

**CHRISTIAN SERVICE UNIVERSITY COLLEGE**

**ASSESSING THE CHALLENGES OF RURAL BANKS:  
(A CASE OF AMANSIE WEST RURAL BANK LIMITED)**

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## STATEMENT OF AUTHENTICITY

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

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## SUPERVISOR'S DECLARATION

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

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## **ABSTRACT**

Ghana intends to achieve its goals of accelerated economic growth, improved quality of life for all Ghanaians, and reduced poverty through macroeconomic stability, higher private investment, broad-based social and rural development, as well as direct poverty-alleviation efforts. In 1976, the Ghanaian government, through the Bank of Ghana, established Rural Banks to channel credit to productive rural ventures and promote rural development.

Rural development is a strategy intended to improve the economic and social life of the rural poor. However; rural banks are characterized with challenges which affect the Ghanaian economy.

The research design was a descriptive cross sectional study which used both quantitative and qualitative tools to determine the challenges of Rural Banks in Ghana. Both primary and secondary research data were used in the study. Self-administered questionnaires were used in collecting data from respondents.

Personal interviews were also conducted to help appreciate the situation on the ground. Data collected were subjected to statistical analysis using Statistical Package for Social Sciences (SPSS) software.

The research revealed rural banks play an important in the country, some of its roles and contributions are that, they provide banking services by way of funds mobilization and credit to cottage industry operators, farmers, fishermen and regular salaried employees.

They also grant credits to customers for the payment of school fees, acquisition/rehabilitation of houses and to meet medical expenses. Some of the banks have subsidiary companies engaged in customer credit and other developmental activities. Most respondents lamented that labour turnover and lack of modern facilities were major problems that affect the operations of rural banks.

After a careful analysis of the results and findings, the study came out with recommendations. This includes the government in consultation with the Bank of Ghana should define how far rural banks can go in terms of coverage in order to protect their markets and also determine how far

these main banks can go. Moreover, rural banks should upgrade themselves and be in tuned with the latest technological gadgets

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## **DEDICATION**

To our various families for their constant love and support

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

We also dedicate this work to all accounting students

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## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 BACKGROUND TO THE STUDY**

Ghana intends to achieve its goals of accelerated economic growth, improved quality of life for all Ghanaians, and reduced poverty through macroeconomic stability, higher private investment, broad-based social and rural development, as well as direct poverty-alleviation efforts. These plans are fully supported by the international donor community and have been forcefully reiterated in the 1995 government report, Ghana: Vision 2020. Other reforms adopted under the government's structural adjustment program include the elimination of exchange rate controls and the lifting of virtually all restrictions on imports. The establishment of an interbank foreign exchange market has greatly expanded access to foreign exchange.

Ghana's post-independence economic story has been a difficult one, but over the last 20 years, political stability and economic growth has been the long-term trend. Ghana is on track to meet the Millennium Development goal of halving extreme poverty by 2015. Real GDP growth averaged 4% in the mid-1980s and has increased to about 5% over the past decade. Inflation and interest rates continued their upward trend in 2009 due to high fuel prices, and macroeconomic pressures caused by large fiscal and trade deficits<sup>1</sup>. The World fact book (2009) further underscores that, within 5 years, Ghana is likely to be the third-largest producer of oil in West Africa.

Relying heavily on the exploitation of some non-renewable and even endangered resources, Ghana's economic recovery will have to expand to create a broader and better balanced economy. In addition to cocoa, Ghana's leading export commodities are gold, a nonrenewable resource, and timber, the harvesting of which has included more than eighteen endangered species of trees and has led to alarming deforestation.

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<sup>1</sup> World Fact book 2009

Furthermore, Ghana's ocean waters are seriously overfished, leading the government to ban the catching of shellfish. These resources could be used to develop local manufacturing, the goal

Dr Kwame Nkrumah<sup>2</sup> tried to reach through direct state intervention forty-five years ago. Local manufacturing could create jobs, cut the import bill, and provide a more diversified economic base. The question for Ghana is whether free-market forces will be more successful in promoting healthy economic expansion than the failed policies of direct state intervention.<sup>3</sup>

In spite of this, rural banks are also contributing meaningfully to the development of the Ghanaian economy. The institution of Rural Banks (RBs) was created to meet the excess demand for institutional credit in the rural areas, particularly among the economically and socially marginalized sections. Although the cooperative banks and the commercial banks had reasonable records in terms of geographical coverage and disbursement of credit, in terms of population groups the cooperative banks were dominated by the rural rich, while the commercial are clear urban bias.

Rural banks devote part of their profits to meet social developmental activities such as donations to support education, health, traditional administration and the needy in their respective communities. Some of the banks have specific gender programmes focusing on women-in-development and credit-with-education activities for rural women. Rural banks are, therefore, the main vehicle for financial intermediation, capital formation and retention of rural dwellers in the rural areas<sup>4</sup>.

From all indications the contribution of rural banks cannot be looked down upon, it was in such light that the Amansie West Rural Bank was established to help create an avenue for those in the rural or catchment of Amansie West and beyond to have access to banking facilities to help them promote and grow their business. It appears however that most of these rural banks are not

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<sup>2</sup> First President of Ghana

<sup>3</sup> Bank of Ghana Report 2008

<sup>4</sup> ARB Apex Bank Report 2009

functioning to expectation. This research therefore tries to analyze and assess the challenges of Rural Banks to the development of the Ghanaian Economy.

## **1.1 PROBLEM STATEMENT**

In Ghana, despite the contributions of rural banks to the development of most rural communities, they are saddled with challenges which obstruct their development, hence their contribution to the Ghanaian economy.

It has been realized that the various rural banks especially the Amansie West Rural Bank play a vital role to the socio-economic development of the country in terms of alleviating the rural poor and granting other access to the rural folks by introducing them to some concepts in banking.

However,

### **1.1.1 Competition**

Competing with other banks is one of the problems faced by rural banks in the developing countries. An example is Amansie West Rural Bank competing with Barclays Bank.

### **1.1.2 Poor Service Delivery**

Poor Service Delivery is one the challenges faced by rural banks. This is mostly caused by poor training of staff.

## **1.2 OBJECTIVE OF THE STUDY**

The general objective of this study is to find out the challenges of rural banks to the development of the Ghanaian economy and measures to enhance their operations. The specific objectives are:

1. To analyse the contributions and roles of rural banks in the country.
2. To analyse the major problems faced by Amansie West Rural Bank.
3. To examine the activities of these banks.

4. To make recommendations on rural banks and its importance to the economy of the country.

### **1.3 RESEARCH QUESTIONS**

In carrying out the research, the study tries to find solutions to the following questions;

1. What are the contributions and roles of rural banks in the country?
2. What are the major problems faced by rural banks?
3. How do these problems affect the economy of the country as a whole?
4. What mechanisms are put in place to ensure the growth of the banks?

### **1.4 AREA AND SCOPE OF THE STUDY**

The study will be limited to assess the challenges of rural banks to the development of the Ghanaian Economy. The study will further be limited to the Amansie West Rural Bank in the Amansie West District of Kumasi. Also the study will be limited to the staff and their clients. This will facilitate mobility to target population as well as to cut down cost comparatively. Other factors like time and convenience were also taken into consideration.

### **1.5 LITERATURE REVIEW**

The literature review is a written summary of the findings from your literature search. The review is grouped under the following headings.

