

CHRISTIAN SERVE UNIVERSITY COLLEGE



SCHOOL OF BUSINESS

**CHALLENGES OF RURAL BANKING INDUSTRY IN POVERTY
ALLEVIATION IN GHANA (A CASE STUDY OF ATWIMA KWAWOMA
DISTRICT- ASHANTI REGION)**

KWAME ASAMOAH AMOAKO

ZITA DOGBE

BENEDICTA ESSEL

GODWIN NOVOR

**A DISSERTATION SUBMITTED TO THE DEPARTMENT OF BUSINESS
STUDIES, CHRISTIAN SERVICE UNIVERSITY COLLEGE IN PARTIAL
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR
OF BUSINESS ADMINISTRATION. (BANKING AND FINANCE OPTION)**

MAY, 2015

ABSTRACT

This study aims at the challenges facing the rural banking industry in poverty alleviation in Ghana in the case of Atwima Kwawoma Rural Bank. One of the major problems facing the rural population in Ghana has been the lack of credit and saving attitudes. This has resulted in the inability to increasing productivity, income and improves upon basic standards of living of farmers. It is in the light of this that Bank of Ghana introduced the rural banking concept to meet the problems of the rural people and also to assist in the reduction of poverty in the rural communities. The objective of the study is to find out the effect of rural banking on rural communities which are mainly farmers and petty traders. To look at the effects of the operations of rural banking on rural communities with reference to the Atwima Kwawoma district in the Ashanti Region and also to educate and encourage the rural folks on the culture of savings. The simple random sampling method was adopted. The data was collected through questionnaires and interviews.

The main findings include:

The financial supports received by the farmers were both beneficial to them and Atwima Kwawoma Rural Bank. The farmers were able to increase their yields and able to pay back their loans given to them by the bank.

It is recommended that;

The government through the Apex banks should support rural banks effort in supporting and assisting agricultural development in Ghana.

More workshops and seminars should be held to educate the communities about the credit activities and the importance of savings with the rural banks and the sort of risk the bank is exposed to as it advances credit to them without a collateral security.

In conclusion, financing farmers can help improve the living standard of the rural communities in Ghana. Therefore, the rural banks should be the main institutions in this course.

DEDICATION

We dedicate this work, first and foremost, to the most high God who granted us abundant grace and wisdom in carrying out this work and secondly to our families for all their support in our education. We hope we have made you proud beyond measure.

ACKNOWLEDGEMENT

We are first and foremost grateful to the Almighty God who gave us the strength and wisdom to conduct this study. Our profound gratitude also goes to Mr. Fosu Adarkwa, our supervisor, who spared his time to help and supervise us during the conduct of this study.

We are particularly thankful to management and staff of Atwima Kwanwoma Rural Bank for their immense support and interest and allowing us to use the bank as a case study in conducting of this research. Also to all group members who made this work possible.

Our final appreciation goes to everyone who helped in diverse way to make our dream of becoming degree holders a reality.

TABLE OF CONTENT

CONTENTS	PAGE
Statement of Authenticity	i
Abstract.....	ii
Dedication	iii
Acknowledgement	iv
Table of Content	v

CHAPTER ONE: INTRODUCTION

1.0 Background to the Study.....	1
1.1 Statement of the Problem.....	1
1.2 Objectives of the Study.....	3
1.3 Research Questions.....	3
1.4 Significance of the Study.....	4
1.5 Limitation of the Study.....	4
1.6 Scope of the Study.....	4

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction.....	6
2.1 The Concept of Rural Banking in Ghana.....	6
2.2 History of Poverty alleviation policy in Ghana.....	8
2.2.1 Defining Vulnerability and exclusion.....	10
2.2.2 Definition of Exclusion	10

2.2.3 Review of GPRS.....	11
2.2.4 Poverty Situation.....	13
2.2.5 Growth and Poverty Reduction Strategy (GPRS II).....	14
2.2.6 Goal	15
2.2.7 Linkage to GPRS I.....	16
2.2.8 Ghana's Progress towards achieving the Millennium Development Goals (MDGs)	19
2.2.9 Structure of Presentation of GPRS II	19
2.2.10 The Process of Preparing GPRS II.....	20
2.3 Rural Banks	21
2.3.1 Role of Rural Banks.	22
2.3.2 Objective of Rural Banks.....	23
2.3.3 Problems of Rural Banks.....	23
2.3.4 Legal / Supervisory Framework.....	24
2.3.5 Operation.....	24
2.3.6 Credit Central Government.....	25
2.3 .7 Corporate Social Responsibility.....	25

