

**THE CONTRIBUTION OF RURAL BANKING IN TERMS OF LOANS
ASSESSMENT TO THE IMPROVEMENT OF THE LIVING CONDITIONS
OF THE PEOPLE OF EJISU-JUABEN DISTRICT-A CASE STUDY OF
JUABEN RURAL BANK LTD**

KNUST

BY

JOSEPH KODUAH-BOATENG

**A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND
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TECHNOLOGY, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
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ACCOUNTING**

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DECLARATION

I hereby declare that this submission is my own work towards the Executive Masters in Business Administration-Accounting and that, to the best of knowledge; it contains no material previously published by another person or material which has been accepted to for the award of any other degree of the university, except where due acknowledgment has been made in the text.

Joseph Koduah-Boateng

(PG9601413)

(Student's Name & PG)

Signature

Date

Certified by:

Mr. Akandre Agana Joseph

(Supervisor)

Signature

Date

Certified by:

Dr. K. O. Appiah

(Head of Department)

Signature

Date

KNUST

ABSTRACT

The thesis investigates the contribution of Rural Banking in terms of loans assessment to the improvement of the living conditions of the people of Ejisu-Juaben district and Juaben Rural Bank Ltd was selected as a case study. Using a random sampling technique a sample size of one hundred and twenty (120) staff and customers from Juaben Rural Bank Ltd was drawn from the population.

Questionnaires were administered. The study looked into the significance, the purposes for which loans are granted to customers and whether these loans are utilized for its intended purposes and also the benefits customers derive from accessing loans from the bank. The questionnaire was used as the main source of data and SPSS (18th edition) was used for the data analysis.

The study identified purposes such as the customers used loans to purchase vehicle, customers apply loan for building projects, customers access loans to support their business and loans are granted to pay school fees as the key purpose / variables for granting loans to customers. The finding indicates that, salary workers are able to repay their loan principal and interest back within the agreed period.

The study further recommended that, rural banks in the country should beat down interest rate to encourage more customers to access the loan.

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DEDICATION

I dedicate this work to my dearest wife and my two lovely kids Ishmael KoduahBoateng and Mannasseh Koduah-Boateng.



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CHAPTER ONE

INTRODUCTION

1.0 Background of the study

Banking is the transactions carried on by firms or individuals involved in providing financial activities or services to client or people, businesses or government institutions. In the widest sense banking consist of safeguarding and transferring of funds, facilitating or lending of loans, guaranteeing credit-worthiness and exchanging of money. Amponsah et al., (2006).

Most of the rural dwellers or folks need access to institutional credit that was needed to enhance or improve their productivity. In Ghana banking facilities were limited to major urban centers before independence in 1957. Several measures were designed by the government after Ghana's independence to improve or enhance rural banking in the rural community to sustain agriculture and other economic activities.

Services provided by Banks or Financial Institutions are fundamental to economic growth and development. Individuals or businesses save money through investment, banking, insurance, debt and equity financing, savings, credit building, guard against uncertainty, while enabling institutions to start up, develop, increase efficiency and compete in international and local markets. These services reduce vulnerability of the poor and enable people to manage the assets available to them in ways that generate revenue or income and ultimately creating paths out of poverty.

In the early 1970's Bank of Ghana had realized that the existing banking institutions were not able to mobilize funds and provide services to the rural community and thereby impact adequately on the development of the country. A department called the Rural

Banking Department was set up by Bank of Ghana at the head office to see to the establishment and supervision of rural banks in the country.

Rural banking is a unit or an entity which is supportive or co-operative in nature and provides wider variety of services. Rural banks' basic function is to mobilize local savings and meet the financial distress of all small and medium-scale entrepreneurs and farmers. They are also envisaged as taking up the duty of executing programs, manage credit, providing auxiliary financial services, providing inputs and agricultural credits, providing relieve in marketing, and generally assisting the overall improvement or development of the banks' operational domain. Shekhar and Shekhar, (2007)

Rural banks have been commended for their efforts in making banking services available in most rural communities, which have enabled the rural folks to access credit facilities to improve their businesses and enhance their living conditions.

The rural banks, through the Association of Rural Banks (ARB) Apex, serve as a conduit for the channeling of on-lending micro-finance credits from government and donor agencies to the rural communities to facilitate community development. The banks thus are becoming firmly integrated into the banking and payment systems and are playing an essential role with particular reference to the rural areas where they operate to fill the gaps left by the large commercial banks.

The rural banking system is therefore expected to meet the challenges of rural development through the mobilization of rural savings and provision of credit to rural communities in order to improve their economic and social wellbeing (quality of life). Unlike the other banks, rural banks are required to administer credit on the basis of community trust rather than placing emphasis on collateral security. As much as possible rural banks are expected to depend largely on mobilized deposits rather than

government funds for credits. They are meant, in other words, to serve as special vehicles for financial intermediation that could transform for the better the standard of living of the rural communities. This was the message delivered by Dr. Acquah, Governor of the Bank of Ghana, when he addressed the Association of Rural Banks at the 13th Biennial General meeting held in November 2004. Therefore, rural banks require effective local participation to prop up community and human resource development

The Financial Services or Institutions undertake a mix of micro finance and commercial banking activities structured to satisfy the need of the rural areas. They provide banking services by way of funds mobilization and credit to cottage industry operators, farmers, fishermen and regular salaried employees. They also grant credits to customers for the payment of school fees, acquisition or rehabilitation of houses and to meet medical expenses.

Commercial banking was in existence in Ghana before the introduction of rural banking in the communities.

The two commercial banks with the largest network of branches, Standard Chartered Bank and Barclays Bank, are foreign-owned, and were set up primarily to promote import and export trade of the country. The few branches of these commercial banks that were opened in the rural areas mobilized funds and did very little lending to these rural communities. This is because the banks considered lending to the country's agricultural sector as both risky and expensive. Rural dwellers were therefore discriminated against (Rural Finance Inspection Report, 1997).

1.1 Problem statement

The government of Ghana made various or several effort since independence in 1957 to encourage rural development in an effort to improve the living conditions of the people who live in the rural communities. According to (Amonoo 1977; Brown 1986; and Opoku-Afriyie 1974). For several reasons, these projects have failed including the high cost of living for the rural dwellers or folks and the lack of coordination between the government agencies.

People in the rural communities do have problems in transacting business with the rural banks. Some of these problems include preparing viable business plans or proposals and collateral securities that the banks do required for loan. Most of the rural dwellers are not well educated in order to plan or write their own business plans or proposals. In addition, it becomes very difficult for the customers to secure loans because of the collateral securities demanded by the banks.

Empirical studies show that rural banks help the poor to meet basic needs and also protect them against risk. This consequently results in improvement in household economic outcomes. Rural banks create access to productive capital for the poor, which, together with human capital development through education and training, enables the poor to move out of poverty (Bank of Ghana, 2007).

People are of the view that Rural Banks do not give loans to the rural folks. There is also a debate that customers of Rural Banks do not use loans granted for its intended purposes. The category of people that can access loans from Rural Banks also remains a subject for interrogation.

1.2 Objective of the study

General objective of the study is to examine the contribution of rural banking in the improvement of the living conditions of the people in the Ejisu-Juaben district.

The *specific Objectives* are;

1. To examine the purpose for which Rural Banks grant loans to their customers.
2. To find out whether loans accessed by customers of Juaben Rural Bank Ltd are utilized for their intended purposes.
3. To examine the benefits customers derive from taking loans from the Juaben Rural Bank Ltd.
4. To determine the type of account customers normally open with the bank.
5. To fine out the category of people who can access loans from the bank.

1.3 Research Questions

The following research questions are formulated to guide in data collection;

1. What are the purposes for which loans are granted to customers
2. Are loans granted to customers utilized for its intended purposes?
3. What are the benefits customers derived from accessing loans from the bank?
4. What type of account customers normally open with the bank?
5. What are the category of people who can access loans from the bank?

1.4 Methodology

A simple random sampling procedure was used to obtain a sample size of 80 customers and 40 staff of Juaben at the banks Head office and its three branches. A questionnaire was administered to obtain primary data. This is a case study and sample size

determination in such a study is not too rigid, since there are no strict rules for that purpose (Taschereau, 1998). The customers of the bank were stratified into bank/agency (since the Juaben Rural Bank Ltd has many agencies) and the random sampling technique was employed to sample 80 customers of the bank. The sampling distribution was done based on the number of customers in each town. In addition, 40 staff members were randomly selected. The research design employed for this study was descriptive survey. This was selected in order to synthesize emerging patterns and trends. Descriptive survey will allow the researcher to get information on contribution of rural banking in the improvement of the living conditions of the people and to also learn about a large population by surveying sample (Leedy & Ormrod, 2010)

1.5 Relevance/significance of the study

Generally, the study will be beneficial to all rural banks and to Juaben rural bank Ltd in particular. It will serve as an instrument by which bankers will evaluate their performances and strive to make the banking activity a process in the bankers and customers will benefit.

1.6 Limitation of the study/scope

Financing the research was a bit challenging since the researcher is a student. In view of these constraints or limitations the study was conducted in such a way that the outcomes were insulated from these challenges.

Another limitation that was encountered by the researcher at the field was language barrier. This is where some customers of the bank being illiterates, it became difficult administering questionnaire that have been designed in English. This means that the interviewer has to translate the questions into the local language to the respondents and

write the responses in English. This may not reflect the true picture on the ground as the interviewer may be bias with his interpretations.

1.7 Organization of the study

The research or study is structured into five chapters, with each chapter consisting of sub topics. The introduction or background of the study, problem statement of the study, study objectives, research questionnaires, significant and justification of the study and lastly the organization of the study constitute chapter one. The chapter two basically looks at existing review of literature on the subject matter. This is made up of sub topics as; core concept on literature, related topics, hypothetical or empirical evaluation and conceptual frame work of the study area.

