KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

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Assessment of the Roles of Rural Banks to Promote Operational Performance of

Small and Medium Enterprises in Ghana:

A Case of Juaben Rural Bank Ltd.

By

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August, 2015

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OPERATIONAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES

(SMEs) IN GHANA:

A CASE OF JUABEN RURAL BANK LIMITED

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DECLARATION

I hereby declare that this submission is my own work towards the Master of Business Administration (Accounting Option) Degree and that, to the best of my knowledge, it contains no material previously published by another person or material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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DEDICATION

This work is dedicated to my Mum, Hannah Afua Akomah for her support in all my endeavors.

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ABSTRACT

Access to affordable and timely finance has been identified as a major challenge facing the Ghanaian Small and Medium Enterprises (SMEs). The primary objectives for establishing Rural Community Banks are to promote rural development through provision of banking and financial services; enhance rural productive activities, including Agriculture; and to improve economic status of Small and Medium Enterprises. However, it is not very clear as to whether the Rural Banks actually perform the primary functions for which they were established. This stems from the fact that there is an anecdotal evidence to support that a high proportion of Rural Bank's loan portfolio are channeled to salaried workers instead of the intended beneficiaries. The purpose of this study is to assess the roles of Rural Banks to promote the operational performance of SMEs. Data were gathered from 75 respondents through a questionnaire survey and interview. Data received from the respondents were entered into SPSS Data Application and Microsoft Excel to facilitate analysis. Descriptive statistics were employed in the presentation and analysis of the empirical results. The study ascertains the challenges facing the operational performance of these SMEs. The results of the study revealed the roles of Rural Banks. The results also indicate that rural banks are ready and willing to provide financial support to SMEs. However the provision of business advisory services and training for the SMEs are on the lower side. The results further suggested that interest rates charged by the rural banks are perceived to be relatively high. A number of specific action areas have been identified to facilitate public policy for Rural Banks and SMEs in Ghana. The study confirmed the anecdotal evidence that a higher proportion of rural banks' loan portfolio is directed to salaried workers leaving very little for farmers and SMEs, including cottage industry.

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LIST OF ABBREVEATIONS

AfDB	-	African Development Bank
ADB	-	Agricultural Development Bank
ARB	-	Association of Rural Banks
BEA	-	Bureau of Economic Analysis
e-FASS	-	electronic Financial Analysis Surveillance System
EGF	-	Empretec Ghana Foundation
FUSMED	-	Fund for Small and Medium Enterprises Development
FAO	-	Food and Agricultural Organization
GoG	-	Government of Ghana
GDP	-	Gross Domestic Product
IFAD	-	International Fund for Agricultural Development
MICR	-	Magnetic Ink Character Recognition
MASLOC	-	Microfinance and Small Loans Centre
NBSSI	-	National Board for Small Scale Industries
RCB	-	Rural Community Banks
RFSP	-	Rural Financial Services Project
SEM	-	Structural Equation Modeling
SME	-	Small and Medium Enterprises
UNIDO	-	United Nations Industrial Development Organization

CHAPTER ONE

INTRODUCTION

1.0 Background of the study

On the global scale, it has been established that Small and Medium Enterprises (SMEs) play a significant role in the development and growth of national economies (Fisher and Reuber, 2000). In the developed economies such as Germany and the United Kingdom, small businesses are identified as the main engine for growth and development. Indeed, the recent studies conducted into the sector by Freedman and others in developed markets indicate and confirm that small businesses account for the highest number of registered companies and make significant contributions to economic growth and prosperity in the developed world.

It has also been argued that a small firm, because of its size, cannot make any significant contribution to the economy. However, as there are so many small firms, their collective contribution to the economic growth is quite substantial. (Ayadi et al, 2008). SMEs are critical to the development of any economy as they usually form a significant portion of economic activities (Kayanula and Quartey, 2000) especially in the developing world. According to Abor and Quartey, 2010, SMEs in South Africa form about 91 percent formal registered businesses, provide about 61 percent employment and account for 52 – 57 percent of South Africa's GDP.

Although it is a challenge to access readily available data on Small and Medium Enterprises (SMEs) in Ghana, statistics from the Registrar General's Department (2013) submits that about 92 percent of the total companies registered are noted to be micro, small and medium enterprises. SMEs in Ghana have also been identified to play a major

role in employing about 85 percent of the people in the manufacturing sector and contribute about 70 percent to Ghana's GDP (Abor and Quartey, 2010). For these and many other reasons SMEs are said to have a catalytic impact on economic growth, income and employment in a particular country.

Small and Medium Enterprises (SMEs) are also seen to be flexible in nature and in this way have a better adaptability to changing market conditions which gives them a leverage to better suited to withstand cyclical economic downturns. Since SMEs are found across the length and breadth of the country, they stand to encourage better distribution of income, and generate additional value in raw materials and products. To some extent, SMEs attempt to bring about efficiencies in domestic markets as a result of trade dynamics in terms of innovation and competition.

In Ghana, SMEs currently have been exposed to greater opportunities than past periods for the expansion and diversification across all sectors of the economy. The growing market size of Ghana is gradually giving entrepreneurs in the manufacturing, food processing, pharmaceuticals, Information Technology, agro and service sectors the necessary cause to take advantage of the opportunities that African market presents.

It is evident that Small and Medium Enterprises do not operate without challenges. In most cases some of these SMEs do not survive their second "birthday" because of certain constraints. These challenges include lack of capital, human resource challenges, non-availability of suitable technology, low production capacity, ineffective marketing strategies, lack of capacity to identify new markets, challenges on modernization and expansions, lack of innovation, unfavorable legal and regulatory conditions and weak

institutional regimes (Abor and Quartey, 2010; Kayanula and Quartey, 2000; Mensah, 2004). The absence of flexible, adequate and timely banking finance had been a major setback facing many entrepreneurs across the globe.

Successive governments in Ghana, since independence, have attempted to find pragmatic solutions to address the challenges facing Small and Medium Enterprises (SMEs), but their efforts tended to look at cosmetic minor changes and relied on inadequate donor supported funds.

One of the major structural reforms instituted by successive governments in Ghana to address the challenges facing SMEs was the establishment of Rural Community Banks (RCBs). Rural Banks were launched in Ghana in 1976 to provide banking and other financial services which were not provided by the major commercial banks to the rural populace. They provide banking services by way of funds mobilization and advance credit to cottage industry operators, farmers, fishermen and regular salaried employees. They also extend facilities for other developmental projects such as donations to support education, health, traditional administration etc. The first rural bank in Ghana was established in Agona Nyakrom, a farming community in the Central Region. In the following year, a second bank was launched at Biriwa, also a fishing community in the Central Region.

The rural folks are known to be the owners and managers of these Rural Community Banks. There are about one hundred and forty three (143) Rural Banks in the country as at December, 2012. These banks are supervised primarily by the clearing bank (ARB Apex Bank) under the regulation of the Bank of Ghana which in turn owns shares in

these banks. The importance of rural community banks to provide banking and financial services to ensure growth in a predominantly agro-based economy cannot therefore be over-emphasized. (World Bank Report, 2010)

1.1 Problem Statement

Formal credit in rural communities was not significantly available to the rural populace until the launch of the first Community Rural Bank in 1976. The Rural community dwellers are mostly known to be small-scale farmers, small businesses and fishermen. Previous studies have shown that the main sources of credit were moneylenders and traders who at that time charged higher interest rates which demotivated individuals and groups to access credit. The major commercial banks in the country ignored this sector and concentrated virtually in providing banking services to the urban dwellers due to the high risks associated with Small and Medium Enterprises in the rural areas (Asiedu-Mante, 2011).

The Governments of Ghana, over the years, have launched and instituted programmes and policies to promote the sustainability and growth of SMEs to enhance the living standards of rural populace. Prominent ones include National Board for Small Scale Industries (NBSSI), Fund for Small and Medium Enterprises Development (FUSMED), Empretec Ghana Foundation (EGF), Microfinance and Small Loans Centre (MASLOC). Some of the measures also included the need to establish Agricultural Development Bank (ADB) in 1965 with a special directive to provide lending services to Agriculture and Allied industries in the rural areas. The Government of Ghana also directed commercial banks to lend at least 20 percent of their portfolio for agricultural uses.

Subsequently, some of the activities embarked by the Commercial and Agricultural Development Banks did not facilitate the development of the rural areas as envisaged.

In a move to sustain SMEs in Ghana, the Government of Ghana (GoG) deemed it fit to support and facilitate the establishment of Rural Community Banks (RCBs) in rural areas that would be committed to providing financial services to the rural dwellers. The primary idea behind the establishment of these Rural Banks was to improve the living standards of rural populace through the provision of credit to support small farmers and Small and Medium Enterprise. The ripple effect of this initiative was to manifest in access to quality healthcare, education, and improvement in other socio-economic development in the rural areas. However, it is not clear as to whether the Rural Banks actually perform the primary functions for which they were established. This stems from the fact that there are considerable anecdotal evidence to support that a high proportion of Rural Bank's loan portfolios are being redirected to salaried workers instead of the intended beneficiaries i.e Small Scale Enterprises and Farmers. The researcher therefore intends to investigate and assess the roles of Rural Banks in promoting the operational performance of Small and Medium Enterprises.

1.2 Objectives of the study

1.2.1General Objectives:

The general objective of the study is to determine how the roles of Rural Banks promotethe operational performance of Small and Medium Enterprises in the selected study area.

1.2.2 Specific objectives include:

i) To identify the roles of Rural Banks;

ii) To assess the extent to which Rural Banks' activities improve the operational performance of Small and Medium Enterprises;

iii) To find out the challenges affecting the operational performance and growth of Small and Medium Enterprises.

1.3 Research questions

i. What are the roles of Rural Banks in Ghana?

ii. How do Rural Banks' activities improve operational performance of SMEs?

iii. What are the challenges facing the growth of SMEs?

1.4 Significance of the study

The study seeks to assess the roles of rural banks to promote the operational performance of SMEs. The results would help to reveal the various roles rural banks play in the quest to promote the operations of the SMEs. Access to finance is a major constraint affecting the sustainability, growth and expansion of SMEs as suggested by many researchers. The study would recommend other innovative ways by which rural banks may pursue to stimulate the operational performance of SMEs. Rural banks are not the only source of finance to SMEs and for that matter the study would indicate other sources of finance which SMEs may exploit to their advantage. The results of the study may also be a relevant source of information for future researchers to carry out their studies. The findings and recommendations to some extent would be useful to investors, regulators and policy makers.

1.5 Scope of the study

The study sought to assess the roles of rural banks to promote the operational performance of Small and Medium Enterprises in Ejisu Juaben Municipality in the Ashanti Region of Ghana. The study covered almost all the SMEs in the study area which transact business with Juaben Rural Bank Ltd. Juaben Rural Bank was selected because it is the largest and fastest growing rural bank with 9 branches and Head Office, all in the Ashanti Region.

1.6 Methodology

In order to ascertain the roles of rural banks promoting the operational performance of SMEs, it is imperative to determine the use and awareness of the various financing sources available to the SME sector and also investigate issues that are of importance to SME financing. Both primary and secondary data were employed to gather relevant data for the study.

1.7 Limitations of the study

The sample size of the study was limited to only one rural bank and its customers and for that matter may not be entirely representative. The researcher also sought to assess both financial and non-financial performance of SMEs in the study area by relying mostly on the financial statements of these SMEs. The study, however, revealed that proper books of accounts are not kept hence financial statements are not prepared by these SMEs to facilitate the achievement of the objective.

A study of this nature requires enough time to enable the researcher to gather more data for his analysis. However, the allocated 3 months period for this study was relatively short to gather an extensive data for analysis.