CHAPTER THREE: METHODOLOGY

3.0 Introduction.....	33
3.1 Research Design.....	33
3.2 Population and Sampling.....	33
3.3 Sampling Design, Size and Procedure.....	34

3.4 Sources of Data.....	34
3.4.1 Primary Data.....	34
3.4.2 Secondary Data.....	35
3.5 Data Collection Instruments.....	35
3.6 Data Processing and Analysis.....	35
3.7 Ethical Consideration.....	36

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 Expectations on what Atwima Kwawoma should do to reduce poverty in the rural communities.....	37
4.2. Have the presences of Atwima Kwawoma Rural Bank cause a change in your financial status?	38
4.3. What other services should provide by the rural bank apart from their core business?	39

CHAPTER FIVE: SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.0 Summary of the study.....	41
5.1 Recommendation.....	42
5.3 Conclusions.....	45
REFERENCE.....	47
APPENDIX.....	48

CHAPTER ONE

INTRODUCTION

1.0 Background of the study

In developing countries like Ghana, poverty remains a challenge to the people mostly in the rural areas. Over the years the government of Ghana has come out with policies to alleviate poverty such as Structural Adjusted Programmes I&II, MASLOC, Vision 2020 and the Ghana Poverty Alleviation Strategy I&II.

One of the major problems facing the rural population in Ghana has been the lack of credit and savings attitudes. This has resulted in the inability to increase productivity, income and improve upon basic standards of living so as to rise against poverty. It is in the light of this that Bank of Ghana introduced the rural banking concept to meet the problems of the rural people and also to assist in the reduction of poverty in the rural communities.

Agriculture sector in Ghana employs the largest part of the population mostly from the rural communities. About 60% of Gross Domestic Products (GDP) and export earnings come from the agriculture sector. The country produces a variety of crops in various climatic zones which range from dry savannah to wet forest and which run in east-west bands across the country. Agricultural crops, including yams, grains, cocoa, oil palms, kola nuts, and timber, form the base of Ghana's economy. Farming plays an integral part of the total output of Agriculture in the Ghanaian economy; as such this projects looks at throwing more light on farming and the impact the introduction of rural banking and its development on the Farming communities and the country as a whole

1.1 Statement of the problem

Farming is the oldest occupation in Ghana and it plays an integral part of the total output of agriculture in Ghana's economy. This is the main occupation of the residents of the

communities of the Atwima Kwawoma district of the Ashanti region although there are other occupations like petty trading and artisan. In the olden days, people who were engaged in farming were using tools like hoes, cutlass, axes, and watering can etc. The use of these tools cause the farmers not to able to produce more since few acres of land can be cultivated using these tools.

In this modern era, farmers still use these tools in their activities although machinery or equipment for enhancement in producing more has been manufactured. Is not that the farmers do not want to give up their old ways of farming but is the lack of funds for the purchases of these machineries and equipment that is preventing them. Because they are able to cultivate few acres, their harvested crops are only sufficient for their families and they make little money from it through the selling of the little surplus which cannot get then enough funds for the purchase of machinery and equipment.

In some cases, harvested crops for sale such as oranges, tomatoes, yam, maize etc. get spoiled due to lack of infrastructure such as good storage facility, good roads and good transport system. Harvested crops are sometimes left at the farms to rot due to the difficulty in transporting them to the market for sale. This is normally due to bad roads linking their farms and the markets. Is either the farmers pay high fares to the few drivers willing to do the job which the only few can afford or leave the crop to rot at the farms.

Apart from harvested crops getting spoiled due to infrastructure, some crops also needs market extension. Fruit such as oranges and mangoes do come in abundance during their season. A visit to Akrokerri on the Obuasi roads says it all. Oranges are sold very cheap at that place during their season. That is not the real price but farmers prefer to sell them at that price and get little or no profit to keeping them at the farms to get rot. This is so because the market niche for the oranges is small.

In view of these that our study is to find out how rural banks have been able to help the rural communities and how government is helping through policies to improve farming activities. How the rural banks are helping in poverty alleviation and challenges they are facing in doing so.

1.2 Objective of the study

The objectives of the study is to find out how the rural banks have been able to alleviate poverty in the rural communities in its district using Atwima Kwawoma District of Ashanti Region as a case study.

