

UNIVERSITY OF CAPE COAST

THE IMPACT OF RURAL BANK CREDIT FACILITIES ON RURAL DEVELOPMENT IN
GHANA. A CASE STUDY OF AMUGA RURAL BANK LTD

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DEVELOPMENT IN GHANA. A CASE STUDY OF AMUGA RURAL BANK
LTD

BY
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DECLARATION

Candidate's Declaration

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

Candidate's Signature..... Date.....

Name: Cyril Serious Ladzagla

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation was supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature..... Date.....

Name: Seidu Baba Adebola

ABSTRACT

The importance of the rural banking in the economic development of a country cannot be overlooked. Hence, banks and other financial institutions are considered to be a vital role for the development of the rural economy in Ghana.

The Government of Ghana through the Bank of Ghana introduced and established Rural Banks in 1976 as one of the strategies to facilitate the development of rural communities. Aside inculcating the habit of banking in the rural dwellers, the Rural Banks were to mobilize funds and channel them to productive ventures in the rural areas.

The rural banking sub sector has become a growing and a vibrant part of the whole banking industry and the Ghanaian economy as a whole. Aside the disbursement of credit facilities which has helped in improving the living conditions of the beneficiaries, the Rural Banks have also, created employment and has helped in inculcating the habit of banking in the dwellers of the rural communities.

The study sought to determine the impact of rural bank financial facilities of the rural poor with respect to income, employment, occupation and savings. Questionnaires and interviews were used to elicit responses on socio-economic characteristics and other relevant variables from a random sample of seventy (70) respondents from the catchment areas of the bank.

The analysis showed that the rural banks have positively impacted on socio-economic development of the rural people and these have manifested in the areas of income, employment, occupation and savings.

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LIST OF ACRONYMS

ARB	Association of Rural Bank
ABL	Apex Bank Limited
ADB	Agricultural Development Bank
ARB	Association of Rural Banks
BoG	Bank of Ghana
CBRDP	Community Based Rural Development Project
ERDA	European Rural Development Agency
FAO	Food and Agricultural Organization
GPRS	Ghana Poverty Reduction Strategy
GLSS	Ghana living Standard Surveys
IFAD	International Fund for Agricultural Development
IRD	Integrated Rural Development
MDA	Millennium Development Authority
MASLOC	Microfinance and Small Loan Center
NPL	Non Performing Loans
RCBs	Rural and Community Banks
RRBs	Regional Rural Banks
SPSS	Statistical Package for Social Science
SIF	Social Investment Fund

CHAPTER ONE

Introduction

Rural development is a strategy intended to improve the economic and social life of the rural people and this has received great attention in national plans of various countries. In Ghana, the need to improve the standard of living of the rural people dates back to the colonial era. One of the major problems facing rural people has been the lack of institutionalized financial facilities. In spite of the recognition of crucial role that access to financial services can play in the socio economic development of the rural communities in Ghana, the availability of these financial services in rural communities was extremely limited. The main sources of credit for the rural people were mainly money lenders and traders who charge exorbitant interest rates. This has resulted in rural people inability to increase their productivity, income and improve upon their standard of living. Attempts in the past to encourage commercial banks to advance credit to rural people failed to achieve the desired results.

Background to the study

This study looks at the background of the study, problem statement, objectives of the study, research question, hypothesis testing, significance of the study, limitations of the study and organisation of the study.

The concept of rural bank evolved in Ghana in 1976, in response to the needs of the rural people for institutional finance as it is widely recognized that access to rural credit increases the participation of rural people in developmental activities. Traditionally, rural credit has been provided by two types of sources namely institutional and non-institutional. Non institutional credit is provided by money lenders, relatives, friends, traders, commission agents, cooperatives.

Loans provided by friends and relatives usually attract no interest or collateral but the credit provided by the money lenders and traders attract exorbitant interest rates (Aryeertey, 1994). In many rural communities, secure, safe, and convenient savings and payment facilities hardly existed. Many rural dwellers had to travel long distances to receive payments (such as salary and pension deposits), transfer funds, and cash cheque payments for their agricultural produce (Ajani & Azeb, 2010).

The credit market for the non-institutional market is small and as a result the total credit available is insufficient to implement rural development programs (FAO, 1994). It is recognized that for rural development to be accelerated, then there is the need for larger institutional sources of credit to be created.

Ghana Government then created specialized banking institutions such as Agricultural Development Bank and National Investment Bank to service the sector, yielded any better results. As a result, very few rural people had access to credit from these institutional sources. The lack of interest in small rural credits by the specialized Banks is explained by the high administrative cost in servicing a large number of small credits spread over a wide area. Again, high levels of default

rate, inability for borrowers to offer adequate security for loans and risk associated with agricultural production (Ajani & Azeb, 2010).

The specialized banking institutions created to service the rural sector in particular tend to gravitate towards the traditional urban-based banking activities which were more profitable and less risky (Addeah, 1989). There was, therefore, a gap in the provision of institutional finance to the rural people and thus the rural banks were expected to fill.

To overcome these difficulties, Ghana government through the Bank of Ghana established the Rural Banking in Ghana to provide institutional finance to the rural people. Due to the strategic role that the rural banking sector plays in the socio-economic development of the nation, it is important that these banks remain competitive, profitable and grow in order to mobilize rural resources and redistribute them to the rural sectors to make room for more development.

The rural banks are the largest providers of formal financial services in rural areas and also represent about half of the total banking outlets in Ghana (IFAD 2010). They are mandated to stimulate banking habits among rural dwellers, mobilize resources locked up in the rural areas into the banking systems to facilitate development and to identify viable industries in their respective areas for investment and development (Association of Rural Banks, 1992).

Rural dwellers need credit to meet short-term requirements of working capital and for long-term investment in agriculture and other income-bearing activities. In rural areas, simple financial services can directly affect productivity, asset formation, income and food security. Agricultural and non-agricultural activities in rural areas typically are seasonal, and rural people need credit to

smoothen out seasonal fluctuations in earnings and expenditure (Mosh, 1969). If these credit needs of the poor are to be met, rural dwellers need access to credit institutions that provide them a range of financial services and also, provide credit at reasonable rates of interest (Banerjee, 2010). The rural banks are created with the hope that the small scale rural producers and small towns benefit from the new credit source. This study, would examine how rural bank affected rural people welfare by focusing on rural poverty outcomes.

The contribution of rural banks affects the level of economic development in the country. The following are some contributions of the rural banks towards the development of our economy.

People living in the rural areas hardly save any profits they make mainly because of the risks of theft and the like. Since they have their monies at their disposal, they engage in litigations or disputes with regards to possessions of assets like land; there is also the issue of expensive funeral spending instead of investing their income to yield them more and/or better returns. Rural banks operate to encourage these people to save and/or invest their incomes or profits; Preko E.A & Armah-Tetteh B. (2005). The banks encourage them with financial advices and saving options to help them in improving upon their various occupations.

The rural banks also grant credit to customers for the payment of school fees, acquisition or repairs of houses and to meet medical expenses. This helps to improve the life of the rural dwellers so that they can contribute immensely to increase or improve productivity in the rural areas and the country at large (Ofosu-Djamerah M. 1999).

Most of the rural people are unable to raise the needed capital to finance their projects. According to (Preko E. A. & Armah-Tetteh B.2005), rural banks grant loans and overdraft facilities to these people to help them solve the issue of inadequate capital. Most of the people are unable to engage in large-scale production as a result of inadequacy of capital. These loans enable them to acquire the needed implements and remuneration for labour with regards to the proper execution of the work at hand so as to increase productivity. When the loans are given out, the banks assign a team to monitor the beneficiaries so as to ensure that the loans are being used for their intended purpose. Eventually, productivity will increase, income levels will also increase and more jobs will be created out of the income of the citizens if efficient uses of these resources are recorded. Upon the creation of more jobs, social problems like armed robbery and prostitution will be reduced drastically.

Oforu-Djamerah M. (1999) said that rural banks devote part of their profits to meet social responsibilities. The rural banks make donations to support education, and health to mention but a few. Before one can ensure an increase in productivity, the social welfare of the people must be put into consideration. Therefore providing or supporting education and health will definitely improve the living standard of the rural dwellers and also help to maintain them in the rural areas so as to contribute to the development of the dominant sector of the economy like agriculture. Once the agriculture sector is developed, there will be an increase in agriculture products, hence an increase in total exports and increased internal consumption.

As part of the social responsibility of the rural banks, most of the paths and roads linking the various farms with the towns will be enhanced all other things being equal. The banks go on to arrange for institutions to purchase the produce from the area. Alternatively, the banks may take over the produce of the people as a means of repayment of loans granted them. This way, the burden of transportation and marketing of their produce is taken off. This in effect encourages the people to produce more.

Statement of the problem

The idea of Rural and Community Banking (RCBs) system was promoted by the Bank of Ghana in the early 1970s to fill a financing gap which had been created in the rural community as a result of the failure on the part of the main commercial banks to penetrate the rural economy.

The main objective of the rural banking system was to mobilize domestic savings to help finance rural economic activities and promote rural growth and development. It was also intended to introduce organized banking to the doorsteps of the rural population and fill the institutional gap in the rural financial sector. A key objective in development economics is to work out ways to lift people out of poverty. Access to finance has been seen as a critical factor in enabling people to transform their production and employment activities and to exit poverty (Banerjee & Newman 1993; Aghion & Bolton 1997; Banerjee, 2001).

Many rural banks claim and profess to assist in the activities of rural dwellers especially in the agricultural sector, which is the main occupation of the rural communities, the issue is why then are the rural communities lacking development? Since independence in 1957, the Ghana government has made

several attempts to promote development in an effort to increase the living standard of the people who reside in rural areas (Kudiabor 2004). These projects have failed for several reasons, including the high cost of living for rural people, and the lack of coordination between government agencies (Amonoo 2007; Brown 1996; Opuku-Afriyie 1994).

More people and rural dwellers do have problems in dealing with the rural banks or the credit unions. Some of these problems include preparing viable business proposals and collateral securities that the banks do demand. Meanwhile, majority of the dwellers are not educated in order to plan or write their own business proposals. In addition, it has become very difficult for the dwellers to secure loans because of the collateral securities demanded by the banks. Some of the banks even look at the scale of the business or venture before granting loans.

The most alarming problem that the dwellers do face is the high interest rates or bank charges. It is very difficult these days for most people to borrow money from the rural banks because of the high interest rates. More of the beneficiaries do even end up by selling their lands or assets in order to pay the loans they have borrowed.

According to the Daily Graphic (February 2014), The Minister of Finance and Economic planning, Seth Tekper, has indicated that high interest rates charged by banks and savings and loans companies are killing business in the country, especially Small Medium Enterprises (SMEs). He noticed the disparity between lending and borrowing as still too high and this was affecting the growth of business

in the country. According to him, the problem of high interest rates is an impediment on the economy since it forces more business to close down.

Since the establishment of Amuga rural Bank in October, 1980, there have not been any academic research to assess the impact of its credit facilities on the development of their businesses. In the light of this, the study intended to investigate the quantum of funds the bank had disbursed, repayment rates, the attitudes of the recipients, their livelihood before and after accessing the funds.

Objective of the study

The broad objective of this study is to evaluate the impact of rural banks credit facilities on rural development. The specific objective of the study was to:

1. To ascertain the principal objectives for the creation of Rural Banks in Ghana
2. To examine the extent to which the Rural Banks operate to achieve these objectives.
3. To assess the effect of their activities on Rural Development
4. To examine the challenges faced by Rural Banks in complying with the purpose for their creation.