1.8 Organization of the study

The study is organized under five chapters. Chapter one contains the background information of the study, statement of the research problem, the objectives of the study, research questions, significance of the study, scope and limitations of the study. Chapter two contains a review of relevant literature to the study. The third chapter covers the methodology used in carrying out the study and organizational profile. Chapter four involves data presentation, analysis and discussion of findings; and finally chapter five contains the summary of findings, recommendations and conclusion.

<center>**CHAPTER TWO**</center>

<center>**LITERATURE REVIEW**</center>

2.0 INTRODUCTION

The purpose of this study is to assess the role of Rural Community Banks on the operational performance of SMEs. The expectation is that flexible sources of funds and other business advisory services rendered by Rural Banks may greatly improve the performance of Small and Medium Enterprises in Ghana.

The aim of this chapter is to provide a discussion of findings from previous studies about the topic of the roles of Rural Community Banks on the operational performance of SMEs. The review is divided into two sections. The first section concentrates on the key concepts of rural banks and other sources of funds to SMEs. The second section also reviews the evolvement of studies based on the operational performance of SMEs.

2.1 The Concept and Operations of Rural Banks in Ghana

Rural communities in Ghana did not experience a formal access to credit until 1976 where the Government of Ghana facilitated the launching of Rural Banks. The people in the rural communities are mostly involved in farming and fishing which serve as their source of income. The major sources of credit were moneylenders and traders who charged extremely higher interest rates. In order not to worsen the plight of rural dwellers, the Government of Ghana took some policy measures which basically sought to improve and promote the availability and easy access to finance in these rural areas. The policy measures involved the need for the commercial banks to give a minimum of 20% of their loan portfolio for the benefit of agricultural sector and to facilitate the launch of the Agricultural Development Bank (ADB) in 1965 with an exclusive mandate

<center>9</center>

to make money available for agriculture and allied industries in rural areas of Ghana. Afterwards, commercial banks and the ADB further established many outlets in the rural areas, with an emphasis on cocoa-growing rural areas. In spite of this, lending to the people in the rural areas still remained low; the commercial banks then decided to substitute their rural branches, basically to make payments to cocoa farmers and to receive deposits for lending in urban areas. Other banking services, like credit, were not provided as initially envisioned. The Commercial Banks asked for higher deposit accounts and stronger collateral requirements in order to provide loans to rural dwellers (World Bank report, 2010).

Most of these small farmers and fishermen did not have deposit accounts in commercial banks, and the collateral they had available was also not sufficient to meet the requirements to access a loan facility from the commercial banks (Andah and Steel 2003). Mensah (2004) found that the ADB's credit provision and coverage were limited. Only 27 percent of its branches were in rural areas, and lending to smallholder farmers made up only about 15 percent of its total portfolio.

Many researchers have undertaken studies into the operations of Rural Banks and have come out with countless findings. The idea of rural banking critically looks into the provision of banking services to the rural populace (Matunhu and Mago Stephen, 2013). Rural banks are unit banks usually owned and managed by the members of the rural community through the acquisition of shares. Rural banks are licensed by the Bank of Ghana with the purpose of providing financial intermediation in the rural areas (Steel and Andah, 2004). The Rural Community Banks in Ghana function as commercial banks under the provisions of Ghanaian Banking Law 1989 (PNDCL 225) as amended, except

that they are not required to transact business involving foreign exchange operations and serving as custodian of valuable properties such as gold (Steel and Andah, 2004). Los Banos (2007) proclaim that Rural Banks are basically established to play a significant role in regional economic development. Helms (2006) also points out that rural banking forms part of rural finance.

According to Asiedu-Mante (2011) the concept of rural banking was introduced in 1976 by the Government of Ghana in partnership with the Bank of Ghana (BOG) as an alternative means of providing financial intermediation at the rural levels. In pursuance of realizing the goal of this brilliant concept, the rural community banks have committed a significant amount of resource in an attempt to mobilize and allocate loanable funds as well as transmuting and sharing risks and maturities by intermediating between rural savers and investors. The expectation from these efforts is to bring some positive results for the rural populace and SMEs. However, it is not clear as to whether the Rural Banks actually perform the primary functions for which they were established. This is because, there are considerable anecdotal evidence to support that a high proportion of Rural Bank's loan portfolios are being redirected to salaried workers instead of the intended beneficiaries i.e Small Scale Enterprises and Farmers (Kadri *et al*., 2012). In their studies, they examined contemporary issues and lending activities to small scale farmers for agricultural production. In pursuance of this objective, they adopted descriptive and inferential statistics to analyze the effectiveness of rural banks where they concluded that trade and social credit were larger than that of agriculture and by implication agriculture is treated less favorably in rural banks' credit schemes and portfolio.

Fiifi Emire Mills and Amowine (2013) looked at the determinants of Rural Banks' financial profitability. The outcome of their study indicated that rural bank's financial profitability is affected by both internal and external factors. They further stated that the internal factors include the size of the Rural Bank's assets and increased non-interest income, whiles Gross Domestic Product (GDP) and growth of money supply are external factors.

Rural Banking in Ghana is faced with numerous challenges and the prominent ones are those related to poor staffing, loan recovery, weak management, liquidity, poor service delivery, lack of adequate communication facilities and inadequate training (Asiedu-Mante, 2011). These challenges encouraged Littlefield (2003) to wrongly conclude that rural banking offers an artifice of poverty reduction. However, Matunhu and Mago (2013) conclude that despite all the challenges, the rural bank initiative is a noble idea for rural development. Asiedu-Mante (2011) also posits that the Central Bank of Ghana issues license to communities which desire to operate a rural bank after meeting all the regulatory requirements. The rapid emergence of Mobile Money Transfers and the quest to enhance the service delivery of Rural Banks to the rural dwellers has increasingly motivated the need to effectively integrate the rural banks and existing mobile communication infrastructure (Kester, 2013).

2.1.1 The Rural Financial Services Project (RFSP)

The Rural Financial Service Project was scheduled to be implemented between 2000 and 2007. The project was co-financed by the World Bank, International Fund for Agricultural Development (IFAD), and African Development Bank (AfDB). The main objective of the project was an attempt to alleviate poverty that had engulfed people in

the rural areas. This policy alleviation program was to be implemented via the widening and deepening of financial intermediation in the rural communities in Ghana. The anchor that necessitated the implementation of the project was categorized under four major components, including:

1. Institution building in the informal financial sector;

2. Institutional support to the BoG's Banking and Supervision Department to enhance oversight of the rural financial sector;

3. Capacity building of rural banks; and

4. Institutional building of the ARB Apex Bank

The rural banks' capacity-building program purported to increase the banks' outreach by way of providing training programs for the staff using advanced technologies. This portion financed a large program of general banking and computer training for the managers, directors and staff of the Rural Community Banks. There was also a special capacity-building program in microfinance for 15 RCBs and a special training program for eight (8) Rural Community Banks that were labeled as mediocre at the launch of the project. Under the rural bank institution-building component, the project also provided a financial support to purchase computers and other office equipment to enhance the operational effectiveness of these selected rural banks.

Throughout the capacity building and training program in general banking, over 8,000 Rural Community Bank staff members were trained in different topics, including customer care, treasury and credit management, anti–money laundering, internal controls, and check clearing. The demand for and implementation of the training provided under RFSP is essentially worthy of notice since the cost subsidies for training were incrementally marked down and eventually removed by 2005. Until 2003 the RCBs

were given a 50 percent subsidy on the cost of training, and in 2004 the subsidy was further marked down to 25 percent. This eventually equipped the RCBs to effectively carry out their operations than before.

The project further provided funds for complete computerization of 4 rural banks and partial computerization of 13 others. During the initial stage of the program, the project planned to support all the rural community banks, on a full cost recovery basis, with at least four computers each, a photocopy machine, and wireless equipment. It became obvious at the implementation stage that, providing computer hardware alone without additional support for networking and training, did not completely support the intended objective of enhancing the operational efficiency and effectiveness of the rural banks. The directors of the project then decided to instead support full computerization of at least one branch in a selected number of banks. This was even considered insufficient, however, and it was decided that at least one RCB would be fully computerized—that is, networked computers would be installed in the head office and all branches (World Bank Report, 2010).

As at 2010, about four banks were completely computerized. All these banks had their activities carried out in the head office and the branches fully computerized, where the branches are connected to the head office via a wide-area network. Two banks have local area network connections within their head offices and some branches, and 11 have at least one branch with a local area network. In totality, the results indicated that the quality of service delivery and financial performance of the rural banks significantly enhanced the implementation period of the project (World Bank Report, 2010).

The project further ended in several activity or component level benefits to these Rural Community Banks. The initial findings of an assessment of the impact of the various training programs on Rural Community Bank's performance suggested that the general banking training program had a positive and significant impact on both service delivery and financial performance. An attempt to find out the quantitative impact of the capacity-building programme introduced under the Microfinance Support Initiative or Special training programme for the average (mediocre) banks proved futile just because the dataset used was too small. Notwithstanding, descriptive data on the Microfinance Support Initiative suggested that the banks which participated in the programme managed to improve upon the number of their Microfinance customers and Microfinance portfolios by 13% and 25% respectively, while being profitable. About 80 percent of the banks which were supported under the initiative managed to significantly improve upon their Microfinance portfolios in 2007 as against 2006. Forty percent of the participating banks also improved upon their portfolios by more than 100 percent (World Bank Report, 2010).

The total number of Rural Community Banks which are fully computerized are not satisfactory (only four), there is therefore a need to fully computerized more in addition. It is also worthy of notice that even with these banks which are fully computerized, the data available after the computerization process is only one to three full years' data—this database is very small to allow for any massive impact assessment of computerization. Anecdotal benefits reported, however, include:

    1) improved effectiveness of oversight by BoG;

    2) a reduction in overtime cost incurred on staff;

(3) improvement in customer service (on average, turnaround time for customer services was reduced from 15 minutes to 3 minutes);

4) enhanced and effective internal controls;

5) automated ledger balancing; and

6) better monitoring of loan portfolios (World Bank 2008).

The computerization program has been reported to provide a simple way to implement the electronic Financial Analysis Surveillance System (e-FASS) which was introduced by the BoG to facilitate the reporting of prudential returns. Since 2008, it has become a requirement on all rural banks in Ghana to submit their returns using e-FASS.

Lastly, the Rural Financial Services Project has played an important role in the launching of the Apex Bank. The Apex Bank has also been very instrumental in managing the capacity-building program for the Rural Community Banks especially in introducing the MICR (Magnetic Ink Character Recognition) checks that enhanced the acceptance of RCB checks, developing the domestic money transfer product, and providing an enhanced investment options for Rural Community Banks through its brokerage services (World Bank Report, 2010).

The Bank of Ghana has categorized agriculture as a critical factor in the attempt to pursue the objectives of Rural Banks; to facilitate rural savings mobilization; to offer credit and other banking services to rural producers; to act as an instrument for rural development. The Bank of Ghana has therefore directed that agricultural loans should constitute at least 50 percent of any Rural Bank's loan portfolio at any particular point in time adding that cottage industry, and trading and transport should have a maximum

allocation of 30 percent and 20 percent respectively (BOG, 1985); see Table 1 below. The Bank of Ghana named mandatory sectorial allocations as direct production credit and any loan falling out of these sectors is termed as social credit and should therefore represent a very small fraction of Rural Banks loans portfolio.

Table 1: Mandatory Sectorial allocation of Rural Banks Loan Portfolio

Sector	Credit Allocation
Agriculture	A minimum of 50% of the loan portfolio
Cottage Industries	Approximately 30% of the loan portfolio
Trade and Transport	A maximum of 20% of the loan portfolio

Source:[a]The Bank of Ghana's operational manual for Rural Banks (1985)
[b]Examples of cottage industries include bricks and tiles, construction, furniture making, tailoring etc.

