

**THE CONTRIBUTION OF SONZELE RURAL BANK TO HOUSEHOLD
POVERTY REDUCTION IN THE WA MUNICIPALITY**

BY

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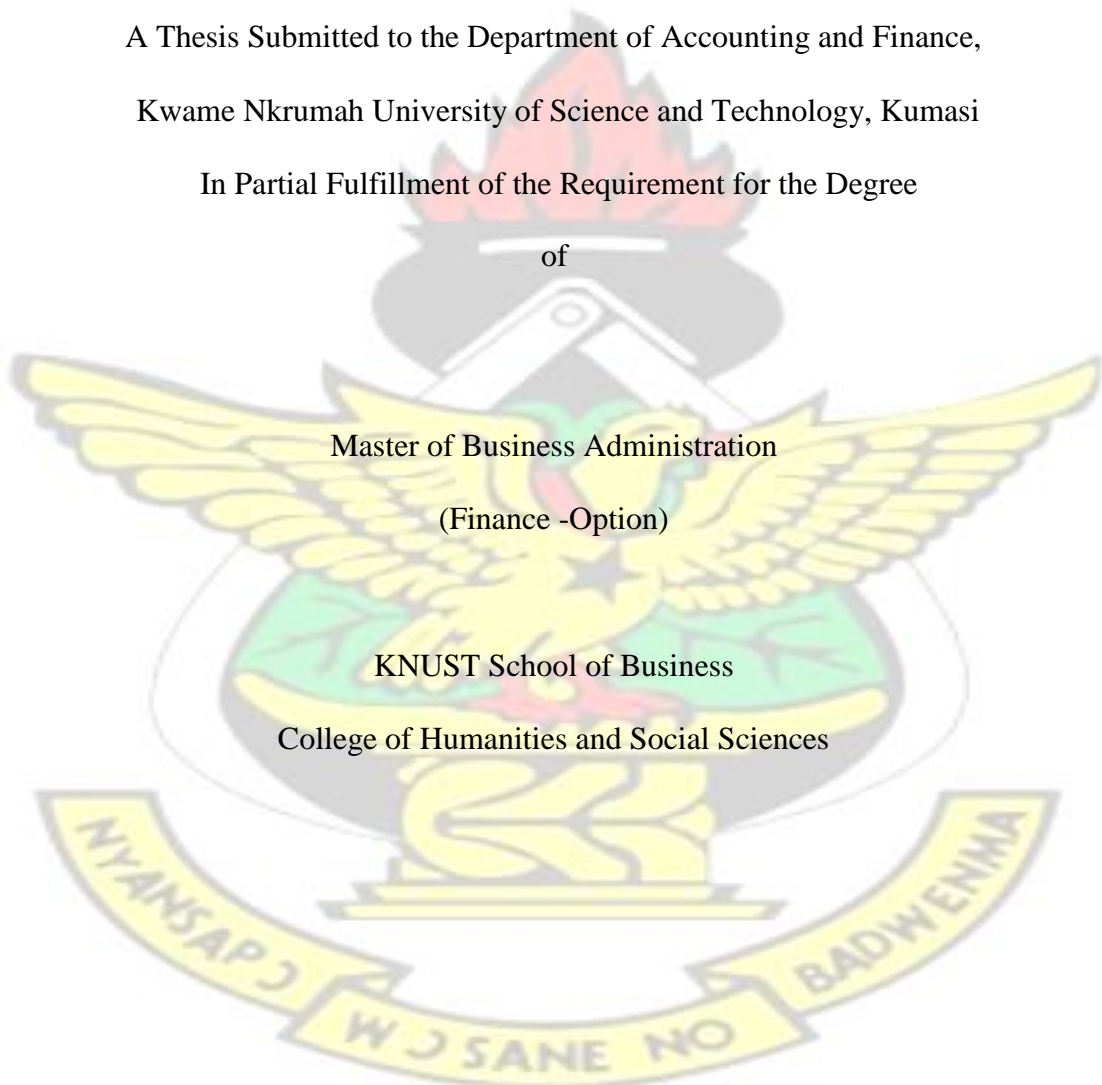
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DECLARATION

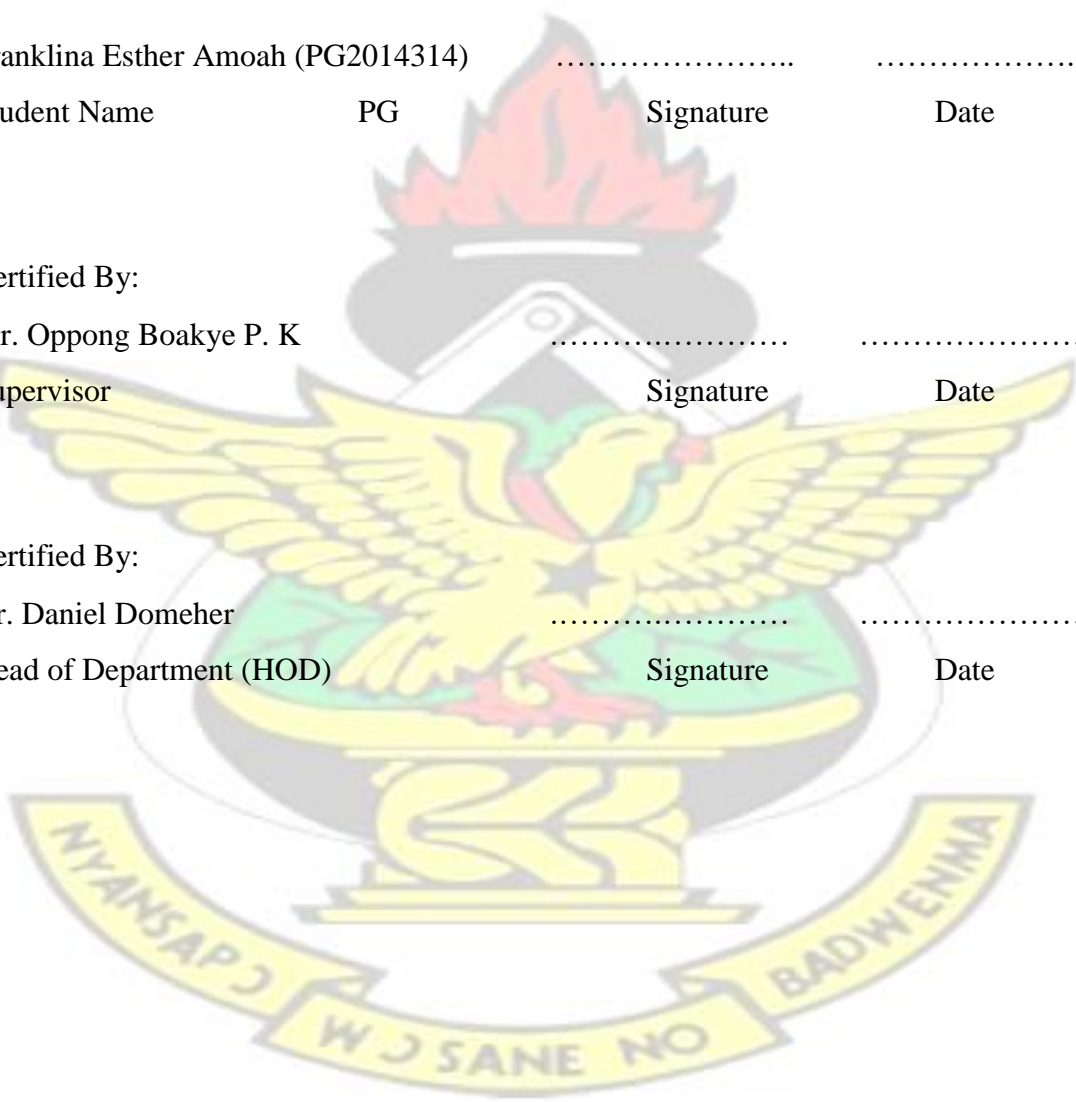
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DEDICATION

This piece of work is dedicated to my lovely father and mother Mr. Amoah and Madam Florence Ekuah for their loving care and affection for me and my siblings.

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I am grateful to Almighty God for seeing me throughout this project and also grateful to my supervisor, Mr. P K Oppong Boakye, whose expertise, understanding, generous guidance and support made it possible for me to work on a topic that was of interest to me. It was a pleasure working with him.

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ABSTRACT

The study assessed the contribution of Sonzele Rural Bank to household poverty reduction in the Wa Municipality. Specifically, the study sought to identify the products and services of Sonzele Rural Bank, examine the non-financial support Sonzele Rural Bank provide to customers, ascertain the effects of Sonzele Rural Bank's support towards household poverty reduction and identify the challenges customers face in accessing services from Sonzele Rural Bank in the Wa Municipality. Based on the survey, the study employed systematic random sampling and purposive sampling techniques in selecting 197 respondents for the study. Descriptive statistics were employed for the data analysis with the help of statistical package for social sciences (SPSS). The study revealed that customers' incomes have generally improved as a result of the expansion of their businesses through the support of the bank. Consequently, majority of households have seen improved living conditions in the area of education of wards, provision of healthcare and nutrition for the households. The study also revealed most customers' households are able to save thereby reducing risk and vulnerability. In order to give rural banks a competitive edge, the Association of Community and Rural Banks (ARP) should collaborate and create a network between all the rural banks in Ghana. The network should be able to make it possible for customers of rural banks to at least withdraw from a different rural bank with a transaction charge slightly higher than that of the mother bank. This will reduce service accessibility limitation bedeviling customers.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Poverty and its consequential effects has become issue of global concern. According to the World Bank Group (2015), one billion people representing 14.5 percent of the world's population were classified as extremely poor people using the World Bank's monetary indicator of an adult living on less than 1.25 United States Dollars a day.

Although this figure was an improvement on the 2008's figure which was reported to be 1.25 billion people representing 18.6% of the World's population, it is significantly high (ibid, 2015).

The figure of the world's extremely poor population declined from 14.5% in 2011 to 11.5% in 2015. Currently, East Asia and Pacific, Eastern and Central Europe, Latin America and Caribbean, Middle East and North Africa, South Asia and Sub-Saharan Africa has 86.4 million, 1.3 million, 26.8 million, 7.3 million, 310.6 million and 403.2 million share of the world's extremely poor population (World Bank Group, 2015).

Although the world's incidence of poverty has declined greatly by more than 50% since 1980, the reduction has not been so impressive in Sub-Saharan Africa and East Asia (Chandy & Gertz, 2011). East Asia's seemingly significant escape from extreme poverty can be attributed to China which has a very huge population and yet have been able to escape extreme poverty. The escape by China have had great impact on the figure from East Asia but in reality most of the East Asian countries indicators of extreme poverty do not much the current continental average of 4.1% (ibis, 2011).

Extreme poverty in recent times has become more or less Sub-Saharan Africa phenomenon (Oshadare et al, 2015), as of 2015, 403.2 million people representing 40.9% of sub-Saharan Africa's population were living below 1.25 United States dollars per day and as such were considered ultra-poor (World Bank, 2015).

In Ghana 24.2% of the population were considered poor according to the Ghana Statistical Service (2014) based on 2012/2013 Ghana Living Standard Survey. This figure is an improvement on the 2005/2006 survey which classified 39.1% of Ghanaians as poor. The figure provided by the Ghana Statistical Service was based on Ghana's standard measurement of poverty which is living on an amount below a yearly income of Gh¢1,314. Per Ghana's income measurement of poverty, anyone who lives on less than Gh¢3.6 is considered poor. Ghana's pegged of income poverty is far below the international measurement of less than 1.25 dollars a day yet as high as 24.2% of the country's population fell below that line, suggesting that more than 50% of Ghanaians may be considered poor using the World Bank's monetary measurement.

Poverty situation in Ghana is largely rural situation according to Steel and Andah (2004). The Ghana Statistical Service (2014) claim that more than 60% of rural dwellers in Ghana are poor. Again there is a great disparity in the incidence of poverty between Southern and Northern Ghana, more so within the three regions of the north, there exist a great poverty distribution gap between them (Palmer 2008, Ghana Statistical Service 2014).

For instance in 2013, the Central Region had 18.8% of its population being classified as poor, 20.9% for the Western Region, 5.6% for the Greater Accra Region, 35.8 for the Volta Region, 21.7% for the Eastern Region, 14.8% for the Ashanti Region, 27.9% for the Brong Ahafo Region, 50.4% for the Northern Region, 44.4% and 70.7% for the Upper East and the Upper West respectively (Ghana Statistical Service, 2014). Even though the figures look high and unacceptable, these figures were based on Ghana's local standard and as a result Ghana was able to achieve its Millennium Development Goal of halving poverty by 2015 (ILO, 2014).

Although Ghana has seen a massive progression in poverty reduction since the implementation of the Structural Adjustment Programme in the 1980s, development and poverty reduction has been biased towards the southern part of the country (Steel & Andah 2004, ILO 2014). The three regions of the north cumulatively accounts for more than 80% of Ghana's poverty incidence (GSS, 2014). In the Upper East Region, four out of every ten residence was classified as poor, one out of every two in the Northern Region and seven out of every ten in the Upper West Region, making the region the poorest in the whole of Ghana (Blech 2006, GSS 2014).

In an effort to reducing poverty in Ghana, governments over the years have instituted various poverty reduction programs and strategies so as to help citizens come out of poverty among these are the Structural Adjustment Programme in the late 80s and early 90s, the Ghana Poverty Reduction Strategy (I & II), Vision 2020, and Ghana Social Protection Strategy (Derbile & Van der Geest, 2012).

The Bretton Woods institutions since the 1980s have been advocating for private sector development and the liberalization of developing countries' economy as a sure measure

of lifting citizens out of poverty (The World Bank 2007, 2008, 2009, Chandy & Gertz 2011, World Bank Group 2015). Governments of Ghana in an effort to reducing abject poverty among the core poor in the society has since the 1990s empowered the private sector including the small scale enterprises (SMEs) which make up the chunk of the economy (GSS, 2010).

After the success of the Grameen Bank in reducing poverty among Bangladesh ultrapoor population in the 1980s, the World Bank advocated for access to micro-credit through micro-financing schemes modelled similar to the Grameen Bank for SMEs in developing countries (Hermes, 2007). Ghana had by then established rural and community banks as far back as 1976 with the aim of helping rural dwellers who were mostly unbanked to have access to formal financial services especially the provision of credit for rural enterprises growth, including farming activities (Osei, 2009). As a result of the liberation of the financial sector in the early 1990s, there were emergence of many commercial banks in the country but they were mostly located in urban towns and cities cutting of rural dwellers from their services (BoG, 2007).

