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Predicting Clients' Intentions to Acquire Credit Facilities in Ghanaian Financial Market

Joseph Mbawuni[1] & Simon Gyasi Nimako[2]

[1] Faculty of Business Education, University of Education, Winneba, Ghana

[2] Department of Management Education, University of Education, Winneba, Ghana

Correspondence: Joseph Mbawuni, Faculty of Business Education, University of Education, Winneba, Ghana. E-mail: mbawuni@gmail.com

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Abstract

This paper assesses the key determinants of clients' intentions to acquire future loans from financial service providers in a developing country. Drawing on the Theory of Planned Behaviour (TPB) and the Technology Acceptance Model (TAM), a conceptual model is developed and tested. The study involves a cross-sectional survey of 371 loan customers of leading financial service providers in Ghana. Due to the predictive focus of the study, data are analysed using Partial Least Squares structural equation modelling method available in SmartPLS 2.0. The results show that satisfaction, perceived usefulness and flexibility of loan terms and conditions are the significant factors, while trust, attitude towards loan and social influence do not contribute significantly to predicting client's intentions to acquire future loans from financial service providers in Ghanaian financial market. This paper uniquely contributes to theory by testing a comprehensive framework of direct determinants of intentions to acquire loans in financial markets in developing countries, which is an under-researched area. Despite its limitations, the study provides important implications for managing clients' loan acquisition intentions and behaviour in financial markets.

Keywords: trust, loan service, financial market, satisfaction, perceived usefulness, recommendations

1. Introduction

The need for credit facility has been an important issue for the development of individuals and firms in the private sector in developed and developing countries (Allen, Otchere, & Senbet, 2011; Dary & Haruna, 2013; Kotir & Obeng-Odoom, 2009). Delivery of loans to individual clients and small and medium scale enterprises (SMEs) has increasingly become important with the establishment of micro-finance and microcredit institutions globally, especially for developing countries like Ghana (Adjei, Arun, & Hossain, 2009; Agyabeng, Anomah, & Aduamoah, 2014; De Mel, McKenzie, & Woodruff, 2011), and has contributed enormously to the growth and development of micro enterprises as well as economic growth in developing countries (Adjei et al., 2009; Agyabeng et al., 2014; Angko, 2013; Kotir & Obeng-Odoom, 2009; Dauda & Nyarko, 2014; Dary & Haruna, 2013).

According to many financial management and marketing scholars, keeping existing customers is more profitable than gaining new ones (Nimako, Azumah, Donkor, & Adu-Brobbey, 2010; Kotler & Keller, 2012; Reichheld, 1996). As a result, many business organisations offering financial services/products are adopting customer-centric philosophy that seeks to initiate, identify, attract, build and maintain long term relationship with profitable customers (Kotler & Keller, 2012; Nimako et al., 2010; Nimako, 2012). It is a well-established fact that sustainable businesses thrive on repeated business and loyalty of customers (Kotler & Keller, 2012; Reichheld, 1996; Zeithaml, 2000). The sustenance of micro-finance and micro credit institutions, like any other business organization, will depend to a large extent, on clients' ability and willingness to patronise and keep patronising micro-finance or loan products. Therefore, banking and financial institutions need to consistently track and understand the key determinants of existing customers' intentions to repatronise existing loan facilities in the near future. It will enable financial institutions to develop more effective strategies towards meeting and managing customer loan acquisition needs and requirements.

Clients' intention to come back for same or other services from financial service providers has been found to be strongly linked to consumer engagement, happiness and satisfaction experiences with service providers (Belanche, Casaló, & Guinalíu, 2013; Bolton, 2011; Kotler & Keller, 2012). Thus, many factors can influence customers' intentions to take credit facilities. Many past studies have explored the reasons why clients go for credit facilities in general (De Mel et al., 2011; Agyabeng et al., 2014; Ayalew & Deininger, 2012; Dauda & Nyarko, 2014; Lymperopoulos, Chaniotakis, & Soureli, 2006; Ong'injo, 2014; Way & Garrison, 2011). These authors have only explored reasons for accessing credit facilities from financial service providers among small and medium scale enterprises. Some reasons for loan acquisition include: the influence of service quality and satisfaction (Lymperopoulos et al., 2006), family and friends (Agyabeng et al., 2014; Dauda & Nyarko, 2014), poverty reduction (Adjei et al., 2009; Angko, 2013), rural household and economic development (Ganu & Boateng, 2012; Kotir & Obeng-Odoom, 2009), accessibility of the loans, familiarity with the MFIs, speedy loan delivery decision, nature of interest and transaction cost of loans (Agyabeng et al., 2014),and the need to grow business and develop the informal sector (Al Mamun, 2012; Boateng, Akuamoah-Boateng, & Karikari, 2013; Dary & Haruna, 2013).

However, relatively few past studies have comprehensively modelled and tested the key factors that predict consumer intentions for loans in financial service contexts in developing countries, including firm-client relationship factors as well as personal and social factors, which have been found to influence consumer intentions and behaviour in many service context (e.g., Ajzen, 1991; Ajzen & Fishbein, 2005; Bagozzi, 2012; Park, 2009). While many factors may influence clients' intentions to acquire loan, it becomes critically important for financial managers to understand and focus financial management strategy on few factors that significantly contribute most to loan acquisition intentions. Therefore, the main purpose of this paper is to propose and test a model to explain the key determinants that influence client's intentions to acquire future credit facility from a developing country perspective.

The rest of the paper is organised as follows. It continues with relevant literature review and development of a conceptual framework and hypothesis. This is followed by a description of the research methodology and data analysis. It then presents results, discussion of findings, and theoretical and practical implications of the research. It finally ends by discussing some limitations, areas of further research and conclusion.