It is interesting to note that almost all the Rural Banks in Ghana have been innovative in their operations by implementing the group-based lending schemes in almost all their financial products (Chord, 2000). The implication of this is the quest by the Rural Banks to minimize their cost of transaction by replacing multiple small loans to individuals with a large loan to a group.

The study conducted by Thorsten Beck *et al.* (2008) showed that there is a considerable difference in lending terms and practices between banks conducting business in developed and developing economies. They indicated that whilst banks in the developed economies appreciate competition as a major constraint, banks in developing economies focus attention on macroeconomic factors. They further found out that a major portion of

bank loans is channeled to large firms as compared to Small and Medium Enterprises but there is a slight difference in the type and pricing of bank loans across all sizes of firms.

There are two important concepts in the United States (U.S) literature on the provision of financial services to SMEs. The first concept consists of the researches that have looked into the tendency of the various types of banks' willingness to lend to SMEs. Most of such literatures conclude that small banks, including rural community banks are more likely to provide financial support to SMEs (Berger, Kayshap, and Scalise, 1995; Berger and Udell, 1996). On the contrary, the recent studies conducted by Berger, Rosen, and Udell (2006) disregards this conventional wisdom. They made an assertion that there is not a small-bank bias in lending to SMEs, as pointed out by the fact that the probability that a small business receive credit facility from a large bank is proportional to the market share of large banks. The second strand includes studies that have examined the consequences of bank consolidation on small business lending. The evidence available with this concept is mixed. Berger, Saunders, Scalise, and Udell (1998); Goldberg,Berger , and White (2004) uncovered that mergers have a high tendency to reduce small business lending. However, Strahan and Weston (1998) showed evidence to disagree. Goldberg, and White (2004) indicated that a reduction in small business lending due to consolidation can be minimized by 'de novo' banks that happen to give more loans to SMEs than the other banks.

2.1.2   The Apex Bank's Role in Supervision

To help address the challenges of supervising RCBs, a law enacted in 2006 allowed the BoG to delegate some of its supervisory functions to the Apex Bank, as follows:

1. maintain primary cash reserves of the rural and community banks in accordance with relevant rules, regulations, and policies;

2. monitor, inspect, examine, and supervise rural and community banks in accordance with relevant rules, regulations, and policies;

3. to provide credit to the rural and community banks which are challenged with temporary liquidity problems; and

4. provide specie management and specie movement services.

Although the Association of Rural Banks (ARBs) Apex Bank currently carries out all the supervisory roles envisaged for it under the 2006 regulations, the Bank of Ghana also intensified its functions to implement both on-site and offsite supervision. The full delegation of powers has been challenged by structural, capacity, and resource constraints. Structurally, since the ARB Apex Bank was formed and owned by the RCBs, its autonomy to supervise its members has been called into question. The ARB Apex Bank is mostly challenged in capacity to carry out off-site and on-site supervision, partly because of resource constraints. The Apex Bank neither has access to any funds from the Bank of Ghana or GoG to undertake this function effectively nor can it recover the costs from RCBs because regulations do not require RCBs (or any other banks) to pay for supervision costs.

2.2 The Concept of Small and Medium Enterprises (SMEs)

Small and Medium Enterprises (SMEs) are extensively discussed phenomenon among the numerous academics and policy developers. Nevertheless, there is no clear and generally acceptable definition of what it is. The reason for this is largely associated with the differences in companies in terms of their levels of profitability, sales, capitalization and employment. However these have been the bases for the numerous definitions of SMEs (Kayanula *et al*, 2000). Adopting these measures as bases for defining SMEs has become erroneous (Kayanula and Quartey, 2000). Bolton (1971) proposed quantitative and non-quantitative definitions for SMEs. He reported that SMEs exhibit three essential characteristics; a small firm is managed by owner(s) in personalized way; have relatively small share of market in economic terms; independent and relatively free from outside control of principal decisions. He further supplemented this definition with quantitative measurement depending on the industry eg. 25 employees or less for construction firms; 200 employees or less for manufacturing firms.

United Nations Industrial Development Organization (UNIDO) also defines SMEs for both developing and industrialized countries as enumerated in Table 2.

Table 2: UNIDO's Definitions for SMEs in Developing and Industrialized Countries

Developing Countries	
Firm Size	**Definition**
Large	Firms with more than 100 employees
Medium	Firms with 20 to 99 employees
Small	Firms with 5 to 19 employees
Micro	Firms with less than 5 employees
Industrialized Countries	
Large	Firms with more than 500 employees
Medium	Firms with 100 to 499 employees
Small	Firms with less than or equal to 99 employees

Tetteh K. Emmanuel *et al*., 2006 posit that the non-performing SMEs is associated with the low educational background of the entrepreneurs. According to Schiffer and Weder, (2001); IADB, (2004); Beck, Demírgüç-Kunt, and Maksimovic, (2005), and Beck, Demírgüç-Kunt, Laeven, and Maksimovic, (2006), SMEs are perceived to be constrained by access to finance and high cost of capital, affecting their performance greater than the larger firms using firm-level survey data.

The "conventional wisdom" in academic and policy clique argue that large and foreign banks are generally reluctant to serve the SMEs. However, small and niche banks have a leverage because of their ability to overcome their opaqueness of SMEs via relationship lending. Berger and Udell (2006) argue that relationship lending is just one of the numerous ways by which banks extend financing to SMEs. They further indicated that

Banks continue to apply to provide financial support to various transactional technologies that accelerate arms-length lending, including credit scoring and significantly standardized risk rating tools and processes, as well as special products such as asset-based lending, factoring, fixed-asset lending, and leasing. Banks in both developed and developing countries actively serve SMEs (Thorsten Beck *et al*., 2008).

There are several models or techniques (financial and non-financial) which may be adopted to test and assess the performance of SMEs. As cited in Appiah K. Opoku (2011), several models exist which could be used to predict the financial health of companies. Patrick (1932); Durand (1941); and Beaver (1966) applied Accounting ratios, Scoring model, and Univariate discriminant analysis to predict firm's financial health respectively. However, in assessing the performance and success of a firm, non-financial issues also play a significant role. Some of the non-financial factors affecting a firm's performance include marketing effectiveness, the quality of personnel, production performance, service quality, and the firm's relationship with outsiders.

Tulus Tambunan (2005) posits that SMEs are promoted using a clustering approach. He further stated that SMEs development policies with a clustering approach is relevant since it is an effective and efficient way by which government provides technical and managerial assistance, including training, financial supports and general facilities such as large machinery for raw materials drying and processing into half finished goods to a group of firms which have come together in a particular location than to individual firms who are not together but dispersed.

The study conducted by Erkan Bayraktar, Mehmet Demirbag, S. C. Lenny Koh, Ekrem Tatoglu, HalilZaim (2009) showed that Supply Chain Management and Information System practices have a positive and considerable effect on the operational performance of firms.

Battistoni, E. *et al*., (2013) also adopted Structural Equation Modeling (SEM) approach to investigate the possible relationships between Operations Management and the performance of SMEs in the manufacturing sector. Their results showed that Operations Management practices are important drivers that determine the success of SMEs. The study conducted by Tamar Asadurian *et al*., (2010) sought to examine the contribution of United States (US) services of SMEs to US trade and focused mainly on the role of SMEs as indirect exporters. The study combined both primary and secondary data techniques to collect data for their analysis, specifically questionnaires and new data from the Bureau of Economic Analysis (BEA) and the US Census Bureau (Census) on affiliates sales and cross-border exports of U.S Services of SMEs. Their findings suggested that U.S SMEs that are involved in exporting activities perform better than their counterparts who are non-exporting.

The empirical data gathered from the study indicated that irrespective of the sector within which the SMEs operate, thus, whether in services or manufacturing, the exporting SMEs recorded higher total revenues, faster total revenue growth and higher labour productivity than their non-exporting SMEs counterparts. The study conducted by Mohd Azian Husin and Mohammed Dahlan Ibrahim (2013) also sought to assess the role of accounting services and its impact on SMEs performance in manufacturing sector from East Coast Region of Malaysia.

Owusu-Frimpong (2008) indicated that governments all over the world are faced with a challenge to develop good policies and programmes that would enhance the socio-economic well-being of the people and therefore bring deprivation and misery to the barest minimum. Englama and Bamidele (1997), Poverty is highly evidenced in most of the African countries including Ghana, Nigeria, Zimbabwe and Tanzania. As stated in Obadan (1997), there are numerous causes of poverty in the sub-Saharan Africa, among which include, inadequate access to credit by the poor, even on a small scale; insufficient tangible assets such as land and capital; inadequate access to employment opportunities. It is upon this premises that the government of Ghana ensured the establishment and sustainability of Rural Community Banks to play a significant role in providing financial management support, investment profiling and counseling to facilitate poverty alleviation in the rural communities.

Owusu-Frimpong (2007) indicated that rural community Banks are perceived as fairly active in rural infrastructural development, and have joined hands with Non-Governmental Organizations (NGOs) to assist in identifying, decentralizing and educating rural groups on how they can access and benefit from the banking services. He explained that there is a few gender related significant difference between women and men in their service quality perception.

According to Abor and Biekpe (2006), the proportion of bank loans advanced to SMEs account for less than a quarter of their debt financing. Employing firm-level features such as the age and size of the firm, asset tangibility, profitability and firm growth, the researchers concluded that the age and size of the firm along with asset tangibility have a significant positive associations with SMEs bank-debt ratio. However the researchers

further indicated that profitability is significantly and negatively related to the bank-debt ratio.

A study conducted by Egyir, Mensah-Bonsu and Mamuda (2009) showed that there is a close gender difference with respect to credit supply by the rural banks in Ghana. They further indicated that the major factor which drives women farmers access to credit include education, application procedures, access to land, income level, farm size, membership to economic associations, savings, type of crop grown, interest rate and distance to rural banks.

The conventional measure for accessing credit from financial institutions has been a major challenge to farmers and this limits their ability to access financial aid (FAO, 2000).

According to the World Bank Policy Research Report, (World Bank, 2001), the World Bank has indicated that poverty reduction and growth depend on effective national financial systems. (World Bank, 2002) also indicated that women continue to have systematically discouraging control over a number of productive resources such as land, information, education and more importantly financial services.

Another challenge of access to credit by SMEs is the failure of financial institutions to appropriately involve the beneficiaries before formulating their credit schemes (Mensah, 2004). Also borrowers are mostly excluded or allowed to have a little input over the design of their own projects. However when inappropriate choices result in lack of produce to markets, they are still required to repay all the credit advanced to them together with the interest thereon. According to FAO (2002); rural banks often depend

on the already existing economic groups and associations to select suitable clients for credit. This usually deprives those who are not already in such associations or groups to have access to loans to enhance productivity.

Studies conducted by O'Regan *et al*. (1998) indicate that SMEs exhibit some key characteristics which generally make them different from larger organizations, such characteristics include;

1. Reliance on small number of customers, and operating in limited markets;

2. Potential to be highly innovative

3. Flexible and flat decentralization structures

4. Personalized management style with no or little decentralization of authority;

5. Highly resource constrained in terms of finance, power and managerial competencies;

6. Informal, dynamic strategies

7. Fire-fighting mentality

Many literatures have indicated the relevance of companies to align their Performance Measurement (PM) systems with their strategic goals. In order to properly address this issue, there have been a number of frameworks and processes (approaches) which purported to develop performance measurement systems. Kaplan and Norton (1992) indicated that the most popular and widely used of these approaches is the balanced scorecard, which seeks to highlight a balance between the use of finance and non-financial measure to achieve strategic alignment. These approaches have been designed basically to be used by medium and large enterprise (Hudson *et al*., 2011).