Research Question/hypothesis

This study seeks to address the following questions:

1. What was the main purpose for the creation of Rural Banks in Ghana?
2. To what extent do the Rural Banks operate to achieve this purpose?
3. What is the effect of the activities of Rural Banks on Rural Development?
4. What are the challenges in their quest to facilitate Rural Development?

The significance of the study

The findings of this research would encourage continuing governmental efforts aimed at developing the Ghanaian rural banking sector. The Policy implications would include the need to enhance confidence in the rural banking system, to encourage savings in Rural Banks, and to ensure efficient transfer of resources from savers to investors.

Then also, a lot of Nongovernmental organizations and other agents of Rural Development channel their resource through the Rural Banks to facilitate Rural Development. The study will help them know whether these efforts are really having impact in the rural communities.

Furthermore, the study will also help the rural banking industry as a whole to redefine its scope and operational policies to reflect the objective for their creation and also adopt pragmatic approach to service delivery in the rural areas of Ghana.

Finally, the study will empower the rural communities to impress on the Rural Banks to make the communities a priority in their operations. This is because the study will enlighten the people in the rural areas to know that, the purpose for the existence of the whole rural banking industry is to service them. This knowledge will inspire them to subsequently demand for the right thing to be done.

Scope

Geographically, the scope of the study will cover the North and Central Tongu Districts and Ho Municipal all in the Volta Region. The context of this study will focus on issues regarding the operations of the Rural Banks and the extent to which they have contributed to agriculture, employment, income and social

infrastructure within their catchment areas as a way of helping in the development of the communities within which they operate.

Limitations of the study

Several difficulties were encountered during this study. Most of the respondents interviewed relied heavily on their memories and could not give specific answers to specific questions. This was apparently due to the fact that most farmers and traders did not keep proper records on their business activities. This led in some cases to respondents giving inconsistent responses. Invalid answers to questions asked could have had adverse effect on the analysis hence a lot of time was taken to explain questions before answers were recorded to minimize inaccuracies.

Secondly, some of the traders in the villages were very suspicious of the researcher's motives for fear of taxation. They thought the researcher was a tax agent sent to check their sales and income for tax assessment. Consequently most of the customers were reluctant to respond to the questions or disclose their income levels.

The study was confined to only North and Central Tongu Districts as well as Ho Municipal of the Volta Region due to time and financial constraints. Ideally, the study should have covered all Amuga Rural Bank operational Districts in the Region so that the impact measured could be applied more widely. Ideally, almost all the beneficiaries who benefited from credit facilities from the Bank should have been interviewed. Since that is not possible a sample was chosen to represent the entire population. To reduce the impact of these limitations, the researcher

exercised the greatest amount of care in conducting the study so that problems that are associated with conduction of interview surveys (ambiguity, misinterpretation or misunderstanding of questions) could be reasonably mitigated.

Organisation of the Study

The research is divided into five chapters. Chapter one deals with the introduction, background to the study, objective of the study, statement of the problem and limitations of the study.

Chapter two reviews literature on rural poverty, rural development concepts, the need for credit in the rural areas, issues in the industry as well as the need for financial intermediation in Rural Development; approaches and interventions to Rural Development the conceptual framework and a summary of the lessons learnt.

Chapter three deals with the methodology of the study. The methodology consists of the description of the study area, research design, population, sample and sampling technique, data collection procedure, data analysis.

Chapter four focuses on the analysis of the data collected from the field while the final and fifth chapter presents the findings, recommendations and the conclusion of the study.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter reviews theoretical literature on rural development and various approaches to rural development, the philosophy of rural banking, the benefits of rural banks in fostering economic development in rural areas, the impact of Rural Banks to rural economy, conceptual framework on Rural Banks and Rural Development, growth of rural banks in Ghana, governance, legal, regulatory frameworks, the challenges of rural bank in Ghana and summary of lessons learnt.

Theoretical Literature

In the 1950s and much of the 1960s, the key to economic development was considered to be industrial growth and modernization. The agricultural sector was hence relatively neglected by national policy, in favour of investment in industry. It was assumed that the benefits of growth would trickle down to the poor as they shifted into the modern sector of the economy, and that the agricultural sector could act as a reservoir of surplus resources and labour for industrial growth without requiring investment in its own right.

However, the poor, who lived primarily in rural areas, and were to varying extents dependent upon subsistence agriculture, failed to benefit from modernisation and industrial growth. The industrial sector in most cases did not expand rapidly enough to provide the necessary jobs, and the agricultural sector itself remained stagnant and unproductive. At the same time, theories of economic growth, which had previously assumed that investment in the agricultural sector was not needed for industrial growth to take place, were discredited. It became clear to policy-makers that dual investment in both sectors was needed for industrial growth to take place. Additionally, the writings of a number of influential

academics in the 1960s (Shultz 1964, Mellor 1966) pointed to the relative efficiency in developing countries of smallholder farming as compared to production on large farms.

Hence, for reasons of **efficiency** as well as **equity**, policy-makers began, from the end of the 1960s, to take a much more active interest in the role of the agricultural sector – and especially smallholder agriculture – in overall economic development. Supporting smallholder agriculture seemed to serve both efficiency and equity objectives and has been an enduring theme in both development and rural development policy.

Rural development is an approach to development which stems from the relative neglect of the agricultural sector (the urban bias) and the failure of economic growth theories of development to benefit the poor. Recognition of this neglect reflected both equity concerns and an appreciation of the role of agricultural growth in overall development. These concerns had a significant effect on development **policy**, leading to investment in the agricultural sector (and the **green revolution**), measures to increase equity (the **basic needs** approach), and strategies to co-ordinate the many sectors involved in rural change (**Integrated Rural Development**). IRD sought to co-ordinate multifaceted initiatives more effectively and the basic needs approach promoted satisfaction of the essential needs of the poor before the non-essential needs of the rich.

Rural development interventions by the state were at their peak in the 1970s, but declined in subsequent decades as the **neo-liberal** ideas of the Washington

Consensus led to market liberalization and state withdrawal from many of the activities it had previously undertaken.

However, running parallel with the emergence of neo-liberalism was a very different way of looking at the development process. Like neo-liberalism, this bottom-up approach shared a distrust of top-down interventions by the state, but unlike neo-liberalism, it saw the solution to rural poverty as lying not so much in market forces, but in greater **participation** by the poor in defining and implementing the development agenda. Thus, the poor were not simply to be the beneficiaries of development, but partners in development. This new paradigm for rural development found expression in Chambers' **farmer first** approach to agricultural development and in the interest in applying social theory and methods (**social development**).

The message of farmer first is that farmers' knowledge is valuable for research and development (R&D) and that agricultural development can proceed more effectively if planners can be persuaded to recognise farmers' agendas and form research partnerships with them. Valuable knowledge about farming methods and conservation can be missed by a transfer of technology approach. Technology transfer often fails because farmers have their own ideas and priorities and often operate in complex, diverse and risky environments with very specific technological needs. In short, farmer participation is intended to make the development process more equitable and more effective. However, farmer participation is not straightforward to implement, for reasons to do with power and

resistance. This approach is then concerned not only with agriculture but with every part of rural life.

The challenge to top-down approaches to development, both from the participation approach and the free market approach, has also provided a challenge to agriculture's primacy in rural development strategies and re-ignited an old debate about the potential that smallholder farming offers in the fight against rural poverty and the pursuit of economic development. This debate remains unresolved; however, growing pessimism about the ability of world food supplies to keep pace with growing demand and the uncertainties surrounding climate change have given renewed impetus to the argument for greater investment in agriculture.

Finally, environmental concerns (especially those relating to climate change), are now at the forefront of the rural development agenda, so that we rarely talk about 'rural development' but rather 'sustainable rural development'. Sustainability comprises interlocking economic, social and ecological dimensions; and the relationship between them must be addressed for sustainability to be effective. The **sustainable livelihoods** approach to development provides a holistic framework for analysing poverty and identifying potential solutions and became popular with many development agencies in the opening years of the 21st century.

Approaches to Rural Development

The meaning of "development" has changed several times over the years. In the 1960's, development became synonymous with technological improvements and rapid economic growth (Rostow, 1961). More recently, definitions of development have included improvement in material conditions, holistic and multi-

dimensional development, good health, education, increased consumption, gender equality, human freedom and sound environment (Okonjo, 1986)

The concept of Rural Development has emerged through socio- political struggle and debates. A lot of studies have been done in this respect and it is evident that, while some see Rural Development as the final expropriation of farmers, others regard it as a force that will revitalize agriculture. Any critical discussion on this issue must begin with the acknowledgement that, as yet, we have no comprehensive definition of Rural Development (Clark, 1997).

Rural Development is currently seen as a multi-level, multi- actor and multi facet process. It is said to be multi- level process which is rooted in historical traditions. At all levels, it has emerged as a series of responses to the earlier theory of modernization which had education and technology as the bases. It is the complex institutional setting on the processes involved in Rural Development that makes it multi actor. The drive towards a decentralized rural policy approach which is locality and the newly emerging relations between the local and the globe are a major principle designed to strengthen the process. Rural Development is also multi-facet in nature. It unfolds into a wide array of different and sometimes interconnected practices (Guzman, 2000).

For the purposes of this study, Rural Development is used to denote the actions and initiatives taken to improve the standard of living in non-urban neighborhoods, countryside, and remote villages. All over world, a lot of approaches have been adopted to propel growth in the rural areas. Some of these approaches are enumerated below.

The Social Amenity Approach

The social amenity approach is embarked on, with emphasis on the provision of basic social amenities (educational, health, recreational, water etc.) for the rural communities. The provision of social amenities and the development of the cultural and historic sites of the communities are undertaken to open them up for tourism and investment.

This approach is limited because it is expensive to run due to the rural areas demand for a wide range of substantial social services, whereas the financial, manpower and organizational resource for effective delivery of social services are often extremely limited. It is also apparent that, Rural Development is much more than the provision of social amenities. (Nwosu and Agaben, 2008).

Improved Agriculture Approach

The approach places emphasis on improvement in agriculture through the provision of credit and the use of technology in the rural areas. This is because agriculture is the major source of income in the rural areas and has the potential of transforming the rural economies. The approach therefore seeks to strengthen the backward and forward linkages along the food chains, ensuring food security for the poor and vulnerable through partnerships with development partners in providing programmatic support to agriculture. The approach also ensures the provision of well-functioning agricultural markets which connect most rural households as either sellers of produce, buyers of food or both. Access to remunerative and reliable produce markets has the tendency of enabling farming households to commercialize their production systems and increase their farm incomes.

However, it is generally a challenge for poor rural people to seize rewarding opportunities in produce markets and to cope well with the attached risks. Then again, there is the problem of stagnating food productivity and production, lack of access to rural finance, infrastructure, technology, lack of markets, limited nonfarm income opportunities and threat of climate change and volatility of food prices (Asian Development Bank, 2010).

Integrated Approach

Integrated Rural Development is an ongoing process involving outside intervention and local aspirations which aim at attaining the betterment of groups of people living in rural areas and to sustain and improve rural values through the redistribution of central resources, reducing comparative disadvantages for competition and finding new ways to reinforce and utilize rural resources. It is integrative in the sense that, as opposed to central development, the integrated approach is controlled and managed locally. Besides local resources, it also leans on the professional and financial support of the centre. Although this approach ensures the participation of all stake holders in Rural Development, the challenge is that it delays the development process and quite expensive to implement. In all the approaches listed above, the need for finance stands out and all the approaches requires one way of funding or another.