Chapter three is basically about the methodology used in conducting the study or research. The fourth chapter will deal with the data analysis of the research or study and the final chapter thus chapter five talks about observations and recommendations on the findings and the conclusion to be drawn.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the literature of the topic that is under research. This would assist the researcher to acquaint with what other writers have written about the topic that is under review.

2.1 Emergence and evolution of Rural and Community Banks

In 1976, before the establishment of the first rural bank in Ghana, there was a limited accessibility of loan facilities in rural communities which is mostly made up of

fishermen and few farmers. Money lenders and traders were the primary sources of credit who charged a very high interest rate. Policies geared towards improving access to finance in rural communities have been undertaken by the government of Ghana. The formation of the Agriculture Development Bank in 1965 with the sole directives of lending for agriculture and allied industries and the requirement that at least 20 percent of the commercial banks portfolio should be lend for agricultural uses in Ghana are part of the policies that the government undertook. Subsequently, commercial banks and the Agricultural Development Bank opened branches in rural areas, with an emphasis on cocoa-growing rural communities. On the other hand, the commercial banks used their rural branches basically for making payment to cocoa farmers and collecting of deposits for lending in urban areas which have made lending to the rural sector remained low. As initially envisioned additional financial services like credit or loan facilities were not provided. Stronger collateral requirement and higher deposit accounts were demanded by the commercial banks in providing loans to rural communities. According to Andah and Steel 2003, many small farmers and fishermen did not have deposit accounts in commercial banks, and the collateral they had available was not satisfactory for commercial lending. It was found that credit provision and coverage by the Agricultural Development Bank were limited (Mensah 1993 and Ranade 1994). Just 27 percent of its branches were in rural areas and lending to small scale farmers made up only about 15 percent of its total portfolio.

The Government of Ghana (GOG), in this regard deem it necessary in supporting the establishment of community banks in rural areas that would be dedicated towards providing financial services or support to the rural folk in the rural communities. A delegation was sent to the Philippines by the Government of Ghana (GOG) through the

Bank of Ghana to study rural banking system there and afterwards decided the opening of banks in rural farming and fishing communities.

2.2 Services provided by Rural Banks

2.2.1 Payment

Payment services are one of the basic activities or services rendered by the rural banks. The Apex Bank, which is a member of the national clearing house, is the medium through which rural banks provide the payment service. Rural banks cheques were given the same legitimacy as cheques issued by other financial organizations through the introduction of MICR. Rural bank cheques were not accepted by many institutions and commercial establishments before the introduction of MICR cheques guaranteed by the Apex Bank. There was a growth in the number of cheques for clearing by an average of 43 percent a year with the introduction of the chequeclearing system in 2002. The central and local governments and private companies use the rural banks to make salary and pension payments to their employees in rural areas because of their location and network of branches. The salary payment system in particular enabled the rural banks to consolidate their salary loan products that are closely tied with the salary transfers. Rural banks are also used by the licensed buying companies (LBC"s) to pay cocoa-producing farmers in their catchment areas. Rural banks facilitated GH¢68.8 million (US\$56 million) in payments to cocoa farmers and earned about GH¢2.75 million (US\$2.1 million) in commissions in the year 2008

2.2.2 Social Investments

As part of the rural banks social responsibility to the rural communities where they operate, most rural banks support social development activities in the rural areas. Such development activities supported by the rural banks include awarding scholarship for

girls and medical students as well as financing of infrastructural projects such as building of schools, community libraries and the construction of community roads. Rural and Community Banks have also acquired recognition in their communities as a locally owned financial institution rooted in the community through these activities.

2.2.3 Financial intermediary

Rural banks act as financial intermediaries by providing basic services such as loan facilities, savings and payments. Several products and services are offered within each of these categories. Generally, rural banks also support community development services due to the community owned nature. Rural and Community Banks offer unique products and service for a particular target groups on government behalf and donor financed programs, such as Micro finance and small loan center (MASLOC), the Social Investment Fund, the Community-Based Rural Development Project, and the Millennium Development Authority as financial institutions actively supported by the government.

Various techniques such as traditional outreach by bank staff and use of electronic and print media are used by the rural banks to promote their products and services. Some banks for instance use the local FM radio to broadcast information about services available and to promote their products (particularly micro finance). The move has been successful in reaching many clients in remotes parts of the operational area. Funerals and other several social occasions have been used by the rural banks to publicize or propagate important information such as repayment reminders.

2.2.4 Deposits

Rural banks offer all the general savings products such as the regular savings accounts, current accounts, and time deposits. Generally, savings accounts are the largest share

of deposit portfolio in rural banks. Low interest rates are offered to these accounts, yet, and often negative when inflation is taken into account. In 2008 in the sample banks, interest rates on savings deposits varied from 5 to 16 percent, while inflation ranged between 11 and 18 percent. Further, interest on savings account is often provided only when the savings balances are more than specified amount. Unlike in most commercial banks, however, rural banks do not require high minimum balances to maintain a savings account and do not charge a high ledger fee.

The susu deposit is a special deposit offered by the rural banks. These deposits are weekly or daily savings deposits that are collected by susu collectors (mobile bankers), who are either rural bank employees or agents paid on commission basis. This deposit and deposit collection technology builds on the traditional system of susu collectors in Ghana. Susu collectors mobilize daily deposits by visiting individual customers at their houses and business premises. A mobile banker has a schedule and an agreed plan with a customer and collects the amount of deposit according to the agreed plan. One mobile banker can visit almost 400 customers per day. Majority of the mobile bankers are women, whereas most of the participants are women. Safety is an area of concern since the women physically carry money with them. Typically, no interest is paid on susu deposit, and depositors pay a fee for the service.

Special savings mobilization systems are used by the banks. The susu method is used by many banks to mobilize money from customers. Deposit mobilization centers are used by some banks which operate during the market days. A unique deposit product that target specific target groups such as petty traders and drivers, or purposes such as children's education are offered by some rural banks.

With the exception of mobilizing local savings and meeting the credit needs of small and medium-scale entrepreneurs and farmers, rural banks were envisaged as taking up the task on implementing programmes of supervised credit, providing ancillary banking service, supplying inputs and agriculture credit, providing assistance in marketing, and generally helping the overall development of their areas of operation (Shekhar & Shekhar, 2007). Examples of prominent rural banks and financial institutions are Banco Solidario (Banco Sol) in Bolivia, Bank Rakyat Indonesia (BRI) of Indonesia, and the Grameen Bank in Bangladesh (Lovoie, Pozzebon & Gonzalez, 2011; Merrill, 2009).

As a developing country, Ghana is no exception to the global phenomenon of financial development. The Ghana Living Standard Surveys by the Ghana Statistical Service show the poverty trend in Ghana. The studies' result show that the percentage of the population defined as poor, relative to the poverty line, was 37% in 1987/88 (GLSSI), 42% in 1988/89 (GLSS2), 31% in 1991/92 (GLSS3), and 39.5% in 1998/99 (GLSS4). The 2005/06 survey (GLSS5), however, shows a decline in poverty, with 28.5% and 18.2% for the upper poverty line and lower poverty line, respectively. This implies that the problem of poverty persists, even though it is declining (GSS, 1995; 1996; 2002; 2007).

2.2.5 Loans

The major loan facilities offered by the rural banks include commercial, salary, susu and micro finance loans, overdrafts and others. Microfinance loans as well as susu loans are the two special loan products that most directly benefit the low-income population. An important portion of the salary loans however, would also be considered microloans in the Ghanaian perspective.

Consequently, the microcredit portfolio of rural banks is larger than the sum of the microfinance and susu loan portfolios shown in the loan classifications reported by the Rural and Community Banks.

2.3 Major Banking Credit Products

2.3.1 Micro finance loans

Micro finance loans are granted to groups of individuals to finance small and micro income-generating activities. At some banks, the group is the borrower, whereas for others, each member of the group is borrower. In both cases, the group is equally liable for the loan. The size of micro finance loan ranges between GH¢500 and GH¢1000, most loans are between GH¢1000 and GH¢5000. Repayment period for microfinance loan is four to six months, and the interest rate ranges between 30 and 36 percent.

2.3.2 Susu loans

Susu loans are granted to individuals following a three-month daily susu deposit. The amount and term of susu loans are similar to that of micro finance loans, but susu loans are granted to individuals whereas micro finance loans are group loans. Susu loans are normally granted to petty traders since they are the majority who patronize the susu product. The interest rate on susu loan is between 30 and 32 percent.

2.3.3 Salary loans

Workers or individuals who receive their salaries from the rural banks are granted these loan facilities. The bank automatically deducts the loan repayment installment from the salary payments. Salary loans are used for consumption and investment, as well as social purposes. The size of the loan is determined by the borrower. The maximum term of a salary loan is 48 months, and the interest rate ranges between 29 and 30 percent.

2.3.4 Commercial loans.

Individual entrepreneurs and companies can access commercial loans for working capital or fixed capital. The maximum loan size is GH¢100,000, the maximum term is 36 months and the interest rate ranges between 28 and 35 percent.

2.4 What motivate people to go for loans?

According to Burton (2002) engaging in loan gives a greater amount of money to fulfill ones project. Some clients find it difficult to pay for these loans but they still want to apply for it due to financial situations they find themselves. Most people apply for loans because of underlying reasons:

- (i) To purchase a house or for renovation of a house. Customers of Rural Banks apply loan facility to purchase house or for renovation of their house to accommodate their family. Rural Banks do grant such loan facility provided the customer can meet the necessary requirement.
- (ii) To pay for existing loan. A customer may need a loan but may have an existing loan balance to settle. Rural Banks will allow the customer to apply for an extra amount to settle the existing loan balance and the difference becomes the new loan granted. The new loan facility granted is therefore spread for a period for repayment to be done.
- (iii) To own a car. Rural Banks gives loans to customers to purchase a car for their own use. This kind of loans comes in two folds; the bank can purchase the car for the customer or the customer can apply for the car loan and repayment to be done for an agreeing period.
- (iv) For personal, educational purposes and others. Rural Banks grant loans to customers for payment of their children schools fees, loans for expansion or support of

business activities are granted by Rural Banks to their customers. Customers apply loan for personal reasons best known to them which Rural Banks grant as well.