2.2.1 Characteristics of Performance Measures

There are a number of guideline sets which provide a detail explanation of the features of performance measures (Neely *et al*; 1998). However, Hudson *et al*. (2001), presented the characteristics of Performance Measures as follows:

Characteristics

Derived from strategy; Clearly defined with an explicit purpose; Relevant and easy to maintain; Simple to understand and use; Provide fast and accurate feedback; Link operations to strategic goals; Stimulate continuous improvement (Neely *et al.*

2.2.2 Definition of Performance:

Performance refers to output results and their outcomes obtained from processes, product and services that permit evaluation and comparison relative to goals (Mel Hudson *et al*., 2001). Performance may be looked at from diverse perspectives including financial and non-financial. Financial performance measures include:

1. Gross Profit Margin = Gross Profit divided by Total Sales

2. Return on Assets = Net Profit divided by Total Assets

3. Return on Capital Employed = Net Profit before Interest and Tax divided by Capital Employed

4. Net Profit Margin = Profit after Interest and Tax divided by Total Sales.

2.2.3 Dimensions of Performance

Apart from the Finance, in their different forms, which is generally considered to be a critical dimension in terms of measuring performance, Keegan *et al* (1989); Jones *et al.* (1993), other dimensions include Time, Quality, flexibility and customer satisfaction and human resource. (Schmenner and Vollmann, 1994; Laitinen, 1996).

As indicated in Hudson *et al.* (2011) these Performance Measurement dimensions could be seen as covering almost every aspect of a business.

Table 3 below presents the detailed explanation of these dimensions:

Table 3:   Dimensions of Performance Measurement

Quality	*Time*	*Flexibility*	*Finance*	*Customer Satisfaction*	*Human Resource*
Product Performance; Delivery reliability; waste; Dependability; Innovations.	Lead time, Delivery reliability, Process throughput time, Process time, Productivity, Cycle time, Delivery speed, Labour Efficiency, Resource Utilization.	Manufacturing Effectiveness, Volume flexibility, New product introduction, Computer systems, Future growth, Product innovation, Resource Utilization.	Cash flows, Market Share, overhead cost reduction, innovation performance cost contract Sales profitability Efficiency product cost reduction.	Market share, Service, Image, Integration with customers, competitiveness Innovation Delivery reliability.	Employee relationship, Employee involvement, Workforce, employee skill Learning, Labour efficiency, Quality of work life, Resource Utilization, productivity.

Emire *et al (2013)* stated that banks actively perform important and innovative roles in their quest to provide financial services to support economically worthwhile projects. In any economy, the presence of a strong and dynamic financial institutions and markets serve as a catalyst to technological innovation (Erkan *et al*, 2009). They indicated that financial institutions and markets make funds available for entrepreneurial activities in innovative products. The role of rural banks is to promote entrepreneurship for economic development. A dominant constraint facing SMEs has been identified as their ability to access finance for their businesses (Kadri *et al, 2013)*). A study conducted by World Bank revealed that about 90 percent of small enterprises surveyed indicated that credit was a dominant challenge to new investment.

It is quite evident in the extant literature on the fact that small and medium enterprise face challenges in accessing funds from the financial institutions to enable them to finance fixed assets and working capital for their operations (Mensah, 2004).

Blanton and Dorman (1994) posit that small enterprises are often under-capitalized. They argued that the duration and terms of loan given to SMEs does not provide lasting solution to their solution to their financial needs. They further stated that most often SMEs are granted short-term loans and for that matter have no option than to rely on these short term funds and informal credits to finance their long-term needs, including purchase of new equipment.

Many researchers have indicated in their studies that a firm is highly potential to build itself to continue in operations when it stays in business for a long time and therefore increase its capacity to access more loans from the banks, hence, age is said to be positively related to debt. Before a bank grants a loan, it attempts to evaluate the

creditworthiness of the entrepreneur. This stems as a result of the general belief that entrepreneurs attempt to tag higher hopes to very risky business that promise higher returns. In order to critically address this challenge in evaluating creditworthiness, Rajan (1992) and other researchers have argued that the effects of information asymmetry is minimized when there is a long lending or banking relationship since the banks become aware and well informed about the borrower's credit history and account movements, as well as the personal behavior of the firm's manager. On the similar account, Timmons (1994) also indicated that capital requirements differ at different levels of firm growth. He further explains that young firms may be able to access capital from internal sources such as earnings, and informal sources such as family and friends. As a successful firm climbs the ladder of business growth, however, more capital would therefore be required to finance growth, and at some stage, the firm must then rely on external sources such as banks to access a loan facility to support its operations. Consequently, the expected sign is positive.

According to Cole and Wolken (1995), banks are noted to be the main external source of capital to the SMEs. Previous studies have found out a widening gap in the financial support advanced to Ghanaian SMEs. Emphasis is mostly made on high interest rates, collateral requirements and cumbersome processes as the major hindrances to SMEs' access to bank loans in Ghana. Most of these studies focused attention on the challenges SMEs face in accessing financial assistance from banks and other financial institutions (Sowa *et al.*, 1992; Aryeetey *et al.*, 1994; Boatsi, 2002).

2.3 Review of Empirical Literature

The study conducted by Sang *et al.*(2008) focused mainly on the effects of Information Technology (IT) knowledge and media selection on the operational performance of Small and Medium Enterprises. They employed balance score card as a primary tool to assess and measure the performance of Small and Medium Enterprises. Their results indicated that generally, SMEs lag behind large companies in adopting and implementing computerization. Their study was basically built on a premise of a survey of 698 small firms and their results also showed that Individual IT knowledge and both traditional and electronic communication methods significantly contribute to the internal process performance of small firms. Their findings further suggested that financial performance is affected by process and customer performance. Their findings therefore implied that there is the need for small firms to adopt computerization to achieve enhancement in business operational performance. The present study on the other hand envisaged to assess the roles of rural banks to promote operational performance of SMEs.

The study conducted by Street and Meister (2004) also looked at small business growth and internal transparency as the role of information systems where they indicated why an Information System of Small Business needs to change when there is a change in communication behavior. The study adopted an interpretivist perspective of scientific realism and drew a conclusion that any business entity would be successful if it identifies that there is an urgent need for timely and accurate information about its activities. They indicated that information could be obtained on time when management and other users take the necessary steps to monitor and measure the operations on constant basis. They further argued that Information, Communication Technology (ICT) plays an influential

role in bringing out the potentials of small enterprises. In spite of this, SMEs mostly find it difficult to implement technology for many reasons such as behavioural characteristics and resource challenges.

Milé (2010), also focused his study on the innovation practice and its performance implications in SMEs in the manufacturing sector. The study specifically attempted to examine how innovation can affect performance of SMEs in the manufacturing sector. A sample size of six hundred (600) SMEs in Australia was used for the study where data were collected via systematic random sampling techniques. After subjecting the data gathered to regression analysis, the results of the study suggested that SMEs do not seem to recognize the relevance of innovation culture in a strategic and structured manner. However, previous literature had suggested that innovation strategy and formal structure are the major factors which drive the performance of SMEs in the manufacturing sector. The implication is that the operational performance of Small and Medium Enterprises(SMEs) in the manufacturing sector is likely to enhance as and when they increasingly recognize that innovation culture and strategy are closely aligned throughout the innovation process. The present study, however, looks at the roles of rural banks to promote the operational performance of SMEs in Ghana.

Another empirical studies conducted by Abor (2007) focused attention on the effect of debt policy (capital structure) on the financial performance of small and medium-sized enterprises (SMEs) in Ghana and South Africa. He employed panel data analysis to investigate the association between measures of structure and financial performance of SMEs. His findings suggested that capital structure of a firm significantly influence financial performance. The financial performance measures used in his study were gross

profit margin and return on assets. Abor then related these performance measures to debt ratios including short-term, long-term and total debt. The results of the study suggested that capital structure, especially long-term and total debt ratios have a negative effect on the performance of SMEs whilst he indicated a positive relationship between short-term debt and profitability. This present study contributes to the issue by assessing the roles of rural banks promoting operational performance of SMEs in the Ejisu Juaben municipality.

CHAPTER THREE

METHODOLOGY AND ORGANIZATIONAL PROFILE

3.0 Introduction

In order to carry out the research successfully, the researcher adopted case study and survey strategies. This will enable the researcher to gather extensive data considering the large number of customers who have accessed loan facility from Juaben Rural Bank. Both quantitative and qualitative designs were employed to test the relationship among variables and to describe situations and events respectively during data gathering for the study.

This chapter presents the methodology used for carrying out the research. The chapter describes the research design. More so it provides details about the population, sample and sampling techniques and the research tools used in collecting data for the research work. The chapter also discusses the data collection methods, data analysis and ethical concerns. Finally, a brief discussion about Juaben Rural Bank is also presented in this chapter.

3.1 Research Design

The research design of this study is a non-experimental or a case study, one which determined the role of Juaben Rural Bank on the operational performance of SMEs in Ejisu-Juaben Municipality. In employing the case study, the researcher intended to collect an in-depth and extensive data from the owners and managers of SMEs who transact business with Juaben Rural Bank. Key staff members including the managers of Juaben Rural Bank, who manage the bank also provided relevant information for the study. To this end, both quantitative and qualitative methods were used for the research.

Interviews and questionnaires covering the objectives of the research were the major instruments used to gather data from the managers and customers (SMEs) of the bank for the study.

3.2 Research Approach

Open-ended questions were included in the questionnaire to give the respondent the flexibility to answer from different perspectives. This would also allow the researcher to gather relevant data which would not have been revealed if only close-ended questions were employed. In this case the researcher could analyze the data from an extensive point of views.

Considering the objectives of this study, the researcher employed both qualitative and quantitative methods such that both structured questionnaires and interviews were used in order to gather enough data to undertake the study.

3.3 Population

The population of the research study comprised staff of Juaben Rural Bank and owners of SMEs in the Ejisu-Juaben Municipality in the Ashanti region. Owners, managers and workers who worked in SME, especially, trading, metal works, food processing, furniture works, bakery, wood products, and machinery works were used as the population for the research study. The population is estimated to be 170 which is made up of 150 SMEs and 20 key staff members of the Rural bank.

3.4 Sampling Techniques

In designing the research study, the researcher took into consideration the need to make inferences from the sample of the population in order to answer the research questions and also meet the research objectives. A sample size of 5 respondents of the Rural Bank was used for the research study made up of the manager and other staff members of the Bank and 80 owners of SMEs who have consistently transacted business with Juaben Rural Bank Limited.

Table 4: Guide: sample size and technique for selecting respondents

Target Group	Sample Method Required		
	Estimated Number	Sample Selected	Technique used
Staff of the Bank Manager and other key staff members	20	5	Interviews (Purposive)
Customers Business Owners of SMEs	150	80	Questionnaire (Purposive/Random)
Total	170	85	

The purposive and random sampling methods were used to select the sample from the population. This is to help to get a very accurate result for this study, people who are directly involved in the activities of the SMEs as far as financing and management of the businesses were concerned. In the purposive sampling, the sample is chosen to suit the purposes of the study. However, owners of the SMEs were randomly selected in that each of these customers of the bank had equal chance to be selected for the study. These methods were used because the sample was to answer the questions and respond to the interviews as objectively as possible.

3.5 Data Collection

For the purpose of this study, data were gathered through primary and secondary means. The secondary data were used because many researchers have already conducted studies which are related to the topic under discussion. For this reason the researcher found it necessary to review the works of these scholars in order to build a basis for his argument.

Since the researcher's work is unique from the works of other researchers, he considered it necessary to collect data from the primary source. In this way, the researcher administered questionnaires to some selected customers of Juaben Rural Bank who have accessed financial aid to expand their businesses. Similarly, interviews were also conducted to gather in-depth data from the manager(s) purposely for the study.

