

CHALLENGES OF THE RURAL BANKING INDUSTRY IN POVERTY

ALLEVIATION IN GHANA

(A CASE STUDY OF BOSOMTWE RURAL BANK)

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**A PROJECT WORK PRESENTED TO THE DEPARTMENT OF BUSINESS
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ABSTRACT

The encouragement by the Central Bank to be established more Rural Banks in Ghana was meant to empower the rural people economically by making credits easily available to them through rural banks to improve their standards of living and contribute to the development of their communities. Notwithstanding the proliferation of Rural Banks in several parts of Ghana, rural poverty continues to puff up. As contained in the 2010 Population Census Report issued by the Ghana Statistical Service, **11,830,034.2** people representing **49.1%** (nearly half) of the total population of Ghana are living in the **rural areas** with **4,637,373.4** being “poor”. The paradox of growing numbers of Rural Banks in Ghana and the deepening poverty in the rural areas raised legitimate questions as to the effectiveness of Rural Banks as instruments for poverty reduction. This study therefore purposed to investigate the challenges of Rural Banks in Ghana that make their impact on poverty alleviation not being felt and seen substantially using the customers and staff of Bosomtwe Rural Bank as a case study.

One hundred and twenty respondents (100 customers, 20 workers of Bosomtwe) were sampled and studied. After a careful analysis of the various responses given it was realized, although Rural Banks are making tremendous strides in fronting for rural poverty alleviation, problems like delays in loans repayment, failure on the part of customers to invest loans in productive ventures, and low level of income of rural dwellers were found to be their key limitations. Additionally, many of the causes of the situation of the rural folks were seen as not addressable by policies and service packages of the Rural Banks. They are in the nature of lack of market for produce, bad roads, and low level of education which are at variance with the clear focus of the Rural Banking Industry. With the nature of the problems identified in mind, it was recommended among others that, government does not take the establishment of Rural Banks as the magic wine for reducing rural poverty but other strategic and comprehensive policies like constructing the roads of rural areas, creating market for their produce and the building and resourcing of educational institutions in these areas must follow the establishment of Rural Banks to make for a holistic pursuit of rural poverty alleviation and rural development.

Additionally, it was recommended that, Rural Banks institute service packages which would benefit customers in providing for the needs of their families like payment of school fees, and acquisition of personal belongings so as to correct the situation whereby customers rather spend loans meant for business expansion.

DEDICATION

This piece of academic work is dedicated to the almighty God for his guidance and protection throughout the undertaken of this project work.

It is also dedicated to our loved ones especially to our parents for their moral, prayers and financial support.

Our lecturers and all those who contributed in one way or another to make this work a success.

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CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 BACKGROUND TO THE STUDY

The English word poverty came from the Latin word “pauper” which means poor. The concept does not avail itself to a singular definition; definitions of poverty are as several as its dimension. Although it has been a constant presence in man’s history, Schwartzman (1998:1) argues that “its meaning has changed through time” and largely depends on “the context of the situation and views of the person giving the definition. In the view of House (2011) the phenomenon is “complex”. The difficulty in getting a definition for poverty was admitted by the Ghana Statistical Service in their 2006 report on poverty. The Ghana Statistical Service (GSS) conceded that, poverty is an elusive concept and an element of subjectivity is unavoidable in aiming at a working definition (GSS 2006). The only extent the Statistical Service was able to go was to suggest the guiding parameters for defining poverty. GSS suggested that for a definition of poverty to be competent, it must first of all identify a suitable measure of the standard of living. This is aimed at defining what is referred to as “good living” or what entails standard of living or “basic necessity”. Secondly, the definition must point out the choice of an index of poverty which can conveniently capture its different dimension. This is so because poverty is a multi-dimension phenomenon, therefore there is the need to ascertain a particular poverty index that can cut across the various dimensions. Lastly such a definition must identify an appropriate value of the standard of living measure which can be used to demarcate the poor from the non-poor (poverty line). Thus the above three conditions must be fulfilled in trying to define what poverty is (Ghana Statistical Service, 2006).

Poverty is germane to deprivation. It means various social, economic and political needs of some groups of people are not satisfied. Poverty, according to Hemmer, (1992) and Asenso-Okyere et al (1993) exists when one or more persons fail to attain a level of well-being that is deemed to constitute a reasonable minimum by the standards of society. There is no single generally acceptable definition of poverty, nonetheless, a common indicator in most perceptions of poverty remains the idea of ‘lack or scarcity of’ (IFAD, 2002). Poverty thus simply means “lack of something”. That is lack of some basic needs to make life easier and enjoyable.

Applying the definitions cited, it could be submitted therefore that before one can understand the concept, he needs to know what the minimum basic need is, and that would constitute the standard of measure. The World Bank sets the minimum standard measure of poverty at surviving on less than a dollar a day. The information is that, defining poverty in Africa, the World’s Bank minimum consideration for poverty could be a giant step towards luxury to most Africans. The continent houses a lot of poverty.

Indicating the situation of poverty in Africa, O’Connor, (2009) stated that poverty in Africa may mean going to bed hungry night after night. “Bed” in this case actually means no more than a mat on the floor,.....walking a ten kilometer round trip to fetch water each day often, water that is even far from pure....." Thus, poverty simply means lack of or being deprived of most basic needs to make living easy and bearable. The insufficiency or lack of resources to meet basic needs could be so drastic that, the affected parties may no longer be able to live in a manner fit for human beings. (Hemmer, 1992, cited in Kyei, 2005) and that such poverty becomes what Gaiha (1993), considers as “chronic” (Onuro, 2011:13).

Analyzing Nurkse vicious circle theory, Barnie observed that, the key limitations of the poor breaking himself free from his poverty are the factors that “afflict [his] capital accumulation” (Barnie, 2011:68). Thus, for the poor to be able to bail himself from the fetters of poverty, he

should be able to “develop” or “acquire” capital. But the point is that the livelihood support of the poor is subsistent in nature and therefore “cannot get their heads above water because production is low”. Proverbs 10:15 summarizes the situation of the poor by providing that: "the ruin of the poor is their poverty" (NKJV, 211).

In view of the above, the poor’s need for [external] “additional capital” becomes imperative (Barnie, 2011:68). But the evidence as observed by Murdugh & Hashemi is that, “unfortunately poor people in most countries have virtually no access to formal financial services” (Murdugh & Hashemi, 2003:1) “because they cannot put up acceptable collateral and/or because the costs for banks of screening and monitoring the activities of the poor, and of enforcing their contracts, are too high to make lending to this group profitable” (Hermes & Lensik, 2007:1). “The informal alternatives available to the poor “such as family loans, savings clubs, or moneylenders are usually limited by amount, rigidly administered, or available only at exorbitant interest rates” (Murdugh & Hashemi, 2003:1).

The situation in the rural areas is even worse in view of the subsistence nature of their economic activities and the high level of poverty. It is in view of the peculiar nature of the problem of capital accumulation and high level of poverty in the rural areas, that Rural Banks were established to provide loans and other financial support and alleviate poverty among the rural folks (Addison & Antwi-Asare, 2001).

1.2 STATEMENT OF PROBLEM

Poverty in Ghana is rural bias. Thus although the figures are equally high in the urban towns, majority of poor people in Ghana are housed in the rural areas. In fact, rural people in Ghana are deprived of most basic needs to make life easy and bearable. The insufficiency or lack of resources to meet basic needs is so drastic that, the affected parties are unable to live in a manner fit for human beings.

As identified by Nurkse cited in Barnie (2011:68), the key limitations of the poor breaking himself free from his poverty are the factors that “afflict [his] capital accumulation” (Barnie, 2011:68). Thus, poor people can free themselves from the bondage of poverty if they are able to accumulate or acquire capital. Ability to raise or acquire capital would lead to high level of investment which would in return bring in high income and increase the poor’s capacity to save.

However, the livelihood support of the poor (especially in the rural areas) is subsistent in nature and therefore cannot get their heads above water because production is low and this makes the rural poor’s need for [external] “additional capital” imperative (Barnie, 2011:68).

But the unfortunate situation is that poor people have virtually no access to formal financial services” (Murdoch & Hashemi, 2003:1) “because they cannot put up acceptable collateral and/or because the costs for banks of screening and monitoring the activities of the poor, and of enforcing their contracts, are too high to make lending to this group profitable” (Hermes & Lensik, 2007:1). “The informal alternatives available to the poor “such as family loans, savings clubs, or moneylenders are usually limited by amount, rigidly administered, or available only at exorbitant interest rates” (Murdoch & Hashemi, 2003:1).

It is in view of the difficulties involved in the acquisition of financial support, services and loans by the rural poor that led to the opening of Rural Banks in Ghana. Seid (1998) confirms this in the following passage: It is the Government policy to empower the rural people economically by making credits easily available to them through rural banks to improve their standards of living and contribute to the development of their communities.

In spite of the numerous Rural Banks opened in Ghana to provide credit facilities to the rural poor so as to cause poverty alleviation, the rate of poverty in rural Ghana is still substantial. For instance, per the 2010 Population Census Report issued by the Ghana Statistical Service, as many as **11,830,034.2** people representing **49.1%** of the total population of Ghana are

living in the rural areas. Out of the 11,830,034.2 people living in rural Ghana, the recent 2010 Population Census Report issued by the Ghana Statistical Service further indicates that as huge 4,637,373.4 people are “poor” (Ghana Statistical Service, 2012).

The paradox of growing numbers of Rural Banks in Ghana and the deepening poverty in the rural areas raised legitimate questions as to the effectiveness of Rural Banks as instruments for rural poverty reduction. This study purposed to investigate the challenges of Rural Banks in Ghana making their impact on rural poverty alleviation not being felt and seen substantially. Is it the case that Rural Banks are targeting groups of people other than the rural poor or the Banks have peculiar challenges militating against their capacity to duly respond to the actual needs of the rural poor? Could it also be the case that customers (the poor people) do not invest in productive ventures and hence are unable to boost their capital accumulation capacities? Perhaps, the interests on loans given to customers are such neck cutting that, the net effect of Rural Banking becomes detrimental to the customers but beneficial to the Banks – a factor accounting for their proliferation. The researchers sought to examine the challenges of the Rural Banking Industry in alleviating poverty using Bosomtwe Rural Bank as a case study.