- Rural banks in Ghana
- The roles of rural banks and their operations
- Problems of rural banks
- Amansie West Rural Bank

### **1.6 METHODOLOGY**

Both primary and secondary sources of materials were used. Both quantitative and qualitative data will be collected from staff members as well as some customers of the bank. These were achieved through the administration of questionnaires and interviews. The population universe is Amansie West and the target population will be staff members as well as customers of the bank. The sample size is 50 and this will be achieved through the simple random sampling technique.



Data will be collected through questionnaire which will be personally administered.

### **1.7 SIGNIFICANCE OF STUDY**

A study of this nature will help the organizations involved and others to adopt measures in the context of rural bank operations. The study is very significant because it will add to the existing literature or works already written. It will also be beneficial to the academic community and decision makers who deal directly with organizations and to make meaningful proposals and suggestion to improve ways of handling the operations of rural banks.

### **1.8 LIMITATIONS TO THE STUDY**

Among the limitations that serve as impediment to the research include the following:

- a) Time constrain as a result of combining both lectures with the project work, by visiting the case study area.
- b) Inadequate funds since all the cost of the entire project work was financed by the researcher.
- c) Reluctance on the part of the respondents to give adequate information necessary for the research work.

The above limitations did not however affect the findings of the research.

### **1.9 ETHICAL ISSUES**

We intend to treat all information gathered from the field with the confidentiality it deserves, we intend to treat all issues with the necessary objectivity devoid of personal sentiments and biases.

### **1.10 ORGANIZATION OF THE STUDY**

The study consists of five chapters. The first chapter consists of the background to the study, statement of the problem, Scope of the study, Objective of the study and significance of the study and lastly the organization of the study. Chapter two deals with literature review on concepts and theories relevant to the study. Chapter three, the methodology adopted to conduct the research. This chapter deals with issues such as the research design, instrument and data collection tools. Chapter four deals with data presentation, discussion and analysis. The last chapter indicates the findings of the study, conclusion and recommendation.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 INTRODUCTION

This chapter provides information about aspects of previous studies done by other researchers which relate to this study. The review has been grouped under the following headings:

- Rural banks in Ghana
- The roles of rural banks and their operations
- Problems of rural banks
- Amansie West Rural Bank

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

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

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

## **2.1 RURAL BANKS IN GHANA**

Ghana, like other sub-Saharan countries, has traditionally experienced low productivity, low income levels, low domestic savings, unemployment, and malnutrition. In 1976, the Ghanaian government, through the Bank of Ghana, established Rural Banks to channel credit to productive rural ventures and promote rural development. Rural development is a strategy intended to improve the economic and social life of the rural poor.

In June 2006, the Government of Ghana published its second Growth and Poverty Reduction Strategy (GPRS II) for the period 2006 to 2009. The GPRS II is guided by the goal of doubling the size of the economy within the decade and bringing the average per capita income of Ghanaians to middle income country level by 2015. This Annual Progress Report (APR) is the first assessment of progress made in the implementation of policies outlined in the GPRS II and cover progress in 2006.

## **2.2 ROLES OF RURAL BANKS**

A rural bank shall have the power to undertake the business of banking in accordance with the limitation and the manner provided for in the Banking Act.<sup>5</sup> In particular, it should engage in the following:

- i. To stimulate banking habits among rural dwellers.
- ii. To mobilize resources locked up in the rural areas into the banking systems to facilitate development.
- iii. To identify viable industries in their respective catchment areas for investment and development.
- iv. To give credit facilities to small scale farmers, fisherman and other economically active people in the people in the rural areas.
- v. To make profit for its shareholders.
- vi. Offering financial advice to its customers and others in the rural areas.

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<sup>5</sup> Banking Act 1970 (Act 339)

### **2.2.1 Poverty Reduction**

The recently completed Ghana Living Standard Survey (GLASS 5) confirms that Ghana is on track to halving the poverty rate before the target date. The national headcount has declined to 28.5 percent by 2006, down from 39.5 percent in 1998 and 52 percent in 1992. While the government is to be commended for this achievement, some of the underlying trends raise some concerns, in particular, the fact that the poverty head count declined more slowly in rural areas, especially in the northern areas.

### **2.2.2 Boosting Small Scale Enterprises / Agriculture**

About 60 percent of poor people in the country live in the rural areas and 80 percent of them are farmers and artisans.<sup>6</sup> Rural banks have therefore been the main sources of funding to these less disadvantaged groups. Rural people are empowered through rural bank loans and services, and hence small scale agricultural practice and microenterprise is developed. Governments go into co-operatives to partner with the rural banks to raise bulk loans to be disbursed to the beneficiaries, in so doing the banks are increasing and sustaining the number of people going into small businesses.

### **2.2.3 Employment Generation**

Agriculture and microenterprises contributes immensely to job creation, and are of particular interest to all Rural Bank in rural areas. Rural banks have so far engaged in extending credits and other services to many rural enterprise and hence generating employment and promoting entrepreneurship. The promotion of employment in rural areas by rural banks covers the following areas; blacksmithing, gold-smiting, watch repairing, bicycle repairing, basket weaving, barbing, palm wine tapping, cloth weaving, dyeing, food selling, carpentry, brick-laying, pot-making, leather works and drumming. Even though found in urban areas, these industries are more prominent in the rural areas. It has, therefore, been acknowledged that the rural setting is an arena of many industries, which could be developed to contribute significantly to the national economy, just as rural people are more frequently self-employed than urban people<sup>7</sup>

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<sup>6</sup> NBS, 2005

<sup>7</sup> Ketu, 2008

#### **2.2.4 Improvement in Skill Acquisition**

Improvement of the condition of women through the provision of, skills acquisition and adult literacy is another role played by rural banks. This is done through building capacities for wealth creation among enterprising poor people and promoting sustainable livelihood by strengthening rural responsive banking methodology and the introduction of simple cost-benefit analysis in the conduct of businesses. In most cases a profit sharing agreement is entered between a bank and an entrepreneur and new methods and innovations are passed to the prospective entrepreneur by the banks professionals, while at the end of the production period the proceed is being shared and the entrepreneur if so wishes can continue on his own after the necessary skills and production techniques are acquired.<sup>8</sup>

#### **2.2.5 Facilitates Poverty Alleviation**

Employment and income generation are important aspects of poverty alleviation efforts. Rural banks have accelerated the operation of government poverty alleviation programmes and in doing that promising entrepreneurs are supported and new ones emerged. The federal governments National Poverty Eradication Programme<sup>9</sup> and National Economic Empowerment and Development Strategy<sup>10</sup> to mention a few aimed at achieving the United Nation's Millennium Development Goals<sup>11</sup> by 2015 required these rural institutions for success. The success of these programmes and projects for advancement of the MDGs are linked with the promotion of entrepreneurs in rural areas and subsequent reduction in the level of poverty<sup>12</sup>

Other roles played by rural banks include; reorientation of the rural populace on a sound financial practices, as well as issues such as reproductive health care, and girl child education. All these areas have a direct link with entrepreneurial capabilities of the rural people.

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<sup>8</sup> Umar, 2008

<sup>9</sup> NAPEP

<sup>10</sup> NEEDS

<sup>11</sup> MDGs

<sup>12</sup> Ketu, 2008

## **Mandatory Sectorial Allocation of Rural Bank Loans**

SECTOR	CREDIT ALLOCATION
Agriculture	A minimum of 50% of Total Loans Outstanding
Cottage Industries	Approximately 30% of Total Loans Outstanding
Trade and Transport	A maximum of 20% of Total Loans Outstanding

Source: The Bank of Ghana's Operational Manual for Rural Banks (2005)

### **2.3 PROBLEMS OF RURAL BANK**

It has been said that most rural bank had weak management due to lack of skilled and qualified directors and personnel<sup>13</sup>. Furthermore, they had weak internal control system and often failed to adhere to uniform account guidelines and practices as prescribed in the operational manual for rural banks prepared by Bank of Ghana. As a result of poor loan recovery the rural banks accumulated large non performing loan advances leading to high portfolio losses. In addition, several banks invested in run profitable subsidiaries.

