

Enhancing Savings Culture in Ghana: The Financial Institutions' Perspective

Georgina Ansong

Beautiful Creation Group of Companies, Accra, Ghana

Email: ginasong2001@yahoo.com

How to cite this paper: Ansong, G. (2024). Enhancing Savings Culture in Ghana: The Financial Institutions' Perspective. *American Journal of Industrial and Business Management*, 14, 825-851. <https://doi.org/10.4236/ajibm.2024.146042>

Received: May 2, 2024

Accepted: June 25, 2024

Published: June 28, 2024

Copyright © 2024 by author(s) and Scientific Research Publishing Inc. This work is licensed under the Creative Commons Attribution International License (CC BY 4.0).

<http://creativecommons.org/licenses/by/4.0/>



Open Access

Abstract

The study sets out to investigate how savings culture in Ghana can be improved especially following Ghana government's directive dictated by the IMF towards reducing expenditure in order to improve government's capacity towards accommodating the repayment schedule arranged with the IMF in respect of a USD 3 billion bailout facility. This led to the "haircutting" of all financial assets including government bonds and treasury bills and other investment products thereby incurring the wrath of the investing public. In conducting the study, random sampling technique helped in selecting 5 out of the 23 commercial banks operating in the Accra business district. Purposive sampling technique was then applied to select both officials and customers of the selected banks for their views on specific objectives of the study. The main research instrument was the questionnaire technique and Statistical Package for Social Science (SPSS) facilitated the analysis of data. Findings of the study indicated that comfortable interest income and extensive advocacy techniques are usually the main strategies adopted by stakeholders to encourage members of the public to save. Causes of low savings culture in the country include unrealistic interest paid by the banks on savings and investment products as well as high cost of living in the country which makes it very difficult to live on one's salary, let alone thinking of saving some of it. The study also found out that savings will be enhanced if we deemphasize the use of cash as gift for contest of various types in the country, in favour of investment or savings products such as government bonds, treasury bills or other fixed investment products. Judging from the importance of savings to an economy especially its ability to grant banks more funds for on-lending to various category of businesses for expansion purposes leading to creation of more jobs for the youth, it stands to reason that every effort must be made to step up savings culture in the country. Government also sometimes solicits funds from banks to provide better social amenities and infrastructure for making life much more comfortable for the citizenry. In the light of the above findings, the study

recommended that stakeholders especially government and the banks should put in place structures which include sensitizing students right from the pre-tertiary stages on the need to save to strengthen future socio-economic development. Saving is a must and therefore stakeholders should all come on board to encourage this culture in the country.

Keywords

Savings Culture, Economic Growth, Interest on Savings, Financial Assets, Standard of Living

1. Introduction

For some time now, the Ghanaian economy has been such that individual savings whether in financial assets or interest free savings continue to be on the lower side although such savings often assist the banks in gathering a lot more funds for investment purposes (Addai et al., 2017). With adequate funds from savings, banks are able to grant huge loans for small, medium and large companies to expand operations leading to the creation of more job and improvement in the Gross Domestic Product (GDP) of a country. This way, the standard of living of the people can be improved since a lot more citizens will be engaged in gainful employment thereby making the economy bubble in the desired direction. Given a cash strapped economy, Ghanaians are finding it difficult to make ends meet let alone saving part of their earnings or picking up investment products from financial institutions. The situation is exacerbated by recent occurrences in the Ghanaian economy especially, the IMF directive on government to scale down its expenditure in order to be able to service a proposed repayment schedule in respect of a USD 3 billion-bailout facility to stimulate the economy. This resulted in the cutting down of private investments in government financial assets such as statutory bonds, treasury bills, among others under the financial “haircut” framework which attracted a lot of disturbances from retirees and other individuals who had subscribed for such government influenced investments. Obviously, most of the affected individual investors regretted patronizing government’s investments.

Over the years, these government’s financial assets have been noted by Ghanaians as one of the safest avenues for investing excess or pension funds. It therefore came as a big blow when IMF directive pressurized government of Ghana to reduce its spending which had effect on payment of interest on financial assets. This led to a lot of these private investments being discounted in a manner that continues to discourage members of the financing public from saving surplus funds in a conventional way i.e. acquiring financial assets or establishing fixed deposit accounts. For some time now, Ghanaian retirees have been investing pension funds and other social protection products with reputable fund management organizations like the SAS Finance Group which is one of

the key global investment banks and other financial securities management outfits.

Taking cognizance of the socio-economic importance of savings to an economy as exhibited above, it behooves on stakeholders especially financial institutions towards crafting a strategy for motivating members of the public to save irrespective of the IMF debacle explained above. Accordingly, this study examines how the savings culture of Ghanaian residents can be rekindled especially by financial institutions so as to enable them acquire more funds for on-lending at reasonable rate to help grow the Ghanaian economy.

Specific objectives flowing from the above main objective include:

- Evaluating the existing arrangements for attracting and promoting savings by financial institutions in Ghana
- Ascertaining views from stakeholders especially bank officials and their customers on the importance of savings to the socio-economic development of a country
- Investigating further the reasons behind seemingly low savings culture in Ghana even before the IMF directive
- Developing for consideration further strategies for enhancing savings culture in Ghana

2. Literature Review

2.1. Conceptual Review

Writers on finance such as [Kast et al. \(2018\)](#) define savings as “the portion of income that is not consumed”. Savings also include landed property and other assets. The general advantage of landed property as the surest way of savings stem from the fact that these properties assume values which are more attractive than the original amount kept in the bank account. This appears to be the reason why landed property continues to be the main collateral security accepted by lender. Landed property is also considered as an essential investment product because they hardly deteriorate but often appreciate in value thereby justifying the preference of financial institutions as collateral security ([Jack et al., 2016](#)). In this study, savings connote money or funds that one keeps in the savings or susu account as featured by Ghana Living Standard Survey (GLSS) 5 and therefore corroborates the earlier definitions of savings by [Kast et al. \(2018\)](#). One may also define savings to reflect any situation where value has been stored. Savings can therefore be defined as storage or valuables or items which can easily be converted into cash. Savings may also be seen as the portion of one’s income that has not been consumed but rather kept for future exigencies ([Mexhuani & Ribaj, 2018](#)). Analyzing the above definitions of savings makes one gain the conviction that savings “have to do with deducting consumption from income”.

[Karlan et al. \(2014\)](#) also found out that in advanced countries, individuals conduct savings for various different purposes. As an illustration, one can point out that when officials of agriculture extension department spend useful time on

field draining rather than planting and harvesting crop, they can be seen as saving while at the same time too investing. Savings of this kind really comes to the limelight when one conceives the fact that instead of doing things which will bring about consumption now, provision is being made for huge future consumption. Savings therefore has to do with postponing enjoyment now and doing so later. Such savings are often measured by examining or analyzing the difference between their real net income and consumption. From the foregoing, one can clearly indicate that basically, looking at this perspective, it is only logical for one to note that savings is conducted by various types of people as well as households, individuals, families and pension funds, among others. Findings by [Issahaku \(2011\)](#) on “determinants of saving and investments in Nadowli district in the Upper West region” pointed out that savings has taken place when expected income has not been disbursed for procuring goods and services. In the field of microeconomics, the aforementioned author saw a very close relationship between savings and investments. Also explained by the above source is that, failing to apply income to exchange goods and services, one is surely going to invest some kind of resource to come out with both tangible and intangible capital e.g. on-the-job training, schooling, machinery, among others. Earlier economists like David Ricardo and Adam Smith noted that savings reflect a strategic variable within the concept of economic growth which can hardly be discarded in examining a community’s economic growth ([Lidi et al., 2017](#)). [Mexhuani and Ribaj \(2018\)](#) also found out that factors influencing the decision to save by an individual within the household are usually fragmented between instinctive savers and congenital savers. Instinctive savers have it that the main factor influencing the decision to save lies with the person’s inborn features even though as time goes on the decision can be influenced by occurrences within the social horizon especially environment. This clearly points to the direction that in high economic development areas, instinctive savers often have the urge to save more and these are often influenced by congenital factors and when this happens the size of the savings is not likely to change even when there are periods of recession in the economy ([Murshed et al., 2021](#)).

