sustain their families. Some 26.2% of the heads of families for the study were above the age of 55 years with a significant number of these (13.8%) getting very close to or were even on retirement. A large number of the respondents (about 73.8%) fell within the productive ages of 55 and below. The majority (62.5%) of the family heads however, were within the ages of 36 years and 55 years. This is an indication that majority of the family heads in the study area were in their mid years with few of them who could be considered as young. The age distribution of the heads of families in the study is illustrated in Table 1.

Table 1

Age of Head of Respondent Families

Age (years)	Frequency	Percent	Cum. %
< 26	1	.6	.6
26-35	17	10.6	11.3
36-45	48	30.0	41.3
46-55	52	32.5	73.8
56-65	22	13.8	87.5
> 65	20	12.5	100.0
Total	160	100.0	

Sex of Respondent Family Heads

Out of the 160 family heads interviewed, a large number of them representing 65% were males, which is an indication that more men in the study area than women were heads of families and assumed their responsibilities as family heads. A significant number representing 35% of the respondent households were headed by females. One main factor that accounted for this seemingly high number of female headed households in the area is rural – urban migration. In most of the families that were headed by females, their male counterparts had migrated to the urban areas in search of better jobs. Though most of these migrant males did contribute to the upkeep of their families back home, the greater percentage in terms of the care of the household, in most cases, was the responsibility of the female residents. Table 2 shows the distribution of respondents by sex.

Table 2

Sex of Respondent Family Heads

Sex	Frequency	Percent
Male	104	65
Female	56	35
Total	160	100.0

Major Occupation of Heads of Studied Families

In respect of the main occupation of the heads of the families studied, it was found that a large number of them were farmers. Among the farmers, however, it was also found that as much as 65.1% of them cultivated food crops such as yam, maize, beans, cassava, and cocoyam and water yam mainly on subsistence basis. A small number (3.2%) of these farmers cultivated purely cash crops like cocoa, oil palm and teak. Still, a sizeable and significant number of the farmers who constituted 30.7% practiced mix cropping where they mixed food crops cultivation with cash crop cultivation. The data also showed that most of the cash crop farmers in the study area cultivated these crops on small scale using simple tools and equipment like cutlass and hoes. Artisans, made up of masons, carpenters and steel benders, constituted 20 percent of the respondents. There were also a significant number of public sector employees made up of teachers, security men/women and policemen/women among the respondent family heads. These categories of workers constituted 28.7% of the respondent household heads in the studied area. The data showed that trading was not common among the respondent household heads in the area. Out of the total number of 160 respondent families heads, only 12, representing a percentage of 7.5, were traders by profession, and most of them traded in foodstuffs and also second hand or used clothing. In all, the data indicated that majority of the respondent family heads, representing a percentage of 71. 3, worked in the informal sector of the economy and therefore were flexible income earners. The occupation of the respondents is tabulated in Table 3.

Table 3

Major Occupations of Heads of Respondent Families

Occupations	Frequency	Percent
Farmers	63	39.4
Artisans	33	20.0
Civil servants	29	18.1
Teachers	17	10.6
Drivers	12	7.5
Traders	7	4.4
Total	160	100

Annual Income of Heads of Respondent Families

The annual income of the family heads was found by the researcher. The focus was on the cash income as it would be cumbersome to estimate and measure the "income in kind" of the respondents. The income was calculated in Ghana Cedis (GH¢). The data showed that income levels among respondent families were very low by all standards. As much as 83.5% of the respondent household heads estimated their annual income to be equal to or less than GH¢1,500.00 (15,000,000.00 old Ghana Cedis). Out of the 83.5%, as much as 48.7% (of the total sample size) of these family heads estimated their annual income to be less than GH¢ 500.00, which is an indication that these family heads earned less than GH¢ 50.00 every month.

A significant number of the respondents, constituting 16.4% of the total respondents (though in the minority), estimated their annual income to be above GH¢ 1,600.00. Among the respondents who earned above GH¢ 1,600.00, were 10.1% of the total respondents who estimated their annual earning to be above GH¢2,000, implying that these respondents earned over GH¢ 150 every month. The low income level of most of the respondents could be attributed to the fact that a large number of the respondents were peasant farmers who cultivated, mainly, food crops on subsistence basis.

The caution over here is that, though the respondents were probed well in the estimation of their incomes, some might have underestimated their incomes to paint a gloomy and sorrowfully picture of their living conditions. The general low income of the studied families was a potential threat to their ability to save and invest. This is because according to Modigliani's life-cycle hypothesis, economic growth increases saving because it increases the income of the young relative to that of the elderly (Modigliani, 1970). This means that an increase in income will lead to an increase in savings either at the individual or the family levels. This view point was also advanced by Ogaki, Ostry, and Reinhart, (1996) that growth and higher incomes raise more households above the subsistence level, below which they cannot save. Table 4 illustrates the estimated annual income of the respondent family heads.

Table 4

Annual Income Level of Respondent Heads of Families

Income (Gh¢)	Frequency	Percent	Cum. %
< 500	77	48.7	48.7
500 – 1,000	37	23.4	72.2
1,100 – 1,500	18	11.4	83.5
1,600 – 2,000	10	6.3	89.9
> 2,000	16	10.1	100.0
Total	158	100.0	

Order of Household Expenditure of Respondents

This part of the study tried to find out the items that the respondents spent their incomes on and the order of expenditure of the money of the respondents.

Table 5

Priority Order of Household Expenditure of the Respondent Family Heads

Item	F	Order of expenditure							χ^2	Mean	S.D.
		1 (%)	2 (%)	3 (%)	4 (%)	5 (%)	6 (%)	7 (%)			
Food	158	40.5	40.5	8.9	4.4	3.2	1.9	0.6	217.34**	1.97	1.194
Housing	155	1.9	3.2	4.5	12.9	12.3	23.2	41.9	132.45**	5.68	1.541
Education of children	157	47.1	26.1	10.2	5.7	1.9	1.9	7.0	183.33**	2.23	1.732
Utilities	156	0.6	8.3	19.9	19.9	22.4	21.8	7.1	50.14**	4.49	1.448
Savings	157	0.6	3.2	8.9	12.1	24.2	24.8	26.1	76.14**	5.35	1.432
Investment	158	5.1	5.7	15.8	23.4	20.3	17.1	12.7	32.15**	4.50	1.623
Clothing and household appliances	158	3.8	13.3	32.3	22.2	16.5	8.3	3.8	71.67**	3.74	1.406

Scale: 1 the items on which the highest amount of money was spent on while 7 was the item that they least amount of money was spent on.

Table 5 is a representation of the pattern of household expenditure of the respondents. The data indicated that a significant number of the respondent families spent the largest portion of their income on food, not withstanding the fact that a large number of the studied families were farmers. A large proportion of respondents rated food as the item that the family spent the first and second largest portions of their family income on. The mean order of family expenditure obtained was 1.97, the deviation from the mean was, however significant, indicating that, despite the fact that, on the average, the respondents spent a large chunk of the family income on food, a sizeable number of them also spent less on food compared to other items. These portions of the budget, the respondents argued, went into the purchase of protein parts of the meals, which they did not produce. On the average, the respondent families' second highest expenditure was on education, with a mean average expenditure of 2.230. The deviation from the mean is high at 1.732 which indicates that education did not take the second position in terms of the expenditure of sizeable number of the families. Education was also rated by 26.1% and 10.2% of the respondents as taking second and third highest portion of their family incomes respectively.

The item that took the third highest portion of the income of the respondent families was the purchase of clothing and other household appliances such as Television (TV), cooking utensils and radio among others. In all, this finding could be said to be in consonance with the findings of Quartey and Blankson (2005), that household investment in domestic appliances such as sewing machine, furniture and radio and a means of transport, increased between 1991/92 and 1998/99. Quartey and Blankson (2005) were doing a comparison between two periods but the picture was that the households put a large chunk of their household incomes in the purchase of these domestic appliances. The findings of this study indicated that expenditure on utilities, investment and savings constituted the least last three items on the families' expenditure budget. The low expenditure on utilities among the families might be due to the fact that in three out of the four communities where the study was conducted, the only utility available was electricity and even most of the studied households did not have electricity in their homes. Even in the homes where there was electricity, few gadgets were used and in some cases, the electricity was only used in the evening for illuminating the home and so it was understandable that very little money was spent in the payment of utility bill.