1.3 OBJECTIVES

1.3.1 General objective

The main objective of the study is to examine the inherent challenges in the Rural Banking System in alleviating poverty in the rural areas of Ghana

1.3.2 Specific objectives

Specifically, the study sought to address the following:

1. To assess the extent Rural Banks have improved the situations of rural people in Ghana
2. To ascertain whether or not the services provided by Rural Banks in Ghana actually meet the needs of the rural poor.
3. To identify the peculiar challenges of Rural Banks in Ghana
4. To ascertain whether or not customers of Rural Banks invest their credits in productive ventures.

1.3 RESEARCH QUESTIONS

1. How does the service of Rural Banks improve the situations of rural people in Ghana?
2. How does the service provided by the rural banks in Ghana actually meet the needs of the rural poor?
3. How do we identify the peculiar challenges of Rural Banks in Ghana?
4. How do customers of Rural Banks invest their credits in productive ventures?

1.4 SIGNIFICANCE OF THE STUDY

The issue of poverty reduction is at the heart of all successive governments in Ghana. Given that, this study is a marked attempt to examine the efficiency of the Rural Banking System in Ghana in rural poverty reduction, it is no moot point that, this study would be useful in formulating policies on alleviation of poverty in Ghana. Beside state institutions, NGOs and any other institutions whose focuses are germane to poverty alleviation may find this work quite useful.

Again, the findings of this study would be useful to Rural Banks for the simple reason that, it sought to assess the perspectives of customers on whether or not their Banks are really meeting their strategic needs. To this end, this work is serving as a feedback for the Rural

Banks on the feelings and evaluations of their services by their customers – they can improve on their service delivery and properly respond to the actual needs of their customers having known what they expect from them.

Equally, customers also stand to tremendously benefit from this study given that, their failure to invest their loans in productive ventures have been proven by this study as the main reason for their inability to bail themselves from the quagmire of poverty, their benefitting from Rural Banks services notwithstanding.

Moreover, this study is an addition to the authorities on Rural Banking and poverty and would therefore serve as useful secondary information for other researchers and scholars who may desire to conduct studies on Banking and or poverty. Perhaps the findings of this work may help settle or further ignite the debate on the impact and challenges of the Rural Banking System on poverty reduction in rural Ghana since it provides a contemporary perspective on the subject. What makes this study more useful to this course is the rich, deep and original data that was gathered on the subject from the major stakeholders involved – rural poor people (customers) and Rural Bankers.

3.3 SCOPE OF THE STUDY

The study covered the analysis of the challenges inherent in the Rural Banking System in the alleviation of poverty in the rural areas of Ghana. Poverty in figures in the rural areas of Ghana continued bloating unabatedly and the problem was attributed to the lack of rural people's access to capital. It is in view of the difficulties involved in the acquisition of financial support, services and loans by the rural poor that led to the opening of Rural Banks in Ghana yet, poverty as at now and today, continues to grow in rural Ghana.

It is against this backdrop that, the researchers sought to examine the challenges inherent in the Rural Banking System that are working against its success in poverty alleviation in the rural areas of Ghana.

1.6 ORGANISATION OF THE STUDY

The study has been organized in five chapters. Chapter one focused on introduction of the study with the second chapter concentrating on literature review. The third chapter addressed methodology with the fourth concentrating on data presentation and analysis. The fifth chapter concluded the study with recommendations and conclusion

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

It is a trite knowledge that there is nothing new under this sun and that whatever is being discussed today had been thought of by others yesterday. Therefore researches are easier done and understood when they are done against the backdrop of the existing knowledge. In the opinion of Bell (2004), research involves reading what others have written about your area of interest, gathering information to support or refute your arguments and writing about your findings. The process of reading, consulting other works and citing them as evidence when conducting research is what is called literature review. Oquaye (2004:7) could not have put it any better than saying that, “literature review is important to give a panoramic view of the terrain in which a particular research works transverses”. It captures a cross section of views and positions on the subject matter held by different scholars helping the ultimate reader to appreciate a particular study against the backdrop of several existing knowledge and viewpoints.

This literature review looked at some works that were relevant to this study namely, rural bank as a tool for poverty reduction. Documents reviewed include relevant articles, journals and textbooks germane to the study. The review was done under the headings below.

2.1 DEFINITION OF CONCEPTS

Definitions are verbal representations of concepts that identify the characteristics of a concept and permit its differentiation from other concepts. There evoke considerable debate as experts might not agree on a common definition of a certain concept for strategic and other reasons (Lund, 2002). Moreover, concepts change over time as conditions change (Schanzman, 1999). In such nebulous situation, FAO (2002) advises scholars and researchers to adopt

“terminology harmonization”. FAO (2002) has observed that “agreement on definitions is required for national and cross-boundary assessments”. Thus, “harmonization [agreement on definitions] aims for improved comparability, compatibility, and consistency among definitions, establishment of linkages, and a description of relationships among terms. The harmonization process involves documentation of similarities and differences among definitions” (FAO, 2002 cited in Konijnendijk, 2006). This literature review sought to establish similarities and differences among the different views expressed by different scholars and authors on the subject.

2.1.1 Definitions of Poverty

The English word poverty came from the Latin word “pauper” which means poor. The concept does not avail itself to a singular definition; definitions of poverty are as several as its dimension. Although it has been a constant presence in man’s history, Schwartzman (1998:1) argues that “its meaning has changed through time” and largely depends on “the context of the situation and views of the person giving the definition. In the view of House (2011) the phenomenon is “complex”. The difficulty in getting a definition for poverty was also experienced by the Ghana Statistical Service in their 2006 report on poverty.

The Ghana Statistical Service (GSS) conceded that, poverty is an elusive concept and an element of subjectivity is unavoidable in aiming at a working definition (GSS 2006). The only extent the Statistical Service was able to go was to suggest the guiding parameters for defining poverty. GSS suggested that for a definition of poverty to be competent, it must first of all identify a suitable measure of the standard of living. This is aimed at defining what is referred to as “good living” or what entails standard of living or “basic necessity”. Secondly, the definition must point out the choice of an index of poverty which can conveniently capture its different dimension. This is so because poverty is a multi-dimension phenomenon,

therefore there is the need to ascertain a particular poverty index that can cut across the various dimensions. Lastly such a definition must identify an appropriate value of the standard of living measure which can be used to demarcate the poor from the non-poor (poverty line). Thus the above three conditions must be fulfilled in trying to define what poverty is (Ghana Statistical Service, 2006).

Poverty is germane to deprivation. It means various social, economic and political needs of some groups of people are not satisfied. Poverty, according to Hemmer, (1992) and Asenso-Okyere et al 1993) exists when one or more persons fail to attain a level of well-being that is deemed to constitute a reasonable minimum by the standards of society. There is no single generally acceptable definition of poverty, nonetheless, a common indicator in most perceptions of poverty remains the idea of ‘lack or scarcity of’ (IFAD, 2002). Poverty thus simply means “lack of something”. That is lack of some basic needs to make life easier and enjoyable.

Applying the definitions cited, it could be submitted therefore that before one can understand the concept, he needs to know what the minimum basic needs is, and that would constitute the standard of measure. The World Bank sets the minimum standard measure of poverty at surviving on less than a dollar a day. The difficulty with the World Bank standard of measure is that a dollar a day in nations that do not use the U.S. dollar as currency, does not translate to living a day on the amount of local currency as determined by the exchange rate. Rather, it is determined by the purchasing power parity, which would look at how much local currency is needed to buy the same things that a dollar could buy in the United States. Usually, this would translate to less local currency than the exchange rate in poorer countries as the United States is a more expensive country.

In the view of Nkum and Gharty, poverty involves the inability to afford basic needs (food, shelter, cloth, health care and education); absence of economic indicators such as jobs,

labour, crop farms, livestock, investment opportunities; and the inability to meet some social needs such as payment of levis, funeral dues and participating in public gathering (Nkum and Gharty, 2000). All these show that poverty is a multi-dimensional concept with many indicators and relativity. Thus, it is an all encompassing phenomenon which goes beyond mere deprivation of material possession or money to non monetary and psychological aspects. Thus poverty is “complex and interwoven, including a material lack and need for shelter, asset, and money, and often characterized by hunger, pain, discomfort, exhaustion, social exclusion, vulnerability, powerlessness and low self-esteem” (Narayan, 2000:21).

2.1.2 Types of Poverty

House (2011) opined that there are forms of poverty that go much deeper forms that affect the mind, body and soul. As conceded early on, the dimensions of poverty are several, consequently man can be poor in respect of all facets of life namely political, spiritual, intellectual, physical and economic (House, 2011). This means that we can have economic poverty as well as intellectual, political or even spiritual poverty. Poverty in other respects could be income or non income. For instance using the World Bank measure there could be income poverty when one survives on less than one dollar a day. While an application of Hammer (1994), cited in Kyei, (2002) views on poverty that it relates to the inability to “live in a manner fit for human beings” could lead to a type of poverty that is non income. With no prejudice to the variants of poverty, the most highlighted types of poverty are relative and absolute.

Absolute poverty refers to “a set standard which is consistent over time and between countries. The World Bank sets living on less than a dollar a day as absolute or extreme poverty. It thus refers to the “minimum set of resources a person needs to survive” Schwartzman (1998). UNDP in 2010 reported of 1/3 of the total population of the world

living in abject or absolute poverty. The key determinant of absolute poverty is living on less than a dollar a day. Though this perspective offers some insights into poverty, it has been berated for accounting for poverty from a narrow sense. The criticism is that a dollar a day, in nations that do not use the U.S. dollar as currency, does not translate to living a day on the amount of local currency as determined by the exchange rate. Rather, it is determined by the purchasing power parity, which would look at how much local currency is needed to buy the same things that a dollar could buy in the United States. Usually, this would translate to less local currency than the exchange rate in poorer countries as the United States is a more expensive country. Again a person or family with access to subsistence resources, e.g. subsistence farmers, may have a low cash income (lower than 1 dollar a day) without a correspondingly low standard of living - they are not living "on" their cash income or stipend but using it as a top up making it most wrongful to define the person or the family as poor. Summarizing the difficulties with absolute poverty classification, Schwartzman (1998) averred that "it is difficult to measure it in a consistent way".

In spite of the difficulties with setting standards for absolute poverty, generally people claimed to be absolutely poor are noted for going to bed hungry night after night. "Bed" in this case actually means no more than a mat on the floor,.....walking a ten kilometer round trip to fetch water each day often, water that is even far from pure" (O'Connor, 2009). Thus, those considered to be absolutely poor simply lack or are deprived of most basic needs to make living easy and bearable. The insufficiency or lack of resources to meet basic needs could be so drastic that, the affected parties may no longer be able to live in a manner fit for human beings. (Hemmer, 1992, cited in Kyei, 2005) and that such poverty becomes what Gaiha (1993), considers as "chronic".