The potential of an individual to save constitutes a part in instinctive saving which has to do with deliberate saving even though there are strong indications of changes occurring on the earlier scenario. This brings us to the fact that even when one makes a choice deliberately, such a move may not always be beneficial economically. [Lidi et al. \(2017\)](#) therefore admits that savings can be seen as a portion of household’s income which is often not used for consumption but constitute remaining quantities which are often determined based on consumption propensity. It is also worth noting that income recipients often plan over long periods of intervals to reserve some income from consumption and therefore there is the propensity of picking out some unnecessary expenditure items and in the process ensure that the likelihood of savings can be measured by some factors within a framework of choices which helps in administering the income allocated to acquiring items for consumption.

Traditionally, Germans usually enjoy the concept of “value saving per se” and therefore are reluctant in adhering to the kind of consumption dictated by the Americans although one can clearly see influences of America on the consumption patterns of Germans after the war (Vosen, 2012). As far back as 1960, Germans who lived in high level savings thereby keep a considerable portion of their income unspent than what prevails in the US. The fact remains that rate on savings in both Germany and US have continued on the downward level since 1975 although the decline rate is lower in Germany than in US. Studies conducted in Italian household savings by Karlan et al. (2014) indicated that savings rate among Italians continue to show high variability after the Second World War and trend continues to decline owing to high proportion of the population being their 50s and 60s. National rate of savings in Italy appears to be 3.4% higher than the average measured with the group of seven which was measured in the early 60s (Karlan et al., 2014). The source noted that the savings rate showed 2% in the 70s and 1% above average in the 80s. From the foregoing, it is clear that within the three periods, notably 60s, 70s and 80s, Italy registered a high rate of savings which only come second to Japan globally.

2.2. Theoretical Review

Several theories support the concept of savings yet for purpose of this study, three theories worth reviewing are the Life Cycle Theory, Friedman Theory of Permanent Income and Katona’s Theory of Savings which have all been discussed hereunder.

2.2.1. Life Cycle Theory

This concept is of the conviction that the individual or households make serious efforts at maintaining family’s expenditure pattern constant within a given life-cycle (Wagner et al., 2005). This presupposes that when individual or family’s income level fall short of the expected earnings for a given life cycle, then there comes the need to secure a loan and alternatively when expected income is higher than expected levels, the difference i.e. surplus will then be pushed to savings. This way, consumption at the family or personal level is kept at the level which will make it possible for stabilizing the planned savings. The behavior of savings can be seen to be affected by consumption and income. In the opinion of Wagner et al. (2005) the “Life Cycle Hypothesis (LCH) rest on the assumption that savings and consumption patterns illustrate an individual’s stage or age within the life cycle”. The source continues that a lot of savings occur in the middle years of the individual although the LCH model mentions some significant heterogeneity across age cohorts. These authors also point out that the lower income household often has difficulties in portraying the behavior of savings spelt out in the LCH model. Schultz (2005) on his part pointed out that the theory also indicates that the behavior of the youth and the elderly in terms of finance are different compared to individuals in the productive age bracket. With parents devoting a lot of income for bringing up their children, the quan-

tum of savings made by the parents will therefore reduce considerably. As expected, savings averages improve when emolument levels also increase because those in productive group often maintain average consumption levels i.e. sustain their standard of living during active life. This suggests that when the senior citizens in population increase, savings turn to decrease because the likelihood of dissaving to occur is very high. This is mainly caused by high expenditure patterns thereby forcing down the capacity to save and therefore erode savings made (Wagner et al., 2005).

Other writers like Quartey and Blankson (2008) are of the view that certain psychological factors such as mental accounting and self-control all influence the way the elderly people behave towards savings. The writers further indicate that people maintain some discriminatory tactics in treating their wealth and that the spending manner of their wealth depends upon the way they see or regard such funds. For instance, current income, current asset and future assets are featured differently based on how the earners perceive these wealth materials. Regarding self-control, the coauthors point out that the elders usually implement certain rules that help them in spending such funds with great caution. The rules employed are often self-inflicted or sometimes they listen and adhere to certain external pieces of advice.

2.2.2. Friedman Theory of Permanent Income

Another theory which influenced savings lies with Friedman Theory of Permanent Income. The theory of permanent income also concerns the life cycle hypothesis. It is also based on an individual perception of present future income. In cases where income becomes higher than one's permanent income, then the situation is considered as being in a realistic, reasonable or comfortable income level. Friedman explains that people often save for reasons such as bequest motive in which the savings is motivated by the purpose of leaving good quality inheritance for children and future generations i.e. posterity (Otto et al., 2006). The core theme surrounding the current income hypothesis, proposed by Milton Friedman in 1957 indicates that individuals usually consume goods and services according to the level of their normal income (Karlan et al., 2014). This usually assist in maintaining a consistent lifestyle and when variations occur in income levels, i.e. yearly or monthly, people continue to maintain their chosen constant living standards. Consequently, increment or decrement in an individual's income are often seen as short-lived and for that matter bears very little effect on their consumption patterns. This helps in concluding that consumption usually is based on one's anticipated earning over a reasonably long time period. Moreover, the life-cycle hypothesis indicates that in real life situations, uncertainty often occurs in people's income and in times like this savings is done during the period of high income compared to unchanged level of expenditure. Alternatively, people reduce their savings in situations when income becomes lower or at par with consumption (Karlan et al., 2014). The source further indicates that life-cycle hypothesis together with permanent income usually influence the rela-

tionship, consumption and income. Under such circumstances, any level of exogenous change in investment brings about no noticeable “constant multiplier effect”. Additionally, evidence in the permanent income hypothesis indicates that people endeavor to decide on their own whether a change in income has a short duration or not. An individual decides that the change is temporary, then an increment in income will not affect spending levels adversely. Alternatively, when the decision shows that the income change is permanent, then the individual will adjust consumption patterns upwards a bit, to suite the size of the perceived adjustment in the amount. An attempt to evaluate the difference in the two theories indicates that the life-cycle hypothesis brings in more access into the consumption function and therefore comes with the role of the stock exchange (Karlan et al., 2014). As a result, an increase or positive arrangement in the value of a stock enhances wealth thereby enhancing consumption while a drop in stock market price usually brings down consumption levels. This points out that financial markets have their role to play in the concept of investment consumption. It is worth noting that the permanent income hypothesis creates gaps in the consumption patterns while one recognizes the fact that an increase in income does not necessarily come up with increases in spending consumption, although each time there is a likelihood of large impact on consumption.

The writers explained that any behavioral pattern that results in a gap occurring between the relationship of income and consumption will turn to facilitate the realization of the type of savings that rhymes with the business cycle theory. There is no doubt that a change in spending could likely effect the change in income yet, individuals are slow in trying to adjust their incomes with related spending framework. This often comes about owing to the fact that there is the need to introduce decorum in consumption patterns should savings remain constant i.e. not compromised or injured in anyway. For mankind to spend extra then, there is the need for adjusting income levels proportionally. Usually, when individuals increase spending levels, it certainly takes much longer time for its impact to show on the existing income levels. Admittedly, when a nation experiences a period of lags in its consumption pattern, government does not have it easy in attempting to control the economy. It is a fact that when government makes a shift in policy, it does not immediately influence an income and savings but such government attempt will gradually influence savings since cost of living will have to be affected in the long run by the directive and this will obviously result in an erosion in the savings of the people (Todaro & Smith, 2006). Alternatively, if change in government policy result in corresponding change in the levels of income, then one quickly expects some kind of compensation for increases in standard of living of the people leading eventually to the occasion when hike in the cost of living could be handled by proportionate change in the levels of income (Karlan et al., 2014).