The least areas that the families used their money on were savings and investment with means of 5.35 and 4.50, respectively. The comparatively low expenditure of the families on savings and investment could be attributable to the low income level of the studied families. This is a vindication of the mathematical definition of saving by Smith (1991), as: Income – Consumption = Savings. This means that families would only save if their present incomes exceeded their consumption needs. To find out whether there were differences in the expenditure of the respondents, chi-square values were calculated for the various items. The Chi-square values show that the differences that exist in the various items were all very significant (see Table 5). This indicates that even though the various items have means, a significant number of the respondents gave different ratings to the various items. For instance, the mean ratings showed that food was the item that the respondent families spent their incomes on most. However, a significant number of the respondents also spent on food as a second, third, fourth, fifth and seventh item. Same could be said for all the other items of expenditure by the respondents. The pattern of expenditure of the respondent families and the items that they spent their incomes on is already shown in Table 5.

Forms of Savings Usually Engaged in by Respondent

This section of the research sought to describe the forms of savings and investment that rural families in the study area normally undertook as well as investigating the savings financial intermediaries or avenues that the families usually saved with and the reasons influencing the choice of these savings avenues by the families. The forms of savings that the respondent families undertook are represented in table 6.

Table 6

Forms of Savings Undertaken by Respondent Families

Form	Frequency	Percentage
Mutual help group	47	28.8
Susu	24	14.7
Credit union	14	8.6
Cooperative society	9	5.5
Walking bank	5	3.1

Table six indicates that the first and the second most popular forms of saving among the families in the study area were mutual help groups and "susu" respectively. The mutual help groups were mostly in the form of *ku haborbor* (death mutual help group - where upon the death of a member, all members contribute towards his/her burial). The respondents considered this more of savings than insurance. The least popular form of savings among the respondent family heads was walking bank with only 3.1% of the respondent family heads saving in this form. The findings also showed that the respondents saved their monies in informal forms far more than in formal forms. This was a confirmation of an earlier finding by Quartey and Blankson (2005) that a large proportion of Ghanaians still use the informal forms of savings with only a few of them saving with formal financial intermediaries. They were specific in saying that households who hold savings accounts are still very few (Quartey & Blankson, 2005). In the case of rural families, as in this study, the above finding could be due to the low income levels of the families coupled with the families' inability to access the services of formal financial intermediaries like banks, and also the inadequacy of formal financial intermediaries.

With regard to the savings financial intermediaries that the studied families use, the findings of the study indicated that informal financial intermediaries were very popular among the respondents. Majority (61%) of the respondent family heads kept their monies home. A significant number (56) with percentage of 36.4% of the respondents also saved with formal financial intermediaries like banks and credit unions. Out of this number of respondents who saved with the formal financial intermediaries, 33.8% saved with various banks in the area. A small but not negligible percentage (2.6) of respondents also used other forms of saving such as keeping the money with friends and relatives.

Most of the respondents who kept their money home cited reasons such as banks not being accessible; their incomes were barely able to meet their basic needs that none was left after basic needs were met. This confirms the assertion of Railly (1992) that people save when their incomes exceeded their current consumption desires. The frequency distribution of savings financial intermediaries used by the respondents is indicated in Table 7.

Table 7

Frequency Distribution of Savings Financial Intermediaries Use by Respondents

Intermediaries	Frequency	Percent
Home	94	61.0
Bank	52	33.8
Credit Union	4	2.6
Other places	4	2.6
Total	154	100.0

Types/Forms of Investment Engaged in by Respondent Families

The data collected showed that the families in the study were engaged in varied forms of investment. The commonest forms of investment that the families engaged in were farming and petty trading respectively. Cumulatively, as much as 81.6% of the respondents invested in both or either of the two forms (47.2 % and 34.4% of the respondents invested in farming and petty trading respectively). It is important to note that though the families might have their own occupation, they could invest in other areas aside their occupation. For instance, a family head who was a civil servant could invest in farming. The findings indicated that most of those who invested in farming invested in such aspects as purchase of farm inputs and hiring of labourers on occasional basis to assist in the clearing of their farm lands and weeding their farms. For families who invested in petty trading, the main items that they dealt in were food commodities like fish, second-hand clothing and provisions. Investment in human capital (education of children), transport business and artisanal trading as in carpentry, masonry and steel bending were also fairly popular among the respondent families with over 4% of the respondents investing in each of them. Treasury bills, purchase of land, distillery, building a house and insurance were also types of investment that were engaged in by households in the studied area but these were not as popular as the others discussed earlier.

Forms and Purpose of Investment

This portion of the work tried to look at the forms on investment that the respondents engaged in and the purpose of these investments. From Table 8, it was observed that a large number of the respondents invested in farming. This might be due to the fact that farming was the occupation of a large number of the respondent families in the studied area and also that it was the easiest form of investment for households in the area. Other forms of investment that were found to be popular with the respondent families were building of houses and purchase of building material, and buying of land.

The main finding was that the respondent households saved mainly in real forms like building a house, purchase of building material, buying personal belongings like wax prints and *Kente* cloths among others. This finding was in line with that of Raman’s (2002) observation that in areas where the monetary system and capital markets are still not well developed, and are in primitive forms, real investments are popular among the individual living at these areas.

Table 8

Cross Tabulation between Forms and the Purpose of Investment of Respondents

Forms	F	Purposes of investment		
		For keep (%)	To re-sell in future (%)	For immediate use (%)
Jewellery	14	35.7	7.1	57.1
Bead	11	18.2	9.1	72.7
Kente	25	16.0	4.0	80.0
Wax print	92	14.1	2.2	83.7
Building materials	57	19.3	1.8	78.9
House	52	19.2	3.8	76.9
Farm	83	16.8	1.2	81.9
Land	33	21.3	-	78.8

To ascertain whether the purpose of these purchases could really be defined as investment or not, a cross tabulation was made between the items purchased and the reasons of the purchase. It was found out that though all the purchases could be classified generally as investment, the idea behind some of the purchases made it difficult to tell whether in real terms they were meant for more profit in the future. The cross tabulation indicated that a large number of respondents who purchased most of these real items had neither the intention of keeping the items for the future nor to re-sell them in the future. Instead, they bought them for immediate use of their families. For instance out of the 92 respondents who purchased wax print, as many as 77 constituting 83.7% bought it for immediate use by the family. Similarly, out of the 33 and 57 respondents who bought land and building materials respectively, as many as 78.8% and 78.9% respectively bought them for immediate use. It is, however, worth to note that households who purchased some of the item for immediate use could sell them somewhere along the line if there is an urgent need for money. Items bought for immediate use could, therefore, be considered as an investment as the family has the opportunity to re-sell them in the future for more income (profit).

The respondents who purchased the items for keep in most cases might be doing so as to be able to sell them in times of need and therefore fell within the same category as those whose main purpose of the purchase was to sell the items later. Those who intended to resell the items bought were fairly large in terms of percentage among those who purchased jewellery (42.9%), bead (27.3%) and house (23.1%).

Respondents' Order of Preference of the Various Investment Forms

The study also attempted to investigate the investment preferences of the families. This was aimed at clarifying the investment forms that they engage in. The data indicated that most of the respondent family heads preferred investing in human capital like education and skill acquisition. A large number of the respondents (83.2%) rated education and skill acquisition as the first two most preferred forms of investment. It was also observed that trading and housing were also very much preferred by most of the respondents. To most of the respondents, trading was an investment where there is little chance of failure.

Purchase of precious metal and jewellery as forms of investment were not preferred by majority of the respondents. Out of the 159 respondents, nearly 60% rated investment in jewelry and precious metals as the least preferred form of investment. Shares and bonds were also not preferred by the respondent as most of them showed total ignorance about what share and bonds were as well as how they operate. Interestingly, farming as an investment option was also not very much preferred by the respondents, irrespective of the fact that majority of the respondents were farmers. The main reason attributed to the comparatively low rating for farming as a preferred form of investment was the unpredictable weather conditions that made investing in farm a very risky venture. The main reason provided by the respondents for the ratings could be summed up in one simple sentence: the risk level involved. From the reasons given by the respondents it was obvious that all of them wanted a form of investment that the risk and uncertainty levels were low and also those that they thought they had a prior knowledge of in order to play it "safe". This was in line with Pollack, et al's. (1998) assertion that investment is always characterised by risk and uncertainty. Risk was explained as a measurable possibility of loosing money or not gaining interest on one's investment. According to them, the difference between risk and uncertainty is that risk is measurable where as uncertainty cannot be measured.

In general, it could be observed that real investments were more preferable by the respondent families than other forms of investment. This might be due to the underdevelopment of the capital market coupled with the families' lack of knowledge about other investment forms/avenues as argued by Raman (2002). The percentage preference for the various investment forms are shown in Table 9.