Access to rural credit increases the participation of rural people in development activities. A rural credit policy that mobilizes rural resources and redistributes them to the rural sectors creates the potential for enhanced

development. Traditionally, rural credit has been provided through the institutional and non-institutional means.

In rural communities, non-institutional credit is provided by moneylenders, relatives, friends, traders, commission agents, cooperatives and consumers, distributors of farm inputs and processors of agricultural product. Research has shown that, the most common providers of loans in rural areas are friends and relatives who usually charge no interest or collateral. This credit market is small however and the total credit from these non-institutional sources is insufficient to implement Rural Development programs (FAO, 1994).

The rural population suffers from a great deal of indebtedness and is subject to exploitation in the credit market due to high interest rates and the lack of convenient access to credit. Rural households need credit for investing in agriculture and smoothening out seasonal fluctuations in earnings. Since cash flows and savings in rural areas for the majority of the households are small, rural households typically tend to rely on credit for other consumption needs like education, food, housing, household functions etc.

The households need access to financial institutions that can provide them with credit at lower rates and at reasonable terms than the traditional money lenders to enable them avoid debt traps that are common in rural areas. It is evident therefore that, for Rural Development to proceed at a smooth pace, larger institutional sources of credit need to be created (Ramachandran & Swaminathan, 2001).

Adams and Vogel (1986) suggested that, there is the need for institutional credit in the rural areas due to the fact that the distribution of formal sector credit has been unequal particularly with respect to region and class, tribe and gender. Although governments realize that, resource poor rural households need affordable credit to enhance household incomes, the formal financial institutions fail to reach the poor because they adhere to stringent collateral requirements and the credit disbursement and recovery procedures are not suitable for their economic environment.

According to Anderson and Locke (2002), extending credit has environmental resource consequences through both the type of capital investment undertaken and the potential changes in the borrower's income. Credit allows micro entrepreneurs to invest in small scale capital such as sewing machines, looms, bicycles, rickshaws, livestock, tools and other supplies. Micro enterprise activities, if successful can smoothly increase and diversify the borrower's income and increase ownership.

They envisaged that as income increases, the quantity, composition and the timing of economic activity of the poor will change. The changes in activities afforded by increase income have effect on the overall development of the area. To bridge this gap, countries have responded through the establishment of the specialized financial institutions in the forms of the development oriented Rural Banks as is the case in india.

The Philosophy of Rural Banking

Banking is a form of service designed to bring banking to the most remote and rural communities. Andah and Steel (2003), described them as “a unit bank owned by members of the rural community through purchase of shares and are licensed to provide financial intermediation in the rural areas”. The values of rural banking is on the mobilization of deposit and the provision of credit to farm and nonfarm activities to ensure the expansion of the rural communities in order to enhance Rural Development. This helps to promote savings culture and financial empowerment which gives the rural populace the ability to better their economic circumstances with their money in building a sustainable livelihood.

According to Onugu (2000), the philosophy of rural banking is development oriented and seeks to;

- Inculcate disciplined banking habits in the rural population.
- Inspire the spirit of community ownership, organization and self-reliance.
- Generate credit from within the communities for enhancing the development of productive activities and improving the economic status of the communities and their individual members.
- Provide off-season bridging loans as a means of breaking the widespread dependence on local money-lenders.
- Formalize the use of communities as effective vehicles for rural change and national development.
- Promote rural activities such as agriculture, commerce, arts and crafts, agro- and mineral-based cottage and small-scale industries, vocational and trade

skills, rural transportation e.t.c. particularly in support of small farmers, micro entrepreneurs, women, young people, and cooperatives.

- Promote the emergence of an effective and integrated financial system that responds to the needs of the whole economy from the grassroots to the national level to promote development. The philosophy of rural banking therefore makes the Rural Banks a stakeholder in rural development programmes and an answer to the credit problems in the rural areas as is the case of India

The benefits of rural banks in fostering economic development in rural areas

The belief that governments can use public policy to alleviate financing constraints, and thereby engender development and reduce poverty, led to the widespread implementation of state-led rural credit and savings schemes in low-income countries in the postcolonial period. In most cases this was accomplished through government oversight of the banking sector, often aided by government ownership of banks (Besley, 1995). But is there enough evidence of an uninterrupted relationship between access to credit in rural areas and poverty reduction or rural development? Where there exist an answer to this question it could be concluded that the development of the rural area is dependent on systems such as the rural and community banking system currently operating in countries in Ghana and India.

Many were certain of the fact that formal subsidized credit was ineffective in reaching the poor, and may even have undermined rural development and increased rural poverty, which this research agrees with. (Burges, 2000) claims “the

elite capture concentrated formal subsidized credit in the hands of the powerful few and worsened terms in the informal markets on which the poor depend (Adams et al., 1984; Braverman and Guasch, 1986). Others argue that state control led to political considerations determining credit allocation and made the banking sector susceptible to elite capture (La Porta et al., 2002; Sapienza, 2004)”. Credible evidence on whether state-led expansion of the banking sector can reduce poverty, however, remains limited.

Ramachandran and Swaminathan (2012) argue that ‘Financial liberalization after 1991 decimated the formal system of institutional credit in rural India. It represented a clear and explicit reversal of the policy of social and development banking, such as it was, and contributed in no small way to the extreme deprivation and distress of which the rural poor in India have been victims over the last decade.’ Which I totally agree with, because with changes in their banking policies and structure on the rural economy of India, there has been a positive impact on the economy growth today as well as countries that have adopted such policies.

The establishment of these rural banks to foster economic development in a rural area of India as well as Ghana makes rural banks a ‘good institution.’ Good institutions are what pave the way to economic development in an economy. Good institutions according to Acemuglu (2010) matter for economic growth because they shape the incentives of key economic actors in society; in particular, they influence investments in physical and human capital and technology, and the organization of production. Although cultural and geographical factors may also matter for economic performance, differences in economic institutions are the

major source of cross-country differences in economic growth and prosperity. I argue together with Acemuglu that as the government (Bank of Ghana) is able to manage good institutions, i.e. rural banks, our beloved country, Ghana will move to purer and greater heights.

Today, these schemes of establishing rural banks remain important in many developing countries (Besley, 1995). The decision of Ghana adopting the idea of also establishing rural banks (good institution) to help solve financial problems in the rural sector of the economy can be described as a good one. Although rural banks have served their purpose of establishment over the years, Amper (2010) argues on the idea, however, that ‘Rural Banks in Ghana are grappling with huge challenges in managing their loan loss reserves due to poor management systems applied by the banks and as a result, majority of these rural banks have been rendered insolvent and could fold up if austerity measures are not taken to reverse the trend.’ This is to say that the benefits of rural and community banks in Ghana is very necessary for development but as the challenges of maintaining these banks are not tackled then what is the use? The question at hand is why are these rural banks “FAILING”? Again, this research agrees with Amper (2010) that the poor performance of the RCBs curtails from both disapproving operating surroundings and constraints. These, in reality have led to the absence of clear practical regulations in financial and non-financial sectors leading to excessive direct lending requirements which limit flexibility in management risk. The answer to this problem is what this study seeks to analyze. Allowing the RCBs in Ghana to go public, to be able to raise capital for businesses, mobilize savings for investment

and facilitate company growth and expansion. Although the Bank of Ghana has placed a remarkable role in facilitating the creation and growth of the RCB network in Ghana, it has successfully altered many of the guidelines that inhibited the advancement of the RCB network, there is still room for improvement. It is the aim that by the end of this research, many ways of creating awareness and advocacy on this subject would be made available to the government (Bank of Ghana) to help in policy making.

The impact of Rural Banks to rural economy

The rapid expansion of Rural Banks in India has helped in reducing substantially the regional disparities in respect of banking facilities in India. The efforts made by RRB in branch expansion, deposit mobilization, rural development and credit deployment in weaker section of rural areas are appreciable. RRB successfully achieve its objectives like to take banking to door steps of rural households particularly in banking deprived rural area, to avail easy and cheaper credit to weaker rural section who are dependent on private lenders, to encourage rural savings for productive activities, to generate employment in rural areas and to bring down the cost of purveying credit in rural areas.

Studies conducted in India by various researchers have shown significant improvement in the lives of beneficiaries of activities of RRB. For instance, (Patel & Shete 2012) of the National Institute of Banking Management made a valuable analysis of performance and prospects of Regional Rural Banks (RRB) in India. They also gave a comparative picture of performance in deposits, branch expansion and credit deployment of the co-operative banks, commercial banks and RRBs in a

specified area. This was an eye opener for many researchers engaged in this field of rural credit. NABARD (1986) published “A study on RRBs viability”, which was conducted by Agriculture Finance Corporation in 1986 on behalf of NABARD. The study revealed that viability of RRBs was essentially dependent upon the fund management strategy, margin between resources mobility and their deployment and on the control exercised on current and future costs with advances. The proportion of the establishment costs to total cost and expansion of branches were the critical factors, which affected their viability. The study further concluded that RRBs incurred losses due to defects in their systems as such, there was need to rectify these and make them viable. The main suggestions of the study included improvement in the infrastructure facilities and opening of branches by commercial banks in such areas where RRBs were already in function. Naidu, L.K. (1998) conducted a study on RRBs taking a sample of 48 beneficiaries of rural artisans in Cuddapah district of Andhra Pradesh under Rayale Seen Gramin Bank. In this study, it was concluded that the beneficiaries were able to find an increase in their income because of the finance provided by the bank. Kalkundrickars (1990) in his study on “Performance and Growth of regional Rural Banks in Karnataka” found that these banks had benefited the beneficiaries in raising their income, productivity, employment and use of modern practices and rehabilitate rural artisans.

Kumar Raj (1993) carried out a study on the topic “Growth and Performance of RRBs in Haryana”. On the basis of the study of RRBs of Haryana, it is found that there was an enormous increase in deposits and outstanding

advances. The researcher felt the need to increase the share capital and to ensure efficient use of distribution channels of finance to beneficiaries.

A. K. Jai Prakash (1996) conducted a study with the objective of analyzing the role of RRBs in Economic Development and revealed that RRBs have been playing a vital role in the field of rural development.

Moreover, RRBs were more efficient in disbursement of loans to the rural borrowers as compared to the commercial banks. Support from the state Governments, local participation, and proper supervision of loans and opening urban branches were some steps recommended to make RRBs further efficient.

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According to Nathan, Swami (2002), policies of current phase of financial liberalization have had an immediate, direct and dramatic effect on rural credit. There has been a contraction in rural banking in general and in priority sector lending and preferential lending to the poor in particular.

Chavan and Pallavi (2004) have examined the growth and regional distribution of rural banking over the period 1975-2002. Chavan's paper documents the gains made by historical underprivileged region of east, northeast and central part of India during the period of social and development banking. These gains were reversed in the 1990s: cutbacks in rural branches in rural credit deposits ratios were the steepest

in the eastern and northeastern states of India. Policies of financial liberalization have unmistakably worsened regional inequalities in rural banking in India.

Professor Dilip Khankhoje and Dr. Milind Sathye (2000) have analysed to measure the variation in the performance in terms of productive efficiency of RRBs in India and to assess if the efficiency of these institutions has increased post-restructuring in 1993-94 or not.