1. To find out the operations of rural banks and its effect in rural communities, with reference to the Atwima Kwawoma district in the Ashanti Region.
2. To find out the role of the rural banks in the development of rural communities in Atwima Kwawoma district.
3. Make suggestions and recommendations to the management of rural banks and policymakers on how to improve upon the operational problems of the rural community in the Atwima Kwawoma District

1.3 Research Questions

In this research the primary research questions were:

1. Do the rural folk have access to funds from the rural banks to expand their business activities?
2. Has the rural banks been providing other services apart from their core business?
3. What role do the rural banks play in the development of the rural folks?

1.4 Significance of the study

The project has been undertaken to look into how rural folks in Atwima Kwawoma District can help alleviate poverty in their communities. Moreover, the research will serve as an input for the rural banking sector to put in place measures to help alleviate poverty in the rural communities. Furthermore, the research will serve as a material for the business advisory unit of the District Assembly in formulating poverty alleviation policies within the district. Finally, the research will serve as existing literature and a springboard for future researchers who are interested in the topic.

1.5 Limitations of the Study

The financial services industry in Ghana now is vibrant and has lot of organisations operating in the sector; this study was limited to rural banks operating in rural communities in Atwima Kwawoma district. The researchers encountered problems during the study. The uncooperative nature of some of the respondents posed a problem. This was coupled with changes in appointment dates which really affected the smooth progression of the study. Also, retrieval of some of the completed questionnaires from some top management members, junior staff, farmers and petty traders was a difficult task. Finally, the financial backing for the research was inadequate. Cost of printing, getting research materials and time was a major problem.

1.6 Scope of the Study

This study was conducted within Atwima Kwawoma district to have an in-depth knowledge and understanding and appreciate the impact of rural banking on the development of rural communities. Also to identify innovative measures and technology; thus the speed of service that rural banks have employed to ensure appropriate and

effective services to rural communities. This study was focused on managers, employees, farmers, petty traders, transport operators and religious bodies. The geographical scope was the Atwima Kwawoma district, of the Ashanti region of Ghana. Atwima Kwawoma was selected as it is adjudged to be one of the best rural banks in Ghana.

CHAPTER TWO

LITERATURE REVIEW

1. Introduction

In this chapter, the purpose is to get the abstract understanding of how rural banks are helping in alleviating poverty in the rural communities. It focuses on three primary areas. These are lack of basic infrastructure for the rural communities. Also, to investigate the extent to which rural banks (Atwima Kwawoma Rural Bank) has influenced to alleviate poverty in the communities in its district. Finally, to investigate how rural banks have been able to give credit facilities to rural community, this is their main purpose of their establishment.

2.1 The Concept of Rural Banking

Rural banks were first established in Ghana in 1976 to provide banking services to the rural communities by providing credits to small scale farmers, businesses and supporting development projects. It was in response to the needs of the rural people for an institutional financing to recognise that access to rural credit increases the participation of rural people in developmental activities.

Traditionally, rural credit has been provided by two types of sources namely institutional and non-institutional. Non institutional credit is provided by money lenders, relatives, friends, traders, commission agents, cooperatives. Loans provided by friends and relatives usually attract no interest or collateral but the credit provided by the money lenders and traders attract exorbitant interest rates (Aryeetey, 1994). In many rural communities, secure, safe, and convenient savings and payment facilities hardly existed. Many rural dwellers had to travel long distances to receive payments (such as salary and pension deposits), transfer funds, and cash check payments for their agricultural produce (Ajani

and Azeb, 2010). The credit market for the non-institutional market is small and as a result the total credit available is insufficient to implement rural development programs (FAO, 1994). It is recognized that for rural development to be accelerated, then there is the need for larger institutional sources of credit to be created. Ghana Government then created specialized banking institutions such as Agricultural Development Bank and National Investment Bank to service the sector, yielded any better results.

As a result, very few rural people had access to credit from these institutional sources. The lack of interest in small rural credits by the specialized Banks is explained by the high administrative cost in servicing a large number of small credits spread over a wide area. Again, high levels of default rate, inability for borrowers to offer adequate security for loans and risk associated with agricultural production (Ajani and Azeb, 2010). The specialized banking institutions created to service the rural sector in particular tend to gravitate towards the traditional urban-based banking activities which were more profitable and less risky (Addeah, 1989).