2. Literature Review

2.1 Drive for Financial Credits and Its Institutions

Loan/credit services are offered by banks and financial institutions to meet various clients' personal and business purposes needs. The need for small loans to individuals and SEMs has given rise to the establishment of many micro-finance institutions (MFI) and micro-credit firms (MCF) in many countries globally. According to the World Bank, 'microfinance' is the financial services provision to the low-income clients, including consumers and the self-employed (Ledgerwood, 2000). Microfinance also includes small-scale financial services like loans, remittances, insurance, savings, etc which reflect the heterogeneity of financial needs of their clients. According to Lengrand (2009, p. 6),

"in the EU context, microcredit has been defined in 2003 as involving loans below €25,000 (EC, 2003b) that could help microenterprises, i.e. businesses with fewer than ten employees, and with turnovers (or balance sheet totals) that are less than €2 million (EC, 2003a). In most cases, MFIs can make small loans in developing countries thus may be as little as $50; in the EU, microcredit has been defined by EU Institutions as a loan below €25,000 (Mulfinger and Aguinaga, 2003)."

In the European context, microfinance apparently started with the introduction of microcredit in Central and Eastern Europe after the fall of the Berlin Wall (Lengrand, 2009). MFIs in Central and Eastern Europe and in the Newly Independent States had attracted more than 1.7 million borrowers and 2.3 million depositors, with an average client growth rate of 30% per year (Lengrand, 2009). According to Lengrand (2009), in addition to MFIs, NGOs are also involved in the provision of microfinance in Eastern Europe. Commercial banks too, are increasingly interested and they downscale in order to provide microloans to the poor (it is not clear from the published accounts if, and to what extent, small companies are explicitly included). The microfinance sector thereby continues to expand and become more structured and it is seen by the EU as primarily a tool for *economic growth* and *social cohesion* (EC, 2007).

Lengrand (2009) noted that in Western Europe, the growth of MFIs has been more of an attempt to make micro-credits available for individuals wishing to start their own business (or SMEs), especially among those who are considered as disadvantaged. In turn, the SMEs are seen as vehicle for job creation and economic growth. Since many SMEs and families lack access to financial services despite the existing banking network, microfinance (MF) and microcredit (MC) services serve as viable means to manage the financial exclusion from the banking service among the unemployed, which often constitutes a major obstacle to the launching of new business activities (Evers, 2007; Evers & Lahn, 2006). Thus, MF and MC are perceived as facilitators of entrepreneurship among the unemployed and the marginalized, which can make them economically independent players and able to participate more fully in a financial society.

For the past four decades, microfinance has existed in Africa and was initially organized in an informal setting before it was formally institutionalized by the establishment of MFIs. In a comprehensive review of development finance in African financial systems, Allen et al. (2011) maintained that the growth of MFIs in recent years was becoming an important driver in the development of the economies in Africa and continues to play a key role as a grassroots financial tool. Countries in Africa including Mozambique and Ghana are experiencing a great deal of growth in the MFI sector in rural and urban areas (Allen et al., 2011). According to Allen et al. (2011), with over 45 million loans granted in some countries, the microfinance sector is a booming sector in the continent.

Access to credit by small businesses is a big problem in Africa, and for this reason the governments have facilitated the establishment of MFIs (Adjei et al., 2009; Agyabeng et al., 2014; Allen et al., 2011; Dauda & Nyarko, 2014). The providers of these services range from government enterprises, micro credit institutions, and large commercial banks to non-government organizations.

In Africa, these institutions have been successful in providing financial services to the people who may normally not qualify for loans from the banks and other financial institutions. This is why the MFIs have been popular in this region as many people do not have valuable assets to back their loans, and do not require large loans or have saving accounts which the banks go after (Allen et al., 2011). The loans provided by the MFIs have had great impact on the agriculture sector. Since the farmers are able to secure capital through the MFIs, they can buy farm tools and equipment as well as generate income to reduce poverty and take care of families, and develop their communities' income (Angko, 2013; Kotir & Obeng-Odoom, 2009). Consequently, in certain parts of the continent, the microfinance sector comprises many microfinance institutions that are mostly concentrated around big cities.

2.2 Loan/Credit Facility in Ghanaian Financial Market

In Ghana, there are 26 banks and 97 approved micro finance institutions. Microfinance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients. Microfinance refers to the provision of small loans and other services like savings, insurance, transfer of funds to the poor low-income households and microenterprises. Microcredit also refers to a small loan to a client made by a bank or other institutions (Ministry of Finance, 2014).While the concept of microfinance is not new in Ghana, the traditional method of people taking small loans from individuals and groups within the context of self-help to start businesses or farming ventures still persist.

Small loans and other credit facilities to individuals and SMEs are not only provided by microfinance institution but also banking institutions. The financial markets (including all banking institutions and non-banking financial institutions such as micro-finance companies) are regulated by the bank of Ghana through various regulatory and legal instruments such as Bank of Ghana Act 2002, Act 612, Banking Act, 2004, (Act 673), Non-bank financial institutions Act, 2008 (Act 774), Companies Code, 1963 (Act 179), Bank of Ghana Notices / Directives / Circular / Regulations.

Microfinance has become necessarily in developing countries (Ghana included) because it provides financially sustainable instruments for reaching a significant number of poor people who are unable to access financial services because of lack of strong financial intermediaries (Ministry of Finance, 2014). These MFIs are part of the non-banking financial institutions that provide access to loans for the majority of the informal sector (about 95%), who appear to be financially excluded because they are not able to meet the higher minimum deposit requirements of banking institutions (Steel & Andah, 2004).

Access to loans and other credit facilities to individuals and SMEs has the potential to reduce poverty, facilitate women empowerment in developing countries (Ganu & Boateng, 2012), development of the informal sector (Al Mamun, 2012; Boateng et al., 2013; Dary & Haruna, 2013), reduce poverty (Adjei et al., 2009; Angko, 2013), and facilitate rural household and economic development (Ganu & Boateng, 2012; Kotir & Obeng-Odoom, 2009).

