

**CONTRIBUTIONS OF RURAL BANKS TO THE DEVELOPMENT OF SMALL  
AND MEDIUM SCALE ENTERPRISES**

**(A CASE STUDY OF JUABEN RURAL BANK – JUABEN ASHANTI REGION.)**

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A project work presented to the Business Studies Department of Christian Service University College in partial fulfillment of the requirements for the degree of Bachelor of Business Administration

**JULY, 2011**

## STATEMENT OF AUTHENTICITY

We have read the university regulations relating to plagiarism and certify that this report is all our own work and does not contain any unacknowledged work from any other source. We also declare that we have been under supervision for this report herein submitted.

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## SUPERVISOR'S DECLARATION

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision laid down by Christian Service University College

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## **ABSTRACT**

The study was aimed at finding out about the Contributions that Rural Banks make towards the Development of Small and Medium Scale Enterprises. A case Study of Juaben Rural Bank – Juaben in the Ashanti Region of Ghana.

It was aimed at ascertaining whether income levels of small and medium scale enterprises have improved after accessed Credit, to know whether Rural Banks have direct stake in these enterprises, and to know other benefits that the small and medium scale enterprises derived from the Rural Banks.

To facilitate the research work; a population size of 180, who have benefited credit from Juaben Rural Bank were chosen.

The instruments used included questionnaire and interview. The questionnaire took two forms; one directed to the management of the bank and the other to the beneficiaries. The data collected was analyzed using descriptive statistical method and recommendation and conclusions were drawn.

The outcome of the study reveals that credit from these unit banks to small and medium scale enterprises have not been enough, yet they come with high interest charges and that has further worsen the pledge of these enterprises.

Suggestions have been made in respect of sustaining Small and Medium Scale Enterprises through Rural Banking concept

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## **DEDICATION**

To our various families for their constant love, prayers and support

&

To all our dedicated lecturers, who made the journey with us and never failed to show us the way.

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND – RURAL BANKING**

The dynamic roles of rural banking in developing countries like Ghana have been highly emphasized. These rural banks have been identified as the means through which the rapid industrialization and other developmental goals of the small and medium scale enterprises can be realized.

Despite the numerous benefits that we as a nation stand a chance of getting from these small and medium scales enterprises, the sector faces problem of financing. Borrowing from the commercial banks has become a problem to owners of these small and medium scale enterprises since they are required to open a current account that require a lot of documents that this category of people because of their level of education cannot provide to enable them access this facility from them. In the quest of government to alleviate the problems of rural farmers and small and medium scale enterprise owners through credit finance provision, government at that time introduced rural banking in Ghana in the year 1970s, and the first Rural Bank was established in 1976 as Nyakrom Rural Bank Limited at Agona Nyakrom in Central Region of Ghana. Today Ghana can boost of 131 rural banks to its credit.<sup>1</sup>

Secondly the study will look at economic impact of the activities of rural banks to the development of small and medium scale enterprises, the implications of their policy to the advancement of development in the surrounding area. The questions of rural banks been able to change the culture pattern of small and medium scale enterprise owners will also be paramount and central to this study. The focus of the study is to know the contributions of rural banks to the development of small and medium scale enterprises in the nation as a whole and limit our scope to Juaben and its surrounding areas of Ejisu/Juaben Municipal Assembly of Ashanti Region.

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<sup>1</sup> Daily Graphic, Wednesday, January, 5<sup>th</sup> 2011, page 19)

## 1.2 SMALL AND MEDIUM SCALE ENTERPRISES

The dynamic roles of small and medium scale enterprises in developing countries have been highly emphasized. These enterprises have been identified as the means through which the rapid industrialization and other developmental goals of these countries can be realized.

The dynamic role of small and medium scale enterprise in developing countries as engines through which the growth objectives of developing countries can be achieved has long been recognized. It is estimated that micro-enterprises employ 42% of the adult population in developing countries (Daniels,<sup>2</sup>). The sector employs about 35.5% of the labour force in Ghana (Parker et al,<sup>3</sup>). In Ghana, the sector's output as a percentage of GDP accounted for 6% in 1998.

Small and medium scale enterprises have been variously defined, but the most commonly used criterion is the number of employees of the enterprise. In applying this definition, confusion often arises in respect of the arbitrariness and cut off points used by the various official sources. As contained in its Industrial Statistics, The Ghana Statistical Service considers firms with less than 10 employees as Small Scale Enterprises and their counterparts with more than 10 employees as Medium and Large-Sized Enterprises. Ironically, The Ghana Statistical Services in its national accounts considered companies with up to 9 employees as small and medium scale enterprises.

An alternate criterion used in defining small and medium enterprises is the value of fixed assets in the organization. However, the National Board of Small Scale Industries (NBSSI) in Ghana applies both the fixed asset and number of employees' criteria. It defines a small and medium scale enterprise as one with not more than 29 workers, has plant and machinery (excluding land, buildings and vehicles) not exceeding (GH1000) One Thousand Ghana Cedis (US\$ 662, using 2011 exchange rate). (Graphic Business, back page dated 15\03\2011)

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<sup>2</sup> Daniels 1994

<sup>3</sup> Parker et al 1994

The Ghana Enterprise Development Commission on the other hand uses a (GH 1000) One Thousand Ghana Cedis upper limit definition for plant and machinery. A point of caution is that the process of valuing fixed assets in it poses a problem. Secondly, the continuous depreciation in the exchange often makes such definitions out-dated. Steel and Webster<sup>1</sup> in defining Small Scale Enterprises in Ghana used an employment cut off point of 30 employees to indicated Small

Scale Enterprises. The latter however disaggregated small scale enterprises into 3 categories:

- (i) Micro –employing less than 6 people;
- (ii) Small- those employing 6-9 people;
- (iii) Medium–between 10 upwards

Small and medium scale rural and urban enterprises have been one of the major areas of concern to many policy makers in an attempt to accelerate the rate of growth in low-income countries. These enterprises have been recognized as the engines through which the growth objectives of developing countries can be achieved. They are potential sources of employment and income in many developing countries. It is estimated that SMEs employ 42% of the adult population in developing countries. Robinson,<sup>4</sup> .

### **1.3 FOCUS OF THE STUDY**

The emphasis for the establishment of rural banks in Ghana was to improve upon the living standard of the people of the catchments area and to ensure economic development of the country. In the same vein that this study seek to look at the contributions of rural banks to small and medium scale enterprise development in Juaben and its surrounding area of Ejisu/Juaben Municipal Assembly in Ashanti Region of Ghana. This means that the study will examine the impact that Juaben Rural Bank has on small and medium scale enterprise development of its surrounding areas of Ejisu, Bonwire, Kwaso and Fumesua, etc. But the main notion for the investigation will be to examine the benefits that these small and medium scale enterprises derive from the rural banks in their quest to improve the economic problems of these enterprises.

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<sup>4</sup> Robinson 2000

This has being made possible because it is now a know fact that credit from commercial banks in the country to this small and medium scale enterprises has not being forth coming, hence the need for a solution to the cry for credit facilities by such small and medium scale enterprises in the country.

#### **1.4 STATEMENT OF PROBLEM**

There has also been some assertion that the contributions of these commercial banks to small and medium scale enterprise development have been very low and that consisting of an extremely small proportion of the contributions to small and medium scale enterprise development. As such there is the need to have a banking system that will help solve the problem of credit facility to such enterprise, hence the rural banks.

The study will concentrate on how rural banks contribute to the progress of the communities in which they operate, financial support from the banks to small and medium scale enterprise, how such support are access by small and medium scale enterprise operates, creating the right and enabling environment for the advancement of development of these enterprises.

#### **1.5 OBJECTIVE**

“Socio-economic development in the rural areas can be accelerated if much emphasis is placed on the provision of rural banking services” Anda,<sup>5</sup> He noted that rural banking as the bank dominated and owned by the people themselves is the surest way of mobilizing savings, granting of credit facilities to small and medium scale enterprises, offer better bases for business (all things being equal). Rural poverty alleviation, reducing rural-urban migration, and consequently improving the standard of living is contingent on rural banking system in the rural areas.

The study is an attempt therefore to take a critical look at the contributions of rural banks to small and medium scale enterprise development within a typical rural bank cantered area. The study aim at looking at the development that these small and medium scale enterprises has gain out of setting up of rural banks and the rational behind the setting up of such banks in the country. The study will centre on the contributions that rural banks make towards small and

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<sup>5</sup> Andah 2004

medium scale enterprise development or development that these rural banks aids the micro-enterprise through granting of credit facilities.

More significantly the objectives of the study are to;

- a) Determine how income levels of micro-enterprises have improved after the extension of micro credit to small and medium scale enterprise from rural banks in Juaben areas.
- b) How the rural banks have help solve some of the funding problems that faces the small and medium scale enterprises in the area.
- c) To know whether rural banks have a direct stake in small and medium scale enterprises.
- d) To know other services provided by rural banks to small and medium scale enterprise development.

## **1.6 RELEVANCE OF THE STUDY**

It is hoped that at end of this study one will be able to conclude whether it is worth establishing rural banks and whether the people of Juaben (small and medium scale enterprise owners) benefited from the banks service with regards to its lending facilities, performing its social obligations thereby leading to over-all enterprise development of the study area. The findings will assist policy makers, development agencies and business organizations to ascertain the appropriate strategy to improve the micro-enterprise sector.

In addition the study will help enable policy makers to formulate policies to the Bank of Ghana (B O G) that will help solve the problems of the rural area through rural banking. This means the study will show the support that small and medium scale enterprise gets from rural banking system. Small and medium scale enterprise will be giving much attention in the rural banks since for now credit from commercial banks to them has not being easy to access.

That policy measures will be made available to address the problems of raising credit and that formal credit to rural communities will also see, a raise, and gradually income levels will consequently improve, which will finally raise the standard of living of the rural small and medium scale enterprise owners.



Detailed description of the state of rural banks and how they help solve some of the problems of small and medium scale enterprise has been done by different writers and it is hoped that this piece of work will add its small way to it.

## **1.7 HYPOTHESIS**

The hypothesis that underpins the study states;

- a) Null Hypothesis; Rural Banks have not contributed to the Development of Small and Medium Scale Enterprises.
- b) Alternative Hypothesis; Rural Banks have contributed to the development of Small and Medium Scale Enterprises.

## **1.8 METHODOLOGY**

### **1.8.1 Primary Data**

Data for the study were collected from both primary and secondary sources. Questionnaires are used to solicit information as regards the contributions of rural banks to the development of small and medium scale enterprises. This means that beneficiaries of the credit facility in the study area.

### **1.8.2 Secondary Data**

The secondary data are those which have already been collected by the bank, eg client loans files and their information data. The management of Juaben Rural Bank were all involved in the answering of the questionnaires. Data collected was then subject to analysis using descriptive statistical method. Conclusions were drawn and recommendations for solution to problems identified in the study have also been provided.

## **1.9 LIMITATIONS**

Although the operations of Juaben Rural Bank covers the most part of Ejisu/Juaben Municipal Assembly in Ashanti Region, but the data collected was not only on the beneficiaries of credit from Juaben but also on the people of Ejisu, Bonwire, Kwaso and Aboaso were credit from branches of the bank has been extended to and this means that the operations of the bank cover a wider area.

Also financial constraint and time factor could not permit us, the researchers to cover more areas under these branches and the fact that we could not administer more questionnaires to all beneficiaries indicates that not all the people were covered.

### **1.10 ORGANIZATION OF THE STUDIES**

The study is organized into five chapters. Chapter one deals with a general introduction of and the relevance of micro-small scale enterprise, the statement of problem, focus of the study, the objectives of the study, relevance of the study, the statement of hypothesis, the methodology for the study, limitations of the study and finally the conclusions out of the study.

Chapter two consist of the literature review of Rural Banks and Small and Medium Scale Enterprises in the Country, and reviews the theoretical framework of such concept as financing, Small and Medium Scale Enterprises, characteristics and contributions of rural banking and small and medium scale enterprises, justification of credit support to the Enterprises.

Chapter three deals with research methods, and the procedure for the collection of data, the use of research design, sample population, instrument used for the collection of data, and limitations that confronts us in our quest to getting data for this research work.

Chapter four briefly discusses credit and other inputs grant from Juaben Rural Bank and also seek to analyse the data collected for the study.

Chapter five which is the final or the last chapter contains the summary of the whole study, conclusion and recommendations made on the bases of the data collected.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This chapter reviews the theoretical framework and related literature that underlie the study. It mainly looks at the historical background of rural banking in the country and defines such concepts as finance, credit and social responsibilities in relation to the study. It again looks at the characteristics and contributions of rural banking and more particularly Juaben Rural Bank limited and the justification of credit to support small and medium scale enterprises.