There was, thus, a gap in the provision of institutional finance to the rural people and thus the rural banks were expected to fill. To overcome these difficulties, Ghana government through the Bank of Ghana established the Rural Banking in Ghana to provide institutional finance to the rural people. Due to the strategic role that the rural banking sector plays in the socio-economic development of the nation, it is important that these banks remain competitive, profitable and grows in order to mobilizes rural resources and redistribute them to the rural sectors to make room for more development. The rural banks are the largest providers of formal financial services in rural areas and also represent about half of the total banking outlets in Ghana (IFAD 2008). They are mandated to stimulate banking habits among rural dwellers, mobilize resources locked up in the rural areas into the banking systems to facilitate development and to identify viable industries in their

respective areas for investment and development (Association of Rural Banks, 1992). Rural dwellers need credit to meet short-term requirements of working capital and for long-term investment in agriculture and other income-bearing activities.

In rural areas, simple financial services can directly affect productivity, asset formation, and income and food security. Agricultural and non-agricultural activities in rural areas typically are seasonal, and rural people need credit to smoothen out seasonal fluctuations in earnings and expenditure (Mosh, 1969). If these credit needs of the poor are to be met, rural dwellers need access to credit institutions that provide them a range of financial services and also, provide credit at reasonable rates of interest (Banerjee, 2001). The rural banks are created with the hope that the small scale rural producers and small towns benefit from the new credit source.

To ensure that rural banks translate increased credit and savings opportunities for poverty reduction thereby ensuring rural development, an impact study was undertaken to examine the impact of the rural banks on rural poverty alleviation. To measure the extent to which rural bank programs impact on the rural people the databases of Atwima Kwawoma rural banks were used to ascertain the veracity of the strategy as it is uncertain whether or not the rural banks are fulfilling the functions for which they were created. Finally the study examine how rural bank affected rural people welfare by focusing on rural poverty outcomes.

2.2 History of poverty alleviation policy in Ghana

Ghana's economy which is largely agro-base has in the past been characterized by high rates of inflation, continuous depreciation of the cedi, dwindling foreign reserves, an excessive public debt burden and fluctuating growth. Extensive implementation of liberalization and adjustment policies in the 1980s produced some growth in services and

mining but did little to induce and sustain growth in agriculture and manufacturing. Both growth and incomes remained stagnant, resulting in deepening poverty.

During the 1990s, the levels of public expenditure on social development programmes for poverty reduction such as health and education were at 2.0 percent and 2.8 percent of GDP respectively. These levels of spending were much lower than what prevailed in other African countries, constraining poverty reduction and effective social change and development. Although general poverty levels decreased in the 1990s, certain areas of Ghana experienced growing and deepening incidence of poverty, with evidence of intensification of vulnerability and exclusion among certain social groups. This was particularly noticeable in the savannah and transitional zones in northern Ghana and in some coastal areas in the Central and Greater Accra regions. In the country as a whole, some large occupational groups such as small-scale food farmers, especially women, remained stuck below the poverty line, and the chances of survival of many children and youth remained precarious.

The first programmes under the Ghana Poverty Reduction Strategy (GPRS I) were formulated against the backdrop of a general economic crisis in which virtually all of Ghana's key macroeconomic indicators were spiralling out of control. The focus of that programme was accordingly to re-align the macroeconomic situation as a necessary condition for the implementation of sectorial policies specifically targeted towards reducing the incidence of poverty as observed in the 1990s.

In the meantime Ghana had applied for debt relief under the HIPC initiative, and had to observe the classical conditionality of that scheme, namely, that the savings from debt relief would be applied

2.2.1 Defining Vulnerability and Exclusion

Vulnerability is a state of deprivation based on poverty or lack of enjoyment of other rights and entitlements; it is therefore multi-dimensional. It leads to the exclusion of disadvantaged groups of men, women and children and persons with disability from active participation in the economic, political and social life of their society, leaving them with little or no defence against exploitation and risks.

2.2.2 Definition of Exclusion

Invariably persistent vulnerability leads to exclusion. It can be looked at from social, economic, political or human ecological perspectives. Exclusion arising from such distinctive features may lead to the following conditions:

- Inability to participate in decision making in political and socio-cultural affairs
- Inability to compete or participate in an event due to discrimination

Solely to “poverty alleviation” which in turn translated into the pursuit of the United Nations Millennium Development Goals indeed, the need to submit a PRSP was the immediate occasion for producing GPRS I and subsequent versions were envisaged at fitting into the same trajectory of national development policy.