3.5.1 Primary Data Collection

3.5.1.1 Questionnaire

Questionnaires were administered to managers of the bank and the owners or managers of SMEs in the study area. The questions were set according to the objectives of the study in order to appropriately address the research questions. The questionnaire carried both close and open ended questions to help in the collection of detailed data. To administer the questionnaires, contacts of the various SMEs working with the Bank were collected to ensure that they are the members that we are in contact with and again to help facilitate the study.

3.5.1.2 Interview

The researcher employed both structured and unstructured interview techniques to gather data for the study. An informal arrangement was made with the general manager of

Juaben Rural bank where a predetermined and standardized questions were asked. Relevant data were also gathered through informal and unstructured conversation. Therefore face-to-face approach was used in interviewing the manger(s), some staff members of the bank and the owners of SMEs.

3.5.2 Secondary Data

Data were gathered from published articles, journals, textbooks, and already prepared reports from libraries, from Small and Medium Size Enterprises, as well as the Rural Bank.

3.6 Validity and Reliability

Validity should involve the appropriateness, meaningfulness, and usefulness of inferences made by the researcher on the basis of the data collected. Pilot testing likewise gives the chance for the researcher to evaluate the appropriateness and practicability of the data collection tool. The questionnaire was given to the researcher`s supervisor for further comments where necessary regarding the validity and reliability of the instrument based on the research objectives.

3.7 Data Analysis

The raw data acquired from a study should be transformed into information for the purpose of decision making as stated by Saunders *et al*, (2012). The data analysis comprises of scaling down the raw data into a manageable size, developing summaries and applying statistical inferences. Subsequently, these stages were carried out to analyze the data for the research study. The data were edited to detect and correct possible errors and omissions that occurred during the process to ensure reliability across respondents.

The data were then coded to permit the respondents to be grouped into limited number of categories. SPSS software and Microsoft Excel were used for the analysis. In analyzing the data, descriptive statistical tools such as bar graph and pie charts were used.

3.8 Ethical Considerations

The involvement in the study was voluntary and the respondents could withdraw from the study at any time (White, 2000). Also the targeted respondents were informed properly about the study to enable them make a decision as to whether to participate or otherwise. There was a pre-notification message to the targeted respondents to inform them of the purpose of the study and assure respondents that their responses will be treated strictly confidential and shall only be used for the intended purpose. In order to avoid academic plagiarism, appropriate recognition and acknowledgement were made on all documents used for the study.

3.9 Organizational Profile of Juaben Rural Bank Ltd.

Juaben Rural Bank Ltd. was incorporated on 24th October, 1984, to operate as one of the limited liability companies in Ghana with Certificate of Incorporation No. 25435. Five months thereon, Bank of Ghana issued a license on 12th March, 1985 to enable the bank to operate as a rural bank under its supervision. Juaben Rural Bank has since then built a reputation as one of the leading Rural Banks in Ghana.

Juaben Rural Bank Limited was established in Juaben, a town in Ejisu-Juaben Municipality. The Bank has its head office at Juaben in the Ashanti Region about 30 kilometers away from Kumasi. The Bank is the 93rd rural bank to be established in the country and the 18th to be established in the Ashanti Region. The Bank has since its

establishment expanded in terms of opening branches in the Kumasi Metropolis and other communities. Currently, it has 9 branches including, Ejisu, Kwaso, Bonwire, Aboaso, Roman Hill, Magazine New Road, Sepe Timpomu, Atimatim and Fumesua.

3.9.1 Shareholding / Deposits

The initial share capital of the bank was GH¢ 2,213.98, the highest among the rural banks in the country when the bank was commissioned in October 1984. This has increased over the years to GH¢ 1,434,957.00as at 31st December, 2012. Deposits at the same period also stood at GH¢26,166,597.00.

3.9.2 Mission

The bank's mission is to provide financial and other related services to meet the demands and expectations of its varied and segmented customers. The bank seeks to ensure that this mission is pursued by utilizing highly qualified, competent and motivated staff to provide high quality and innovative products/services to meet customers' demands.

3.9.3 Vision

The vision of Juaben Rural Bank is to be the most preferred rural bank in Ashanti Region by 2017.

3.9.4 Core Values

The bank is confident that in humility they would satisfy their customers and motivate their staff to keep the bank as a going concern. The bank observes the need to understand staff and customer needs and to respond to such needs at all times.

The bank's hallmark is to maintain its integrity and honesty in its operations at all times. There is therefore a need to be successful, and this calls for a holistic commitment of staff at all times on the basis of fairness and integrity.

3.9.5 Products and Service

Juaben Rural Bank offers the following products and services to its patrons

Current Accounts

Savings Accounts

Fixed Deposit Accounts

Loans and Overdrafts

Domestic Money Transfer

Susu Savings

Susu Loans

Funeral Loans

Daakye Nti Investments

Consumer Credit

Micro Finance

Bankers' Draft

Salary Advance

Cash Collection

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 INTRODUCTION

This chapter seeks to provide information on data presentation, analysis and discussion of findings of the study. In order to properly address the objectives of this study, data were collected from Juaben Rural Bank Limited and its customers who have accessed loan facility purposely for their businesses. Questionnaires and interview guide were developed to solicit data from the respondents. The field survey was undertaken between May, 2015 and July, 2015. Out of the total 80 questionnaires administered, 70 were received from respondents representing a response rate of 87.5 percent.

In order to assess the operational performance of SMEs, responses were actually measured using a five-point Likert rating scale where Very Dissatisfied = 1 and Very Satisfied = 5. Data received from the respondents were entered into SPSS data application and Microsoft Excel to facilitate analysis. Descriptive statistics were employed in the presentation and analysis of the empirical results.

4.1 Background Characteristics of SMEs

Table 4.1: **A Table showing Demographic Characteristics of SMEs**

AGE OF FIRM	Frequency	Percentage(%)
Infant	5	7.2
Young	10	14.3
Adult	15	21.4
Mature	40	57.1
Total	**70**	100
SIZE		
Micro	65	92.9
Small	4	5.7
Medium	1	1.4
Total	**70**	100
GENDER OF OWNER		
Male-owned	23	33
Female-Owned	37	52.7
Both	10	14.3
Total	**70**	**100**
KIND OF INDUSTRY		
Agriculture	6	8.6
Trading	44	62.8
Transport	16	22.9
Cottage	4	5.7
Total	**70**	**100**

Source: **Field Survey, 2015**

Table 4.1 presents the characteristics of firms based on Age, Size, Gender and Industry classification. Firms were categorized based on the date of establishment. Those who have been in business for less than 1 year were classified as 'Infant', those which have been in business between 1 and 5 years were classified as 'Young', those between 6 and 10 years were also classified as 'Adult' whilst those which have operated for more than 10 years were labeled as 'Mature'. Table 4.1 suggests that 7.2 percent of the SMEs were infant, 14.3 percent were young, 21.4 percent were adult and 57.1 percent were mature. Three size categories were also defined on the basis of number of employees as suggested by UNIDO where firms with 1 – 4 employees are classified as Micro, 5 – 19 are classified as small and firms with 20 – 99 are classified as Medium. From Table 4.1, 65 respondents representing 92.9 percent were labeled Micro. Four respondents representing 5.7 percent fell under the Small business category while only 1 representing 1.4 percent was a Medium sized firm.

From Table 4.1, 33 percent of the SMEs surveyed were owned by Female, 52.7 percent were owned by Males whilst the remaining 14.3 percent were owned by both males and females. In all, four industries were represented including, Agriculture representing 8.6 percent of valid respondents, Trading representing 62.8 percent, Transport representing 22.9 percent and Cottage 5.7 percent. Since the study considered all the relevant characteristics of SMEs, the results, however, suggested to be free from bias.

4.2 Roles and Functions of Juaben Rural Bank

The interview with the Bank's manager revealed that Juaben Rural Bank was established basically to provide financial intermediary services to its varied customers where it accepts deposits and gives loan facilities to promote economic activities in the area. The

manager indicated that the bank strives to be dynamic at all times and for that matter has taken the initiative to categorize its products/services into various segments to meet the demands of its customers. These categories include: Professionals (Teachers and other government workers); Educational institutions; Social; Corporate and Business (Agriculture, Cottage Industries, Transport, Trading-Microfinance); and Daakye Nti (Child education).

4.2.1 Sectorial Distribution of Loan

In an attempt to explain the various categories of the bank's products/services, the manager indicated that the Professionals category seeks to serve teachers, accountants, doctors, nurses and other government and non-government workers who receive their salaries through the bank. The Educational Institution category also seeks to provide financial assistance in terms of loans to educational bodies within Ejisu-Juaben Municipality on flexible terms of repayment. On the category of Corporate and Business, the Microfinance which forms part of Trading category is further sub-divided into Susu and Group. With a maximum number of 5, customers are allowed to form groups where members in each group guarantee for each other to enable the bank to disburse loan facility. The manager further indicated that this category has enormously provided an opportunity for a number of its customers to access bank loan for their businesses without providing any collateral security. With the Susu sub-category, customers are required to make daily savings (susu) with the bank for a minimum of 3 months before they are eligible to access loan facility for their businesses.

Table 4.2: A table showing loan disbursement to various Sectors

SECTORS	YEAR 2012 (GH¢)	YEAR 2013 (GH¢)
Agriculture	432,734.00	1,404,514.00
Cottage Industries	419,683.00	976,408.00
Trading	6,590,005.00	7,406,959.00
Transport	685,747.00	1,077,710
Salaried Workers	8,243,380.00	7,633,807.00
Total	**16,371,549.00**	**18,499,398.00**

Source: Bank's Financial Report, 2013

Table 4.2 confirms the responses from the interview that the bank has customers who are peasant farmers. However, considering the total loan portfolio of the bank, the portion allocated to such farmers has not been encouraging over the years. From Table 4.2, the total loan disbursed in the year 2012 was GH¢16,371,549.00. Out of this amount, GH¢432,734 representing 2.64 percent was advanced to Agricultural sector, Cottage received GH¢419,683 representing 2.58 percent, Trading sector also received GH¢6,590,005 representing 40.18 percent whilst Salaried workers received GH¢8,243,380 representing 50.35 percent. This indicates that the larger portion of loan portfolio is advanced to Trading and Salaried workers. There was no significant change in this trend in the year 2013 as presented in Table 4.2. This finding therefore supports the anecdotal evidence that Rural Community Banks sometimes direct most of their loan portfolio to salaried workers instead of supporting the activities of SMEs and Farmers.

4.2.2 Amount of Loan Received from Bank in 2015

Addressing the objectives of the study, respondents were asked to provide information about the amount of money they need from the bank and the actual amount the bank advanced to them. Their responses are presented in Table 4.3.

Table 4.3:A table showing amount applied for and received from bank

Number of firms	Amount needed and applied for	Amount received
55	GH¢10,000	GH¢7000.00
10	GH¢5,000	GH¢4000.00
5	GH¢2,000	GH¢1,500

Source: Field Survey, 2015

Table 4.3 presents the amount of loan SMEs applied for and received from the bank between January 2015 and June 2015. From Table 4.3, 55 respondents indicated that they applied for a loan of GH¢10,000 but the actual amount received was GH¢7,000 representing 70% of the amount applied for, 10 respondents applied for GH¢5,000 but were given GH¢4,000 representing 80% whilst 5 respondents applied for GH¢2,000 but GH¢1,500 were actually given representing 75%.