According to the Bank of Ghana (BoG, 2015) there are close to 795 registered microfinance companies in Ghana as of 2015 out of which 137 are Rural and Community Banks. Currently almost all banks in Ghana have the SMEs portfolio that generally deal with micro-credit while some commercial banks like Unique Trust, GN, Capital Bank, among others actually go to the field and transact with microcredit customers just as the way non-banking financial institutions operate, making micro-credit more accessible to many Ghanaian SMEs who are mostly deemed poor, this is expected to reduce poverty among many Ghanaians (BoG, 2015). Indeed the Ghana

Statistical Service (2014) attributed the lowest incidence of poverty in Accra to the proliferation of micro-credit activities in the region which has led to easy access to credit by SMEs in order for them to expand their businesses.

The United Nations (2005) argued that poverty across developing countries especially Sub-Saharan Africa is a rural situation largely because the rural poor are cut off from accessing formal banking services which could propel economic growth and better their standard of living. Indeed the plight of the rural poor has caught the attention of many researchers and developed organisations. For instance, Littlefield and Rosenberg (2004) contend that microfinance institutions have not impacted significantly on reducing poverty among rural dwellers since their activities are mainly centered in urban towns just like the commercial banks as a result governments and developing partners should seek a better way of enrobing rural dwellers into banking services.

Rural and Community Banks (RCBs) started in Ghana in 1976 with the aim of advancing microcredit to rural enterprises and farmers in order to reduce rural poverty and vulnerability (Osei, 2009). RCBs are the largest suppliers of financial services to rural dwellers according to Steel and Andah (2004). Latest available data from the Bank of Ghana (BoG, 2016) show that there are 137 registered RCB operating across the ten regions of Ghana.

Research has shown that RCBs activities have a significant impact on household poverty reduction in their catchment areas (see Binor & Antwi, 2013; Owusu-Antwi 2014). Indeed Afful et al. (2015) claim RCBs activities go beyond just financial services but their lack of communication to the public make them to be over looked as a great force to reckon with in the struggle against poverty.

1.2 Statement of the Problem

The Wa Municipality is largely rural and considered the poorest municipality in Ghana with seven out of every ten people classified as poor (GSS, 2014). Sonzele Rural Bank has been operating in the municipality since 1983 and have open branches in six major towns in the Upper West Region.

Even though research has established that RCBs have the potential to contribute to poverty reduction in rural settings (see Steel & Andah 2004; Nair & Fissaha, 2010), despite being in operation for 33 years, no study has been conducted on Sonzele Rural Bank in the Wa Municipality to empirically establish the influence of the banks activities towards poverty reduction in the municipality so as to bring to the attention of development partners the need to encourage RCBs. Literature on the bank's nonfinancial support to customers is scanty if it even exist, making it difficult for policy makers, development partners and other stakeholders to know exactly what the bank does non-financially for customers in order to bring them out of poverty, so as to support the activities of the bank. It is anticipated that customers of rural banks face challenges when accessing the services of these banks, however no study has been done to come out with findings that will establish empirically the challenges of Sonzele Rural Bank in the Wa Municipality in order to bring to the attention of the management of the bank the problems of their clients so as to seek remedy for the mutual benefit of the bank and the customers.

These and many issues of concern necessitated this study to investigate the contribution of rural banks on household poverty reduction in Ghana: the case of Sonzele Rural Bank

in the Wa Municipality in order to fill these research gaps and come out with findings that will contribute to poverty reduction and development of Ghana and the world at large.

1.3 Research Objective

Generally the study seeks to investigate the contribution of rural banks on household poverty reduction in Ghana: the case of Sonzele Rural Bank in the Wa municipality.

1.3.1 Specific Objectives

Specifically the study seeks to achieve the following:

1. To identify the products and services of Sonzele Rural Bank in the Wa Municipality.
2. To examine the non-financial support Sonzele Rural Bank provide to customers in the Wa Municipality.
3. To ascertain the effects of Sonzele Rural Bank's support towards household poverty reduction in the Wa Municipality.
4. To identify the challenges customers face in accessing services from Sonzele Rural Bank in the Wa Municipality.

1.4 Research Questions

Generally the study seek to ask: Do rural banks contribute to household poverty reduction in Ghana?

1.4.1 Specific Research Questions

In order to achieve its objectives, the study seek to find answers to the following questions:

1. What are the products and services of Sonzele Rural Bank in the Wa Municipality?

2. What are the non-financial supports Sonzele Rural Bank provide to customers in the Wa Municipality?
3. What are the effects of these supports on customers' household poverty reduction in the Wa Municipality?
4. What are the challenges customers face in accessing services from Sonzele Rural Bank in the Wa Municipality?

1.5 Justification of the Study

The present study is being conducted in a time when the relevance of microcredit institutions as a poverty reduction tool is being questioned by many including development partners in Ghana. The findings from the study will therefore be relevant to the Government of Ghana, the Bank of Ghana and the Ministry of Finance. The study will come out with findings that will furnish these bodies with information that will reveal the activities of rural banks in the municipality and how to properly monitor and supervise the sector so as to induce customers' confidence in the sector so as to make the sector relevant in the poverty reduction scheme.

It will also be relevant to the management of Sonzele Rural Bank and all microcredit institutions in the country. The study will come out with findings which will positively shape the operations and activities of these institutions so as to mutually benefit the organisations and customers in general.

Rural and Community Banks have a lot of products and services which are largely outside the normal scope of banking that accrue to the benefit of the customers and the community situated. Unfortunately most of these RCBs do not properly publicize their products and services in order for customers to benefit effectively. This study will

therefore unveil the non-financial products and services that the bank offers, thus offering consumers the opportunity to know what the bank does apart from the normal banking activities. This will help customers and potential customers to benefit from these products and services as result from awareness creation and patronage thereafter.

The study will bring to the attention of development partners and agencies the current poverty situation in the Upper West Region so as to inform them on the need for urgent intervention.

The study will also add to literature and serve as a guide for future research in poverty and rural bank discourse in the future.

1.6 Scope of the Study

The study was conducted in the Wa Municipality of the Upper West Region within a period of three months. Primary data on the products and services of Sonzele Rural Bank, the non-financial support Sonzele Rural Bank provide to customers in the Wa Municipality, the effects of Sonzele Rural Bank's support towards household poverty reduction and the challenges customers face in accessing services from Sonzele Rural Bank was collected from management and customers of Sonzele Rural Bank in the Wa Municipality of the Upper West Region of Ghana.

1.7 Limitation of the Study

The study was conducted in the Wa Municipality of the Upper West Region only and even with that, only Sonzele Rural Bank in the Wa Municipality was covered. Even

with Sonzele Rural Bank not all employees and customers participated in the study as a result of financial and time constraints, hence findings from the study may not lead to generalizability to the entire country and the entire rural bank sector. Future studies are therefore recommended to fill these gaps in the future.

1.8 Organisation of the Study

The study was organized into five chapters. Chapter one contained the background to the study, problem statement, research objectives, research questions, justification of the study, the scope of the study, limitation of the study and the organization of the study. Chapter two presented literature review. Both theoretical and empirical studies on the subject matter were reviewed. Chapter three concentrated on the methodology that was employed in gathering data for the study and brief presentation of the profile of Wa Municipality and Sonzele Rural Bank, the study area. Chapter four presented the analysis and discussion of the findings of the study while Chapter five presented the summary of findings, recommendations and conclusion.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter of the study presents a review of related works on the subject matter by other authors, thus placing the work in a scholarly context. The section commenced with definition of relevant concepts including household and poverty. The section also presented overview of the financial sector in Ghana, overview of rural banking in Ghana, activities of rural banks, nature of support provided by rural banks towards poverty reduction and ended with the challenges households face in accessing support from rural banks.

2.1 Definition of Relevant Concepts

2.1.1 Household

The term household does not have a concrete definition, various authors defined the term to suite their study area. However, clear definition of household should have elements of residential forms, groupings and functions according to Beall and Kanji, (1999). Robertson (1984) observe household as a group of people who pool resources together or feed from the same pot. While Glewwe and Grosh, (2000) define household as a group of people who live together, pool their resources and eat at least one meal together each day. Glewwe and Grosh expanded Robertson's definition by adding living together to his definition. Beaman and Dillon (2010) however, see household as consisting of a group of people staying in the same dwelling place and who recognizes the power of a man or a woman as the head of the household. Beall and Kanji, (1999) posit the term households can be used for co-residence, a taskoriented unit or the site for collective activities. This study will not attempt to redefine what household is but

will adopt the definition given by Glewwe and Grosh (2000). Since their definition encompasses the entire elements needed to give clear understanding of what household is.

2.1.2 Poverty

Poverty alleviation has been universally recommended by the international community as the predominant aim of progress. Fewer agreement seem to exist on what this poverty actually is and how it should be measured. Various comprehensions of poverty, diverse methods and means of discerning on poverty lead to many means of tackling it (United Nations High Commissioner for Human Rights, 2012).

Is not easy to define the concept of poverty Handley et al. (2009) as result a wide range of definitions exist. The most popular definitions after World War II has been based on fiscal conditions, using individuals' or households' ranks of earning or consumption to determine their poverty levels (Grusky & Kanbur, 2006). The idea of a poverty line has been agreed upon as globally indicator of poverty which determines the fiscal amount needed to acquire a basket of projected least amount of calorie intake and communal services needed to live well; individuals or households below this line are well thought-out poor (African Development Bank 2002). The World Bank defines as abject poverty if one lives on less than 1.25 dollars a day in developing countries and less than 2.50 dollars per day in higher income countries (World Bank, 2005). Poverty is relative and it is geographic specific. What might be considered as poverty in Europe may not be considered as poverty in Africa. The extreme poverty line in Eastern Europe is living on less than 2.50 dollars a day while that of developing countries is less than 1.25 dollars a day (Himanshu, 2008).

However, the economic definition has been complemented in recent years by other methods that define poverty in a more multidimensional way (Subramanian, 1997). These approaches include the basic needs approach (see Streeton et al, 1981), the capabilities approach (see Sen, 1999) and the human development approach (see UNDP, 1990). The recognition of these new approaches are evidenced in the widespread use of the United Nations Development Programme's (UNDP) Human Development Index (HDI), which is assessed using life expectancy, educational attainment and standard of living, measured by income in terms of its purchasing power parity (UNDP, 2006). It is also evidenced in the Organisation for Economic Co-operation and Development's (OECD) conceptualisation of multidimensional poverty, defined as interlinked forms of deprivation in the economic, human, political, socio-cultural and protective spheres (OECD, 2006).

The United Nations (2006) Resolution I Annex II defines poverty as including but not limited to lack of income and productive resources to ensure continuous livelihoods, hunger and mal-nutrition, ill health, limited or lack of access to education and other basic services, increased morbidity and mortality from illness, homelessness and inadequate housing, unsafe environments and social; discrimination and exclusion.

The UN World Summit for Social Development held in Copenhagen in 1995 characterized poverty as including lack of income and productive resources sufficient to ensure sustainable livelihoods, hunger and malnutrition, ill health, limited or lack of access to education and other basic services, increased morbidity and mortality from illness, homelessness and inadequate housing, unsafe environments, and social discrimination and exclusion. It is also characterized by lack of participation in decision

making and in civil, social and cultural life. Poverty can be viewed in many dimensions and it is geographic or social specific Mwelukilwa (2001), although it is an agreed fact that all poor people's lives are featured with powerlessness and voicelessness (UN, 2000).

Studies on poverty levels in Ghana reveal that poverty is multidimensional (Ghana Statistical Service, 2010) and vary from rural to urban people, the young and old as well as men and women. To rural people, poverty means lack of food, insecurity, infertility and inability to participate in social activities. Urban dwellers see poverty as lack of employment, inadequate social services, lack of capital as well as lack of skills training (Nkum & Ghartey, 2000). Men in Ghana associate poverty with lack of material assets, whereas for women, poverty is defined as food insecurity. The young in Ghana consider the ability to generate income as the most important asset, whereas older men cite status connected to a traditional agricultural lifestyle as most important (Nkum & Ghartey, 2000).

The Ghana Poverty Reduction Strategy (GPRS, 2005) also see poverty as multidimensional with complex interactive and causal relationships between the dimensions. The GPRS (ibid) defined poverty as intolerable physiological and social deprivation which may be caused or triggered by lack of macro-economic stability that erodes the resources of the poor through inflation and other variables, the inability of the national economy to optimise benefits within the global system, low capacities through lack of education, vocational skills, entrepreneurial abilities, poor health and poor quality of life, low levels of consumption through lack of access to capital, social assets, land and market opportunities, exposure to shocks due to limited use of

technology to stem effects of droughts, floods, army worms, crop pests, crop diseases, and environmental degradation, habits and conventions based upon superstition and myths giving rise to anti-social behavior, the lack of capacity of the poor to influence social processes, public policy choices and resource allocations, the disadvantaged position of women in society and other factors leading to vulnerability and exclusion. The study will adopt the GPRS (2005)'s definition of poverty, this is because their definition poverty is detailed and suits all dimensions of poverty which is needed to give an in depth understanding of this study.

2.2 Overview of Ghana's Financial System

The financial sector of Ghana consist of three broad sectors, namely the formal, semiformal and the informal sector (Steel & Andah, 2003). The formal sector is made up of institutions that have been duly registered as banks under Ghana's company code (Act 179) 1963 and are regulated by the Banking Act 2004 (Act 673) and also have been issued with license from the Bank of Ghana. These include all commercial, investment and development banks, rural and community banks. Microfinance companies and savings and loans companies, finance houses, remittance companies, credit reference bureau, leasing companies, mortgage finance are also classified under the formal financial sector although they are regulated under the Non-Bank Financial Institutions (NBFI) Act, 2008 (Act 774) (Bank of Ghana, 2016).

The semi-formal financial sector consists of informal institutions that are formally registered but not regulated or licensed by the Bank of Ghana as a bank, these institutions include credit unions of Ghana, Ghana Cooperative Susu Collectors Association, Ghana Cooperative Council and Association of Financial Non-

Governmental Organisations (Asiamah & Osei, 2007).

The informal sector consists of financial service providers whose activities are not usually registered or licensed by the Bank of Ghana. These service providers hardly have any legal documentation to back their activities, although they are very important segment of the financial sector in Ghana. These financial service providers include susu clubs, money lenders, rotating savings and credit associations (ROSCAs) (Asiamah & Osei, 2007). Steel and Andah (2004) reports that the informal financial sector in Ghana reach out to more people especially the rural poor and vulnerable than the formal sector which is mostly situated in cities and big towns, detached from remote areas.

As of April 2016, there were 30 fully licensed traditional banks, 140 rural and community banks, 65 credit reference bureau comprising of 23 finance houses, 3 remittance companies, 3 credit reference bureaus, 30 savings and loans companies, 2 leasing companies, 3 finance and leasing companies and 1 mortgage finance, 467 microfinance institutions, 11 financial non-governmental organisations, and 67 money lending institutions operating in the country according to the Bank of Ghana (BoG, 2016). Also 25 microfinance, 5 money lending and 1 financial non-governmental organisations were given approval-in-principle certificates to operate (BoG, 2016).