Dr. M.Syed Ibrahim (2010) carried out a study on the topic “Performance Evaluation of Regional Rural Banks in India”. In this study, it was concluded that RRBs in India showed a remarkable performance in the post-merger period.

Prakash A. K. Jai (2012) A study with the objective of analyzing the role of RRBs in Economic Development and revealed that RRBs have been playing a vital role in the field of rural development. Moreover, RRBs were more efficient in disbursement of loans to the rural borrowers as compared to the commercial banks. Support from the state Governments, local participation, and proper supervision of loans and opening urban branches were some steps recommended to make RRBs further efficient.

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The Committee on Financial Systems, 2012 (Narasimham Committee) The study has shown stress on the poor financial health of the RRBs to the exclusion of

every other performance indicator. 172 of the 196 RRBs were recorded unprofitable with an aggregate loan recovery performance of 40.8 percent. (June 2003). The low equity base of these banks (paid up capital of Rs.25 lakhs) didn't cover for the loan losses of most RRBs. In the case of a few RRBs, there had also been an erosion of public deposits, besides capital. In order to impart viability to the operations of RRBs, the Narasimham Committee suggested that the RRBs should be permitted to engage in all types of banking business and should not be forced to restrict their operations to the target groups, a proposal which was readily accepted. This recommendation marked a major turning point in the functioning of RRBs. Kalkundarickars (2012), A study has been conducted on performance and growth of Regional Rural Banks in Karnataka found that these banks had benefited the beneficiaries in raising their income, productivity, employments, and use of modern practices and rehabilitate the rural artisans. Soni kumar Anil, Kapre Abhay (2012): have analysed the financial performance of RRBs in India during the period 2006-07 to 2010-2011. The present study is the extension of the work done by them. They had analysed the performance using various key performance indicators such as number of banks, branches, loans, advances etc. and concluded a positive impact on the performance of RRBs.

The performance of Rural Banks in Ghana

The introduction of rural banks has in many ways impacted on the rural economy and brought about many changes in agriculture, rural housing, women empowerment and savings, reduction in vulnerability of the poor to adverse circumstances, increased household consumption and reduced income poverty. Despite a few challenges that need to be addressed, the performance of the

rural banks in Ghana has been encouraging. In order to highlight the performance, it is important to reiterate that the target clientele has been the vulnerable and productive poor in Ghana (UNDP, 2012). These categories include women in the informal sector, unemployed youth, subsistence and small scale producers in the agricultural sector (World Bank, 2001). Decades of experience has shown that progress in development strategies towards the achievement of concrete outcomes in the areas of nutrition, education, health, gender equity, and environment are powerfully affected by other factors in the broader context, such as a functioning government, physical security, economic growth, and basic infrastructure (Otero, 1999). Nevertheless, there is a mounting body of evidence showing that the availability of credit for poor households is a critical contextual factor with strong impact on rural development and poverty reduction. Microfinance loans and the impact it produces, go beyond just business loans. The poor use of financial services not only for business investment in their micro enterprises but also to invest in health and education, to manage household emergencies, and to meet the wide variety of other cash needs that they encounter (Khandker, 2005).

Studies conducted in Ghana by various researchers have shown significant improvement in the lives of target beneficiaries and their families. For instance, an impact research in the Credit with Education program was conducted by Freedom from Hunger with participants from Lower Pra Rural Bank in coastal Ghana. The focus was on child health, nutrition and household food security. The study was conducted between 2002 and 2005 with 300 mother/child pairs in selected communities (MkNelly & Dunford, 2008). The results indicated that there was a

positive and significant improvement in participants' economic capacity, social empowerment and mothers' knowledge and practice relevant to child health and nutrition. These, to a large extent, show the important place that Rural Banks can have in achievement of the MDGs (Littlefield, 2003). For instance, it was reported that participants in the programme exclusively breastfed longer. Only 9% of the participants gave newborns water in their first month of life as compared to 56% in the control communities (Ministry of health, 2004). The mean age for introducing water was 4.2 months for participants and 1.7 months in control communities. In terms of diarrhoea prevention, only 1% of the participants did not know a way to prevent diarrhoea as compared to 32% in control communities. Measurements of the same children showed the nutritional status of participants' one-year-olds also significantly improved relative to the children of residents in control communities (Ministry of health, 2004).

Similarly, Researchers from the Noguchi Memorial Medical Institute conducted a dietary intake study of children of Credit with Education members and also non-participants. They found that the dietary quality of the foods given to participants' children was relatively higher (Ministry of health, 2004). Also, the estimated caloric intake was significantly higher. In addition, the program had a positive and significant impact on household food security. Mothers reported that reinforcement from several trusted sources - local health centre staff, the Credit with Education field agent, as well as the other Credit Association members - led them to try exclusively breastfeeding their babies for a longer period.

This experience of Freedom from Hunger indicates that Rural banks can be an entry point to reducing extreme hunger, reduce infant mortality, increase adult functional education on health issues and thus achieve development goals (UNDP, 1999).

In addition to the above, Freedom from Hunger has a partnership program called Nsoatreman Women Empowerment Scheme. It is a credit with Education program introduced in 1996 in partnership with Nsoatreman Rural Bank (Bank of Ghana, 2012). This micro-finance portfolio has been growing at an average rate of 41% every half year. The program has become popular with the people and there is a rush on the bank by women in the community to participate in the program due to the positive impact it has had on the lives of the beneficiaries.

Positive impacts were also recorded in the areas of business turnover, procurement of inputs/raw materials and machinery, creation of additional jobs, acquisition of business skills, marketing outlets, acquisition of domestic assets, increased access to quality food and nutrition intake, water and sanitation facilities, and health services.

The research revealed that women are not only increasing their income levels but are also being empowered and redeeming their lost identity through the training they are receiving, their leadership role play and skills, as well as the savings culture instilled in them as a result of their membership in group microfinance loan scheme (MkNelly and Dun ford, 2006). In addition they claimed that their perceptions about the causes and culture of poverty, their attitude and concept towards work and their confidence levels have all increased helping them

to better appreciate issues of importance especially their aspirations and ambition for their children's education.

Conceptual Framework on Rural Banks and Rural Development

According to European Rural Development Agency, Rural Development has five main dimensions and any agency aiming at propelling sustainable Rural Development should be able to implement programs in these areas. These are social, economic, environmental, political and technological dimensions. Rural Banks are facilitators of Rural Development through the provision of rural credits which helps in transforming the rural economies.

The operation of the Rural Banks in the rural communities can facilitate the expansion and subsequent development of the areas. The process starts with the mobilization of funds that are locked up in the rural areas. This obligation is executed through the products like the saving, current, and time deposit accounts etc. Subsequently, the amount mobilized as funds if given in the form of loans, advances and overdraft to the targeted population will solve the credit problems in the rural communities.

As the beneficiaries invest the credit in agriculture and other rural ventures, there is bound to be increase in output and productivity, increase income and enhanced standard of living. The increase in output may make room for the intensification of agriculture which can also create employment in the rural areas. As the process continues the rural areas eventually will open up and give room for other stakeholders and institution to invest in the area. This process can be linked

to the Improved Agricultural Approach to Rural Development and falls under the Economic dimension of the European Rural Development concept.

Secondly it is a requirement by the BoG that the Rural Banks should locate in a rural community and operate within a 25 mile radius. The implication is that the Rural Banks exist because of the rural communities. As a corporate entity operating in the area, if the Rural Banks execute their social responsibilities by assisting in the provision of basic social amenities like sanitary facilities, bore holes, health posts, educational blocks e.g., it will improve the social conditions of the people and can be linked to the Social Amenity Approach which is directly under the Social dimension of the Europeans Rural Development concept.

Then again to ensure sustainability of the development there is the need to support the communities in the areas of technology and the environment as increased agriculture and social infrastructure is likely to affect the rural environment.

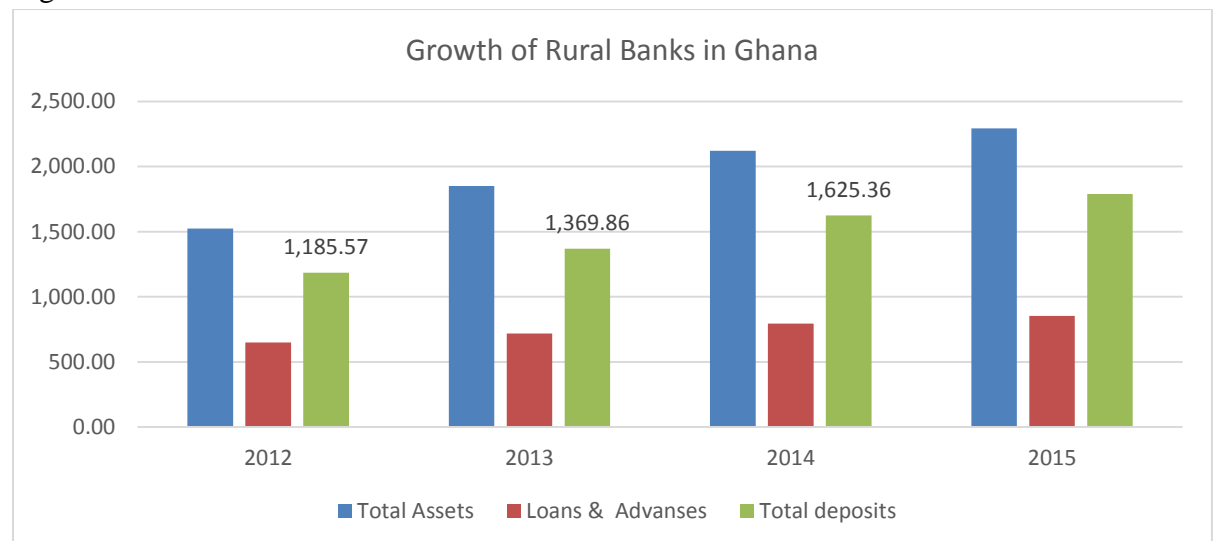
Finally, the Rural Banks can perform only when there is political stability, grass root participation and sound macroeconomic policies to support their operation in the rural areas. This brings in the Political Dimension of Rural Development.

Growth of Rural Banks in Ghana

Total assets of Rural and Community Banks (RCBs) at the end of 2015 was GH¢2,293.36 million (Bank of Ghana bulletin, 2015) .This showed increases of 8 per cent from GH¢2,121.48 million at the end of 2014 and from GH¢1,849.53 million recorded at the end of the corresponding end of year of 2013 respectively.

Total assets of RCBs at the end constituted 4.4 per cent of the total assets of the banking system compared with 5.3 per cent in the corresponding period of 2013. Loans and advances made by RCBs increased from GH¢716.98.6 million in 2013 to GH¢794.30 compared with GH¢637.9 million recorded at the end of the first quarter of 2013 and GH¢716.8 million at the end of the previous quarter. Total deposits of RCBs rose to GH¢1,402.3 million by the end of the first quarter of 2014 compared with GH¢1,372.5 million at the end of December 2014 and GH¢1,229.4 million at the corresponding quarter of 2013. Over the period of 1980 to 2000 the number of Rural Banks rose rapidly and reached 125 (Bank of Ghana). This growth was driven by rising interest among rural communities in establishing their own Rural Banks and by the introduction of Akafo Check system (Agwe and-Todd, 2012). Figure 1 shows in detail the growth of Rural Banks in Ghana since 2012 to 2015.