2.2.3. Katona's Theory of Savings

Fisher's theory of savings notes that savings relate to consumption and that any

amount individual can save depends upon his or her willingness to save which act as a guide for the individual towards establishing a careful approach towards consumption (Otto et al., 2006). Even though the theory underscores the importance of income, it illustrates that its inherent hypothesis appears too simple and sought to say that by just experiencing leftover money after expenditure on necessities, it is not adequate enough to indicate the situation as safe funds or can be saved. In order to predict savings, one should thoroughly analyze an individual's willingness to save since the process demands willpower in order to embark upon saving. Having the willpower to save presupposes that one should carefully examine the family's necessities such as prices, family, children education, utility while some other factors in addition so as to maintain the absolute willpower and discipline for one to eventually save (Fisher, 2010). The decision to save also demands that one should be abreast with macroeconomic indicators especially exchange rate, inflation, unemployment rate, bank rate etc. which all have negative effect on spending and for that matter individuals ought to exercise great caution in evaluating one's financial uprightness prior to taking a decision to save. Given the fact that mankind saves with different reasons, Katona theory emphasizes that one's skills for evaluating economic hardship should be predicated on some kind of discretionary savings besides having contractual arrangements in place (Fisher, 2010).

2.3. Empirical Review

Reviewed hereunder are two relevant articles emanating from works done by Dagunga et al. (2020) on "savings and economic diversification among youth in Ghana: implications for policy and practice" and another publication authored by Husin and Mohamed (2020) on "the effects of savings culture and government policy in instilling the habit of savings".

2.3.1. Dagunga et al. (2020) "Savings and Economic Diversification among Youth in Ghana: Implications for Policy and Practice, Cogent Economics & Finance, 10:1, 2123887, DOI: 10.1080/23322039.2022.2123887"

This first article authored by Dagunga et al. (2020) seeks to address the implication for policy and practice following the perceived savings and economic diversification among youth in Ghana on cogent economics and finance. Diversifying an economy through small and medium agro-businesses with setting up businesses in the rural areas sounds very helpful in building resilient livelihood structures for the underprivileged. Large number of youth do earn their emolument at both rural and urban areas in addition to multiple locations and in different nations by engaging somehow temporary kinds of business in some economies or entirely migrate in order countries seeking jobs (FAO, 2012). In the opinion of Beverly et al. (2008) the savings amongst youthful citizens and accumulation of assets are usually directed at individual constructs such as family support, knowledge and availability of economic resources. This clearly suggests that, families help the youth in establishing businesses and this is a tradi-

tional practice in the Kwahu Clan of Ghana where uncles and nephews establish shops with the nephew as shop hands. As the business grows, harmless thievery goes on with the uncle unconcerned because traditionally that is what the young man should do to acquire funds to establish his own company. Sometimes, government institutions come in to help the private sector but this occurs when government is aware and assured that products and services at the company are the type that the public will subscribe to and therefore there is a need for government to assist while providing finance through financial institutions. Periodically, government institutions are made to supervise or conduct audit of what the individual much younger enterprises are faring as well as government fund is concerned. With savings gathering momentum, [Chowa et al. \(2013\)](#) are of the view that a growing body of knowledge explains that youth financial inclusion really enhances savings programmes which often precipitate a large positive outcome. Such areas experience expansion in economies after recruiting large amounts of socioemotional development and financial wellbeing of the citizenry ([Huang et al., 2014](#)). Available data in fact often indicate that a lot of youth in black Africa and Ghana usually do not save or operate bank services owing to inadequate economic opportunities and underemployment. It is the estimation of World Bank that 9.32% of the youth with ages between 15 and 24 within the Sub-Saharan Africa (SSA) usually save in formal financial institutions some time ago ([Demirguc-Kunt & Klapper, 2012](#)). Populations in Africa especially Ghana do have high volumes of youth but very disturbingly, most of them are perceived as vulnerable when we think of livelihood empowerment framework.

According to [Zou et al. \(2015\)](#) the concept of financial inclusion actually help students to improve their savings culture which reflects in a number of positive socioeconomic outcomes attracting global attention. On the other hand, a good number of youth in Ghana do not save and an effortless research indicated that they even do not get enough to consume as consumers let alone saving some for the future. [Zou et al. \(2015\)](#) did conduct a research on “Youth Save” activity conducted in Ghana and Kenya and the researchers found out that support of parents, staff of school as well as financial institutions are actually originators of youth participation in savings. Some of the youth also participated in a popular Youth Save Project but struggled with inadequate financial resources and high demand for their emolument and money. According to [Zou et al. \(2015\)](#) the absence of financial resources as a result of low academic opportunities continues to be one of the leading challenges to youth savings in Ghana.

2.3.2. Husin and Mohamed (2020) “The Effects of Savings Culture and Government Policy in Instilling the Habit of Savings: Evidence from a Survey of Public Sector Employees. *Advances in Social Science, Education and Humanities Research, Volume 564*”

According to [Jean-Paul \(2001\)](#) generally, the rapidity within which economies grow can be facilitated by individuals saving more of their funds. The source explains that savings may be described as the resources which can be made available for the youth in future either during emergency period or investment pur-

poses in addition to lifecycle needs. Campos (2001) notes that although savings enjoy many definitions, to him, it is the effort towards accumulating financial and non-financial assets which can be used for consumption in the future or to serve as production input. Generally, employees would fix income ought to be in the position to save appreciably. This stems from the fact that, writers like Foster (1996) indicate that workers with income ought to make good progress towards having active savings culture. With individuals, the intention to save usually depends upon ideas that are generally temporary (McConnell, 2012). It is equally possible that in most cases, individual attitude to save can only be performed when they have to embark upon a self-improvement project, then, they initiate the path to save money. Savings have also been seen as something that young Georgians are willing to do provided they intend living a better life in the future or not (Chudzian et al., 2015). This helps the individual to somewhat live a happy life with sufficient money in future. Savings, according to Dolan et al. (2010) often come about when the government in power does well and residents are ready to help by embarking upon constant attitude. This way, the savings will ensure that adequate is gathered at the bank for government to tap in and promote social amenities, infrastructure, thereby modifying the edifices of the country. When individuals are happy with the way government is spending resources, this facilitates the need for the individual to save towards helping a performing leader. Government normally produces bonds, treasury bills and other financial assets which assist government to rope in cash for developmental purposes. It is therefore logical according to Dolan et al. (2010) for individuals to help government meet its objectives through encouraging individuals to save more so as to reap more social amenities and better infrastructure. Some governments also employ tools like incentives and information to influence savings behavior by individuals. Malaysians for instance have seen the good works of the government and therefore more than 50% of them maintain various kinds of savings account which initially are meant for themselves but can be tapped by the government for the developmental purposes (nielseniq.com, 2014). Some individuals also lack the culture especially knowledge of managing money and for that matter see savings as the main tool to actualize their saving culture. While there seems to be high savings culture in Malaysia, it came as a surprise that a survey conducted in 2015 by Global Financial Literacy Survey pointed out that over 100,000 Malaysians came under bankrupt level and actually had to face with the issue of household debts in Malaysia. Problems of insufficient savings in Malaysia will not only result in bleak future for their lives but also affect the running of the economy since good savings offer government adequate cheap money to build a modern economy. Added to this is the fact that non-savings Malaysians will be left with no option but to live on very little money which cannot make life potable for them in future. In Malaysia and other developing economies like Ghana, the high non-savings culture was worsened by the Covid 19 pandemic which went a very long way to deteriorate the living standards of individuals without financial security with others creating more problems for

friends and social welfare system (Peter, 2020). A situation like this will obviously disrupt the progress of national development (Idris et al., 2013). Without adequate savings, high income status countries will have difficulty in securing funds to maintain its status. Absence of savings also denies the private sectors' funds which will have been available at the bank for borrowing by the private sector to ensure growth in their enterprises. Without savings, the economy can be weakened and cost of living will be very high leading to individual purchasing power eroding tremendously.