Relative poverty on the other hand is a socially defined type of poverty which chiefly depends on social context. It is measured as the percentage of population with income less

than some fixed proportion of median income. Relative poverty measures are used as official poverty rates in several developed countries. As such these poverty statistics measure inequality rather than material deprivation or hardship. It thus in the opinion of Schwartzman (1998) refers to “a measurement of the resources and living conditions of parts of the population in relation to others”. The measurement of relative poverty is clearly a matter of social equity, and is associated with the development of policies for the reduction of social inequalities and the creation of mechanisms to compensate for the more extreme differences in wealth, living conditions and opportunities. Whether absolute or relative, poverty emphasizes on material needs, health, hunger, security, education etc.

Definition of Rural Banks.

A bank is any financial institution which accepts deposits in the form of current, saving and fixed deposits accounts and the granting of loans and the collection and payment of cheques.

This notwithstanding, it must be emphasized that it is not all financial institutions that are identified as banks. In effect, there are other institutions such as insurance companies, credit unions etc. which operate in the arena of banks but which in the strict sense of law are not banks but they are identified as financial institutions. Interestingly, these financial institutions as outlined above perform functions that are similar to those of banks. However, they do not execute cheques which are restricted to the exclusion of commercial banking institution.

The economy of Ghana is said to depend heavily on agriculture to the extent that about 55% of the working population is engaged in agriculture. It is also a fact that the population of Ghana is predominately rural. Unfortunately, in spite of the concentration of natural resources in the rural areas banking facilitates was until recently virtually non-existent. The few banks which operated in the country a decade or more after independence were all sited in the towns and cities where major economic activity had commenced.

The Standard Chartered Bank and the Barclays Bank with largest network of branches were foreign owned and were set up primarily to promote import trade of the country and therefore they did not concern themselves very much with agriculture. The most unfortunate side of the fact was that the few branches, which were opened in the rural areas, rather mobilized savings and gave very little credit to the rural communities. The processing and administrative costs of small loans were too high and this led to discrimination against rural dwellers and peasant farmers in particular. The absence of institutional credit in the rural areas created a vacuum that was filled largely by the village moneylenders whose excessive rate of interest virtually deprived farmers from borrowing from them. In order to address the situation, the Agriculture Development Bank (ADB) was set up in Ghana in 1965 from the Rural Credit Development Unit of Bank of Ghana. The performance of the ADB in the vital national assignment was confronted by a number of problems which included expensive and uneconomical processing and administering of small loans to peasant farmers high cost of branch expansion and illiteracy on the part of peasant farmers

The ADB followed the practice of existing commercial institutions and located their branches mostly in the cities and semi-urban areas and favored traders and large-scale commercial farmers in terms of granting of loans.

In consequence thereof, all commercial and development banks devoted just 9% of their total loans to agriculture most of which went to large-scale farmers. Due to this the bank of Ghana conducted a research into credit system in Ghana, which brought to light the gap between the banking and credit systems. The study therefore recommended the establishment of rural banks. Rural banks first started in India in 1975 following the recommendation in the report of the working group of rural banks. The objective was based on the belief that the existing institution as structured would not be able to fill the needs

within a reasonable period of time even with such adaptation, reorganizations and restructuring as may be considered.

Rural banking has recorded success in some countries. Among the countries are Philippines, South Vietnam and Nigeria. It was based on the above that Ghana also made the move towards rural banking.

Rural banking is a unit bank, which is owned, managed, controlled and patronized by the people of a locality where it is sited. Rural banking system started in 1976 with only one bank at Agona Nyarkrom and had since increased to 123). The total number of rural banks stood at 132 out of which 116 were operating satisfactorily according to standard set by the bank of Ghana.

Currently, there are about 121 rural banks out of which 119 banks are operating regularly in Ghana. The following are the jurisdiction of rural banking in Ghana:

1. Providing finance to small-scale farmers, fishermen and merchants.
2. Accepting securities for safe custody
3. Acting as an agent of other financial institutions in the country.
4. Engaging in any economic activity that will promote social and economic development of its area of operation.

HISTORICAL DEVELOPMENT OF BOSOTWE RURAL BANK

Bosomtwe Rural Bank Limited, named after the only natural lake in West Africa, Lake Bosomtwe in the Bosomtwe District of the Ashanti Region, was established in December, 1983. It has eight (8) branches located in four districts named; Bosomtwe, Atwima Kwanwoma, Amansie East and Kumasi Metropolis. From its humble beginning, the bank by dint of hard work and commitment to ethical business practices has grown to become one of the leading rural banks in the country. It has enhanced shareholders' value significantly and

has passion for rural poverty alleviation. The bank has received numerous awards since its inception for its meritorious service and social responsibilities.

The Bosomtwe Rural Bank has its head quarters located at Kuntanase in the Bosomtwe District of the Ashanti Region. Bosomtwe Rural Bank has wide operating areas at Atonsu, Jache pramso, Asafo, Amanfrom, Ahenema Kokoben Kokofu and Trede all in the Ashanti Region of Ghana.

Before 1980, the people of Kuntanase who were mostly farmers engaging in the production of cocoa, food crop and petty trading had no place of keeping their money safely. The only option left to them was either travel from Kuntanase to Bekwai to save their money or hide their money in trunks and under their pillows. Notwithstanding, the people who were engaged in cottage industries and a few public servants kept their money with local Susu collectors at a few kilometers from Kuntanase

Moreover, the cash crop farmers like cocoa farmer were being paid directly by purchasing clerks of the Produce Buying Company (P B C) and also the local money lenders who gave credit to the farmers were charging high rate of interest. The need for loan therefore became necessary as well as more secured safekeeping place for their capital and surplus. Since the people could no longer keep their moneys in trunks and other bags which are likely to attract thieves coupled with enormous profit earned from mass production, the traditional rulers in consultation with the chief of Kuntanase organized for the establishment of Bosomtwe Rural Bank.

The bank of Ghana after satisfying the feasibility statement of the proposed bank gave the certificate of incorporation, which acknowledged the coming into being of Bosomtwe Rural Bank in 1981. The Bosomtwe Rural Bank started operation in 1982 at Kuntanase. The bank was under the control and patronized by the people of Kuntanase and its localities. It operates

in accordance with the companies' code Act 1963 (Act 179) and Banking Law Act 2004 (Act 673) as amended Banking Act 2007 (Act 738) with the following aims.

- Giving credit facilities to small scale industries.
- Mobilization of funds and investing them into profitable ventures.
- To assist customers on how to improve their economic status through financial assistance

To inculcate into the people of Kuntense and its environs the habit of savings.

- To mobilize excess funds in the area.

FUNCTIONS

- To mobilize savings
- Granting of loans
- Providing the means of any banking transaction
- Providing technical advice on investment to customers.
- Improving upon socio-economic development in the community.

After the establishment and commencement of Bosomtwe Rural Bank, the bank's operations in other catchments areas like, Atonsu, Jache Pramso, Asafo, Amanfrom, Kokofu, Ahenema Kokoben, and Trede all in the Ashanti Region.

The idea of moving to these operating areas was to solve to problems of covering many kilometers before the people of those areas come into contact with formed banking activities.

By the definition all settlements in Ghana with a total population of 5000 or less are considered city. Ghana is considered rural because about 60% of the total population lives in rural areas. The Longman dictionary of contemporary English defines a rural area as countryside not a sector also employs 65% of the labour force producing about 70% of industrial raw materials and export commodities. (RasJewary1990). According to Brown

(1996), until 1975, banking in India was carried on by a large number of indigenous banks in the cities. Meanwhile, India is primarily an agricultural country whose large number of its population of about 68% is found in the villages and smaller communities. This became necessary for the government to mandate the citizens with a lower tax on the establishment of rural banks or the community banks in the rural areas so as to reduce the rate of poverty and also, to support agriculture in such areas.

According to Deminurgic and Detragiache (1997), despite this great contribution, the rural area is saddled with numerous problems. First, the per capital income of rural area is low for the needs of the population unsatisfied. Almost all the output of the rural sector comes from a large number of small-scale producers employing traditional farming methods with no access to adequate credit facilities. Secondly, there is shortage of labour which is due to a high rate of rural-urban migrations resulting in low capacity to provide and sustain socio-economic infrastructural development. Due to the fact that, the rural areas are dominated by large number of illiterates and peasant farmers which result high rate of poverty.

According to Seid (1998), it is the Government policy to empower the rural people economically by making credits easily available to them through rural banks to improve their standards of living and contribute to the development of their communities. In addition, District Assemblies are to devote 20% of their common fund to assist the rural people to embark in income generating activities.

2.3 FUNCTIONS OF RURAL BANKS

According to La-Anyance (1985), there is evidence that the use of credit could bring about increase in production and this will increase in agricultural sector of rural economies through investment and provision of capital. Umalele in contributing to the welfare of the rural folks

has this to say “there is the need to find ways of maximizing the use recourses of rural areas to improve the welfare of the rural people through saving”.

Ghana as a developing country, rural banks are establish to supply credit to farmers, generate employment and also to the social and economic conditions of rural dwellers (Kent 1966)

In some countries (e.g. Indonesia, Philippians, and United State of America) however, rural banking has been developed as a deliberate Government objective. In some other countries e.g. Nigeria, it has not been developed as such. Rural banks in some countries have been developed as quasi-operatives associations of borrowers since a committee of elected credit worthy villagers manages them. The basic objective remains true for all countries to promote and expand the economy in an orderly and effective manner, to place credit facilities on reasonable terms with easy reach of the rural sector. (Awosika1983).

It could however, be seen from the point of view of Bonus (1993) and Umalele (1987) that rural banking scheme is conscious effort in improving the well being of rural people and their environment. To them, the rural banking scheme means that raising of income through increased productivity. This could be achieved by involving the rural folk in planning, implementing and monitoring of the rural development process. In addition to them, the rural banking scheme is also an attempt in narrowing or eliminating social inequalities through income redistribution.

2.4 GOVERNMENT ASSISTANCE TO RURAL BANKS

Looking at the Government assistance to rural banks Effah (1998) encourages shareholders of rural banks to help their management raise the economic bases of their banks. This will enable the banks attract World Bank support under the Government’s rural restructuring program. To Effah (1998), although, it was the aim of the Government to help rural banks to find their feet economically through World Bank package, it is only viable and hard working

rural banks in the country that will benefit from the scheme. He said that, despite the Government assistance to rural banks, small-scale farmers and shareholders of the rural banks should not neglect their responsibilities in helping the peasant farmers whose interest is the prime objective for the establishment of rural banks in Ghana. According to Addison and Antwi-Asare (2001), government interest in rural finance has encouraged since 1974, the establishment of rural and community banks located in most districts in the country. The number of rural banks as at the end of 1998 was 132.