4.3 Respondents View on Loan Disbursement

Using a five-point Likert rating scale, the views of respondents about the loan disbursement were presented in Fig. 4.1.
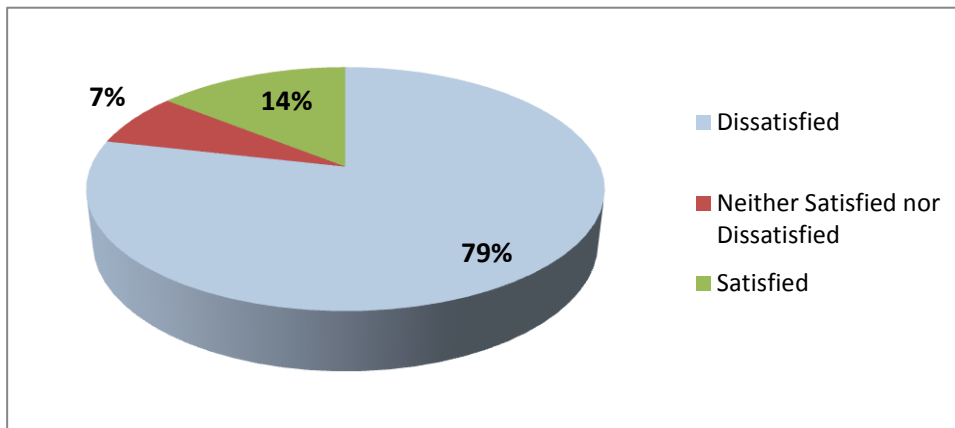
Fig. 4.1: A Chart showing SMEs satisfaction with amounts received from bank
Source: Field Survey, 2015

Figure 4.1 suggests that about 79 percent of the respondents were not satisfied with the total loans they received from the bank. 14 percent of the respondents indicated their satisfaction with the amount of loan received from the bank whilst 7 percent were neither satisfied nor dissatisfied. A follow up interview of the managers of SMEs further revealed that a critical assessment of their financial needs are made to enable them know the exact amount they need to invest in their businesses before they apply for a loan facility. Banks however fail to disburse the exact amount on the application and this hinders their ability to meet short and long term financial obligations as and when they fall due. The managers further indicated that most often they wished to take long term loan to allow them a reasonable time for repayment but the banks always tend to provide them with short term loan which sometimes compels them to finance long term projects with short term funds. This finding has confirmed the assertions mounted by Blanton and Dorman (1994) that SMEs are most often under-capitalized. They indicated in their study

that the duration and terms of loan given to these SMEs are woefully inadequate to provide a lasting solution to their financial needs. The study further revealed that most often SMEs are granted short-term loans and for such reason subjects them to have no option than to depend on the short term funds and informal credits to finance their long-term needs, including purchase of fixed assets.

4.4 Terms and Conditions of Loan

This section sought to find out whether respondents are satisfied or otherwise with the conditions attached to loans they received from bank. Using a five-point Likert rating scale, the responses were presented in Fig. 4.2
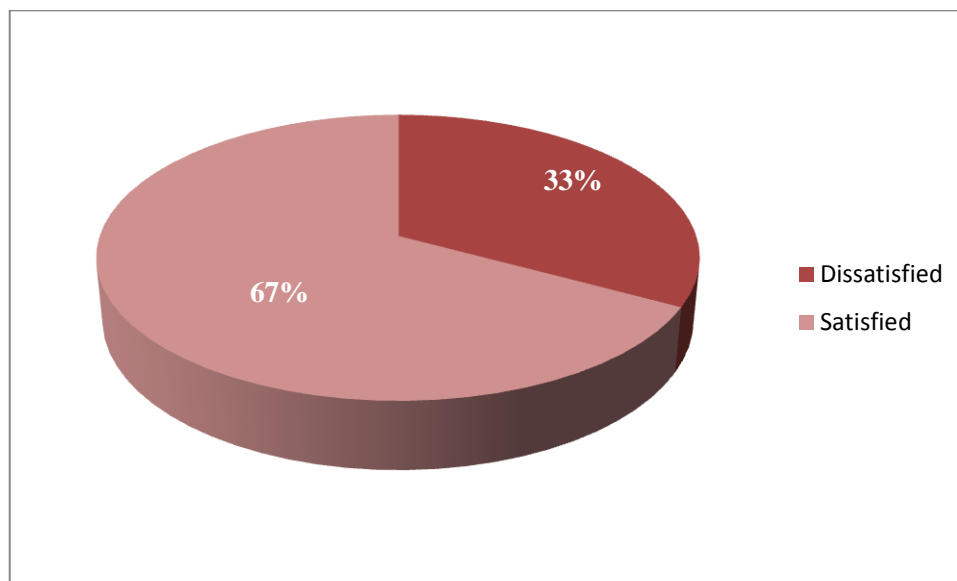
Fig. 4.2: A figure showing conditions attached to loans
Source: Field Survey, 2015

On the account of conditions attached to loans provided by the bank, fig.4.2 suggests that 67 percent of the SMEs contacted demonstrated their satisfaction whilst 33 percent indicated that they are dissatisfied with the terms and conditions attached to the loan facility. The respondents indicated the following as terms and conditions attached to the

credit facilities advanced to them: interest rates, flexibility of repayment, guarantor requirements, collateral requirements, commitment fee and lien.

4.4.1 Levels of Interest Rates

Respondents indicated that interest rates form part of the conditions attached to loans advanced to them. The trend of interest rates from 2013 to 2015 across the various sectors of Juaben Rural Bank loan portfolio were presented in Table 4.4

Table 4.4: A table showing a trend of Interest Rates

	YEAR		
Sectors	**2013**	**2014**	**2015**
Agriculture	28%	30%	30%
Cottage	28%	30%	30%
Trading	28%	30%	30%
Transport	28%	30%	30%
Salaried Workers	28%	28%	28%
Susu	26%	26%	26%

Source: Field Survey, 2015

4.4.1.1 Views of Respondents on the Level of Interest Rates

Using a five-point Likert scale, respondents were expressed their views about the level of interest rates charged on loans advanced to them. Their responses were presented in Fig.4.3
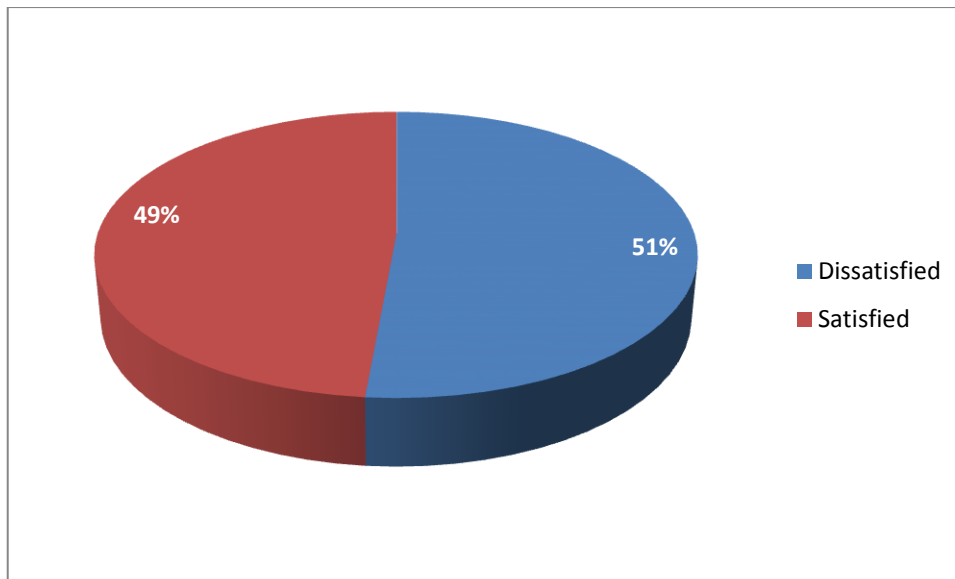
*Fig. 4.3:*A Chart showing SMEs satisfaction with interest rates of the bank
Source: Field Survey, 2015

Figure 4.3 indicated that 51 percent of the respondents are not happy with the level of interest charged on loans they have accessed from the banks. On the other hand, 41 percent expressed their satisfaction with the interest charged on loans. A follow-up interview with the respondents further revealed that higher interest rates on loans erode their profits and may negatively affect their operational performance. This is because a larger portion of their profits would be used to service the loan leaving little or nothing to meet other financial obligations as and when they fall due. A significant portion of the respondents (41%) were satisfied with the interest rate charged by Juaben Rural Bank on the basis of interest rates comparison with larger banks.

Some of these respondents also expressed their satisfaction with the interest rate of Juaben Rural Bank because they do not have any other means of accessing funds to support their business activities. The findings of this study is somehow in consonance with the argument made by Sowa *et al.* (1992); Aryeetey *et al*. (1994); Boatsi (2002) that

SMEs face numerous challenges and the prominent ones include higher interest rates, collateral requirements and cumbersome processes.

4.4.2 Flexibility of Loan Repayment

Respondents also indicated that flexibility of loan repayment form part of the conditions attached to the loan advanced to them. Using a five-point Likert scale, their views were presented in Fig.4.4
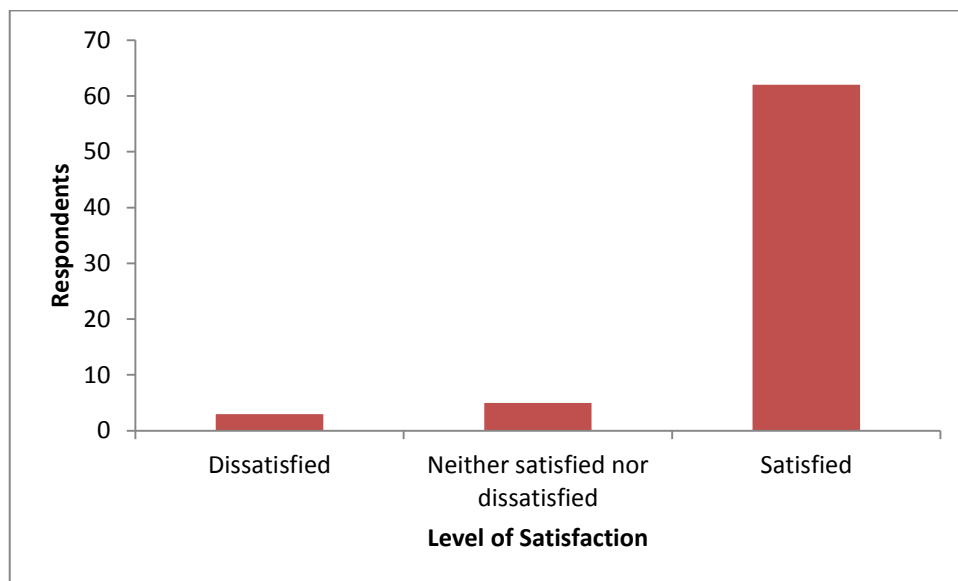
Fig. 4.4: A Chart showing Flexibility of Loan Repayment
Source: Field Survey, 2015

Figure 4.4 also suggests that 88.58 percent of the respondents indicated their satisfaction with the flexibility of loan repayment. 4.28 percent, on the other hand, expressed their dissatisfaction with the repayment of the loan whilst 7.14 percent of the respondents were indifferent ie. neither satisfied nor dissatisfied with the flexibility of loan repayment. A follow-up interview with the managers of SMEs selected for the study revealed that the bank allows flexible terms of repayment of the loan such that when there is a reasonable default in repayment, a new schedule is drawn to extend the time of

repayment with a meager additional interest. Notwithstanding, some customers of the bank are sometimes dragged to court for defaulting in repayment. At the extreme cases, some SMEs even lose their properties provided as collateral to secure the loan. The findings suggested that such cases are insignificant that it may not deter customers of the bank from accessing loan facility for their businesses.