Previous research studies have also found some factors that influence clients to acquire loans. Agyabeng et al. (2014) found closeness and familiarity of the service, accessibility of the loans and familiarity with the MFIs the main driving forces that pull clients to acquire loans, while others included speed of loan decision, interest and transaction cost. Dauda and Nyarko (2014) found that, in accessing credit to finance their operations in Assin North Municipality of the Central Region, Ghana, SMEs are greatly motivated to go for loans mainly through the influence of friends and family. According to Dauda and Nyarko (2014), high collateral requirements, increased level of taxation and competition from large scale businesses for finance were the major constraints facing the growth and expansion of SMEs. These challenges have stifled the growth and expansion of SMEs in the municipality.

2.3 Theoretical Background and Hypothesis

This study draws on constructs in existing literature and theoretical models for explaining consumer intentions towards specific behaviour based on the Theory of Planned Behaviour and Technology Acceptance Model.

2.3.1 The Theory of Planned Behaviour

The Theory of planned behaviour (TPB) was developed by Ajzen (1991) to explain key factors that influence human behaviour where individuals have complete control over their behaviour. This theory provides a framework for the study of intentions toward behaviours. According to the TPB, the most important determinant of a person's behaviour is behavioural intention, which is also influence by three factors. The first is the attitude toward the behaviour, which refers to the degree to which a person has a favourable or unfavourable evaluation or appraisal of the behaviour in question. The second predictor of intention is subjective norm, which refers to the perceived social pressure to perform or not to perform the behaviour. The third antecedent of intention is the degree of perceived behavioural control which refers to the perceived ease or difficulty of performing the behaviour and it is assumed to reflect past experience as well as anticipated impediments and obstacles. As a general rule, the more favourable the attitude and subjective norm with respect to behaviour, and the greater the perceived behavioural control, the stronger should be an individual’s intention to perform the behaviour under consideration. Despite its limitations, the TPB provides a useful and validated framework for understanding how attitudes, subjective norms, and behavioural control should combine to influence both planned and actual behaviour.

In the context of consumer behaviour in credit acquisition in financial markets, loan acquisition behaviour can be influenced by individual’s intentions. Intentions can also be influenced by attitude towards loans, subjective norms (or social influence) and perceived behaviour control. Therefore, the conceptual framework for this study includes attitudes towards loans and social influence as predictors of intention to acquire loans.

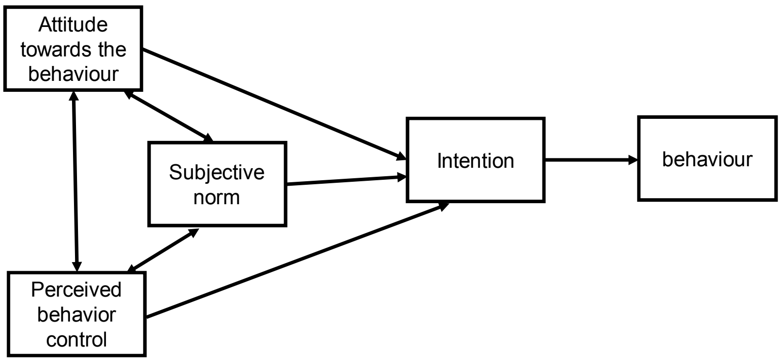

Figure 1. Theory of planned behaviour (Ajzen, 1991)

2.3.2 The Technology Acceptance Model (TAM)

The Technology Acceptance Model (TAM) was developed by Davis, Bagozzi, and Warshaw (1989) to explain the factors that influence individual’s adoption behaviour. According to the TAM, perceived usefulness and perceived ease of use of the technology in question are hypothesized to be fundamental determinants of user acceptance. The TAM posits that users’ actual or behavioural acceptance is principally determined by behavioural intentions to use the technology in question. Behavioural intentions are in turn influenced by the user’s attitude towards technology. Davis et al. (1989) maintained that perceived usefulness and perceived ease of use are beliefs that lead to favourable attitudes and intentions to accept and use technology. Despite the fact that the TAM has been criticized for having attracted a lot of modifications and extensions (Bagozzi, 2007), it has been validated in several research contexts (Legris, Ingham, & Collerette, 2004).

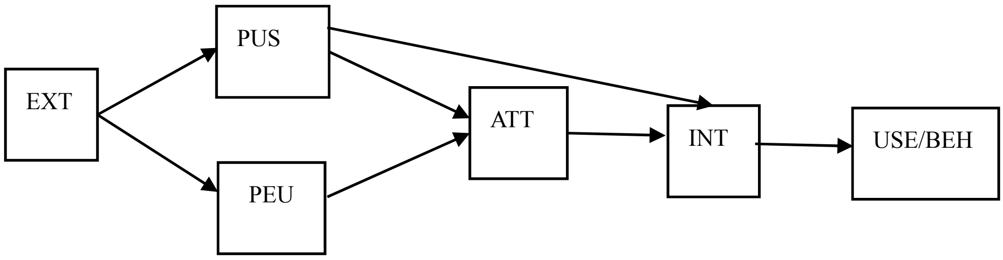

Figure 2. Technology acceptance model (adapted from Davis, Bagozzi, & Warshaw, 1989)

Note. INT–Intention to Use Technology, ATT–Attitude, PEU–Perceived Ease of Use, PUS–Perceived Usefulness, EXT–External Variables, BEH–usage behaviour.

In the context of loan acquisition intention and behavior of customers, the TAM implies that clients' perceived usefulness of loan and perceived ease of using the loan could be two important predictors of intentions for future loans. Conceptually, perceived ease of use could be likened to flexibility of loan terms and conditions, which is an indication of client's perception of easiness or difficulty in acquiring and using loans products. In view of this, the conceptual framework for this study includes perceived usefulness of the loan facility, perceived flexibility of loan terms and conditions as predictors of client intentions to acquire loans.