#### **2.2 HISTORICAL BACKGROUND-BANKING**

The banking industry which is, importantly the main ingredient in Ghana's financial sector, possibly offers substantial contribution to the economic development of the country. This possibly may be valid when examined against the background of the key roles the industry has played in Ghana's economy since the introduction of banking institutions such as Barclays and Standard Chartered Banks some decades ago. The banks are clearly different from other financial institutions such as stock exchange, insurance, leasing firms, funds management organizations and other Capital Markets.

Ghana Commercial Bank Limited started in 1953<sup>6</sup> as the Bank of the Gold Coast to provide banking services to the emerging nation for socio-economic development. The aim and objectives was to provide special attention to Ghanaian traders, business people, farmers and small and medium scale enterprises who could not elicit support from the expatriate banks.

In 1957, when Ghana attained independence, Bank of Ghana was established as the Central Bank while the bank of the Gold Coast was remained Ghana Commercial Bank to focus solely on commercial banking services. Due to the inability of Ghana Commercial Bank to help contribute by given advices, finances and credit to small and medium scale enterprises, another bank which is Agricultural Credit and Co-operative Bank was formed in 1965<sup>7</sup>, by Act of Parliament to meet the banking needs of the Ghanaian agricultural sector, fishermen and small and medium scale entrepreneurs in a profitable manner and to help improve the living standard of these people.

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<sup>6</sup> 2006 Jan, Presentation at UCC-Microfinance Conference-Philip E. Cobbinah (B. O. G.)

<sup>7</sup> 2007 Presentation at UCC-Microfinance Conference-Philip E. Cobbinah (B. O. G.)

The bank changed its name in 1970, to Agricultural Development Bank when the parliamentary statute was amended to grant the institution full commercial banking powers. This time also Agricultural Development Bank fails its intended purpose of establishment and turn away from these small and medium scale enterprises<sup>8</sup>.

The topic to this project will narrow its scope to the rural banking concept in Ghana and more particularly Juaben Rural Bank Limited respectively. Rural banking was introduced in Ghana in the 1970s in the year 1976<sup>9</sup> was the first rural bank was established and since then, rural banking has contributed immensely to the development of small and medium scale enterprises, socially, economically and employment level.

### **2.3 CONTRIBUTIONS AND CHARACTERISTICS OF RURAL BANKING IN GHANA**

Rural Banking started about four decade ago but, as at 30<sup>th</sup> June 2008, Ghana can boost of 127 rural banks with over 560 agencies nationwide with about 15,590 direct employments and about 3000 indirect employment nationwide<sup>10</sup>. These rarely show that rural banks are contributing immensely to the national development both directly and indirectly.

Their main characteristics and the rules and regulations that governing the setup of rural banks is the preventing them for expansion, because of their unit in nature which did not allow them to move from one district to another, and also to have an agency in main business centre of the ten regional capitals. Example, Adum in Kumasi, Ashanti Region.

Due to the sabotage of formal commercial banking in the system against rural banking in term of specie and cheque clearing system. The ARB Apex Bank Limited was incorporate as a public limited liability company on 4<sup>th</sup> January, 2000. Its shareholders are the Rural and Community Banks. It was granted a banking licence on 23<sup>rd</sup> April, 2001 and was admitted to the Bankers Clearing House as the 19<sup>th</sup> member in August, 2001<sup>3</sup>. It had its certificate to commence business on 1<sup>st</sup> November, 2001, thus completing all the legal processes for the commencement of operation.

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<sup>8</sup> 2007, Jan. at UCC-Microfinance Conference-by Dr. David Anda (Former Director of BOG and Managing Consultant-Ghamfin)

<sup>9</sup> Philip E. Cobbinah (Chief Manager-BSD-BOG)-2007 at UCC-Microfinance Conference

<sup>10</sup> ARB Apex Bank –Report on Semi and Yearly Bank Performance-June 2008.

The ARB Apex Bank Limited began clearing services on 2<sup>nd</sup> July, 2002 in all the 10 clearing centers in Ghana. The bank has outlets in all the 10 regional capitals. The ARB Apex Bank Ltd was registered under the Companies Code 1963, Act 179 as a public limited liability company and licensed by the Bank of Ghana under the then Banking Law, 1989 (PNDCL 225). Apart from the above legal and regulatory framework in which the Bank is operating, it is also subject to the Bank of Ghana Act, 2002 (Act 612) and other directives issued by the Bank of Ghana from time to time. The main aim and objectives of the formation of The ARB Apex Bank was to regulate, specie, manpower training, supervision, cheque clearing activity and information communication and technological advancement of all the rural banks in Ghana in which the formal commercial banks are now competing vigorously with the universal banking licenses given to these banks. The table below show some small indicators that rural banks have helps pools them together from these rural folks, these show that rural banks are rarely helping the society and Ghana as a whole.

#### **BANK PERFORMANCE AND REPORT FOR 2<sup>ND</sup> QUARTER JUNE 2008 (RCBs)**

<b>REGION</b>	<b>NO OF RCBs</b>	<b>PAID-UP CAPITAL</b>	<b>LOANS\OVE RDRAFT</b>	<b>TOTAL INVESTMEN T</b>	<b>TOTAL DEPOSIT</b>	<b>TOTAL ASSETS</b>
<b>ASHANTI</b>	21	2,474,922.29	73,827,770.42	34,691,584.85	112,060,554.52	144,390,852.64
<b>BRONG AHAFO</b>	19	1,259,557.71	17,322,515.24	6,394,546.68	27,687,564.12	38,006,316.61
<b>CENTRAL</b>	21	1,499,556.94	23,003,901.55	8,855,411.08	33,317,792.68	45,045,686.01
<b>EASTERN</b>	21	2,767,901.89	31,586,291.58	17,305,972.52	51,638,456.25	71,463,351.38
<b>G.ACCRA</b>	6	1,623,308.28	10,295,748.39	4,435,937.20	23,486,002.31	30,096,171.28
<b>NORTHERN</b>	6	432,405.57	4,058,839.92	2,520,000.00	5,577,678.13	10,239,909.36
<b>UPPER EAST</b>	4	433,286.15	4,464,575.37	3,162,004.00	7,658,140.37	11,261,144.36
<b>UPPER WEST</b>	4	271,281.81	741,588.05	3,284,326.00	3,947,649.72	5,722,095.38
<b>VOLTA</b>	11	1,062,864.25	6,434,919.10	5,061,744.39	11,767,843.58	16,313,433.72
<b>WESTERN</b>	14	1,323,930.12	24,372,281.85	11,126,481.00	37,366,404.91	49,542,978.93
<b>TOTAL</b>	<b>127</b>	<b>13,149,015.00</b>	<b>196,108,431.47</b>	<b>96,838,007.72</b>	<b>314,508,086.58</b>	<b>422,081,939.67</b>

**(2<sup>nd</sup> Quarter, June 2008 Report on the Performance of Rural and Community Banks (RCBs)**

Sources: Rural Banks Performance for December 2010- Ashanti Chapter

## ASHANTI REGION FINANCIAL INDICATORS AS AT DECEMBER 2010

	BANKS	AGENCIES	NO OF STAFF	NO. OF CLIENTS	TOTAL DEPOSIT (GH¢)	SHARE CAPITAL(GH¢)	ASSETS
1	ATWIMA KWANWOMA	6	199	137,104	29,113,942.90	368,699.11	34,3
2	NWABIAGYA	7	133	92,796	21,300,231.50	506,621.39	26,7
3	ODOTIBRI	6	101	98,747	15,807,967.64	228,304.00	19,5
4	SEKYERE	7	132	110,927	15,941,527.87	218,984.94	195
5	JUABEN	8	127	79,573	15,807,967.64	422,758.00	19,1
6	AMANSIE WEST	8	95	43,063	15,059,876.49	183,982.65	18,7
7	ATWIMA MPONUA	6	142	74,975	13,140,653.82	185,366.49	17,3
8	BOSOMTWI	9	117	110,200	13,761,946.29	412,540.27	16,8
9	OTUASEKAN	7	201	98,900	12,854,978.27	195,253.58	15,0
10	KUMAWUMAN	8	132	57,622	10,947,332.44	318,211.38	13,5
11	ADANSI	7	75	30,712	9,773,769.47	205,215.41	12,4
12	ASANTE AKYEM	9	78	49,384	8,724,445.00	194,887.00	11,2
13	AMANANO	4	52	29,013	7,460,912.37	233,412.28	10,7
14	KWAMAMAN	7	73	37,739	8,102,747.55	151,949.47	9,2
15	OKOMFO ANOKYE	7	89	25,629	7,122,561.52	268,800.02	8,6
16	SEKYEDOMASE	7	86	82,416	6,820,433.46	218,984.94	8,2
17	ASOKORE	7	80	37,661	6,249,093.77	178,330.44	7,7
18	ATWIMA	6	90	16,716	5,599,259.08	227,480.77	6,2
19	AMANTIN KASEI	4	46	22,231	3,771,750.09	182,340.00	5,5
20	AKROFROM	3	27	12,856	2,367,519.47	61,170.62	2,6
21	AHAFO ANO	7	52	11,495	2,738,673.04	18,862.66	2,3
22	OFFINSO	1	16	6,894	1,800,689.35	227,167.00	2,0
23	NSUTAMAN	2	24	11,081	1,736,806.97	108,201.70	1,8
24	EJURAMAN	3	43	3,868	864,988.60	219,277.00	1,0
25	BOSOME FREHO	1	13	2,898	419,545.39	167,887.00	7
TOTAL		147	2,221	1,284,501	237,038,047.35	5,658,021.39	291,5

Sources: Rural Banks Performance for December 2010- Ashanti Chapter

## **2.4 JUABEN RURAL BANK LIMITED-HISTORY AND PROFILE**

Juaben Rural Bank Limited was incorporated on 24<sup>th</sup> October, 1984,<sup>11</sup> as a Rural Bank and has since then built a reputation as one of the leading Rural Banks in Ghana. The Head Office of the Bank is located at Asante Juaben, in the Ashanti Region about 30 kilometers away from Kumasi. The Bank is the 93<sup>rd</sup> to be established in the country and the 18<sup>th</sup> to be established in the Ashanti Region.

The initial Share Capital of the Bank which was GH2,213.98 was the highest in the country when the Bank was commissioned in October 1984, and has increased over the years to GH219,829.27 alongside with 2,647 shareholders and 3,829,634 shares as at 31<sup>st</sup> December, 2009. The Bank has agencies at Ejisu, Kwaso, Bonwire, Aboaso as well as three in the Kumasi metropolis namely: Roman Hill, Magazine New Road and Sepe Timpomu.

### **2.4.1 Products and Services**

The Bank offer the following products and services; Current Accounts, Savings Accounts, Fixed Deposit Accounts, Loans and Overdrafts, Domestic Money Transfer(Apex Links), Susu Savings Accounts, Susu Loans, Funeral Loans, Daakyi Nti Investments, Consumer Credit, Micro Finance.

### **2.4.2 Growth and Major Development**

Since its inception from 1984 to December, 2010 the bank was able to grant loans and overdraft to a tune of GH7,388,095.00, total investment is 8,558,509.00, total deposit is GH15,556,395.00, total share capital GH422, 758.00, total assets is GH19, 174,222.00, total staff is 127 and more than 79,573 customers and a number of developmental projects in and around Juaben areas.

## **2.5 HISTORICAL BACKGROUND OF SMALL AND MEDIUM ENTERPRISES**

Small and Medium Scale Enterprises have existed and they are as old as society. They date back to the period of barter trading through to what has become petty and small business. In Ghana, small business is found in every area of the economy. Even in the manufacturing sector, where it

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<sup>11</sup> 2009 Juaben Rural Bank-Annual Report

was commonly thought that it requires very large firms to succeed, small firms have been found to dominate. In a survey by Biringham et al<sup>12</sup>

It was concluded that typical manufacturing in Ghana comprises a large number of small establishment, a very small number of medium sized establishments, and one or two if any of large establishments. They observed that 92% of the manufacturing establishments had no paid employees at all. 7% employed up to 5 people and only 1% employed more than 5 people. They described the vast majority of the manufacturing enterprise as being tiny and put the average number of people engaged at 2.7% per establishments.

Although it has been a fact that small businesses have dominated the economy, early government policies have failed to recognize the sector as an effective economic tool for development. It was then thought that many small-scale enterprises could not survive the development. It was then thought that many small-scale enterprises could not survive the sophisticated demands of a modernizing economy. This is evident in the 1964 Development plan of Ghana, which stated out-rightly that “it was time to strike a balance against the still denominating smaller industry which would not be able to support the more sophisticated demands of a modern economy. State policies in 1960s primarily favoured larger industrialization by larger firms. As Hakem<sup>13</sup> noted, the credit and the import license policies up to 1968 constantly favoured larger industries in the face of the largely Ghanaian owned smaller informal industry.