2.5 Factors affecting the repayment of loans

Repayment of loans can be seldom being fully guaranteed because lending is a risky enterprise.

According to (Arsyad, 2006), repayments of loans are fraught with a number of problems in spite of the importance of the acquisition of loans.

The most important factors affecting repayment of agricultural loans are the high interest rate on the loans.

In agriculture, the default rate are large in loan repayment has been a lasting or perennial problem, farming experience, and total application cost. Most of the default arises from par administration or management procedures, diversion of loans and unwillingness to repay loans.

In developing countries credit market work ineffectively as a result of market imperfections. These imperfections lead to loan default which includes:

- (i) The interest rate ceiling usually imposed by the government.
- (ii) Monopoly power in credit market often exercised by informal lenders.
- (iii) Moral hazards.
- (iv) Low money borrowers

2.6 Rural banking and financial development

Shekhar and Shekhar (2007) define a rural bank as a banking entity which is cooperative in character but provides a much wider range of services. The basic function of rural

banks is to meet the financial distress of medium and small-scale entrepreneurs, farmers and savings mobilization. They are also seen as taking up the task of implementing programmes of supervised credit, providing additional banking services, supplying inputs and agricultural credit, providing assistance in marketing, and generally helping the overall development of the banks' operational areas.

At the core of microfinance and specifically of rural banking is combating financial development (Otero, 1999). According to Otero establishment financial institutions in the rural areas to cater for the banking needs of the local people creates access to productive capital for the poor, which together with human capital addressed through education and training and social capital achieved through local organization building, enables people to move out of poverty. Providing material capital to poor people strengthens their sense of dignity, and this can help to empower the person to participate in the economy and society as they escape poverty (Otero, 1999).

Lack of financial development of poverty is a complex issue and is difficult to define, as there are various dimensions to poverty. Attimir (1982) defines poverty as a situation of poor health facilities, low level of education, malnutrition, and lack of participation in the decision-making process. Unlike Attimir (1982), Sen (1999) perceives poverty not only as lack of income, education, or health, but also on a broader scale, lack of voice, lack of empowerment, and lack of good governance. Sen (1999) defines poverty as the deprivation of basic capabilities rather than merely as low level of income, which is the standard criterion for identifying poverty. Sen 1999 identifies five dimensions of poverty: lack of political space, economic space, social space, transparency, and protective security. Sen (1999) views poverty as depicts along these five dimensions which limit the ability of people to develop their capabilities and function effectively.

A critical assessment of the literature reveals that at the heart of financial development is the whole gamut of basic needs. Typically, a person is considered as poor if he/she does not have the capabilities to meet basic needs. Poverty is not just paucity of income but goes beyond that to consider the social context in which the person lives, including access to credit which turn improves capabilities) Akindola, 2009; UNFPA, 2007).

As development agents, rural banks have over the years brought services to the doorsteps of people, most importantly rural folks or dwellers. With this rural banks have succeeded in instilling in the rural dwellers the habit of banking in the form of savings and borrowing. Rural banks have contributed immensely to the mobilization of savings and have granted loans overdrafts to several productive ventures to promotes development activities and enhance the socio-economic lives of rural dwellers (Afrane, 2007). Access to financial services has been identified by Okukpara (2009) as a potential tool in raising productivity and incomes of small and micro entrepreneurs.

Providing credit increases the productivity of the individual and also increases social equity by improving the individual's income (Dullien, 2009). Such income gains may be regarded as the avenue to greater equality in national consumption levels and a more just distribution of economic opportunities (Dullien, 2009; IFAD, 2009). IFAD (2012) have shown how access to credit, a service provided by rural banks and micro financial institutions, affects household welfare outcomes.

Other research has shown that financial institutions have a significant role to play (Asenso Okyere. Asante & Gyekye, 1993; Chowdhury, 2009). It is believed that the introduction of banks in rural areas enhance the livelihood of rural dwellers. A research by Burgess and Pande (2002) revealed that the establishment of banks in rural areas of India spurred entrepreneurship, structural change, and poverty reduction. Burgess and

Pande assert that access to banking, particularly finance, may be critical in enabling poor rural residents to begin new macroeconomic activities, thereby existing poverty.

Scholars such as Hulme and Mosley (1996) remain skeptical about the role that rural and microfinance institutions play in improving the living conditions of people. They point out that rural banks and micro-credit are not a panacea for poverty alleviation, since in some cases the poorest people have been made worse-off. However, some scholars such as Bakhtiara (2006) see rural banking institutions as agents of financial development or poverty reduction.

Empirical studies show that rural banks help the poor to meet basic needs and also protect them against risk. This consequently results in improvement in household economic outcomes. Rural banks create access to productive capital for the poor, which, together with human capital development through education and training, enables the poor to move out of poverty (Bank of Ghana, 2007).

2.7 The role of credit in rural development

According to the World Bank (1975), rural development is strategy designed to improve the economic and social life of a group of people (the rural poor). It involves extending the benefits of development to the poorest among those seeking a livelihood in the rural areas. The group includes small and medium– scale farmers, tenants and the landless. This definition reflects the way in which views of development have changed since the early 1970s. The poor were expected to gain from the trickle down effects of benefits from overall rapid growth. However, it was realized that the benefits of rapid growth were not only taking too long to reach the poor, but would never reach most of them. As a result, the impact of rapid growth was a widened gap between the rich and the poor. Therefore, the need to reduce poverty and inequalities came to be incorporated

into national and international programmes, giving rise to terms such as “redistribution with growth” or “growth with justice”, “green revolution”, “land reforms” and the likes. It is now recognized that comprehensive policies and programmes necessary to raise the level of skills of communities and to develop attitudes of sympathetic understanding towards the complex social and economic changes which make up the development process must be initiated (Commonwealth Secretariat, 1970). In drawing up such policies and programmes in Ghana, rural communities need special attention. This is due to the fact that the greater proportion of the Ghanaian population lives in the rural communities, and it is also in the rural areas that a greater proportion of the wealth of the nation is produced. It is also in the rural areas where there is a high rate of illiteracy and most of the people are poor (Brown, (1986); Okyere, Asante and Gyekye, (1993) and ISSER, (1995).

In Ghana, Ashridge conference report held in 1957 which was under the auspices of the colonial office gives the definition of community development as a movement designed to promote better living for the whole community, with the active participation and on the initiative of the community. Also the basic idea underlining the concept of grassroots or community participation relating to developing countries, of which Ghana is not an exception, is a partnership between the public authorities and the local people that views development “from below”. Rural banking, is the pivot of all community development, is therefore inevitable in community development and rural poverty alleviation. For any meaningful economic and social programme to take place in the rural area there is the need for credit facilities to be made available to the rural folks, since the rural areas form the main foundation for sustainable economic growth or development. This was the message delivered by Dr. G. K. Agama, a former governor of Bank of Ghana when he addressed the members of the chartered Institute of Bankers

(CIB) at an annual dinner in 1995. He believed that financial institutions had to reconsider their provision of agricultural credit and other facilities to farmers and agro-based industries. Until this issue was addressed to change the present trend, efforts aimed at sustainable national development and alleviation of poverty would not be realized (Agama, 1995). In the view of Owusu – Acheampong (1986) the most crucial factor in the Ghanaian rural farming situation is the availability of credit and not land as it may be in some countries. He continues to say that with credit the less productive traditional simple tools and implements can be transformed into sophisticated capital equipment and other essential inputs for enhanced productivity. Rural banks are preferred in agricultural financing because they are better suited to direct financing of farmers owing to their low cost structure and rural ethos. Irrespective of the fact that agriculture plays an essential role in the agrarian economy of Ghana, credit given to the sector is not encouraging. The evidence presented in the states of the Ghanaian economy over the years had invariably portrayed that the commercial and secondary banks' loans and advances to all sectors of the economy continued in the downward trend. For instance, in 1979, out of ₵961,591,000.00 total advances made by commercial banks to all sectors, only 9% was allocated to agriculture and even this was almost taken up by commercial farmers within the urban areas (Bank of Ghana Report, 1979). Furthermore, a research undertaken by the Rural Finance Office of the Research Department of Bank of Ghana revealed that the bulk of credits by rural banks go to government employees in the rural areas like teachers and community health nurses who use their salaries as collateral for the loans.

The Rural Finance Office of the Banking and Supervision Department has, therefore, taken up the responsibility to advise the rural bank officials to extend more credits to

the rural peasant farmers, fishermen and small-scale agro-based industries to boost agriculture in the country. With other efforts by some units of the Bank of Ghana, rural banks in Ghana are becoming a potential source of rural financing. Based on the situation presented above, it is logical to the onus is on the rural banks to help the people in their social and economic development through the granting of loans and also by giving the rural folks the needed confidence in this respect. Therefore it is in the right direction, as Osei (1990), states that the challenge facing the rural banking system is to make the people living in the rural communities have confidence in the rural banking system for all their monetary transactions. Thus, it is acceptable to note (2004) Report from the Central bank of Ghana that in keeping with a sense of social responsibility, rural banks have been making significant contribution to the development of their catchment areas by assisting with the construction of health centers, schools and colleges, provision of pipe borne water and electricity, and awarding of scholarships poor or needy student but brilliant. The rural banks are inculcating culture or habit of banking and savings among people in catchment areas; they are contributing to the national development effort by bringing banking services closer to the doorsteps of the rural community; and they are doing so with a sense of social responsibility and a good deal of banking prudence.