Some rural banks persistently violated Bank of Ghana directives and guidelines particularly those contained examination and inspection reports to the board and management. In addition, some of the banks failed to submit accurate periodic returns to Bank of Ghana, thereby impeding effective opposite association (Association of Rural Bank) with regional branches, the association has not been very effective in providing technical guidance and financial support to the bank. Despite rapid growth in the establishment of rural banks, the rural banking system also encountered some number of problems. The problem can be classified as:

#### **2.3.1 Problems of External Environment**

The general dispersed and neglected nature of the rural environment has constrained the Rural Banks ability to recruit and retain competent staff. The environment is too harsh and character by lack of adequate amenities such as good schools, good having and portable water and health facilities. Bad or non- existence of transportation. For example Afram plains, part of northern region etc, raise transaction costs. Inaccessible markets, general uncertainty and stagnation

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<sup>13</sup> According to Boneu,1978

impact negatively on production, marketing, and income generation. This affects rural borrowed ability to meet repayment obligation and thus contributing to the problems of rural banks.

### **2.3.2 Manpower and Operational Problems**

There has been a basic human resource problem in the rural banking system even through considerable progress has been made since the early 1990, towards solving these. Among the many operational and manpower problems were:

- i. Weak management information system
- ii. Fraud and dishonesty
- iii. Lack of capabilities in financing planning and budgeting
- iv. Lack of skills in financial decision managing
- v. Weakness in internal control system
- vi. Organizational weakness / deficiencies.

## **2.4 A DOCUMENT HISTORY OF AMANSIE WEST RURAL BANK LIMITED**

Amansie West Rural Bank is located in the Amansie West District and headquarters at Antoakrom. The bank's establishment was as a result of bringing facilities to the people who had to travel several miles to Bekwai where there was the only such facility. With the governments decentralization programme which saw ceding of the West to form the Amansie West District from Bekwai and the subsequent designation of Manso Nkwanta as the district capital. As a result there was the need to have a banking facility in the Amansie West District. This banking facility was to cater for payment of government salaried workers.

Cocoa Akuafo Cheques and to external financial services to the people by way of credit facilities. In 1998, an interim management committee, and many others was constituted to raise the initial capital for the establishment of the bank. The initial capital raised by the interim management committee was GH 61.70 (617,000) with GH 12.50 (125,000) support from the Bank of Ghana as preference shares.

#### **2.4.1 Mission Statement of the Bank**

Amansie West Rural Bank Limited has this mission statement, “To double our market share in the Ashanti Region by the year 2008 by being more customer friendly, updating the skill and competence of our human resource, introducing more attractive and well packaged products, provision of state of the operating environment and share our achievement with the communities within which we operate”.

#### **2.4.2 Banking Objectives**

The bank’s long term objectives are as follows:

- i. To intensify deposit mobilization through a network of agencies sprung up in the Amansie West and East districts and the Kumasi Metropolis.
- ii. To ensure sustained growth in profitability and payment of reasonable returns to shareholders through capital appreciation and payment of reasonable dividends.
- iii. To institute effective training programmes to increase skills of both directors and staff.
- iv. To ensure effective service delivery to reduce customer turn around time.
- v. To improve the quality and standard of living of the bank’s customers through the packaging of innovative products.
- vi. To be counted among the best managed rural banks and re-licensed as a community bank.

#### **2.4.3 Corporate Values**

To develop our agencies to become customer friendly through well furnished air conditioned and state of art accessories. Provision of excellent customer service to all manner of customers. To provide service with a smile. The bank seeks to achieve its corporate value through then following policies.

#### **2.4.4 Policies –Board Membership**

- i. To be a board member
  - One must be a shareholder of the bank
  - One must have a specialized knowledge such as



Banking

Accounting

Law

Management

Agriculture, etc

- And / or must represent a zone of the banks catchment area.
  - i. Prospective member must possess academic qualifications not below ordinary level to enable them understand and interpret the language of banking.
  - ii. Shareholders wishing to contest board membership shall write an application to the board secretary stating reasons of application, qualification and ordinary shares held.
  - iii. Shareholders who aspire to be board members should have a minimum of 1000 ordinary shares.
  - iv. Prospective member of the board must be proposed by two shareholders.
  - v. Voting on board contestants shall be at the bank's Annual General Meeting (AGM)

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 INTRODUCTION**

This chapter deals with the methodology adopted in conducting the study. The chapter is organized as follows; research design, research area, population and sampling, research instrument (data collection technique), administration of instrument (data collection proceedings) and analysis of data.

The primary source makes use of questionnaires, interview, and records written and kept by people involved who bear witness to an event also direct observation, participant observation and physical artifacts. The researchers used the following in collecting primary data i.e ( Personal interviews and Questionnaire)

The secondary data is mainly from already existing information made use of publications such as books, journals, articles, the internet sources and many other already established facts.

#### **3.1 RESEARCH DESIGN**

The research was based on assessing the challenges of Rural Banks to the Development of the Ghanaian Economy, a Case of Amansie West Rural Bank. The design was a descriptive study which used both quantitative and qualitative tools to determine the challenges of rural banks to development of the Ghanaian economy.

The study was based on the use of questionnaires and interviews. These approaches were used because they were appropriate satisfied tools for collecting data for the sample population to investigate the contributions of rural banks to the economy, the challenges and ways to improve their activities and the way forward for rural banks.

### **3.2 RESEARCH AREA**

This study was conducted in the Ashanti Region at the Amansie West District where the head office of the bank is located and some of their branches because of the availability and accessibility of information and also ensures a more detailed investigation which would yield more valid and reliable results. The staff of the bank and some customers of the bank constituted the population.

### **3.3 POPULATION AND SAMPLING**

The population of the study included the entire staff of Amansie West Rural Bank and some customers of the bank. The sample size was fifty (50) and the number of staff selected was twenty five (25) and they included the various heads of department, and some employees from the various levels within the bank. The customers of the bank also had twenty five respondents (25). The researcher wanted to find out how the staff perceived rural banks, the problem at hand, the challenges and the way forward and whether it could be properly sustained. The simple random technique was used in selecting the staff and the customers who formed the group under study during the research period.

Due to nature of the spread of the study, this method is considered as suitable in reaching the respondents. The sample was selected in accordance with the established objectives of the study.

### **3.4 RESEARCH INSTRUMENT**

The researcher used questionnaires and interviews in collecting data. The researcher prepared the questionnaires with over twenty simple pre-test questions to be responded by the staff and the customers and an interview conducted with the various heads of department to ensure the validity and reliability of the study. The questions were designed to make the purpose of the study successful after the results have been ascertained. This instrument gave expected information about the customers and the staff's reactions to the activities of rural banks and their operations.

### **3.5 ADMINISTRATION OF INSTRUMENTS**

The questionnaires were distributed to the sampled respondents to know how they comprehend the idea of rural banks, challenges associated with it and the way to move forward. Though it took nearly one month for all questionnaires, interviews and discussions to be completed the researcher handed over the questionnaires to the respondents in time and this gave them enough time to study the pattern of the questionnaires and to answer appropriately without being rushed. With the interview the researcher sought for an appropriate time and appointments were booked with the Heads of Departments. The interview gave uniform information, which assured comparability of data.