Immediately after independence, it was thought Ghana could leap to an industrialized state through investing in large-scale enterprises. The state took the lead in this direction and invested heavily in large scale industry to the neglect of small and medium scale enterprise. They thus depend heavily on the government for protection and survival. Many of them were squeezed up as economic crises and budgeting restraints hit the government. The government of Ghana experienced statement income per capital in the 1960's stimulated growth in itself employment as people attempted to maintain family incomes. The 1970's saw a little support for small and medium scale enterprise as in the 1977 development plan; there was a policy statement that sought to help establish and develop cottage industries. Moreover, in the 1970's and 1980's,

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<sup>12</sup> Biringham et al 1966

<sup>13</sup> Hakem 1972



many modern sectors turned to self-employment activities to supplement their declining real wages, while others were forced to work on their own when they were laid off, as a residual sources of employment and economic survival. The small and medium scale enterprise sector is generally thought to have expanded in the face of a declining economy as reported by Steel and Webster<sup>14</sup>

The government of Ghana has now come to the realisation that small and medium scale businesses when well developed could boost economic development and could even be more effective than large state owned and heavily state supported large small and medium scale enterprises.

Recent years have seen a major and continuing transition from state-control of production facilities to private ownership. This trend has been visible in both industrial and especially, developing countries. It has included not only manufacturing plants but also even more importantly a set of activities ranging from financial services to infrastructure. The increasingly popularity of privatization is being driven by the fact that government has found that the state-owned enterprises have frequently being a major drain on their fiscal accounts at a time when revenues have been difficult to generate.

Today, government has passed much legislation and established many institutions to help establish, support and develop small and medium scale enterprise in the country. The National Board for Small Scale Industries has been set as an apex body to co-ordinate activities of these agencies towards national development. This has lead to a proliferation of many small and medium scale enterprises all over the country.

## **2.6 FINANCE**

Enterprise create manufacturing capacities for production of goods and services to consumers with the primarily aim of making profit. They require finances to enable them acquire these manufacturing and other facilities. The following questions then arise. What is finance? What is an enterprise financial activity? How are they related to the other activities of the firm?

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<sup>14</sup> Steel and Webster 1992

The Minister of Trade and Industry- Ms Hannah Tetteh<sup>15</sup> has reiterated the need for financial institutions to design innovative products and services to address financial challenges of SMSEs in Ghana. The Minister noted that the country could consolidate its present macro-economic stability only when significant resources were channeled into the private sector and the SMSEs in particular, and the economy. She said it was therefore important for banks to have clear policy for Small and Medium Scale Enterprises groups taking into account their peculiar requirements and given them finances. The theme was: Facilitating Small and Medium Scale Enterprises in Ghana. The seminar was held at the Kwame Nkrumah University of Science and Technology (KNUST) in Kumasi on Tuesday.

As Pandey<sup>16</sup> puts it a firm requires a number of real assets to carry on its business. Real assets can be tangible or intangible. The firm normally borrow from Banks, Financial institutions and other sources to obtain these real assets. Financing therefore is making money available to meet the cost of production and making operations. This finance function is very vital to every business entity. He continued to say that there exist an impossible relationship between finance on one hand and production, marketing and other functions on the other hand. Almost all kinds of business activities directly or indirectly involve acquisition and use of funds.

The functions of rising funds, investing them in asset and earning returns are known as financing and investing decisions. While performing theses functions a firm attempts to balance cash inflows and out flows. This is called liquidity decisions and it is added to the list of important finance decisions or functions, performed by enterprises. A firm performs finance functions simultaneously and continuously in the normal course of business. They do not necessarily occur in a sequence. Finance function calls for skilful planning control and execution.

## **2.7 SMALL AND MEDIUM SCALE ENTERPRISES**

The term small-scale enterprise has been given different definitions and these definitions vary from one country to another, sector to sector and even one industry to another. This is so because enterprises operate in an economy and the size of the economy will influence the definition so

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<sup>15</sup> 5<sup>th</sup> April 2011 Ghana New Agency

<sup>16</sup> Pandey 1995

derived. In large economies like that of the UK, USA, and Japan, enterprise have tens of thousands of workers and incomes sometimes larger than that of a whole country in the third world. Obviously the definition of what is small and medium scale, there may not necessarily be the same as a small enterprise in a country with a small economy like that of Ghana.

The definition of small and medium scale enterprise has often been in different perspective by different stakeholders. For instance, while some define it in terms of investment in fixed assets, other look at the number of employees. Even turnover and energy requirement are at times used as a measure. In Ghana, small and medium scale enterprises have mostly been defined by the number of persons engaged in the enterprise and or by capital employed. The National Board for Small Scale Industries as that, that has 29 or less employees or one whose plant and equipment value does not exceed the cedi equivalent of \$100,000.00. (One hundred thousand US dollars).

Steel and Webster<sup>17</sup> defines small and medium scale enterprises in Ghana as production unit with hired labour that in involves enough investment in capital or skills to constitute a barrier to entry but are small enough to be managed by one person. The indication been given here is that SSE's are usually very small business with just a little capital.

In the study on 'How small and medium scale enterprise in Ghana have Responded to Adjustment Small Scale Enterprise' it was defined as an enterprise with having 4 to 29 full time workers and was distinguished from micro enterprise as with fewer then 4 workers who are more likely to be informal and oriented toward income for survival. He also stated that it is necessary to differentiate between the informal sector which is crowded by people faced by low income, unemployment and by desperate poverty to engage in any kind of income generating activity for subsistence, and its counterpart in the developed countries. He goes on to argue that, 'in the first, there is very little room for voluntarism because of the necessary to keep going at all cost while in the later, the level of desperation is low and voluntarism is quite high. It had significant contrast between unemployment and poverty on one hand, and voluntary choice between self-employment and wage employment on the other.

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<sup>17</sup> Steel and Webster 1992

However, it must be stated that the economy of a country is not static hence the definition of small and medium scale enterprise would also change with time. Apart from the various definitions given; a working definition would depend on the user definition and what he intends to do with the definition. Therefore for the purpose of this study, Micro and Small Scale Enterprise would be fused together to be small and medium scale enterprise. The meaning would cut across enterprises that are oriented towards income for survival up to enterprise that employs as many as 29 people who are full time workers. These enterprises could be formal or informal. The important thing here is that the employees fall within 1 to 29.

## **2.8 CHARACTERISTICS OF SMALL AND MEDIUM SCALE ENTERPRISE**

By considering the above definitions one can deduce that small and medium scale enterprises by their mode of operations have acquired certain peculiar characteristic that differentiate them from the large enterprise. Liedholm and Mead<sup>18</sup> enumerated some features common to Small and Medium Scale Enterprises.

First, it has been established that most of these establishments have fewer than 10 employees- collectively they typically account for more than fifty percent (50%) of total industrial employment. They are generally engaged in the production of light consumer goods primary related to clothing, furniture and food and beverages. Other small enterprise activities include automotive, electrical and bicycle repair blacksmith and light engineering.

Secondly, in most developing countries most of the industrial firms are located in rural areas (that is areas having fewer than 20,000 inhabitants) employment in these rural units frequently exceed that generated by all urban industries these are the procedures that are most frequently invisible since much enterprise activity takes place within the family house compound.

Thirdly, the overwhelming majorities of the industrial firms are not just small but are very small. Indeed, there is a plethora of one-person firms and most employ fewer than 5 persons. In terms of their large numbers and relatively low incomes they constitute a potentially important target group for policy makers concerned with the low end of the income distribution spectrum.

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<sup>18</sup>Liedholm and Mead 1988

Fourthly, virtually all of these small firms are privately owned and are organized mainly as sole proprietorship. In many countries significant numbers of the small enterprises entrepreneurs are female.

Fifthly, proprietors are family workers and generally form the largest component of the small industry of the labour force. Apprenticeship labour, however, is also important. In some areas particularly West Africa, informal apprenticeship system in which a young person serves a proprietor or a master for a given period to learn a craft or a trade plays a key role in skill formation. Hires workers typically form the smallest segment of small enterprises employment in most development in most developing countries.

Sixth, in most countries, the average person engaged in small-scale industry does not work in full time in that activity over the entire year. In many cases, these individuals also work part time in other activities. Nevertheless, there is evidence that many small scale workers spent significant period of time simply waiting for customers.

Seventh, the amount of capital used by most small scale industrial firms is modest, as is their initial capital, with equipment typically accounting for the greatest share. Although low, however, the capital entry barriers to small scale industries are significant, especially when compared with the capital income levels in those countries.

Eight, most of the funds for establishing or expanding the small firms come from personal savings, relatives or retained earnings. The paucity funds obtained from the commercial banks, governments or an even informal financial source such as moneylenders is striking. These results highlight the nascent state of the financial markets in many developing countries and indicate the limited extent to which small firms are directly reached by formal credit institutions.

Nine, small and medium scale industries activities turns to increase in absolute terms in most developing countries. Although systematic information on growth is limited, the available evidence indicates that it has been growing at a faster rate even than large-scale industries. Since small scale industry account for such a large portion of total industrial employment, the absolute increase in employment absorbed by the small private sector is substantial.

Tenth, he also identified a characteristic of small and medium scale enterprises, where production or product is subject to frequent changes in design or specification; the larger firm is at handicap with its heavy commitments. The small firm has a greater investment in experience and person of its owners. With relatively small investment in fixed equipment, the owners are in position to change from one type of product or service to another. When the nature of the industry is such that management at the local level involves complete and rapidly changing conditions, a premium is placed on speed of adaptability. This is achieved most effectively by individual initiative. Also where product change rapidly, where specific product differentiation for the few is required, there is likely to be important fundamental advantages for small scale business.

The Bolton<sup>19</sup> also had this to say on the characteristic of small and medium scale enterprises.

- a) In economic terms it has relatively small share on the relevant market.
- b) It is run by its owners in a rather personalized manner than by means of formalized structures.
- c) It is independent of any wider organizational structure, with the owner entrepreneur more or less free to take strategic decisions. A lot more attributes and features have been identified to small scale enterprises. These features are invariably very similar to those stated above if not the same.

## **2.9 CONTRIBUTIONS/IMPORTANCE OF SMALL AND MEDIUM SCALE ENTERPRISES**

The contribution as well as importance of small and medium scale enterprises in a nation's economy cannot be over emphasized. A consensus emerging from the literature is that the fundamental issue is how to create a policy and business environment that enable small and medium scale enterprises to contribute productively to industrial development, not whether small and medium scale enterprises have a to role play. Steel and Webster<sup>20</sup> also stated that growth of private indigenous enterprises is important for sustained industrial development, given decreasing public ownership and uncertain prospect of foreign investment.

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<sup>19</sup> Bolton 1971

<sup>20</sup> Steel and Webster 1992

Perhaps the most important justification for small scale business were that small firms provide the means of entry into business for new entrepreneur talent and the seedbed from which new large companies will grow to challenge and stimulate the established leaders of industry, and all confirmed that successful industrialization must have an indigenous base, and expansion of the small scale sector will help develop managerial skill as a basis for efficient indigenous investment and management of large industries. It has also been argued that small scale industries can respond flexibly under difficult and changing conditions because they do not depend heavily on infrastructure and also because their typically low cost.

Steel and Webster also stated that small and medium scale enterprises could offset the negative effects of import liberalization to the extent that they could use local input to produce import substitutes or exports, thereby taking advantage of the incentives provided by a greatly developed exchange rate. To buttress this point, they stated that small enterprises are sensitive to changes to customers.

With a low level of technology given them the flexibility to change product lines and inputs. Thus they may be in a favourable position relative to large enterprises to respond to liberalization of market and changes in relative prices. In Ghana through innovative use to local raw and waste materials some technological astute small enterprises were able of fill the gaps left by declining import and large-scale output by producing import substitutes such as soap, metal products and vehicles spare parts.

Because small and medium scale enterprises tends to be relatively labour intensive and to use low level of technology, a strategy to expand the small and medium scale enterprise sector are likely to be consistent with employment and income distribution objectives, while allowing for sustained productivity increases through improvement in technology.

Steel and Takagi<sup>21</sup>, Statistics obtained put it that in Ghana during the period of 1987 – 1993, the population grew at an average rate of 23% which means that if other sectors of the economy did not grow as well as to absorb the additional population, thus the gap between employment and

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<sup>21</sup> Steel and Webster 1992

population growth would be widening. This situation happened to be the case so far. However, as reported by the State of Ghana Economy<sup>22</sup>, it is important to note that the additional labour force resulting from population growth is to a large extent absorbed by the small scale informal sector in industry. There is therefore an urgent need to stimulate growth in this sector for employment generation so as to reduce the adverse effects on population growth on the country.