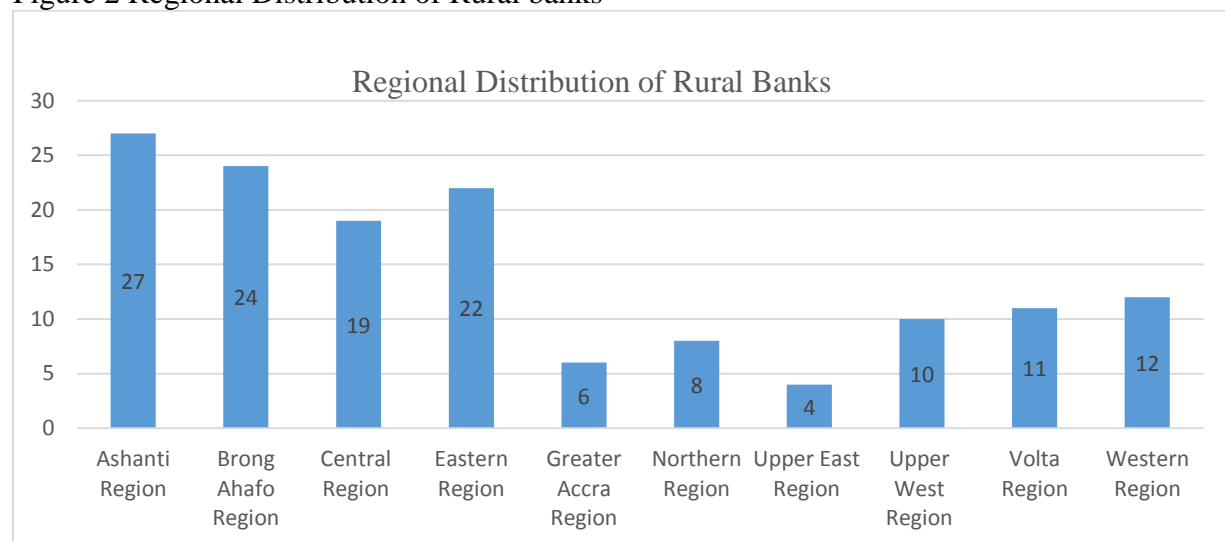
Figure1: Growth of Rural Banks in Ghana



Source: (Authors own construct from Data compiled from the Bank of Ghana, 2015)

As at December 2015, the total number of Rural Banks in Ghana summed up to 143 with 651 Bank branches (ARB Apex Bank). The Ashanti Region had the highest which was 27. It is evident that the concentration of rural banks is particularly higher in the Ashanti, Eastern, Central, Brong Ahafo and the Western Regions of Ghana. This is attributed to the fact that these areas are fishing, cocoa producing and major farming areas in the country. The detailed regional distribution is depicted in figure 2.

Figure 2 Regional Distribution of Rural banks



Source: (Authors own construct from data compiled from the ARB Apex Bank, 2016)

Governance, legal and regulatory frameworks

The Rural Banks operate under the Banking Act with the BOG having an overall regulatory and supervisory authority in all matters related to banking institutions in Ghana. Rural and community Rural Banks are also incorporated as limited liability companies. To ensure efficient supervision and monitoring of the

Rural Banks in Ghana, the Bank of Ghana is assisted by two other institutions which are;

The Association of Rural Banks (ARB)

In 1981 the 30 existing Rural Banks formed the ARB, with the support of the BoG, to serve as a platform for Rural Banks. The association had nine regional chapters. Initially, the ARB's function was to act as a uniting front and to provide training for staff of the Rural Banks. Even with the establishment of the Apex bank, the ARB continues to be responsible for providing Code of Conduct training for rural bank directors. Currently, the ARB focuses primarily on advocacy with the government and conflict resolution among its members.

The ARB Apex Bank

The Apex Bank emerged when the Rural Banks saw the need for an institution that could provide financial, managerial, and technical support. It was first recommended by a study commissioned jointly by the World Bank, the BoG, and the ARB in 1996. The study recommended the setting up of an institution similar to the Rabobank in the Netherlands. A subsequent feasibility study conducted in 1998 concluded that an Apex bank could be helpful and the ARB Apex Bank was incorporated in 2000 as a public limited liability company with Rural Banks as shareholders. It was licensed in 2001 and started operations in July 2002.

The Apex Bank currently operates from its head office in Accra and through its seven branch offices spread across Ghana. To help address the challenges of supervising RCBs, a law enacted in 2006 allowed the BoG to delegate some of its supervisory roles to the Apex Bank. These functions are as follows:

- Maintain primary cash reserves of the rural and community banks in accordance with relevant rules, regulations, and policies
- Monitor, inspect, examine, and supervise rural and community Rural Banks in accordance with relevant rules, regulations, and policies
- Lend to rural and community Rural Banks facing temporary liquidity problems and
- Provide specie management and specie movement services to the Rural Banks.

The Challenges of the Rural Banking Industry

Despite decades of efforts and experimentation in banking, the organized financial sector is still not able to bridge the credit gap in the rural sector. The lower levels of per capita income, lack of infrastructure in the rural areas, focus in the urban sector and lack of proper connectivity are the main hindrances for Rural Banks to venture into the rural areas (Vallabh and Chatrath, 2006).

Secondly, directed lending, cumbersome procedures, delay in sanctioning loans and lack of statutory backing for recoveries poses a major impediments to the growth of banking in the rural sector.

Then also, the focus in the past has always been to make available cheaper credit. When Rural Banks are forced to lend cheap, there has been a tendency for a scramble for credit by the non-target group of beneficiaries. There are instances where finance is provided by the Rural Banks for big ticketed contractors and importers which often end up as non-performing assets.

Furthermore, it should be noted that the bulk of the work of any good bank is determined by its capital. It is interesting to know that, the stronger a bank's capital

adequacy, the stronger the base and the better its performance. The rural banking industry is baffled with capital adequacy problems as most of the Rural Banks remain under- capitalized and weak. This hampers their capacity for effective financial intermediation and as a result they are unable to create the needed credit in the rural areas to enhance Rural Development (BoG, 2009).

Then again, the Rural Banks are faced with operational and reputation risks. This is as a result of the quality of personnel that works in the rural banking institution and the general lack of appropriate systems and processes to support the operations of the Rural Banks. The result is that the industry is more prone to fraud and misappropriation of customer funds and most people do not have the confidence to do business with them.

The Rural banking industry is also grappling with huge challenges in managing their loan loss reserves due to poor loans and poor management systems applied by the Rural Banks. As a result, majority of these Rural and Community Rural Banks (RCBs) have been rendered insolvent and could soon fold up if austerity measures are not taken to reverse the trend. The situation, revealed, has affected the drive towards providing quality banking facilities to the rural folks in Ghana (Ampah, 2010).

Finally, poor performance of RCBs stems from both unfavorable operating environment and capacity constraints. These leads to the absence of clear prudential regulations in both financial and non-financial sectors, leading to excessive direct lending requirements, which limit flexibility in managing risk exposures. Their operations are plagued by high default rates, insolvent lending programs, and high

operating costs to name a few in their bid to facilitate Rural Development. (Agabin and Daly, 1996)

Summary of Lessons learnt

It has come to light that, Ghana has come far in her quest to alleviate poverty. However poverty is more a rural phenomenon in Ghana and the rural savanna and rural coastal region top in the incidence of poverty. The high incidence of poverty in the rural areas is due of lack of viable economic activity, unavailability of credit facilities, outmoded agricultural practices resulting in low productivity and low incomes, lack of social infrastructure. There is the need to propel the development of our rural areas.

Rural Development is a multi-level, multi- actor and multi faced process. It is said to be multi- level process which is rooted in historical traditions. It is multi actor due to the fact that it involves a lot of institutions and has different phases or dimensions. To better achieve growth in the rural areas all stakeholders must come on board as programmes must be run concurrently in all dimensions.

Rural banking concept has been used in some developing countries like India and the Philippines as a means of facilitating poverty alleviation and Rural Development programmes and their impact has been remarkable.

Ghana has implemented a lot of strategies to facilitate the development of the rural areas. However there is still more to be done as the rural areas still lack infrastructure, poverty remains a phenomena and the resulting rural- urban migration is still prevalent. The introduction of the rural banking concept in Ghana

in 1976 was part of governmental effort to facilitate institutional credit in the rural areas for developmental activities.

The basic philosophy of the rural banking industries is development oriented and this is executed through the mobilization of resource locked up in the rural communities and subsequently to channel it in the form of the loans and advances to agriculture and other rural industries.

Then also, the rural banking industry is baffled with capital adequacy problems as most of the Rural Banks remain under capitalized and weak. Aside the above the Rural Banks are also faced with operational and reputational risks, lack of skilled personnel and the general lack of appropriate systems and processes to support the operations of the Rural Banks.

In spite of the above, the Rural Banks can be facilitators if the right conditions are put in place to ensure their smooth operation. These conditions include the right macroeconomic policies, effective monetary policies, sound and stable political environment as well as the full support of the rural economy.

In conclusion, despite decades of efforts and experimentation in rural banking, the organized financial sector is still not able to bridge the credit gap in the rural sector. The lower levels of per capita income, lack of infrastructure in the rural areas, focus in the urban sector and lack of proper connectivity are the main hindrances for Rural Banks to venture into the rural. It is therefore imperative for the nation to strengthen the Rural Banks to enhance their role as agent of rural development.

CHAPTER THREE

METHODOLOGY

Introduction

This chapter describe the study area and also look at the steps or procedures that would be carried out to gather data relevant for the study. The procedures covered are description of the study area, research design, population, sample and sampling techniques, research instrument, data collection procedure and method of data analysis.

Description of Study Area

Amuga rural bank is headquartered in Adidome and operates in five districts in the Volta Region that is the North Tongu District, Central Tongu District, Ho Municipality, Ho West District and South Dayi District. The Bank was incorporated as a company limited by shares on 30th October, 1980 under the Companies Code 1963 (Act 179) of Ghana. The Bank is authorised and licensed to carry out primarily the business of banking. It has five agencies in Adidome, Mafi Kumase, Juapong Battor, and Ho. The district has a population of about 14,000, according to the 2010 census. That of Ho Municipality could be about three times that of the Tongu Districts.

All the major towns where the Bank has agencies have a well patronized market. Battor and Adidome have two days, Tuesdays and Fridays as their market days. Juapong has Wednesdays and Saturdays as market days, Mafi Kumase has Mondays as their market days while Ho market days comes on every five days. Dzemeni market days span from Wednesdays to Friday every week. These markets

engage in very serious retail trading – food stuffs, provisions, Agro chemicals, Household appliances, clothes, petroleum; Transportation- taxis, buses, cargo; cosmetics; alcoholic beverages; agriculture- food crops, maize, cassava, plantain, yam; carpentry; fish & aqua culture; livestock, agro/food processing – corn dough, gari, smoked & salted fish, akpeteshie(sugarcane); artisans- dressmaking, hair dressing, etc. The district also holds the largest population of locally raised cattle in the country.

Research Design

Research design is the specific data analysis techniques or methods that the researcher intends to use to collect data. The design ensures that the researcher gathers the appropriate information to solve the research problem (Saunders et al, 2007). The qualitative and quantitative design involves the collection and analysis of data, with questionnaires and interviews being the main form of data collection. The research designs used are quantitative research and qualitative research approaches.