3. Research Methodology

3.1. Study Area

Accra business district which is the business hub of the country constitutes study area. This region contains the headquarters of government ministries, agencies, departments as well as key financial institutions such as commercial banks, fund management groups and foreign missions in the country. The area also boasts of the biggest markets in the country with all traders coming from the sixteen (16) regions of Ghana to acquire and replenish their merchandized businesses. Taking cognizance of the brisk economic activities of Accra business district, it is reasonable to conduct the study in such an area since the banks and their cherished customers will be in better position to offer the kind of information relevant to the achievement of study objectives.

3.2. Sampling Size and Sampling Technique

Accra business district has the presence of all the 23 universal banks in Ghana and therefore the study selected five (5) out of the 23 using random sampling technique. Purposive sampling technique was then employed to obtain the respondents in respect of both bank officials and customers. The use of random sampling technique in selecting the 5 banks stems from the fact that the kind of information being sought by the study can be provided by officials and customers of any of the banks. The study samples were obtained by adopting the Slovin's formula for securing minimal sample size i.e. $n = N/(1 + Ne^2)$ where n denotes the size of the sample with N representing population size while the e denotes the error of margin employed. The study employed error of margin of 10% with 2400 officials and customers for the sample space. Accordingly, the sample calculated was 96 as reflected in **Table 1**.

From **Table 1**, it is obvious that the study employed 32 customers and 64 bank officials who provided the much needed information for strategizing the direction of the study. Essentially, these banks are the headquarters of the various banks and each of them has a branch office where customers as well as officials interact for business purposes. The researcher, a former GCB official, discussed the study arrangement with the public affairs division of the various banks. Most of the officials were happy with the intention of the study since they are also worried about the decline in patronizing savings products at various banks. Most

Table 1. Distribution of respondents.

Banks	Customers	Officials	Freq.	Percentage sample (%)
GCB Bank	7	15	22	23.0
Zenith Bank	6	12	18	18.7
ADB Bank	6	12	18	18.7
Standard Chartered Bank	6	12	18	18.7
Consolidated Bank Ghana	7	13	20	20.9
Total	32	64	96	100

Source: Researcher's estimation (2024).

of the officials already have their Masters' Degree ranging from business administration, finance, accounting, marketing, law and project management and therefore were pleased to participate as respondents. None of the selected respondents refused to participate, although a few delayed in presenting their answered research instruments. The main research instrument was the questionnaire technique which had 5 sections. Section A picked up the demographic features of the respondents while sections B to E were devoted to issues concerning the four specific objectives. In all as mentioned above all participants both bank officials and customers were happy with the study and therefore produced adequate responses in respect of answering the questionnaire.

3.3. Data Collection and Analysis Strategy

The researcher agreed with the respondents on the 14-day duration for answering the questionnaire. The researcher kept on calling respondents to remind them of their responsibility to the study while the questionnaire was in their domain. At the appointed time, the researcher met the various respondents for collection of the research instrument. With respect to the officials, the data collection sector was the banks' premises while in the case of the customers, their business premises constituted the collection sector. In a few cases, the researcher had to meet the customer on funeral grounds or at their children school premises. Care was exercised in ensuring that the completed questionnaire had all the relevant sections answered. The collected scripts were collated and where some areas were not clearly answered, the researcher phoned the respondent for further explanation to clarify those areas. The Statistical Package for Social Science (SPSS) software version 23 facilitated data analysis and the relevant figures on the mean score, standard deviation, variances were all obtained to advance the direction of the study.

3.4. Validity and Reliability

With respect to the validity of the study, taking cognizance of transparency asso-

ciated with the sampling methodology especially the way the study was conducted, it is doubtful whether different researchers using the same research instrument will have different research findings and for that matter the recommendations based on the findings are valid.

In the case of reliability, the use of Slovin's formula for obtaining the minimal accepted size of sample i.e. 96 from 2400 respondents was fairly reasonable thereby making the findings and recommendations worth generalizing for addressing the issue of low savings culture in Ghana.

3.5. Ethical Consideration

As mentioned above, all respondents were happy to participate in the study because they noticed the importance of the research towards helping to uplift the savings culture among Ghanaians. None of them was coerced or forced to participate and that they did agree wholeheartedly to be part of the study thereby rendering the research ethically upright.

4. Findings

The study employed the SPSS software in facilitating the analysis of the data from the field. Consequently, the mean score, standard deviation, variances of the information captured from the field study were calculated. These SPSS scores especially the mean score, enabled the researcher to indicate the most frequent responses obtained from the field which are relevant in finding solutions to the issue of low savings culture amongst Ghanaians. Indicated below are the responses in respect of the four (4) main objectives of the study concerning the issue of low savings culture in Ghana.

4.1. Objective One on Evaluating the Existing Arrangements for Attracting and Promoting Savings by Financial Institutions in Ghana

Featured in **Table 2** are the rankings of respondents' views on the findings with respect to existing arrangements for attracting and promoting savings by financial institutions in Ghana.

Shown in **Table 2** are the findings on evaluating the existing arrangements for attracting and promoting savings by financial institutions in Ghana. Coming first in ranking is the view that "comfortable interest rate" has the capacity of attracting more savings to the banks thereby enhancing the savings culture of the country. Ranking second is the idea that "good salaries and wages" also have the possibility of enabling individuals to save. Coming third is the statement that "effective advocacy programs at marketplaces, churches, festival occasions, etc." also adds value to the efforts at sensitizing people on the need to save. The fourth ranking is the notion that "media awareness and discussion programs on importance of savings" will also go a long way to help whip up interest in savings. Ranking fifth is the view that "pre-tertiary institutions sensitization programs" on various media fronts especially electronics could sensitize the youth in

Table 2. Frequency table on the existing arrangements for promoting savings.

Statements	N	Mean	Std. Dev	Variance	Rank
• Comfortable interest rate	96	3.563	1.048	1.063	1
• Good salaries and wages	96	3.501	1.063	1.042	2
• Effective advocacy programs at marketplaces, churches, festival occasions, etc.	96	3.496	1.112	1.112	3
• Media awareness and discussion programs on importance of savings	96	3.483	0.871	0.975	4
• Pre-tertiary institutions sensitization programs	96	3.442	1.072	1.028	5
• Awarding and commending individuals who constantly save with financial institutions	96	3.412	1.451	1.069	6
• Regular payment of interest on savings	96	3.386	1.112	1.057	7
• The ease with which one can withdraw savings when she or he is in need	96	3.252	1.069	1.113	8
• Use of ICT based banking services such as SMS in informing potential savers of advantages of savings to an individual	96	2.396	2.113	1.117	9

Source (Field Data, 2024).

cultivating the savings culture thereby encouraging them to save when they start receiving salary later on in life. Coming sixth in ranking is the suggestion that “awarding and commending individuals who constantly save with financial institutions” constitute a huge encouragement for boosting up savings culture in the country. The seventh ranking is the view that “regular payment of interest on savings” will definitely assist effort at popularizing savings culture in society. Coming eight in ranking is the idea that “the ease with which one can withdraw savings when she or he is in need” goes a very long way towards encouraging people to save since when one needs money it is possible to withdraw part of savings. The ninth ranking is the notion that “use of ICT based banking services such as SMS in informing potential savers of advantages of savings to an individual” can also help in raising awareness of the need to save as a social protectionist principle.

4.2. Objective Two on Ascertaining Views from Stakeholders on the Importance of Savings to the Socio-Economic Development of a Country

Crafted in **Table 3** are the rankings of respondents’ views on the findings in respect of the importance of savings to the socio-economic development of a country

Table 3 reflects the findings on views from stakeholders especially bank officials and their customers on the importance of savings to the socio-economic development of a country. Ranking first is the response that “savings strengthen the future development of an individual” which presuppose that as we grow, our expenditure patterns get bigger and therefore savings assist in picking up extra funds to address our social needs in life. The idea that “savings enhance the

Table 3. Frequency table on the existing arrangements for promoting savings.