4.4.3 Collateral and Guarantor Requirements

As part of the conditions attached to loans granted by the bank, respondents' views were present in Fig. 4.5 using a five-point Likert scale.
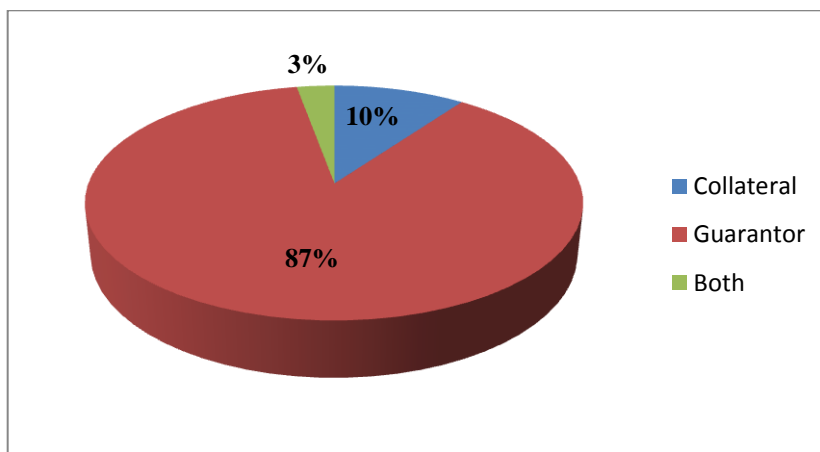
Fig. 4.5: A chart showing Collateral and Guarantor Requirements
Source: Field Survey, 2015

Fig. 4.5 presents the collateral and guarantor requirements by the bank before advancing a credit facility. Out of the total sample selected for the study, 10 percent of the respondents provided collateral securities in the form of properties, 87 percent provided guarantors whilst 3 percent were required to provide both collateral and guarantors. A follow-up interview with the bank manager revealed that customers who apply for loans above GH¢10,000 are required to provide collateral security.

4.5 Bank's Willingness and Readiness to Advance Loans

In order to address the objective of the study, respondents were asked to provide information about the bank's willingness and readiness to make advance credit facilities where Bank's willingness and readiness was labeled as 'availability of funds', and 'duration between submission of application and actual loan disbursement'. Using a five-point Likert scale, respondents view on the bank's willingness and readiness were presented in Fig. 4.6
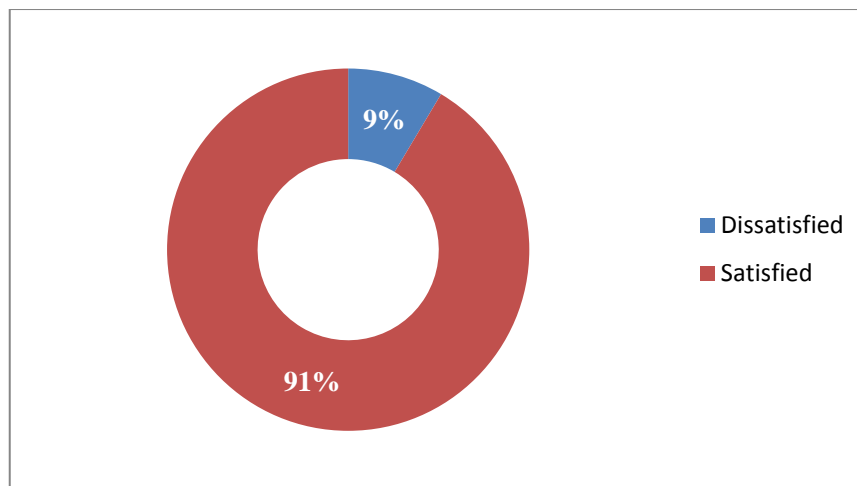
Fig. 4.6: A chart showing bank's willingness and readiness to advance loans
Source: Field Survey, 2015

Fig. 4.6 revealed that 91 percent of the respondents were satisfied with the bank's willingness and readiness to advance loans to SMEs. Respondents further indicated that funds are made available to them within three (3) days upon submission of their loan applications. 9 percent, on the other hand, expressed their dissatisfaction with the bank's readiness and willingness to grant loans. Answers to a follow-up interview with the managers of selected SMEs suggested that rural banks desire to provide financial aid to SMEs to enable them meet their financial needs as and when they fall due. The findings of the study therefore is in consonance with the assertion made by Asiedu-Mante (2011)

that rural banking was introduced by the Government of Ghana as an alternative channel of providing financial intermediation at the rural levels. They further indicated that Rural Community Banks are mandated to provide financial assistance to farmers, SMEs, Cottage industries, and to support rural development.

4.6 Sales Levels of Respondents

In order to assess whether loans received from bank have significant influence on the sales levels, respondents provided a data on their sales levels before and after accessing credit facility from bank. The data were entered into SPSS to perform a t-test. The results are presented in Tables 4.5 and 4.6. However the data collected from respondents are shown in the Appendix III.

Table 4.5 A Table showing the results of Paired-samples T-test on Respondents' Sales Levels

Paired Samples Test

		Paired Differences						
					95% Confidence Interval of the Difference				
	Mean	Std. Deviation	Std. Error Mean	Lower	Upper	t	df	Sig. (2-tailed)
Pair 1 Sales before – sales after	-1.843E3	2819.935	337.047	-2515.104	-1170.324	-5.467	69	.000

Table 4.6:   A table showing the results of Paired-samples T-test

Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Pair 1 Sales before	5587.29	70	6773.027	809.532
Sales After	7430.00	70	8942.511	1068.835

Statistically, Table 4.5 suggests that given the probability of 0.000, there is significant difference between the daily sales recorded before accessing the loan and sales levels after accessing the loan facility. Comparing mean values from Table 4.6, the mean scores of 5587.29 and 7430.00 for sales before accessing loan and sales after accessing loan respectively, the study concludes that there was a significant increase in sales after accessing a loan facility, all things being equal.

Responses from a follow-up interview with the respondents revealed that some of the SMEs were on the verge of collapsing but accessing a loan facility from the bank has revived and brought life into their businesses. Their business activities would have been in a bad state if the bank failed to grant them loans and irrespective of the perceived high interest charged by the bank, they are able to repay the loan within the stipulated period of time.

4.7 Challenges facing SMEs

Small and Medium Enterprises (SMEs) in Ghana are noted to face numerous challenges which pose a higher level of threat to their growth and expansion either locally or internationally. The findings of the present study has confirmed that the major challenges facing SMEs include access to affordable credit over a reasonable period of time; inadequate managerial skills and competence; low level of education; and inflation. Previous study has indicated that most of the proprietors of SMEs have low levels of education and this was confirmed by the present study where 49% of the respondents had 'Form Four' education. 33% of them had basic education, 11% had secondary education whilst 7% had tertiary education. It is very important that these owner managers have

access to some form of formal education to facilitate their operational performance (Anderson, 2001).
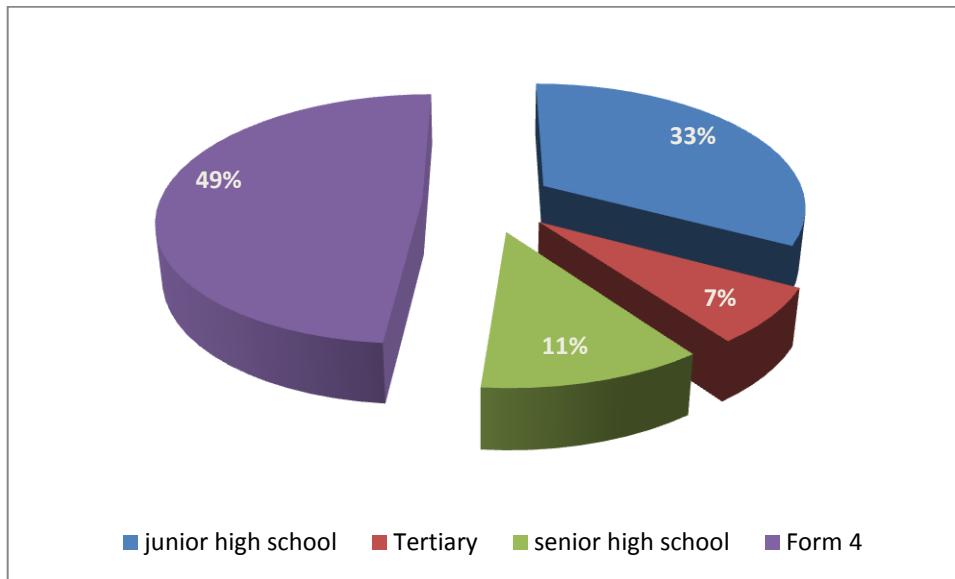
Fig. 4.7: A chart showing the Educational Levels of Respondents
Source: **Field Data**

The study also revealed that most of the managers of SMEs are owner-managers whose level of education are very low and therefore lack some basic managerial skills that drive a business to the level of expansion. Fig. 4.7 revealed that 74 percent of the respondents strongly disagree with the assertion that apart from granting loans, banks provide other business advisory and training services to SMEs. 7 percent of the respondents were indifferent whilst 5 percent agreed with the assertion. The other 14 percent indicated a simple disagreement with the assertion that banks provide training and business advisory services to SMEs to help improve their operational activities. However, these owner-managers are so skillful that a little advisory services and training would be helpful for them to manage their businesses as expected.

Table 4.7: A Table showing Challenges facing SMEs

Challenges	Frequency	Percent
Lack of Proper Book-Keeping	30	42.9
Lack of Business Advisory services and training	15	21.4
Lack of managerial skill	11	15.7
High Interest Rates	8	11.4
High cost of operations	6	8.6
Total	70	100

Source: Field Survey

Table 4.7 illustrates how respondents rank the challenges that affect their operational performance. The most common challenge (42.9 percent of respondents) was lack of proper book-keeping. Failure to keep proper records and subsequent preparation of financial statements may deny a firm from accessing financial support from bank. Some (21.4 percent of respondents) indicated that lack of business advisory services and training was a difficulty they face whilst 15.7 percent mentioned that, they lack managerial skills which hinders their operational performance. A number of firms (11.4 percent) admitted and expressed their dissatisfaction with the high interest rates which erode their profits whilst others (8.6 percent) indicated that high cost of operations pose a challenge on their performance and growth.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

The chapter seeks to present the summary of major findings of the study, recommendations and conclusion.

5.2 The Summary of major findings

The findings of the study revealed that Rural Community Banks direct most of their loan portfolio to salaried workers instead of supporting the activities of SMEs and Farmers. The results clearly indicate that rural banks fail to disburse the actual loan amount needed and applied for by SMEs. This further suggests that the amounts received by the SMEs are inadequate to provide a lasting solution to their financial needs.

The findings also suggest that the sample of SMEs selected for the study significantly increased their sales levels after accessing loan facility from the bank.

The results suggest that interest rates charged on loans are relatively high which has a negative effect on their profitability growth.

The results showed that Rural Community Banks are perceived to have flexible terms of loan repayment.

The results also revealed that Rural Banks are willing and ready to provide financial support to SMEs provided they meet all requirements including the provision of collateral securities or guarantors.

The results further indicate that the SMEs experienced significant improvements in their sales levels after accessing credit facilities from the Rural Banks.

The study results suggests that low levels of education, lack of proper book-keeping, lack of business advisory services and training, lack of managerial skills, high interest rates and high cost of operations are challenges facing most of the SMEs in Ghana. In ranking these challenges, lack of proper book-keeping was ranked high with 42.9 percent followed by Lack of business advisory services and training with 21.4 percent. Lack of managerial skills was ranked next with 15.7 percent followed by high interest rates and high cost of operations with 11.4 percent and 8.6 percent respectively.

5.3 Recommendations

SMEs are noted to play a significant role in the development of Ghanaian economy. Considering the key findings of the present study, the researcher recommends that rural banks keep their focus on the SMEs and farmers by providing adequate financial support to enable them improve and expand their activities.

Government and Policy makers should ensure that rural banks comply with their mandatory policy guidelines. Example is to adhere to rural banks sectorial distribution of loan portfolios.