2.2.1 Emergence and Development of Rural Banking Concept in Ghana Steel and Andah (2004) referred to rural and community banks as institutions registered under Ghana Companies Code (Act 179) 1963, licensed and regulated by Bank of Ghana and owned by members of the rural community through purchase of shares to provide financial intermediation in the rural areas. For the purpose of this study, both rural and

community banks are referred to as rural banks. This study defines rural bank as community owned bank limited by shares owned by the community members, registered under Ghana's Companies Code Act 179, 1963 and offers banking services in its operation areas.

Prior to 1976 when the concept of rural banks was not introduced in Ghana, availability of formal credit and banking services was highly limited to urban centers and cities. Rural dwellers who were mostly farmers and fisher folks were cut off from accessing formal financing services (Nair & Fissaha, 2010). The predominant source of finance in the rural communities were moneylenders who took advantage of the absence of formal financial service to charge exorbitant interest on the money given (Nair & Fissaha, *ibid*).

Although Government of Ghana in 1965 established the Agriculture Development Bank with the mandate to finance agriculture which includes fishing and all agriculture related businesses, rural farmers especially the poor were still left out because they lacked the collateral needed to access support from the bank (Steel & Andah, 2003).

In addressing the problems rural farmers and fisher folks encountered in accessing support from the bank, the Government of Ghana thought of supporting the establishment of community banks in rural areas that would be committed in provided formal financial services to the people of the operation areas (Anin, 2009). In pursuance to the idea of establishing the community banks, a delegation was sent to Philippines to

understudy their rural and community banking system and replicate that in farming and fishing communities in Ghana (Nair & Fissera, 2010).

The first rural bank was established in Agona Nyakrom in the Central Region in 1976 with a seed capital of 60,660 Old Ghana Cedis equivalent to 52,000 dollars at that time, the capital was predominantly mobilized from farmers within the community. A second rural bank was established in 1977 at Biriwa, a farming community also in the Central Region according to the Association of Rural Banks (ARB, 2009). Due to the effective way by which the rural banks served the needs of their communities, there was higher community participation hence by the end of 1980 the number of rural banks in the country had increased to 20. The period 1980 to 1984 saw the number rising sharply to reach 106 (Osei-Bonsu, 1998). The rapid increase was attributed to the desire of most communities to own their own bank and the introduction of Akafo Check to cocoa farmers which payments were done at the community banks (Agwe et al. 2007). Currently, there are 140 licensed rural and community banks operating in Ghana across the ten regions of the country (BoG, 2016).

2.2.2 Legal, Regulatory and Supervision Framework Governing Rural Banks in Ghana

Rural banks in Ghana are regulated by the Bank of Ghana Act 2002 (Act 612) and the Banking Act, 2004 (Act 673) (BoG, 2016). The Bank of Ghana (BoG) is vested with the responsibility of regulating and supervising the operations of all financial institutions in Ghana including rural and community banks in order to ensure a sound, efficient system in the interest of depositors and other customers under the Banking Act, 2004 (Act 673) (BoG, 2016). The BoG has been given three main statutory roles

as far as the operations of rural banks are concerned. The BoG is mandated to see to licensing of new rural banks, supervision and liquidation (Nair & Fissaha, 2010).

The Banking Act requires the Bank of Ghana to set the minimum capital requirement for registering new banks in order to ensure the solvency of the banks and also reduce risks that depositors face. The minimum deposit requirement for all the financial sectors were increased in 2007. The traditional local banks were ordered to fulfill the new directives by 2012 while foreign-owned banks were given up to 2009 to meet the new minimum level of capital which is 60 million Ghana Cedis. However, rural banks were not given any specific date to honour their minimum requirement which was 150,000 Ghana Cedis. Rural banks whose capital requirements were not able to meet the then new capital requirements were not allowed to establish new branch or agencies or even pay dividends to shareholders until their minimum level of capital was honoured (Nair & Fissaha, 2010). From the period 2008 to July 2015, the minimum capital requirement for rural banks has seen four increments, currently the minimum paid-up balance for new rural banks is 1 million Ghana Cedis while existing rural banks whose deposits is not up to 1 million have till December 31st, 2017 to offset it (Otoo 2015; BoG, 2016).

Rural banks are also mandated to maintain primary and secondary reserve requirements, 8 per cent of their deposits must be lodge with the Bank of Ghana while 5 percent must be lodge with the association of rural banks (ARB Apex Bank) as the primary reserves. Thirty per cent of their deposits must also be liquid investments. However, fully computerized rural banks can be exempted from maintaining the secondary reserve,

these are all measures taken by the BoG to protect depositors' funds (Nair & Fissaha, 2010).

New rural banks are given 10 years tax holidays, however during the period of the tax holidays they are not expected to pay dividends but to use the tax savings to strengthen their capital base (BoG, 2015). The Bank of Ghana supervises rural banks through its Banking Supervision Department (BSD). The BSD supervises operations of rural banks through on-site and off-site inspection, issuance of administrative directives, and attendance of rural bank annual general meetings. Rural banks are required to submit monthly, quarterly, and annual returns on a variety of financial and nonfinancial indicators (Nair & Fissaha, 2010).

The BoG is expected to conduct an on-site examination of rural banks at least once a year. Annual on-site supervision takes about five days in each rural bank. The on-site supervision reviews various aspects of a bank's operations, including books, records, and use of fixed assets. During these visits, the BoG supervisors also check physical cash, inspect the cash storage security system, verify compliance with the liquidity reserve ratio, check insurance policies, and examine customer turnaround time. The examination is carried out without prior notice to the rural banks. In the course of the examination, inspectors may also interview staff, clients, and directors as and when the need be. The output of the examination is a report followed by a directive outlining actions that the bank must implement. Based on the annual returns filled by rural banks and on-site inspections, BoG categorizes rural banks as satisfactory or mediocre. The key performance indicators used to arrive at this classification are paid-up capital, net worth, the capital adequacy ratio, loans and advances, investments, liquidity, deposits,

and total assets (Agwe and Kloeppinger-Todd, 2008). The BoG can revoke the license given to a rural bank if the capital base of the bank is significantly low and liabilities exceed assets, unless the shareholders are able to inject additional capital to restore the bank to normal operation within six months of the capital erosion (Osei-Bonsu, 1998).

2.2.3 Products and Services Offered by Rural Banks

Rural banks in Ghana offer similar products and services to their customers (Ghana Banking Survey, 2014). The recent technological innovation has made almost all rural banks computerized as such their products and services delivery has also shifted towards electronic delivery channels (see Enu-Kwesi et al. 2013). As a financial intermediary institution in rural communities, rural banks offer variety of products and services to their customers. Steel and Andah (2004) posit that rural banks offer almost all banking products and services that the traditional banks deliver to their customers with the exception to keeping safe of customers' valuables such as gold or jewelries or involving in foreign accounts.

Typically rural banks are involved in deposit products and these include savings accounts, susu deposit accounts, fixed deposit accounts and current accounts. Nair and Fissaha (2010) assert that the largest share of all rural banks' operations is savings, making about 40 per cent of business portfolio. According to the authors interest paid on deposits are very meagre and it's given in tandem with the profit balance of the bank. Instances where the bank does not realize any profit, savings on interest may be negative. However, rural banks do not charge customers high minimum maintenance balance on savings account according to Nair and Fissaha (2010).

Rural banks also offer loan products to customers, microfinance loans, commercial loans, personal loans, salary loans, susu loans and overdrafts are the predominant among the loans given by rural banks (Noreen et al. 2011). Unlike microfinance institutions which are restricted by law not to engage in money transfer, rural banks offer both domestic and international money transfer payments. Both services are delivered across the network by the ARB Apex Bank. Domestic transfer payments are offered through Apex Link, a domestic transfer system, set in place in 2003. Both inward and outward money transfer services are available at all outlets of the rural bank network. Apex Link also allows for money transfer to and from other commercial banks and selected nonbanks in Ghana. International money transfers are offered through partnership agreements between the ARB Apex Bank and several major international money transfer companies such as Western Union, Vigo, and Money Gram (ARB, 2016).

Rural banks also offer mobile money services to customers. Mobile money account is being operated by telecommunication companies to make transfers, cash deposits, cash withdrawals and payment for goods and services online (World Bank, 2015).

Even though rural banks in Africa operates mobile money in collaboration with telecommunication companies, mobile money account holders do not necessarily have to open any account with the bank, the number on the sim card serves as the account number for all transactions. Mobile money technology is not integrated into any banking software and therefore works independently. According to the World Bank, mobile money account holders in Africa surpass that of account holders with commercial banks (World Bank, 2015).

Payment services are a key component of rural banks services provided to customers. The payment services of rural banks in Ghana are collaborated by the Apex Rural Bank which is a member of the national clearinghouse. The initiation of MICR cheques in 2002 gave cheques from rural banks similar acceptability as cheques issued by other traditional banks. Before the introduction of MICR cheques guaranteed by the Apex Bank, many institutions and commercial establishments refused to accept cheques from rural banks (ARB, 2009). With the initiation of the cheque-clearing system in 2002, the number of cheques for clearing increased by 43 per cent according to Nair and Fissaha (2010). Due to the hinterland location of rural banks and their many branches, the central government, local government and other private institutions pay the salary of employees and pensions and gratuities in rural areas through rural banks. The salary payment system in particular enabled the rural banks to consolidate their salary loan products that are closely tied with the salary transfers. Licensed buying companies (LBCs) also use rural banks to pay cocoaproducing farmers in their catchment areas (see Steel & Andah 2004; Enu-Kwesi 2013; ARB, 2016).

2.2.4 Service Delivery Channels of Rural Banks

Ferguson (2013) observed that banks across the world including rural banks have witnessed technological innovation better than any sector of every service industry. In his study of Opportunity International Bank of Malawi (Rural Bank), the author contend that rural banks channel of service delivery is gradually shifting from the traditional banking at the hall to the use of Mobile Point of Sales (M-POS) device. This is believed to make rural banking easier and all inclusive. Angko (2013), in his study on Innovation in Bank Payment Systems and Related Services among Selected Commercial Bank

Branches in Wa Municipality, identified the E-ZWICH as the main mobile point of sale device used by many rural banks in Ghana.

The use of agents popularly known as mobile bankers has been part of rural banks' service delivery channels. These mobile bankers usually go to customers and deliver banking services to them at their doorsteps (Lauer et al. 2011). Mobile bankers carry with them Mobile Point of Sales devices or printed cards to deliver services to customers. According to Tarazi & Breloff (2010), services delivered by rural banks' mobile bankers are accepting cash deposit, cash payment, and checking account balance and registering new customers. They are usually involved in the microfinance activities of rural banks (Nair & Fisssha, 2010).

According to Laeven and Levine (2008), banks' agents may be absorbed in different undertakings, subject to applicable regulation and the terms of the agency agreement. Some agents provide only cash-in/cash-out services (these agents are often called "cash merchants). Some agents also enrol customers and provide a wider array of banking services.

2.2.5 Non-Banking Services Offered By Rural Banks to Customers

As financial institutions keenly aided by the government, rural banks offer distinctive products and services for specific target groups on for government and donorfinanced programs, such as Microfinance and Small Loan Center (MASLOC), the Social Investment Fund, the Community-Based Rural Development Project, and the Millennium Development Authority (ARB, 2016).

Again as part of their social responsibilities, many rural banks support the development of their operational areas. Undertakings normally aided by rural banks include financing of infrastructure such as school buildings, community libraries, and community roads, as well as scholarships for girls and medical students (Nair & Fisser, 2010).

According to Nair and Fisser (ibid) rural banks use a various methods in promoting their services and products, including traditional outreach by bank staff and use of electronic and print media. These approaches has been successful in reaching many clients in remote parts of the operational area. Several social occasions such as funerals have been used to disseminate important information such as repayment reminders.

2.3 Association of Rural Banks (ARB)

In 1981, 29 directors and managers of the 29 existing rural banks with the help of Government of Ghana established the Association of Rural Banks (ARB) to serve as the collective body of all rural banks in the country (Steel & Andah, 2004). The association was formed in order to provide financial, technical and managerial support to rural banks in the country (Osei-Bonsu, 1998).

The association was incorporated as public limited liability company on 4th January, 2000. With the shareholders being the rural and community banks in the country. Bank of Ghana licensed was secured for the association to operate on 23rd April, 2001 and was recognized as Bankers Clearing House for all rural banks as the 19th member in August, 2001. Certificate to commence business was handed to the ARB Apex Bank It

had its certificate on 1st November, 2001, thus, completing all the legal processes for the commencement of operations.

The ARB Apex Bank serves as a smaller central bank for the Rural and Community Banks under the supervision of the Bank of Ghana. In 2006 Bank of Ghana delegated some of its supervisory role to the ARB Apex Bank, this has made the Apex Bank a supervisor of licensed rural banks even though the Bank of Ghana continue to monitor the activities of the rural banks (Nair & Fissaha, 2010).

According to the Association of Rural Banks (ARB, 2009), the ARB Apex Bank is mandated to perform the following functions:

- Provision of cheque clearing services. This addresses the constraints of delays in cheque clearing through the big commercial banks.
- Handling cash movement and funds management services. This ensures effective and efficient management of the cash of rural and community banks.
- Development of new innovative banking products. This is to enable more rural dwellers to have access to banking products purposely designed to meet their needs.
- Provision of inspection services. The provision of both on-site and off-site inspection services address the problems of inadequate bookkeeping, nonobservance of internal control measures and lack of regular inspection of the rural and community banks.
- Provision of Information Technology support to computerize rural and community banks operations and ensure efficient handling of data/information which will result in quality customer service.

- Sourcing of funds for on-lending to the rural and community banks.
- Training of staff and directors of rural and community banks. This ensures that the staff and the management of rural and community banks possess the requisite skills to operate professionally
- Guarantee payment instruments.
- Develop credit assessment procedures and monitor loans and advances.
- Bail out distressed RCBs.
- Provide ICT services.
- Establish and manage the Rural Banking College.
- Provide a deposit insurance scheme to protect deposits of customers.

2.4 Contribution of Rural Banks towards Poverty Reduction

Poverty situation in developing countries is mainly a rural phenomenon, this is because more than 70% of the world's poorest population resides in rural areas (see IFAD, 2011). The ever increasing rural poverty in developing countries has been blamed on inadequate access to credit by rural folks to aid in expansion of agro and cottage businesses which are the mainstay of rural folks (World Bank 2010; IFAD 2011). In such of a solution to inadequate access to credit by rural folks, a lot of alternative ways of getting credit to rural folks has been experimented, among them include establishment of agriculture bank, financial non-governmental organisations and microfinance institutions' interventions (see Steel & Andah, 2003; World Bank 2010; Armendariz & Morduch 2010).

However, many research works have pointed out that rural banking concept is the best bet to fighting household rural poverty in developing countries including Ghana (Mensah 1993; Osei-Bonsu 1998; Kloppinger-Todd 2001). In support of rural banks

as effective tool towards rural household poverty reduction, Steel and Andah (2004) argued that rural banks are centered within the rural communities and are owned by the community themselves, hence rural banks understand the needs of their customers and operational areas better than any other financial institution, therefore their interventions best help in reducing rural poverty. Agwe et al. (2007) sharing Steel and Andah's views posit that rural banks have been purposed to offer help not only in credit access but also to provide other financial services to rural communities and actually offer them business advice which are all geared towards bettering the lives of people in rural communities.