Statements	N	Mean	Std. Dev	Variance	Rank
• Savings strengthen the future development of an individual	96	3.855	1.103	1.046	1
• Savings enhance the future prospects of a family unit	96	3.842	1.243	1.112	2
• Savings enable financial institutions to receive adequate funds for lending at cheaper interest rate	96	3.816	1.095	1.371	3
• Savings enable small and table top businesses to expand operations thereby ensuring better future prospects of these businesses	96	3.779	1.281	0.997	4
• Savings help governments to even secure funds from local financial institutions for development	96	3.763	1.326	1.042	5
• Savings attract multinational companies to come into other territories to operate and in the process helps strengthen the spending arms of the local government	96	3.742	0.969	1.056	6
• Savings bring about healthy competition between financial institutions leading to very comfortable interest rate on lending	96	3.696	0.973	1.123	7
• Through savings businesses expand for companies and individuals to pay higher taxes to strengthen government's financing	96	3.654	1.113	1.041	8
• Savings bring about financial discipline for the individual whether in private or public sector	96	3.631	1.110	0.968	9
• Savings help in manufacturing goods at lower cost of production thereby selling these produce and products or services at affordable prices	96	3.615	1.055	1.113	10

Source (Field Data, 2024).

future prospects of a family unit” came second in ranking. Families are really important institution in Africa especially Ghana and therefore one sees the wealthy members as “God’s plan” towards helping other financially weak members of the family. Coming third in ranking is the view that “savings enable financial institutions to receive adequate funds for lending at cheaper interest rate”. The fourth ranking is the statement that “savings enable small and table top businesses to expand operations thereby ensuring better future prospects of these businesses”. Coming fifth in ranking is the notion that “savings help governments to even secure funds from local financial institutions for development”. The sixth ranking is the idea that “savings attract multinational companies to come into other territories to operate and in the process helps strengthen the spending arms of the local government”. Multinational companies initially go to other countries with their own funds but look for money internally from financial markets i.e. stock exchange to expand operations. Companies like Eco-bank in Ghana are all listed on the Ghana Stock Exchange and for that matter are able to secure extra funds for developmental purposes. As they grow, more

branches are opened which offer jobs to the youth while the bank also pays more taxes on its larger income. Ranking seventh is the statement that “savings bring about healthy competition between financial institutions leading to very comfortable interest rate on lending”. When banks compete for savings products, customers usually look out for banks with higher interest on savings prior to acquiring investment products from such financial institutions. Coming eighth in ranking is the response that “through savings businesses expand for companies and individuals to pay higher taxes to strengthen government’s financing”. The idea that “savings bring about financial discipline for the individual whether in private or public sector” came ninth in ranking. Certainly, savings enable individuals to make larger money in the future especially for building houses and buying dream cars. With such mentality, the individual embarks upon consistent savings and therefore designs his or her lifestyle on particular level of funds and this makes the individual financially disciplined. Ranking tenth is the response that “savings help in manufacturing goods at lower cost of production thereby selling these produce and products or services at affordable prices”. This is to say that where companies are able to access large funds from the banks, they are able to buy in bulk and this usually comes with discounts and when factored into cost of operation, puts the company in a better position to sell products and services at affordable rate.

4.3. Objective Three on Investigating Further the Reasons behind Seemingly Low Savings Culture in Ghana Even before the Recent i.e. 2023 IMF Directive

Displayed in **Table 4** are the rankings of respondents’ views on the findings relating to the reasons behind seemingly low savings culture in Ghana even before the IMF directive.

Featured in **Table 4** are the findings on reasons behind seemingly low savings culture in Ghana even before the IMF directive. Coming first in ranking is the reason that “inadequate salaries especially in the private sector do not encourage individual savings”. The idea that “too many family expenses consume a chunk of income and therefore discourage savings” came second in ranking. The third ranking is the notion that “high cost of living often does not allow individuals to save in an economy”. Ranking fourth is the response that “low interest paid on investment products by financial institutions does not encourage savings”. The statement that “in the period of persistent high inflation in the country, savings lose value and therefore there is no encouragement to save” came fifth in ranking. Coming sixth in ranking is the idea that “higher tax regime makes cost of living so expensive that people simply cannot save”. Ranking seventh is the notion that “in a country where there are no adequate safety net programmes to assist the vulnerable, especially the economic disadvantaged, other individuals ought to help reduce poverty and therefore much savings cannot be made” by such family individuals (angels). The eighth ranking is the statement that “with regimes where savings’ investment products can be discounted by the government

Table 4. Frequency table on the reasons behind low savings culture in Ghana.

Statements on Low Savings Culture in Ghana	N	Mean	Std. Dev.	Variance	Rank
• Inadequate salaries especially in the private sector do not encourage individual savings	96	3.635	1.112	1.062	1
• Too many family expenses consume a chunk of income and therefore discourage savings	96	3.612	1.043	1.039	2
• High cost of living often does not allow individuals to save in an economy	96	3.593	0.975	0.976	3
• Low interest paid on investment products by financial institutions does not encourage savings	96	3.545	1.110	1.077	4
• In the period of persistent high inflation in the country, savings lose value and therefore there is no encouragement to save	96	3.531	1.161	1.413	5
• Higher tax regime make cost of living so expensive that people simply cannot save	96	3.512	1.115	1.116	6
• In a country where there are no adequate safety net programmes to assist the vulnerable, especially the economic disadvantaged, other individuals ought to help reduce poverty and therefore much savings cannot be made	96	3.441	1.221	1.206	7
• With regimes where savings' investment can be discounted by the government at will, the environment is not safe for savings	96	3.431	1.124	1.329	8
• The overreliance on children growing up to take adequate care of parents discourage such parents from savings since they seem to be assured of financial protection in the future	96	3.330	1.343	1.143	9

at will, the environment appears to be unsafe for savings". Ranking ninth is the response that "the overreliance on children growing up to take adequate care of parents discourage such parents from savings since they seem to be assured of financial protection in the future".

4.4. Objective Four on Developing for Consideration Further Strategies towards Enhancing Savings Culture in Ghana

Depicted in **Table 5** are the rankings of respondents' views on the findings on developing for consideration further strategies towards enhancing savings culture in Ghana

Table 5 shows the findings on developing for consideration further strategies to enhance savings culture in Ghana. Ranking first is the statement that "banks should offer attractive interest or reward on savings' investment products". Coming second in ranking is the notion that "stakeholders should endeavor to stabilize the value of the cedi to the dollar so as to stem the free fall of the cedi, thereby reducing inflation which is largely responsible for high cost of living". The idea that "stakeholders especially financial institutions, government agencies, should continue to strengthen the advocacy programs for encouraging

Table 5. Frequency table on the strategies for enhancing savings culture in Ghana.

Statement on Strategies for Enhancing Savings	N	Mean	Std. Dev	Variance	Rank
• Banks should offer attractive interest or reward on savings' investment products	96	3.654	1.071	1.112	1
• Stakeholders should endeavor to stabilize the value of the cedi to the dollar so as to stem the free fall of the cedi, which will then reduce inflation which is largely responsible for high cost of living	96	3.639	1.096	1.096	2
• Stakeholders especially financial institutions, government agencies, should continue to strengthen the advocacy programs for encouraging the private individual to save	96	3.612	1.126	1.143	3
• Churches and mosques authorities should be empowered to sensitize their congregation on the virtues of savings	96	3.532	1.115	1.158	4
• Government should endeavor to refrain from issuing directives which discount the customer's savings/investment products at financial institutions	96	3.363	1.128	1.063	5
• The educational curriculum for Junior and Senior High Schools should contain materials on the need for the individual to save, e.g. for future contingencies	96	3.216	1.108	1.091	6
• Cash rewards on social contests whether public or private activity, should be in a form of savings products but not cash for immediate consumption. This will deepen the cultural savings.	96	3.205	1.142	1.173	7
• Financial institutions should begin acknowledging and celebrate customers who are consistent in servicing their savings/investment account.	96	3.131	1.126	1.189	8
• There is the need for various categories of financial institutions to establish insurance products for facilitating payment of customer withdrawal of savings. This way, customers will be sure of securing part or whole investment at any time.	96	2.871	1.310	1.154	9
• Parent should desist from bequeathing large sums of cash to their beneficiaries in their Will testament, such cash should be converted into investment product or savings account	96	2.523	1.055	1.038	10

Source (Field Data, 2024).

individuals to save” came third in ranking. The fourth ranking is the recommendation that “churches and mosques authorities should be empowered to sensitize their congregation on the virtues of savings”. Coming fifth in ranking is the notion that “government should endeavor to refrain from issuing directives which discount the customer's savings/investment products at financial institutions”. Ranking sixth is the response that “the educational curriculum for Junior and Senior High Schools should contain materials on the need for the individual to save, e.g. for future contingencies”. It is recommended, in the seventh ranking

that “cash rewards on social contests whether public or private activity, should be in a form of savings products but not cash for immediate consumption. This will deepen the cultural savings”. The idea that “financial institutions should begin acknowledging and celebrate customers who are consistent in servicing their savings/investment account” came eight in ranking. The ninth ranking is the statement that “there is the need for various categories of financial institutions to establish insurance products for facilitating payment of customer withdrawal especially in savings account. This way, customers will be sure of securing part or whole investment at any time”. Coming tenth is the suggestion that “parent should desist from bequeathing large sums of cash to their beneficiaries in their Will testament, such cash should be converted into investment product or savings account”.