Bank of Ghana and other regulatory bodies should ensure that rural banks provide frequent business advisory services and proper training for SMEs to enable them acquire the necessary managerial skills and competences to improve their operational performance.

The researcher further recommends that Government and other policy makers should make information available to the SMEs about other sources of finance to enable them have alternatives means of funds for their businesses.

Future researchers may also investigate the reasons why SMEs do not keep proper books of accounts and make relevant recommendations. Interest rates should also be kept at the moderate level to encourage SMEs to access funds for their businesses.

5.4 Conclusion

Small and Medium Enterprises (SMEs) are identified as the main engine for growth and development in every economy. However, formal credit in rural communities was not significantly available to the rural populace who are predominantly made up of small-scale farmers, small businesses and fishermen. The Government of Ghana facilitated the establishment of Rural Banks to improve the living standards of rural populace through the provision of banking and financial services to support small farmers and Small and Medium Enterprise. The ripple effect of this initiative was to manifest in access to quality healthcare, education, and improvement in other socio-economic development in the rural areas. However, it is not clear as to whether the Rural Banks actually perform the primary functions for which they were established. This stems from the fact that there are considerable anecdotal evidence to support that a high proportion of Rural Bank's loan portfolios are being redirected to salaried workers instead of the intended beneficiaries i.e Small Scale Enterprises and Farmers. The researcher therefore intends to investigate and assess the roles of Rural Banks in promoting the operational performance of Small and Medium Enterprises. The study specifically sought to identify the roles of Rural Banks; assess the extent to which the activities of Rural Banks improve the

operational performance of SMEs; and finally find out the challenges facing the SMEs in Ghana.

The research design of this study is a non-experimental or a case study, one which determined the role of Juaben Rural Bank on the operational performance of SMEs in Ejisu-Juaben Municipality. In employing the case study, the researcher intended to collect an in-depth and extensive data from the owners and managers of SMEs who transact business with Juaben Rural Bank. Key staff members including the managers of Juaben Rural Bank, who manage the bank also provided relevant information for the study. To this end, both quantitative and qualitative methods were used for the research. Interviews and questionnaires covering the objectives of the research were the major instruments used to gather data from the managers and customers (SMEs) of the bank for the study. Data received from the respondents were entered into SPSS data application and Microsoft Excel to facilitate analysis. Descriptive statistics were employed in the presentation and analysis of the empirical results.

The results of the study suggest that Rural Banks provide banking and financial services to the rural populace and specifically advance credit facilities to SMEs and other beneficiaries. The findings of the study revealed that Rural Community Banks redirect most of their loan portfolio to salaried workers instead of fully supporting the activities of SMEs and Farmers. The results clearly indicate that rural banks fail to disburse the actual loan amount needed and applied for by SMEs. This further suggests that the amounts received by the SMEs are inadequate to provide a lasting solution to their financial needs. The results further indicate that the SMEs experienced significant improvements in their sales levels after accessing credit facilities from the Rural Banks.

However rural banks need to improve upon their functions to enable them be up to task. The study results further suggests that low levels of education, lack of proper book-keeping, lack of business advisory services and training, lack of managerial skills, high interest rates and high cost of operations are challenges facing most of the SMEs in Ghana.

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KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS

(DEPARTMENT OF ACCOUNTING AND FINANCE)

QUESTIONNAIRE

Target respondent: ***Customer(s) of Juaben Rural Bank Ltd. (Entrepreneur / SMEs)***

Dear Respondent,

I am a student in the above mentioned University undertaking a study on "ASSESSING THE ROLES OF RURAL BANKS ON THE OPERATIONAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES: The case of Juaben Rural Bank"

Your responses to this questionnaire will help this study achieve its objectives. The researcher would like to assure you most sincerely that whatever information supplied by you through these questions will strictly be confidential and shall be used for the research purpose only. Thank you so much for your willingness to participate in this study.

Section A: Demographic Profile of SMEs

(Please Tick the box where appropriate)

1. Age:

   Less than 1 ☐   1– 5 ☐   6 – 10 ☐   above 10 ☐

2. Gender:

   Male ☐   Female ☐   Both ☐

3. Size

1-4 employees ☐   5-19 employees ☐   20 – 99 employees ☐

4. What is your level of education?

J.H.S. ☐   SHS ☐   Tertiary ☐   Other(s), ☐
Please specify………………

5. Which industry/sector do you operate?

Agriculture

Trading

☐ Transport

☐ Cottage

☐ Others, please specify …………………………………………………..

☐

☐

SECTION B

Please use the 5-point scale provided at the right-hand-side of each table to provide

responses on the following concerning your relationship with this/your bank and also the

operations of your business

A. FINANCIAL SUPPORT from your bank

To what extent are you satisfied or dissatisfied with each of the following in relation to your bank?	Very dissatisfied		Neither satisfied nor dissatisfied		Very satisfied
	1	**2**	**3**	**4**	**5**
1. The amount of loan that your bank gives you	[ ]	[ ]	[ ]	[ ]	[ ]
2. The conditions attached to the loan that your bank provides	[ ]	[ ]	[ ]	[ ]	[ ]
3. The mode of repayment of the loan	[ ]	[ ]	[ ]	[ ]	[ ]
4. The interest rate that accompanies loans given by this bank	[ ]	[ ]	[ ]	[ ]	[ ]

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5. The flexibility given to customers to repay loans given   [ ]   [ ] [ ]   [ ]   [ ]

6. The ease at which you are able to get loan from this bank   [ ]   [ ] [ ]   [ ]   [ ]

7. The collateral and guarantor requirements   [ ]   [ ] [ ]   [ ]   [ ]

8. The readiness and willingness of this bank to offer you financial support (funds availability; duration between application and disbursement)   [ ]   [ ] [ ]   [ ]   [ ]

9. Amount of loan received from bank GH¢

…………………………………………………………………………………

10.   Amount needed and applied for GH¢

…………………………………………………………………………………

11. Terms and conditions attached to loans

…………………………………………………………………………………

B. BUSINESS ADVICE AND ASSISTANCE FROM YOUR BANK

	Strongly disagree		Neither agree nor disagree		Strongly agree
Your bank	1	2	3	4	5
1. Is always available to assist you on your business issues	[ ]	[ ]	[ ]	[ ]	[ ]
2. Understands you and encourages you to excel in your business	[ ]	[ ]	[ ]	[ ]	[ ]
3. Gives you information on how to operate well in your industry	[ ]	[ ]	[ ]	[ ]	[ ]
4. Advises you on how to manage the cash in your business	[ ]	[ ]	[ ]	[ ]	[ ]
5. Seems to stand by you when your business is failing	[ ]	[ ]	[ ]	[ ]	[ ]

6. Is more concerned with the growth of your business [ ] [ ] [ ]   [ ]   [ ]

7. Communicates well with you on other investments areas [ ] [ ] [ ]   [ ]   [ ]

C. Operational performance

To what extent are you satisfied or dissatisfied with each of the following in relation to the performance of your firm?	Very dissatisfied		Neither satisfied nor dissatisfied			Very satisfied
	1	2	3	4		5
1. The volume of sales you are able to make within a month	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
2. The volume of sales you are able to make at the end of each year	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
3. The amount on cash you able to realize (collect) from sales	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
4. The profit you are able make at the end of each month	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
5. The overall profit you made make last year	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
6. The number of new customers you get within each month	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
7. The number of existing customers who still do business with you	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
8. The rate at which your existing customers make purchases	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
9. The cost you incur in trading	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
10. The total cash spend in managing the business	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
11. The amount of stock/items that go bad or are wasted in your business	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]

Sales Level before accessing loan GH¢.

……………………………………………………………………………………………

Sales Level after accessing loan GH¢

……………………………………………………………………………………………..

D. **What are the major challenges you face in running your business?**

……………………………………………………………………………………………..

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<u>INTERVIEW GUIDE</u>

Target respondent: ***<u>Staff Members of Juaben Rural Bank</u>***

1. What is the mission and vision of your bank?

    a) Mission……………………………………………………………………………

    b) Vision

    …………………………………………………………………………………

2. How many branches does the bank operate?

    …………………………………………………………………………………

    a) Has the bank categorized its customers into various groups or sectors? (*Please Tick Box below*).

    [ ]   [ ]

           Yes   No

    b) Mention the categories, if yes.

    …………………………………………………………………………………

3. Does your Bank have products and services specially designed for SMEs (eg. Loan scheme, training and education etc)? *Please Tick Box below.*

    Yes [ ]   No [ ]

    a) If yes, please explain how.

    …………………………………………………………………………………

4. What are your objectives for these products and services?

……………………………………………………………………………………………

How does the bank monitor its customers (SMEs) to ensure repayment of loans?

....

....

5. In case of default in repayment of loan, what processes or policies are in place to ensure recovery of both principal and interest?

……………………………………………………………………………………………

……………………………………………………………………………………………

6. Do you have preferences for particular sector(s) of the economy (agriculture, fishing, artisan, retail trade, dairy etc) and why?

....

How precisely do you assist your customers (SMEs) in the development of their businesses?

....

a) Are all customers able to repay the loan on time?

Yes ☐   No ☐

b) If no, what is the trend of default rate for the past 3 years?

……………………………………………………………………………………………

7. What processes does a customer pass through when applies for a loan facility?

……………………………………………………………………………………………

……………………………………………………………………………………………

How long does it take a customer to access a loan facility?

……………………………………………………………………………………………

8. What specific products or services do you offer your customers?

9. Apart from the loan facility offered to SMEs, what other service(s) does the bank offer to the SMEs within Ejisu Juaben Municipality?

    …………………………………………………………………………………………

    ………………………………………………………………………………………

10. How many customers does the bank transact business with?

    ……………………………………………………………………………………….

11. Out of the total number of customers, what is the proportion (in terms of percentage and number) of SMEs which the bank has offered financial assistance?

    Percentage:…………………………………………………………………………

    Number:

    ……………………………………………………………………………………….

12. a) How many SMEs have been successful in their operations after accessing financial assistance from the bank?

    ………………………………………………………………………………

    b) List some of such successful customers (SMEs).

    ……………………………………………………………………………………………

    ……………………………………………………………………………………………

    …………………………………………………………………………………………

Thank you once again. I'm very grateful.

DAILY SALES LEVELS OF RESPONDENTS

FIRM	BEFORE LOAN GH¢	AFTER LOAN GH¢	FIRM	BEFORE LOAN GH¢	AFTER LOAN GH¢	FIRM	BEFORE LOAN GH¢	AFTER LOAN GH¢
1	800	1200	25	850	1200	49	4500	5500
2	900	1100	26	2000	2500	50	4000	6500
3	700	950	27	1900	2400	51	9000	15000
4	500	300	28	1500	2000	52	9000	15000
5	450	800	29	1500	2500	53	10000	17000
6	800	1000	30	2200	3000	54	10000	15000
7	200	300	31	2500	3500	55	8000	15000
8	350	600	32	1800	2000	56	15000	20000
9	850	1200	33	1400	2000	57	15000	25000
10	700	900	34	1500	2500	58	16000	20000
11	900	1200	35	1500	3500	59	18000	25000
12	650	1200	36	1400	1800	60	14000	16000
13	400	700	37	1500	2500	61	7000	5000
14	600	1000	38	1400	2200	62	17000	19000
15	450	800	39	1500	2000	63	14000	20000
16	860	1000	40	1800	3600	64	16000	15000
17	900	1200	41	5000	5500	65	15000	16000
18	650	1000	42	4500	5000	66	15000	15000
19	800	900	43	4500	6000	67	17000	19000
20	600	1000	44	5000	6000	68	20000	30000
21	750	500	45	4000	5000	69	21000	21000
22	300	200	46	4800	5600	70	30000	35000
23	800	1100	47	5000	5500			
24	450	850	48	5000	4000			