### **3.6 ANALYSIS OF DATA**

The data was organized into tables and figures based on the questionnaire given to respondents. The result were then analyzed and converted into percentages and other charts. Quantitative and qualitative method was employed in the analysis of the data. The result was subsequently computed into percentages. Percentage values, which were not round figures, were approximated to the nearest whole numbers. Diagrammatic representations of the statistical summaries of the result were presented in the form of pie charts, graphs frequency tables.

Computer data analysis such as SPSS and other relevant software were the main tools employed to analyses the data in order to help interpreted results. The statistical programmed for social scientist (**SPSS**) was also used to analyze the pre-coded questions. This packaged used to compute the percentages because it is easier to use. It can also be used to make a tables needed for discussions of the results. Also Ms Excel was used to draw the graphs for the computed data. This was used by the researcher because of the ease in using Ms excel for this purpose over the other software. The other questions that were open-ended were analyzed by listing all the vital response given by the respondents. They were then considered based on their relevance to the research.

## CHAPTER FOUR

### INTERPRETATION, ANALYSIS AND FINDINGS OF DATA

#### 4.0 INTRODUCTION

This chapter explains information gathered from the field through questionnaires. These are analyzed to emphasize response from respondents using various forms of graphical representations. This chapter is also divided into sub-headings to throw more light on questions asked on the field. The first part deals with employees of Amansie West Rural Bank while second part deals with the customers of the bank.

#### 4.1 DEMOGRAPHIC DATA

On demographic data, questions were asked on gender and age.

From the sample size of fifty (50), twenty five (25) employees of Amansie West Rural Bank were selected while twenty five (25) customers were also selected. This is because the research wanted to find the views of both customers and those at the rural bank on the research topic.

In dealing with gender, the staff had eight females with seventeen males. The customers of the bank had eleven females and fourteen males.

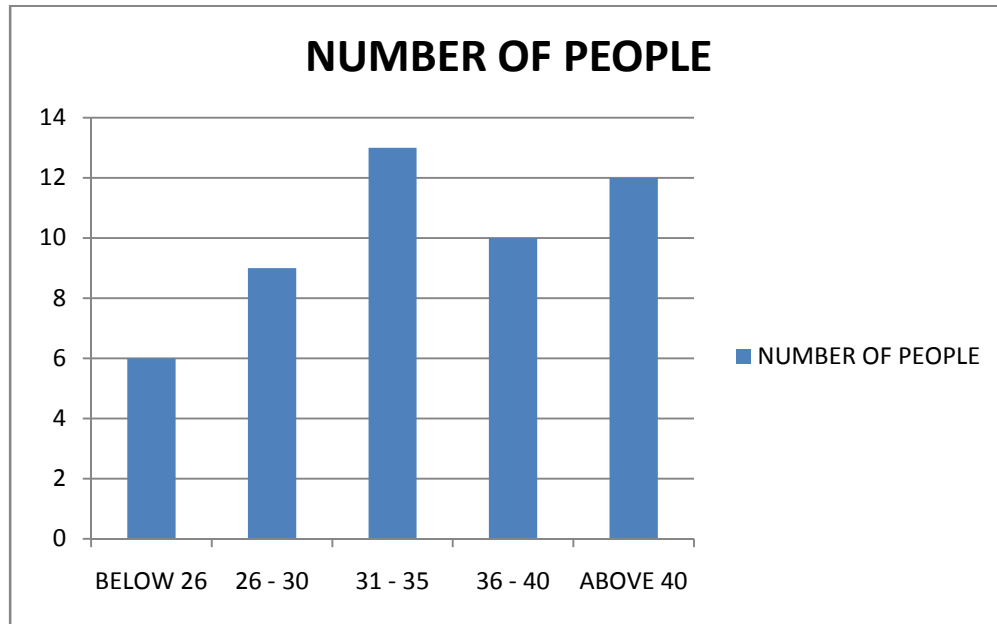
#### 4.2 GENDER DISTRIBUTION

**Table one: Gender Distribution**

GENDER	FREQUENCY	PERCENTAGE %
MALES	31	62
FEMALES	19	38
TOTAL	50	100

In all the questionnaires received from respondents, thirty one (31) of them representing 62% of the total number of participants were males while nineteen (19) representing 38% of the total number was females. This clearly shows that there were more male participants than female in this survey and it may be as a result of the simple random technique used in selecting respondents. The Table above is the source of the statistics.

### 4.3 AGE DISTRIBUTION



*Source: Field Work 2011*

On the issue of age, respondents were categorized into the following age groups below 26, 26-30, 31-35, 36-40, and above 40 years of age.

Six (6) respondents were below the ages of 26 years, nine (9) respondents were between the ages of 26-30 years, thirteen (13) respondents were between 31-35 years, ten (10) of them were between 36-40 years while twelve (12) of them were above forty (40) years of age.

## **SECTION A : STAFF OF AMANSIE WEST RURAL BANK**

This section deals with the analysis of all the questionnaires received from staff of Amansie West Rural Bank

### **4.4 NUMBER OF YEARS AT WORK**

This was to find out the number of years staff members had been working at the bank, their responses are as follows;

Six (6) respondents have been working at the bank between one to three years now, fifteen of them have been at post between four to seven years, while four (4) have been working for eight to eleven years. From this it is realized that all respondents had been working for long period of time to know what goes on in their work which will further contribute meaningfully to the topic under research. The chart below throws more light on the number of years of respondents Amansie West Rural Bank.