5. Discussion of Findings

This segment attempts to situate findings of the study in existing contemporary literature with the view to ascertaining how they compare or contrast with existing materials in this academic domain. Findings on existing arrangements by banks towards attracting and promoting savings culture in Ghana include comfortable interest rate, effective advocacy programs at marketplaces, churches, festival occasions, etc., media awareness and discussion programs on importance of savings as well as pre-tertiary institutions sensitization programs. Some of these findings have already been mentioned in existing literature, in similar studies by [Tochukwu \(2018\)](#), he noted that in Nigeria, most of the banks have seen the need to increase interest payable on savings and other investment products and this is encouraging individual, small business holders, etc. to invest more in savings products. [Guin \(2017\)](#) also pointed out in his studies on “culture and household savings” that when civil society institutions like churches, mosque and sometimes durbar of market women feature statements on the need to save, the masses are often conscientized and in the process make further enquiries leading to patronizing savings products at the banks and other convenient financial institutions. The source however bemoaned the relatively low interest rate paid on savings or investment products by some financial institutions which often repel potential customers from dealing in short-term or medium-term investment products.

Studying on “savings by and for the poor” by [Karlan et al. \(2014\)](#) also pointed out that taking cognizance of the importance of savings to the advancement of mankind socioeconomically, it becomes imperative for pre-tertiary school curriculum to include some important statement on the need to save when the students start working later on in life. Such sensitization strategy, the source continues, prepares the mind of the students to see savings as part of one’s life and for that matter upon growing up, irrespective of the size of one’s salary or wage, attempts will be made to save as planned. In discussing factors for growing savings in Kosovo, [Mexhuani and Ribaj \(2018\)](#) also noted that the ease with which

customers are able to withdraw portions of savings when they are cash strapped also encourages members of the public in saving more. In some jurisdictions, customers are not allowed to withdraw portions of their savings until the savings investment product matures. This certainly puts the potential investor or saver off and for that matter banks should ensure that flexible arrangements are made to enable savers withdraw portions of their savings when the need arises.

The findings on socio-economic importance of savings included the fact that savings strengthen the future development of an individual, enhance the future prospects of a family unit, enable financial institutions to receive adequate funds for lending at convenient interest rate, help governments to even secure funds from local financial institutions for development as well as attract multinational companies to come into other territories to operate and in the process helps strengthen the spending arms of the local government. A number of studies on importance of savings mentioned most of the above stated findings. The findings that savings strengthen the future development of an individual is highly in consonance with the theory of life-cycle which dictates that in order to sustain the family's expenditure pattern, savings become an indispensable option. This way, in periods of needs or draught conditions, families could draw on reserves or savings to address pressing needs.

Writing on "savings and its determinants in West Africa countries", [Kudaisi \(2013\)](#) emphasized the fact that savings goes a long way to benefit the individual, the bank and even the state, in that, the individual at any point in time, can fall on the savings so far made to solve some financial problem such as paying rent, children school fees or settling other vital commitments. The source further indicates that with more savings, financial institutions are able to receive more and therefore lend more to help expand businesses in an economy leading to making more profits and payment of larger taxes to strengthen government's spending arm. It goes on to indicate that even government itself sometimes borrows from local banks to provide some social amenities or improve upon the state of infrastructure in the country. The fact that savings is the surest way of protecting future expenditure patterns confirms the Katona's theory of savings which sees savings as a way of "establishing a careful approach towards consumption" ([Otto et al., 2006](#)).

Presenting the article on "learning and savings groups in Bangladesh", [Marsden et al. \(2020\)](#) also noted that when savings are adequately done in countries, outsiders especially multinational groups are attracted to come in and invest through establishing manufacturing companies among others. Such companies, according to the source see robust banks in less endowed countries as avenues for sourcing further funds to strengthen their missions in new territories. In Ghana for instance, some international mining companies and banks are already enjoying funds from local stock exchange i.e. the Ghana Stock Exchange (GSE). This enables them to expand their operations thereby creating more job avenues and helping to solve some of the key problems of the government such as mass unemployment among the youth especially those turned out from tertiary insti-

tutions. The finding that “savings help in manufacturing goods at lower cost of production thereby selling these produce and products or services at affordable prices” has also been mentioned by [Lidi et al. \(2017\)](#) who noted that when individuals embark upon mass savings in an economy, the financial institutions are able to lend more to companies especially manufacturers who are then able to procure raw materials and other inputs in bulk thereby enjoying trade discounts which invariably influences production cost and in the process able to offer quality products and services at highly affordable prices. With goods at reasonable prices, a lot more citizens can afford to purchase reasonable quantities for their households thereby increasing the living standards of the people.

On the study objective of ascertaining reasons behind low savings culture in Ghana, the study found out that inadequate salaries or wages especially in the private sector do not encourage individual savings, moreover, too many family expenses consume a chunk of income and therefore discourage savings, again, high cost of living often does not allow individuals to save in an economy. It also came out that, low interest paid on investment products by financial institutions does not encourage savings as well as in the period of persistent high inflation in the country, savings lose value and therefore there is no encouragement to save. Existing literature on rationale behind low savings in growing countries like Ghana reflects some of the findings recorded above. Writing on “changing saving and investment behavior”, [Abebe et al. \(2018\)](#) noted that in economies where salaries are generally low, not much can be saved and moreover, people have to survive by looking for other means of supplementing income with very serious consequences. On their part, [Afoakwah et al. \(2015\)](#) also noted that in some jurisdictions, savings account and even investment products attract low returns and such regimes do not encourage savings. The team therefore appealed to industry authorities to ensure that fairness exists in interest payable by the banks as well as receivable by them in respect of loans dished out to borrowers.

The finding that high inflation economy does not support savings has been supported by [Tandoh and Tando \(2015\)](#) who, in their article on “dynamics of saving culture in Ghana” pointed out that with high inflation, goods and services become so expensive that is virtually impossible to even live on one’s salary let alone reserving some for savings. The source therefore encourages shapers of economy especially in growing countries should endeavor to turnout policies that will lead to low inflationary economy so as to make living a bit more palatable for the average citizenry. The finding that government should desist from cutting down the value of customers’ investment products unilaterally has been corroborated by [Chudzian et al. \(2015\)](#) in their article on “motives and attitudes for saving among young Georgians” and explained further that such government directives and actions often stifle investment initiatives since the citizenry virtually lose interest in the culture of savings and rather investing in landed property in which funds are locked up and therefore may not benefit the economy like savings.

On the objective of exploring further strategies for enhancing savings culture

in Ghana, the study found out that financial institutions and other stakeholders should endeavor to stabilize the value of the local currency, the Cedi, to world class currencies like US Dollar, Euro, UK Pound so as to stem the free fall of the cedi, which will continue to sustain high inflation in Ghana leading to goods and services being offered at cutthroat prices. This view was mentioned by [Karlan and Zinman \(2018\)](#) whose article on “price and control elasticities of demand for savings” pointed out that frequent evaluation of local currency usually enhances high inflationary trend in the country leading to a situation where residents find cost of living unbearable and therefore savings become very difficult if not impossible. The source notes that growing countries often experience such hardships and some of the solutions lie in exporting more unto the global market so as to secure more foreign exchange to strengthening the maintenance of governance systems.