It is obvious that the human resource is the most valuable asset of any organization or community. And for that matter we cannot leave human capital development out of the discussion on the development of the Ejisu-Juaben community. The question that arises is, has the provision of social amenities, credits, award of scholarships to brilliant but needy students, grants to basic schools and the like contributed to entrepreneurial skill development or has it been a mere lip service in the rural communities concerned.

Providing affordable credit to the rural population has long been a prime component of development strategy according to Yoron (1999). Donors and government have sponsored and supported supply led rural finance institutions, both to improve growth and equity and to motivate rural based credit.

Lack of access to economic resources, especially finance, by the numerous sparsely located SMEs and farmer across Ghana, continues to inhibit economic growth and development. This calls for critical examination and the adoption of an approach to avoid declaring SMEs and farmers as “endangered species”. According to OLAITAN (2006), it is important to double our efforts to transform the economy and continuously explore pragmatic methodologies to address the problems of our farmers and Small and Medium-scale Entrepreneurs.

The rural economy is very fragile financially. Lack of credit is a significant and sometimes binding constraint, limiting investment in productivity-improving technology and inputs. Rural credit plays decisive or critical role in household strategies to reduce vulnerability. (Chris Ban, 2009)

In spite of the contribution that credit entails to the rural development, it has been one of the crucial factors that have not been given proper attention. The purpose of this paper is to identify problems that have hindered the effectiveness of the rural market in Ghana. (Acquah, 2000).

Improving the rural credit system will help to reduce poverty and raise household incomes and will contribute to the eradication of extreme poverty in rural farming communities in African. (Lwason, 2004).

According to the Association of Rural Banks (2007). “The aims of Rural Banks are:

- To stimulate banking habits among rural folks/dwellers.
- To mobilize resources locked up in the rural areas into the banking systems to facilitate development; and
- To identify viable industries in their respective catchments areas for investment and development.



CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

Chapter three describes the research design and the techniques that were used in collecting data by the researcher. It also deals with; population, sample size and sample techniques, mode of data collection and method of data analysis of the study.

3.1 Research design

In order to examine the contribution of rural banking in the improvement of the living conditions of the people in the Ejisu-Juaben district, the research design employed for this study was descriptive survey. Descriptive survey was selected in order to synthesize emerging patterns and trends. Descriptive survey design is being use, because it involves gathering data that describe events and then organizes, tabulates, depicts and describes the data, this helps bring out relevant information to answer the research question. It is a type that is mainly concerned with describing the nature or condition and the degree of detail of the present situation. This is used to describe the nature of a situation, as it exists at the time of the study and explore the cause of a particular phenomenon. The aim of a descriptive research is to obtain accurate profile of the situation under study. Descriptive survey will allow the researcher to get information on contribution of rural banking in the improvement of the living conditions of the people and to also learn about a large population by surveying sample (Leedy & Ormrod, 2010). This means that the quantitative research methods was employed to carry out the study.

3.2 Population

The population for the research comprised all staff and customers of Juaben rural bank and the selected branches were Ejisu, Fumesua, Kwaso and head office.

3.3 Sample and Sampling Procedure

Polit and Beck (2006) describe sampling “as a process of selecting a portion that represents the entire study population”. The study used simple random sampling to sample 40 staff and customers of the selected branches of Juaben rural bank from which 120 staff and customers were sampled randomly.

To obtain the sample size, the researcher used the „fishbowl draw“ method (Kumar, 1999, p.155) of random sampling to pick the required number of four (4) branches from which the number of staff respondents and customers were picked. In the fishbowl draw, the researcher listed all six [N-6] branches in the district on pieces of paper, put them in a bowl and mixed them together. A staff was asked to pick a strip of paper from the bowl at random until the required number of branches was obtained.

The table below shows the staff and customers which were selected:

Table 3.1 Sample techniques of the respondents

Juaben Rural Bank	Customers	Staff
Ejisu branch	20	10
Kwaso branch	20	10
Fumesua branch	20	10
Head office	20	10
Total	80	40

Source: Field Survey, June, 2015

Table 1 indicates the sample techniques the respondents, the table shows that, twenty (20) respondents were selected from each branch and ten (10) staff members as well.

3.4 Data Collection Procedure

With a letter of introduction from the Head of Department of school of business, the researcher asked for permission and solicited the support and co-operation of the customers and staff of the selected branches. The questionnaire was distributed to the customers and staff members of each branch and they were briefed on what was expected of them in responding to the questions. The completed questionnaire was collected on the same day on each occasion

3.5 Data Analysis Procedure

Responses obtained from the staff and customers were collected and collated. Frequency counts and percentages were used for analyzing the data obtained on opinions expressed through responses to questionnaire by respondents. According to Pagano (1990), frequency counts and percentages are also employed by the researcher in analyzing frequency data.

3.5.1 The main survey

The main survey began on the 18th May, 2015 and ended on May 26, 2015. Taking cue from the pilot survey, traders and other professional like teachers, nurses, doctors etc were targeted on

Respondents who could read and write were given the questionnaires to complete. Some of the questionnaires were, however, administered as interview schedules to respondents who could not read and write. The self administered questionnaires took a longer time to retrieve. The face-to- face interviews saved time as well as prevented illiteracy from being a barrier to interacting with a fair representation of the people of Juaben and the surrounding villages.

3.5.2 Pilot survey

The questionnaire and the various data collection instruments were pre-tested using the management, staff and the customers of the Juaben Rural Bank. The bank was selected because of accessibility and also because of similar socio-economic characteristics the location of the bank shares with that of the Yaa Asanatewaa Rural Bank. Eighty customers and sixty staff of the Juaben Rural Bank were given questionnaires to respond to. This exercise was necessary to ascertain that adequate information could be tapped by the instrument.

Some problems were identified with some of the questions and they were corrected before the final survey. The pilot study showed that respondents were mainly traders, commercial drivers and salaried workers both government and private sector workers who were available to respond to questions during banking hours.

3.6 Problems encountered during the collection of data

The agencies of the Juaben Rural Bank are scattered over Ejisu-Juaben Districts; namely, Ejisu, Kwaso, Fumesua and the head office Juaben. Administering questionnaires to these branches was involving in terms of transportation cost.

Soliciting information from the bank staff was another major problem the researcher faced as some management members were reluctant in providing information. On the whole, even though the exercise was difficult and challenging, the experience was worthwhile.

3.7 Company profile

Juaben rural bank limited was established and incorporated in 1984 under the Banking act 1970 and the rules and regulations governing rural banks in Ghana. Its head office

is in the Ejisu-Juaben district in the Ashanti region about 30 kilometers away from Kumasi. The bank is 93rd to be established in the country and the 18th to be established in the Ashanti Region.

The Bank has agencies at Ejisu, Kwaso, Bonwire, Aboaso, Roman Hill, Fumesua, Magazine New Road, Sepe Timpom and Atimatim.

Corporate vision

To be the most preferred rural /community Bank in Ashanti by 2018

Corporate mission

Is to ensure that the bank's products and services meet the expectations of its varied segmented markets. Management will accomplish this by utilizing highly qualified, competent, motivated staff to provide quality and innovative products or services that responds to the dynamic markets.

Core values of the Bank

People Focus - JRB believes that within humility they will service their customers and motivate staff and retain them to keep the bank as a going concern.

Responsiveness - The need to understand customer and staff needs and to respond to such needs at all times.

Integrity - The hallmark of JRB is to develop and maintain transparent and trust worthy relationship with customers at all times

Passion - The burning desire to succeed. An internally driven adrenalin to rendering quality services on continual basis towards achieving targets.

The initial share capital of the Bank which was GHC 2,213.98, the highest in the country when the bank was commissioned in October 1984, has increased over the years to GHC 1,821,143 as at July 2014. Total deposit at the same period is GHC 31,968,335 with 169 working staff.

The bank offers the following products and services;

- a. Current Accounts b. Savings Accounts c. Fixed Deposit Accounts*
- d. Loans and Overdrafts e. Domestic Money Transfer f. Susu Savings*
- g. Susu Loans h . Funeral Loans i. Daakye Nti Investment*
- j. Consumer Credit k. Micro Finance*



CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

Chapter four sought to analyze data collected from respondents and to discuss all the findings of the research.

4.1 Demographic Characteristics of Respondents

The study sought to distribute respondents by their demographic characteristics to determine the gender of selected respondents to respond to the questionnaire instruments and also to determine if demographics had any influence on the findings of the study.