Table 9

Percentage of Order of Preference of the various Investment Forms by the Respondents

Type of investment	f	Percentage Order of preference 1 (%)	2 (%)	3 (%)	4 (%)	5 (%)	6 (%)	7 (%)
Trading	160	23.1	24.4	16.3	15.0	14.4	5.0	1.9
Shares and bonds	158	4.4	5.7	13.9	9.5	16.5	28.5	21.5
Housing	160	16.3	22.8	23.8	18.1	8.1	7.5	2.5
Jewellery and precious metals	159	-	-	2.5	5.7	10.1	23.9	57.9
Farming	160	11.3	17.5	16.9	25.6	15.0	8.8	5.0
Transport business	158	4.4	7.0	7.6	15.8	30.4	25.3	9.5
Education/skills training for children/self	160	41.3	21.9	20.0	10.0	5.0	1.3	0.6

Scale: 1 is the most preferred form of investment by the respondents while 7 is the least preferred form of investment by the respondents.

Reasons Accounting for the Respondents' Choice of Savings and Investment Forms

This aspect of the study tried to find out why the respondent families engaged in the type of saving and investment that they did. Analysis of the data showed that the respondents considered several things or factors before choosing any particular form of saving. The main consideration was how accessible their saving or monies were. Out of the 143 respondents, 78 of them constituting 58.2% considered the accessibility of their savings before deciding on the form of saving they engaged in. A considerable number of the respondents also considered the safety and interest that would accrue on their savings before deciding on the form to save their money. As much as 34 and 18 (constituting 25.4% and 13.4%) of the respondents respectively considered the safety and rate of return on their income before choosing any form of saving. Those who considered the interest that would accrue on their savings might be those who wanted to outpace inflation probably because the money would be saved for a long period of time. For these households, the primary motive might be to keep their monies safe while maintaining the value of the money over the keeping period.

The findings indicated that there were varied reasons why the respondent families engaged in the type of investment that they currently engaged in. For those families who engaged in housing, the main reason they did so was because the house could be rented out to serve as an alternative source of income to them. A small (but not negligible) percentage of 13.8% also invested in housing because of the low risk level associated with that form of investment. Some of them also invested in housing because it could be used as collateral to secure loans in the future to undertake another activity or project. Majority (55.7%) of those who invested in trading did so because to them, it was a lucrative venture to engage in since the return rate was very high. Nearly ten percent of the respondents said they engaged in trading because it served as employment security for them and their families especially their wives. Low risk level, experience and support at old age were also reasons that some of the families assigned for their choice of trading as an investment option. It is interesting to note that a few (1.3%) of them also traded for the leisure of it or to serve as a hobby for them.

The main reasons that the families assigned to their choice of farming as an investment option were for food security, because of its lucrativeness and also to serve as an alternative source of income to the family. These three reasons cumulatively accounted for 74.5% of all the reasons given by the respondents as to why they invested in farming, with food security accounting for 30% of all the reasons and alternative income and high return rate both accounting for 21.8% each. Leisure or hobby, experience in farming, employment security, an occupation and low risk level were also some of the reasons that the families assigned to their choice of farming as an investment option. Others also noted that they engage in farming as an investment option because farming was the commonest form of investment available in the area.

Majority of the respondents who invested in transport business did so to serve as an alternative source of income and also because transport business could bring high dividend. A small number of them (3.3%) also invested in transport business because they considered it easy to manage whiles the same percentage also did so because it was their occupation. Investment in education was also popular among the respondents. A very large number (80.0%) of them invested in the human capital development of their children for the financial security of their children. The respondent families actually valued investment in the human capital development of their children in terms of sending them to school or to learn a trade. To a sizeable number of them, they invested in the human capital of their children for their own financial security because their children will look after them in old age when they (the parents) could no longer work. The very few who invested in precious metals and jewellery said they did so because it was very lucrative as the value in terms of the price kept increasing. The families' low investment in precious metal might be due to the fact that these precious metals were not even common in the area and that having access to them could be a difficult task for any family that might want to invest in them. It might also be due to the fact that as these precious metals were not available to the families, they might not have an idea of their usefulness.

The reasons given by the families for engaging in the types of saving and investment that they did are summed up in Tables 10 and 11 respectively.

Table 10

Percentage Reasons for Engaging in the Various Types of Investment

Reasons	Types of investment					
	H	T	P	F	Tp	E
	(n=58)	(n=79)	(n=2)	(n=55)	(n=30)	(n= 80)
	%	%	%	%	%	%
Alternative source of income	75.6	19.0	-	21.8	53.3	-
Support at old age	-	2.5	-	-	-	17.5
Lucrative	3.4	55.7	100	21.8	40.0	-
Experience	-	5.0	-	7.3	-	-
Employment security	-	8.9	-	7.3	-	-
Occupation	-	2.5	-	1.8	3.3	-
Leisure/hobby	-	1.3	-	3.6	-	-
Low risk level	13.8	5.0	-	3.6	-	-
Food security	-	-	-	30.9	-	-
Commonest available investment	-	-	-	1.8	-	-
Easy to manage	-	-	-	3.6	3.3	-
Financial security of children	-	-	-	-	-	80.0
Improve standard of living	-	-	-	-	-	1.3
Can afford to do so	-	-	-	-	-	1.3
Collateral	6.9	-	-	-	-	-

KEY: H = Housing; T = Trading; P = Precious metals; F = Farming; Tp = Transport business and E = Education

Table 11

Reasons Influencing Respondents' Choice of the Kinds of Saving the Respondents Engage in

Factors	Frequency	Percent
Rate of return	18	13.4
Safety	34	25.4
Ease of accessibility	78	58.2
Lack of any other saving outlet	3	2.2
Amount of money to be saved	1	7
Total	134	100.0

Reason for Savings and Investing

The respondent families were to mention why they saved and invested or would like to save and invest. The findings showed that with regard to savings, there were several reasons why the respondent families engaged in it. The respondents were asked to rank the reasons that served as motivation for them to save. The findings corresponded with the assertion by Olson and DeFrain (2000) that the most important reason why families save is to "prepare for the possibility of financial crisis, accidents, illness, pregnancy, job loss, divorce and many other crisis, which all have financial consequences" pp68. The respondents ranked meeting emergencies as the first and foremost reason why they saved. As much as 73.8% out of 141 respondents ranked emergencies as the number one reason why they saved or will save. To buy expensive items and to depend on during retirement were the second and third reasons respectively why the respondent families wanted to save or even saved. For the money to increase in value was the least reason why the respondents wanted to save. It is, however, important to note that some of the respondents also saved for the money to increase in value. A finding that was in line with Ahmed (2002) and Landburg and Feistone (1976) when they opined that increasing substantially in amount is one of the reasons why people may also want to save.

With regard to investment the primary motive for the families was to increase the values of the money. The main hidden motive might, however, be to outpace inflation. It is, however, significant to know that the main reason why respondent families invested was to increase the value of their invested fund as it has the potential of increasing with time.

Level of Awareness of the Families on the Savings and Investment Opportunities Available to the Families in the Area

This aspect of the work was intended to find out the level of knowledge/awareness of the respondent families on savings and investment opportunities and more especially the forms of savings and investment in the area or those that are available to them. The focus was on both the formal and the informal forms of savings and investment knowledge of the respondent families. This aspect of the work was divided into savings forms and investment forms with insurance considered as contingency investment to be in line with Raman's (2002) classification of investment.

Knowledge on Savings and Investment

The data collected indicated that in general the respondents' knowledge about savings is low. The respondents' mean knowledge on savings account at a bank and mutual help groups, was moderate with a means of 3.14 and 3.35 respectively. This means that on the average, the respondent families knowledge on savings account and mutual help groups was moderate, meaning they ever had advice on savings account and mutual help group by non-professionals and also had operated savings account prior to the period of the study. Despite the fact that the average knowledge of the respondents was moderate, deviation from the mean for saving account was high at 1.30. The deviation was towards the low and very low more than towards a high knowledge. This showed that a substantial number of the respondent family heads had either low or very low knowledge about savings account. The respondent families' also had low knowledge about "susu", "walking bank", credit unions and pension plans with means of 3.50, 3.76, 3.88 and 3.82, respectively. This is to say that the respondent families, on the average, had heard of these savings forms from non-professionals and had also not used these forms of savings before. For all the savings forms, the data showed a deviation towards low and very low knowledge. This indicated that though the respondents on the average have low knowledge about these savings form, a substantial number of the respondents also had very low knowledge about them.