## **2.10 JUSTIFICATIONS FOR CREDIT SUPPORT TO SMALL AND MEDIUM SCALE ENTERPRISE**

Having justified the immense role and contributions that could be harnessed from a well developed small and medium scale sector to the development of a nation's economy, it thus becomes very important to assess the major hindrance in the development of this sector. Scarcity of credit has often been considered as a major constraint among other factors such as lack of management skills, poor book keeping of records etc. it is established that lack of credit for raw materials and equipment has been the major constraint to the expansion of the small scale section. Increase access to credit would greatly facilitate small and medium scale enterprises to contribute meaningfully to the economy.

As could be expected, small firms have less access to bank loans than larger ones. This is because small firms often invariably fail to provide the type of collateral that is usually required by banks for granting of loans. However, Stuart<sup>23</sup> state that the myth that credit, by its very nature, is the exclusive privilege of a few fortunate people needs to be exploded. There is nothing inherent in the nature of credit that keeps it away from the poor. Nonetheless, the poor has no access to credit institutions. The logic behind this practice has always been considered infallible; since the poor cannot provide collateral security, the argument goes; there is no basis for lending to them. If collateral alone can provide the basis for the banking business then society should mark out the banks as the harmful engines for creating economic, social and political inequality by making the rich richer and the poor, poorer. He contends that credit for self-employment should also be recognized as a human right that plays a critical role in attaining all other human rights.

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<sup>22</sup> State of Ghana Economy 1995

<sup>23</sup> Stuart 2000



Some small and medium scale enterprises often demurred because they doubt whether they could operate well enough to repay their loans with interest often associated with the formal financial institutions. Steel and Webster<sup>24</sup>. They further stated that for potentially dynamic small and medium scale enterprises, an important constraint are their lack beyond the limits of self-finance, but they remain unable to obtain the necessary funds formal financial institutions. They went on to say that supply-side assistance programmes will have only limited impact until the financial system is restructure to function more efficiently, credit is eased, and new instruments are developed to meet the needs of small and medium scale enterprises. To this point one would say that Rural Banking would be the solution to credit problems of these enterprises.

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<sup>24</sup> Steel and Webster 1992

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 INTRODUCTION**

This chapter deals with the research methods and procedure for the collection of data. It involves the research design, sample population, instrument used for the collection of data, and limitations.

#### **3.2 RESEARCH DESIGN**

The study was mainly concerned with how the rural banks have contributed towards the development of Small and Medium Scale Enterprises. The study therefore was basically based on interventional study design meant to be descriptive since it was designed to procure information concerning the current status of the small and medium scale enterprise development and how the Juaben Rural Bank has contributed in this direction.

This experimental research was action-based involving the use of questionnaire to solicit information from the beneficiaries and management of Juaben Rural Bank, of the credit facility from Aboaso, Bonwire, Ejisu and Kwaso branches of Juaben Rural Bank. Also the primary information from the bank gave much insight into how the operations of the bank are when the question of contribution and credit comes into mind. At the conclusion part of the research, the questionnaires were subject to statistical analysis and conclusions drawn.

#### **3.3 SAMPLE POPULATION**

Aboaso, Bonwire, Ejisu and Kwaso branches of Juaben Rural Bank were chosen, as the study area on the grounds that they had started a programme of giving credit to small and medium scale enterprises as a means to address the credit needs of the operators. The main branch at Juaben had an agency that deals with granting credit to the needed parties. This means that the final authority rest in the hands of the head office when issues of credit comes to the domain.

The target population for the study was 180, which reflect the notion of the people of Juaben, Aboaso, Bonwire, Ejisu and Kwaso where the bank have been able to offer credit to small and medium scale enterprise operators. The people to answer the questionnaire were chosen randomly without any favour for any the operators.

### **3.4 INSTRUMENT USED FOR THE STUDY**

There are various methods through which information for a research work could be obtained. These include: observation, interview, questionnaire, test and so forth. The researcher used questionnaire to collect the information needed from small and medium scale enterprise operators and beneficiaries of credit from the bank. A questionnaire was also directed to the management of the bank to as it were find out about how the credit get to the beneficiaries and the interest charged on the credit to sustain the scheme.

The questionnaire directed to the beneficiaries of the credit facility were 180 questions with some of the questions being open-ended, where the people had to provide answers based on their own notion and ideas. The one directed to the management of the bank also had questions some of which were open-ended and some with options.

Those of the beneficiaries who could not answer the questionnaire were aided to answer based on their subjective mental evaluation of the questions. The main notion was to find out how the facility has helped them in their business and the problems they face after they have assessed the credit facility so as to help find a solution to the problem of credit.

### **3.5 DATA COLLECTION**

For the collection of data for the study the researchers sought permission from the manager, Juaben Rural Bank through an introduction from a student who is also among the researchers. A questionnaire was design by the researchers themselves and through the help of one of the staff of Juaben Rural Bank, who is directly involved in small and medium scale-credit. We were able to identify some of the beneficiaries of the said facility and it was not difficult locating the beneficiaries because they have organized themselves into groups.

With the introduction by the Officer that the researchers are students of the Christian Service University College of Kumasi and that the researchers were there to seek their views on some key issues that border them on credit facilities, they readily accepted the researchers and answered the questions with some few interventions. After some time those who could fill the forms gave it back to the researchers and those who could not fill the form were helped to answer the questions based on their subjective mental evaluation of the issues raised hence a reflection of what they wanted to write.

### **3.6 LIMITATIONS**

The researchers encountered various difficulties such as regards having the right information from the Bank on who has been giving credit and how to locate them. Also the inability of the bank to discuss some important issues in the initial stages delayed our work a bit not until I was shown the main Office in charge of the scheme the work would have been a fiasco. The researchers inability to cover large areas also constitutes a major setback but this was due to time constraint and the changing of research supervisor at the eleventh hour.

Furthermore, more areas could have been covered but funds were limited for such a thing to have being done. Time wasted to explain the questions to the beneficiaries were also a setback since most of them could not write nor read. The inaccessibility of some of the areas was also a major constraint that confronted the researchers in their mission to unravel the contributions of the rural bank to the socio-economic development of the study area and the small and medium scale-enterprise operators.

## **CHAPTER FOUR**

### **ANALYSIS AND PRESENTATION OF DATA**

#### **4.0 INTRODUCTION**

This chapter summarizes the activities of Juaben Rural Bank and how the agency responsible for credit granting discharge its duties and the mode under which such facilities are given out to the needed people. It also analyses the data collected from beneficiaries and management of Juaben Rural Bank. Descriptive statistics is used to test certain socio-economic variables such as educational background, gender, nature of work, paid workers, volume of credit facility and how the facility has helped the development of businesses in the Ejisu\Juaben and its surrounding areas such as, Juaben, Aboaso, Bonwire, Ejisu and Kwaso. Also included in the analyses is the efficiency of Juaben Rural Bank in addressing the credit needs of its customers and extend of technical support given to these enterprises.

#### **4.1 JUABEN RURAL BANK**

Juaben Rural Bank an indigenous bank with the head office at Juaben and is a dominant Rural Bank in the Ashanti Region of Ghana. The bank has branches in three districts in the region with the best services, addressing the credit, banking needs of the people of the Ashanti Region. A bank operating in a predominately a deprived area in terms of social amenities and the developmental needs shows that the bank faces a lot of problems from the people in their quest to provide the best of banking services to the people.

Small and Medium Scale Enterprise-credit has been one of the major contributions of the bank to alleviating poverty among the people of the region. Due to the passionate and the enthusiastic desire of the bank toward credit to the small and medium scale enterprises, an agency was set up by the bank to deal with micro financing and credit to the small and medium scale enterprises.

The agency is headed by a Management Officer (Microfinance Co-ordinator) whose duties are to look into applications brought before it, make the necessary recommendations and report to the head of Credit at head office accordingly, mention should be made of the

in-charge of all credit administration to the small and medium scale enterprise operators. The natures of work at the agency is such that some time is spent at the office to look in documents brought before it and appraise their work and also some time is spent with the beneficiaries to ascertain the progress of work of the small and medium scale enterprises. The office deals with credit granting and educating the beneficiaries on how to manage and repay the loan.

The activities of the bank are made known to the people through advertisement and the organization of the people who need the credit into groups and given them an intensive education on the need to start savings with the bank and once you are able to do that you qualify to access the facility. But during such an organizational meeting which normally last for three months, the people are taught the essentials things about banking and the seeds of savings are sold to them at such meetings. This the bank does to nurture in the people the need and the desire for savings and those who could save with the bank automatically becomes a beneficiary of such a facility.

The bank do not require any collateral security from the people before credit could be accessed but what they require is a collateral perfection which means starting doing business with the bank and your ability to save small would guarantee you having the facility. Those who could not save are made to use the Susu scheme as an equally perfect security. Accessing credit therefore depends on the level of savings you have with the bank and your ability to pay back the loan with the specified interest rate.

The bank grant credit to both individuals and groups and those on the individual base, the range of assessing the facility is between GH¢500 - GH¢4,000 while those on the group bases is between GH¢100 - GH¢10,000 and credit are normally allowed to stay with customers for a minimum of 6 months and a maximum of 1 year. Mention should be made of the fact that your ability to pay for the first loan guarantees you having access to the next credit facility.

The interest charged on the facility is 32% p.a on each amount you received from the bank. The repayment level of the loan is around 80% indicating that actually some people do default in the payment and the remedy by the bank is to take legal action against the person. Not all the credit needs of the applicants are met since some factors need to be considered before the facility is

giving out. Your ability to pay, a possible turn over in the business and so on is the major things the bank look at before the request for additional is honoured.

The bank is also involved directly in individual business. They are stakeholders in some of the micro – enterprises and the predominant areas that the bank normally involves itself are commerce, transport and agriculture. Apart from the credit facility, the bank also provides an educational assistance, financial management, and also teaches them the need for banking in them. The agency faces some problems in their drive to reach out to the beneficiaries. Most of the groups are found in the deprived areas where accessibility is a problem and that affect the work of the officers, transportation is a also major problem, illiteracy level among the people also pose a problem to the operations of the bank.

#### **4.2 EDUCATIONAL BACKGROUND**

Small and Medium Scale Enterprises have been argued to have been increasing due to the fact, the capital involve in their operation is not as substantial as that the large-scale enterprises and could be obtained from close associate such as relatives and friends, it must however be stated that education has not been barrier either to having credit. The study conducted showed that some of the respondents have not had any form of formal schooling. A proportion forming about 7% has never being to school before, and the rest have varying levels of formal education. Further analysis of the educational background of these small-scale enterprises tested the level of education attainment of the respondents and the results have been shown in the table 4.1 and the diagram 4.1 below.

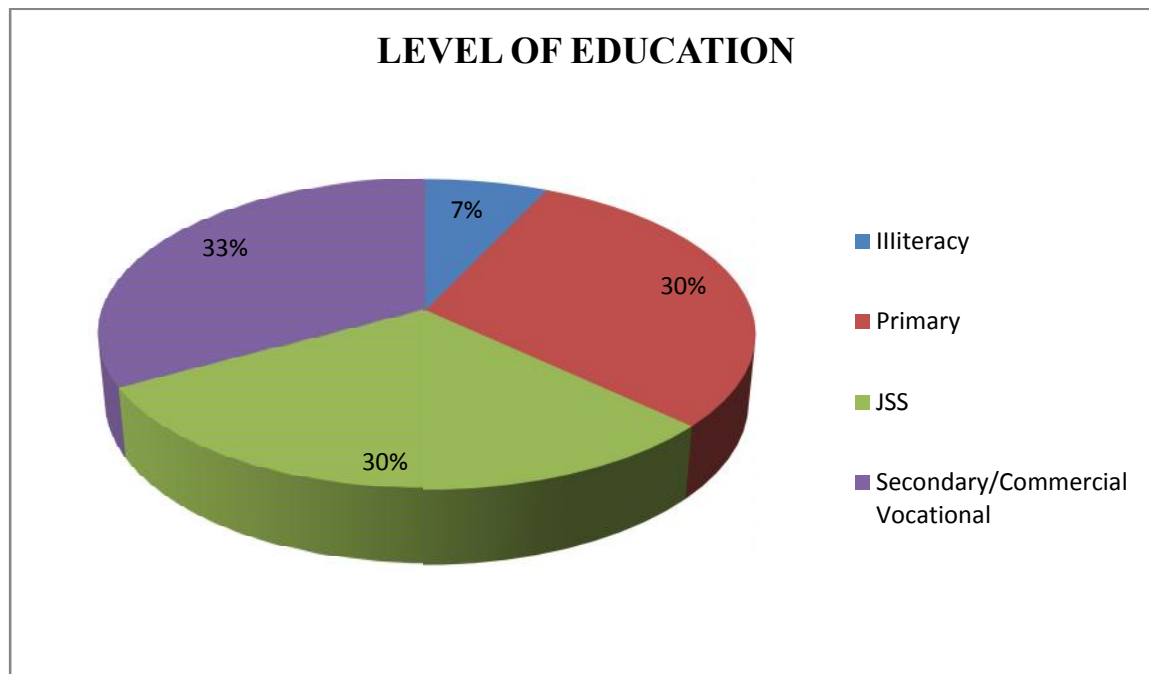
**Table 1. Level of Educational Attainment**

<b>Classification</b>	<b>Frequency</b>	<b>Percent</b>
Illiteracy	12	7
Primary	54	30
J S S	54	30
Secondary / Commercial / Vocational	60	33
<b>Total</b>	<b>180</b>	<b>100</b>

**Source: field survey 2011**

The statistics in table 4.1 above have shown that 7% of the total respondents have had no form education. The people mostly acquired their trade through apprenticeship and inheritance from their parent and close relatives, and are now operating on their own. Also 30% of the respondents have had some level of primary school education, however, those people also served as apprentices before they could be in the business of their own. These categories of people add up to the percentage of those without education of form 37% of our respondent who acquired their trade through apprenticeship. This point confirm one earlier on made by Liedhom and Mead (1988) that, in West Africa informal apprenticeship system in which a young person serves a proprietor or a master for a given period to learn a trade, craft, plays a key role in the skill formation. 33%, which was the highest figure, showed that most of the respondents have had some form of education.