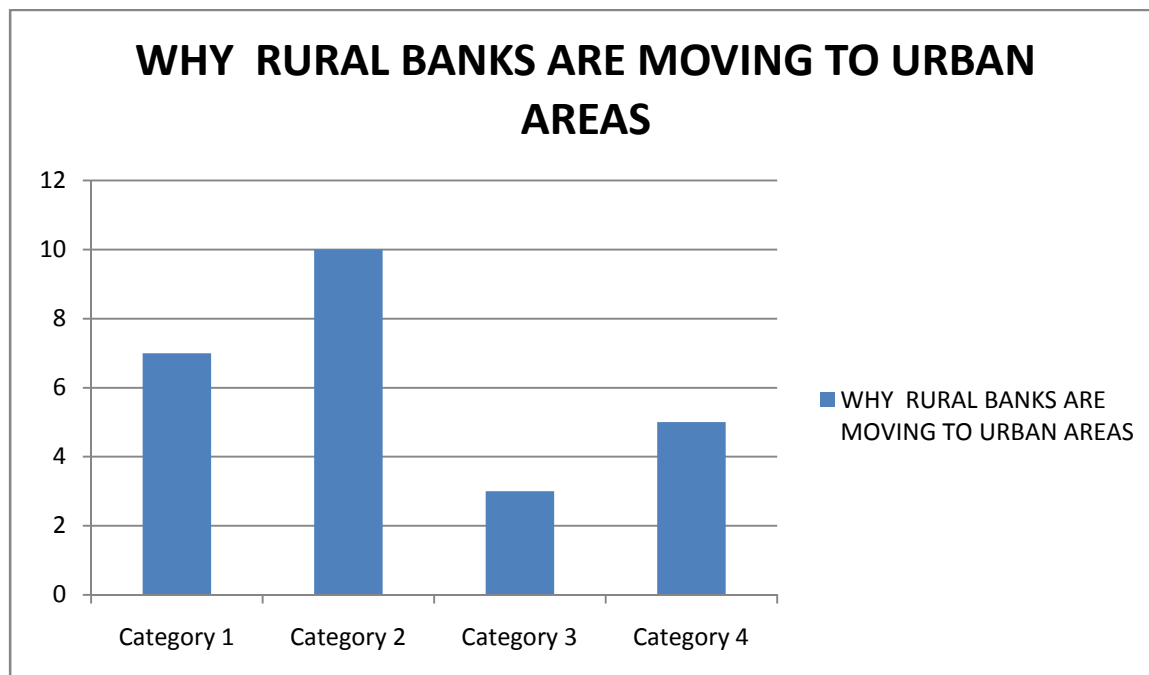
**Fig 1: Number of years at Work**



*Source: Field Work 2011*

#### 4.5 REASONS WHY RURAL BANKS ARE MOVING TO URBAN AREAS

This was to find out from the staff why rural banks are moving to urban area. Seven (7) of the respondent said that rural banks are moving to the urban areas because of low income level of people in the rural areas. Ten (10) were of the opinions ‘that rural banks are moving to the urban areas because the population of the rural people are few. Three (3) of the respondent said that it because of competition, the aim of every bank is to maximize profits to increase shareholders equity and wealth. Five (5) of the respondent were of the view that rural banks move to urban areas because business activities are very minimal seasonal.



*Source: field work, 2011*

#### 4.6 BANKING IN GENERAL TODAY

On the banking sector today various answers were given by the staff, they are discussed as follows;

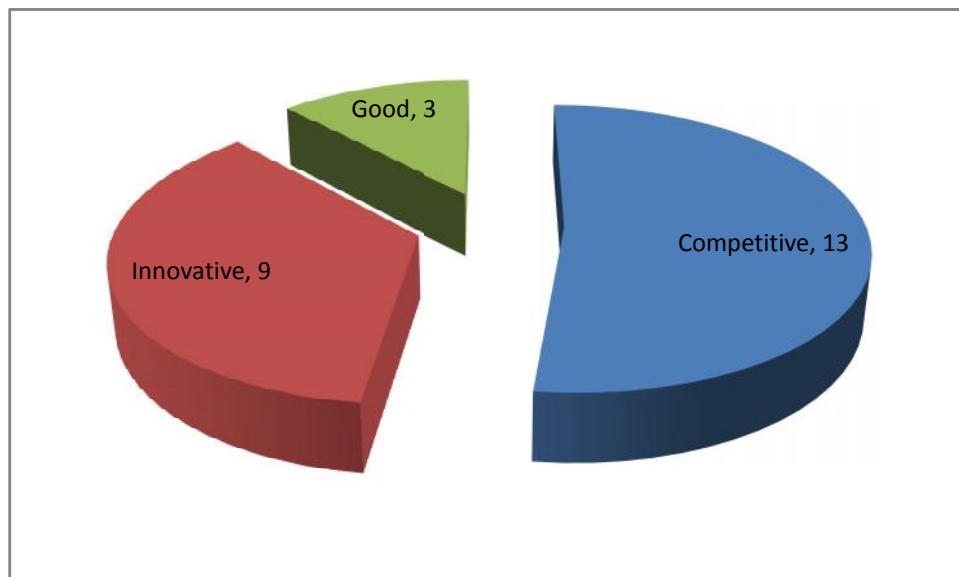
Fifteen respondents believed that the banking sector has become very competitive than before with the influx of several banks from Nigeria especially. This therefore leaves customers or individuals with the luxury of choice to choose among the whole lot as banks keep on springing up every day. There are over twenty four (24) major banks aside the rural banks and other financial institutions in the country. Thirteen (13) respondents shared this view.



Furthermore, varying degrees of products from the banks have also changed drastically to win and attract more customers as each and every bank tries to outweigh the other in terms of products and other services, these include simple account opening procedures, loans, crediting and more importantly customer care services. In short the sector has become innovative in terms of products. Nine (9) respondents agreed to this.

Lastly three (3) respondents were also of the view that the banking sector has been good as it allows everyone the opportunity in all to choose what he or she likes and where to keep his or her money. The chart below graphically explains further.

**Fig 2: Banking Sector Today**



*Source: Field Work 2011*

#### **4.7 RURAL BANKS TODAY**

This was also to find out from respondents how they see the rural banking sector today; their answers are as follows;

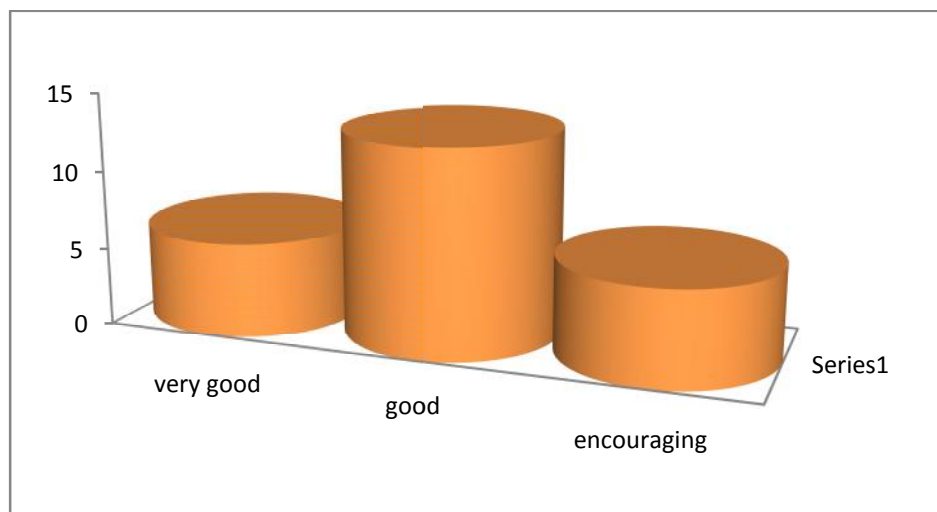
Sixteen (16) respondents were of the opinion that rural banking had become very competitive because there has been a rise in the number of rural banks within almost every catchment area and they are all getting at customers wherever they may be.

Nine (9) respondents believed that the rural banking industry had also become innovative, this is because several products and brands are being introduced to woo customers into their fold, several of them have people going round collecting money on behalf of the bank to make it easier for customers who will have to come to the banking hall every day.

#### **4.8 RESPONSE OF CUSTOMERS TO RURAL BANKS**

This was to find out from respondents how the customers were receiving rural banks and whether it was good or bad.

**Fig 3: Response of Customers to Rural Banks**



*Source: Field Work 2011*

From the chart it was realised that six (6) respondents believed that the response from the general public has been very good, they were of the opinion that most people are comfortable dealing with them as they can come forward and show their concerns and how best the two thus the bank and public or customers can relate.

The majority of thirteen (13) respondents were of the opinion that the relationship between the public and the rural banks has been good, they were of the opinion that since their locations were close to most people, the public feel proud to associate themselves with the banks while saving and doing other businesses.

Six (6) other respondents were of the opinion that it has been encouraging, even though there are so many banks and other rural banks they still come to them for help and other banking practices.

#### **4.9 ROLE OF RURAL BANKS**

The roles of rural banks according to respondents are enormous but the major ones are discussed as follows;

Respondents made it clear that rural banks serve as an agent for funds mobilization, that is rural banks help mobilize funds in the rural areas and used these fund to enhance that very area in terms of agriculture and that include farming, fishing and other cottage industries. Rural banks are also established to channel credit to productive rural ventures and promote rural development.

Rural banks are also established to provide banking services to rural folks to help them save their money and channel them into other productive ventures.