2.5 PROBLEMS OF RURAL BANKS

It becomes difficult to note that in their effort to improve upon the standard of living and to bring banking facilities to the rural dwellers; rural banks of Ghana encounter numerous problems in their operations.

Most of them face liquidity problems making them unable to render their services effectively and efficiently to deserving customers.

According to Ellis (1992) in his book 'Agricultural Policies in Developing Countries' farmer to gain access to credit, interest rate must not be too high. This is because it may discourage the small-scale farmers and their rural folks from borrowing. Also the repayment rate will be low as the farmer and their rural folks may not be in the position to repay the huge loan and interest and the capital sum borrowed.

According to Garcia (1997), high interest rate usually hinders beneficiaries from applying for loans to increase their productivity and income. In fact, self sustaining financial systems requires that interest rate on loan should be sufficient to cover the three components of interest to savers, the cost of making transactions and the risk to cover the probability of default.

The Agricultural Development Bank (ADB) 1975 stated in Ghana rural banks and financial institutions in general which provides banking services in the areas are relatively few. On the average, their staffs are inexperienced in the development and financial administration. Therefore mistakes are bound to occur. Many directors of rural banks lack knowledge of financial statement and this has led to the formulation of bad lending policies and also approving loans facilities without due regards to financial strength of the bank. It states further that rural banks encounter problems with loans repayment by loans beneficiaries, which can be attributed to poor loan monitoring.

According to Awosika (1983) stated that in their book 'Rural Banking in Nigeria' that there are crucial factors influencing credit repayment rates of rural banks. The institutions do not employ experts to ensure proper credit supervision. They argue that if more trained people are employed, each expert would have relatively small areas to concentrate and would ensure efficient recovery. The problem however, is the ability of the banks to adequately remunerate qualified employees.

Farmers attitude on repayment of loans from credit institutions, Bank of Ghana (1979) declared that, the reason for failure of past credit programs was mainly due to the misuse of loans by farmers because they regarded them as Government money and not to be paid back.

In addition, Bank of Ghana (1987) stated that the main problem that engulfed many rural banks was mismanagement of resources by board of directors and staffs of these banks. It was observed that there were a lot of savings in the rural areas, which could not be mobilized for financial production and thereby increasing income. However, a lot of these savings were being siphoned off to the urban centers. These were loans which could have helped the rural folks improve productivity. A statement by the Bank of Ghana in 1990 indicated that there

was a net flow of bank funds from the rural areas to the urban centers, although the dwellers have been saving in large commercial banks.

2.6 THE ROLE OF GOVERNMENT IN RURAL DEVELOPMENT

Until recently, institutional arrangement for mobilizing funds in the rural sector was entirely outside the banking system despite the long history of banking.

The Government of Ghana, due to the above assertion, saw the need to play a more crucial role in mobilizing funds or investment in the rural areas. This is because the relatively low saving ratio of the rural household was not entirely caused by low productivity but also by the absence of streamlined their operations with the provision of the banking laws of Ghana 1989 (PNDC225). In fact, the role played by rural banks in Ghana in giving out loanable funds to their customers cannot be overlooked or underrated since they have brought banking facilities to the rural folks. This has however, drawn the attention of the Government to help render services to the countryside.

2.7 THE STRUCTURE OF RURAL BANKING

The hierarchical structure of rural banks is in small and simple organizational structure. This is to ensure that the set up becomes inexpensive and reasonable easier to manage. Below is the organizational structure of Bosomtwe Rural Bank in Ghana

2.8 ORGANIZATIONAL STRUCTURE; BOSOMTWE RURAL BANK LIMITED.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The influence of values in social research is least challenged making it no impossible that the researcher may not affect the study with his personal values and idiosyncrasies. However, scientific study is supposed to be value neutral, devoid of biases, prejudices, personal and moral inclinations (Dwumah, 2010). To control and reduce such values and biases so as to arrive at reliable conclusions, the need for a methodology becomes fundamental.

Kumekpor (2002) espouses on research methodology to embody the various steps that are generally adopted by a researcher in studying his/her research problem along with the logic behind their adaptation. It thus comprises the systematic way or procedure of getting done; the research work. Research methodology is essentially a framework for undertaking an objective study in order to arrive at dependable and accurate results.

To ensure accuracy and reliability of the results of this study, the below discussed components of research methodology was used as the researcher's thought out procedures and techniques for this study. The study aimed at examining the challenges of the Rural Banking System in alleviating poverty in the rural areas of Ghana.

3.2 RESEARCH DESIGN

In the opinion of Giddens (2005) research design denotes "how the research materials are to be collected". Thus it constitutes the framework for the collection and analysis of data. It relates to the conceptual structure or the blueprint for the conduct of the research which involves data collection, measurement and analysis. The study used case study as the research design. According to Kumekpor (2002:99), case study involves an investigation which seeks "to grasp and understand a social situation or an issue" which "takes into consideration the

special and peculiar circumstances surrounding” it. The usage of the case study design afforded the researchers the advantage to deeply examine the real challenges of Bosomtwe Rural Bank as an agent of rural poverty reduction from the perspectives of the officials of the bank and customers.

3.4 POPULATION OF THE STUDY

Population or universe may be considered as the total number of all units of the phenomenon to be investigated that exists in the area of investigation (Kumekpor, 2002). It thus relates to all possible observations of the same kind. In this wise, selected staff and customers of Bosomtwe Rural Bank, constituted the population of this study.

3.5 DETERMINATION OF SAMPLE SIZE

Often social researchers are interested in the characteristics of large numbers of individuals. However it is impossible for them to study all these people directly, so in such situation, research studies concentrate on sampling Giddens (2005). In the view of Kumekpor (2002), sampling is the use of definite procedures in the selection of a part for the express purpose of obtaining from its description or estimates certain properties and characteristics of the whole.

Thus the primary goal of sampling is to get a representative sample or a small collection of units or cases from a much larger collection or population, such that the researcher can study the smaller group and produce accurate generalizations about the larger group (Neumann, 2000).

To Kumekpor (2002), the number of units or units of analysis constituting a sample is known as the sample size. The general principle is that the sample size should be neither too large nor too small. It must be optimum in order to ensure efficiency, reliability, representativeness

and flexibility (Festival, 2011). For this study, one hundred (100) customers and twenty (20) workers of Bosomtwe Rural Bank were selected.

3.6 SAMPLING TECHNIQUE

The sampling technique relates to the “procedure” or “appropriate method” used in the selection of a sample Kumekpor (2002). The sampling technique used in the research is important because it affects, “to a great extent, the degree to which a sample is representative of the universe from which it is selected” (Ibid: 133).

Due to the nature and population of the study, the respondents were sampled by the use of purposive and convenience sampling so as to obtain a representative sample for the study.

Purposive sampling was used for the bank officials. This was because the bank officials which were chosen for the study was the group that could represent the bank and also provided the researchers with a relevant information for the study.

In purposive sampling, the main objective is to select a portion of a universe that the result may or could be, extend to the whole population. It is in this respect that representativeness of the population of which a sample forms a part becomes fundamental.

However, convenience sampling was used for the customers in the sense that the bank could not provide the researchers a list of customers that should be interviewed and administered the questionnaires. As a result, any customer found at the banking hall was selected and interviewed.

3.7 SOURCES OF DATA

The study hinged on two main sources of data, namely primary and secondary. The opinions of the customers and staff of the bank constituted the primary data while the secondary data

which constituted the core of the literature review were drawn from textbooks, journals, articles, previous studies and media reports.

3.8 RESEARCH INSTRUMENTS USED AND ADMINISTERED

Questionnaire and interview guide was used to elicit responses from the staff and customers of the bank respectively. The consideration was that, the staffs of Bosomtwe Rural Bank are busy people making it difficult for them to avail themselves for interview. With the use of questionnaire, they answered the questions in their leisure hours. Their level of literacy was also an added advantage and also since they were all located at one point (their places of work) it was easier for the researcher to collect the answered questionnaires from them. For the customers, the researchers used interview guide because they come from different locations to transact business at the banks. Had the researchers used questionnaires, retrieving the answered questionnaires from them would have been slightly problematic if not impossible in view of the fact that it was unlikely they would meet customers again at the banks when collection time was due neither could the researchers have gone to their individual homes to do the collection.

Again the researchers were unsure all of the customers were literates who could read and write. The use of questionnaires avoided all these probable difficulties that could have arisen.

3.9 DATA ANALYSIS

The data that was obtained from the questionnaires and interview guides were summarized in order to identify the findings. SPSS was used to analyze the information (ranging from demographic information about respondents to the last view expressed on the challenges of the rural banking system in poverty alleviation in Ghana) obtained from the field. Data

management in the form of coding and editing was carried out. The findings were presented by using tables, and percentages.

3.10 FIELD PROBLEMS .

The respondents of the study were limitations to the study to some considerable extent. Some of the customers were reluctant to avail themselves for the study. Initially, they harbored the thought that, the study would pry into their incomes and daily life activities which are matters Ghanaians generally want to remain private.

The researchers therefore had to sink into their understanding that, the focus of the study was far from their perceptions and that it was just meant to evaluate from their perspectives how well their bank (Bosomtwe Rural Bank) is serving them so that the findings would be used to improve service delivery and that they stand to benefit in terms of improved service delivery should they make the study successful.

On the part of the bankers, in view of corporate image and other strategic reasons, they were quite lackadaisical to allow “an outsiders” (the researchers) to undertake such a study which borders on releasing confidential information. But upon persuasion by the researchers that, the study would constitute an independent evaluation of their service delivery, they came to appreciate that; the findings would constitute a benchmark for them to examine customers’ perceptions on their performance.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION .

This chapter dealt with the presentation and analysis of data collected from respondents. The data was analyzed using frequency tables and percentages. The determined sample size for the study was 120 respondents (customers – 100 and staff – 20). This chapter is organized under two sections namely: Section One contains the responses of the customers whereas Section Two was dedicated to the responses of the staff of the bank. A composite analysis was done in an attempt to compare and contrast the views of the customers and staff of Bosomtwe where necessary. This study sought to analyze the challenges of the Rural Banking System in alleviating rural poverty in Ghana.