Population and Sampling

According to Nachmias and Nachmias (1992) “a population is the aggregate of all cases that conform to some designated set of specification” while a sample is any subset of the sampling units from a population. By this definition, a list consisting of residents in these communities is the population. Any subsequent list drawn from the list above to represent the population is a sample.

Sampling and Sampling Technique

The convenient sampling procedure was used to select a sample size of seventy (70) customers for examination. The convenient sampling (which involve

selecting sample based on the needed information) method was used because of the sparsely distribution of customers at the study area.

Instrument

The following research instruments for collecting data was used:

Interviewing

Interview was principally employed to obtain the necessary information from the respondents who were mostly traders and farmers.

Questionnaire Administration

Questionnaire administration was the main instrument that was used to collect data from the respondents. In designing the questionnaire much attention was put in ensuring that the objective of the research is taken care of. The questionnaire was used in order to get a standard form of answers or response and the respondent to work at his own pace without any pressure. Another reason for using the questionnaire administration is for respondents to feel at ease when answering questions which was personal and which would have been very difficult in obtaining during face to face interactions.

Methods of Data collection

Primary data was obtained through questionnaires which was administered to the respondents. Personal face to face interviews was also conducted for first-hand information.

Data Analysis

Frequencies, percentages, pie charts and bar graphs were used to analyse the data. SPSS software and Microsoft Excel was used for all the analysis.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS OF FINDINGS

Introduction

This chapter analyses and presents findings and the interpretation of the data collected through surveys from the field. It is divided into two parts. The first part involves an analysis of the data collected from the communities and customers of the Rural Bank while the second section deals with the analysis of the data from the Rural Bank. The analysis is guided by the objectives of the study as detailed below:

Respondents' background

The respondent's background covered the following attributes: age, gender and occupation.

Out of a total of seventy (70) respondents, exactly 30 per cent were captured in the 34-41 age bracket, 24.3 per cent of the respondents were captured in the 26-33 age bracket, and 7.14 per cent of the respondents were captured in the 66 and above age bracket. This explains that majority of the old folks in the catchment area of the bank remain unbanked. Table 1 below gives the detailed outcome of the survey.

Table 1 Age of respondents

Age Bracket	Frequency	Percentage
18- 25 years	12	17.1
26- 33 years	17	24.3
34-41 years	21	30.0
42- 65 years	15	21.43
66- above	5	7.14
Total	70	100

Source: Field Survey, 2016

The survey further revealed that 60 per cent of the respondents captured were males, as against 40 per cent female respondents. Again, this explains that the males in the catchment area of the bank control a larger chunk of the financial resources; the impact of the bank is felt most by the male folks. This might be a contributory factor to the feminization of poverty in the rural areas of Ghana. The table below gives the detailed outcome of the survey.

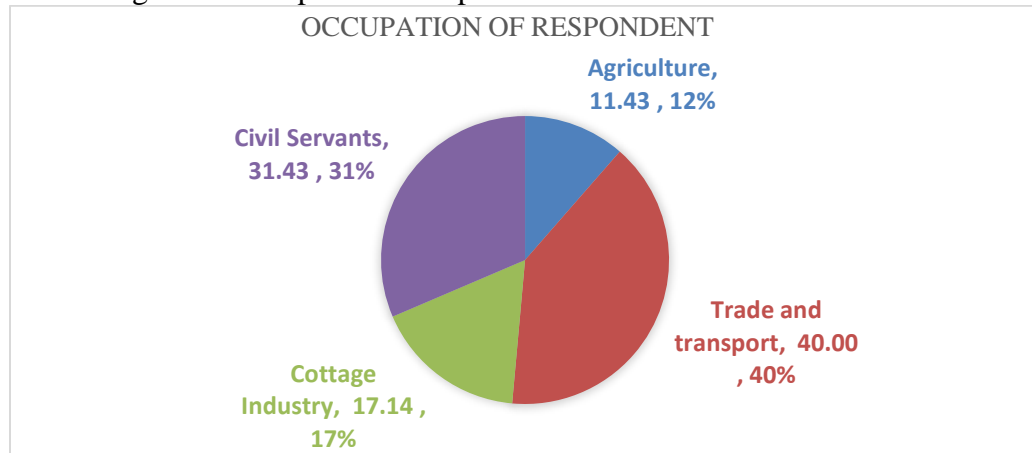
Table 2 Gender of Respondents

Sex	Frequency	Percentage
Male	42	60
Female	38	40
Total	70	100

Source: Field Survey, 2016

The occupation of the respondents was also analyzed and the results are set out below in Table 4.3. From the table it is clear that most of the respondents were in trading and transport accounting for 40.00 percent, followed by civil servants that is those doing government work with 31.43 percent. 11.43 percent of the respondents engaged in Agriculture and 17.14 percent are into cottage industry. The percentage of respondents engaged in farming is low because the bank considers agriculture a high risk loan default sector and so does not actively engage people especially food crop farmers in its program. Only those engaged in bee keeping and livestock rearing.

Figure: 3 Occupation of respondents



Source: Field Survey, 2016

For the above occupations initial capital was mainly raised through their own sources. This is because out of the 70 people sampled, 76.6% said they raised capital themselves, 18.1% raised capital with the help of family and relatives' while only 5.3% raised the capital for their business venture through the Rural Banks. It was revealed that, only 29.5% belonged to associations; the rest had no associations to facilitate the raising of capital from the Rural Banks.

This shows that, the availability of credit in the rural areas is still lacking and indicated there is still the need for institutional credit in the rural areas.

Respondents and the Rural Bank

This section analyses the relationship between the rural bank and the customer and the impact the rural bank have on the customer. First, the study sought to find out whether the respondents save money or are aware of the existence of the Rural Bank. The outcome of the survey revealed that 71.4 per cent of the respondents save money at the bank. This implies the Rural Banks have really done well in helping to stimulate the habit of banking amongst the rural dwellers and have achieved their first aim as set out in 1992 by the Association of Rural Banks. Only

28.6 percent of the respondents do not save money in their banking services with the reason of bureaucracy, low income level and the fear that they bank would not be able to give back the money when requested.

Table 3 whether respondents save money at the rural bank

Response	Frequency	Percentage
Yes	50	71.40
No	20	28.60
Total	70	100

Source: Field Survey, 2016

Again, the study went further to find out which account respondents operates. It revealed that 62 per cent of the respondents operate a savings account and 38 per cent of the respondents operate a current account. Current account holders are mostly government workers who opened this accounts for their salary to be channelled through. Table 4.5 exhibits this outcome.

Table 4 Type of account operated by respondents

Response	Frequency	Percentage
Savings Account	31	62.0
Current Account	19	38.0
Total	50	100

Source: Field Survey, 2016

Accessibility to credit in the Rural Community

On the issue of accessibility to credit from the rural bank and credit creation, of the 70 respondents, 62.40 % had benefitted from credit facilities from the Rural Bank. This explains the level of impact of the rural bank in the catchment areas. It

also reveals the fact that the level of impact is mainly monetary. The remaining 37.60% who had not benefitted gave various reasons including the fact that, they were afraid they would be chased by the Rural Banks should they default, conditions, security, the delay in processing the loan and the interest rate being too high.

For the 62.40% that had assessed loan from the Rural Banks, the amount ranged from GH¢200 to GH¢100,000 and it took between one week to five weeks for their applications to be processed. The purposes for the loan requisition ranged from renting of apartments, investing in businesses like farming, carpentry and other cottage industry as well as meeting of personal and family needs like medical, funerals, buildings, school fees and family needs.

Almost all the beneficiaries of the loans, presented some form of security to be able to access the loan. The types of security provided are shown in Table 5.

Table 5: Types of Security provided by loan Beneficiaries

TYPE OF FACILITY	TYPE OF SECURITY
Salary workers loans	Salary and Guarantors
Trade and transport loans	1/3 deposit, Group guarantors
Micro Finance loans	1/3 deposit, Group guarantors
Agricultural loans	Material possessions, Guarantors

Source: Field Survey, 2016

The study further went on to reveal that averagely it takes three to four weeks to process a loan at the bank. Table 6 shows the details of this data.

Table 6 Number of weeks required for loan acquisition

NO OF WEEKS	FREQUENCY	PERCENTAGE
1 – 2 weeks	10	20.0
3 - 4 Weeks	24	48.0
More than five weeks	16	32.0
Total	50	100.0

Source: Field Survey, 2016

Effects of Loans on Business operations

To know whether the loan contracted from the Rural Banks contributed to the growth of the businesses 59 respondents representing 84.28% of the beneficiaries confirmed the loan helped them in expanding their various businesses. Only 13.9% did not see any improvement in their business and they attributed it to the terms of repayments being too short.

In terms of contribution of loans to income, 71.4% affirmed positively and this was the results of the expansion of their business due to the loan acquired whiles 28.5% responded negatively. This is reaffirming the fact that credit in the rural communities has a positive effect on improving incomes and improving the condition of living of the people

Corporate Social Responsibility

The respondents were asked to indicate or mention the kind of facility they had seen, knowledge of or benefitted from the Rural Bank for the period under

study by selecting yes if they had seen or have knowledge or benefitted from any corporate social responsibility project or facilities listed. The outcome of the results is presented in Table 7

Table 7 The Rural Bank's involvement in social projects.

Facilities	Yes	%	No	%	Total Resp.
Scholarships	59	82.85	12	17.15	70
Donations	65	92.85	5	7.15	70
Schools	14	20.00	56	80.00	70
Boreholes	27	38.57	43	61.43	70
Renovations	37	52.85	33	47.15	70

Source: Field survey 2016

The table 7 represents the respondents who have actually known or benefitted from the facilities provided by the Rural Banks for the rural communities as against those who have not seen or benefitted. For bore holes, 27 of the respondents said they have benefitted while 43 people responded negatively. However, for an area like scholarships 59 people had knowledge or have benefitted from that facility by the Rural Bank while 12 responded negatively. In the area of provision of school for the community 56 respondent answered negatively while 14 responded yes.

It therefore stands to reason that, aside bridging the credit gap in the rural areas, the Rural Banks can be very instrumental in the development of the rural areas.

Analysis of the data collected from the Rural Bank

This section deals with the analysis of the data collected from the Rural Bank. The analysis is guided by the objectives of the study.

Products and Services

As financial intermediary, the Bank provide services consisting of savings, loans, and payments which can be grouped under deposit mobilization and credit creation. Several products are offered within each of these categories as discussed below.

a) Deposit mobilization

The rural bank mobilizes deposit through products like savings accounts, current accounts, time deposits and Rural Banks' frontline deposit mobilization (Susu collection).