Respondents' knowledge about cooperative society was moderate meaning that on the average, the respondents had used that form of saving though with no professional advice. In view of the data available, one could conveniently say that on the average, the level of knowledge of the respondent families in the studied area regarding the various forms of savings was low.

With regard to the respondents' knowledge on investment, the data indicated that the respondents' knowledge of formal forms of investment like stocks, bonds, fixed deposit account and building a house on the average was either low or very low. All these formal investment forms had means of 4.35, 4.46 and 4.55, respectively. The deviations from the means are also low, an indication that the respondents' knowledge level regarding these formal forms of investment was generally low. The mean knowledge of respondents on real estate as a form of investment was higher than for the first three discussed. The respondents' knowledge on farming was high with a mean of 2.20. This means that on the average, the respondents had engaged in this form of investment before, despite the fact that they never had professional advice on these forms of investment. The high knowledge of families in the study area with regard to farming could be attributed to the fact that farming was the main occupation of most of the studied families. Even, for those families whose occupation was not farming, they engaged in some form of farming. For trading, the respondents' knowledge on it was moderate, thus on the average, they invested in trading before though without any professional advice.

The data also showed that only 14.4% of the total respondents were aware of the fact that banks provide investment avenues for families in the forms of share, fixed deposit account, treasury bills, among other forms of investment. To get a clearer picture of the knowledge of the respondents regarding savings and investment, the differences in their levels of knowledge was calculated using chi-square values. The chi-square values also showed that there were very significant differences in the level of knowledge of the respondent families regarding the various forms of savings and investment. For instance, there was a significant difference between respondents who had very high knowledge on savings account with a bank and those whose knowledge was low. Similarly, there was a very significant difference in the knowledge between respondent families who rated their knowledge in stocks and bonds as low and those who rated it high. The mean level of knowledge of the respondent families on saving and investment are indicated below in Tables 12 and 13 respectively.

Table 12

Mean Knowledge Level of Respondents on Savings

Type of savings		Levels of knowledge					χ^2	Mean	S.D.
		VH	H	M	L	VL			
	f	(%)	(%)	(%)	(%)	(%)			
Knowledge on saving account with bank	155	14.2	21.3	14.2	36.8	13.5	30.39**	3.14	1.297
Knowledge on susu	157	3.8	13.4	22.3	50.3	10.2	104.12**	3.50	0.978
Knowledge on walking bank	156	3.2	9.6	14.7	52.6	19.9	115.28**	3.76	0.984
Knowledge on mutual help group	155	9.0	23.2	16.1	27.1	24.5	16.77**	3.35	1.317

Table 12 continued

Knowledge on credit union	156	7.7	7.7	7.1	44.2	33.3	96.37**	3.88	1.182
Knowledge on cooperative society	157	4.5	5.1	7.6	48.4	34.4	128.00**	4.02	1.015
Knowledge on pension plan	157	12.7	6.4	7.6	32.5	40.8	76.79**	3.82	1.366

VH = very high H = high M = moderate L = low VL = very low

KEY: VH = Had professional advice and invested in it, H = Used that form of savings though no professional advice given, M = Had advice on it by non-professionals and saved in that form before, L= Heard of it from non-professionals but never use it, VL = Never heard of it before.

Table 13

Respondents' Level of Knowledge on Investment

Type of investment	f	Levels of knowledge VH (%)	H (%)	M (%)	L (%)	VL (%)	χ^2	Mean	S. D.
Stocks	157	2.5	3.2	5.7	33.8	54.8	171.89**	4.35	0.919
Bonds	157	1.3	3.2	6.4	26.8	62.4	209.15**	4.46	0.851
Farming	157	27.4	40.1	17.2	15.3	-	24.48**	2.20	1.01
Trading	157	3.2	33.8	28.0	31.8	3.2	114.15**	2.98	0.957
Building a house	156	4.5	5.8	12.8	59.6	17.3	161.56**	3.79	0.948
Fixed deposit account	157	4.5	3.8	7.0	28.0	56.7	163.48**	4.55	3.416

VH = very high H = high M = moderate L = low VL = very low

KEY: VH = Had professional advice and invested in it, H = Used that form of investment though no professional advice given, M = Had advice on it by non-professionals and invested in it, L = Heard of it from non-professionals but never use it, VL = Never heard of it before.

NB : High knowledge = high and very high, Moderate knowledge = moderate and Low knowledge = very low and low.

Insurance

Insurance for the purpose of this study was considered as a contingent type of investment based on Raman's (2002) classification of the types of investment. The respondent households were interviewed to find out their level of knowledge regarding the concept of insurance. The data showed that the concept insurance was very popular among the respondents with over 80% of them indicating that they were aware of the concept. This means that the respondent families collectively had a very high knowledge of the concept of insurance. When those respondents who said they had an idea of the concept were asked to mention some institutions that provide insurance to families, a large array of institutions were outlined. The five main institutions that were common among the respondents responses were State Insurance Company (SIC), Gemini Life Insurance Company (GLICO), National Health Insurance Scheme (NHIS), Star Assurance Company and Vanguard Assurance Company in that order. Unique Insurance Company, Great African Insurance Company, Ghana Life Insurance Company, Metropolitan Insurance and interestingly Social Security and National

Insurance Trust (SSNIT) were not very popular among the respondent household heads.

The data also indicated that the level of knowledge of respondents regarding various insurance policies that they could invest in was, however, not as good as their knowledge about the concept itself. The data showed that on the average, the respondents' knowledge on all the insurance forms provided was low. This indicates that the respondents had at best heard of these insurance forms from a non-professional but never purchased any such insurance policies.

The respondents' knowledge on the other forms of investment was on the average low and in some cases, majority of the respondents' knowledge being very low. In the cases of term insurance and funeral insurance, for example, as much as 58.1% and 50.8% respectively of the respondents rated their knowledge in them as being very low. This means that in the two cases mentioned above, more than half of the respondent households had best heard of these two forms of insurance not even from non-professionals but had never invested in them. The data showed that the rural families used in the study had low knowledge regarding the various forms of insurance even though their knowledge of the broader concept insurance was high. This finding was in line with Raman's (2002) observation that contingency investment is not popular with rural dwellers.

This seemingly low knowledge on contingency investment by the studied families could be explained in view of Maslow's hierarchy of human needs. According to Maslow as cited in Feist (1994), an individual (in this case families) will only meet a higher need if they were able to meet lower level needs. The findings showed that most of the respondent families were still struggling to meet their basic needs for survival and so it was in place that the families were not thinking too much about their financial safety or the safety of their belongings so as to take an insurance policy to protect them. To find out whether there were differences in the knowledge of the respondents regarding their knowledge on insurance, the chi-square values were calculated. The value showed a very significant difference in the respondents' knowledge. The mean of the respondent family heads' level of knowledge is shown in Table 14.

Table 14

Respondents Level of Knowledge Regarding the Various Types of Insurance Policies

Types of insurance	F	Levels of knowledge VH (%)	H (%)	M (%)	L (%)	VL (%)	χ^2	Mean	S.D.
Pension plan	130	16.2	6.2	5.4	36.2	36.2	61.23**	3.70	1.429
Term insurance	129	8.5	3.1	4.7	25.6	58.1	137.94**	4.22	1.218
Life insurance	128	7.0	6.3	8.6	32.8	45.3	82.70**	4.03	1.197
Child education policy	130	9.2	3.1	6.2	39.2	42.3	95.00**	4.02	1.204

Table 14 continued

Funeral insurance	130	6.2	3.1	6.9	33.1	50.8	114.85**	4.19	1.107
Theft insurance	129	4.7	3.1	6.2	38.0	48.1	117.55**	4.22	1.023
Fire insurance	130	6.2	5.8	7.7	45.4	35.4	93.46**	3.98	1.200

VH = very high H = high M = moderate L = low VL = very low

KEY: VH = Ever had professional advice and invested in it, H = Ever use that form of investment though no professional advice given, M = Ever had advice on it by non-professionals and invested in it, L = Heard of it from non-professionals but never use it, VL = Never heard of it before.

Challenges of Saving and Investing by Rural Families

This part of the study aimed at finding out the constraints or the things that inhibit the respondents' attempt to save and invest as rural dwellers. The respondents identified several constraints to their ability to put part of what they earn aside for use in the future. Out of the 62 respondents to that item, 27 representing 43.6% of them identified inadequate income as the main constraint to their ability to save money. According to this category of respondents, their incomes were not able to meet their needs let alone some being left for savings. They considered that though they always tried and wished to save, they were unable to do so due to their limited incomes. As much as 16.1% of the respondents also mentioned sickness as hindrance to their ability to save money.