Figure 4.1 Distributions of Respondents by gender

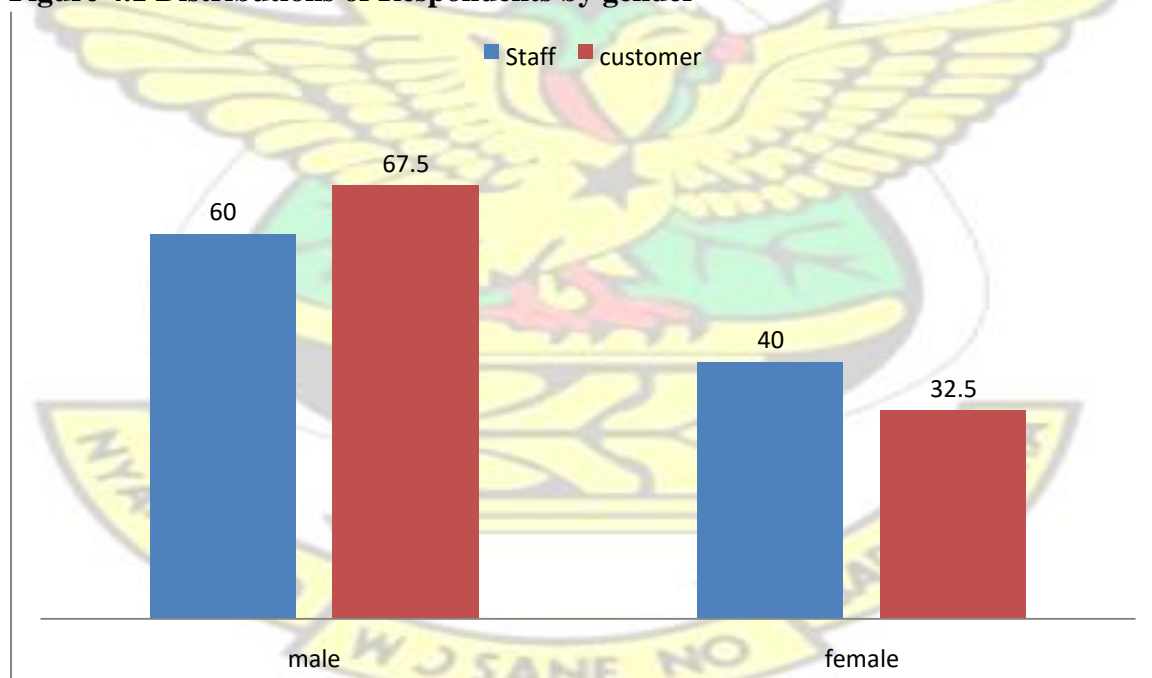
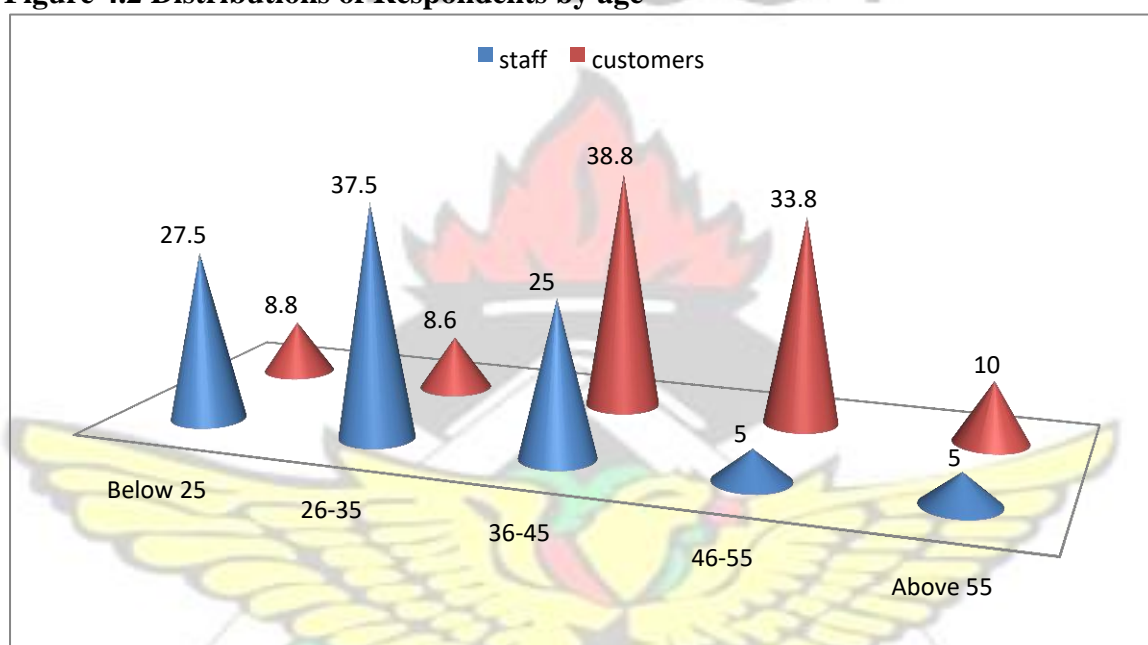


Figure 4.1 shows the distribution of respondents based on gender. The study shows that amongst bank employees surveyed, the male to female ratio was 2:1. Males were in the majority of 60% compared to 40% of females. This finding shows the domination of

males to females in the banking industry. Amongst customers surveyed, the study shows a significant majority of males. 67.5% were males compared to 32.5% who were females. Overall, the study had a larger male population in the sample than females. From the perspective of this study, males bank more than females in the Ghana; it also shows that more males work in bank than females.

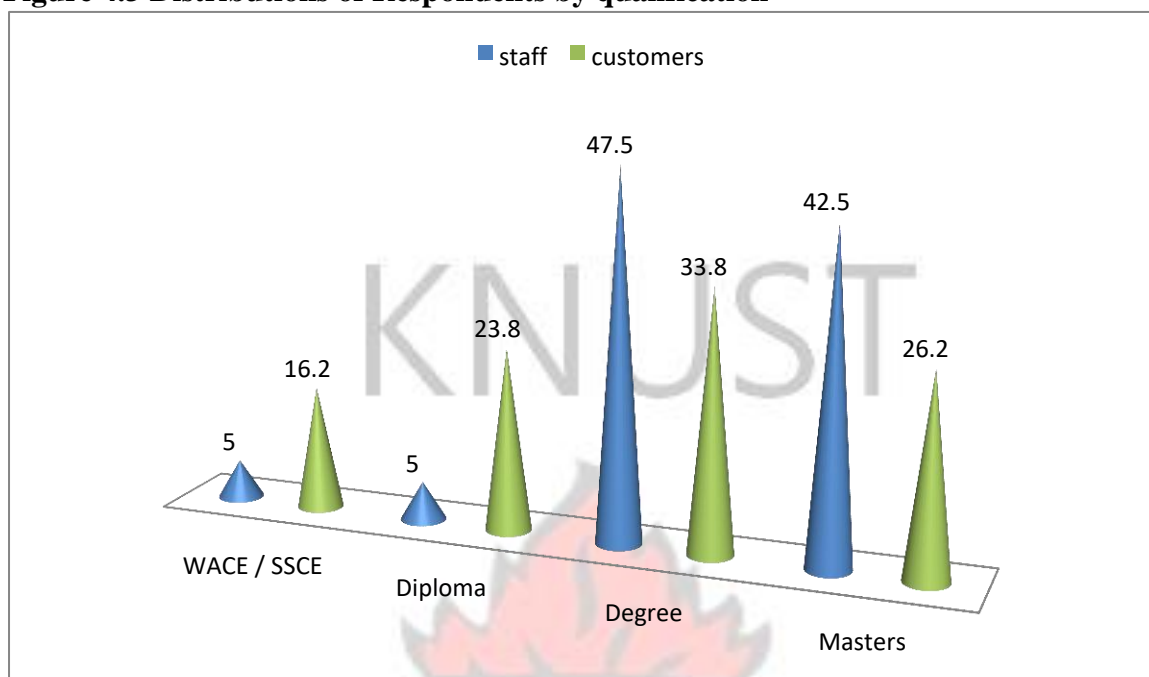
Figure 4.2 Distributions of Respondents by age



Source: Field Survey, May 2015

Figure 4.2 shows the age distributions of respondents. The study shows that for bank employees representing 37.5% were aged between 26 to 35 years, 27.5% were aged below 25. While 25% were aged between 36 to 45 years and 5% were aged between 46 to 55 years and above 55 years each. In the case of customers, 38.8% were aged between 36 to 45 years, 33.8% of the customers were aged between 46 – 55 years. 5% were 46 to 45 and the remaining 5% were above 55 years and the remaining 8.8% aged between 26 to 35 years and below 25 years respectively. The findings show that, customers are matured enough to take decisions in terms of accessing loans from the bank.

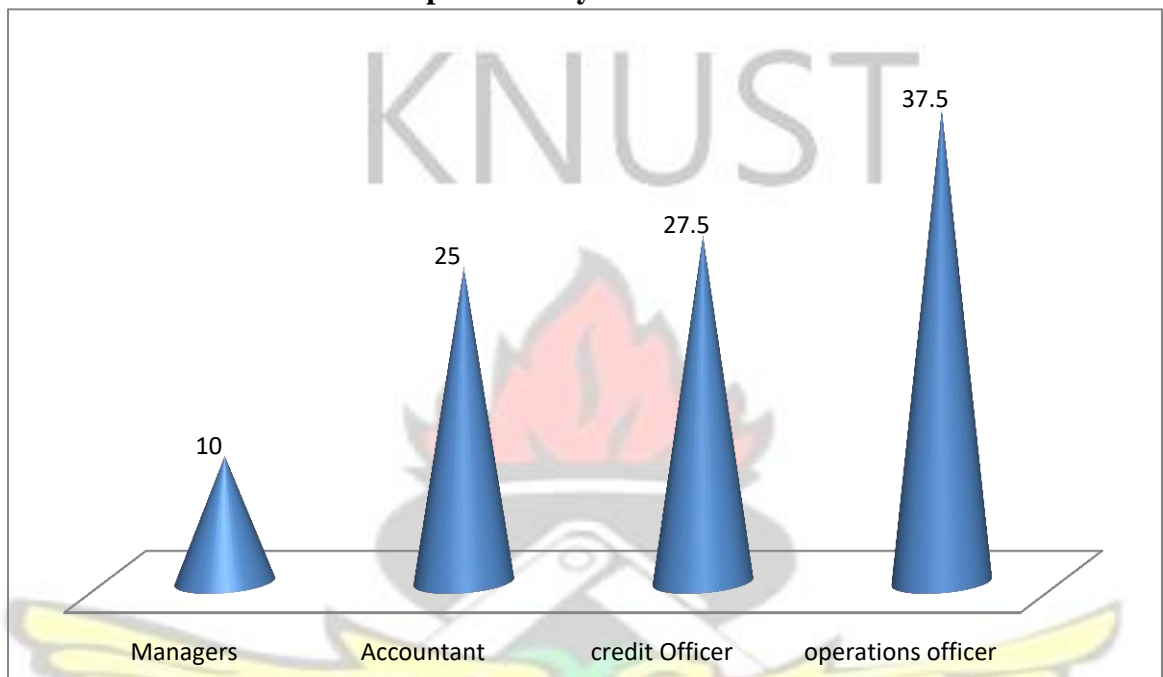
Figure 4.3 Distributions of Respondents by qualification



Source: Field Survey, May 2015

Figure 4.3 shows academic qualification of respondents. The study shows that most employees (52.5%) and customers (57.6%) have completed some form of tertiary education. 42.5% of employee respondents and 26.2% of customer and employees have post graduate degrees respectively whilst 5% of staff and 16.2% of customers have WASSCE / SSSCE. The study shows a high level of education amongst bank employee respondents surveyed compared to the one third percentage of customer respondents who have had just WASSCE /SSSCE. This finding shows that people of all educational levels transact with the bank.