SECTION ONE:

ANALYSIS OF RESPONSES OF CUSTOMERS.

4.2 SEX OF RESPONDENTS

The researchers sought to assess the sex distribution of the customers of Bosomtwe Rural Bank. Below in table 1 are the summarized sex distribution of the customers

TABLE 1 SEX OF RESPONDENTS

	FREQUENCY	PERCENT
MALE	63	63.0
FEMALE	37	37.0
TOTAL	100	100.0

Source: Authors' field study, 2013

As evidenced in table 1 above, majority of the customers of Bosomtwe Rural Bank are males. Out of the 100 respondents sampled to be studied, 63% were males whereas only 37% were females. Clearly, Bosomtwe attracts more male customers than females.

4.3 MARITAL STATUS RESPONDENTS.

The researchers sought to establish the marital statuses of customers of Bosomtwe so that it may be helpful to the Bank in deploying policies and programs to meet their peculiar needs in consonance with their statuses. Table 2 below contains the summarized marital statuses of the customers of Bosomtwe Rural Bank

TABLE 2 MARITAL STATUS

	FREQUENCY	PERCENT
MARRIED	74	74.0
SINGLE	14	14.0
DIVORCED	7	7.0
SEPERATED	5	5.0
TOTAL	100	100.0

Source: Authors' field study, 2013

As indicated by table 3 above, majority of the customers of Bosomtwe Rural Bank representing 74% are married whereas only 14% are single. 7% of customers of the Bank are divorced with 5% having been separated.

4.4 TYPE OF ACCOUNT.

The study also gathered information on the various accounts being operated by the customers of Bosomtwe. The summarized responses of the customers on their various accounts with Bosomtwe are represented in table 3 below.

TABLE 3 TYPE OF ACCOUNT OPERATED

	FREQUENCY	PERCENT
CURRENT ACCOUNT	80	80.0
SAVINGS ACCOUNT	11	11.0
FIXED DEPOSIT ACCOUNT	9	9.0
TOTAL	100	100.0

Source: Authors' field study, 2013

As high as 80% of the customers of Bosomtwe operate current accounts, 11% operate saving accounts with only 9% operating fixed deposit accounts. Generally, fixed deposit accounts are operated by somehow well to do people who have some “cool” monies and have no immediate use of them. Yet, as noted by Seid (1998), customers of rural banks are mainly poor people and the point as observed by Barnie, (2011) is that, “the livelihood support of the poor is subsistent in nature and therefore “cannot get their heads above water because production is low”, let alone having “cool” monies to operate fixed deposit and saving accounts. To this end, it can be argued that, the small percentages of customers operating fixed deposit and savings accounts (9% and 11% respectively) is as a result of their low level of income and productivity. Effectively, the argument of Barnie (2011) that, poor people experience low income and productivity and can therefore make no significant savings has been validated by this study.

4.5 LEVEL OF EDUCATION.

The researchers also sought to find out the levels of education of customers of Bosomtwe. Below in table 4 are the responses of the customers on their levels of education.

TABLE 4 LEVEL OF EDUCATION

	FREQUENCY	PERCENT
SECONDARY EDUCATION	51	51.0
TERTIARY	21	21.0
BASIC EDUCATION	20	20.0
NO FORMAL EDUCATION	8	8.0
TOTAL	100	100.0

Source: Authors’ field study, 2013

Out of the 100 customers sampled and studied, 51% indicated that, they have had secondary education, 21% had tertiary education with only 8% stating that they have no formal education. Clearly, many customers of Bosomtwe are literate. The illiteracy rate among customers of Bosomtwe (if we were to equate lack of formal education to not being literate)

which is just 8% is far lower than the national illiteracy rate. According to GhanaDot.com, the illiteracy rate of Ghana now stands at 38.3%.

4.6 CUSTOMERS' ECONOMIC ACTIVITY

The study also gathered information on the various economic activities undertaken by the customers of Bosomtwe Rural Bank. The gathered information on the economic activities of the customers of the bank is indicated in the table below.

TABLE 5 CUSTOMERS' ECONOMIC ACTIVITY TABLE

	FREQUENCY	PERCENT
FARMING/ LIVESTOCK REARING	49	49.0
PETTY TRADING	27	27.0
CIVIL SERVICE	19	19.0
NO RESPONSE	5	5.0
TOTAL	100	100.0

Source: Authors' field study, 2013

Table 5 above represents the economic activities of the customers of the Bank. Clearly majority of the respondents are farmers/livestock rearers with few of them being civil servants. 49% of the total 100 customers selected and studied were farmers, 27% were petty traders with just 19% being civil servants. Rural Banks are established close to rural areas to provide credit support to the rural people. In Ghana, agriculture is the popular occupation of rural folks. Consequently, it comes as no surprise that majority of the customers (49%) stating that they are farmers. Related to this is the fact productivity among rural farmers is low and subsistent in nature. Therefore rural farmers and for that matter rural people are unable to make any meaningful savings (Nurkse cited in Barnie, 2011). When this is linked to the responses of the customers in table 4 that, they are unable to operate savings and current accounts, it becomes more convincing because it is unlikely for a poor rural farmer to get surplus income for savings or acquire fixed deposit facility.

4.7 CUSTOMERS' MOTIVATION FOR PATRONIZING BOSOMTWE SERVICES.

The study sought to seek the opinions of the customers on why they patronize the services of Bosomtwe Rural Bank. The summarized views in table 7 below are customer's motivation for patronizing the services of Bosomtwe Rural Bank.

TABLE 6 MOTIVATION FOR PATRONISING BOSOMTWE RURAL BANK

	FREQUENCY	PERCENT
IT IS SECURED WORKING WITH THEM	48	48.0
GOOD CUSTOMER SERVICE	27	27.0
LOW INTEREST RATE/ FLEXIBLE LOAN PAYMENT ARRANGEMENTS	25	25.0
TOTAL	100	100.0

Source: Authors' field study, 2013

As indicated in the table, 48% of the customers stated that they feel secured transacting business with Bosomtwe Rural Bank. 27% of the customers said that, it is the fantastic customer service of Bosomtwe that attracts them to the Bank with 25% citing their low interest rates and flexible loan repayment arrangements as their reasons for patronizing the services of the Bank. Given, the responses of the customers, it can be firmly argued that, Bosomtwe has a resounding corporate image.

4.8 AREAS OF INVESTMENT.

This section of the study sought to find out areas where customers invest their credit. Below in table 7 are the summarized responses of customers on areas they do invest their credit from Bosomtwe.

TABLE 7 AREAS OF INVESTMENT

	FREQUENCY	PERCENT
INVESTED IN BUSINESS	46	46.0
HOUSEKEEPING/CONSUMPTION	16	16.0
PAID CHILDREN'S SCHOOL FEES	14	14.0
NO RESPONSE	14	14.0
ACQUIRE PERSONAL / CHILDREN'S ITEMS	10	10.0
TOTAL	100	100.0

Source: Authors' field study, 2013

Sadly, out of the 100 customers sampled and studied, only 46% invest the credits (loans) given to them by the Bank in their businesses. The large 54% use their credit as housekeeping monies; pay their children's school fees, with others using the monies to acquire personal items. Their responses in table 15 that, their access to the services and facilities of Bosomtwe has improved their standards of living are therefore not surprising. Although, their investing of the credit in the acquisition of personal belongings and housekeeping may make them better off temporarily, their failure to use it to expand their businesses and operations clearly would make it difficult for them to bail themselves permanently from poverty. Perhaps, the paradox of high proliferation of rural banks and increasing poverty levels in rural Ghana is partly explainable by the fact that, beneficiaries of rural banks credit support (loans) do not invest the loans in productive ventures as established by this study.

4.9 PROBLEMS CUSTOMERS FACE IN ACCESSING LOANS.

The researchers sought to find out if the customers undergo any difficulties in accessing loans from Bosomtwe. The responses of the customers on the subject are summarized in table 9.

TABLE 8 SPECIFIC PROBLEM IN ACCESSING A LOAN

	FREQUENCY	PERCENT
ADMINISTRATIVE BARRIERS	91	91.0
PROVISION OF COLLATERAL	9	9.0
TOTAL	100	100.0

Source: Authors' field study, 2013

It appears there are a lot of bureaucratic bottle necks in securing loans from Bosomtwe Rural Bank. From the table, 91% of the customers complained that, there are a whole lot of administrative barriers in securing loans from the Bank. Again unlike as pertained in several banks, where many customers complain of collateral securities serving as impediments to access to credit, the small number of customers of Bosomtwe (as low as 9% of the total respondents) citing the provision of collateral security as an impediment to access to credit facilities means that, Bosomtwe Rural Banks consider collateral securities sparingly in given out loans to customers.

4.10 CUSTOMERS' OPINIONS ON THE INTEREST RATE CHARGED ON LOANS.

One of the loudest complaints of customers of banks in Ghana has been high rate of interests charged on loans given out by the Banks. The researchers therefore sought to find out how the customers of Bosomtwe Rural Bank perceive the interest charged on loans they contract. Their responses on the subject are clearly represented in table 10 below.

TABLE 9 ASSESSMENT OF RATE OF INTEREST CHARGED

	FREQUENCY	PERCENT
REASONABLE	81	81.0
HIGH	17	17.0
VERY HIGH	2	2.0
TOTAL	100	100.0

Source: Authors' field study, 2013

From the table, 81% of the customers stated that, the interests charged on the loans are reasonable whereas 17% and 2% of them think that the rate of interests attached to loans are high and very high respectively. Clearly, per the responses of the majority of customers (81%), it can be said that, the interests Bosomtwe charges on their loans are fairly reasonable.

4.11 CUSTOMERS' ABILITY TO REPAY LOANS ON TIME.

In Ghana, in many instances, after contracting loans, customers are unable to pay back the loans on time and this blocks their chances of securing future loans. The researchers therefore sought to find out if customers of Bosomtwe are able to pay the loans they contract from the Bank on time.

TABLE 10 ABILITY TO MAKE PAYMENT ON TIME

	FREQUENCY	PERCENT
NO	69	69.0
YES	31	31.0
TOTAL	100	100.0

Source: Authors' field study, 2013

Table 10 above contains the responses of the customers on whether or not they are able to pay their loans on time. Although, majority of the customers stated in table 10 that, the interests charged on the loans given to them by the Bank are “reasonable”, they are unable to repay the loans on time as indicated by the responses of the majority (69%) in table 10 above. Only 31% of the respondents were able to pay the loans they contract on time. The researchers are of the considered view that, the inability of the customers to pay loans on time is not surprising at all because they do not invest the loans secured from the bank in their business (See table 7). Had they invested the credit in their businesses, they could have expanded their operations and increase productivity and could therefore have been able to repay loans on time.