According to these people, constant illness depleted any money that they had and may want to put aside for future use.

Another hindrance to the studied families' ability to save was the fear of safety of their monies if they saved the money in both formal and informal forms. Some of them mentioned the fact that people may abscond with their monies or thieves may enter their homes and make away with their monies as the hindrances to their savings. Pressure from the extended family as well as from members of the society were also identified by 16.1% of the respondent family heads as a constraining their ability to save money. Factors such as high bank charges, delays and congestions at the banks, remoteness of banks were also found to hinder the rural families'/households' saving abilities. A significant number (8.1%) of the respondents also identified their own inability to manage their financial resources very well as a constraint to their savings abilities while some also named the insincerity of group members (in cases of susu and welfare) as constraints to their savings.

The things that the respondents identified as constraints to their ability to save could be categorised into personal causes (misuse, sickness, and fear of safety of income) with a cumulative percentage of 38.7%. The second category is the societal hindrances (family and societal demands) which constituted 11.3% of the hindrances; economic causes with 43.6% and finally the organisational constraints (dishonesty of group members, high bank charges, delays and congestions at the bank and remoteness of banks) with a cumulative percentage of 9.2%. The constraints identified by the respondents are shown in Table 15.

Table 15

Constraints/Challenges of Savings as Identified by the Respondent Households (N=62)

Constraints	Frequency	Percent
Insincerity of members	1	1.6
Congestion at the bank	1	1.6
Delays at the banks	2	2.2
High bank charges	2	2.2
Remoteness of banks	1	1.6
Inadequacy of income	27	43.6
Fear of safety of income	9	14.5
Sickness	10	16.1
Misuse	5	8.1
Family and societal demands	7	11.3

Constraints to Respondents' Ability to Invest

With regard to the things that hinder respondent households' ability to invest, several causes were identified. The data showed that several things hindered the respondents' investment behaviour. Prominent among these were inadequate capital. More than 31% of the respondent families observed that they were not able to access enough capital in terms of money for their investments. Out of the 83 respondents to this item, 17 representing 20.5% also identified over reliance on natural conditions as a hindrance to their households' quest to invest. This point was mainly advanced by those households who invested mostly in agriculture. They mentioned that they over depended on natural rain for the sustainability of investments in their farms and where there was rain failure, they incurred loses. Access to market for sale of products of invested capital was also another factor that the respondents identified as serving as a hindrance to their investments. The respondents contended that the unavailability of market especially for their agricultural produce made it virtually impossible for them to sell whatever they produced. This usually resulted in their produce getting rotten leading to considerable lose.

Other problems identified by the respondents as serving as hindrances to their investment were high cost of input (7.2%), family and societal demands (6.0%) and poor transportation systems which included poor road network to market areas and also irregular movement of vehicles to and from the communities and the market centers which in most cases resulted in their food stuffs getting rotten (6.0%).

Another hindrance that the respondents identified was the fear of failure or the fear that the investment would not succeed. That is to say that this category of households tried to avoid uncertainty and so there is a high propensity of them not investing. The finding, therefore, showed that ability to take risk is an important hindrance to families' ability to or not to invest. This finding was in accordance with the assertion by Hofstede as cited in Hills' (2002) theory of risk taking propensity as having an influence on the investment behaviour of people. Hofstede also advanced the socio-cultural theory of uncertainty avoidance as exerting a significant influence on people's decision to invest. The findings in this study also showed that one hindrance to the respondent's investment was that they were not certain as to what would happen to their invested fund in the future.

The respondents also mentioned poor management of their income as a hindrance to their investment ability. To these families, it was very difficult to control their use of income to make some available through savings and then translate the savings to investment. This was evident in view of the fact that more than 90% of the respondent households did not use family budgets. The families also cited inadequate knowledge about the forms of investment that they engaged in as serving as a hindrance to the investment that they do. Table 16 shows the percentage distribution of challenges that respondent families' face in their quest to invest.

Table 16

Constraints or Challenges to Respondents' Investment (N = 83)

Constraints	Frequency	Percent
Inadequate capital	26	31.3
Over reliance on natural conditions	17	20.5
Market failures	11	13.3
High input costs	6	7.2
Family and societal demands	5	6.0
Poor transportation systems	5	6.0
Fear of failure	4	4.8
Inadequate knowledge about investment	3	3.6
Abuse of money	2	2.4

Frequency of Savings and Investing by the Respondent Families

This aspect of the study was aimed at finding the frequency with which families in the study area saved and invested. The data collected showed that with regard to savings, a significant number of respondents with a percentage of 35.1% saved sporadically. This means that these people saved as and when they had an excess income. They did not have any specific interval for which they saved their income. These categories of families were those whose incomes were irregular such as farmers and traders. According to them, they saved when there was a good harvest or when sales were good. As much as 44.7% of them also saved either monthly or quarterly. This group was also mainly made up of those respondents who earned income on monthly basis and also of some individuals who made it a deliberate habit to save within specific intervals. It is important to note also that a significant number (20.2%) of respondents were found to be prolific savers who saved either on daily basis or on weekly basis. Most of these prolific savers, however, saved their monies in informal forms such as keeping the money home or with trusted persons or friends in the society.

A cross tabulation between the amount of money saved and the frequency of saving provided a more vivid picture of the amount of income saved and the intervals with which the families save the monies. The data showed that those families who saved less than ten Ghana Cedis (GH¢10) were more likely to save it on either weekly or monthly basis. The findings also indicated that for families who saved between 10 and 39 Ghana Cedis, they were more likely to save it either monthly or occasionally. Also from the data, it was found that as the amount of income saved increased, the number of respondents who saved that amount also decreased and the frequency with which the money was saved also increased with increase in amount saved. For instance, 20 respondents save between 10 and 29 Ghana Cedis as against 8 respondents who saved between 30 and 39 Ghana Cedis and 2 respondents who saved between 80 and 89 Ghana Cedis. This indicated a low savings among the studied rural households and also means therefore that, families with little savings will save more frequently than families with higher savings. Thus families who saved small amounts of money were likely to save it on daily and weekly basis whiles those who saved large sums of money were more likely to save it on monthly or occasional basis. In general, majority of the respondents saved either on monthly basis or on occasional basis. The likely cause of this phenomenon has been explained earlier as being due to the fact that majority of the respondents were self employed and whose source of income was also seasonal. Most of them were farmers who only saved as and when they harvested and sold produce from their farms on seasonal basis. For those who were engaged in artisanal trade, they also argued that the works came occasionally. It was therefore logical to argue that these families could only save when they get some contract to carry out. Table 17 shows a cross-tabulation between the amounts of money saved by respondent families and the frequency with which they save these monies.

Table 17

Cross-Tabulation between Amount of Savings and Frequency of Savings of Respondents

Amount Saves (GH¢)	f	Frequency of Savings					Total
		Daily (%)	Weekly (%)	Monthly (%)	Quarterly (%)	Occasionally (%)	
< 10	24	-	41.7	20.8	16.7	20.8	100
10-19	20	5.0	25.0	30.0	-	40.0	100
20-29	18	.-	11.1	38.8	16.6	33.3	100
30-39	8	12.5	12.5	12.5	25.0	37.5	100
40-49	3	-	-	66.7	-	33.3	100
50-59	6	16.7	-	50.0	16.7	16.7	100
60-69	2	-	-	-	50.0	50.0	100
70-79	1	-	-	100.0	-	-	100
80-89	2	-	-	50.0	50.0	-	100
> 89	13	-	15.4	30.8	15.4	38.5	100
Total	97	3.1	20.6	30.9	14.4	30.9	100

Frequency with which Respondent Families' Invest

The data collected indicated that, for respondents who invested, majority of them (54.3%) invested either monthly or yearly. These investments were mainly in the form of labour and farm inputs, as well as purchase of items for resell. A considerable percentage of the respondents (26.4%) invested rarely. This means that the frequency with which they invested was over a year. They had no specific patterns of investment but only invested in any venture when they had access to some funds. This category of investors probably was those who invested in such forms as house and land. A significant number of the respondents also observed that they invested very often, meaning that they invested on daily or weekly basis. To invest either daily or weekly can only be feasible with some forms of investments such as trading, where one can buy goods for resell either daily or weekly. In general, the respondents on the average invested on monthly and daily basis. Most of these investors could be categorised into what Weirich (1983) described as income investors whose main purpose of investment is to obtain income for living expenses, but who are growth oriented in their investment activities with the main purpose of maintaining his or her purchasing power. This is because most of the respondent families invested in things that they were doing (their occupations). For instance, a farmer invested in his or her farm, which was also his or her occupation.