Figure
4.4 Distributions of Respondents by Position

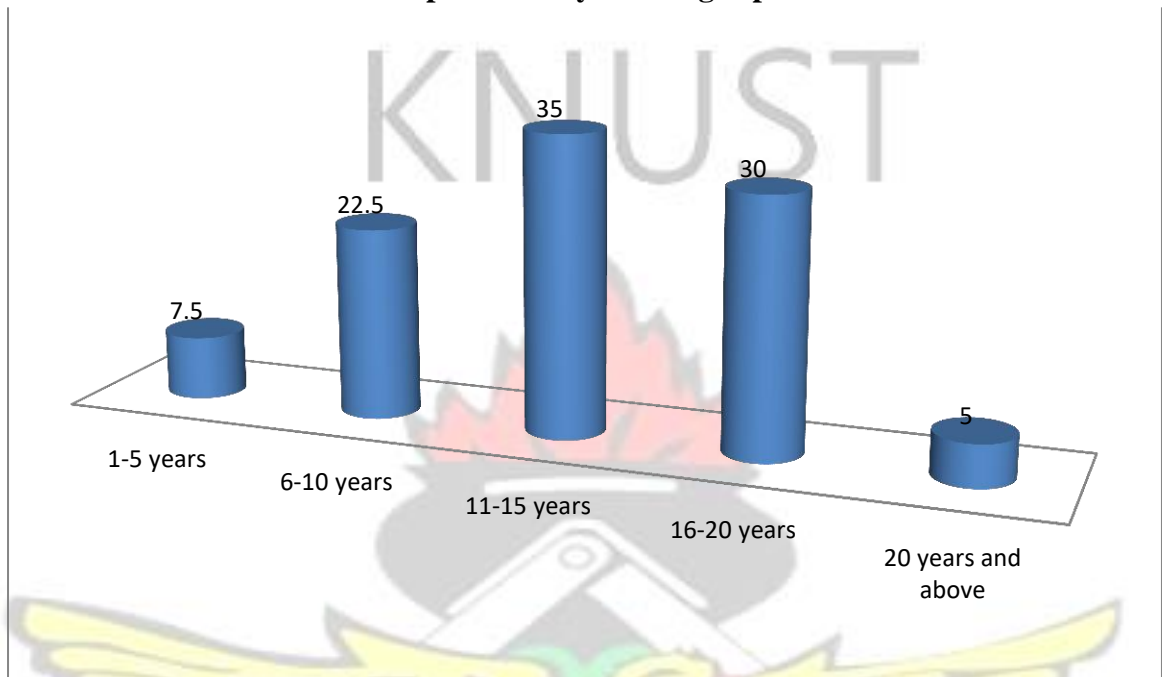


Source: Field Survey, May 2015

Figure 4.4 indicates the Distributions of staff respondent position. The responses from the staff or employees were used. The study revealed that, majority of the staff at the Juaben rural bank representing 37.5% were operation officers, 27.5% hold the position of credit officers, 25% were accountants and the remaining 10% were managers. The findings show that, the management of the bank was in charge of working on the loan applications as a result of an interview I had with a management member.

Figure

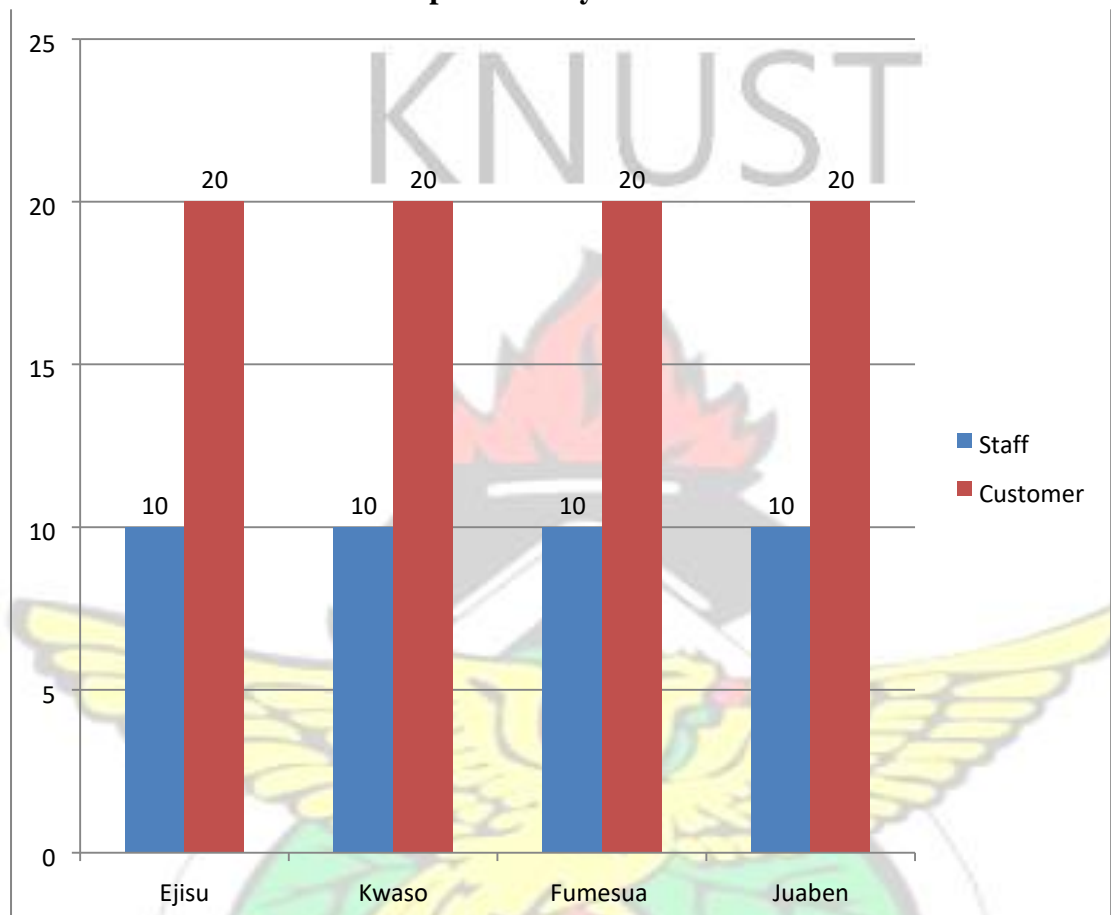
4.5 Distributions of Respondents by working experience



Source: Field Survey, May 2015

Figure 4.5 shows employee respondents' years of experience. The study shows that 35% of bank employees surveyed have been working for bank for periods between 11 and 15 years, 30% between 16-20 years, 22.5% between 6 and 10 years and 5% for periods above 20 years. 7.5% of respondents however have worked for periods below 1 and 5 years. These respondents nonetheless showed great understanding of the research topic and of both customer relationship management concept and loans through the maturity of responses they gave to questionnaire items.

Figure
4.6 Distributions of Respondents by branch



Source: Field Survey, May 2015

Figure 4.6 above shows the 20 customers and 10 staff of the branches and head office used as respondents for the study thus Ejisu, Kwaso, Fumesua and Juaben. The study revealed that, the head office and Ejisu branches have a lot of customers who were interested in the loan application.

Figure

KNUST



Table 4.1 what account do your customers normally open

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Current Account	15	18.8	18.8	18.8
	Savings Account	32	40.0	40.0	58.8
	Fixed Deposit	15	18.8	18.8	77.5
	Susu Account	10	12.5	12.5	90.0
	DaakyeNti Account	6	7.5	7.5	97.5
	Micro Finance	2	2.5	2.5	100.0
	Total	80	100.0	100.0	

Source: Field Survey, May 2015

Table 4.1 shows the account customers normally open. The type of accounts a customer operate at the bank enhances the chance of accessing the loans. The study shows that, majority of the customers representing 40% operate savings accounts, 18.8% of the customers operate current accounts and fixed deposit, 12.5% of the customers operate Susu accounts, 7.5% of customers operate Daakye nti accounts and the remaining 2.5 % of the customers operate micro finance. Rural banks offer all the general savings products such as the regular savings accounts, current accounts, and time deposits. Typically, the largest share of the deposit portfolio in a rural bank is held in the savings account. Interest rates offered on these accounts are typically very low, however, and often negative when inflation is taken into account. In 2008 in the sample banks, interest

rates on savings deposits varied from 5 to 16 percent, while inflation ranged between 11 and 18 percent. Further, interest on savings accounts is often provided only when the savings balances are more than a specified amount.

Unlike in most commercial banks, however, rural banks do not require high minimum balances to maintain a savings account and do not charge a high ledger fee.