2.3.3 Key Relationship Marketing Constructs: Satisfaction and Trust

In the extant marketing literature, it is well established that satisfaction and trust are two key relationship marketing constructs that underlie sustainable long term firm-customer relationship (Clemes, Gan, & Ren, 2011; Hennig-Thurau, Gwinner, & Gremler, 2002; Kotler & Keller, 2012; Nimako et al., 2010; Nimako, 2012). Customer satisfaction is a key driver of many consumer behavioural intentions such as recommendation, repurchase intentions and loyalty intentions (Clemes et al., 2011; Cronin, Brady, & Hult, 2000; Jiang, Henneberg, & Naudé, 2011; Nimako, 2012). It has been verified that when customers are satisfied with existing products, they are more likely to come back for repeated purchase or business. Thus, satisfied customers are more likely to have the intention to repatronise loan products/services of an existing service provider. In the same way, past research has established that trust is one of the key antecedents of clients' motivation for continual future relationships (Hennig-Thurau et al., 2002; Chen & Myagmarsuren, 2011; Mouzas, & Henneberg, 2007; Srinivasan, Mukherjee, & Gaur, 2011). In the context of loan acquisition, satisfaction and trust can be two important predictors of existing customers' intention to acquire future loans and have continual business relationship with financial service providers. Therefore, the conceptual framework for this study includes client satisfaction, trust for financial service provider as two important antecedents.

2.4 Conceptual Model and Hypotheses

Based on the literature reviewed, a conceptual model for this study integrates relationship marketing constructs, personal and social factors to help understand the factors that are likely to predict clients' intentions for future loans. The research model contains six predictors of intentions to acquire loans (see Figure 3).

Figure 3. Conceptual framework and hypotheses

Two of these six conceptual predictors relate to firm-customer relationship management, namely, satisfaction and trust. Four of the predictors relate to personal and social factors established from the TPB and the TAM, which are perceived usefulness of loans, perceived flexibility of loan terms and conditions, attitude towards loans and social influence. We now define each construct in the context of the research problem and establish the hypothesized relationships with future intentions for empirical testing.

2.4.1 Satisfaction (SAT) and Future Intentions (FINT)

Satisfaction "reflects a person's judgement of a product's performance (or outcome) in relationship to expectation." (Kotler & Keller, 2012, p. 54). When consumers perceive that existing loans acquired have been able to help them meet various personal and business needs, they are motivated to take more loans from the financial institution in the future. Satisfaction, therefore, has been found in many research contexts as a key antecedents of many behavioural intentions such as repurchase intention and intentions for continual relationship (Belanche et al., 2013; Bolton, 2011; Jiang et al., 2011; Kotler, & Keller, 2012). Future intentions for loans, therefore, could be important indicators of loyalty intentions. Consistent with existing literature on satisfaction-behavioural intentions relationship (e.g., Cronin et al., 2000; Cronin & Taylor, 1992; Jiang et al., 2011; Nimako, 2012), it is expected that satisfaction for existing loans services will lead to positive intentions for more loans in the future. This leads to the hypothesis that:

H1: Consumer satisfaction will have significantly positive effect on client intentions for future loans. Specifically, the higher the satisfaction, the stronger will be the consumer's intentions to acquire future loans from service provider.

2.4.2 Trust (TRU) and Future Intentions (FINT)

Trust is the "confidence in an exchange partner's reliability and integrity" (Morgan & Hunt 1994, p. 23). Trust is manifested in a customers' confidence that a financial service provider will be truthful, trustworthy, honest and would not take advantage of the vulnerability of the consumer regarding the terms and conditions in the delivery of loan service to customers. As future intentions for loan products are indicators of continual relationship, consumers would want to enjoy long-term relationship with trusted financial service providers (Mouzas et al., 2007; Jiang et al., 2011). It is expected that when a consumer's trust for a loan service provider is high, the consumer is likely to desire continual relationship and therefore, have high intentions to acquire future loans from the financial service provider. This, therefore, leads to the hypothesis that:

H2: Consumer trust will have a significant positive effect on intentions for future loans. Specifically, the higher the trust for loan service providers, the stronger will be the consumer's intentions to acquire future loans from the service provider.

2.4.3 General Attitude towards Loans (ATT) and Future Intention (FINT)

Attitude towards loans refers to the degree to which a person, generally, has a favourable or unfavourable evaluation or appraisal of a loan product (Ajzen, 1991). As already mentioned in the literature review, attitude has been found as a key factor in inducing many behavioural outcomes (Ajzen, 1991; Ajzen & Fishbein, 2005; Nimako, Ntim, & Mensah, 2014). This implies that clients' attitude towards loan acquisition in general could be an important predictor of their behavioural intentions. In particular, clients who have strong and positive attitude towards loan acquisition are more likely to have stronger intentions for future loans than those with weak and negative attitude towards loans acquisition. Like any financial investment, loan clients may be either pessimistic or optimistic. Timid, pessimistic clients tend to entertain fear for loss of investment for which they are acquiring loans and are therefore, less likely to think of acquiring future loans for investment purposes than optimistic investors (Aybar, Mergen, Perotti, & Reid, 2007; Thorngate & Rajabi, 2002; Urbig & Monsen, 2012). We expect the relationship between attitude and future intentions for loans to be positive, and therefore, hypothesize that:

H3: Consumer's general attitude towards loans acquisition will have significant positive effect on intentions to acquire future loans. Specifically, the more favourable the consumer's attitude towards loans, the stronger will be the consumer's intentions to acquire future loans.

2.4.4 Perceived Usefulness (PUS) and Future Intention for Loan (FINT)

Perceived usefulness of loan (PUS) is defined as the degree to which a person believes that acquiring a loan facility from a financial institution will enhance his or her personal well-being or will be beneficial to the society as a whole (Davis et al., 1989; Legris et al., 2004). When consumers perceive a particular loan facility to be useful, either through previous acquisition or information from marketing promotion, they will more likely be eager to acquire more of such loan facility in the future. Different types of loans are likely to have different perceived usefulness by clients. Many previous studies have established a strong relationship between perceived usefulness and customer behavioural intentions (Bagozzi, 2007; Legris et al., 2004; Park, 2009; Venkatesh, Thong, James, & Xu, 2012). Therefore, consistent with existing literature, perceived usefulness of loan acquisition is an important predictor of intentions and is expected to induce strong consumer intentions for future loans in financial markets. Therefore, we hypothesize that:

H4: Perceived usefulness of loan will have significant positive effect on client's intention to acquire future loans from a loan service provider. Specifically, the higher the perceived usefulness of the loan, the stronger will be client's intentions to acquire future loans.