Wright, et al. (1999), in their study of the impact of rural banking on household poverty reduction in Uganda observed that access to financial services can help poor rural household to manage risks by giving them credit to build assets, increase and manage their cash streams through diversification of economic activities, inculcate saving habits and empower rural women.

They can help households to cope with shocks by providing means for households to accumulate savings and to access emergency loans (and not insisting that loans only be used for productive reasons). They can additionally help households to build assets, which can be either sold or pawned when cash is required to cope with a shock.

In his study, Balkenhol (2006) observed that the activities of rural banks have helped parents in rural areas to educate their children. The author argued that a lot of farmers have been able to expand their businesses as a result of investment support they received from rural banks which has enable them increase their income, hence are able to afford basic things needed by wards at school.

Recent literatures still show that rural banks are great forces to reckon with in fighting rural poverty. For instance Khadiri et al. (2013) revealed in their study that rural banks in Ghana have generally deviated from their mandate of giving credit to rural farmers and fishermen nonetheless they are helping the growth of cottage industries such as smock weaving, wood carving, beads making, soap making, among others which usually involves women participation, thereby reducing poverty and vulnerability which is much pronounced among females and children in Africa according to the International Food and Agriculture Development (IFAD, 2011).

Aseidu-Mante (2011) observed that rural banks improves cocoa production in Ghana due to nearness of rural banks to farmers, which enable them to have easy access to their cash. Elsewhere in Bangladesh the Grameen Bank has been successful in supporting rural agriculture, Pande & Burgess (2005) also iterates that the social bank in India is helping a lot of poor rural folks out of poverty.

Binfo and Antwi (2013) underscored the relevance of rural banks' activities to poverty reduction. The authors argued that communities that have rural banks have seen some level of poverty reduction and development, the authors claim rural banks provide some level of financial education to rural folks which help them in managing their financial resources.

On their parts, Owusu-Antwi et al (2014) argued that the setting up of rural banks in rural communities has helped countless number of rural folks to access formal financial services, which according to the authors is helping them greatly. Shill (2009) believes that the level of poverty in most rural Nigeria has reduced due to the activities of rural

banks. The author observed that group loans that are given to groups within communities has led to social cohesion, asset acquisition and food security.

Rural banks are catalysts for poverty reduction and rural development, not only do rural banks give credit, does payment but they also collaborate with government and donor countries to bring interventions to rural communities (Nair & Fissaha, 2010). Government programs such as MASLOC are usually carried out in rural communities by rural communities according to Nair and Fissaha (ibid).

Poverty has many manifestations other than income poverty (UN, 2009), although rural banks might have had impact on income poverty situation of customers, what happens to the other side of the poverty debate (Birchall & Simmons, 2009).

According to DFID (2010) rural banks empower women in groups by giving them education and encouragement and in some cases women groups have legal brains that fight for them any time their rights are denied them. Again education is a right, usually that right is taken away from children from poor households whose parents and guardians could not afford to send them to school. This right of these poor children are usually restored through rural banks. Rural banks mostly give scholarship needy but brilliant children especially the girl child who is thought to be more vulnerable. All these have impacted positively on the poverty situations of households

(Nair & Fissaha, 2010).

Steel and Andah (2004) posit that rural banks give employment to people around the operational areas, thereby creating direct jobs for people within these rural areas. The

emergence of rural banks has helped ensure food security, increase consumption, asset acquisition and reduced vulnerability among women. In most rural communities in West Africa, women are not allowed to own landed properties hence it is extremely difficult for most women to have collateral in order to access loans, but with the emergence of rural banks women groups are able to secure group loan, share the funds individually and embark on sustainable businesses that enhances their standard of living and thereby reducing their vulnerability (Afful et al. 2015).

Despite the ever increasing calls by researchers for more rural banks to be established in rural communities due to their effectiveness in the fight against poverty (see Okezie et al. 2013; Boateng et al. 2015), others believe the concept has lost the poverty battle. Samer et al. (2015) for instance argued that only the rich or those with middle income in rural communities benefits from rural banking but not the ultra-poor. The poor farmer may never receive any remittance abroad nor have anything to do with accessing credit from the rural bank due to collateral constraints, hence what will be the use of rural bank to such a person.

2.5 Challenges Facing Rural Banks' Operations

Every financial institution in the world all over face one constraint or the other, however constraints of rural banks are many and are more pronounced in developing countries (Amaoah-Binfoh et al.2013). In his study Aseidu-Mante (2011) identified inadequate liquidity, poor loan recovery, weak management and lack of skilled staffs as the main problems hindering the effectiveness of rural banks in Ghana. Nair and Fissaha (2010) also cited unfavorable operating environment and capacity constraints as the main challenges facing rural banks' operations. Inability of most rural banks to buy the inputs

needed for capacity building has also greatly impacted negatively on service delivery and overall performance of most rural banks. Many rural banks struggle to scale up their activities and expand market access, due to weak capacity, poor access to finance, and lack of information and linkages according to Enu-Kwesi et al. (2013).

Binfo and Antwi (2013) also discovered that information gap between rural communities and rural banks is negatively affecting the patronage of the banks. According to the authors, most rural folks are aware of the presence of rural banks in their communities but are ignorant as to what they do, their products, services and activities. Hence most people especially the poor are not able to take advantage of the presence of rural banks in their communities to better their living standards. The authors see this as a major setback in reposing trust in rural banks as a poverty reduction tool.

DFID (2010) also identified excess government control as constraints hindering the operations of rural banks in some jurisdictions, in principle rural banks are owned by members of the community themselves through shares, therefore its management and activities must be in the hands of its management selected by shareholders to represent them but in some jurisdictions, government interferes in the activities of rural banks, appointing board of directors and directing what rural banks should invest in thereby making rural banks a government tool. Fischer and Bruet (2011) observe that competition from the traditional banks, money lenders and government for deposits has recently become a major challenge toward the growth of rural banks. Governance and Social Resource Centre (GSRC) (2011) also reiterate lack of staff capacity and managerial skills as a challenge hindering the efficiency of rural banks.

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CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter of the study presents the techniques that were employed in collecting data for the study and how the data collected were analysed. The section discussed the research design, the sample frame, the sampling technique, the sample size, data collection method and the procedure for analysis and presentation. The section concluded with a brief profile of Wa Municipality, the study area.

3.1 Research Design

Mouton (1996) describes research design as the master plan of a research that gives direction on how the study is to be carried out. Yin (2003) also refers to a research design as an action plan for getting from here to there, where „here“ may be defined as the preliminary set of questions to be answered and „there“ is some set of (conclusions).

Creswell (2009) maintained that there are three basic approaches to research in social research, namely qualitative, quantitative and the mixed method. This study will employ the mixed method approach. Singh (2011) refers to a mixed method approach as one in which the researcher aims to base knowledge claims on practical grounds (e.g. problem-centered, consequence-oriented and pluralistic). It employs techniques of inquiry that comprise gathering data either concurrently or sequentially to best understand research problems. The data collection also involves both numeric information (e.g., on instruments) as well as text information (e.g., on interviews) so that the final database embodies both qualitative and quantitative information

(Creswell, 2009). The mixed method approach will be appropriate for this study since both numeric and text information will be solicited from respondents.

Normative survey research design was employed in carrying out the study. Normative survey design was used because cross-sectional data describing and interpreting current trend of issues, problems or showing relationships that exist, practices that prevail, beliefs, points of view or attitudes that are held, processes that are going on, and influences that are being felt were collected from sampled respondents.

3.2 Population of the study (Sample Frame)

The sample frame of the study comprised of all customers, staffs and management of Sonzele Rural Bank in the Wa Municipality. According to the branch manager of the bank, there are 5925 customers and 12 staffs, making 5937.

3.3 Sample Size and Sampling Technique

3.3.1 Sample Size

The sample frame of the customers of Sonzele Rural Bank in the Wa Municipality is 5925. The study employed a sample size of 197. The sample size was gotten through the use of the sample size formulae $n = \frac{N}{1 + \frac{N \cdot e^2}{k}}$; where n = sample size; N = sample frame and e = error of acceptance which is 0.07 for this study, (Yamane, 1970; cited from Ahuja, 2001:186). This was done in order to have a fair representation of the respondents.

3.3.2 Sampling Technique

The study employed Systematic random sampling and purposive sampling techniques in selecting respondents for the study.

Systematic Random sampling technique also known as ordinal sampling is the selection of sample from units in sequence separated on lists by the interval of selection, the selection of the sample from the population is made randomly by selecting a beginning and choosing a n th name.

The first name on the list was randomly selected, and then every 10th name on the list was included until the total sample size was reached. The first name to be selected was based purely on randomization, however the likelihood of the subsequent names on the list selected were based on their numerical position on the list. The availability of the list of customers of the bank made systematic random sampling the preferred sampling technique for the study. Also the technique is suitable because it allowed the application of statistical devices and treatments of data. Hence error due to sampling were estimated. It also maintains the accuracy in the analysis of results hence findings can lead to generalization to the entire population.

Purposive sampling is a non-probability sampling technique whereby key elements within the sample frame with unique characteristics that are relevant to the study are selected; this is also known as judgmental sampling technique since selection is based on the discretion of the researcher (Latham, 2007).

Purposive sampling technique was employed in selecting Sonzele Rural Bank and the General Manager for the study. Sonzele Rural Bank was selected for the study because it was the first rural bank that was established in the Upper West and have enjoyed monopoly overtime, thus having a very large market share. The Manager was selected based on his ability to provide specific information that served the interest of the study.

3.4 Data Collection Method

3.4.1 Sources of Data for the Study

Data for the study was collected from only one source thus primary source.

3.4.2 Primary Data

Primary data was collected for a specific research question in response to a precise problem through questionnaires, interviews and observations. Primary data was obtained from responses from the selected customers and the branch manager.

3.4.3 Survey Instruments

Questionnaires and personal interviews were the instruments employed for data collection. Questionnaires were administered to respondents at the bank premise, in their work places and in their homes. This was made possible by following the mobile bankers of the bank who led the researcher to the customers. The questionnaires were given out to the literate respondents to fill by themselves with or without the assistance of the researcher while the researcher assisted the non-literate respondents to fill. Face-to-face interview was conducted for the manager of the bank through a structured interview guide.

3.5 Data Analysis

Both qualitative and quantitative techniques were employed in the data analyses which were basically descriptive in nature. Data obtained from the field were processed (edited, coded and tabulated or graphed) through the use of computer software programmes (Statistical Package for the Social Scientists and Microsoft Excel). Descriptive statistics such as mean, standard deviation, frequencies and percentages

were applied in the data analysis. Presentations of data were done with the aid of tables and charts for easy comprehension.

3.6 Validity and Reliability

Cohen *et al* (2000), posit that validity refers to the extent to which the research instrument records what is intended to record. Validity is actually concern with the accuracy of measurement. Validity is defined as the degree to which a measuring instrument measures what it is designed to measure (Neuman, 2006).

On the other hand, reliability of an instrument is concern with the consistency of the instrument. Thus reliability refers to the extent to which an instrument measures the same way each time it is used under same conditions with same objects. According to Neuman (2004), reliability is the dependability or consistency of the measure of a variable. In order to ensure validity and reliability of research instrument, Burns (2000), stated that „research has a great investment in validity and reliability“.

Both validity and reliability are essential component of any research whether quantitative or qualitative in nature and are the two most important and fundamental characteristics of any measurement procedure. Besides, it is prudent for testing validity and reliability of research instrument used in collecting data for the study.

In research the term reliability means „repeatability „or „consistency“. A measure would be considered reliable if it will give us the same result over and over again (assuming that what will be measured will not be changing). To find out the validity of items and the instrument used, the following questions were examined:

- ❖ Whether the questions were related to the research questions
- ❖ Whether they contained all the research questions (comprehensiveness)
- ❖ Whether they would solicit the appropriate responses
- ❖ If instruction or directions were clear
- ❖ Whether the vocabulary or sentence structure were up to standard
- ❖ Whether the items were properly arranged;
- ❖ Whether the items were fitted into sections they had been placed.
- ❖ Whether any of the items were ambiguous and misleading.

3.7 Profile of Wa Municipality

The Wa Municipality is one of the eleven District/Municipal Assemblies that make up the Upper West Region (UWR) of Ghana. It shares administrative boundaries with the Nadowli District to the North, the Wa East District to the East and South and the Wa West District to the West and South. It lies within latitudes 1°40'N to 2°45'N and longitudes 9°32' to 10°20'W. The municipality is predominantly made up of rural communities (GSS, 2010).

According to the Ghana Statistical Service (2010), the Wa Municipality has a total population of 107,214 (male: 52,996/female: 54,218) thus 15.3% of the total population of the Upper West Region (Ghana Statistical Service, 2010). The growth rate of the Municipality varies between 2.7% for rural and 4% for the urban. There is a growing population density and consequently pressure on land and socio-economics infrastructure, hence high poverty rate in the municipality.