4.12 IMPACT OF BOSOMTWE SERVICES ON CUSTOMERS' STANDARD OF LIVING.

According to Barnie, access to credit increases the capacity of the poor to make savings and improve productivity which leads to improved standards of living (Barnie, 2011). As observed by Addison & Antwi-Asare, the idea behind the establishment of rural banks was to make access to credit easy for the rural poor (Addison & Antwi-Asare, 2001). Now, the customers have access to credit, therefore the researchers sought to test the assertion of Barnie (2011) that, access to credit facilities leads to improved standards of living by asking respondents their views on their living standards presently. Their responses are summarized in table 13 below.

TABLE 11 IMPROVEMENT IN STANDARDS OF LIVING

	FREQUENCY	PERCENT
PUT FAMILY IN GOOD STANDING	54	54.0
ABILITY TO PAY SCHOOL FEES	46	46.0
TOTAL	100	100.0

Source: Authors' field study, 2013

Out of the total respondents of 100, 54% indicated that their access to credit from Bosomtwe Rural Bank has put their family in good standing and that they are able to afford many of the basic needs of the families whereas 46% stated that, they are now well positioned to provide the educational needs of their wards including payment of their fees. Clearly, the standards of living of the customers have improved to the extent that, they can better provide for their families and be more responsible. Effectively, the observations of Barnie, Khawari, Paul Wolfowitz, Former President of World Bank (Barnie, 2011; Khawari, 2004; UNCDF, 2005) that access to credit by the poor improves their standards of living have been confirmed by the findings of this study.

4.13 WHETHER BOSOMTWE SERVICES MEET CUSTOMERS NEEDS.

There is a high proliferation of rural banks in Ghana offering various service packages with the aim of meeting the needs of the poor. Yet, the evidence in rural Ghana whose needs rural banks are to serve continue to experience rising poverty. For example, per the 2010 Population Census Report issued by the Ghana Statistical Service, as many as **11,830,034.2** people representing **49.1%** of the total population of Ghana are living in the **rural areas** and out of the **11,830,034.2** people living in rural Ghana, as huge as **4,637,373.4** people are “poor” (Ghana Statistical Service, 2012), notwithstanding the increased access to credit by the poor as a result of the proliferation of rural banks. So it becomes difficult to understand why the number of rural banks keeps on increasing, yet rural poverty keeps on spiraling. Perhaps, the services and packages of the rural banks do not meet the real needs of the poor and this was what the researchers sought to establish in this section of the study (as contained in table 12).

TABLE 12 BOSOMTWE RURAL BANK MEETS THE NEEDS OF CUSTOMERS

	FREQUENCY	PERCENT
YES	90	90.0
NO	10	10.0
TOTAL	100	100.0

Source: Authors’ field study, 2013

On whether or not the services and programs of Bosomtwe Rural meet their needs, 90% of the respondents answered yes to the effect that, the service packages of Bosomtwe meet their poverty needs with only 10% answering no. Perhaps, the problem of rising poverty in rural Ghana, in spite of the proliferation of rural banks is not attributable to the fact that, the service packages of the banks do not meet the poverty needs of the customers

4.14 CHALLENGES OF THE RURAL POOR.

As observed earlier, the high level of proliferation of rural banks and increased disbursements of credit to the rural poor should have resulted in reduction of poverty yet, poverty levels in rural Ghana keeps on increasing with the current number of rural poor standing at **4,637,373.4** people (Ghana Statistical Service, 2012). This section of the study purposed to find out whether people in rural areas have any peculiar challenges that have escaped the nets of the rural banks accounting for the continual increments of poverty levels. The responses of the customers on the subject are summarized in table 13 below.

TABLE 13 SPECIFIC CHALLENGES FACING PEOPLE IN RURAL AREAS

	FREQUENCY	PERCENT
LACK OF MARKET FOR THEIR PRODUCTS	53	53.0
LACK OF GOOD ROADS	21	21.0
LACK OF LOAN FACILITIES TO DO BUSINESS	13	13.0
LACK OF SUPPORT FROM THE GOVERNMENT	13	13.0
TOTAL	100	100.0

Source: Authors' field study, 2013

53% of the respondents cited lack of market for produce as the main challenge of the rural people, 21% submitted lack of good roads to be their main challenge with 13% each citing lack of loan facilities and lack of support from government respectively as being the causes of their being poor. It must be pointed out that, few respondents, as small as 13% citing lack of loan facilities means that, majority of rural people in Ghana now have access to credit support. So the foremost challenge of rural people of Ghana is not a problem of access to credit facilities but others such as poor roads and lack of market for produce as confirmed by this study.

4.15 CUSTOMERS VIEWS ON THE CAUSES OF POVERTY IN GHANA.

Given that this study pertains to poverty alleviation, the researchers sought to gather the respondents' views on the causes of poverty in Ghana. The views expressed by them are summarized in table 14 below.

TABLE 14 CAUSES OF POVERTY IN GHANA

	FREQUENCY	PERCENT
LACK OF FORMAL TRAINING	48	48.0
LESS JOBS IN THE COUNTRY	45	45.0
LACK OF CAPITAL	7	7.0
TOTAL	100	100.0

Source: Authors' field study, 2013

As indicated in the table, 48% of the respondents cited lack of formal education to be the cause of poverty in Ghana, 45% submitted that jobs in Ghana are far less with 7% stating that, poverty in Ghana is primarily because capital is lacking.

4.16 CUSTOMERS' PERCEPTION ABOUT BOSOMTWE STAFF .

The researchers at this point wanted to examine how the customers of Bosomtwe Rural Bank perceive the staff of the Bank. Their perceptions about the bankers are illustrated in table 15 below.

TABLE 15 STAFF ATTITUDES TOWARDS CUSTOMERS

	FREQUENCY	PERCENT
CORDIAL	63	63.0
VERY CORDIAL	27	27.0
NOT CORDIAL	10	10.0
TOTAL	100	100.0

Source: Authors' field study, 2013

It can be generally said that, customers have positive feeling about the attitudes of the staff of Bosomtwe. Out of the 100 respondents sampled and studied, only 10% complained that, the Staffs are not cordial. 63% feel that they are cordial with 27% salting it further that, the staffs of Bosomtwe are very cordial. Clearly Bosomtwe has an impressive image on the mind eyes of their. It may be recalled in table 9 that 81% of the customers think that the Bank's interests charged on loans are reasonable (See table 9) and also in table 12 that, 90% of the customers think that the service packages of Bosomtwe really meet their poverty needs (See table 12).

SECTION TWO:

ANALYSIS OF RESPONSES OF THE STAFF OF BOSOMTWE RURAL BANK.

As indicated earlier, chapter four is divided into two sections namely section one above which dealt with the analysis of the responses of the customers and section two (below) which contains the analysis of responses of the staff of Bosomtwe Rural Bank.

4.17 SEX DISTRIBUTION OF RESPONDENTS.

As done in the case of customers, here, the researchers sought to assess the sex distribution of the staff of Bosomtwe Rural Bank. Below in table 16 are the summarized sex distribution of the staff

TABLE 16 SEX OF RESPONDENTS

	Frequency	Percent
FEMALE	13	65.0
MALE	7	35.0
Total	20	100.0

Source: Authors' field study, 2013

Out the total 20 staff of the Bank sampled and studied, 65% were females whereas just 35% were males. Thus at Bosomtwe, per the data above, females constitute majority of the staff of the Bank. This revelation may be shocking since Ghana is a patriarchal state (male dominated country), yet the researchers strongly believe that, the decision by the Bank to hire more female workers may be strategic. Gender and sex analysts argue that, between males and females, females are more careful than males. It needs not to be stated again that working on money, one need to be extra careful and vigilante. Therefore it stands to make sense an inference that, the decision by the Bank to hire more female workers is motivated by their need to get people who are naturally careful and vigilant since the institution handles money.

4.18 MARITAL STATUSES OF STAFF.

The study also gathered information on the marital statuses of the staff of the bank and the responses are illustrated in table 17 below.

TABLE 17 MARITAL STATUS

	Frequency	Percent
SINGLE	11	55.0
MARRIED	4	20.0
DIVORCED	4	20.0
SEPARATED	1	5.0
Total	20	100.0

Source: Authors' field study, 2013

55% of the staff are single, only 20% are married, 20% are divorced whereas just 5% are separated. A combined analysis of the information contained in this table clearly shows that, 80% of the staffs of the bank are not married since only 20% are married. This revelation is not surprising at all, given that, banking is a time consuming and laborious industry, as such bankers hardly have time. Perhaps, the demands of their work explain their marital status; the workers may hold the opinion that, married life may have the tendencies of affecting their

career. When this is linked to majority of the staff being females (see table 16), this argument becomes more forceful. The duties associated with being a wife which demand time would clearly be incompatible with banking.

4.19 STAFF VIEWS ON CUSTOMERS PERCEPTION OF BRB INTEREST RATE.

In section 1, table 10; customers were made to assess how they feel about the interest rates charged by the Bank on loans. The researchers sought in this section to compare the views of the staff and customers on Bosomtwe’s interest rates to establish if both parties have a composite view on the subject. Find in table 23 below, the views of the staff of Bosomtwe on how they think customers perceive the interests they charge on loans

TABLE 18 ASSESSMENT OF INTEREST RATE BY CUSTOMERS

	Frequency	Percent
HIGH	13	65.0
REASONABLE	4	20.0
VERY HIGH	3	15.0
Total	20	100.0

Source: Authors’ field study, 2013

Ironically, whilst the customers think the interest rate is reasonable (see table 9), the staff of the bank feels that, the customers think the rates are high as argued by 65% of the staff in table 18 above. Only 20% of the staff of the bank thinks that, the customers perceive their interest rate as reasonable with 15% arguing that customers think the interests are very high.

The researchers are unable to understand, if the customers in this study actually presented their true feelings. Perhaps the “stranger” phenomenon was at work here, therefore the customers did not want to portray a negative image of their bank to “outsiders” like us but when they meet the staff, they share their true feelings accounting for the disparities in the views of the staff and customers on the subject.

4.20 CUSTOMERS ABILITY TO PAY LOANS ON TIME.

In section one (table 10), customers were asked if they are able to repay loans on time. Most of the customers responded in the affirmative (see table 10). The researchers wanted to confirm from the staff of the bank, if what the customers were saying was the accurate situation. The views of the respondents are clearly illustrated in table 19 below.