**Diagram: 1. Level of Education**



**Sources: field survey 2011**



### 4.3 GENDER

Females as is often argued have formed the majority of small and medium scale enterprise operators in the sub-region. This stems from the fact that females turn to be more business minded and are ready to accept responsibility than men. Among the characteristics of small and medium scale enterprises established by Liedholm and Mead<sup>25</sup> was stated that in most countries significant numbers of the small and medium scale enterprises are female operators. The table below 4.2 shows the percentage of females and males who constitute our respondent in the study area.

**Table 2. Gender Ration**

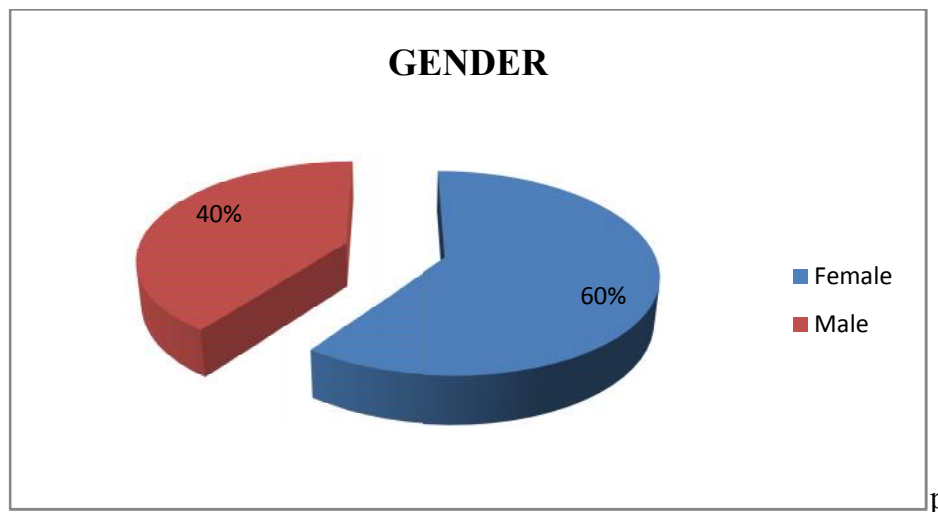
<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Female	108	60
Male	72	40
Total	180	100

It was realized that the large number of people who come to Juaben Rural Bank as beneficiaries of credit were women, forming 60% of the respondents as shown in the table above. The reason for this fact is that women in the study area have been able to come together to form co-operative associations and since the scheme does not require collateral, they find such societies to be very secured to trust with credit and that form the bases for collateral perfection. The formation of such societies guarantee repayment of credit and provide some level of confidence for the management of Micro-finance under the management of Juaben Rural Bank. Though the male counterparts have such groups it has not been as vibrant as the female counterparts hence their inability to access as much of credit. The pie chart 4.2 below also gives the pictorial view of the issue of gender.

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<sup>25</sup> Liedholm and Mead 1988

**DIAGRAM :2. GENDER**



**Source: field survey 2011**

#### **4.4 NATURE OF OPERATION**

The major pre-occupation along the Ashanti Region has been commerce with agricultural forming the main occupation. But a look at Ejisu\Juaben and its surrounding areas in the Ashanti region shows that the area is an industrial area with most of the businesses. This demand for skill person who will do all the service work that the people around the area need hence the high percentage of beneficiaries from service sector. Commerce at the area is also equally good since the population around the area in high due to the presence of those businesses. An analysis of the various sectors that have benefited in the study area has been presented in table 4.3 below.

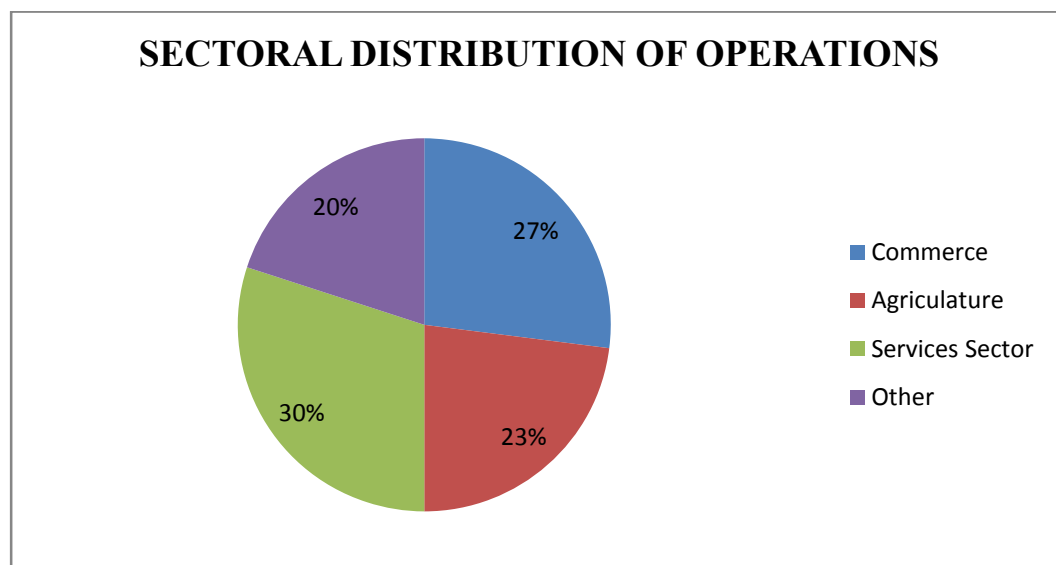
**Table: 3. Sectoral Distributions of Operations**

Sector	Frequency	Percentage
Commerce	48	27
Agriculture	42	23
Services sector	54	30
Other	36	20
Total	180	100

**Source: field survey 2011**

From the table 4.3 above, majority of the respondent are in the Service sector confirming that the presences of businesses around the study area demand people with some sort of training to render most of the services the people around demand. The percentage of those in the service sector is 30% followed by commerce with 27% and then 23% from Agriculture. Below is a diagram 4.3 which further make the analysis clear.

**Diagram 3. Sectoral Distribution of Operations**



#### 4.5 PAID LABOUR

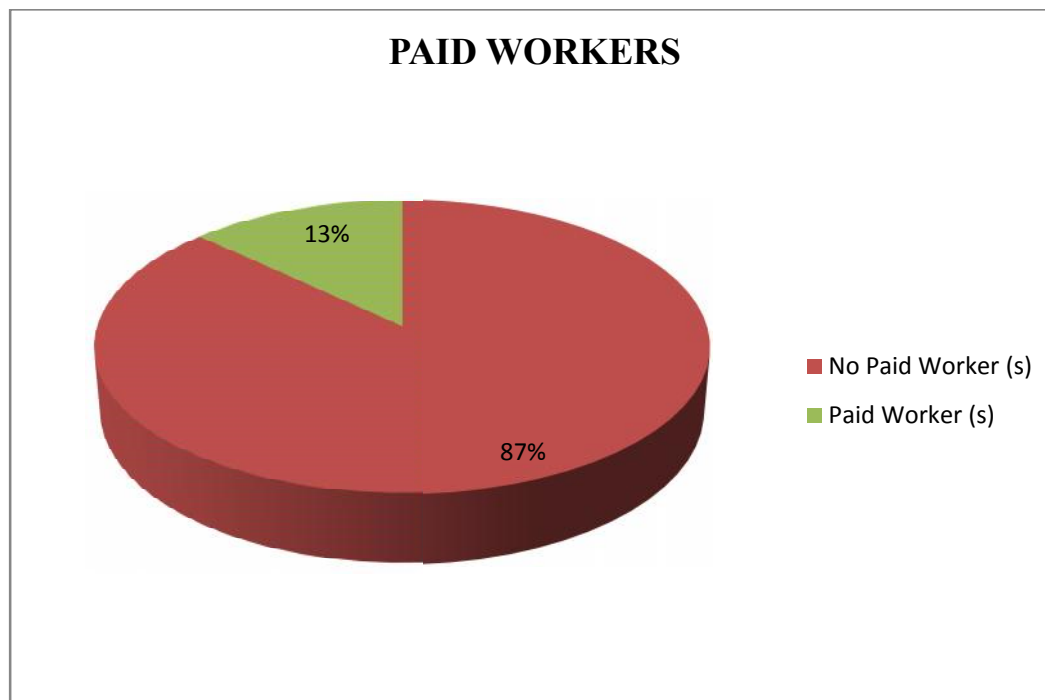
Small and medium scale enterprises have been characterized as having just a little or no paid labour at all in their operations. This fact became evidently clear in the study, when the researchers enquired whether the respondents have any form of paid workers. The responses obtained are depicted in the table 4.4 below and the pie chart 4.4 also shows the pictorial view of the responses.

**Table 4. Paid Workers**

Responses	Frequency	Percentage
No Paid Worker (s)	156	87
Paid Worker (s)	24	13
Total	180	100

**Source: field survey 2011**

**Diagram 4 Paid Workers**



**Source: field survey 2011**

As shown in table 4.4 and the pie chart 4.4 above, it can be seen that most of the respondents have no form of paid workers. They mostly relied on family members as a source of labour. These family members and sometimes other apprentices who work with these entrepreneurs are not paid because they are supposed to be under training to acquire the said trade. This confirms an earlier point made by Liedholm and Mead (1988) that 'family workers generally formed the largest component of the small and medium scale enterprises labour force, apprenticeship labour, however, is also important'. The categories of respondent were mostly found in the service sector where most of them depended on children and close relatives as their source of labour. 13 percent of the respondents employed some form of paid workers. A further analysis to see how many workers have been engaged showed just a few of them.

This is illustrated in the table 4.5 below.

**Table: 5. Numbers of Workers Engaged**

Classification	Frequency	Percentage
0-3 workers	126	70
4-7 workers	42	23
8 and above workers	12	7
Total	180	100

**Source: field survey 2011**

Enterprises in the service sector engaged more than 4 workers while enterprises that had 1-4 workers were found in the repair shops and poultry. Even those workers did not have as it been permanent status.

#### **4.6 VOLUME OF CREDIT RECEIVED BY SMALL AND MEDIUM SCALE ENTERPRISES**

Analysis made earlier indicated that many beneficiaries of credit support from Juaben Rural Bank come from the service sector due to the strategic location of the study area and this has also been reviewed in the analysis of the volume of credit received. Most of the credit granted from the bank went to the peoples in the service sector followed by the commerce sector, which is equally a very vibrant sector due to the large population in that area. Most of the credit received are within the range of GH¢1,000-GH¢2,000 with a 33% of the total percentage and GH¢2,100-GH¢3,000 also with 33% of the whole credit from the Bank, which is followed by the highest amount of credit that the bank grant to individuals under the small and medium scale enterprises scheme that is GH¢3,100-GH¢4,000 with percentage of 27 of total credit granted by the bank and this has been shown in the table below.

**Table: 6. Ranges of Credit Received**

Range of credit received	Frequency	Percentage
GH¢100-GH¢1,000	12	7
GH¢1,100-GH¢2,000	60	33
GH¢2,100-GH¢3,000	60	33
GH¢3,100-GH¢4,000	48	27
Total	180	100

**Source: field survey 2011**

Because the nature of work of the majority of the respondent, it means that more credit was needed to embark on such a venture hence the greater proportion of the beneficiaries are in the range from GH¢1100 to GH¢3,000 as can be seen from the table above. This also indicates that for most of the respondents, the facility was either their second time or third time of having such a facility

#### **4.7 ADEQUACY OF CREDIT GRANTED**

Credit in the form of Loans for capital investment and to help improve the liquidity position of the small and medium scale enterprises in the Ashanti Region has been a problem and has actually hindered the sector in the Region. Microfinance agency of Juaben Rural Bank has been set up to help alleviate some, if not all the problems. 80 percent of the respondents said that the credit was inadequate and 20 percent said it was adequate from the data obtained from the field. Several reasons were assigned by the management of the Bank as to why the problem of adequacy always comes up. They said that they are supposed to spread the facility to all and sundry hence the constraint of not being possible to meet the credit demands of all is very high. Also your ability to pay the first loan guarantees you having more of such facility and the problems that they go through when doing business with you would qualify you for another facility but the study indicated that most of the respondents are not educated and that makes the bank careful in loaning so much to a single beneficiary.