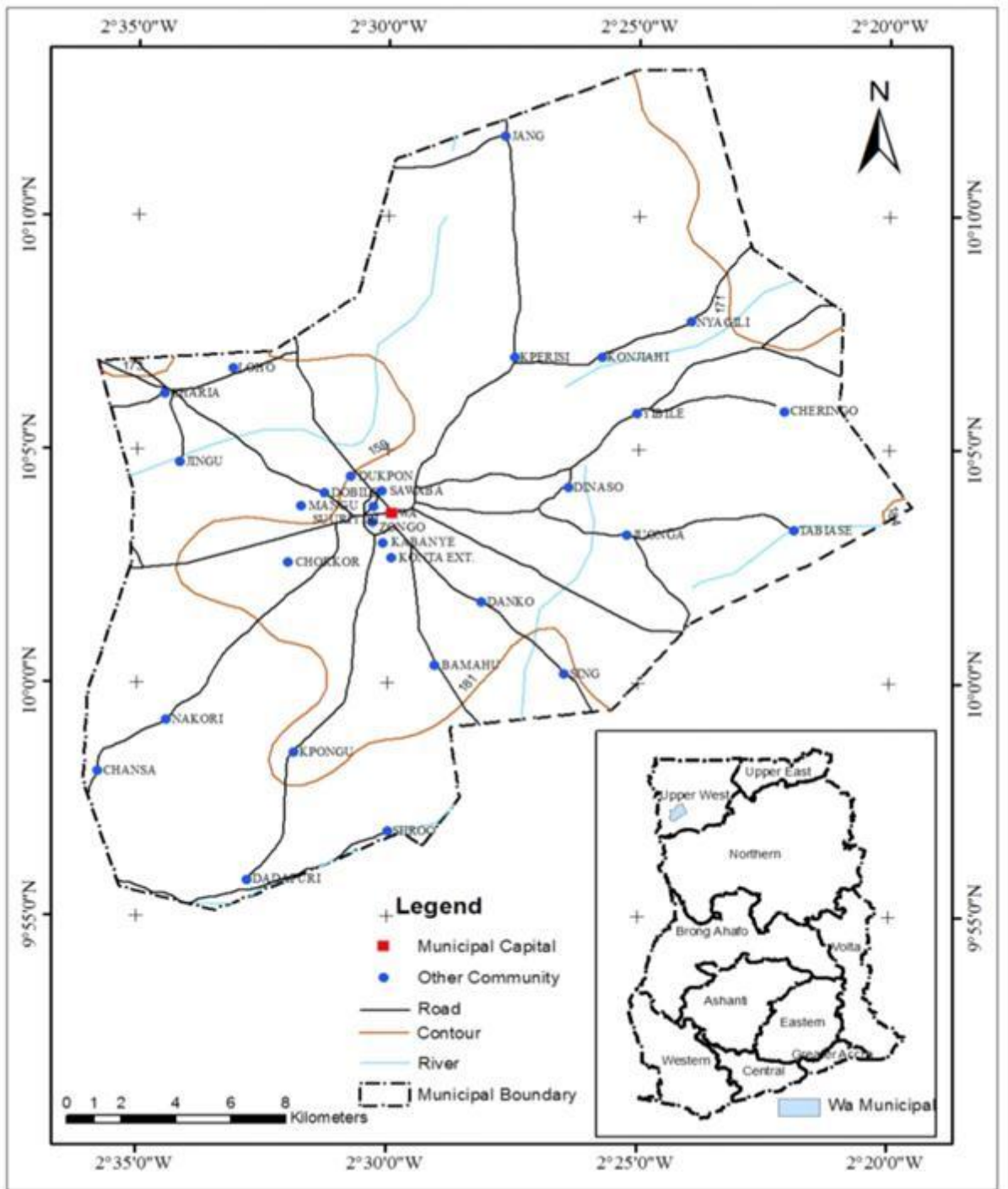
The vegetation is of the Guinea Savannah grassland type, made up of short trees with little or no canopy and shrubs of varying heights and luxuriance, with grass ground

cover in the wet season. Commonly occurring trees are shea trees Dawadawa, Kapok and Baobab. Cashew and mango are exotic species growing well in the area. It may be noted that parts of the natural tree vegetation are disappearing due mainly to human activities in the form of cultivation, construction, overgrazing, bush fires and charcoal-burning, particularly at the suburbs of the Wa Township. Nevertheless, the vegetation supports the cultivation of crops and livestock -rearing including cattle, sheep and goats which are mostly on subsistence farming due to inadequate access to funds for expansion (Wa Municipal Assembly, 2012).

The structure of the economy of the Municipal Assembly is dominated by agriculture sector which employs about 51.03% of the populace followed by the service industry (GSS, 2010). Other key sectors of the economy are transport, tourism, communication and energy.

Under the agricultural sector, most of the farmers engaged in peasant farming and the main staple crops grown include millet, sorghum, maize, rice, cowpea, and groundnut cultivated on subsistence basis. However, soya beans, groundnuts, yam, bambara beans are produced as cash crops, although they are produced on very small scale (GSS, 2010).

Figure 1.1: Map of Wa Municipality



Source: Ghana Statistical Service (2012).

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This section of the study presents the analysis and discussion of data collected from the field. A total of 197 questionnaires were administered to customers, out of which 196 were retrieved and used for the analysis, thereby giving the study a response rate of 99.5%. In addition a personal interview was conducted with the General Manger of the Bank. Hence the data for the analysis was based on information collected from customers and that of the General Manager.

4.1 Profile of Respondents

This section examines the profile of the respondents. The profile of the respondents investigated in this study included gender, age, marital status, educational status, occupational status and household size of respondents.

Field survey results on the profile of respondents is depicted in Table 4.1. With respect to gender, evidence from the survey show out of 196 respondents, 89 (45%) is female and 107 (55%) is male. The survey result show majority of respondents are males. The finding suggest the bank has more male customers than females. This finding is somehow surprising since female populace in the Municipality outweigh that of the males according to the Ghana Statistical Service (2012).

In respect of age distribution, evidence from the survey results presented in Table 4.1, shows out of 196 respondents, 35 (18%) is 18 -25 years, 63 (32%) is 26 -35, 52 (27%) is 36 – 45 and 46 (24%) is above 45 years. The survey indicates majority of respondents

(about 77%) are below 46 years. This finding suggests the youths are dominant customers of the bank. The finding is however not entirely surprising since the youths are people in active work and are most likely to transact with banks.

With respect to marital status, evidence from the survey results as presented in Table 4.1, shows out of 196 respondents, 69 (35%) is married, 72 (37%) is single, 37 (19%) is divorced and 18 (9%) is widow. The survey results show majority of respondents (about 37%) is single. The finding suggests most customers are not married and as such may have fewer family responsibilities.

With respect to educational status, evidence from the survey results presented in Table 4.1, shows out of 196 respondents, 45 (23%) has formal education, 98 (50%) has basic education, 32 (16%) has secondary education and 21 (11%) has tertiary education. The survey results indicate majority of respondents (about 77%) are literates. The finding suggests majority of the bank's customers are literates, hence they are in a better position to give fair judgement of the activities of the bank on their lives.

With respect to occupational status, as evidenced in Table 4.1, out of 196 respondents, 16 (8%) is farmer, 47 (24%) is trader, 72 (37%) is artisan (these include smock weavers, tailors, batik and tie and dye manufacturers and raffia basket weavers), 36 (18%) is security officer (these include police service, fire service and Immigration service) and 26 (13%) is Civil servant. The survey results indicate majority of respondents (about 37%) are artisans. The findings suggest most customers of the bank are in the informal

sector of the economy. The finding is however not surprising since the informal sector is dominant in Ghana (see Ghana Statistical Service, 2012).

With regard to household size, as it can be viewed from Table 4.1 below, out of 196 respondents, 47 (24%) has less than 3 household size, 63 (32%) has four, 32 (16%) has five, 23 (12%) has six and 31 (16%) has above six. The survey results show majority of respondents (about 72%) have less than five household size. Thus about 72% of the respondents have household size less or equal to the average Ghanaian household size of 4 (see Ghana Statistical Service, 2012). The survey results also show most of the respondents (about 84%) have household size below the regional average of 6. The findings suggest customers of the bank have small household sizes which can help lessen their consumption expenditure.

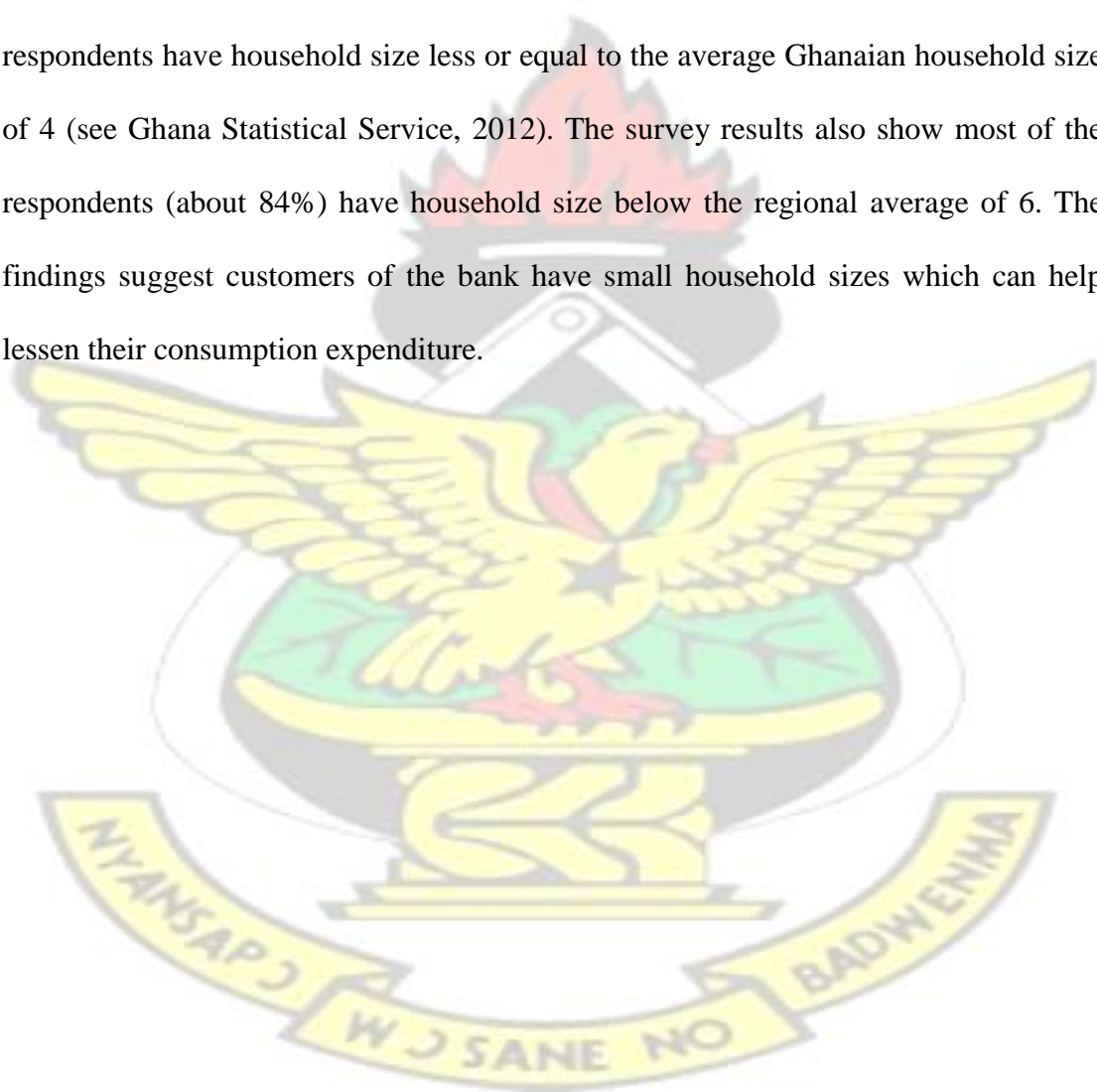


Table 4. 1: Profile of Respondents

Variable	Frequency	Per cent
Gender		
Female	89	45
Disagree	107	55
Sub-total	196	100.0
Age in Years		
18-25	35	18
26-35	63	32
36-45	52	27
45+	46	23
Sub-total	196	100.0
Marital Status		
Single	72	37
Married	69	35
Divorced	37	19
Widowed	18	9
Sub-total	196	100.0
Educational Status		
Non-formal education	45	23
Basic	98	50
Secondary	32	16
Tertiary	21	11
Sub-total	196	100.0
Occupational Status		
Farmer	16	8
Trader	47	24
Artisan	72	37
Security	36	18
Civil Servant	26	13
Sub-total	196	100.0
Household size		
Below three	47	24
Four	63	32
Five	32	16
Six	23	12
Above six	31	16
Sub-total	196	100.0

Source: Field survey (2016).

4.2 Monthly Income from Employment

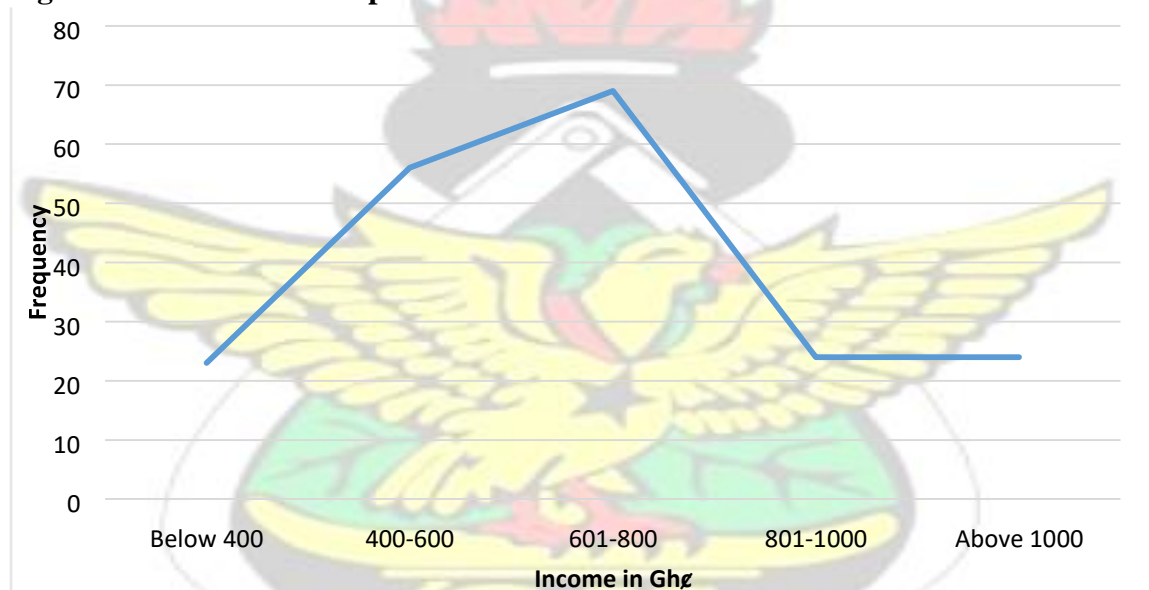
Evidence from the survey results illustrated in Figure 4.1, show out of 196 respondents

23 (11.7%) earns below 400 Cedis monthly, 56 (28.6%) earns 400 - 600,

69 (35.3%) earns 601 - 800 and 24 (12.2%) earns 801 – 1000 and above 1000 Cedis respectively. However, the mean score is 3.9 which falls between 600 and 800 Cedis while the standard deviation is 14.1 (see appendix 2).

The survey results indicate the average respondent earns between 600 and 800 Cedis monthly. The finding suggests most customers of the bank are relatively high income earners considering the general economic condition of the Municipality. However, the finding equally suggests there is relatively high income inequality in the municipality.