Recent action by the Central Bank of Ghana and its supervisor i.e. the Ministry of Finance under which most savings/investment products especially treasury bills and government bonds lost value as a result of some external pressure from IMF went a long way in damaging interest of Ghanaians especially pensioners in such formal sector savings products. This view has been articulated by [Abebe et al. \(2018\)](#) who caution government of developing economies to plan economic affairs in such a manner that will not influence negatively the value of investment products made by the citizenry. The source warns that such unilateral activities only damage the culture of savings which will have very far reaching consequences on socio-economic development. [Lidi et al. \(2017\)](#) are of the view that developing economies ought to strive hard to improve upon export revenue so as to ensure robust and resilient economies which will not need the support of external financiers. The need for financial institutions to insure most of their products with reputable insurance companies has also been mentioned by [Karlan et al. \(2014\)](#) who noted among others that where the customer is aware of strong relationship between the bank and insurance companies, they often rest on the assumption that their funds on investment are in strong safe hands. Financial institutions should therefore endeavor to collaborate with key insurance groups so as to strengthen their capacity to repay or honour customers' withdrawals.

6. Conclusion and Recommendations

6.1. Conclusion

In the light of the findings made from the study, it can be concluded that savings culture in Ghana has really been on the low side and that stakeholders especially the banks have put in place various mechanisms for uplifting the culture of savings in the country. These include reasonable interest rate, effective advocacy programs toward whipping up interest especially within the churches, market-places as well as festival grounds and on electronic media. Saving is equally important to the socio-economic development of the country because it enables fi-

nancial institutions to secure adequate funds for on-lending to strengthen future development of an individual, enhance future prospects of a family unit as well as helping to sustain and grow small and micro businesses which eventually help to reduce poverty in the country. Low savings in Ghana can be attributed to inadequate salary levels especially in the private sector which does not encourage individuals to save, high cost of living owing to high inflation, high taxes as well as absence of adequate safety net projects to help the vulnerable in society leading to other family members having to help the destitute family members. Further strategies for enhancing savings culture in Ghana lie with banks offering more attractive interest on saving investment, the need for government and its agencies to streamline the exchange rate and high inflation while banks, government and other poverty reduction friendly international NGOs, churches, mosques also assist in beefing up advocacy programs for enhancing savings in the country.

Generally, the study concludes that saving is indispensable in efforts towards socio-economic development and that government, banks and other stakeholders should all come on board to assist with sensitizing the populace on the need to adopt a more positive attitude towards savings within the country.

6.2. Recommendations

Taking cognizance of the reasons identified for the low savings culture in the country, the study makes the following recommendations for possible consideration by stakeholders.

- Government of Ghana ought to create enabling structures for encouraging the private sector, which provides a chunk (over 60%) of employment opportunities, to operate profitably through import and corporate tax reduction, low cost of doing business especially cost of energy. This will invariably help the private sector to register higher earnings thereby be in the position to approve higher wages and salaries for the employees. This way, business owners will earn more to pay workers good salaries to enable them save and protect their livelihood.
- Government should also work harder towards reducing high inflation rate in the country in order to reduce high cost of living thereby encouraging wage earners to save.
- The Ghanaian executive arm of state ought to work hard towards establishing more safety net programmes such as low cost housing facilities, free medical attention, adequate stipends for the vulnerable especially those without means of livelihood. This way, family members who cater for such destitute in the family will have some kind of respite leading to enhancing their propensity to save.
- Banks and other financial institutions ought to encourage the public to invest in savings products through paying attractive interest on saving products. The situation where investment products attract not more than 10% while

lending interest charge around 30% does not encourage savings at all and therefore ought to be reviewed.

- Government of Ghana ought to manage its economic affairs in such a manner as to avoid running to IMF for bailout which often comes with conditions that are inimical to the interest of players in the economy. Perhaps it might be worth mentioning that the freeze on employment in addition to the “haircut” syndrome which reduced the value of financial assets owned by the public in various banks in 2023, has really damaged the confidence Ghanaians have in patronizing government bonds and other financial asset products leading to discouraging people to save especially in conventional financial assets.

7. Contribution to Knowledge

The study on enhancing savings culture in Ghana came up with the following seemingly new ideas which will help strengthen if not augment the body of knowledge existing in this domain of the academia:

- There is the need for financial institutions to recognize and award individuals who consistently embark on maintaining savings/investments products and other financial assets so as to encourage others to come on board.
- Savings products often engender competition among banks leading to the situation where banks pay higher interest rate to attract more customers to their fold to save.
- In economies with very low or no safety net programmes, the vulnerable depend upon the few seemingly well-to-do family members and this prevents the latter from making moves towards acquiring investment or savings products. Government should therefore endeavor to make adequate provision for the destitute in society. In Ghana for instance, the scope of Livelihood Empowerment Against Poverty (LEAP) project must be extended properly to cover more-needy residents.
- In most African countries including Ghana, the overreliance of children as future financial security does not allow parents to embark upon any serious moves towards patronizing investment or savings products. Unfolding events indicate that more often than not, events turn out to be different, so parents should start doing their own savings while at the same time, bringing up their kids in the desired manner. This traditional means of using children as future security ought to be abandoned since in most cases some of these children are even buried before the parents themselves die.
- Rewards accorded to winners of contest are often in the form of cash, this must give way to investment products so as to emphasize the need to save for future aggrandizement.
- Parent should desist from bequeathing large sums of cash to their beneficiaries in their Will testament, such cash should be converted into investment product or savings account.

Acknowledgements

Employees of banks in Accra business district where the study was conducted i.e. GCB, Zenith Bank, Standard Chartered Bank, ADB and Consolidated Bank Ghana, who participated in the study but decided to remain anonymous deserve recommendations. The HR and public affairs departments of these banks which facilitated the study also deserve mentioning although they did not agree to be acknowledged by name. Customers of the participating banks especially Nii Alotey Hans, Philomena Mensah, George Lomotey, Togbe Aferyno, Mariama Eyison, Edwin Agyei, Rebecca Engman and others, who also spent productive time in filling the questionnaire as well answering phone calls to clarify issues, all deserve acknowledgement. A special gratitude to Samuel Donkor, who facilitated the interaction with the bank officials and customers and Kingsley Adu Gyamfi, who exhibited his stenography skills in putting together the various sections of this publication.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

References

- Abebe, G., Biruk, T., & Yukichi, M. (2018). Changing Saving and Investment Behaviour: The Impact of Financial Literacy Training and Reminders on Micro-Businesses. *Journal of African Economies*, 27, 587-611. <https://doi.org/10.1093/jae/ejy007>
- Addai, B., Adjei G. G., & Boadi, K. O. (2017). Savings Habit among Individuals in the Informal Sector: A Case Study of Agbegeyishie Fishing Community in Ghana. *International Journal of Economics and Finance*, 9, 262-272. <https://doi.org/10.5539/ijef.v9n4p262>
- Afoakwah, C., Annim, S. K., & Peprah, J. A. (2015). Household Savings and Women Bargaining Power in Ghana. *Journal of Global Economics*, 3, Article ID: 1000139.
- Beverly, S., Sherraden, M., Zhan, M., Williams Shanks, T. R., Nam, Y., & Cramer, R. (2008). *Determinants of Asset Building (Urban Institute Poor Finances Series)*. The Urban Institute.
- Campos, C. (2001). Savings Behaviors in RURAL Mexico. In *The International Conference on Livelihood, Savings and Debt in a Changing World: Developing Anthropological and Sociological Perspectives*.
- Chowa, G., Masa, R., Wretman, C., & Ansong, D. (2013). The Impact of Household Possessions on Youth's Academic Achievement in the Ghana Youth Save Experiment: A Propensity Score Analysis. *Economics of Education Review*, 33, 69-81. <https://doi.org/10.1016/j.econedurev.2012.08.005>
- Chudzian, J., Aniola-Mikolajczak, P., & Patariaia, L. (2015). Motives and Attitudes for Saving among Young Georgians. *Economics and Sociology*, 8, 165-188. <https://doi.org/10.14254/2071-789X.2015/8-1/13>
- Dagunga, G., Amoakowaa, A., Mabe, F. N., Ehiakpor, D. S., & Mabe, F. N. (2020). Interceding Role of Village Savings Groups on the Welfare Impact of Agricultural Technology Adoption in the Upper East Region, Ghana. *Scientific African*, 8, e00433.