It was further stressed that the facility is not suppose to provide all the financial needs of the small and medium scale enterprises but to help bring them up to a level that could repose some confidence in the traditional financial and unit banks, there by attracting credit from them. Also the Micro finance team has to appraise the project and examine the strength and weakness so that the credit will not be a problem when the issue of repayment comes to surface.

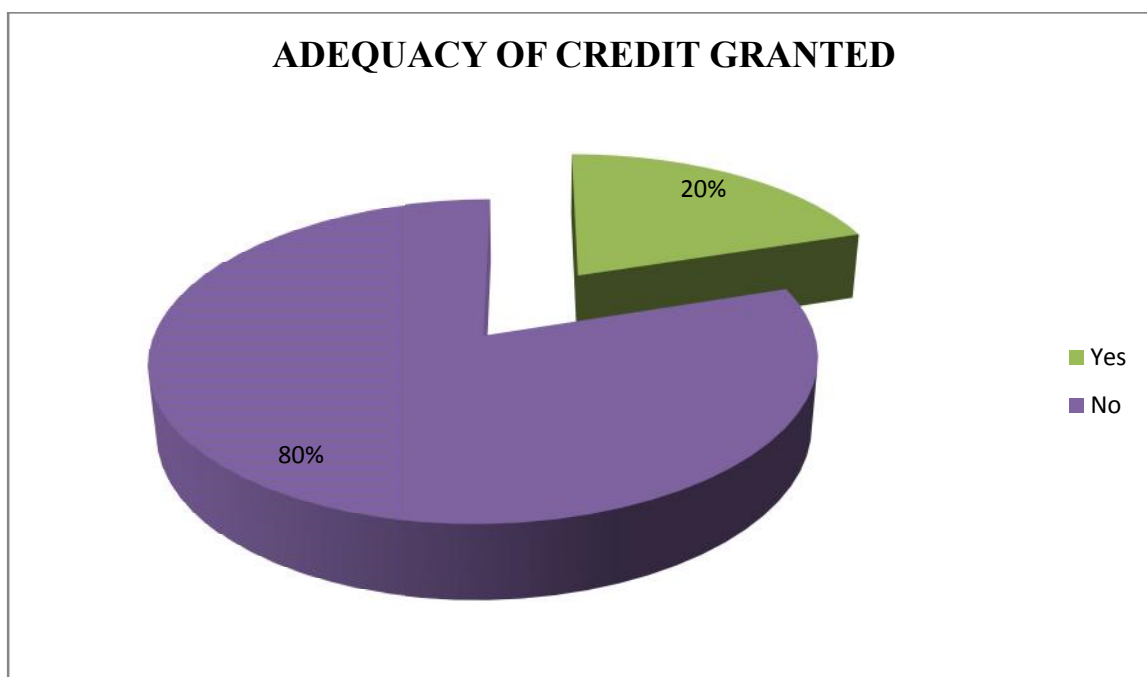
**Table: 7 Adequacy of Credit Granted**

Response	Frequency	Percentage
Yes	36	20
No	144	80
Total	180	100

**Source: field survey 2011**

The table above has shown that indeed credits for the small and medium scale enterprise from the Unit Banks have not been adequate and that has been shown in the responses. 80 percent of the respondents affirm the notion that credit is indeed small and 20 percent also responded that Credit was enough and the reason assign for this was that it was their first time of having such a facility hence for now it was enough but they hope to have an increase in the near future. Also diagram 4.5 has been used to further make the analysis very clear and from that we have also realized that 80% of the respondents have stated categorically clear that the credit facility was no enough to make them realize their objective for engaging in that Business. Below is the diagram of Adequacy of credit

**Diagram: 5 Adequacy of Credit**



**Source: field survey 2011**

#### **4.8 DEFAULT RATE/REPAYMENT LEVEL ANALYSIS.**

The prompt repayment of the credit facility with the appropriate interest is needed to make the scheme revolving and sustaining. According to the management of the facility that is the Micro finance agency at the Juaben Rural Bank, the default rate was quoted as an average of 20% of all loans granted and about 80% pays promptly and on time. However the responses from the respondents gave the value as 80% not defaulted in payment and 20% have actually defaulted in

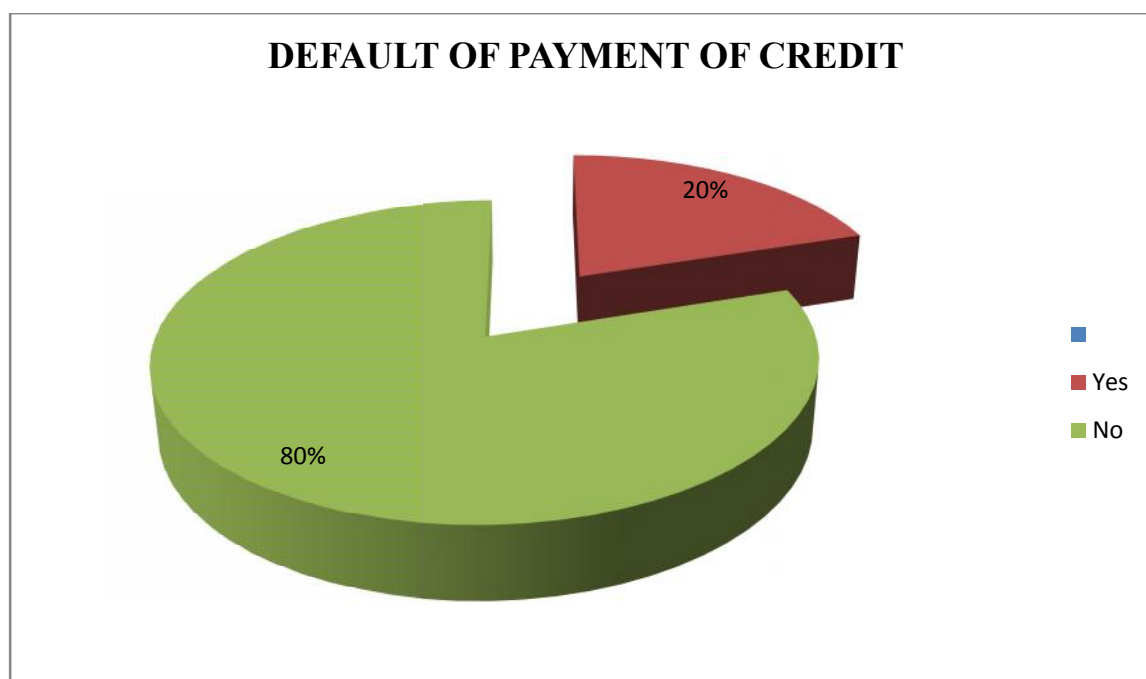
payment. This does not deviate so much from the value of the management hence indication of the fact that credit recovery involves an extensive mechanism. The table 4.8 below shows the responses of those who have defaulted and those who have not defaulted.

**Table: 8. Default of Payment of Credit**

Responses	Frequency	Percentage
Yes	36	20
No	144	80
Total	180	100

**Source: field survey 2011**

**Diagram: 6 Default Of Payment of Credit**



**Source: field survey 2011**

The tables values have confirm that credit recovery has not been all that good but the explanation to the high default rate can be due to the fact that most of the beneficiaries fails to honour their part of the agreement but management has the legal action as one of the measures used to recover loans from beneficiaries.



This support the point made by Anda and Steel <sup>26</sup> when they stated that the low rate charged by credit institution are responsible for the slow rate of expansion of credit agencies. According to them a good credit agency should provide not only facilities that yield benefits to the enterprise but also produces some returns that cover the cost of credit administration.

#### 4.9 COLLATERAL SECURITY

In the traditional Banking System one of the requirements for getting a credit was your ability to provide a collateral security that guarantees you in case of default. This variable was of so much importance to use since it really showed whether small and medium scale enterprises that could not provide those facilities could not have access to such facility. In information gathered from the management of Juaben Rural Bank, it became evidently clear that such a facility is no more a problem to you having a credit from them. What the bank now require from the people who apply for such facility are to provide what the bank called collateral Perfection. This perfection could be based on the volume of your savings with the bank and also when you have an organized group where the team of workers from the Bank could locate and the ability of the group contributing in the form of SUSU scheme, then that serves as a guarantee. The table 4.9 below gives the true picture of the perception of the respondents on the issue of Collateral.

**Table: 9. Collateral Security**

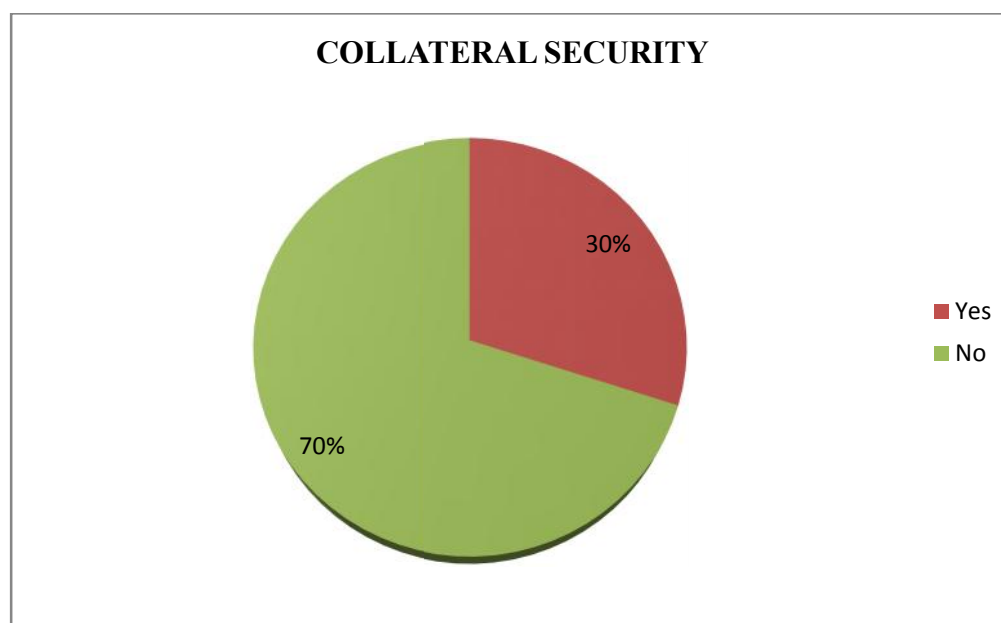
Responses	Frequency	Percentage
Yes	54	30
No	126	70
Total	180	100

**Source: field survey 2011**

With reference to the table 4.9 above a table has been used to show the percentage of respondents who indicate whether they provided collateral security or not. Of the total respondents 70% said that they did not provide a collateral security but rather provided a collateral perfection and 30% of the respondents said they were made to provide collateral security. This analysis has been shown in the diagram 4.6, below pictorial pie chart has been used to show the responses on the issue of collateral security.

<sup>26</sup> Andah and Steel 2004

**Diagram: 7. Collateral Security**



**Source: field survey 2011**

#### **4.10 DURATION OR HOLDING CREDIT**

Credit facility from the bank is allowed to stay with the beneficiaries for some time after which the total amount, in addition to the interest charged on the facility would be paid. From the management of the bank credit stay with a beneficiaries depends on the type of work they do, and that those in the agriculture sector are allowed to keep the credit for a maximum period of one year while those of the service and the commerce sector are allowed to keep the facility for a period of six months. Since most of the respondents were from the service sector, 50% were allowed to keep the credit for 6 months and 47% were also allowed to keep the credit for 1 year, which were predominantly farmers and 3% for others. The detail of the analysis has been shown in the table and the diagram below.