Preferred Saving Outlets of Respondent Families

To find out the saving outlets that the respondent family heads preferred most, some statements were made for the respondents to indicate their level of agreement or disagreement. The statements were mainly aimed at finding out whether the families preferred formal saving outlets to the informal saving outlets. To find out this, the respondents' answers to the questions were used to evaluate their preference between the two (formal and informal) forms of saving outlets. The data showed that more than 80% of the respondents indicated their preference for the informal saving outlets as against the less than 20% who preferred the formal saving outlets. This overwhelming confidence and preference for informal saving outlets as against the formal ones could be due to multiplicity of factors including the unavailability of the formal financial intermediaries in the area. To clarify the respondents' preferences, they were to state whether they strongly agree, agree, disagree or strongly disagree with the statements. The findings as shown in Table 18 indicated that, on the average, the respondents agreed to the statements that it is time consuming dealing with banks. They also strongly believed that bank operations were too complicated for people who cannot read and write. They added that interest that is paid on monies saved at the bank were unattractive for rural dwellers to save with them. They also agreed with the statements that the requirements for opening bank accounts were beyond their reach, and that saving with informal saving outlets were more convenient than saving with formal saving institutions. The respondents, however, disagreed with the assertion that it was better to save money home than to save it with formal saving institutions like banks.

The interpretation that could be given to these is that, the respondents preferred informal saving outlets like "susu", and "walking" banks to formal forms of saving such as saving with a bank or other non-bank financial institutions since the respondent families held negative views about the formal forms of investment. The only form of informal saving outlet that the respondent families were not willing to use was to save the money home which by extension will include keeping the money with other people like friends or relatives. The respondents' preference was also influenced by the low interest that is paid on money saved with formal savings outlets like banks. This finding was counter to that of Wheley and Kempton (2000) when they observed that savings and investment behaviour among people of just below average incomes is mainly driven by age, and that interest rates do not influence the saving behaviour of people in low-income categories. The findings of this study showed that, interest rates were one of the main determinants of the savings behaviour of rural families (who from the data obviously fell within the low income categories).

Table 18

Respondents' Level of Agreement to the Reasons of Preference of Savings Outlets

Statement		Levels of agreement				χ^2	Mean	S.D.
		SA	A	DA	SDA			
	f	(%)	(%)	(%)	(%)			
Time consuming when transacting with banks	56	9.0	30.8	37.8	22.4	28.77**	2.74	0.909
Bank operations are too complicated for illiterates	155	18.7	37.4	28.4	14.8	60.19**	2.41	0.979
Bank interest are unattractive	154	15.6	31.8	40.3	12.3	32.55**	2.49	0.902
Requirements for opening accounts are beyond the reach of rural dwellers	155	24.5	32.9	26.5	16.1	8.90*	2.34	1.022
It is better to keep money home than to save it with formal savings institutions	156	10.3	7.7	24.4	57.7	98.97**	3.31	0.996
Informal forms of savings are more convenient than formal forms of savings	156	18.6	17.4	22.4	41.7	24.00**	2.89	1.162

SA = strongly agree A = agree DA = disagree SDA = strongly disagree

Respondents had displayed total dissatisfaction with formal savings outlets. This is a challenge for formal financial intermediaries to achieve Reed's et al. (1976) function of commercial banks especially, and financial intermediaries in general, as pooling savings from private sources such as families and individuals and making these saving available for investment. Also, if the function of financial intermediaries as agents for redistribution of income between deficit spending units and surplus spending units in an economy is to be actualized, then formal saving outlets need to install confidence in families to be willing to save with them. These findings are shown in Table 18.

Relationship between Dependent Variables of Savings and Investment as Against the Independent Variables of Age, Family Size, Income, Budget and Knowledge of Savings and Investment

The relationship between independent variables of savings, investment and insurance and other dependent variables such as age of household head, annual income, difficulty in savings and knowledge of savings and investment were found using the data collected from the respondents. To find the relationships, independent variables of savings and investment were weighed against the dependent variables. Pearson's product moment correlation coefficient was used to establish the relationship between the independent and the explanatory variables.

The data showed that there was a significant correlation between age and insurance at 0.01 a significant level. The data showed that there was a positive relationship between age and insurance, which means that, the older the head of a household grows; the more likely that household was to take an insurance policy. The relationship between age and savings and other types of investment was significant at 0.01. The correlation was however negative. This implies that the older a household head, the less likely that household was to save and also invest. In other words, as the head of a family grows, there was a correspondent decrease in the amount of savings and investment that the household engaged in. This means that savings among the studied families was affected by the age distribution of the population, and this finding was in line with the finding of Akpokodje, et al. (2004). In their study of Nigerian households, Akpokodje, et al. (2004) found that demographic factors were significant in savings. Their study tried to find out whether the life cycle model which postulates that the age composition of the population has a significant bearing on savings behaviour in developing countries and whether aggregate saving will be affected by the age distribution of the population. Their study concluded that mid aged families will save more than the young and the aged, but this focuses only on the relationship between age in general and savings and investment.

Interestingly, the data from this study showed a negative relationship between family income and savings and investment (including insurance). From the study, it was found that there was a significant correlation between family income and saving at 0.01 significant levels. The correlation was, however, negative, indicating that the more income a family has, the less likely the family was to save. Or an increase in the incomes of respondent families led to a decrease in their saving as well as investment. The possibility, however, was that those families who had more income and so had saved, did not consider their saving as income and so estimated their income based on what was at hand and so fell within low income households. This finding contradicts that of Akpokodje, et al. (2004), Ogaki, Ostry, and Reinhart, (1996) and Modigliani, (1970), when they found and observed that low income earners like the youth and the elderly had low savings and those in middle age had higher productivity, income and therefore saved more. Their argument was partly based on the belief that as people earn more income, more excess income was left which can easily be transferred into savings and consequently investment after basic necessities of life were met. Their view sounded logical but the findings of this study showed the contrary.

The data also indicated that a family's ability to save and invest was independent of the size of the family. The correlation between respondent families' knowledge in saving and investment and the respondents' ability to save and invest were also not significant. This was Contrary to the finding of Leff (1969) when he conducted a study on dependency rate and savings rates and concluded that household savings especially, in the rural areas, was negatively affected by high birth rates (which dictates to a large extent family size). The finding of this study was that, there was no significant relationship between family size and savings and investment ability of the studied families. In Leff's (1969) study, however, he concluded that disparity in aggregate savings rates between developing and developed countries was attributable to high dependency rates in developing countries. There was also no significant relationship between knowledge in saving and investment as against savings and investment of the respondents. This means that the respondents saving and investment was independent of the knowledge they had about the various saving and investment forms and outlets. The relationships between the variables of savings, insurance and investment as against age, family size, family income, difficulty in savings and knowledge in savings and investment is shown in Table 19.

Table 19

Pearson's Product Moment Correlations of Savings, Investment and Insurance against the Independent/Explanatory Variables

	Y_1	Y_2	Y_3	X_1	X_2	X_3	X_4	X_5	X_6	X_7	X_8
Y_1	1										
Y_2	-.007	1									
Y_3	-.005	.145	1								
X_1	0.216**	-0.185*	-0.185*	1							
X_2	-.030	-.109	-.009	.194*	1						
X_3	-.244**	-.051	-.241**	-.185*	.162*	1					
X_4	-.068	.038	.177*	-.001	.064	-.045	1				
X_5	-.193*	.017	-.029	.060	.163*	.138	.080	1			
X_6	.354**	-.105	-.012	-.119	-.250**	-.397**	.071	-.072	1		
X_7	.022	.020	.044	.110	-.225**	-.246**	-.063	-.148	.334**	1	
X_8	.430**	-.056	-.103	-.022	-.094	-.399**	.004	-.065	.717**	.261**	1

** Correlation is significant at the 0.01 level (2-tailed) * Correlation is significant at the 0.05 level (2-tailed)

Key:

Y_1 = Insurance policy Y_2 = investment Y_3 = saving

X_1 = Age of head of family X_2 = Size of family X_3 = Annual income

X_4 = Family budget X_5 = Difficulty in saving money X_6 = Mean knowledge level on savings

X_7 = Mean knowledge level on investment X_8 = mean knowledge on insurance

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter gives a summary of the study and proposes some recommendations towards improving the savings and investment behaviour of rural families in the study area.