4.2 The purposes for which loans are granted to customers and are the loans utilized for its intended purposes

Research question one sought to identify purposes for which loans are granted to customers and are the loans utilized for its intended purposes. The study identified purpose such as the customers used loans to purchase vehicle, customers apply loan for building projects, customers access loans to support their business, and Loans are granted to pay school fees as the key purpose / variables for granting loans to customers. To effectively examine the central location, variability and effects of each purpose of granting loans to customers, statistical mean and standard deviation test was conducted.

Table 4.2 Descriptive Statistics of purpose of loan

	N	Mean	Std. Error	Std. Deviation
	Statistic	Statistic	Statistic	Statistic
Customers used loans to purchase vehicle	120	4.23	.097	.871
Customers apply loan for building projects	120	4.11	.133	1.191
Customers access loans to support their business	120	3.93	.130	1.167
Loans are granted to pay school fees	120	3.80	.130	1.163
Valid N (listwise)	120			

N= 120, SD=strongly disagree; D= disagree, U= uncertain; A= agree; SA= strongly agree

According to table 4.2 the means of the various variables, customers used loans to purchase vehicle were statistically significantly different from one another indicating that each variable has different purpose. The finding indicates that, majority of the customers access loan for the purpose of purchasing a vehicle. According to Burton (2002) engaging in loan gives a greater amount of money to fulfill ones project. Burton opined that, some clients find it difficult to pay for these loans but they still want to apply for it due to financial situations they find themselves. Burton stated that, most people apply for loans because of underlying reasons:

- (i) To purchase a house or for renovation of a house. Customers of Rural Banks apply loan facility to purchase house or for renovation of their house to accommodate their family. Rural Banks do grant such loan facility provided the customer can meet the necessary requirement.
- (ii) To pay for existing loan. A customer may need a loan but may have an existing loan balance to settle. Rural Banks will allow the customer to apply for an extra amount to settle the existing loan balance and the difference becomes the new loan granted. The new loan facility granted is therefore spread for a period for repayment to be done.
- (iii) To own a car. Rural Banks gives loans to customers to purchase a car for their own use. This kind of loans comes in two folds; the bank can purchase the car for the customer or the customer can apply for the car loan and repayment to be done for an agreeing period.

(iv) For personal, educational purposes and others. Rural Banks grant loans to customers for payment of their children schools fees, loans for expansion or support of business activities are granted by Rural Banks to their customers. Customers apply loan for personal reasons best known to them which Rural Banks grant as well.

4.3 What are the benefits customers and the bank derived from accessing loans

Research question three sought to identify the benefits customers derived from accessing loans.

Table 4.3 Benefit of loan to customers

No	Benefit to customers	SD%	D%	U%	A%	SA%
1	Business expansion	6.2	6.2	13.8	38.8	35
2	Help people better manage financial distress	2.5	7.5	11.2	40	38.8
3	Loans are granted to pay school fees?	2.5		15	46.2	36.2
4	Enhance or diminish consumer and social welfare	6.2	8.8	11.2	41.2	32.5
5	Help manage large, on-going debts	13.6	10	8.9	35	32.5

N= 120, SD=strongly disagree; D= disagree, U= uncertain; A= agree; SA= strongly agree

Table 4.3 shows responses to the questionnaire instrument on what are the benefits customers derived from accessing loan. As indicated in item 1 of table 4, the respondents asked whether business expansion was the main benefits customers derived from accessing loans. So there is the need to grant loans to customers for business expansion. The study shows that 38.8% of respondents agree that business expansion was the main benefits customers derived from accessing loans. 35 % strongly agree and 13.8% were uncertain. However, 6.2% disagrees whilst a further

6.2% strongly disagrees.

As indicated in item 2 of table 4.3, the respondents were asked whether loans help people to manage financial distress, was the benefits customers derived from accessing loans. The study shows that 40% of respondents agree that loans help people to better manage financial distress was the benefits customers derived from accessing loans, 38.8% strongly agree and a significantly 16% were uncertain. However, a significant of 7.5% disagrees and the remaining 2.5% were strongly disagreeing.

As indicated in item 3 of table 4, the respondents asked whether Loans are granted to pay school fees was the benefits customers derived from accessing loans. The study shows that 46.2% of respondents agree that Loans are granted to pay school fees was the benefits customers derived from accessing loans. 36.2% strongly agree and 15% are uncertain. However, further 2.5% strongly disagrees

As indicated in item 4 of table 4, the respondents asked whether loan enhance or diminish consumer and social welfare was the benefits customers derived from accessing loans. The study shows that 41.2% of respondents agree that loan enhance or diminish consumer and social welfare were the benefits customers derived from accessing loans. 32.5 % strongly agree and 11.2% were uncertain. However, 8.8% disagrees whilst a further 6.2% strongly disagrees

As indicated in item 5 of table 4, the respondents asked whether loans help to manage large, on-going debts was the benefits customers derived from accessing loans. The study shows that 35% of respondents agreed that loan help to manage large, on-going debts was the benefits customers derived from accessing loans. 32.5 % strongly agree and 8.9% were uncertain. However, 10 % disagrees whilst a further 13.8 % strongly disagrees

Table 4.4 Benefits of loans to the bank

Benefits of loans to the bank	SD%	D%	U%	A%	SA%
1 To maximize profit	5.4	2.7	5.3	49.3	37.3
2 Interest on loan serves as source of income		13.3	16.0	44.0	26.7
3 Loan can be tied to the lifetime of equipment or assets	6.7	2.7	5.3	36.0	49.3

N= 120, SD=strongly disagree; D= disagree, U= uncertain; A= agree; SA= strongly agree

Table shows responses to the questionnaire instrument on what are the benefits banks derived from granting loans. As indicated in item 1 of table 4.4, the respondents asked whether banks seeking to maximize profit were the benefits banks derived from granting loans. The study shows that 49.3% of respondents agree that banks grant loan to customer to increase their profit margin was the benefits banks derived from granting loans to customers. 37.3% strongly agree and 5.3% were uncertain. However, a significant of 2.7% disagrees whilst a further 5.4% strongly disagrees.

As indicated in item 2 of table 4.4, the respondents asked whether Interest on loan serves as source of income was the benefits banks derived from granting loans. The study shows that 44% of respondents agree that interest on loan serves as source of income was the benefits banks derived from granting loans, 29.7% strongly agree and a significantly 16% were uncertain. However, a significant of 13.3% disagrees.

As indicated in item 3 of table 4.4, the respondents asked whether Loan can be tied to the lifetime of equipment or assets was benefits banks derived from granting loans.

The study shows that 49.3% of respondents strongly agree that loan can be tied to the lifetime of equipment or assets was the benefits banks derived from granting loans. 36% agree and 5.3% are uncertain. However, 4% disagrees whilst a further 6.7% strongly disagrees

4.4 What the category of people who can access loans from the bank?

Research question three sought to examine the category of people who can access loans from the bank.

Table 4.5 Descriptive Statistics of category of people who can access loans from the bank

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Teachers	120	4.40	.097	.866
Petty traders	120	4.27	.099	.886
Estate developers	120	3.99	.119	1.061
Artisans	120	3.88	.124	1.107
Health workers	120	3.86	.132	1.177
Farmers	120	3.85	.126	1.126
Valid N (listwise)	120			

The test was meant to identify whether the category of people who can access loans from the bank and that of another differ or not. The mean of the variable Teachers is 4.40, which was statistically significantly different from that of all the others. The results indicate that there was significant difference from teachers ($M = 4.40$, $SD = .886$), Petty traders ($M = 4.27$, $SD = .886$),

Estate developers ($M = 3.99$, $SD = 1.061$), Artisans ($M = 3.88$, $SD = 1.107$), health workers ($M = 3.86$, $SD = 1.177$) and farmers ($M = 3.85$, $SD = 1.126$). From table 6, the finding shows that teachers are the categories of people who mostly access loan from Juaben rural bank. According to Bank of Ghana Report (1979), a research undertaken by the Rural Finance Office of the Research Department of Bank of Ghana revealed that the bulk of credits by rural banks go to government employees in the rural areas like teachers and community health nurses who use their salaries as collateral for the loans.

Table 4.6 Bank official follow up to customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly disagree	3	3.8	3.8	3.8
	disagree	5	6.2	6.2	3.6
	uncertain	11	13.8	13.8	10.0
	agree	28	35.0	35.0	23.8
	strongly agree	33	41.2	41.2	58.8
	Total	80	100.0	100.0	100

From table 4.6, the respondents were asked whether Bank official do follow up to look at the activities borrowers took the loan for. The study shows that 41.2% of respondents strongly agreed that Bank official follow up to look at the activities borrowers took the loan for. 35 % agree and 13.8 were uncertain. However, 6.2 % disagrees whilst a further 3.8 % strongly disagree. The finding shows that the bank officials monitor the

activities of the customers to have fair idea about the activities of the particular customer in order to recover the loan.

Table 4.7 Are loans used for its intended purposes.

Loans utilized for its intended purposes	Frequency	Percentage (%)
1. Strongly disagree	15	12.50
2. Disagree	11	9.17
3. Uncertain	23	19.17
4. Agree	33	27.50
5. Strongly agree	38	31.66
Total	120	100

Table 4.7 shows responses to questionnaire instrument from both customers and staff of Juaben Rural Bank Ltd on whether customers used loans for its intended purposes. The study shows that, 31.66% of the respondent strongly agrees that customer used loans granted for its intended purposes. Respondent representing 27.50% agree that loans are used for its intended purposes. 19.17% of respondents were uncertain whether customers used loans for its intended purposes. 9.17% of respondents disagree that loans are used for its intended purposes and 12.5% respondents strongly disagree that loans are used for its intended purposes.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS.