More so, respondents were of the opinion that rural banks helps in social developmental activities, some rural banks have subsidiary companies engaged in customer credit and other developmental activities. Rural banks devote part of their profits to meet social developmental activities such as donations to support education, health, traditional administration and the needy in their respective communities.

Respondents were further asked in if these roles impact on the lives of people involved, they all agreed that it does.

#### **4.10 PRODUCTS OF THE BANK**

This was to find out the kind of products the bank has for the general public, there were several products some of which are as follows agro loans, salary or personal loans, funeral loans, savings and current accounts and so many others. Respondents were asked which ones were highly patronized, they were of the view that they had all types of accounts thus savings and current but aside that agro loans, personal loans and funeral loans are patronized most in that order.

#### **4.11 MAJOR CHALLENGES**

Respondents were asked what their major challenges were discussed as follows;

One respondent was of the opinion that jurisdiction or their area of coverage was a problem, this is because once a customer travels, there is no other branch he or she can visit unless he comes back and use the only branch he or she saves, their coverage according to the respondent was a major challenge.

Seven (7) respondents were of the view that rural banks are handicapped technology wise. That is most rural banks if not all are not much in tune with technology to make things easier, it is mainly manual and make the job very tiresome and more demanding.

Six (6) other respondents believed that the activities of fully fledged banks in the country are also a challenge to them. This is because these major banks are now extending to some rural areas and are in competition with them and since these major banks have the resources at their disposal they have the upper hand.

Eleven respondents were also of the opinion that labour turnover at the rural banks are very high especially at Amansie West Rural Bank. This is because with time some of these major banks poach their experienced staff thereby necessitating new recruitment which does not help the bank to grow and keep its best staff.

Respondents were asked if their interest rates were also a major challenge to customers, out of twenty five respondents, twenty one (21) were of the opinion that it was not a challenge to

customers as day in day out customers and the public are coming for loan facilities and other credit facilities.

Four (4) however said it was a major challenge especially in areas where major banks and rural banks are situated in the same area or close to each other, customers compare the interest before applying for a facility but the major advantage with the rural banks are that some pay it daily, weekly and monthly and is quite flexible.

#### **4.12 CHALLENGES AND ITS IMPACT ON COUNTRY AND ECONOMY**

Respondents were further asked how their challenges impact on the country and the economy, They were of the opinion competition with major banks is helping to reduce their funds mobilization, which if not careful will lead to people in the rural areas to suffer as there will not be enough money to give out as loans to farmers, fishermen and other cottage businessmen and will go a long way to affect the development of the rural areas.

More so labour turnover leads to a loss to the rural bank as new recruitment cost money and above all losing their well trained staff leaves a gap between them and the rural folks as the new ones employed have to spend some time before getting well with them, this tend to break the relationship between them and the rural people.

Lastly the competition has led to the collapse of some rural banks which in effect brings unemployment and hardships to people who are affected.

#### **4.13 MEASURES TO SOLVE THESE PROBLEMS**

In an interview with some of the Branch Managers of Amansie West Rural Bank as to how these challenges were being curbed, they were of the opinion that:

Better conditions of service are now provided for workers to motivate them to stay, their salaries were been taken care of, loans and other bonuses are being provided to make their stay comfortable without wishing to leave.

Moreover, the Rural Bank Computerization Project aims to provide Information Communication Technologies (ICT) to Rural Banks in Ghana to improve their service delivery and support local enterprise, the bulk of which is in Agriculture. It is the major MCA Ghana Project which covers all the ten (10) administrative regions of the country.

The Millennium Challenge Account (MCA) Ghana Program is sponsoring the US\$25 Million Ghana Rural Bank Computerization Project which commenced in 2008 and is expected to be completed in December 2011.

Lastly, rural banks are in talks with the Bank of Ghana about jurisdiction and how far they can go and how far major banks can come to these rural areas.

#### **4.14 WAY FORWARD FOR RURAL BANKS**

The way forward for rural banks according to respondents is very bright as they are there to service the needs of the rural areas and provide them with basic banking skills, mobilize funds and help in the development of the rural areas.

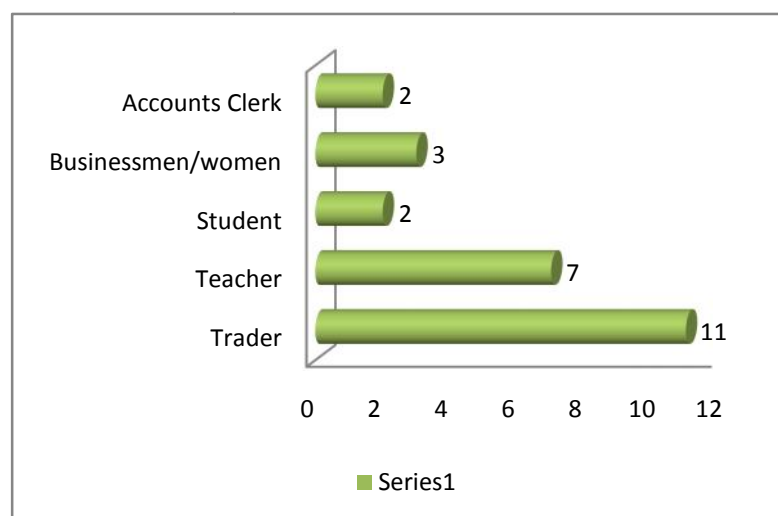
## ***SECTION B: CUSTOMERS OF THE BANK***

This section deals with the analysis of all the questionnaires received from customers of Amansie West Rural Bank

### **4.15 OCCUPATION**

This was to find out the occupations of respondents, their answers are as follows:

**Fig 4: Occupation**



*Source: Field Work 2011*

From the chart above it is realized that out of twenty five respondents, two (2) are accounts clerks, three (3) are businessmen and women, two (2) are students, seven (7) are teachers while eleven (11) are traders.

### **4.16 BANKING SECTOR TODAY**

This was to find out how the customers see banking in the country today; their responses are as follows,

Four respondents were of the opinion that banking activities in the country has become very innovative as there are several products to choose from the lot.

Eleven of them believed it had become very competitive with each other doing their best to win customers by developing several means.

Four said it has been very good as it helps customers to choose from the lots where he or she wants to save.

Six were also of the opinion that it has been good as they all help to the growth of the country by providing employment and other social services.

#### **4.17 RURAL BANKING TODAY**

Respondents were further asked how they see the rural banks Ghana today,

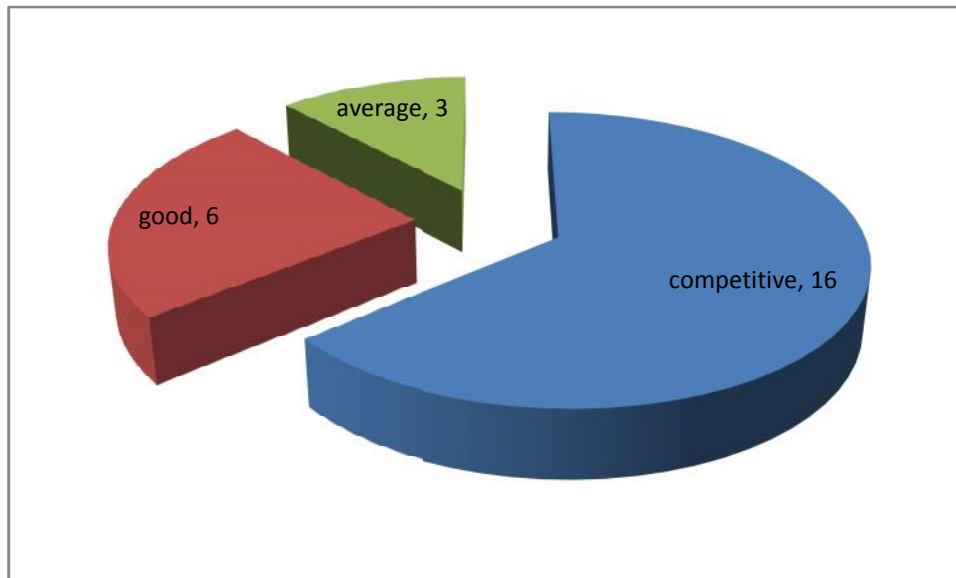
Yet again the majority of sixteen (16) believed it had become very competitive as there are so many of them around in the country and almost all regional capitals.