Summary

The main purpose of this study was to find out the savings and investment behaviour of rural families in the Ho Municipality of Ghana. The heads of the selected families were used for the study to ease the burden of attempting to interview entire families.

The study was to find answers to the following research questions which were formulated based on the objectives of the study.

1. What forms of savings and investment do rural families in the Ho Municipality normally undertake?
2. What reasons account for the choice of any particular forms of savings and investment by rural families in the Ho Municipality?

3. What is the level of awareness of rural families in the Ho Municipality on the forms of formal savings and investment opportunities in the Municipality?
4. What are the challenges of savings and investment by rural families in the Ho Municipality?
5. What is the frequency of saving and investment by rural families in the Ho Municipality?
6. What savings outlets do rural families in the Ho municipality prefer and why?
7. What is the relationship between dependent variables of savings and investment as against the independent variables of age, family size, income, use of budget and knowledge of savings and investment?

In order to find answers empirically for these questions, descriptive survey was conducted in four rural communities namely, Awudome-Anyirawase, Anfoeta-Tsebi, Taviefe and Takla in the study area. The total number of families sampled for the study was 160 families from the four selected rural communities using the multi-stage sampling technique. A set of interview schedules were prepared by the researcher and the researcher, together with the four trained research assistants, conducted the interviews on the selected families. Literature was reviewed on the theoretical issues relating to the topic and also from empirical sources which were made up of previous researches on the problem both in Ghana and other countries.

The data collected was analysed using statistical tools such as measures of central tendencies like mean score, standard deviations. Percentages and frequencies were also used to analyse the data. Pearson's moment correlation was also used to find the relationship between some dependent variables and some independent variables.

The major findings of the study were as follows:

1. The main occupation of families in the study area was farming and also, an overwhelming majority of these families had low income level of less or equal to 1500 Ghana Cedis per annum.
2. The first and the second most popular forms of saving among families in the study area were death mutual help groups and “susu” respectively. With regards to investment, it was found out that the commonest forms of investment that the studied households engaged in was farming and petty trading. Most of those who invested in farming invested in such aspects as purchase of farm inputs and hiring of labourers. Other forms of investment that the families undertook were investment in human capital (education of children), transport business and artisanal trading (carpentry, masonry and steel bending). Other forms of investment such as treasury bills, purchase of land, distillery and building a house were also fairly popular among the respondent family heads.
3. The families’ level of knowledge regarding savings and investment was generally low. Meaning that most of the rural families had never had any professional advice on savings and investment forms that are available. Even with farming which is the main occupation of the families, their knowledge in investing in it was moderate.
4. The main constraints to the rural families’ inability to save were identified as inadequacy of income, sickness and fear of safety of their income. Other

constraints identified included family and societal demands, misuse of money as a result of lack of budget, and other problems inherent in the activities of financial intermediaries such as remoteness of banks, high bank charges, and delays and congestion at the banks.

5. With regard to investment, the main constraints to the respondents' ability to invest were inadequate capital, over reliance on natural conditions, and market failures. Others included poor transportation systems, fear of failure, family and societal demands, and inadequate knowledge about investment, high input costs and abuse of money.
6. The frequency with which the rural households saved and invested was found to vary from daily to occasionally and the frequency with which the respondents saved and invested was affected mainly by the amount of money that the family saved. In general, the respondents saved on monthly and daily basis and also on occasional basis. As the amount of income saved increased, the frequency of savings also increased. With investment, significant number of the families invested daily or weekly. For these families, they mainly invest in forms such as trading. In general, the respondents, on the average, invest on monthly and daily basis.
7. The most preferred form or savings outlets of rural families in the study area were the informal saving outlets such as "susu" and mutual help groups. These sources were preferred by the families because they are more accessible and are comparatively easier to use compared to other forms like banks.
8. The findings showed that the older the head of a household, the more likely the household is to take an insurance policy. The same can, however, not be

said of savings and other forms of investment. There was a negative correlation between age and savings as well as other forms of investment. Thus, as a head of a family grows, there was a decrease in the amount of savings and investment that the family engaged in. No significant relationship was however found between family size and savings and investment; there was also no significant relationship between knowledge in saving and investment as against savings and investment of the respondents.

Conclusions

Savings and investment by household in Sub-Saharan Africa have been found to be low. The situation is even lower in the rural areas where the incomes of most households are insufficient to meet the needs of the household. Low income levels in rural Ghana, coupled with the rural dwellers low level of knowledge in formal savings and investment opportunities, have made the rural households save and invest in informal forms for a very long time and the trend does not seem like it is likely to change any sooner. The unavailability of banks in most rural communities in Ghana is a challenge that stakeholders in the financial sector have to confront as this is a major contributing factor to the rural households decisions to save and invest in non-productive forms as in building a house or keeping the money home.

The savings and investment behaviour of rural households in the Ho Municipality cannot be said or described as the best. The age distribution of the population, coupled with the income levels of the families, is a major determinant of the savings and investment behaviour of the families in the study area. The families save more in the informal forms partly due to their low knowledge about formal investment forms and their unfavourable perception about the formal forms of saving and investment. The families' main forms of investment are in the real forms and in their occupation, mainly to earn income to live on. Their ability to save and also invest is hindered by social, economic, personal and organisational constraints. In general, the saving behaviour of the rural families in the Ho Municipality is characterized by low saving, savings in the informal forms and irregularity of savings as a result of no deliberate decision to save. Similarly, their investment behaviour is characterized by investing in primitive and indigenous occupations mainly driven by their low level of awareness of other investment opportunities.

To improve the living conditions of the rural households, it is important to ensure that families put aside or defer their current expenditure until later and also put some into productive ventures. The current trend where the households save in the informal forms and invest in only their indigenous trades ought to be discouraged.

Recommendations

The researcher recommended the following, based on the findings of the study:

1. Rural financial intermediation should be encouraged in the rural communities in the Ho Municipality. This can be done through the encouragement of rural banks in the Municipality to open agencies and branches in selected rural communities in the Municipality while the establishment of new rural and

community banks must be encouraged. To this end, the Bank of Ghana should formulate new policies and guidelines that will make the establishment of rural and community banks easier. This will help in the establishment of new rural and community banks especially in the study area.

2. Rural families should be educated on the various forms of savings and investment opportunities that are available to them. This will improve their knowledge on the various forms of savings and investment and they will be encouraged to participate in them. For instance, agricultural extension services should be made available for those households who invest in farming. The education can take different forms, either through radio broadcast, community talks or if possible, in the form of extension services where the officers will work with families as units.
3. Financial counselling services should be made available to all households, including rural households, to equip them with the skills and competencies of managing their financial resources to meet both the present and future needs of the household. This will help address the problem of not being able to save and invest due to mismanagement of income that some of the families are currently facing.
4. Basic concepts in family financial management should be introduced into the curricular of Junior and Senior High Schools to provide them with basic knowledge on savings, investment and general money management practices which they can apply in their day to day living. It should not be a new subject all together, but should be part of the content of their social studies course

(which is a core subject at both levels) to enable all students acquire an appreciable knowledge in family financing.

5. It is also recommended that a course in personal and family finance be introduced at the Senior High School level. It should be one of the subjects under Home economics aside the food and nutrition and clothing and textiles

Recommended areas for further studies

It is recommended that further studies be conducted in the following areas:

1. A comparative study should be conducted either in the same or other municipalities or Districts to compare savings of rural households to that of urban households to see if there is any significant difference between their savings behaviour and factors that account for the differences if any.
2. A comparative research should be conducted between farming communities and other commercial communities like the mining communities to find out if there will be any difference in the savings and investment behaviours of the families living in the two types of communities.
3. There is also the need to investigate the relationship between financial counselling and satisfaction in money management by rural households in Ghana. The study should be aimed at finding out whether or not families that receive financial couselling will obtain more satisfaction in the management of their income than families that have not received this service.

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Appendix A

Questionnaire

UNIVERSITY OF CAPE COAST

FACULTY OF EDUCATION

DEPARTMENT OF VOCATIONAL AND TECHNICAL EDUCATION

TOPIC: SAVINGS AND INVESTMENT BEHAVIOUR OF RURAL FAMILIES IN THE HO MUNICIPALITY OF THE VOLTA REGION OF GHANA.