- <https://doi.org/10.1016/j.sciaf.2020.e00433>
- Demircuc-Kunt, A., & Klapper, L. (2012). *Measuring Financial Inclusion: The Global Findex Database*. World Bank Atlas of Financial Inclusion.
<https://doi.org/10.1596/1813-9450-6025>
- Dolan P., Hallsworth M., Halpern D., King D., & Vlaev I. (2010). *MINDSPACE: Influencing Behaviour through Public Policy*. Institute for Government.
- FAO (2012). *Decent Rural Employment for Food Security: A Case for Action*.
- Fisher, P. J. (2010). Gender Differences in Personal Saving Behaviors. *Journal of Financial Counseling and Planning Education*, 21, 14-24.
- Foster, A. C. (1996). Employee Participation in Savings and Thrift Plans. *Monthly Labor Review*, 17-22.
- Guin B. (2017). *Culture and Household Saving*.
<https://www.ecb.europa.eu/pub/pdf/scpwps/ecb.wp2069.en.pdf?21b7b760cdef5efc73c49951214a964>
- Huang, J., Sherraden, M., Kim, Y., & Clancy, M. (2014). Effects of Child Development Accounts on Early Social-Emotional Development: An Experimental Test. *JAMA Pediatrics*, 168, 265-271. <https://doi.org/10.1001/jamapediatrics.2013.4643>
- Husin, N. K. M., & Mohamed, A. M. (2020). The Effects of Savings Culture and Government Policy in Instilling the Habit of Savings: Evidence from a Survey of Public Sector Employees. *Advances in Social Science, Education and Humanities Research*, 56, 307-312. <https://doi.org/10.2991/assehr.k.210629.058>
- Idris F., Krishnan K. S. D., & Azmi N. (2013). Relationship between Financial Literacy and Financial Distress among Youths in Malaysia—An Empirical Study. *Malaysian Journal of Society and Space*, 9, 106-117.
- Issahaku, H. (2011). Determinants of Saving and Investment in Deprived District Capitals in Ghana—A Case Study of Nadowli in the Upper West Region of Ghana. *Continental Journal of Social Sciences*, 4, 1-12.
- Jack, W., Kremer, M., de Laat, J., & Suri, T. (2016). *Borrowing Requirements, Credit Access, and Adverse Selection: Evidence from Kenya*. Working Paper 22686, National Bureau of Economic Research. <https://doi.org/10.3386/w22686>
- Jean-Paul, L. (2001). Savings Strategies of Poor Women in Zimbabwe: A Socioeconomic Perspective. In *International Conference on Livelihood, Savings and Debt in a Changing World: Developing Anthropological and Sociological Perspectives*.
- Karlan, D., & Zinman, J. (2018). Price and Control Elasticities of Demand for Savings. *Journal of Development Economics*, 130, 145-159.
<https://doi.org/10.1016/j.jdeveco.2017.10.004>
- Karlan, D., Ratan, A. L., & Zinman, J. (2014). Savings by and for the Poor: A Research Review and Agenda. *Review of Income and Wealth*, 60, 36-78.
<https://doi.org/10.1111/roiw.12101>
- Kast, F., Meier, S., & Pomeranz, D. (2018). Saving More in Groups: Field Experimental Evidence from Chile. *Journal of Development Economics*, 133, 275-294.
<https://doi.org/10.1016/j.jdeveco.2018.01.006>
- Kudaisi, B. V. (2013). Savings and Its Determinants in West Africa Countries. *Journal of Economics and Sustainable Development*, 4, 107-119.
- Lidi, B. Y., Bedemo, A., & Belina, M. (2017). Determinants of Saving Behavior of Farm Households in Rural Ethiopia: The Double Hurdle Approach. *Developing Country Studies*, 7, 17-26. <https://core.ac.uk/download/pdf/234683271.pdf>

- Marsden, J., Marsden, K., Rahman, M., Danz, T., Danz, A., & Wilson, P. (2020). Learning and Savings Groups in Bangladesh: An Alternative Model for Transforming Families and Communities. *Development in Practice, 30*, 52-67. <https://doi.org/10.1080/09614524.2019.1631259>
- McConnell, M. (2012). *Between Intention and Action: An Experiment on Individual Savings*. Department of Global Health and Population.
- Mexhuani, F., & Ribaj, A. (2018). Some Factors for Growing Savings to Be Well-Thought-Out by Key Actors in Kosovo. *European Journal of Marketing and Economics, 1*, 131-140. <https://doi.org/10.26417/ejme.v1i3.p131-140>
- Murshed, M., Rahman, M., Alam, M. S., Ahmad, P., & Dagar, V. (2021). The Nexus between Environmental Regulations, Economic Growth, and Environmental Sustainability: Linking Environmental Patents to Ecological Footprint Reduction in South Asia. *Environmental Science and Pollution Research, 28*, 49967-49988. <https://doi.org/10.1007/s11356-021-13381-z>
- nielseniq.com (2014). *Malaysian Consumers Actively Saving to Achieve Their Financial Goals*. <http://www.nielsen.com/my/en/press-room/2014/saving-and-investment-strategies.html>
- Otto, A. M. C., Schots, P. A. M., Westerman, J. A. J., & Webley, P. (2006). Children's Use of Saving Strategies: An Experimental Approach. *Journal of Economic Psychology, 27*, 57-72. <https://doi.org/10.1016/j.joep.2005.06.013>
- Peter, D. (2020). *COVID-19: The Social Implication of a Pandemic*. Proshare Finance.
- Quartey, P., & Blankson, T. (2008). Household Savings in Ghana: Does Policy Matter. In E. Aryeetey, & R. Kanbur (Eds.), *The Economy of Ghana: Analytical Perspective on Stability, Growth and Poverty* (pp. 153-172). James Curry Worth. <https://doi.org/10.1515/9781846156298-010>
- Schultz, T. P. (2005). *Demographic Determinants of Savings: Estimating and Interpreting the Aggregate Association in Asia*. IZA DP No. 1479 <https://doi.org/10.2139/ssrn.639187>
- Tandoh, I., & Tando, V. (2015). Dynamics of Saving Culture in Ghana. *South American Journal of Management, 1*, 1-13
- Tochukwu, N. (2018). Determinant of Savings in Nigeria. *Journal of Monetary and Economic Integration, 11*, 47-59.
- Todaro, P. M., & Smith, S. C. (2006). *Economic Development* (9th ed.). Pearson Education Limited.
- Vosen, M. (2012). *A Fixed Amount Saving and the Permanent Income Hypothesis (Ruhr Economic Papers No. 363)*. Ruhr-Universität Bochum (RUB), Department of Economics. <https://doi.org/10.2139/ssrn.2144782>
- Wagner, K., Grinstein-Weiss, M., & Ssewamala, F. M. (2005). Saving and Asset Accumulation among Low-Income Families with Children in IDAs. *Children and Youth Services Review, 28*, 193-211. <https://doi.org/10.1016/j.childyouth.2005.03.005>
- Zou, L., Myers, S., Njenga, G., Appiah, E., Opai-Tetteh, D., & Sherraden, M. S. (2015). Facilitators and Obstacles in Youth Saving: Perspectives from Ghana and Kenya. *Global Social Welfare, 2*, 65-74. <https://doi.org/10.1007/s40609-015-0028-y>