Six (6) were also of the view that rural banks have been good as there has been a change in their products to suite the needs of their ever increasing customers.

Three (3) however believed that their performance has been average as a result in the increase of their customer base yet everything is done the manual way and this slows down performance. The chart below throws more light on rural banking.



**Fig 5: Rural Banking Today**



*Source: Field Work 2011*

#### **4.18 RURAL BANKS OPERATIONS**

Respondents were asked how they assessed the operations of rural banks in the country, the following were their response, Out of twenty (25) respondents, only one believed that their operations have been excellent, this is because of their products which tends to meet the needs of customers.

Six (6) believed their operations over the years had been very good, the majority of twelve (12) believed that their operations have been good, four (4) pecked it at average while two (2) believed it has not been encouraging. Respondents were further asked if rural banks are doing enough to the development of the country.

Out of twenty five respondents twenty (20) believed that rural banks are doing enough and have done well to the development of the country because the banks provide employment for the Ghanaian populace, provide loans to agro based farmers, provide salary advance to salaried workers and other amazing products help ease the troubles of today's world.

Five(5) however believed that rural banks are not doing enough to the development of the country as a whole, this is because most of their facilities come with high interest and at the end of the day leaves the one who came for the facility with nothing.

#### **4.19 SAVINGS AT RURAL BANKS**

Respondents were further asked which ones they really prefer whether rural banks or the main streamline banks.

Out of twenty five respondents, ten (10) preferred the rural banks, this is because they have all the things they needed and banking with them is much easier according to respondents, six (6) respondents liked the main stream banks because they were of the opinion that they are found almost everywhere in the country and can be accessed anytime and any day while nine (9) of them liked or saved at both the rural banks and the main stream banks. Their main reasons were that since there are many banks around it best to try them and choose the best and both rural bank and main banks gives them the opportunity to weigh the two and since both rural banks and main banks have different products to suite customers.

#### **4.20 ROLES OF RURAL BANKS**

This was to find out from the customers the roles played by rural banks in the country.

Respondents agreed that they provide employment for the Ghanaian populace, this helps in the development of the country as it helps ease the standard of living of people employed while contributing to the growth of the country. Sixteen (16) respondents shared this opinion.

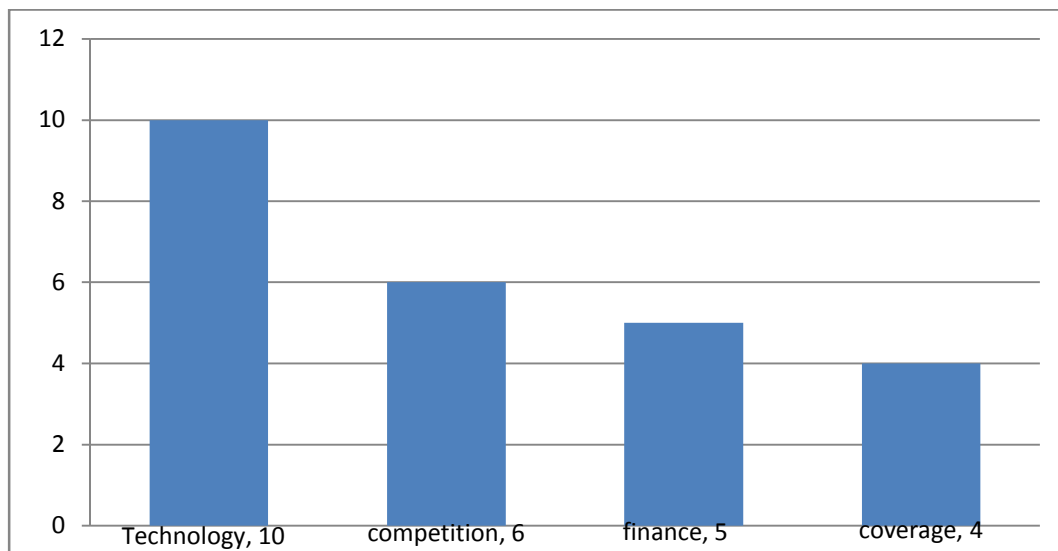
Five (5) respondents believed that it helps on the development of the rural areas as they provide loans to small scale businesses, farmers, fishermen and many others. This helps boost production in the agriculture sector for the betterment of the country.

Moreover, it introduces the rural population to banking principles like savings and account openings to help them save their monies or invest them in other areas.

#### 4.21 MAJOR CHALLENGES OF RURAL BANKS

Respondents believed that rural banks are facing lots of challenges today; they are discussed as follows;

**Fig 6: Major Challenges**



*Source: Field Work 2011*

From the chart above it is realised that four (4) respondents believed the coverage of rural banks is a major challenge as they are limited to some places only and are not allowed to some point. This makes it difficult if one saves only at a rural bank especially when the individual involved needs money and not close to that rural bank, it creates lots of inconvenience.

Five (5) of the respondents believed that the rural banks do not have enough money to rub shoulders with the main banks and are therefore relegated to the back. Were they to have money they could have done more for their customers.

Another group believed that competition from main banks is also a major challenge to most rural banks this is because most of these banks are now moving to areas where these rural banks operate and thereby creating stiff competition. The major challenge according to respondents is technology which most times slows the performance of these rural banks as everything is done

manually. This respondent believed is not the best for rural banks in their attempt to get more customers.

Respondents were further asked if these challenges impacted on the country as a whole. Out of twenty five respondents, eighteen believed it does impact on the nation as a whole while seven were of the opinion that it did not.

#### **4.22 GROWTH OF RURAL BANKS**

This was to find out what could be done to help the growth of rural banks. Respondents were of the opinion that areas covered by rural banks should be preserved for rural banks in order for them to grow since they cannot compete with the main banks, when this happens the rural banks can grow and help in the development of such areas.

Moreover, rural banks should upgrade themselves in terms of technology to meet the demands of this changing world rather than relying on manual labour in all areas, when this happens they can serve their customers much faster and get things done faster while attracting more customers at the same time.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 SUMMARY OF FINDINGS**

Ghana intends to achieve its goals of accelerated economic growth, improved quality of life for all Ghanaians, and reduced poverty through macroeconomic stability, higher private investment, broad-based social and rural development, as well as direct poverty-alleviation efforts. These plans are fully supported by the international donor community and have been forcefully reiterated in the 1995 government report, Ghana: Vision 2020.

The institution of Rural Banks (RBs) was created to meet the excess demand for institutional credit in the rural areas, particularly among the economically and socially marginalized sections. In order to provide access to low-cost banking facilities to the poor and those in the rural areas and those not in the urban areas and in need of banking facilities, the Bank of Ghana in 1976 proposed the establishment of a new set of banks, as institutions which "combine the local feel and the familiarity with rural problems which the cooperatives possess and the degree of business organization, ability to mobilize deposits, access to central money markets and modernized outlook which the commercial banks have". That led to the creation of rural banks, today they play an important role in the development of the country and their importance cannot be over emphasized, yet they are faced many challenges and if care is not taken would have devastating consequences.