INTERVIEW SCHEDULE

Introduction

This is a research being conducted by a Master of Philosophy (M.Phil) student of the Department of Vocational and Technical Education, University of Cape Coast. The aim is to find out the savings and investment behaviour of rural families in the Ho Municipality in order to add up to the stock of knowledge on savings and investments in Ghana. The research is also expected to make recommendations on how to ensure the financial security of rural Ghanaian families.

You are respectfully requested to give your candid opinions. You are assured that all responses will be treated with the confidentiality that they deserve and will be treated with anonymity. Also be assured that your responses will be used for academic purposes only.

Thank you in advance.

A. DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

1. Age of head of family

25 and below years	[ ]	26 – 35 years	[ ]
36 – 45 years	[ ]	46 – 55 years	[ ]
56 – 65 years	[ ]	Above 65 years	[ ]

2. Sex of head of family

Male [ ] Female [ ]

3. What is the size of your family?

Four and less	[ ]	Five to seven	[ ]
Eight to ten	[ ]	Above ten	[ ]

4. Occupation of the head of the family/household

If your occupation is farming, what type(s) of crops do you cultivate?

Cash crop [ ] Food crop [ ] Both [ ]

5. What are the two main crops that you cultivate? (For respondents whose occupation is farming only)

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6. What is your annual income in cedis? Tick (√) the option that corresponds with your income.

Less than 5m (500 GH. Cedis) [ ]

5m to 10m(500 to 1000 GH. Cedis) [ ]

11m to 15m (1100 to 1,500 GH. Cedis) [ ]

16m to 20m (1600 to 2,000 GH. Cedis) [ ]

Above 20m(2,000 GH. Cedis) [ ]

7. Do you have a family budget?

Yes [ ] No [ ]

8. State in order, how much of your annual income do you spend on the following items.

NB: 1 is the highest and 7 the least.

Food [ ]

Housing [ ]

Education of children [ ]

Utilities [ ]

Savings [ ]

Invested in a business eg farm [ ]

Clothing and household appliances [ ]

9. Do you deliberately save part of what you earn?

Yes [ ] No [ ]

B. FACTORS THAT ACCOUNT FOR THE CHOICE OF SAVINGS AND INVESTMENT FORMS.

10. About what percentage of your income/earning do you save?

Less than 5% [ ]

Between 6% and 10% [ ]

Between 11% and 15% [ ]

Between 16% and 20% [ ]

Over 20% [ ]

11. Where do you usually save your money?

Home [ ]

Bank [ ]

Credit union [ ]

Walking bank [ ]

With other peoples [ ]

Others (Specify)---

12. If you save with a bank, what is the name of the bank and what type of account do you operate with the bank?

Name of bank---

Type of account operates---

13. Which of the following factors influence your decision to save with the institution you save with?

Rate of return [ ]

Safety [ ]

Ease of accessibility [ ]

Lack of any other saving outlet [ ]

Others (Please specify)--

14. Approximately how much did you save

a. Last month--

b. Last two months--

c. Last three months--

d. Last year--

15. Do you have any insurance policy?

Yes [ ] No [ ]

16. If you answer yes to question 15 above, what insurance policy or policies do you hold?

Life insurance [ ]

SSNIT [ ]

Fire, theft or motor insurance [ ]

Child education policy [ ]

Others (specify) ---

17. How much premium do you pay and how often? (if you are not sure, leave space for amount blank).

Premium	Amount	Frequency
I		
II		
III		
IV		
V		

C. FREQUENCY OF SAVING AND INVESTING.

18. How often do you save money?

Daily [ ]

Weekly [ ]

Monthly [ ]

Quarterly [ ]

Others (Pease specify) --

19. approximately how much do you save within the period indicated above? -

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20. What kind(s) of investment do you engage in?

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21. What is the frequency with which you invest?

Very often [ ]

Often [ ]

Rarely [ ]

Never [ ]

Key: Daily –weekly = very often, a month- yearly= often, over yearly= rarely, do not save at all = never.

D. CHALLENGES OF SAVING AND INVESTING

22. Do you face any difficulty saving money?

Yes [ ] No [ ]

23. If you face difficulties, what are the two main difficulties that you face?

a---

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b---

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24. Generally, what are some of the things that encourage you to save? Rank them in order of importance from the most encouraging as 1 to the least as 4.

Helps to meet emergencies [ ]

Help buy expensive items in the future [ ]

The money increases in value [ ]

To depend on when I can no longer work [ ]

25. What challenges do you face when investing?

E. PREFERRED SAVINGS INSTITUTIONS AND WHY

26. Which of the following places will you prefer to save your money? State in order of priority, 1 as the most preferred and 7 the least preferred.

Banks [ ]

Credit union [ ]

Welfare society [ ]

Susu [ ]

Walking bank [ ]

Keeping the money home [ ]

Keeping the money with trusted friend [ ]

27. Give reasons your first two choices

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28. Which of the following forms of investment will you prefer and why? State in order of preference, 1 the most preferred and 7 the least preferred.

Choice	**Preference**	**Reasons**
Trading		A b
Shares or Bonds		A b
House		A b
Jewelry and other precious metals		A b
Farm		A b
Transport business		A b
Education or skill training for children or self.		A b

29. State your level of agreement and disagreement with the following statements

	SA	A	DA	SDA
It is time consuming transacting with banks				
Bank operations are too complicated for illiterates.				
Interest paid on savings at the bank are unattractive to families so save at the banks.				
Requirements for opening bank accounts are beyond the reach of rural dwellers.				
It is better to keep money home than to save it with formal savings institutions.				
Informal forms of savings are more convenient than formal forms of savings.				

KEY: SA= Strongly Agree, A= Agree, DA= Disagree and SDA= Strongly Disagree.

F. KNOWLEDGE OF SAVINGS AND INVESTMENT

30. How will you rate your level of knowledge regarding the following forms of saving?

	Very high	High	Moderate	Fair	Low
Saving account with a bank					
Susu					
Walking bank					
Mutual help group					
Credit union					
Cooperative society					
Pension plan					

KEY: Very high = Ever had professional advice and use it, High = Ever use that form of saving though no professional advice given, Moderate = Ever had advice on it by non-professionals and use it, Fair = Heard of it from non-professionals but never use it, Low = Never heard of it before.

31. How will you rate your level of knowledge regarding the following forms of investment?

	Very high	High	Moderate	Fair	Low
Stocks					
Bonds					
Farming					
Buying and selling					
Building a house					
Buying a vehicle					
Fix deposit account with a bank					

KEY: Very high = Ever had professional advice and invested in it, High = Ever use that form of investment though no professional advice given, Moderate = Ever had advice on it by non-professionals and invested in it, Fair = Heard of it from non-professionals but never use it, Low = Never heard of it before.

32. Are you aware that banks provide investment packages to individuals and families?

Yes [ ] No [ ]

33. If you answer yes to question 32 above, name two of these packages

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34. Have you heard of the concept insurance before?

Yes [ ] No [ ]

35. If you answer yes to question 34 above, how will you rate your level of knowledge regarding the following forms of insurance?

	Very high	High	Moderate	Fair	Low
Pension plan					
Term insurance					
Permanent life insurance					
Child education policy					
Funeral insurance					
Theft insurance					
Fire insurance					

KEY: Very high = Ever had professional advice and had/have a policy in it, High = Ever had the policy though no professional advice given, Moderate = Ever had advice on it by non-professionals and had/have a policy in it, Fair = Heard of it from non-professionals and never had a policy in it, Low = Never heard of it at all before.

36. Name few institutions you know that provides insurance to families in Ghana.

G. FORMS OF SAVINGS AND INVESTMENT

37. Do you do any form of investment?

Yes [ ] No [ ]

38. Do you deliberately save part of what you earn?

Yes [ ] No [ ]

39. Do you consider sending your children to school or to learn trade as investment?

Yes [ ] No [ ]

40. Explain your response in 39 above---

41. Do you belong to any of the following? If you do, how much is your last contribution.

GROUP	YES	NO	Last Contribution In Cedis
Susu group			
Credit union			
Cooperative society			
Mutual help group			
Walking bank			

42. Did you purchase any of the following within the last one year? How much did it cost you?

Item	Yes	No	Cost in cedis
Expensive jewelry			
Expensive beads			
Kente cloth			
Wax print			
Building materials			

43. What was the purpose of the purchase?

For keep [ ]

To re-sell in the future [ ]

For personal use [ ]

Others (please specify) --

44. Which of the following do you own? (Multiple response)

House [ ]

Farm [ ]

Land (freehold only **NOT** family land) [ ]

45. If you own a house, do you or will you consider your house as an investment?

Yes [ ] No [ ]

If you answer yes to question 45 above, explain your response

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