2.4.5 Social Influence (SINF) and Future Intentions (FINT)

Social influence refers to the extent to which individuals perceive that important others (e.g., family and friends) believe they should acquire a particular loan (Ajzen, 1991). Thus, individuals can be influenced by family, friends and other social groups to acquire and use loans facilities for specific purposes. The strength of the influence of social and referent groups in many behavioural contexts is well established in the literature (Ajzen, 1991; Ajzen & Fishbein, 2005; Venkatesh et al., 2012). However, the influence of social groups may vary across different behaviour contexts. In the context of loan acquisition, social groups can influence potential customers to develop the intentions to acquire a loan through a particular facility. Family, friends and other social referent groups can therefore, become a source of influence in inducing strong intentions for loan acquisition among prospective and existing customers of a financial service provider. This leads to the hypothesis that:

H5: Social influence will have significant positive effect on client's intentions to acquire future loans from a financial service provider. Specifically, the stronger the social influence, the stronger will be client's intentions to acquire loans in future.

2.4.6 Loan Terms and Conditions (LTM) and Future Intention for Loan (FINT)

Every product has got its own terms and conditions. Loan conditions and terms specify the cost and benefits consumers are likely to bear and gain respectively from acquiring a specific loan facility. Clients are expected to understand and evaluate loan terms and condition to ensure that they are well informed about the extent to which it is easy or difficulty to acquire and service the loan effectively. As mentioned earlier, flexibility of loan terms and conditions and perceived ease of use appear to have strong conceptual similarities; they both imply clients' perception of the difficulty in acquiring and using loans products. Where customers perceive that loan terms and condition are flexible and reflect their needs and requirements, they are likely to patronize in the loan facility

(Bagozzi, 2007; Legris et al., 2004; Park, 2009; Venkatesh et al., 2012). Therefore, it is expected that the flexibility of loan terms and condition can affect client's intentions for future loans. This, therefore, leads to the hypothesis that:

H6: Flexibility of loan conditions will have significantly positive effect on client's intention to acquire future loans from a loan service provider. Specifically, the more flexible the loan conditions, the stronger will the client intent to acquire more of such loans in future.

3. Methodology

The population consisted of customers who have acquired loan facilities from various financial institutions in Ghana. A convenient sample size of 500 respondents was chosen for the study. In order to collect data of high quality that reflect customers' opinion and improve representativeness of the sample, a survey was conducted in the central business district of Kumasi in Ghana in August 2014. Out of the 500 questionnaires administered, 371 usable questionnaires were obtained, representing 74.2% response rate. A self-administered and structured questionnaire was developed and pre-tested with a sample of 10 customers. Adjustments were made based on the pre-test to get a more effective instrument. After that the questionnaire was finally administered to the customers through personal contact by researchers for nearly two weeks. We used an informed consent form to seek permission from the respondents and assured them of anonymity and confidentiality of their responses.

A five-point Likert scale was used to measure variables for the research constructs that ranged from strongly disagree to strongly agree, coded 1 to 5 respectively. As part of a larger study, the seven multi-item constructs for this paper had 17 items that were derived from previous studies and modified to suit the research context as shown in Table 1. The independent constructs in the model were trust, satisfaction, attitude towards loans, perceived usefulness, social influence and loan terms/conditions, which were modelled primarily as predictors of intentions for future loans. The questionnaire also contained respondents' demographic data: gender, age, education, income and loan characteristics, among others.

Table 1. Constructs and measurement items

Constructs	Code	Measurement items	Source
Loan terms/conditions	LTM1	I took the loan because of the flexible repayment terms the financial institution promised	Self-developed
	LTM2	I took the loan because of the low interest charged on the loan	
	LTM3	I took the loan because I was aware the processing of the loan would be fast	
Social influence	SINF1	I took the loan because my friends and loved ones encouraged me to do so.	Ajzen (1991), Ajzen and Fishbein (2005), Venkatesh et al. (2012)
	SINT2	I took the loan because some of my loved ones had once taken loan from that financial institution.	
Trust	TRU1	This bank is a trustworthy bank when it comes to deducting loan charges.	Morgan and Hunt (1994), Mouzas et al. (2007), Jiang et al. (2011)
	TRU2	I have confidence in this bank to deliver professional services in loan facility	
	TRU3	This bank is reliable bank in terms of granting of loans to me	
Perceived usefulness	PUS1	Taking loans from a bank can help you meet some needs	Park (2009), Venkatesh et al. (2012)
	PUS2	Taking loans from a bank can be useful to one's business or life.	
Satisfaction	SAT1	I am satisfied with the bank's loan facility process.	Cronin & Taylor, (1992); Nimako (2012)
	SAT2	Overall I am happy about the loan repayment terms.	
Attitude towards loans	ATT1	Taking loan from a financial institution is a wise decision	Ajzen (1991), Ajzen & Fishbein (2005), Nimako, Ntim, & Mensah 2014)
	ATT2	Taking loan from a financial institution is a good behaviour	
	ATT3	I have positive attitude towards taking loans from banks.	
Future intention	INT1	I will go to the bank for loans in the near future.	Legris et al. (2004), Park (2009), Venkatesh et al. (2012)
	INT2	I will rather go to another bank for loan instead of this financial institution.	

4. Data Analysis and Results

Data were analysed using descriptive analysis and partial least squares structural equation modelling approaches available in SPSS 16.0 and SmartPLS 2.0 (Ringle, Wende, & Will, 2005) respectively.