#### **5.1 ACTIVITIES OF RURAL BANKS**

It was realized from the analysis that rural banks engage in lots of activities to help their customer choose the best product which help them, some of their activities include loans for agro farmers, personal or salary loans, funeral loans and lots of other products.

More so they have social development goals to help the communities or towns they are found.

## **5.2 CONTRIBUTIONS AND ROLES OF RURAL BANKS**

From the analysis it was realized that these rural banks play an important in the country, some of its roles and contributions are that,

They provide banking services by way of funds mobilization and credit to cottage industry operators, farmers, fishermen and regular salaried employees. They also grant credits to customers for the payment of school fees, acquisition/rehabilitation of houses and to meet medical expenses. Some of the banks have subsidiary companies engaged in customer credit and other developmental activities.

They also contribute by providing employment for the Ghanaian populace; this helps people meet their needs and other obligation. In short rural banks serve as a means of employment.

Rural banks are also established to provide banking services to rural folks to help them save their money and channel them into other productive ventures. The role and contributions of rural banks cannot be overlooked.

## **5.3 PROBLEMS FACED BY RURAL BANKS**

From the analysis both staff of Amansie West Rural and customers strongly believed that there were lots of problems which needed to be tackled, some of them are as follows,

Labour turnover was one such problem, management of Amansie West rural bank believed that most of their experienced staff members were been poached away by major banks in the country leading them to recruit and train new ones at a cost. When the experienced staffs are taken it creates a vacuum which affects the operations of rural banks.

Once again all respondents agreed that rural banks are not much in tuned with the latest technology to help them carry their works effectively. The manual way of handling things are over and the rural banks need to address that.

Competition was another challenge faced by rural banks. Competition from the major banks that are also expanding to areas where these rural banks can be found, this is stifling the rural banks as these main banks have the money and technology to make things easier and faster.

#### **5.4 CONCLUSION**

From the review and analysis it is realized that rural banks are of great importance to the country as a whole, there are several people whose lives depend on the survival of rural banks, because it provides almost all their needs. They include agro farmers, the workers of the rural banks, governments and the nation as a whole.

In spite of all these rural banks are faced lots of challenges which need to be checked to help them grow and meet the demands of this modern world. If these are neglected it will go a long way to affect the operations of rural banks and defeat its roles of helping develop rural communities and a contributor to the Ghanaian economy.

Financial System is the most important institutional and functional vehicle for economic transformation of any country. Banking sector is reckoned as a hub and barometer of the financial system. As a pillar of the economy, this sector plays a predominant role in the economic development of the country and should therefore not be taken for granted.

#### **5.5 RECOMMENDATIONS**

In the light of all these problems and challenges it is recommended that:

1. The government in consultation with the Bank of Ghana helps define how far rural banks can go in terms of coverage in order to protect their markets and also determine how far these main banks can go. This is because rural banks are supposed to help in rural development and if main banks are now joining these rural banks then perhaps the role of rural banks helping to develop rural areas may be defeated.
2. Moreover, rural banks should upgrade themselves and be in tuned with the latest technological gadgets, the coming into being of APEX ARB and E Zwitch is a good idea to help all rural banks and their customers access their accounts wherever they are.

However more should be done to move the manual works in most banking hall to the latest equipment for easier and faster transactions.

3. It also recommended that the various rural banks do more to retain their staff in order for them to work for a longer time. Though people change jobs due to personal reasons motivation can cause people to stay at one place for a long time.



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## APPENDIX

### QUESTIONNAIRES: STAFF

This questionnaire is designed to assess the Challenges of Rural Banks to the Development of the Ghanaian Economy. Kindly complete this questionnaire as objectively as possible. The information given out is solely for academic purpose and would be treated as confidential. Thank you.

### PERSONAL DATA

Write or tick ( ☒ ) the appropriate response to each of them

1. Age range    Below 26 ☐    b. 26-30 ☐    c. 31-35 ☐    d. 36-40 ☐    e. Above 40 ☐

2. Number of years at post: 1-3 yrs ☐ 4-7yrs ☐ 8-11yrs ☐ over 11 yrs ☐

3. What is your position in the organization?

4. How is the banking sector in general like today?

.....  
.....

5. How is rural banking today like?

.....  
.....

6. What is your opinion on Rural Bank?

.....  
.....

7. How is the response of the Ghanaian populace to rural banks?

Very good ☐ good ☐ encouraging ☐ average ☐ bad ☐

8. What are the roles of rural banks in the country?

.....  
.....  
9. Do these roles have impact on the lives of people involved and the country as a whole?

Yes ☐ No ☐

10. What are some of the services rural bank offer to customers?

.....  
.....

11. Which ones are highly patronized?

.....  
.....

12. What are your major challenges as a rural bank?

Area ☐ Technology ☐ Fully fledged banks ☐ customers ☐ others.....

13. Explain answer?

.....  
.....

14. Are your interest rates also a problem?

Yes ☐ No ☐

15. Explain answer?

.....  
.....

16. In what way does the problem faced by rural banks affect the economy and country as a whole?

.....  
.....

17. What measures are in place to help solve these problems?

.....  
.....  
18. What is the way forward for rural banks and the country as a whole?

.....  
.....  
19. What should be done to help the growth of rural banks in the country?

.....  
.....

### QUESTIONNAIRES FOR CUSTOMERS

This questionnaire is designed to assess the Challenges of Rural Banks to the Development of the Ghanaian Economy. Kindly complete this questionnaire as objectively as possible. The information given out is solely for academic purpose and would be treated as confidential. Thank you.

### PERSONAL DATA

Write or tick ( ✓ ) the appropriate response to each of them

1. Age range    Below 26 ☐    b. 26-30 ☐    c. 31-35 ☐    d. 36-40 ☐    e. Above 40 ☐

2. Occupation?

.....  
.....  
3. How is the banking sector in general like?

.....  
.....

4. How is rural banking also like today?

.....  
.....

5. In your opinion how would you assess the operations of rural banks in the country?

Very good ☐ excellent ☐ Average ☐ not encouraging ☐ good ☐

6. Do you think rural banks are doing enough to the development of the country?

Yes ☐ No ☐

7. Explain your answer .....

.....

8. Do you save in a rural bank? Yes ☐ No ☐

9. Which do you prefer?

Rural Banks ☐ Fully fledged banks ☐

10. Why .....

.....

11. What roles do rural banks play in the development of the country?

.....  
.....

12. In your opinion what are the major challenges of rural banks?

Technology ☐ Competition ☐ Jurisdiction ☐ Finance ☐ others.....

13. Explain answer .....

.....  
14. Do you think the problems faced by rural banks impact on the country?

Yes ☐

No ☐

15.Explain answer .....

.....  
.....

16. What should be done to help the growth of rural banks in the country?

.....  
.....  
.....

## **INTERVIEW GUIDE FOR MANAGEMENT OF AMANSIE WEST RURAL BANK**

I am student of Christian Service University College, Kumasi conducting research on challenges of rural banks in Ghana. I would be pleased if you would spend few minutes with me to answer the following questions.

Please any information given would be treated confidential.

1. What is your position?

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2. How is the banking sector like today?

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3. What are the roles of rural banks to the economy?

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4. What are some of your products?

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5. What are your major challenges?

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6. How do these challenges affect the operations of the bank and the economy?

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7. What measures are in place to minimize these challenges?

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8. Briefly explain why rural banks are moving to urban areas