TABLE 19 ABILITY OF CUSTOMERS TO REPAY LOANS

	Frequency	Percent
YES	18	90.0
NO	2	10.0
Total	20	100.

Source: Authors' field study, 2013

As high as 90% of the staff confirmed that, customers are able to repay loans. Perhaps it is because of the “reasonable” interests charged on them (see table 9). But what is curious is that, the customers do not invest the chunk part of the loans given to them by the bank in their business (see table 7 where only 46% of the customers said they invest their loans in their business with the majority using the loans for other things including consumption). So clearly although, the customers are able to repay the loans, they are not able to pay them on time (as they think), otherwise, the workers of the Bank would not be citing “delay in loans payment” as a challenge in table 13 (see table 13). This revelation also reinforces the customers’ argument that, Bosomtwe has a flexible policy with respect to loans repayment (see table 6).

4.21 WHAT STAFF THINK ATTRACTS CUSTOMERS TO BRB.

Customers’ views were sought in table 7 on why they prefer doing business with Bosomtwe Rural Bank. In this section, the researchers wanted to find out if both customers and staff

were on the same level as to why Bosomtwe is a preferred Bank. The views of the staff on what they think attract customers to them are illustrated in table 20 below.

TABLE 20 REASONS WHY (BRB) HAS HIGH PATRONAGE

	Frequency	Percent
GOOD CUSTOMER SERVICES	14	70.0
FLEXIBLE LOANS TO CUSTOMERS	6	30.0
Total	20	100.0

Source: Authors' field study, 2013

70% of the staff of Bosomtwe prides themselves that, their Bank offers good customer service and that is the mucilage that ties their customers to them. 30% think that, the flexible loans given to customers have gone a long way to attract more customers to the Bank. Comparing the views of the staff and customers on Bosomtwe triumph card, although the customers just as the staff mentioned good customer service and flexible loans (see tables 6 and 20), the key to Bosomtwe customers drive is the feeling of “security” customers have in doing business with the Bank (see majority view in table 6).

4.22 WHETHER SERVICES OF BRB MEET THE NEEDS OF CUSTOMERS.

As done in many instances, in this section too, the researchers sought to compare the views of staff to that of customers expressed in table 11 on whether the service packages of Bosomtwe meet their needs. Find in table 21 below the responses of the staff on this subject.

TABLE 21 SERVICES OF (BRB) ADDRESS CUSTOMERS NEEDS

	Frequency	Percent
YES	18	90.0
NO	2	10.0
Total	20	100.0

Source: Authors' field study, 2013

As in the case of the customers, on the part of 90% of the staff just as the customers (see table 12), the service packages of Bosomtwe squares with the real needs of the customers with just 10% holding a contrary opinion. This observation confirms the inferences made by the researchers in table 12 that, the problem of rural poverty in Ghana, in spite of the proliferation of Rural Banks is not attributable to the fact that, the rural banks are unable to design appropriate programs and policies to meet the needs of the poor. Indeed the programs squarely meet the poor needs as confirmed by the findings of this study. Perhaps, in trying to address rural poverty, issues like education, market for produce, and good roads must be the direction we should be looking at.

4.23 MEASURES PUT IN PLACE TO MEET THE CHANGING NEEDS OF CUSTOMERS.

The poverty needs of poor people is largely becoming more complex and therefore demands more strategic and updated mechanisms if we are to be able to squarely deal with the problem of poverty in Ghana. In view of the above, institutions with a focus on poverty alleviation must be seen to resorting to improved mechanisms to deal with the phenomenon. The researchers therefore sought to use this occasion to test how Bosomtwe Rural Bank is taking steps to build its capacity to deal meet the changing needs of its customers. Find summarized in table 22, the measures of the bank in that regard.

TABLE 22 MEASURES

	Frequency	Percent
IMPROVING UPON TECHNOLOGY	14	70.0
GIVING TRAINING TO STAFF	4	20.0
IMPROVING CUSTOMER SERVICE	2	10.0
Total	20	100.0

Source: Authors' field study, 2013

As evidenced by the responses of majority of staff of Bosomtwe, the Bank is undertaking tremendous steps to improve their level of technology to be able to properly and adequately serve the needs of their customers. Additionally, the Bank gives in service training to the staff to be able to build their capacities so as to be able to serve customers. Customer service improvement is also at the heart of Bosomtwe and is integral to the steps adopted by the bank to meet the strategic needs of its customers (see table 22).

4.24 BRB CONTRIBUTIONS TO POVERTY REDUCTION .

Here, the staff of the Bank was made to share their candid opinions on how the emergence of rural banking in Ghana has helped in the reduction of poverty. The views expressed are summarized and illustrated in table 23 below.

TABLE 23 LEVEL OF CONTRIBUTIONS

	Frequency	Percent
SATISFACTORY	11	55.0
UNSATISFACTORY	4	20.0
VERY SATISFACTORY	3	15.0
NOT SO SATISFACTORY	2	10.0
Total	20	100.0

Source: Authors' field study, 2013

55% of the respondents expressed satisfaction with the contributions of the rural banking industry to poverty alleviation in Ghana. 15% expressed that the level of contributions is very satisfactory. On the other hand, 20% and 10% of the staff of the bank think that, the levels

of contribution of the rural banking industry in Ghana are unsatisfactory and not so satisfactory respectively.

Although, 70% of the respondents think that, the contributions of rural banking is satisfactory, the disagreement expressed by (though in minority), 30% of the respondents, clearly indicates that there is more room for improvement.

4.25 PECULIAR NEEDS OF POOR PEOPLE.

In section one (see table 15), customers were asked of their views on what they think poor people in particular need. The researchers therefore in this section sought to compare and confirm if the things customers think they need are the same as those the staff and for that matter policy makers of Bosomtwe think customers need. The peculiar needs of poor people according Bosomtwe Rural Bank (we mean the staff) are summarized and illustrated in table 24.

TABLE 24 NEEDS

	Frequency	Percent
JOBES	9	45.0
SCHOOLS	8	40.0
GOOD ROADS	2	10.0
ROOFING SHEETS	1	5.0
Total	20	100.0

Source: Authors' field study, 2013

45% of the respondents think that, poor people need jobs, 40% argue that they need schools, 10% argued for good roads with 5% saying that they need roofing sheets. The needs of poor people stated by the staff of the bank are almost the same as the needs stated by the customers (see table 16). It is obvious that, Bosomtwe Rural Banks is very familiar with the peculiar needs of poor people and is therefore able to fashion out services and programs to meet these needs. It is therefore not surprising to hear 90% of the customers praising the Bank in table 13 that, its service packages squarely meet their real needs.

4.26 CAUSES OF RURAL POVERTY.

Given that this study pertains to poverty alleviation, and given that, Bosomtwe Rural Banking is one of the agents fronting for rural development, the researchers sought to find out if the workers themselves are familiar with the causes of poverty in Ghana. The views expressed by them are summarized in table 25 below.

TABLE 25 CAUSES

	Frequency	Percent
LACK OF EDUCATION	8	40.0
LACK OF CAPITAL	6	30.0
LACK OF SKILLS	5	25.0
LACK OF TECHNOLOGY	1	5.0
Total	20	100.0

Source: Authors' field study, 2013

40% of the workers stated that, the reasons for poverty in Ghana is chiefly because of lack of education, 30% attributed the cause of poverty to lack of capital whereas 25% of the respondents attributed the problem to lack of skills. 5% says the problem is as a result of lack of technology. Once again, the respondents of the workers of the bank in this table appears to be similar those given by the customers on this same subject in table 14. The view that, both workers and customers of Bosomtwe share semblance of opinions on several matters germane to poverty alleviation appears to be true in fact.

4.27 MAJOR CHALLENGES OF RURAL BANKS IN GHANA.

It may be recalled that, the foremost aim of this study is to examine the challenges of the rural banking system in alleviating poverty in Ghana. The researchers therefore sought to at this point, find out from the workers of Bosomtwe, what they think are the challenges and their views are accurately summarized and illustrated in table 26 below.

TABLE 26 CHALLENGES

	Frequency	Percent
DELAY IN LOAN PAYMENT	10	50.0
LOW INCOME OF RURAL DWELLERS	6	30.0
ILLITERACY LEVEL	4	20.0
Total	20	100.0

Source: Authors' field study, 2013

From the table, 50% of the workers of Bosomtwe Rural Bank think that delays in the repayment of loans is really a challenge to the rural banks ability to frontally confront poverty in rural areas. 30% of the respondents think that the challenges of rural banks in Ghana are attributable to their low levels of income with 20% attributing the cause of poverty to illiteracy.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 INTRODUCTION

The study was conducted to obtain information from respondents to analyze the challenges of the rural banking industry in alleviating poverty in Ghana. This chapter concentrated on summary of findings, recommendations and conclusion.

5.2 SUMMARY OF FINDINGS .

This section dealt with the summary of findings and experiences of events at the end of the study which was conducted on the challenges of the rural banking industry in alleviating poverty in Ghana.

On why poverty levels in rural Ghana continue to bloat, in spite of the proliferation of rural banks (the crux of this study) these findings were made:

- Customers do not invest the credit facilities in their businesses; they tend to use the credit acquired for consumption, acquire personal belongings and pay school fees. They therefore are unable to expand their businesses to increase productivity and receive more incomes to be able to escape poverty.
- The problem again is not because rural banks are unable to design the appropriate service packages to meet the needs of the rural poor, but the real challenges and causes of rural poverty are in nature and such that, they are not addressable by policies and programs of rural banks. They are in the nature of bad roads, lack of market for produce etc. Never can rural banks create market for farm produce nor can the bank construct roads or take the entire responsibility of building schools to meet

the educational needs of the rural folks. It is worthy of note that, the issue of lack of access to capital was least emphasized as a cause of rural poverty.

- The problem of delays in loan repayment, low levels of income of rural dwellers were found to be the major challenge of rural banks in fronting for rural poverty alleviation and rural development.