Figure 4. 1: Income of Respondents



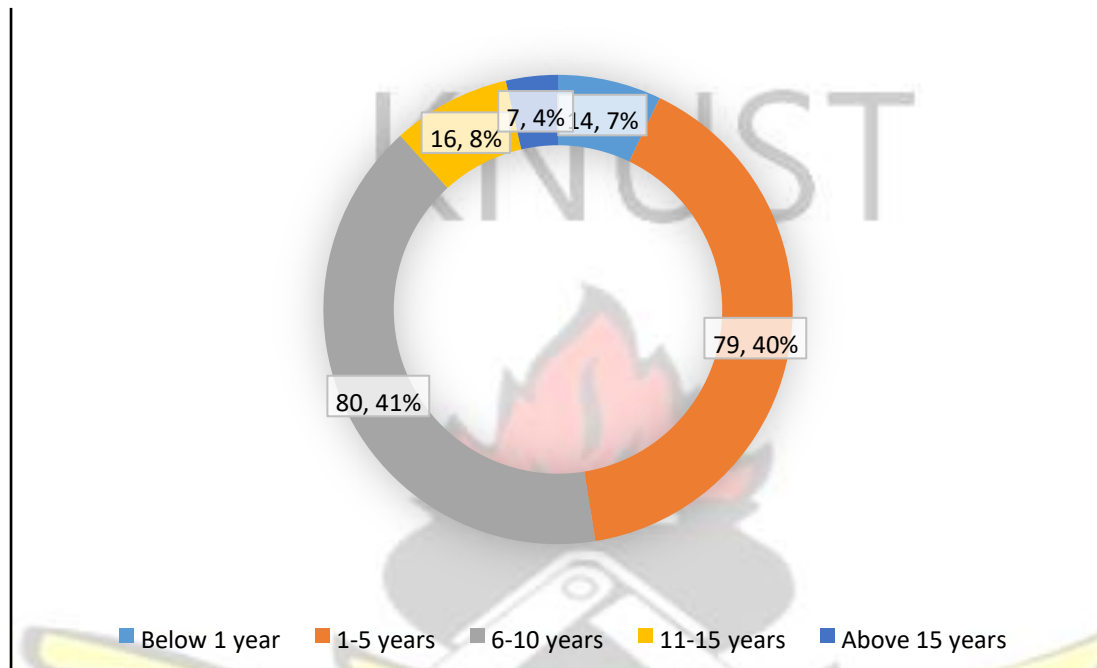
Source: Field survey (2016).

(Products and services)

4.3 Experience with Sonzele Rural Bank

From the survey results, illustrated in Figure 4.2, it can be seen out of 196 respondents, 14 (7%) has been customers of the bank in less than one year now, 79 (40%) 1 – 5 years, 80 (41%) 6 – 10 years, 16 (8%) 11 – 15 years and 7 (4%) above 15 years. The survey results show majority of respondents (about 93%) have been transacting with the bank

at least in the past five years. The findings suggest there is high customer retention and loyalty rate among customers of the bank. **Figure 4. 2: Respondents' Years of Banking with Sonzele Rural Bank**



Source: Field survey (2016).

4.4 Products and Services Offered by the bank to Customers

According to interview with the General Manager (GM) of Sonzele Rural Bank, the bank offers both banking and microfinance products and services to customers. The General Manager revealed that savings account, current accounts which can be opened with a minimum balance of Gh¢20.00 and fixed deposits accounts which also has the same interest rates as that of Treasury Bill are the banking products offered to customers.

The General Manager also revealed that the bank does not operate salary account, however customers whose salaries pass through the bank are advised to operate current accounts, and this is because whether savings account or current account, the mere fact

that salaries pass through the account it attracts COT (cost of turnover charges) (Personal Interview 11/07/2016).

The General Manager again revealed that *susu* account for mainly petty traders, Group savings account for identifiable working unions and SME loans are the microfinance products offered by the bank to customers. According to the General Manager, the minimum balance for *susu* account is Gh¢1.00. The bank also employs mobile banking staffs who go to the business places of customers and mobilize savings deposit daily. The General Manager disclosed that customers irrespective of the type of account have the chance to be given loan facility when qualified. It was also revealed that the most patronized product is the *susu* deposit account. This is because most of the customers are petty traders and cottage business owners (Personal Interview 11/07/2016).

From interview with the General Manager of the bank, it was revealed that the bank accepts deposit, issues cheque books to current account holders, withdrawal booklets for savings account holders, offers loan products (commercial and microfinance loans), operates mobile-point of sale devices (M-POS) for withdrawing cash, local and international money transfer, payment channel for school fees for some institutions and SMS alert to monitor transactions. However, the General Manager disclosed the bank does not operate ATM services in any of their branches.

Evidence from the interview with the General Manager indicates that the bank offers two major products to customers, thus the normal banking products (savings, fixed deposit and current accounts, loan products, issue of cheques) and microfinance

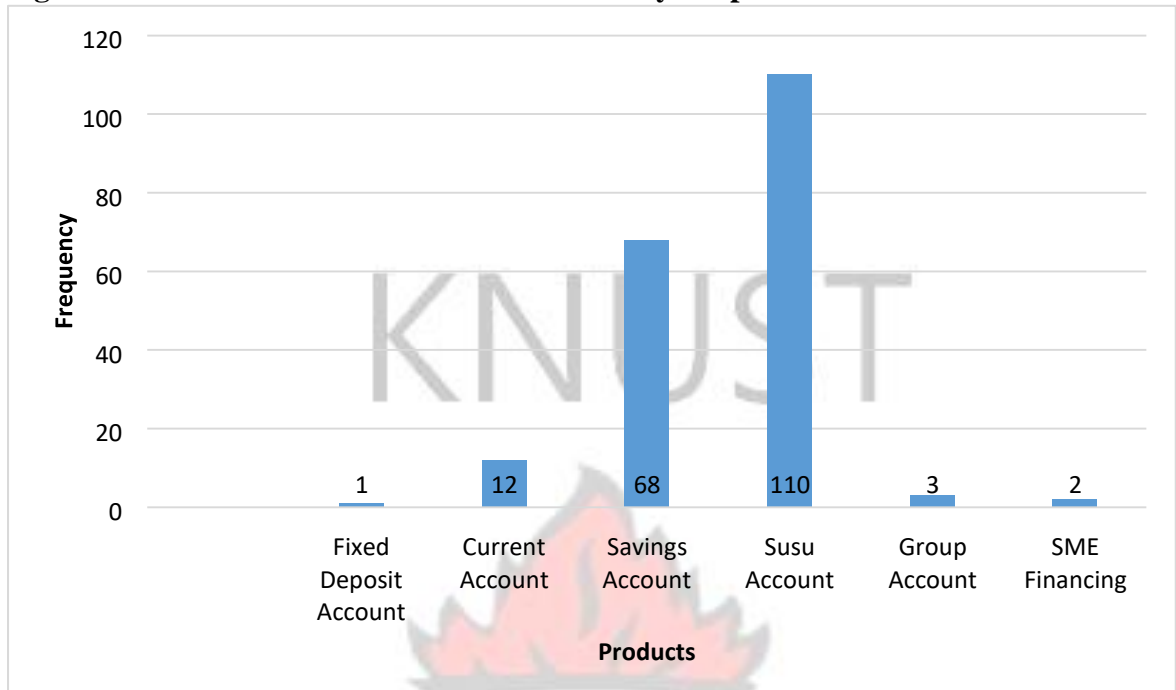
products (*susu* account, group savings account, SMEs loans). The interview also revealed the bank has a flat rate minimum account balance of Gh¢ 20.00 and irrespective of the type of the account; customers have the opportunity to access loan facility. The interview also revealed the bank does not operate ATM services.

These findings suggest the activities of rural banks stretch beyond that of microfinance and savings and loans companies. Again the minimum balance is relatively lower than traditional banks, this is perhaps to afford the relatively low income rural people the opportunity to access formal financial service. This finding is consistent with Nair and Fisha (2010)'s position on minimum account maintenance charges of rural banks. The findings also indicate customers are not able to access financial services during weekends and on public holidays, due to the absence of ATM services.

4.5 Products and Services Patronized by Customers

From the survey results presented in Figure 4.3, it can be seen out of 196 respondents, 1 (0.5%) patronize Fixed Deposit Account, 12 (6.1%) Current Account, 68 (34.5%) Savings Account, 110 (55.8%) *Susu* Account, 3 (1.5%) Group Account and 2 (1.0%) Group Account. The survey results indicate majority of respondents (about 55.8%) patronize *Susu* Account the most. However, all respondents (196) claim to patronize more than one product and services. The findings indicate savings products are most patronized by customers of the bank. The finding is however consistent with Noreen et al. (2011)'s findings.

Figure 4. 3: Products and Services Patronized by Respondents



Source: Field survey (2016).

4.6 Non-financial Support the Bank Offers

According to interview with the General Manager of the bank, the bank once every year brings in Doctors to health screen inhabitants of the communities, people diagnosed with urgent health needs are supported financially. The General Manager also revealed that the bank has scholarship package for brilliant but needy students within the operation communities. According to him, this has helped countless students to have access to formal education. The General Manager also disclosed that in the area of entrepreneurial training, the bank has a women group that teaches young ladies and single mothers how to manufacture soup and batik and tie and dye. After the training, these women are given start-up capital and *susu* accounts are also opened for them.

According to the General Manager, during planting seasons, the bank purchases seedlings for farmers who are customers at a discounted rate, thereby helping the farmers to get improved and quality seedlings which helps in income generation. The

General Manager also disclosed that customers are given financial management and investment advice. The manager disclosed that the bank is for the members of the community hence the progress of the community in every other way concerns the bank very much and it is part of the bank's policies to see to the betterment of all operating communities (Personal Interview 11/07/2016).

Evidence from the interview with the General Manager indicates the bank renders many forms of support to the communities and customers of the bank which are outside the normal banking activities. The findings suggest the bank is socially responsible. The finding however, confirms Osei-Bonsu (1998)'s assertion that the community ownership of rural banks, make the banks more socially responsible.

4.7 Non-financial Support Accessed by Customers of the Bank

Evidence from the survey results illustrated in Table 4.2 show out of 196 respondents, 31 (15.9%) agree Sonzele Rural Bank offers marketing and technological services to farmers, 23 (11.7%) disagree, 1 (0.5%) strongly agree and disagree respectively and 140 (71.4%) is neutral. The survey results show only few respondents (about 16.4%) agree (see Table 4.2).

Majority of the farmers claimed they were formerly into subsistence farming but as a result of the introduction of the technological service by the bank, they have increased their yields and are therefore able to commercialize some of their farm produce. This has provided extra income for their families and thereby helping to improve their standards of living.

It can therefore be inferred that even though the support is exclusively reserved for farmers, the intervention has largely helped increased their earnings, thereby giving them the opportunity to afford basic consumables.

With respect to Sonzele Rural Bank gives investment advice, out of 197 respondents, 97 (49.5%) agree, 21 (10.7%) disagree, 14 (7.1%) strongly agree and 64 (32.7%) is neutral (see Table 4.1). The survey results show only few respondents (7.1%) disagree. The findings suggest the bank offers investment advice to customers, however significant number of customers are not aware.

Information gathered from respondents who have ever benefited from the bank's investment advice show that their businesses have seen some level of expansion as a result of heeding to the advice. This has helped most of these people to have a sustainable source of income which are basically used to support food consumption.

With respect to Sonzele Rural Bank encourages women to form working group and support them with startup capital, out of 197 respondents, 162 (82.7%) agree, 18 (9.1%) disagree, 15 (7.7%) strongly agree and 1 (0.5%) is neutral. The survey results show only few respondents (about 9.1%) disagree (see Table 4.2). The finding suggest the bank promotes women empowerment and reduction of vulnerability

Information gathered from members of the women group show that individual members of the women group are able to use their start-up capitals to start ventures including *pito* brewing and *sobolo* manufacturing. According to these women, whom prior to the bank's intervention were jobless, this has helped them to now earn descent income.

Most of the women claimed they use their income on capacity building including educating their wards, buying household consumables including utensils, clothing, and ingredients for food and non-productive assets including televisions and radio sets. The women claimed prior to the bank's intervention, they solely relied on the benevolence of relatives to survive but that has changed. It can therefore be inferred from the information gathered from the women that the bank has been able to contribute to reducing poverty among the women by offering them livelihood coping strategy. That has helped in generating income which is used for human resource capacity building through education of wards, acquisition of assets including televisions and radio sets and good nutrition.

With respect to Sonzele Rural Bank is directly involved in the provision of social services, out of 196 respondents, 72 (36.7%) agree, 31 (15.9%) disagree, 11 (5.6%) strongly agree and 82 (41.8%) is neutral (see Table 4.1). Evidence from the survey results show majority of respondents (about 42.3%) generally agree. The findings suggest the bank engages in provision of social services, however significant numbers of customers are unaware due to inadequate publicity.

With respect to Sonzele Rural Bank collaborate with agencies and government to create jobs, out of 196 respondents, 14 (7.1%) agree, 70 (35.7%) disagree, 9 (4.6%) strongly agree and 103 (52.6%) is neutral. Evidence from the survey results indicate only few respondents (about 11.7%) generally agree (see Table 4.2). This finding suggest the bank does not directly collaborate with organisations and government to create jobs in

its catchment areas, except the direct employment that the bank gives to its workers who are all natives of the communities the bank operates.

Table 4. 2: Non-Financial Support Offered to Respondents

Variable	Frequency	Per cent
Sonzele Rural Bank offers marketing and technological services to farmers		
Agree	31	15.9
Disagree	23	11.7
Strongly agree	1	.5
Strongly disagree	1	.5
Neutral	140	71.4
Sub-total	196	100.0
Sonzele Rural Bank gives investment advice		
Agree	97	49.4
Disagree	34	17.5
Strongly agree	1	.5
Neutral	64	32.6
Sub-total	196	100.0
Sonzele Rural Bank encourages women to form working group and support them with startup capital		
Agree	162	82.7
Disagree	30	15.3
Strongly Agree	3	1.5
Neutral	1	.5
Sub-total	196	100.0
Sonzele Rural Bank is directly involved in the provision of social services		
Agree	72	36.7
Disagree	31	15.9
Strongly agree	11	5.6
Neutral	82	41.8
Sub-total	196	100.0
Sonzele Rural Bank collaborate with agencies and government to create jobs		
Agree	14	7.1
Disagree	70	35.7
Strongly agree	9	4.6
Neutral	103	52.6
Sub-total	196	100.0

Source: Field survey (2016).

4.8 Credit Facilities given out by the Bank

Interview with the General Manager did not disclose the bank's percentage of revenue mobilization in the past five years. However, the General Manager revealed that loan product or credit facility is a major part of their operations. The Manager disclosed that substantial amount of mobilized deposits are given out to clients as loans. The Manager also revealed that at the close of 2015 about Gh¢222, 148.00 were given out as loans to customers, according to Him, figure is expected to increase at the close of this year, since every year it rises.

Evidence from the interview, suggest the bank extensions credit facilities to customers. The finding is somehow not very surprising since one of the major duties of the rural banks is to extend credit facilities to rural folks (see Steel & Andah, 2004).