4.1 Respondents' Profile

For the characteristics of the respondents in terms of gender, 36.9% of the respondents were males and 63.1% were females. In addition, 46.7% of the respondents' ages were 35 years and below, 38.8% were between the ages of 36 and 45, while 14.5% were 46 years and above. In terms of education, about 11% of them had lower than Diploma/Higher Diploma levels of education, 59% had first degree graduate level education and about 30% had post graduate degree level education. About 22% of the respondents earned a monthly income below USD 250, 44% of them earned monthly income between USD 250 and USD 500, about 16% of them earned between USD 500 and USD 1000 and about 18% of them earned above USD1000. Furthermore, 93% of the respondent had taken loans within the past five years while only 7% of them had taken loans longer than five years. About 18% of the loans taken by respondents had a repayment period of one year, 68% of the loans taken covered a period of two to four years to repay, about 10% of the loans elapsed between 5 to 8 years and only 4% of the loans taken by respondents covered periods above 8 years.

4.2 Structural Model

The structural model was analysed using SmartPLS 2.0 (Ringle et al., 2005) to perform Partial Least Squares Structural Equation Modelling (PLS-SEM) to test the hypothesized relationships among the constructs in the proposed model depicted (see Figure 3). PLS-SEM was deemed most appropriate because of the predictive focus of the study (Chin, 2010). Moreover, PLS-SEM was chosen because of its distribution-free assumption which was appropriate for our purpose. In using PLS-SEM to test the model, the rule of ten was applied in determining the sample size as suggested by Hair, Ringle and Sarstedt (2011). This rule suggests that the minimum sample size should be ten times the the highest number of structural paths directed at a latent construct at a time (Hair et al., 2011, p. 144). In this study, the highest number of structural paths directed at a latent construct (intentions for future loan) at a time was three. Hence three multiplied by ten gives 30 cases; thus, our sample of 371 respondents could be described as adequate sample size. The SmartPLS 2.0 software was set to 500 bootstrap resamples for the estimation of significance of t-values (Chin, 2010). Generally, the PLS-SEM analysis followed Hair et al.'s (2011, p.144), two-step approach; estimation of the measurement (outer) model before the structural (inner) model.

4.3 Measurement Model Reliability and Validity

Construct reliability measures the extent of internal consistency of measures used, and it is assessed through at item factor loadings with acceptable value of 0.50 and through Cronbach's alpha with the acceptable level of 0.7 (Hair et al., 2010; Hair et al., 2011, p. 144; Straub, Boudreau, & Gefen, 2004). From Table 2, all of the constructs have item loadings higher than the recommended 0.50. Then in Table 3, all Cronbach alphas are above 0.70, indicating that these multiple measures are highly reliable for the measurement of each construct. Construct validity assesses the degree to which a measurement represents and logically connects the observed phenomenon to the construct through the fundamental theory (Fornell & Larcker, 1981). It is assessed through convergent validity and discriminant validity (Hair et al., 2010).

Convergent validity can be assessed through Average variance extracted (AVEs) and that should have minimum loading of 0.5, and composite reliability (CR) with acceptable minimum of 0.70 (Fornell & Larcker, 1981; Hair et al., 2010). From Table 3, the AVEs are all above 0.50 indicating that items for each construct together explains adequately the constructs they represent, supporting the convergent validity of the derived measures. Moreover, the CR values for all constructs range from 0.773 to 0.994 exceeding the acceptable requirement of 0.70 confirming the convergent validity of the measurement (outer) model.

Table 2. Item loading and cross loadings

	ATT	INT	LTM	PUS	SAT	SINF	TRU
ATT1	**0.987**	0.266	0.278	0.317	0.265	0.138	0.274
ATT2	**0.989**	0.258	0.263	0.293	0.274	0.145	0.303
ATT3	**0.995**	0.259	0.267	0.313	0.262	0.139	0.285
FINT1	0.251	**0.882**	0.277	0.310	0.436	0.125	0.356
FINT2	0.185	**0.795**	0.211	0.234	0.339	0.095	0.302
LTM1	0.249	0.195	**0.741**	0.217	0.259	0.151	0.238
LTM2	0.227	0.226	**0.777**	0.196	0.212	0.166	0.159
LTM3	0.122	0.219	**0.665**	0.201	0.152	0.147	0.225
PUS1	0.301	0.303	0.278	**0.874**	0.224	0.033	0.301
PUS2	0.179	0.210	0.152	**0.712**	0.179	0.030	0.154
SAT1	0.250	0.442	0.228	0.237	**0.905**	0.108	0.541
SAT2	0.227	0.383	0.278	0.214	**0.871**	0.084	0.602

SINF1	0.154	0.126	0.206	0.017	0.079	**0.889**	0.062
SINF2	0.063	0.084	0.130	0.054	0.105	**0.727**	0.144
TRU1	0.227	0.348	0.232	0.219	0.583	0.091	**0.863**
TRU2	0.273	0.359	0.247	0.297	0.555	0.107	**0.886**
TRU3	0.251	0.306	0.252	0.253	0.512	0.099	**0.832**

Discriminant validity was considered adequate since, as is in Table 3, the square root of the AVEs (in the diagonal) are greater than their respective inter-construct correlations (Fornell & Larcker, 1981). Additional support for discriminant validity comes through inspection of the cross-loadings (Table 2), which indicates that the measurement items for each construct load is higher on their respective constructs than the load on other constructs (Chin, 2010; Hair et al., 2011). These confirm that the measurement items explain adequately their respective constructs more than they do explain other constructs in the structural model. Given that construct reliability and validity conditions of the measurement model are acceptable, we proceed to assess the psychometric properties of the structural (inner) model.

Table 3. Construct reliability and discriminant validity

	ATT	INT	LTM	US	AT	INF	TRU	VE	CR	CA
ATT	**0.991**							0.981	0.994	0.990
INT	0.263	**0.840**						0.705	0.827	0.688
LTM	0.272	0.294	**0.729**					0.532	0.773	0.658
PUS	0.311	0.328	0.281	**0.797**				0.635	0.775	0.638
SAT	0.269	0.466	0.283	0.254	**0.888**			0.789	0.882	0.735
SINF	0.142	0.133	0.213	0.039	0.109	**0.812**		0.659	0.793	0.698
TRU	0.290	0.394	0.283	0.298	0.640	0.115	**0.861**	0.741	0.896	0.826

Note. square roots of AVEs are in the diagonal; correlations are below the diagonal; AVE-Average variance extracted, CR- Composite reliability, CA – Cronbach's alpha.