Typically, the largest share of the deposit portfolio is held in the savings account. As of 2015, the total deposit of Rural Banks in Ghana stood at GH¢1,789.04 million out of which GH¢853.91 million had be given out as Loans and overdrafts (Bank of Ghana, 2015).

b) Credit Creation

The major credit products offered by the Rural Bank include microfinance loans, personal loans, commercial loans, salary loans, Susu loans, overdrafts, and others (funeral loans, wedding loans, church loans etc). The major Rural Bank loan comes in the form of:

i. Microfinance loans

These loans are provided to groups of individuals to finance small and micro income generating activities. For some Rural Banks, the group is the borrower, whereas for others, each member of the group is a borrower. In both cases, the group is jointly liable for the loan. The size of a microfinance loan ranges between

GH¢ 100 and GH¢ 10,000, most loans are between GH¢400.00 and GH¢ 2,000.00. The term of a microfinance loan is normally nine to twelve months, and the interest rate ranges between 30 and 35 percent. However there are situations where the loans can be given for 12 to 24 months.

ii. Susu loans

These loans are provided to individuals following six months of consistent smaller deposits. The size and term of Susu loans are similar to those of microfinance loans, but Susu loans are provided to individuals with the Susu deposit as the security for the loan granted.

iii. Salary loans These loans are provided to salaried individuals with secured salaries which are paid through the bank. The bank automatically deducts the loan repayment installment from the salary payments. The size of the loan is determined by the salary of the borrower. The maximum term of a salary loan is 36 months, and the interest rate ranges are determined by the rates in the open market.

iv. Commercial loans

These loans are provided to companies and individual entrepreneurs for working capital or fixed capital. The maximum loan size is normally GH¢100,000, the maximum term is 24 months, and the interest rate ranges between 28 and 35 percent.

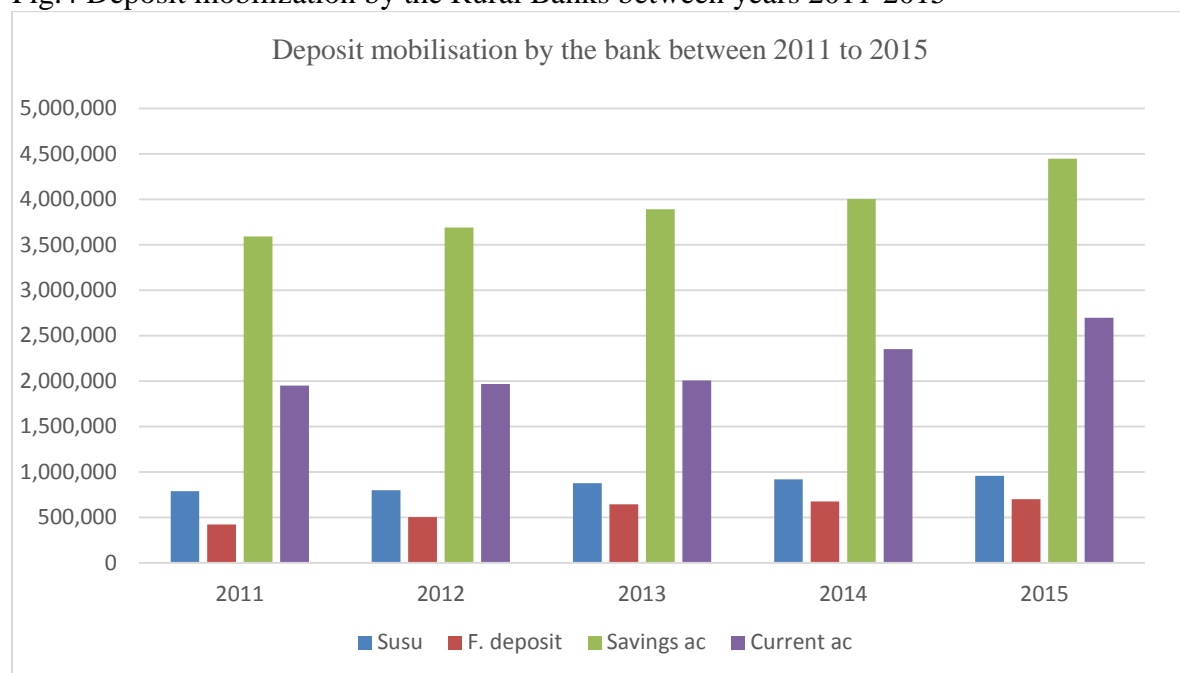
c) Money Transfers

The Rural Banks also provide payment through the Western Union and the Apex link money transfer system to the hinterlands.

Deposit Mobilization and Interest on Deposits

The bank mobilizes its deposits through its various accounts it offers its customers such as savings account, current account, fixed deposit and treasury bills with attractive interest rates on the savings account and fixed deposits. Figure 4 shows the deposit mobilization through the various accounts.

Fig.4 Deposit mobilization by the Rural Banks between years 2011-2015



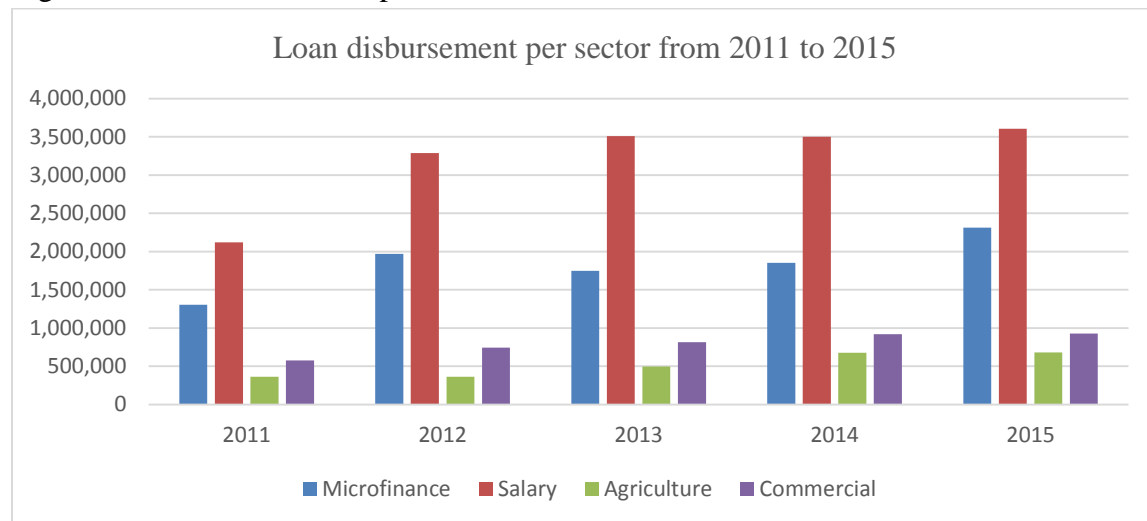
Analysis of figure 4 regarding deposit mobilization shows that, the Rural Bank has enjoyed increases over the years in deposits mobilizations through the various accounts for the periods under study. Aside deposit mobilization, the Rural Bank was also into services like, cash collections, treasury bills, bankers draft for school fees and Apex link and Western union

Loan Disbursement by Sector

The bank disbursed loans to its customers in various sectors between 2011 and 2015. These types of loans can be classified into Salary, Microfinance (traders and artisans) commercial and agriculture loans. These are the dominant

occupations in the district. Figure 5 shows the distribution of the total loans to customers in various sectors in the communities.

Figure 5 Loan disbursement per sector from 2011 to 2015.



Source: Credit department Amuga Rural Bank, 2016

The figure above indicates that, the salary sector is now the priority credit area for the Rural Bank followed by micro finance (trader, artisans and transport). The others refer to loans granted to commercial and cottage industry and the agriculture sector. The Rural Banks reiterated that the allocation is influenced by the rate of defaults associated with the sectors.

According to the Bank credit to the Agriculture sector has over the past years experienced high default rate. However, salary loans seems to have almost zero default rates and the demand is also high. This explains why it has become a priority spending area for the Bank.

The Micro finance sector also had relatively high rates. The Bank was however willing to give more to this sector because of the 1/3 deposit security they request and the fact that interest rates on micro finance loans are generally high thereby reducing the losses.

Interest Rate and Repayment Period

From the interview the respondent revealed that, the rate of interest on loans extended to customers ranged from 28–35 percent depending on type of loan being assessed. For salary loans the rate is relatively lower as compared to agriculture and traders loan. The reason being that loans extended to salary workers are less risky compared to that of traders.

The minimum time taken them to secure a loan is three weeks for salary loans and a maximum of five weeks for other loans.

It was also discovered that, the repayment period is not fixed but rather negotiable. The bank has made repayment flexible enough for both the customer and the credit officers to negotiate on the time period which will be beneficial to both parties depending on the size of the loan.

However, 53% of customers of the bank were of the view that, the interest charged on loans was too high and 47% respondent said it was normal. Table 8 shows the interest rate of the bank and the number of loan beneficiaries.

Table 8 Interest rate and the number of loan customers.

Year	Interest Rate	Number of loan customers
2011	28%	677
2012	33%	854
2013	33%	912
2014	35%	980
2015	35%	1240

Source: Credit department Amuga Rural Bank, 2016

Analysis of the table reveals that when the interest rate was at 28%, 677 customers took loan and when increased to 33%, loan customers increased to 854 that is by 26.14%. When the rate was maintained at 33%, loan customers increased by only 6%. It stands to reason here that interest rate is not the determining factor for acquisition of loan.

Social Responsibility

Aside bridging the credit gap in the rural areas, the Rural Bank was very instrumental with regards to corporate social responsibilities in the communities in which it operates. The Bank enumerates some facilities as part of their corporate social responsibility to the communities in which it operate as:

- Scholarships for 30 needy students
- Provision of fifty (50) mono desks for D/A primary school at Dadoboe
- Scholarships to brilliant but needy medical students.
- Donation of cements in the construction of post office.
- Renovation of old basic school roofing.

Collaboration with District Assemblies and Government

The Rural Banks collaborate with the District Assemblies and the Government in the implementation of poverty reduction interventions as well as the provision of social infrastructure. It came to light that grants and loans by the government that aims at reducing poverty at the grass roots are channeled through the Rural Bank example, Matching Grant, SIF,MASLOC, CBRDP and MOFA loans.

Aside the above, the Rural Banks also supports the District Assemblies financially in the organization of national programmers' like the National Farmers' Day, celebration of national service personnel week and also makes contribution to other specialized funds within the district as when they are called on.

Challenges of Rural Banks in promoting Rural Development

The Bank points out two forms of challenges as they try to operate according to the original purpose for their operation. These are the problems encountered within the community and the challenges facing the Rural Banks as an industry.

- The first challenge is the communities' lack of viable economic ventures. The businesses in the communities are monotonous and not diversified which results in low savings in the rural communities. This makes deposit mobilization minimal and the Rural Bank is therefore unable to create the needed credit to service the communities.
- Secondly, the high default rate is also a worry. Most of the loans granted to some members in the community had to be written off as they normally default. The community members have a feeling that the bank is for the community and as a result, beneficiaries of the credit schemes mostly do not pay up. Since the Rural Bank exist and operate within the communities it becomes difficult for the money to be recovered and most of the time it goes bad.
- Another problem is interference by the opinion and community leaders. Community leaders sometimes interfere in the operational system and the structures especially when they need a facility from the bank. This affects the smooth operation of the institution in the catchment areas.