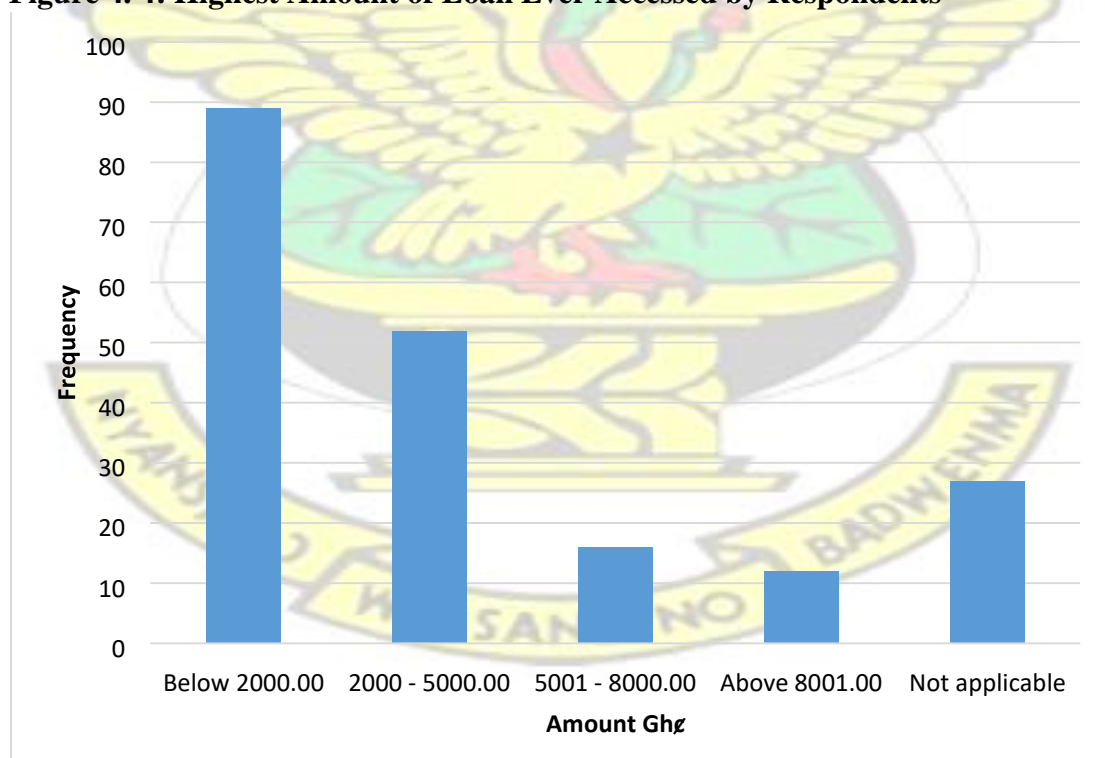
4.9 Highest Amount of Loan ever Accessed by Respondents

Evidence from survey results as can be seen from Figure 4.4 show out of 196 respondents, 89 (45.4%) maximum loan amount ever accessed is below 2000 Cedis, 52 (26.5%) is 2000 to 5000 Cedis, 16 (8.2%) 5001 to 8000 Cedis and 12 (6.1%) is 8001 and above Cedis. However, 27 (13.8%) of respondents have never accessed any loan facility from the bank. Evidence from the survey results show majority of respondents (about 86.2%) have ever accessed credit facility. These findings suggest majority of the loans offered are microfinance loans. This finding is however not surprising since majority of the bank's customers are artisans and petty traders, who needs less capital to fund their activities.

Information gathered from respondents that has ever accessed loan facility from the bank showed, the credit facility was generally used as a business start-up for these respondents. Some of the respondents who are farmers as a way of diversification, secured loan from the bank and set up small businesses including selling motorbike spare parts, mobile phones and cotton for smock manufacturing. Most of the respondents claimed they have been able to put up their own houses since they now work throughout the year and therefore have sustainable income all year round.

Evidence from the information gathered shows that through the loan facility credited to by the bank, most customers have been able to diversify their business thereby earning income throughout the year. This has helped in poverty reduction since some of these people have been able to house their families.

Figure 4. 4: Highest Amount of Loan Ever Accessed by Respondents

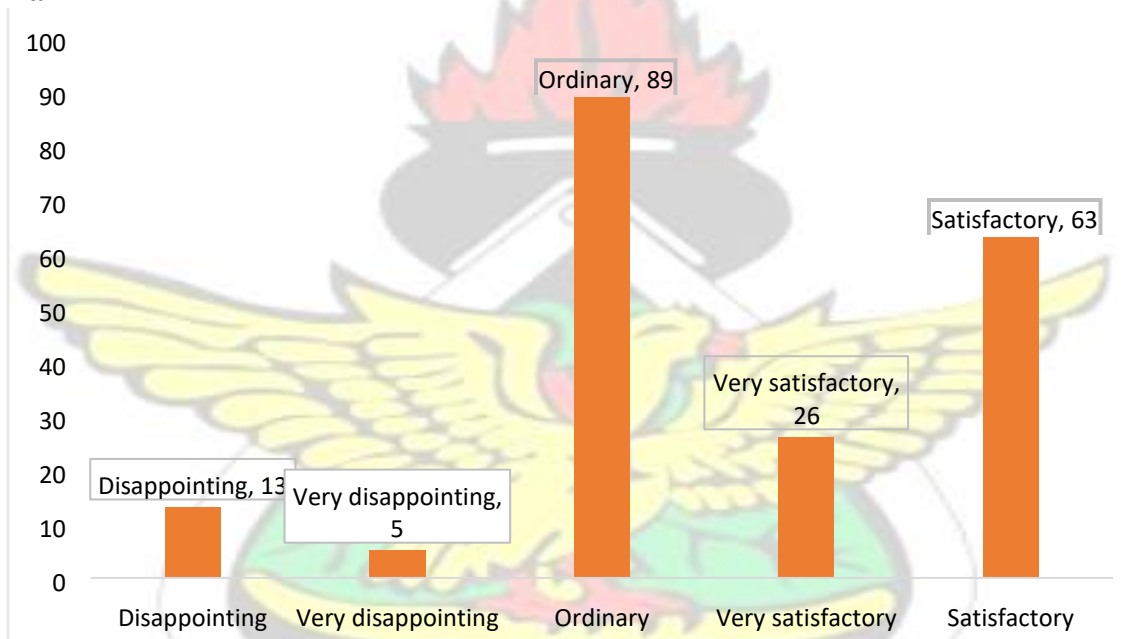


Source: Field survey (2016).

4.10 Ratings of Benefits Accessed from Sonzele Rural Bank

From the survey results illustrated in Figure 4.5 below, it can be seen out of 196 respondents, 13 (6.6%) is disappointed with the benefit they derive from the bank, 5 (2.6%) is very disappointing, 26 (13.3%) is very satisfactory and 66 (32.1%) is satisfactory. Evidence from the survey results show only about 15.9% of respondents are very disappointed. These findings indicate the bank is living up to the general expectations of customers.

Figure 4. 5: Respondents' Ratings of the Benefit Derived from Sonzele Rural Bank



Source: Field survey (2016).

4.11 Respondents' Livelihood Situation after Joining Sonzele Rural Bank

As can be seen from the illustrated survey results in Table 4.3, out of 196 respondents, 75 (38.2%) agree their income has increased due to expansion of their business after joining Sonzele Rural Bank, 21 (10.7%) disagree, 14 (7.1%) strongly agree, 5 (2.6%) strongly disagree and 81 (41.3%) is neutral. The survey result show majority of

respondents (about 45.4%) generally agree. These findings suggest most households' financial situations have generally improved as a result of the support from the bank.

With respect to better access to education, out of 196 respondents, 139 (70.9%) agree, 8 (4.1%) disagree, 3 (1.5%) strongly agree, 1 (0.5%) strongly disagree and 45 (23.0%) is neutral (see Table 4.3). The survey results show only few respondents (about 4.2%) generally disagree. The finding suggest the bank is assisting customers to give their wards education, thereby improving the human resource capabilities of households and to a large extent reducing chronic poverty among households.

With respect to improved ability to afford healthcare services, out of 196 respondents, 160 (81.6%) agree, 13 (6.6%) disagree, 1 (0.5%) strongly agree and 22 (11.2%) is neutral (see Table 4.3). The survey results show majority of respondents (about 82.1%) generally agree.

Information gathered from respondents showed prior to joining the bank, some respondents including widows and peasant farmers were not able to register and renew their health insurance cards. Hence they were cut off from accessing formal healthcare. Some of them who also had the national health insurance intact were not able to access formal healthcare due to their inability to afford transportation to hospitals in nearby towns. However, due to the interventions of the bank, most customers are able to earn on their own thereby affording them the opportunity to cater for the health needs of themselves and their relatives. The findings therefore suggest households are able to better afford healthcare services as a result of improved financial conditions due to the support of the bank.

With respect to household savings has increased, out of 196 respondents, 124 (63.3%) agree, 18 (9.2%) disagree, 1 (0.5%) strongly agree and 53 (27.0%) is neutral (see Table 4.3). The survey results show only 9.2% disagree.

Information gathered from respondents showed, as a result of increased earning, they are mostly able to afford their basic needs and are able to save with the bank through daily susu contribution. The finding suggests the bank has been able to promote saving practices among households, thereby reducing vulnerability when unforeseen event happens.

With respect to increased calories intake, 94 (48%) agree, 32 (16.3%) disagree and 70 (35.7%) is neutral. The survey result show majority of respondents (48%) agree (see Table 4.3). Most individuals from the women groups indicated prior to the intervention from the bank, they hardly cooked with meat or fish in it. They usually used Maggie Cubes as meat supplement, hence their little ones suffered from stagnant growth. However, after joining the bank they are able to afford meat and fish which has helped improve the quality and quantity of the food they serve their families. The finding indicates customers are able to feed their families better due to the support of the bank.

With respect to improved housing condition, out of 196 respondents, 132 (67.3%) agree, 13 (6.6%) disagree and 51 (26%) is neutral. Evidence from the survey results show only few respondents (about 6.6%) disagree (see Table 4.3). Information gathered from respondents showed some have been able to build their own houses as a result of being able to diversify from peasant farming due to loan support received from the bank while

others have been able to renovate their places of abode. The finding suggest through the bank, customers have been able to provide improved shelter for their households.

With respect to overall effect of Sonzele Rural Bank's activities on respondents' livelihood conditions, out of 196 respondents, 114 (58.2%) claim to have positive effect, 8 (4.1%) claim to have negative effect and 74 (37.7%) claim not to have had any effect at all (see Table 4.3). The survey result shows only about 4.1% of respondents have had negative effect. These findings suggest the activities of rural banks contribute positively to improving living standard of households. This finding is consistent with Khadiri et al. (2013)'s assertion that the activities of rural banks has led to improved living conditions within catchment areas.



Table 4. 3: Respondents' Livelihood Situation after Joining Sonzele Rural Bank

Variable	Frequency	Per cent
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My income has increased due to expansion of my business		
Agree	75	38.3
Disagree	21	10.7
Strongly agree	14	7.1
Strongly disagree	5	2.6
Neutral	81	41.3
Sub-total	196	100.0
Better access to education (Ability to provide for wards' education)		
Agree	139	70.9
Disagree	8	4.1
Strongly agree	3	1.5
Strongly disagree	1	.5
Neutral	45	23
Sub-total	196	100.0
Improved ability to afford healthcare services		
Agree	160	81.6
Disagree	13	6.6
Strongly Agree	1	.5
Neutral	22	11.2
Sub-total	196	100.0
My household savings has increased		
Agree	124	63.3
Disagree	18	9.2
Strongly agree	1	.5
Neutral	53	27
Sub-total	196	100.0
Increased calories intake (availability of balanced diet as and when needed)		
Agree	94	48.0
Disagree	32	16.3
Neutral	70	35.7
Sub-total	196	100.0
Improved housing condition		
Agree	132	67.3
Disagree	13	6.6
Neutral	51	26.0
Sub-total	196	100.0
Overall effect of SRB's activities on your livelihood conditions		
Positive		
Negative	114	58.2
Neutral	8	4.1
Sub-total	74	37.7
	196	100.0

Source: Field survey (2016).

4.12 Challenges face by Management of Sonzele Rural Bank

According to interview with the General Manager of the bank, the bank face unhealthy competition from the traditional banks and other non-banking financial institutions. According to the General Manage, these institutions are national companies originally meant for urban town and cities, but they send their agents to compete with rural banks in the villages. The Manager also revealed that some agents tell lies to their customers that rural banks are not credible, which is never true anyway. According to the General Manager, the unhealthy competition from the traditional banks has greatly affected their activities.

The General Manager also disclosed that the bank has satisfactorily loan recovery record, however the cost of loan recovery is high. According to Him, some customers believe the bank is a local bank therefore loan facility given to them must be paid as and when they want. According to him, this is a big worry to the bank. The Manager also disclosed that operating cost of the bank has increased due to the recent power outage. The Manager revealed that the bank has to depend on plant whenever, the lights go off. This has increased the operating cost of the bank, thereby reducing profits.

Evidence from the interview with the General Manager shows unhealthy competition from the traditional banks and other financial institutions, loan recovery and increasing operating cost are the major challenges facing rural banks" operations.

4.13 Challenges Face by Respondents

From the survey results, presented in Table 4.4, it can be seen out of 196 respondents, 187 (95.4%) disagree the bank usually encounter shortage of money supply, 6 (3.1%) strongly disagree and 3 (1.5%) is neutral. Evidence from the survey results indicate almost all respondents (about 98.5%) disagree. The findings suggest customers of the bank can always have access to their deposits.

With respect to transaction fees are very high, out of 196 respondents, 90 (45.9%) agree, 17 (8.7%) disagree, 8 (4.1%) strongly agree, 1 (0.5%) strongly disagree and 80 (40.8%) is neutral. Evidence from the survey results indicate majority of respondents (about 50%) agree. These findings suggest transaction fees charged by the bank are high.

With respect to interest charges on loans are very high, out of 196 respondents, 109 (55.6%) agree, 13 (6.6%) disagree, 19 (9.7%) strongly agree and 55 (28.1%) is neutral. The survey results show only few respondents (about 6.6%) disagree. This finding show customers are not happy with the interest charges on loan facilities.

With regards to service delivery by staffs are very poor, out of 196 respondents, 61 (31.1%) agree, 100 (51.1%) disagree and 35 (17.8%) strongly disagree. Evidence from the survey results show majority of respondents (about 68.9) agree. The finding indicate customers are generally happy with staffs' performance.

Almost all respondents (about 90.8%) claim customers cannot access banking services if out of the bank's branches, 17 (8.7%) disagree while 1 (0.5%) is neutral (see Table 4.4). This finding suggests service accessibility is limited to only the bank's premises.

With respect to the bank mostly encounter technical challenges when serving customers out of 196 respondents, 45 (23%) agree, 126 (64.3%) disagree and 25 (12.7%) is neutral. Evidence from the survey results show majority of respondents (about 64.3%) disagree. The finding suggests the bank has competent staffs.