4.4 Results of Structural Model

In PLS-SEM, structural models' validity are assessed through the strength of regression weights, t-values, *p*-values for significance of t-statistics, as well as effect sizes of independent variables on the dependent variables (Chin, 2010; Hair et al., 2011). The results of hypothesis testing are presented in Table 4.

Table 4. Results of hypothesis testing

	Hypothesized relationship	**Regression weight**	**Standard Error**	**T-Statistics**	**p-value**	**Remarks**
H1	SAT -> INT	0.314	0.067	4.659	0.000***	Supported
H2	TRU -> INT	0.088	0.064	1.376	0.170	Not supported
H3	ATT -> INT	0.065	0.058	1.124	0.262	Not supported
H4	PUS -> INT	0.171	0.054	3.159	0.002**	Supported
H5	SINF -> INT	0.050	0.043	1.172	0.242	Not Supported
H6	LTM -> INT	0.104	0.046	2.272	0.024*	Supported

Note. * significant at 0.05, ** significant at 0.01, *** significant at 0.001.

The results in Table 4 show that, three out of the six hypotheses were supported by the data. First of all, satisfaction has significantly positive effect on future intentions for loan ($\beta = 0.314$, $t = 4.659$, $p < 0.001$), providing support for hypothesis H1. Trust significantly influences future intentions positively ($\beta = 0.088$, $t = 1.376$, $p > 0.05$), disproving hypothesis H2. Moreover, attitude towards loans in general did not significantly affect future intentions, disproving hypothesis H3. Perceived usefulness positively influenced future intentions for loans ($\beta = 0.171$, $t = 3.159$ $p < 0.01$), providing support for hypothesis H4. Social influence did not significantly influence intention of future loans ($\beta = 0.050$, $t = 1.172$, $p > 0.05$) disproving hypothesis H5. Finally, flexibility of loan terms and conditions has a significantly positive influence on future intentions for the loan service ($\beta = 0.104$, $t = 2.272$, $p < 0.05$). Among the independent variables, the results indicate that client satisfaction made the greatest influence on future intentions for loans (31.4%), followed by perceived usefulness of loan (17.1%) and loan terms and conditions (10.4%).

4.5 Predictive Power Analysis

The R-Square measures the predictive power of the structural model in PLS analysis. The predictive power of each independent variable to their respective dependent variables was conducted by eliminating each of the independent variable in question, one at a time in an iterative process. The effect size is estimated as:

$$\frac{R^2 \textit{ included } - R^2 \textit{ exluded}}{1 - R^2 \textit{ included}} \tag{1}$$

The effect size of each of the independent variables is presented in Table 5. Cohen (1988) provides the following guidelines for interpreting effect sizes: Less than 0.02 – no effect, Small – 0.02, medium – 0.15, large – 0.35.

Table 5. Predictive power analysis

Models	Dependent variables	R^2 included	R^2 excluded	f^2	Remarks
Full model	FINT	0.291	N/A	N/A	
Model without SAT	FINT	0.291	0.234	0.080	Small effect
Model without PUS	FINT	0.291	0.267	0.034	Small effect
Model without LTM	FINT	0.291	0.282	0.012	Small effect

Note. Effect size: 0 – none, 0.02 – small, 0.15 - medium, 0.35 – large (Cohen, 1988), N/A – Not applicable.

From Table 5 above, the model as a whole predicts about 29% of clients' intention to acquire future loans, indicating a medium effect size. This implies that all the independent variables (SAT, TRU, PUS, ATT, and LTM) collectively predict intention for future loans moderately. Overall, satisfaction (f^2 = 0.080), perceived usefulness (f^2 = 0.034) and loan terms/conditions (f^2 = 0.012) made small effect sizes in predicting clients' intentions for future loans.

5. Discussion and Implications

In this research, the overarching purpose was to assess the key predictors of clients' intentions to acquire loans in the Ghanaian financial market. We drew on several constructs from TPB, TAM and relationship marketing literature to develop a model of six predictors of intention for loan facility. Using data from a survey of 371 loan customers of leading financial service providers, the results show that satisfaction, perceived usefulness and flexibility of loan terms and conditions were the significant factors, while trust, attitude towards loan and social influence did not contribute significantly to predicting client's intentions to acquire future loans from financial service providers in the Ghanaian financial market.

First, our findings confirm many previous works that client satisfaction is key to influencing clients' intentions for continual long-term relationship between firm and clients (e.g., Belanche et al., 2013; Bolton, 2011; Cronin et al., 2000; Cronin & Taylor, 1992; Jiang et al., 2011; Kotler & Keller, 2012; Jiang et al., 2011; Nimako, 2012). In the present study, client satisfaction is the most important factor that influenced customers' intentions for future loans because it made the greatest contribution to the overall model. Thus, in financial service context, satisfied customers are also more likely to keep patronizing loan services delivered by financial service providers.

Second, our findings also confirm a number of previous studies that perceived usefulness as an important determinant of intentions (Davis et al., 1989, Bagozzi, 2007; Legris et al., 2004; Park, 2009; Venkatesh et al., 2012). Specifically, the findings imply that when clients perceive the usefulness of loans acquired to be high, they are more willing to continue to secure loans from financial service providers in the near future and maintain a long-term business relationship. Clients will continue to patronise loan products as long as they perceive loans to be useful to their current and future needs.