Beside the findings above which were germane to the main purpose of this study, the below ancillary findings were also made as explained below:

- First and foremost, the general impression deduced from the various responses given by the customers is that, Bosomtwe Rural Bank has a good image. The customers praise the Bank for giving out loans with reasonable interests, offering them a flexible payment plan, fashioning out programs and packages which meet their needs. The customers also have a positive feeling about the attitude of the staff of the Bank confirming that they are “cordial” and that it is the image of the bank and the warming attitude of the staff of the Bank that attract and tie customers to the Bank.
- The study also found out that, majority of Bosomtwe customers are married people. Perhaps, this explains why they invest the credit facilities given them (loans) in the acquisition of the needs of their families, payment of children’s school fees rather than their businesses.
- This study also found out that, the argument that, access to capital and credit facilities (widely circulated and emphasized in poverty and development literatures) can help improve the standards of living of poor people is true in fact. As confirmed in this study, customers’ access to credit facilities from Bosomtwe has helped them to better take care of their families and improve their lots.

- It was once again found out that, although, the interest charged on loans by the Bank are reasonable and the payment plan largely flexible, in accessing these loans, customers complained that, they face a lot of administrative and bureaucratic problems.

5.3 RECOMMENDATIONS

The study purposed to investigate the challenges of the rural banking industry in alleviating poverty in rural Ghana and make recommendations on the basis of the findings. Summarily, the key challenges of the rural banking industry (per the findings of this study) is not that the banks are unable to provide the needed capital to the poor, neither is it because the banks service packages are at variance with the needs of the rural poor nor is it about high interests charged on loans.

The challenges identified in this study include delays in loans repayment, failure of beneficiaries to invest credit facilities in productive ventures and the low income levels of rural dwellers to afford the services designed by the rural banks to meet their needs. Again, many of the challenges of rural poor are in nature not addressable by programs and services of rural banks. For example, lack of market for produce, low level of education, and bad roads.

With these findings in mind, the below recommendations are put forward:

1. It is recommended that, government should make the provision of market for agric produce, construction of roads and building and resourcing educational institutions in rural areas, a grand scheme priority to address the problems rural poor face due to the absence of market for produce, bad roads and low level of education.

2. It is also recommended that, rural banks add service packages that address family needs like school fees payment packages, personal belongings packages etc, so that customers can benefit from such facilities and avoid the situation where loans intended for business expansion are diverted into securing personal belongings and payment of school fees. Customers would therefore be able to invest their full business loans in their economic activities, increase production and get more income to be able to repay acquired loans on time. By this the problem of delay in loans repayment and low income levels found to be major challenges of rural banks would be averted effectively.
3. Furthermore, it is recommended that, Bosomtwe Rural Bank restructure its loans acquisition procedure to make it more flexible and least cumbersome for customers when they are applying for credit support from the Bank.

5.4 CONCLUSION

The study sought to examine the challenges of the rural banking industry in fronting for poverty alleviation in the rural parts of Ghana. Having gathered rich, deep primary information from the customers and workers of Bosomtwe Rural Bank, it was found that, the problem with rural banks and poverty alleviation in Ghana is not because the programs and services of the bank do not meet the poverty needs of the rural folks, but primarily because, many of the problems facing the rural people are not addressable by the policies and programs of rural banks.

They are in nature, problems like lack of market for produce, bad roads, low level of education etc which are beyond the focus of rural banks which is to make available credit facilities to the rural dwellers. However, problems like delays in loans

repayment, low income levels of rural dwellers, failure on the part of customers to invest loans in productive ventures but on consumption.

Also Bosomtwe Rural Bank in particular was found to be making impressive strides in its quest to see poverty alleviated among rural folks. On the basis of the findings, the appropriate recommendations have been made and the researchers are of a firm opinion that, they would go a long way to assist in the reduction of poverty in rural Ghana.

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APPENDIX
CHRISTIAN SERVICE UNIVERSITY, KUMASI
DEPARTMENT OF BUSINESS ADMINISTRATION
BANKING & FINANCE

Interview guide on the Challenges of The Rural Banking System in Alleviating Rural Poverty in Ghana: A Case Study Of Bosomtwe Rural Bank

The researchers are undergraduate students of Christian Service University, Kumasi; researching *on the Challenges of the Rural Banking System in Alleviating Rural Poverty* in partial fulfillment of the requirements for their Bachelors' Degree. Guarantee is given hereby that any information provided shall be treated with the utmost confidentiality and will not be used in contravention of the purpose for which it was obtained. This interview guide seeks only to examine *the Challenges of the Rural Banking System in Alleviating Rural Poverty in Ghana*.

Interview guide for customers of Bosomtwe Rural Bank

1. Indicate the sex of the respondent
 - a. Male []
 - b. Female []
2. What is your age group?
 - a. 20 – 25 []
 - b. 26 – 30 []
 - c. 31 – 35 []
 - d. 46 – 50 []
 - e. 50 and upwards []
3. Which of these is your religious affiliation?
 - a. Christianity []
 - b. Islam []
 - c. Traditional religion []
 - d. Others (please specify)
4. Marital status
 - a. Married []
 - b. Single []
 - c. Divorced []
 - d. Separated []
5. Are you a customer of Bosomtwe rural Bank?

Yes []

No []

If yes what type of account do you operate?

- a. Savings account
- b. Current account
- c. Fixed account

6. What is your level of education?

- a. No formal education
- b. Primary / Middle/ JSS
- c. Secondary/ Vocational/ Technical
- d. Tertiary
- e. Others (specify)

7. What economic activity are you engaged in for your livelihood?

- a. Farming
- b. Petty trading
- c. Livestock rearing
- d. Other (specify).....

8. Why did you decide to patronize the services of Bosomtwe Rural Bank?

.....

9. How long have you been transacting business with the Bank?

- a. 1 – 5 years
- b. 6 – 10 years
- c. 11 – 15 years
- d. 16 years and above

10. Do you receive / have you received any credit support?

- a. Yes
- b. No

11. What did / do you use the **LARGE** part of the money for?

- a. Housekeeping / Consumption
- b. Invested in my business (farming, trading, livestock rearing etc)
- c. Acquire personal or my children's items (house, clothing, shoes, etc)
- d. Paid my children's school fees
- e. Others (specify).....

12. How much as credit did/ do you receive from you're the Bank.....

13. How much did you request?

14. What are the attitudes of the banks staff towards you?

- a. Cordial
- b. Very cordial
- c. Not cordial

15. Do you encounter any problem in obtaining loans from the bank?

Yes []

No []

If Yes, please state the nature of the problem(s)

16. How would you describe the amount of credit received?

- a. Okay / adequate
- b. Very adequate
- c. Inadequate
- d. Woefully inadequate

17. What type of credit facility you have benefited from the bank?

- a. Overdraft
- b. Personal loan
- c. Small business loan
- d. Farmers loan
- e. Corporate business loan
- f. Students loan

18. How much (in percentage) was the interest on the credit/loan?

19. How would you describe the rate of interest on the credit/loan?

- a. Very high
- b. High
- c. Reasonable/Okay

20. Were/would you be able to pay the loan with the interests on time?

- a. Yes
- b. No

21. Have you sold or would you need to sell any of your assets before you can repay the loan?

- a. Yes
- b. No

22. To what extent have your assess to the services of Bosomtwe Rural bring improvement in your business?

.....

23. To what extent have your assess to Bosomtwe services bring improvement in your standard of living.....

24. Comparing your income and savings TODAY to the time you were NOT PATRONIZING the services of Bosomtwe, would say that there has been any improvement?

a. Yes

b. No

25. Would say that, the services and programs of Bosomtwe REALLY meet the poverty needs of the customers?

a. Yes

b. No

26. If No, what needs would you suggest Bosomtwe Rural Bank re-orients its schemes and operations to address?

27. Does Bosomtwe organize any training programs for you as customers or beneficiaries of their credit scheme?*(The Researcher may guide the respondent)*

a. Yes

b. No

28. If yes what is or was involved in the training?

a. book keeping and records keeping

b. how to manage business, loans

c. Other(specify).....

29. How useful is/ has the training been to you?

30. Do you think poor people in rural areas have any peculiar need(s)?

a. Yes

b. No

If yes kindly name It/them.....

31. What do you think account(s) for the growing poverty in Ghana?

**DEPARTMENT OF BUSINESS ADMINISTRATION
BANKING & FINANCE**

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Questionnaire for the Staff of Bosomtwe Rural Bank

Please tick the appropriate answer or provide the necessary information.

32. Indicate your sex

- c. Male []
- d. Female []

33. What is your age group?

- f. 20 – 25 []
- g. 26 – 30 []
- h. 31 – 35 []
- i. 46 – 50 []
- j. 50 and upwards []

34. Which of these is your religious affiliation?

- e. Christianity []
- f. Islam []
- g. Traditional religion []
- h. Others (please specify)

35. Marital status

- e. Married []
- f. Single []
- g. Divorced []
- h. Separated []

36. Kindly state the kind of services your institution provides for its customers.
37. Is Bosomtwe Rural Bank able to honour the **exact amount of loans** requested by customers?
- Yes
 - No
38. If **No**, kindly explain what accounts for your institution's inability to honour the exact loan requests of your customers.....
39. How much as interest (in percentage) does your Bosomtwe Rural Bank charge on loans disbursed to customers?
.....
40. How do you think your customers perceive the rate of interest attached to loans/credit?
- Very High
 - High
 - Reasonable / Okay
41. Are your customers able to repay loans given to them and on time?
- Yes
 - No
42. Has there been a case or cases where Bosomtwe Rural Bank had to sell the assets of a customer (s) to defray a loan he or she contracted?
- Yes
 - No
43. If yes, how frequent do such cases occur?
- Quite often
 - In most cases
 - In some few cases
44. Briefly explain why you think people patronize the services of Rural Banks.....
45. Would you say that, the services being rendered by Bosomtwe Rural Bank to its customers **actually address** their **needs**?
- Yes
 - No
46. How is your institution positioning itself strategically to meet the changing needs of its customers?

47. How would you describe the contributions of the emergence of Rural Banking to the reduction of poverty in Ghana?
- Satisfactory
 - Very satisfactory
 - Unsatisfactory
 - Not so satisfactory
48. Kindly give reasons for your answer in question 16.....
49. Does your institution provide any training programs for the beneficiaries of your schemes?
- Yes
 - No
50. If yes what is involved in the training? (E.g. book keeping, records keeping, how to manage business, loans etc.)
51. Do you think your institution's training programs are making any impacts in the lives/businesses of the customers?
- Yes
 - No
52. Do you think poor people in Rural Ghana have any peculiar need (s)?
- Yes
 - No
53. If yes kindly name it / them.....
54. What do you think is/are the reason (s) for the increasing rates of poverty in the rural areas of Ghana?
55. What do you consider as the **major challenges** of Rural Banks in Ghana in helping to alleviate poverty?

Your support is duly appreciated