5.0 Introduction

This chapter presents the summary of the research findings, and conclusions from the results and finally the implications and recommendations for further studies

5.1 Overview of the study

The study was to identify the contribution of Rural Banking in the improvement on the living conditions of the people in the Ejisu-Juaben district. The study tested for significant, the purposes for which loans are granted to customers and are these loans utilized for its intended purposes, the benefits customers derived from accessing loans and the category of people who can access loans from the bank. Data were collected from one hundred and twenty (120) using random sampling. Questionnaire was used as the main source of data and SPSS (18th edition) were used for the data analysis.

5.2 Summary of findings

The rational of the study is to identify the contribution of Rural Banking in the improvement on the living conditions of the people in the Ejisu-Juaben district. The summary of the findings are as follows:

In line with the general objectives of the study which was to examine the contribution of Rural Banking in the improvement on the living conditions of the people in the Ejisu-Juaben district as Case study, research question one sought to identify the purposes for which loans are granted to customers. The study identified purpose such as the customers used loans to purchase vehicle, customers apply loan for building projects, customers access loans to support their business , and Loans are granted to pay school fees as the key purpose / variables for granting loans to customers. The finding indicates that, majority of the customers access loan for the purpose of purchasing a vehicle.

The study also indicates that most customers used loans granted for its intended purposes. Thus customers do not divert granted loans to different purposes.

Research question three sought to identify the benefits customers derived from accessing loans. The study identified benefits such as the Business expansion, help people better manage financial distress, loans are granted to pay school fees, enhance or diminish consumer and social welfare and help manage large, on-going debts as the key benefit / variables for accessing loans. Majority of the respondents representing more than two-thirds strongly agree and agree that the above variable are the benefits customers derived from the accessing loans.

The study shows that majority of customers operates savings accounts, this is as a result of the interest earn on savings deposit for every three months. It was followed by the current account which most salary workers operates and accessing loans with the current accounts is much easier.

Research question five sought to know the category of people who can access loans from the bank. The test was meant to identify whether the category of people who can access loans from the bank and that of another differ or not. The mean of the variable Teachers are 4.40, which was statistically and significantly different from the others. The results indicate that there was significant difference from teachers ($M = 4.40$, $SD = .886$), Petty traders ($M = 4.27$, $SD = .886$), Estate developers ($M = 3.99$, $SD = 1.061$), Artisans ($M = 3.88$, $SD = 1.107$), health workers ($M = 3.86$, $SD = 1.177$), and farmers ($M = 3.85$, $SD = 1.126$). From table 6, the finding shows that teachers are the categories of people who mostly access loan from Juaben rural bank ltd.

In terms of repayment of loan facilities teachers and health workers (salary workers) are able to pay back their loan principal with interest within the agreed period. These groups of professionals are salary workers.

5.3 Recommendations

Basing on the findings and conclusions of the study, the following recommendations are made:

1. Bank should concentrate on giving loans mostly to salary worker to ensure effective and efficient recovery of the loan.
2. The bank need to educate the customers concerning to the cost and benefit of loans.
3. The banks should advise customers to use loans for its intended purposes.
4. Rural banks in the country should beat down interest rate to encourage more customers to access the loan.
5. The Prime Rate charged by the central bank should be minimized to allow the bank to also reduce their interest rates to customers or borrowers.

5.4 Suggestions for further research

The limitations of this study offer opportunities for future research. The ability to generalize the results of this study could be emphasized further by repeating the study using a larger sample and employing other complex methodology that will ease suspicion or fear. Focus group discussions, participant observation method and indepth assessment of various documents could be used.

5.5 Conclusion.

There are many ways to contribution of rural banking in terms of loan assessment in the improvement on the living conditions of the people in the Ejisu-Juaben district. This

study was thorough research into what are the purposes for which loans are granted to customers and are the loans utilized for its intended purposes, what are the benefits customers derived from accessing loans and what category of people can access loans from the bank. The researcher recommends the full adoption of the findings of this study.



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APPENDICES

Appendix 1: Questionnaire (staff)

Kwame Nkrumah University of Science and Technology, Kumasi School of business

Topic: the contribution of rural banking to the improvement on the living conditions of the people of Ejisu-Juaben district-a case study of Juaben Rural Bank Ltd

This questionnaire is part of a study being conducted by a student of Kwame Nkrumah University of Science Technology, on investigating the contribution of rural banking to the improvement of the living conditions of the people of Ejisu-Juaben district-a case study of Juaben Rural Bank Ltd You are, therefore, respectfully required to read this instruction and co-operate by providing the answers. You are assured that your responses will be treated as strictly confidentiality as possible.

Please do not write your name.

SECTION A

Respondent's Background Information Tick

as[✓]where necessary and fill forms as appropriate:

1. Age: Below 25 [] 26-35 [] 36-45 [] 46-55 [] Above 55 []
2. Sex Male [] Female []
3. Qualification: WASSCE / SSCE [] Diploma [] Degree [] Masters []
4. Position: Manager [] Accountant [] Credit Officer [] Operations officer [] Clerk []
5. Your working experience:
1-5 years [] 6-10 years [] 11-15 years [] 16-20 years [] 20 years and above []
6. Branch: Ejisu [] Fumesua [] Kwaso [] Head Office []
7. What account do your customers normally open?
 - a. Current Account []
 - b. Savings Account []
 - c. Fixed Deposit []
 - d. Susu Account []

e. DaakyeNti Account []

f. Micro Finance []

SECTION B

Please indicate the purposes for which loans are granted to customers and are the loans utilized for its intended purposes?

1=strongly disagree; 2= disagree, 3= uncertain; 4= agree; 5= strongly agree

No		1	2	3	4	5
8.	Customers used loans to purchase vehicle	1	2	3	4	5
9.	Customers apply loan for building projects	1	2	3	4	5
10	Loans are granted to pay school fees	1	2	3	4	5
11	Customers access loans to support their business	1	2	3	4	5

SECTION C

Please indicate the benefits customers derived from accessing loans?

1=strongly disagree; 2= disagree, 3= uncertain; 4= agree; 5= strongly agree

No	Benefit to customers	1	2	3	4	5
12	Business expansion	1	2	3	4	5
13	help people better manage financial distress	1	2	3	4	5
14	Loans are granted to pay school fees?	1	2	3	4	5
15	enhance or diminish consumer and social welfare	1	2	3	4	5
16	help manage large, on-going debts/payment of old	1	2	3	4	5
	facility					
	Benefits of loans to the bank	1	2	3	4	5
17	To maximize profit	1	2	3	4	5
18	Interest on loan serves as source of income/revenue	1	2	3	4	5
19	Loan can be tied to the lifetime of equipment or assets	1	2	3	4	5

SECTION D

Please indicate the category of people who can access loans from the bank

1=strongly disagree; 2= disagree, 3= uncertain; 4= agree; 5= strongly agree

No	The category of people who can access loans from the bank	1	2	3	4	5
20	Teachers	1	2	3	4	5
21	Farmers	1	2	3	4	5
22	Health workers	1	2	3	4	5
23	Petty traders	1	2	3	4	5
24	Estate developers	1	2	3	4	5
25	Artisans	1	2	3	4	5

26. Bank official follow up to look at the activities borrowers took the loan for

strongly disagree	disagree	uncertain	agree;	strongly agree

27. Are loans utilized for its intended purposes?

strongly disagree	disagree	uncertain	agree;	strongly agree

Thank you

Appendix 2:Questionnaire (Customers)

Kwame Nkrumah University of Science and Technology, Kumasi School of business

Topic: the contribution of rural banking to the improvement of the living conditions of the people of Ejisu-Juaben district-a case study of Juaben Rural Bank Ltd

This questionnaire is part of a study being conducted by a student of Kwame Nkrumah University of Science Technology, on investigating the contribution of rural banking to the improvement of the living conditions of the people of Ejisu-Juaben district-a case study of Juaben Rural Bank Ltd You are, therefore, respectfully required to read this

instruction and co-operate by providing the answers. You are assured that your responses will be treated as strictly confidential as possible.

Please do not write your name.

Tick as [✓] where necessary and fill forms as appropriate:

SECTION A

1. Where do you live?

2. Age: Below 25 [] 26-35 [] 36-45 [] 46-55 [] Above 55 []

3. Sex Male [] Female []

4. Qualification: WASSCE / SSCE [] Diploma [] Degree [] Masters []

5. Occupation:

6. What type of account have you opened?

a. Current Account []

b. Fixed Deposit Account []

c. Savings Account []

d. Susu Account []

e. DaakyeNti Account []

f. Micro Finance Account []

SECTION B

Please indicate the purposes for which loans are granted to customers and are the loans utilized for its intended purposes?

1=strongly disagree; 2= disagree, 3= uncertain; 4= agree; 5= strongly agree

No		1	2	3	4	5
8.	Customers used loans to purchase vehicle	1	2	3	4	5
9.	Customers apply loan for building projects	1	2	3	4	5
10	Loans are granted to pay school fees	1	2	3	4	5
11	Customers access loans to support their business	1	2	3	4	5

SECTION C

Please indicate the benefits customers derived from accessing loans?

1=strongly disagree; 2= disagree, 3= uncertain; 4= agree; 5= strongly agree

No	Benefit to customers	1	2	3	4	5
12	Business expansion	1	2	3	4	5
13	help people better manage financial distress	1	2	3	4	5
14	Loans are granted to pay school fees?	1	2	3	4	5
15	enhance or diminish consumer and social welfare	1	2	3	4	5
16	help manage large, on-going debts/payment of old facility	1	2	3	4	5

17. Do Bank officials follow up to look at the activities you took the loan for?

strongly disagree	disagree	uncertain	agree;	strongly agree

18. Are loans utilized for its intended purposes?

strongly disagree	disagree	uncertain	agree;	strongly agree

Thank you