Third, this study found that, like perceived usefuness, loan terms and conditions are critically important determinants of clients' intentions for loans in developing countries. One possible explanation is that, in developing countries like Ghana, majority of the potential clients for loans do not have access to funding because they lack collateral and high minimum deposit requirements by banks (Steel & Andah, 2004). Clients tend to be very particular about the terms and conditions attached to loan acquisition. This is consistent with the findings of Ganu and Boateng (2012) that, in the informal sector in Ghana, none of the loan clients (a sample of 50 business women) was willing to take future loans because of high interest rates and their inability to secure loans requiring collateral, apart from the absence of banks within their vicinity. It is evident in developing countries that, economically poor people tend to favour loan acquisition in financial institutions where they are promised flexible loan repayment terms coupled with low cost of loan processing or transaction and low interest charges on loans (Beck & Demirguc-Kunt, 2006; Ganu & Boateng, 2012). Moreover, potential loan clients tend to welcome fast and immediate processing of loans within the shortest possible time, say two days instead of two months (Beck & Demirguc-Kunt, 2006). As shown by the results of this study, flexible loan terms and conditions can provide a moderate influence on consumer intentions for more future loans as long as the terms and conditions remain operational, reliable and flexible.

Fourth, our findings showed that trust, attitude towards loan and social influence did not contribute significantly to predicting client's intentions to acquire future loans from financial service providers in the Ghanaian financial market. This does not mean that these three factors are not important, rather it means that these factors might be indirectly related to clients' future intentions for loans and not directly related as modelled in this study. It might be that trust in this research context might influence intention through satisfaction of loan clients as some previous studies have noted (e.g., Jiang et al., 2011; Mouzas et al., 2007; Pavlou & Fygenson, 2006).

Similarly, the fact that loan clients have a positive attitude towards loans and/or are strongly influenced by their social groups does not necessarily mean they will go for future loans unless, probably, they are highly satisfied with existing loans acquired, or have a high perceived usefulness of the loans or have a real need for more of such loans. Thus, the relationship between future intentions and attitude towards loans in general and social influence might not be a straight-forward one as modelled in this study.

5.1 Theoretical Contributions

The present study extends our theoretical understanding of the antecedents of existing clients' intentions to acquire loans in a developing country context. First, this paper contributes to filling the void in the extant literature regarding a comprehensive framework for understanding the combined effects of relationship factors and personal and social factors that predict clients' intentions to acquire loans. Whereas existing literature has focused on exploring some personal and social factors that affect clients' intentions for loans (e.g., Agyabeng et al., 2014; Ayalew & Deininger, 2012; Dauda & Nyarko, 2014; De Mel et al., 2011; Ong'injo, 2014; Way & Garrison, 2011), the present study has proposed and tested a comprehensive framework of key determinants that are critically important in influencing clients' intentions for loans towards sustaining a long-term relationship with clients in financial services context.

Second, this study has provided some empirical evidence that the effect of personal and social factors such as attitude and social influence on intentions may not always be direct as suggested in some previous studies (e.g., Ajzen, 1991; Ajzen & Fishbein, 2005), but may have some significant intervening and moderating factors such as gender, age, income and habit as demonstrated in some past studies (e.g., Park, 2009; Pavlou, & Fygenson, 2006; Venkatesh et al., 2012). Therefore more theoretical and empirical studies are required to explain the moderating factors that are likely to influence the relationship between personal and social factors and intentions to acquire financial service products in general and loans in particular.

Third, this study is one of the few studies that have extended our understanding of the determinants of intentions to acquire loans in the context of financial services in developing countries in general using rigorous, third-generation structural equation modelling approach.

5.2 Managerial Contributions

Managerially, the findings of this study imply that loan service providers should focus on achieving customer satisfaction for existing loan clients which is likely to have a significantly positive effect on their intentions for future loans. Therefore, it is recommended that financial managers endeavour to understand loan clients' expectations of loan providers in order to meet customers' expectations and requirements satisfactorily. There is therefore, the need for loan providers to consistently review customers' evaluation of their service to improve upon areas of service delivery customers are not satisfied with.

Moreover, it is recommended that loan service providers keep loan terms and conditions flexible for existing customers in order to enable customers feel comfortable in keeping long-term relationship with loan providers, especially in developing countries where the majority of the potential loan clients neither have collateral nor are able to meet high minimum deposit required by some banking institutions (Steel & Andah, 2004). Furthermore, loan service managers should consistently provide innovative loan service that is more beneficial and useful to consumers' personal and business situations. In addition, financial managers should endeavour to develop effective promotional strategies that highlight the value and uniqueness of loan products to different customer groups. This is likely to improve consumer perceived usefulness of loan products, which has been found to be a significant determinant of intentions to acquire future loans among existing loan clients.

6. Limitations and Directions for Future Research

Despite the unique contributions of this study to theory and loan services management, it has some limitations that provide avenues for future research. First, this study is based on Ghanaian respondents, which limits the generalizability of the findings to other developing countries. Future research should extend the proposed model to loan service context in other countries. Moreover, in this study, we did not examine the indirect effects of the antecedents of intentions to acquire loans, nor the moderating role of gender, age and income of respondents which can explain the non-significant relationships between intentions and general attitude towards loans, social influence and trust. It is recommended that future research should attempt to explore these areas as well as other relevant variables in order to advance our understanding of the critical antecedents of loan acquisition in financial markets in general and developing countries in particular.

7. Conclusion

This study assesses the antecedents of clients' intentions for future loan in the Ghanaian financial market. It draws on existing literature from relationship marketing and constructs in TPB and TAM to develop a comprehensive conceptual framework of the antecedents of clients' intentions for future loans. Using data from a survey of 371 loan customers of leading financial service providers in Ghana, the results show that client satisfaction, loan terms and conditions and perceived usefulness of loan facility are the three key factors that drive clients' future intentions for loans. While attitude towards loans, social influence and trust for loan service providers might indirectly influence clients' intentions for future loans, our findings suggest that these constructs do not make direct impact on intentions for future loans. Managers of loan service firms are encouraged to focus on improving clients' satisfaction, improving loan terms and conditions and develop effective communication mix for promoting customer perceived usefulness and value for specific loan facility offered to customers. While this study is limited in terms of generalizability of the findings in developing countries, it provides avenues for further research in understanding critical determinants of clients' intention to acquire future loans in financial markets.

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