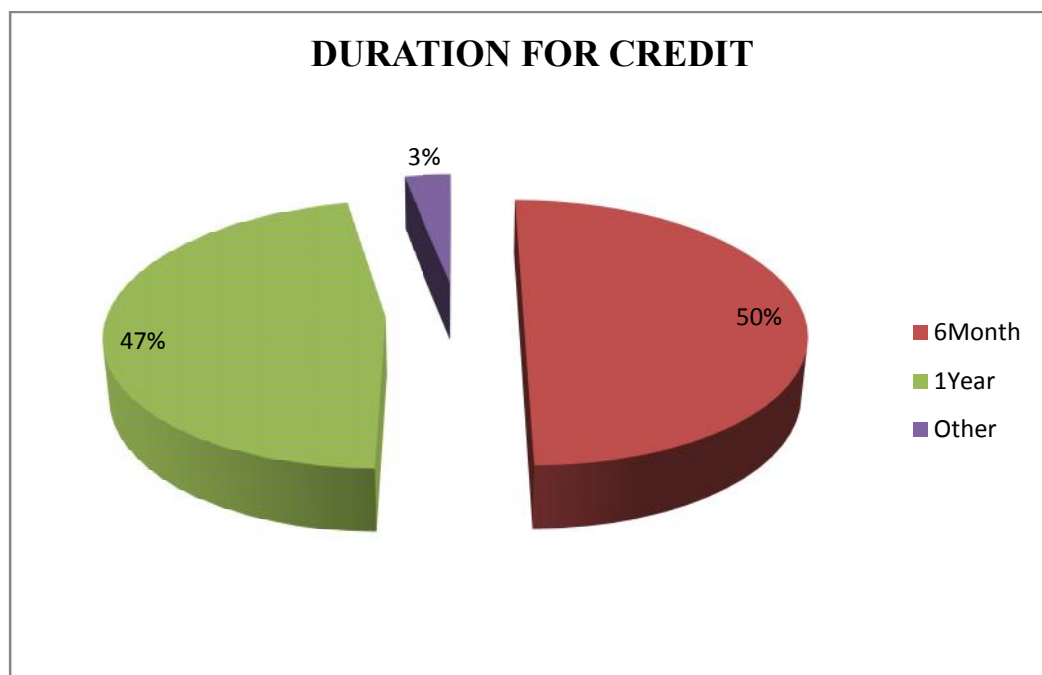
**Table: 10. Duration for Holding Credit**

Duration for credit	Frequency	Percentage
6 mouth	90	50
1 year	84	47
Others	6	3
Total	180	100

**Source: field survey 2011**

As showed from the diagram 4.7 below 60% of the respondent had their credit for a 6 months period by which time the total amount and the interest are paid and 47% were also granted a credit to be held for 1 year and the other periods for holding a credit which normally last for either month is also shown in the diagram. This is an indication that credit are not allow to stay with enterprises for a longer period by which time they would have been able to get some turn over on the credit facility.

**Diagram .8 Duration for Credit**



**Source: field survey 2011**

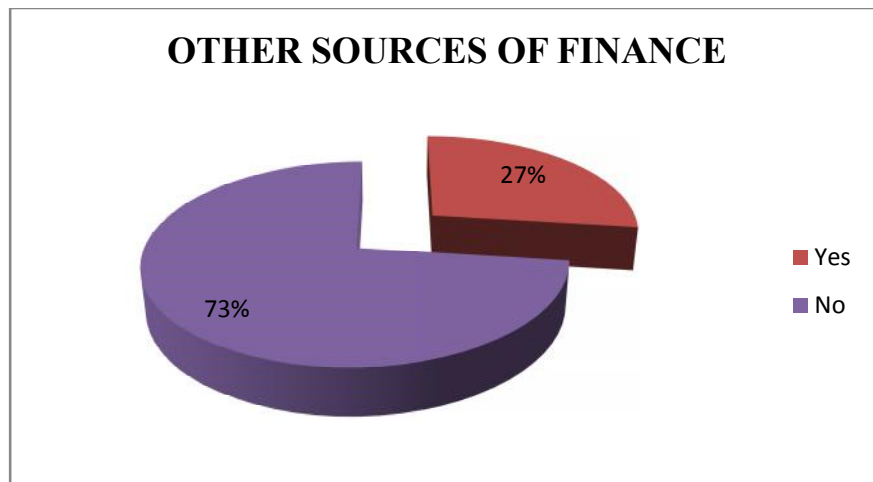
#### **4:11 Other Sources of Finance**

Due to the inadequacy of the credit facility that is given to the beneficiaries, they always look for other areas that they can access other forms of credit facility. This has been shown in the table. 4.11 Below where 27% of the respondents resorting to other forms of credit facility from other saving and loans companies in the Region. Where 73% of the respondent categorically stated that they do not access any other form of support from any groups or organization apart from Juaben Rural Bank. The table 4.11 illustrates the point raised above.

**Table: 12. Other Sources of Finance**

Responses	Frequency	Percentage
Yes	48	27
No	132	73
Total	180	100

From the table out of the total 180 respondents 27% said they have access to other forms of credit vindicating the fact that credit from the Rural Banks to the Micro-Enterprises in the country has not been enough for them to release their objective as been the turn around which the development of every nation revolves. The diagram 4.8 below also gives the pictorial view of the situation. The graph below shows the percentage of the respondents who access other sources of credit as 27% of the total population and the others as 73%

**Diagram :9. Other Sources**

**Source: field Survey 2011**

**Table: 13. Beneficiaries Response**

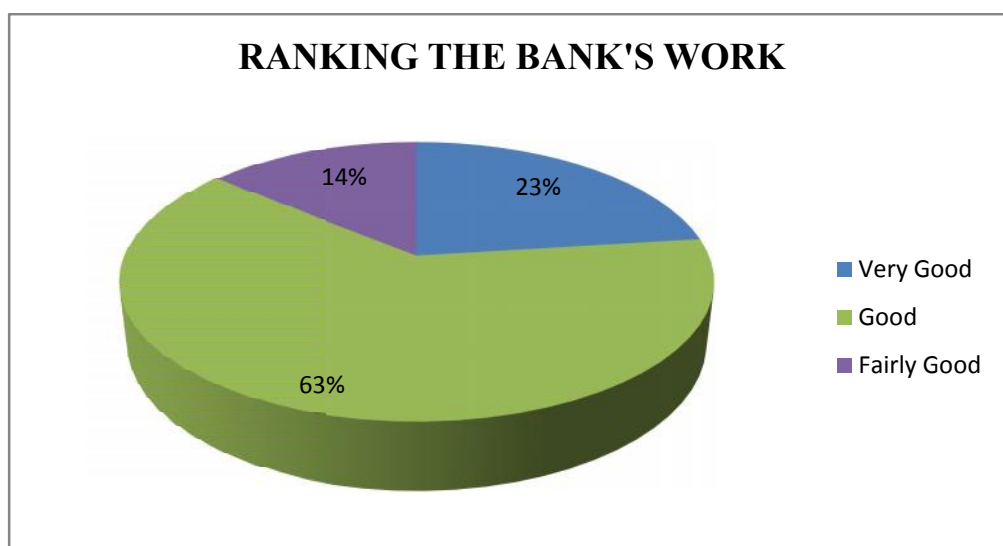
Responses	Frequency	Percentage
Very good	48	23
Good	108	63
Fairly good	24	14
Total	180	100

**Source: field survey 2011**

The reasons assigned to the responses above were as follows. Beneficiaries who responded very good are those who either had all their credit demands or those who had a substantial amount of the credit requested. Those of the response good, are those who had a cut or delay in the granting of the credit. They felt the amount was inadequate and unduly delay. From the responses it can be conclude that though the work of Juaben Rural Bank in credit granting to small and medium scale enterprises in the Region is not all that old it has enjoy some level good well from the people that access credit from the bank. Below is a diagram 4.9, which shows the distribution of the responses on the bases of the performance of the Juaben Rarul Bank on credit granting to the small and medium scale enterprises.

From the diagram 4.9 below 63% of the respondents said the performance of the bank was good, whiles 23% said the performance was very good and finally 14% said the performance of the bank to credit granting is fairly good.

**Diagram: 10 Ranking the Bank's Work**



**Source: field survey 2011**

#### **4.13 INTEREST CHARGES**

Another worrisome issue that was almost reflective in the data that was collected was the issue of the high interest rate charges on the facility. It became evidently clear that interest on the credit was 32% on each facility that you receive from the bank. This the respondents complain about they were quick to add that yet they do not have any place to go. The interest charged on the facility has made it impossible for them to really have a turn over in the areas that they operate.

This management responded that there are some risks involved in the business especially dealing with people who are not well education. The fear of the bank was whether they could recover the cost should there be reduction in the base rate, but it became clear that the bank was not ready to reduce the interest charge on the facility.

There was one of the most serious reason that most of the respondents assign for their inability to access more credit and they pray that management of the bank to consider the interest charged on the credit adjusts it to suite the people who are within the sphere of the small and medium scale enterprises since that was the engine of growth of the country.

#### **4.14 CREDIT EXPANSION**

Credit expansion was a key issue that was central to the study. Respondents of the research made it abundantly clear that after the facility was accessed there have been credit expansion, which is an indication that the importance of the Bank in Micro-financing cannot be over emphasized. Capital for business has gone up and now they could afford to do more business that would increase their profit rate and lead to a general increase in the welfare of the people in particular and Ghana as a whole.

This good news has led to a situation where more people now apply for the credit facility, only that a few people did not get such facilities. Business is now good for them and they would be glad if the interest is reduced and the minimum credit increased for them to have a grater profit out of their business.

#### 4.15 OTHER BENEFITS DERIVED FROM JUABEN RURAL BANK

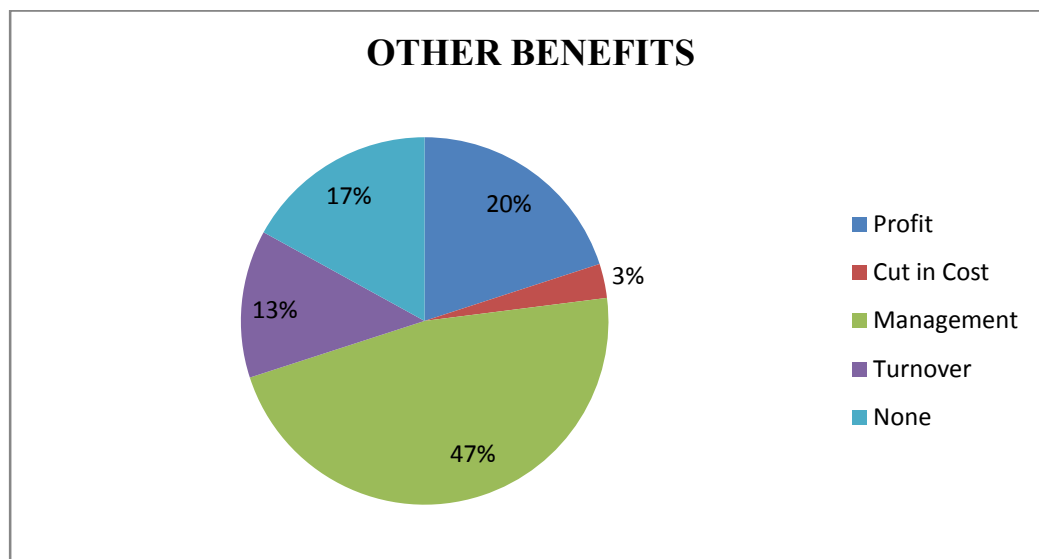
Another important issue was the other benefit that beneficiaries of the credit facility have derived from the bank. It was made known that there are other benefit that the beneficiaries of credit from the bank have had apart from the credit. Mention could be made of increase in turn over, increase in profit; better management practice and cut in the cost of operation are some of the benefit that they have had apart from the credit facility. The table 4.13 below and the diagram 4.10 below shows the various benefit that is derived fro the bank.

**Table: 14. Other Benefits from the Bank**

Benefits	Frequency	Percentage
Increase in Profit	36	20
Cut in the Cost Operation	6	3
Better Management Practice	84	47
Increase in Turn Over	24	13
None	30	17
Total	180	100

**Source: field survey 2011**

**Diagram: 11. Other Benefit**



**Source: field survey 2011**

From the table above it can be conclude that apart from the credit facility that was given by the bank to the applicant other forms of assistance were due them in their quest to turn their dreams into realities and the table 4.13 gave the highest benefit apart from credit as better management practice with 47% and increase in profit as the next benefit with 20% value. The diagram 4.10 also gives the pictorial impression of the other benefits that applicants get apart from the credit facility.



## **CHAPTER FIVE**

### **SUMMARY, RECOMMENDATION AND CONCLUSION**

#### **5.1 OVERVIEW**

The chapter summaries the information obtained from the study. It also draws recommendations about the study in the light of the findings and makes appropriate conclusions

#### **5.2 SUMMARY**

Small and Medium Scale Enterprises development have been acknowledged world over as a strategy important and quite effective for addressing the low incomes and under development in the informal sector of developing nations. To develop the small and medium scale enterprise sector, certain operational structures would have to be put in place to address the numerous problems faced by these enterprises in the country. These structures include the provision of an efficient credit scheme as well as technical, managerial, marketing, and other forms of assistance. Microfinance agency, an agency under Juaben Rural Bank was set up to help put in place among other things the above-mentioned structures to facilitate the development of the small and medium scale enterprises sector in the region. In the light of these, a study was carried out to see the effectiveness of Micro financing agency of Juaben Rural Bank to addressing the problem of credit, which leads to the development of the study area of Aboaso, Bonwire, Ejisu and Kwaso, a towns in Ejisu\Juaben Municipal Assembly.