- Finally, one would have expected that since Rural Bank is supposed to partner the rural community for development, land acquisition would have been easy for projects that would benefit the entire community. However, among the problems enumerated by the Rural Banks is the fact that, acquiring land for projects that are supposed to benefit the community is a problem as the price that is quoted by the community leaders mostly discourages them from providing the facilities for the rural communities.
- The second set of problems had to do with the industry as a whole. The Bank brought to the fore problems like poor operational system, high default rate and weak recovery systems, capital inadequacy issues, wrong perception about the rural banking industry due to the challenges the industry faced in the 1980's, poor record keeping and lack of motivation for staff members amongst others.
- They also commented on unfavorable macroeconomic policies like the high interest rate and inflation which tend to increase their operational cost. The results are that profit margins are minimized making available fewer funds for developmental projects in all the rural communities they operate in.
- Then also the introduction of stringent monetary policy from the Bank of Ghana is a big challenge. The Bank cited the increases in the paid up capital to GHC300,000 for 2015, GHC500,000 for 2016 GHC1,000,000 for 2017 and the liberalization of the banking industry which has made the commercial banks moved to the rural areas and are competing with them as some of the external factors that are challenging the industry. It therefore stands to reason that the Rural Banks will have to fold up if they should

operate strictly according to the original purpose of servicing the rural communities.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter deals with the findings and recommendations emanating from the analyses and interpretation of data for the study. The study conducted revealed the following:

Summary of Findings, and Conclusions

The purpose for the creation of Rural Banks

- The purpose for the creation of the Rural Banks was to mobilize financial resource in the rural areas and channel them to productive rural venture to facilitate the expansion and subsequent development of the rural areas.
- It was found that 71.4 percent of the respondents are aware of the existence of the bank and transact business with it, only 28.6 percent of respondents don't save money with the bank.
- The examination of the vision and mission statements of the bank suggest in accordance with the operations on the field.
- Two third of the bank branches are found in the urban and peri- urban areas, which is not a reflection of the objective for the creation of the rural banks.

Operations to achieve purpose for their creation

- The rural bank apart from its core operations also engage in other forms of transactions and deposits mobilization for the purpose of raising enough income.
- Accessibility to credit is a problem as most of the customer interviewed said the main reason for saving with the bank is for purposes of loan and since loan disbursement is dependent on mobilisation, some loan applicants do not get served.
- Default rate appears to be high in the whole rural banking industry for almost all the categories of loans granted.

Promotion of Rural Development

- Apart from agriculture which has received the least support in terms of loan to the sector, support to other income generating activities in the rural area has received average support from the bank. Contribution to employment was also average
- The bank has been socially responsible in the community in which it operates but lacks in the rural infrastructure like school building, health post and library.
- Good collaboration between the district assembly and the bank.

Challenges of Rural Banking

- The challenges being faced are lack of viable economic venture in the community, wrong perception about rural banks, lack of motivation and poor record keeping.

- High default rate, weak recovery systems and capital adequacy issues are some challenges.

Recommendations

The Rural Banks have been instrumental in the provision of banking services and the improvement of livelihoods in the rural economies. However, there are still some challenges in the quest to help in the development of the rural areas. These challenges emanated from both internal and external factors as well as the rural communities. The following are some recommendations that can further strengthen the Rural Banks to achieve the target for which the concept was introduced in the country.

- There should be a review of the purpose for the creation of the Rural Banks to reflect their status. This is because, looking at the challenges within the industry and the macro environment at large; it is not sustainable for the Rural Banks to operate only as development Rural Banks.
- Although agriculture seems risky for the Rural Banks to finance, there are other areas which are less risky. With innovations like animal rearing and aqua farming, Rural Banks should be encouraged to support these areas.
- Community specific security and repayment arrangements that are convenient for the communities as well as the Rural Banks should be designed to ensure accessibility and redemption of credit in the rural areas.
- The Rural Banks should invest in research that will facilitate the development of an effective and efficient credit assessment technique for

the rural banking industry as well as a good monitoring and evaluation team to help in curbing the default rate that the industry currently faces.

- The Rural Banks should not wait to make gains before they think of supporting the communities. Efforts should be made by the Rural Banks to set aside a portion of funds to support the community in terms of infrastructure. No matter how small it may be, it can make an impact in the lives of the rural poor
- External macroeconomic and monetary policies that create the enabling environment pursued by the state while internally efforts should be made by the Rural Banks to put in place the right policies that will facilitate high performance. This is because the Rural Banks can reach out to the community only when they are sound financially.
- There should be a fair evaluation of the Rural Banks themselves to know the reasons and causes of problems like poor operational system, high default rate, weak recovery systems and capital inadequacy issues so as to ensure the right mechanism is put in place to remedy the situation. This is because the Rural Banks operate under different environment and the causes of the above problems may vary from one bank to another.

Conclusion

The Rural Banks were set up by the Government through the Bank of Ghana as a strategy to facilitate Rural Development. As development Rural Banks, programmes and products have been designed by the Rural Banks to ensure that, the objectives for their creation are achieved. To this end, they have contributed in

inculcating the habit of banking into the rural people and their contribution to the socio economic growth of the Ghanaian economy is evident.

In spite of the above, it cannot be said that they have really serviced the subject for their creation. This is because their products and programmes are more skewed towards the urban areas and the middle class. The contribution of the Rural Banks to the development of the rural areas has been minimal considering that, credit for economic activities is still a problem in the rural areas. The cause has been attributed to both internal and external factors in the rural banking industry and the economy as a whole.

Rural Development is multi faced multi-level and involve many actors. It is therefore incumbent on all stake holders like the government, development oriented agencies, the Rural Banks and the rural communities to come on board to ensure that the country achieves her dream of transforming the rural economies.

In conclusion, it can be said that, the Rural Banks will still be instrumental if the country still hold the dream of transforming the rural economy. Efforts should therefore be made to redeem the rural banking industry and strengthen them as agents of Rural Development.

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Appendix A

RESEARCH TOPIC: THE IMPACT OF RURAL BANK CREDIT FACILITIES FOR RURAL DEVELOPMENT IN GHANA. A CASE STUDY OF AMUGA RURAL BANK

This questionnaire is prepared to collect data on the above research topic for academic purpose. Your kind co-operation is much needed and any information given will be handled with confidentiality.

CUSTOMER QUESTIONNAIRE

Please tick and fill in the blank spaces appropriately.

1. Where do you live?
2. Age? 18-25() 26-33() 34-41() 42-49() 50-57() 58-65()
3. Sex? Male () female ()
4. Level of Education? None () Primary (), J.S.S (), S.S.S (), Tertiary (), others specify.....

5. Marital status? Single () Married () Divorced () Widowed () separated
6. What is your occupation.....
7. Do you save money at the rural banks? Yes () No () Why?
8. What account do you normally open?
9. Have you been assisted by any of the rural banks before? Yes () No (), If yes, what type of benefit or assistance did you get?
10. What role do you think rural banks play in your community?.....
11. Have you ever applied for a loan? Yes () No ()
12. On the average how many days or weeks does it take to secure a loan?
13. Does it take several days or weeks for customers to process or access a loan from the rural banks? Yes () No ()
14. Are you given the specified amount you asked for? Yes () No ()
15. What do you require in order to access a loan from a bank?
(with respect to collaterals)
16. What do you think about the interest rates being charged by the bank?
17. Do the interest rates scare you from borrowing from the bank? Yes () No ()
18. Do you think your bank's loan repayment plan is flexible enough? Yes () No
19. What is the period required to repay the loan

20. Do you find the establishment of Amuga Rural Bank in the community important? Yes () No () Not sure ()

21. Generally, what impact does rural banks credit facilities have on the customers and the rural dwellers as a whole?.....

22. What other strategies do you think should be implemented by the rural banks to help improve the living standard of their customers?

Effect of rural bank credit facilities on business

23. Before assessing credit from the bank what were your major sources of finance for your business? Friends [] Family [] Money Lenders [] Purchased stock on credit []

24. How much have you benefited from the micro credit facility finance scheme so far? GH¢.....

25. How has the micro credit affected your business operations?(tick as many as are applicable) Now purchase stock with cash [] Increase in trading stock [] Increased my working capital [] Put up my own store [] Acquired more trading assets []

Effect of rural bank credit on household living standards

26. How has the rural banks credit affected the living standards of your household since you started taking loans? Able to pay children's school fees [] Contribute

to housekeeping [] Able to purchase clothing for children [] Able to pay for utilities [] Able to save more [] Able to pay rent [] any other.....

27. Do you belong to any Group microfinance credit scheme at the Bank?

28. Before joining the microfinance group how many times did your household have meals in a day? Once [] Twice [] Three times []

29. After joining the microfinance group how many times does your household have meals in a day? Once [] Twice [] Three times []

30. Did you own a house before loan from the Bank? Yes [] No []

31. Have you been able to put up a house after transaction with the Bank?

32. Do you own any of the under listed items? (Tick as are applicable)

ITEM AFTER LOAN	BEFORE LOAN
a).Bicycles/Motor Cycles	
b)Cars/ trucks	
c) TV sets	
d) Radio Cassette Players/Radios	
e)Mobile telephones	
f) Household furniture	
g) Gas stove	
h) Sewing Machine	
i) Refrigerator/Deep freezer	
j)Ploughs and irrigation machines and farm implement	
k)Gas Smoker	
l)Fishing Nets, Hooks and Lines	

33. Any other remarks?

Appendix B

QUESTIONNAIRE FOR THE BANK

RESEARCH TOPIC: THE IMPACT OF RURAL BANK CREDIT FACILITIES
FOR RURAL DEVELOPMENT IN GHANA. A CASE STUDY OF AMUGA
RURAL BANK LIMITED

This questionnaire is prepared to collect data on the above research topic. This exercise is purely for academic purposes only and I assure you that all views expressed in the questionnaire will be treated with maximum confidentiality. In particular, no information will be released which would permit the views of any individual to be identified.

Please tick and fill in the blank spaces appropriately.

1. Name of the Financial Institution.....

2. Year of establishment.....
4. What account do your customers normally open?
5. Do you grant them loans if they apply? Yes () No ()
6. What type of loan receive the highest number of customers?
7. What do you require in order to access a loan from a bank?.....
8. What is the minimum interest rate you charge per loan?
9. Do your customers complain about the interest rates? Yes () No ()
10. What factors do you think regulates the interest rates?.....
11. Does the Bank have any group microfinance credit scheme Yes () No ()
How does it work.....
12. How, in your own estimation, has the micro credit scheme of the bank improved the livelihoods of the beneficiaries?
13. Please list in the table below the interest rates and the number of customers who borrowed money from your financial institution every year.

Year	Interest Rate	Number
2010		
2011		
2012		
2013		
2014		
2015		

14. What type of customers do you normally deal with?

15. What other functions do you play apart from accepting deposits and granting of loans to customers?

16. What do you think should be done to help customers do business with the financial institutions?.....

17. Please complete the attached

CATEGORIES OF LOANS DISBURSED AND NUMBER OF CLIENT

2011	Number of Clients	Total loans Disbursed
Salary		
Agriculture		
Trading		
Transort		
Total		

CATEGORIES OF LOANS DISBURSED AND NUMBER OF CLIENT

2012	Number of Clients	Total loans Disbursed
Salary		
Agriculture		
Trading		
Fishing		
Total		

CATEGORIES OF LOANS DISBURSED AND NUMBER OF CLIENT

2013	Number of Clients	Total loans Disbursed
Salary		
Agriculture		

Trading		
Fishing		
Total		

CATEGORIES OF LOANS DISBURSED AND NUMBER OF CLIENT

2014	Number of Clients	Total loans Disbursed
Salary		
Agriculture		
Trading		
Fishing		
Total		

CATEGORIES OF LOANS DISBURSED AND NUMBER OF CLIENT

2015	Number of Clients	Total loans Disbursed
Salary		
Agriculture		
Trading		
Fishing		
Total		

18. What other Corporate Social Responsibility activities do you embark upon in the community in which you operate.....

19. Any other remarks?.....