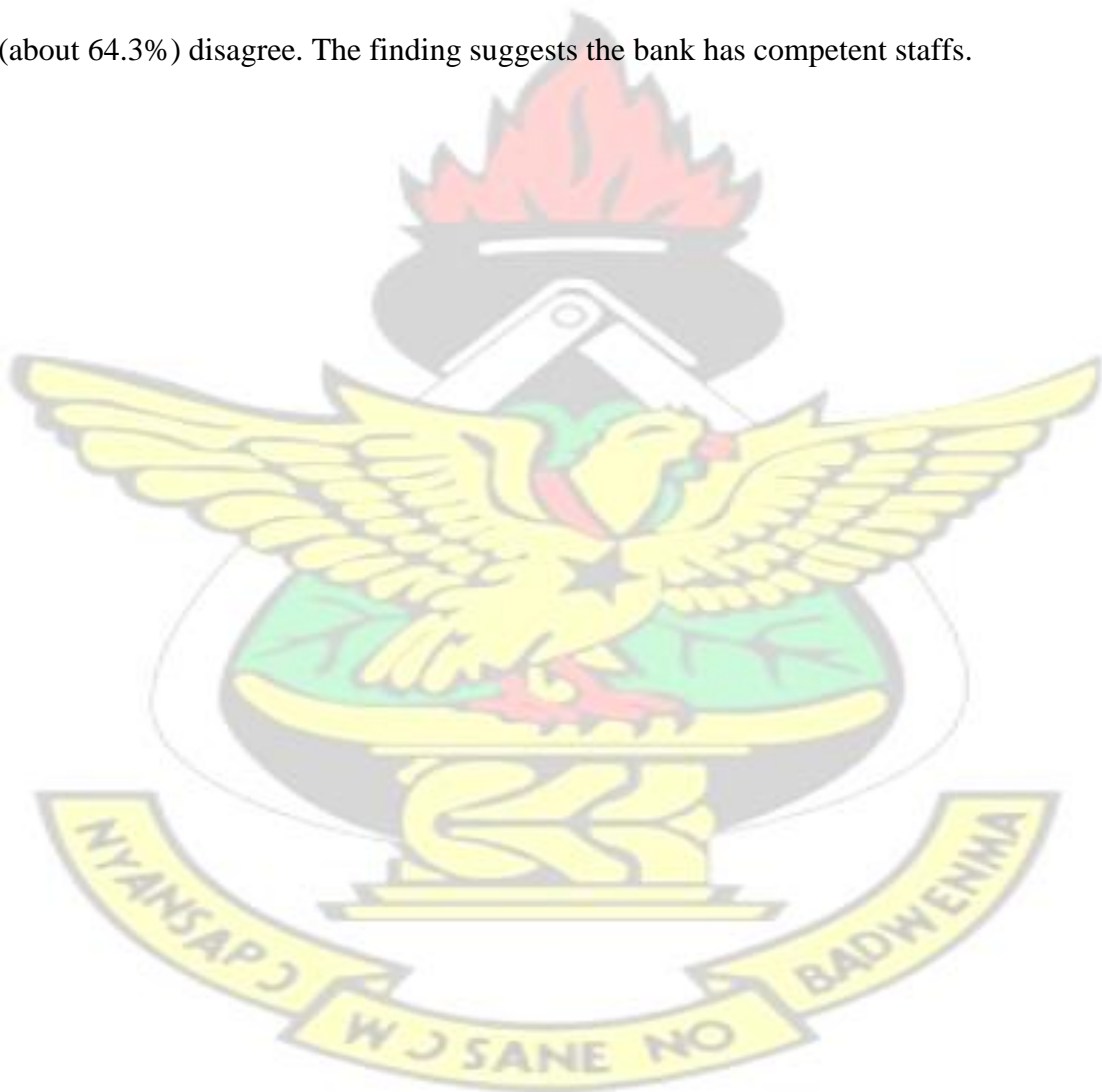


Table 4.4: Challenges Respondents Face Accessing Services from Sonzele Rural Bank

Variable	Frequency	Per cent
The bank usually encounter shortage of money supply		
Disagree	187	95.4
Strongly disagree	6	3.1
Neutral	3	1.5
Sub-total	196	100.0
Transaction fees are very high		
Agree	90	45.9
Disagree	17	8.7
Strongly agree	8	4.1
Strongly disagree	1	.5
Neutral	80	40.8
Sub-total	196	100.0
Interest charges on loans are very high		
Agree	109	55.6
Disagree	13	6.6
Strongly agree	19	9.7
Neutral	55	28.1
Sub-total	196	100.0
Service delivery by staff are very poor		
Agree	61	31.1
Disagree	100	51.1
Strongly disagree	35	17.9
Sub-total	196	100.0
Customers cannot access banking service if out of the bank's jurisdictions		
Agree	178	90.8
Neutral	18	9.2
Sub-total	196	100.0
The bank mostly encounter technical challenges including link shutdown when serving customers		
Agree	126	64.3
Disagree	45	23.0
Neutral	25	12.7
Sub-total	196	100.0

Source: Field survey (2016).

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter concludes the entire study. The chapter summarizes the findings emanating from the analysis, presents conclusions drawn based on the findings and recommendations made thereafter. The study sought to examine the contribution of Sonzele Rural Bank to household poverty reduction in the Wa Municipality. Specifically the study sought to identify the products and services, examine the nonfinancial support Sonzele Rural Bank provide to customers, ascertain the effects of Sonzele Rural Bank's support towards household poverty reduction and identify the challenges customers face in accessing services from Sonzele Rural Bank in the Wa Municipality.

5.2 Summary of Findings

With respect to background profile of respondents, the study discovered majority of the bank's customers are males, they are literates and their mainstay is craftwork and trading.

With respect to objective one which sought to identify the products and services, the study revealed the bank offers two main products and services to customers. These are banking products which includes savings account, current account, fixed deposit account, international and local money transfer, issue of cheques, and commercial loan product among others. And microfinance products which include susu savings account, group savings account and SMEs financing. The study revealed savings products are the most patronized products, however most customers patronize more than one product

and services. It was also discovered the bank does not operate ATM services. The study also revealed the maximum loan facility accessed is mostly below

Gh¢2000.00

With respect to objective two which sought to examine the non-financial support Sonzele Rural Bank provide to customers, the study discovered the bank offers annual health screening, investment and financial management advice, technological and marketing services exclusively to farmers and entrepreneurial training for customers. The study also revealed the bank offers scholarship packages for needy but brilliant students and provision of social amenities for its operation areas. The study also revealed customers scored their benefits derived from the bank average.

With respect to objective three which sought to ascertain the effects of Sonzele Rural Bank's support towards household poverty reduction, the study revealed customers' incomes have generally improved as a result of the expansion of their businesses through the support of the bank. Consequently, majority of households have seen improved living conditions in the area of education of wards, provision of healthcare and nutrition for the households. The study also revealed most customers' households are able to save thereby reducing risk and vulnerability.

With respect to objective four which sought to and identify the challenges customers face in accessing services from Sonzele Rural Bank in the Wa Municipality, the study revealed customers access to financial services is restricted to only the branch premises of the bank and only on working days, thus weekends and holidays customers are not able to access financial services due to unavailability of ATM services. The study also

revealed customers considers the interest on loans and transaction charges extremely high. The study also revealed the bank usually encounter network failure when serving customers.

The study also revealed unhealthy competition from traditional banks and other financial institutions, high operating expenses and high cost of loan recovery are challenges facing management of the bank.

5.3 Conclusions

Based on the findings, the study concludes the products and services of rural banks stretch beyond that of microfinance institutions and savings and loans companies. The study also concludes rural banks supports the informal sector. The study concludes rural banks offer both financial and non-financial products to customers, however majority of their customers are not aware of these products and services. The study also concludes customers of rural banks have improved standard of living.

5.4 Recommendations

Based on the findings and conclusions drawn, the following recommendations are made to the management of Sonzele Rural Bank, the leadership of Association of Community and Rural Banks (ARB) and the Bank of Ghana.

The Management of Sonzele Rural Bank should intensify the publicity of its nonfinancial products and services offered to customers. The customer service persons of the bank must educate customers on the products and services offered. This can also be done through the mobile banking staffs of the bank and through local radio

commercials. This will help existing customers know of the benefits they can derive from the bank, so as to make good use of it. By publicizing the non-financial services, it will increase awareness of the existence of the bank and this will help in attracting new customers, thereby helping the bank to have competitive edge.

In order to give rural banks a competitive edge, the Association of Community and Rural Banks (ARP) should collaborate and create a network between all the rural banks in Ghana. The network should be able to make it possible for customers of rural banks to at least withdraw from a different rural bank with a transaction charge slightly higher than that of the mother bank. This will reduce service accessibility limitation bedeviling customers.

Rural Banks, undoubtedly are contributing greatly to the development of rural communities, unfortunately rural banks do not have the capital base to compete with traditional banks. In order not to collapse the rural banking concept, the bank of Ghana must restrict the traditional banks to the more urban towns and cities, so as to allow the community and rural banks operate in the rural settings. Rural banks can collaborate with the traditional banks to render services such as foreign exchange and others outside their scope to give rural folks wider range of products and services.

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KNUST



APPENDIX

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY,

KUMASI

DEPARTMENT OF ACCOUNTING AND FINANCE

SCHOOL OF BUSINESS

OVERVIEW: This questionnaire is meant for data collection on **THE CONTRIBUTION OF SONZELE RURAL BANK TO HOUSEHOLD POVERTY REDUCTION IN THE WA MUNICIPALITY**. This exercise is strictly for academic purpose; hence information given will be treated with confidentiality. Information given has no injurious implication on respondents or the institution. Please indicate your response by ticking [] the response category or by writing in the spaces provided.

Part 1. Demographic Background of respondents

A. Gender

1. Male [] 2. Female []

B. Age of respondents in years

1. 18 – 25 [] 2. 26 – 35 [] 3. 36 – 45 [] 4. 46 and above []

C. Educational Status

1. Non - formal Education [] 2. Basic [] 3. Secondary [] 4. Tertiary [] 5.

Others []

Other,Specify.....

D. Employment Status

1. Farmer [] 2. Trader [] 3. Artisan [] 4. Security officer [] 5. Civil servant

[],

6. Others [] kindly specify

E. Monthly income/wage from employment in GH¢

1. Less than 400 [] 2. 400-600 [] 3. 601 - 800 [] 4. 801 - 1000 [] 5. 1001+ []

F. Marital Status

1. Married [] 2. Single [] 3. Divorced [] 4. Widowed [] 5. Others [],
kindly specify

G. What is your household size?

1. Less than three [] 2. Four [] 3. Five [] 4. Six [] 5. Above Six []

H. How many dependence do you have?

1. Zero [] 2. One [] 3. Two [] 4. Three [] 5. Four [] 6. Above Five []

Products and services patronize by customers of Sonzele Rural Bank in the Wa Municipality

I. How long have you been banking with Sonzele Rural Bank?

1. Below 1 year [] 2. 1 – 5 years [] 3. 6- 10 years [] 4. 11-15 years [] 5. 16 years + []

J. What are the products and services you have enjoyed from Sonzele Rural Bank?

Please tick as many as you have enjoyed.

Products and Services	Tick
a. Fixed Deposit Account	
b. Current Account	
c. Savings Account	
d. Susu Account	
e. Keeping custody of precious minerals and jewelries	
f. Local money transfer	
g. Loan	
h. Overdraft	
i. Treasury Bill	
Kindly specify other kind of products or services accessible by you from the bank if any	

Non-financial support Sonzele Rural Bank provide to customers

K. Using a five-point Likert, identify the non-financial support offered you by

Sonzele Rural Bank, where 1= Agree 2= Disagree 3= Strongly agree 4=Strongly Disagree 5= Neutral

Non-Financial support	
a. Sonzele Rural Bank offers business training to assist micro-entrepreneurs	
b. Sonzele rural bank offers marketing and technological services for market for farm produce	
c. Sonzele Rural bank gives investment advice	
d. Sonzele rural bank give technical support to entrepreneurs	
e. Sonzele rural bank educates customers on financial management	
f. Sonzele rural bank encourages women to form working groups and support them with startup capital	
g. Sonzele rural bank is directly involved in the provision of social services	
h. Sonzele rural bank collaborate with agencies and government to create jobs	
Kindly specify other kind of non-financial support available to you or the community from the bank if any.....	
i.	
j.	

Contribution of Sonzele Rural Bank's support towards household poverty reduction

L. What amount of loan you have received as a help from Sonzele Rural Bank?

1. Less than GH¢ 2,000.00 [] 2. Gh¢ 2001- 5,000 [] 3. GH¢ 5001 - 8,000 []

4. Gh¢ 8001+

M. How will you rate the benefit of Sonzele Rural Bank to you as a customer?

1. Disappointing [] 2. Very disappointing [] 3. Ordinary [] 4. Very satisfactory

[]

5. Satisfactory []

N. Using a five-point-Likert scale from 1 to 5, identify the benefits of Sonzele Rural Bank to you since you became a member. Where 1= Agree 2= Disagree 3= Strongly agree 4= Strongly disagree 5= Uncertain

CONTRIBUTION	Number 1-5
a. My income has increased due to expansion of my business	
b. Role in decision making process has increased	
c. Better access to education (Ability to provide for wards' education)	
d. Better access to healthcare services	
e. Better Financial situation of the family	
f. Operational assistance received from Sonzele Rural Bank was helpful to run the business	
g. The savings has increased.	
h. Employment opportunities have increased	
i. Improvement in the living standard of the family	
j. The calories intake of the family (availability of balanced diet as and when needed)	
k. The housing condition	
Kindly specify any other benefit that you derive from the bank if any.....	

O. How has the activities of Sonzele Rural Bank affected your household earnings?

1. Positive [] 2. Negative [] 3. Neutral []

Challenges customers face in accessing services from Sonzele Rural Bank

P. How will you rate your business encounter with Sonzele Rural Bank?

1. Disappointing [] 2. Very disappointing [] 3. Satisfactory [] 4. Very satisfactory []
 5. Neutral []

Q. Using a five-point Likert scale, identify the challenges you encounter as a customer of Sonzele Rural Bank, Where 1= Agree 2= Disagree 3= Strongly agree 4= Strongly disagree 5= Neutral

CHALLENGES	NUMBER 1-5
a. Transaction fees are very high	

b. Interest charge on loans are very high	
c. Service delivery by staffs are very poor	
d. My assets have been sold due to my inability to offset my debt with the bank	
e. The bank usually encounter shortage of money supply, hence inability to withdraw as and when the money is needed	
f. The bank lacks the technology to update clients on their account balances and transactions	
g. The bank does not have wide range of product and services	
h. The bank mostly encounter technical challenges including link shutdown when serving customers	
i. The bank is discriminatory in servicing customers (does not support farmers and petty traders but only salary workers)	

INTERVIEW GUIDE FOR MANAGEMENT OF SONZELE RURAL BANK

This exercise is exclusively for academic purpose and as such information given will be treated with utmost confidentiality and has no bearing on respondents.

- I. Briefly describe key products and services rendered to customers.
- II. Which categories of customers do you have?
- III. What is Sonzele Rural Bank's level of deposit mobilization of the past 5years and how much is given out as loans to customers.
- IV. How much is set aside for Corporate Social Responsibility?
- V. What are the challenges Sonzele Rural Bank face challenges in its operations in the Municipality?
- VI. What measures are you putting in place to ensure that your clients maximize benefits from your operation in the municipality?

VII. What is your position?

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