The study has as its general objectives as, to evaluate how income levels of small and medium scale enterprises have improved after they have accessed credit from the Rural Bank and to know the level of involvement of Juaben Rural Bank in the evaluate how income levels of in the activities of Micro-Enterprises, to know the interest charged on any credit facility extended to beneficiaries, to ascertain some of the problems that faced the Bank in it mission to help solve the problem of credit to small and medium scale enterprises.

During the study, both primary and secondary data were collected from the management and the beneficiaries and from related literature. Descriptive statistical method was used to test some socio-Economic variables that affect beneficiaries' productive ability directly or indirectly and have influenced their demand for credit and other inputs. The factors included the level of education of the respondents, gender, nature of operation, number of paid workers, and interest lead to expansion in their business as well as overall assessment of the performance of Juaben Rural Bank by management and the beneficiaries were analyzed.

The study of these variables revealed in summary the following. Most of the beneficiaries have not had any form of higher education and some have had no form of education. This can be seen in the table 4.1 above and therefore lack of certain basic technical, managerial, marketing and other forms of support. Unfortunately, the Micro finance agency, which was set up by the bank to deal with some these problems and services have not done much in providing those support base function. From the study, it became clear that a greater number of the beneficiaries of credit have not enjoyed any form of support apart from the credit facility.

Also most of the beneficiaries were women forming 60 percent of our respondents as indicated in table 4.2 above. This has been so because of their ability to form co-operatives societies. Due to the strategic location of Ejisu\Juaben, majority of the respondent came from the service sector with 30% followed with commerce sector also with 27% then followed with Agricultural sector with 23% responses. The study also revealed that credit to the service sector was the biggest credit from the bank and that might be due to the fact that most of the respondent from the service sector were more educated then the other sectors. This has been shown in the table 4.3 above.

In all cases except, most of the beneficiaries complained of credit not been adequate, these making it impossible for them to embark on any form of capital investment for increase in expansion. All the respondents applied their credit to good business venture, through it would not be proved to the later since personal and business expenses are not entirely separation among these small and medium scale enterprises. It was also released that the loans delayed in getting to the real applicants thereby reducing the purchasing power as well as causing misapplication

leading to less productivity. A typical example was the periods that fresh applicant go through for three months training before the credit facility is given is a shared waste of time.

It was again realized that most of the beneficiaries had no paid workers. They instead relied on family labour and apprentices. This form of labour had been the training ground for skill acquisition leading to eventual establishment of self-business. Of all the respondents only 13% had paid workers as can be seen from the table 4.4 above.

The default rate according to the study was not too high. It was realized that the agency had closed most of the time in the loan recovery process and that had lead a reduction in the default rate. Legal action was one of the ways used by the bank to recovery its credit from the defaulters and these has made them paid their credit as and when they fall due.

Interest rate which was one of the most important variable to the study was noted as been 32% on each credit facility received from the bank. This the beneficiaries raised concerns that it was on the high side and pray management to review the rate so as to make it comfortable for them when they access the facility. It was realized that the interest rate been at 32% have not attracted most people from the Agricultural sector since their profit depends not only one the facility but also the fluctuations in the weather conditions. However the study indicated that those few from the Agricultural sector do better in the repayment of credit then other sectors as and when credit fall due.

Finally, whereas management was of the opinion that its activities was a success to a larger extend in the development of small and medium scale enterprises in the study area, the beneficiaries were of the general view that the micro finance agency has not done so much and there was a need to improve upon their services so that their dreams turns into reality. 60% of the management saw their operations as very good whiles 40% saw it to be good.

### 5.3 RECOMMENDATION

Small and Medium Scale Enterprises can confidently be said to be very durable, all-encompassing and flexible and it so, the question then is under what conditions can they flourish. The study has shown certain circumstances when improved are likely to help the sector improve upon its lot. In this vein, the following recommendations have been suggested for consideration.

- The Microfinance agency under the Juaben Rural Bank should seek out the very enterprises with the greatest potential of viability, sustainability, and expansion and should not be based on officers' affiliation with applicants before loans are granted. Again credit should aim at enterprises that generally do not have access to formal sources of credit and technical services. The consideration of graduation approach where enterprises are brought to a state that can be linked to other financial institutions should be taken seriously and actually operative.
- The need to encourage small and medium scale enterprises to actually come together to form cooperatives societies is very important especially among the male gender. The importance of these cannot be over emphasized since it will go a long way to make the credit worthy thereby attracting more credit. It is important to note that some of these individual enterprises are in very profitable ventures but lack of the necessary security to get credit to operate efficiently.
- Credit granted to small and medium scale enterprises should be disbursed in time to synchronise with the various operations and seasons of the enterprises if the full benefit of this input is to be realized. The delay in granting credit as a result of elaborate and complicated procedure involved in loan application and processing before funds are finally approved and disbursed by the head office should be looked into and improved upon.
- Credit in general should be increased and emphasis should be limited to a number of viable firms instead of covering a wide range of enterprises. Also defaulters who used to be credit worthy and are in profitable ventures and who defaulted as a result of their

credit getting to them late should not be shun but be given more credit on time to enable them recoup the previous seasons losses. The interest charged on the facility having been identified to be on the high side should also be looked at so as not to further push the beneficiaries into further default. These recommendations are necessary for it has elsewhere been reported that defaulter rate are actually lower among small business then large ones.

- Finally, an efficient credit scheme should go with it strong base technical, managerial, marketing, and other forms of non-financial assistance. This fact though, has been identified by the management of the scheme, has not been carried to its logical conclusions. There is therefore the need to provide a comprehensive technical, managerial, marketing and other forms of non-financial assistance to supplement the credit granted to those enterprise for improved productivity.

## **5.4 CONCLUSION**

The study has shown that the operations of Juaben Rural Bank so far as assisting small and medium scale enterprises is concern, leaves much to be desired. Even though they have not failed entirely in this light, a lot more effort is required of them if they really want to be seen as an effective agency for the development of the study area.

The study has also shown that effort to reshape small and medium scale enterprises to make them more effective should be linked with the mainstream economic activities, to the conditions of those involved in them and finally to the commercial institutions

The study has also shown that Juaben Rural Bank has got a major stake in small and medium scale enterprises and the major areas of their interest are commerce, services and agriculture. These areas are all doing well due to prudent management practice put in place by the management of the bank.

We wish to conclude finally by stating that credit extension goes beyond the provision of physical cash and other inputs to entrepreneur. In fact the activities involved in the extension of credit to small and medium scale enterprises are both interwoven and complicated. It is therefore expected that the various factors that are at play in extension of mic

medium scale enterprises are both interwoven and complicated. It is therefore expected that the various factors that are at play in extension of micro credit should clearly be understood, isolated, and taken into consideration before efficient credit extension can be carried out. Otherwise, the more provision of cash to the enterprise may actually turn out to be a disaster to both the leaders and the beneficiaries.

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## APPENDIX

### QUESTIONNAIRE

The following questions based on how Rural Banks contribute to the Small and Medium Scale-enterprise Development in Juaben and its catchment area, in the Ejisu/Juaben Municipal assembly is aimed at providing information for this project work.

All information disclosed in this questionnaire will be treated strictly confidential. Please Thanks in advance for your co-operation.

Questionnaire directed to the management of Juaben Rural Bank, Juaben Main Office.

1. What is your position?

.....  
.....

2. How long have you been working for this bank?

.....  
.....

3. Is you work related to credit granting to Small and Medium Scale-Enterprises?

Yes [    ]      No [    ]

4. What is the nature of the work?

.....  
.....

5. What kind of services do you offer to Small and Medium scale-enterprises in Juaben?

.....  
.....

6. How do you make the services of the bank known to the Small and Medium scale-enterprise operators?

.....  
.....

7. Does your bank provide enough credit to Small and Medium Scale-Enterprises Operators?

Yes [    ]      No [    ]

8. What criteria do you use in deciding as whom is too be given credit?

.....  
.....

9. Does your Bank have a state in Small and Medium Scale-Enterprise Operation?

Yes [    ]      No [    ]

10. In offering these credits, do you require collateral security?

Yes [    ]      No [    ]

a) If yes, what do you ask for?

.....  
.....

b) If no, how do you secure the repayment of the facility?

.....  
.....

11. Do you charge any interest?

Yes [    ]      No [    ]

a) If yes how much interest is charge on each credit facility?

.....  
.....

b) If no how do you sustain the running of the credit facility to Small and Medium Scale-Enterprise operators?

.....  
.....

12. What has been the trend regarding the number of Small and Medium scale-enterprise Operators that apply for credit and those who actual get the credit?

.....  
.....

13. What has been the repayment level of the credit granted?

.....  
.....

14. How do you deal with defaulters?

.....  
.....

15. How long do you allow the credit to stay with an Entrepreneur?

- |                   |                     |
|-------------------|---------------------|
| a. 1 month [    ] | d. 1 year [    ]    |
| b. 3 month [    ] | e. others (specify) |
| c. 6 month [    ] |                     |

16. Are you able to meet all the funds applied for by applicant once they qualify?

Yes [    ]      No [    ]

a. If no how do you help them out?

.....  
.....

17. What is the present highest and lowest amount that can be offered to a single Small and Medium scale-Enterprises by your bank

.....  
.....

18. Have Enterprises been able to transform their businesses through the credit received from your bank?

Yes [    ]      No [    ]

19. What problems does the bank face in credit allocation?

.....  
.....

20. What other services apart from Micro credit does the bank provide for the development of small and medium scale enterprises in Juaben|Ejisu and its catchments area?

.....  
.....

21. Assess the performance of Juaben Rural Bank in the development of small and medium scale enterprises in the study area?

- |                       |                  |
|-----------------------|------------------|
| a. Excellent [    ]   | e. Fair [    ]   |
| b. Very good [    ]   | f. Poor [    ]   |
| c. Good [    ]        | g. Failed [    ] |
| d. Fairly good [    ] |                  |

Please explain your answer in question 21 above

.....

.....

## QUESTIONNAIRE DIRECTED TO SMALL AND MEDIUM SCALE ENTERPRISE OPERATORS

1. Personal Data
  - a. Sex                      Male [    ]                      Female [    ]
  - b. Age .....
  - c. Educational Background .....
2. Location of Business  
.....  
.....
3. Nature of operation.
  - a. Commerce [    ]    d. Service Sector [    ]
  - b. Manufacturing [    ]    e. others (specify) .....
  - c. Agriculture [    ]
4. How many people do you employ and hwo many are paid workers?  
.....  
.....
5. How did you acquire your trade?  
.....  
.....
6. How did you get to know the operations of Juaben Rural Bank?
  - a. Radio [    ]    d. Print Media [    ]
  - b. Seminars, for a etc [    ]    e. others (spcecify).....
  - c. Officers from the bank [    ]
7. How did you become a beneficiary of credit allocation from Juaben Rural Bank?  
.....  
.....
8. What benefit have you derived from Juaben Rural bank?  
.....  
.....
9. If you have benefited any credit, how much did you received?  
.....

10. How did the facility get to you?

.....  
.....

11. Has there been credit expansion after you have assessed the fund?

Yes [ ] No [ ]

12. Did you have to provide collateral security before you were given the credit?

Yes [ ] No [ ]

a) If yes specify the type of collateral

.....  
.....

13. How long were you expected to keep the credit?

- a. 1 month [ ] d. 1 year [ ]  
b. 3 months [ ] e. Others (specify) .....  
c. 6 month [ ]

14. Was the credit adequate?

Yes [ ] No [ ]

15. Please explain your answer to question 14 above

.....  
.....

16. Have you been paying your credit as and when they fall due?

Yes [ ] No [ ]

a) If no, what has been the problem as far as repayment is concerned?

.....  
.....

17. Have you defaulted in the repayment of credit given you?

Yes [ ] No [ ]

a. If yes, how were you handled?

.....  
.....

18. Have you benefited from the services of the Bank apart from the credit facility?

Yes [   ]      No [   ]

19. If yes state how it helped your business;

- |                                     |                                   |
|-------------------------------------|-----------------------------------|
| a. Increase in turn over [   ]      | d. Cut in cost of operation [   ] |
| b. Increase profit [   ]            | e. others (specify) .....         |
| c. Better management practice [   ] |                                   |

20. Do you benefit from any other source apart from the credit from Juaben Rural Bank?

Yes [   ]      No [   ]

21. How do you in general assess the operations of Juaben Rural Bank to the development of small and medium scale enterprise development?

- |                      |                 |
|----------------------|-----------------|
| a. Excellent [   ]   | e. Fair [   ]   |
| b. Very good [   ]   | d. Poor [   ]   |
| c. Good [   ]        | g. Failed [   ] |
| d. Fairly good [   ] |                 |

Please explain your answer to question 21 above

.....

.....

.....