At the onset, it became obvious that apart from HIPC savings, policies under GPRS had to address the issue of how to create wealth by restructuring the economy towards accelerated growth, so that the objectives of poverty reduction and the protection of the vulnerable and excluded could be sustained. The principal social objectives that were added to these related to improved governance, including the decentralization of government and reform of the public services to partner the private sector in national economic development within a decentralized democratic environment.

2.2.3 Review of GPRS I

For the three years under GPRS I, the main thrust of the government's policy initiatives was aimed at maintaining macroeconomic stability. This was achieved through prudent fiscal and monetary policies aimed at reducing inflation, driving interest rates down to levels conducive to increased investments but still attractive enough to mobilize savings, ensuring stable but yet competitive exchange rates, and maintaining a fiscally sustainable debt regime. In the real economy a moderate rate of economic growth was to be achieved through the creation of an enabling environment for improved agricultural productivity and private sector-led agro-industrial development. As a result of the availability of HIPC savings the manifestations, and at the same time the causes, of the deepest poverty were to be directly attacked through greater investments in health, education, safe water and sanitation. Feeder roads and other transport infrastructure could be financed to facilitate distribution of agricultural products and services in favour of the rural poor. The main political objective of the GPRS I of ensuring that in the promotion and protection of civil liberties no

Ghanaian was excluded from participating in decisions that affected their lives, has been pursued through HIPC supplementation of the resources available under the District Assemblies Common Fund and the Ghana Educational Trust Fund. Considerable progress has been made towards achieving the objectives of GPRS I. The economy has been characterized by relative stability, with all the targeted macroeconomic indicators registering positive trends.

Despite a series of major fuel price adjustments to absorb petroleum debt and respond to a fast-rising crude oil market, the overall consumer price index declined dramatically over the period, interest rates eventually fell and exchange rates stabilized. GDP grew at an average rate of 5 percent during the period, because it coincided with the dissemination of

new high-productivity technologies in the all-important cocoa sector. As a result, unlike the classical pattern of sectarian contributions to growth in an emerging economy, Ghana's economic growth under GPRS I (2002 – 2004) was led by the agricultural sector with 6% average growth rate, followed by industry and services respectively with 5% and 4.7%.

Generally in the social development circles there were increased expenditure outlays in support of the medium-term priorities of GPRS I with regard to special programmes targeted at the vulnerable and excluded. These included the rehabilitation of street children, increased access to legal aid services for the poor, integration of Persons With Disabilities (PWDs) into mainstream production and employment, and increased access of economically marginalized women to credit through the establishment of the government's micro-credit scheme and the Women's Development Fund supported by the government of Japan. Despite these achievements, as was characteristic of the poverty reduction strategies sponsored by creditor institutions in that epoch, there was little room in the 2001 – 2005 programme for addressing issues, such as urbanisation, industrialisation, technical/vocational training, technology research and development – that must now engage greater attention in policy-making in Ghana as it aspires to join the ranks of the fast growing economies.

GPRS I have a number of limitations and bottlenecks. These included service delivery constraints and the persistence of regional differences in the distribution of some key outcomes in the health and educational sectors. The educational sector continues to be confronted with insufficient progress in primary school enrolment as well as geographical and gender disparities. In spite of the efforts made, gender disparities can be observed in all sectors including education, health, production, employment and access to and control over land. Economic policy and management under GPRS I has been criticised for concentrating on macroeconomic stability rather than providing a clear policy direction

which recognizes a stable macroeconomic environment as a platform upon which to generate economic growth as a means to poverty reduction. Another criticism relates to the ineffectiveness of the participatory process adopted during its preparation and the implication for national ownership. The inability to involve more districts and local communities, and the limited engagement of Parliament and the private sector, have been cited as weaknesses in the process. A further criticism is the insufficiency of gender focus specification when addressing various poverty issues in the diagnostic, in the thematic areas, and in the policy matrices, as well as in the monitoring and evaluation framework.

While taking note of the shortcomings of GPRS I, government have taken even more significant initiatives in basic components of a strategy for the short term protection and improvement of living standards and the longer-term emancipation of people from the stranglehold of inherited poverty.

A National Health Insurance System has been brought into effect in 2005 to guarantee every Ghanaian access to a professional health care from “cradle to grave” at affordable cost. In 2004 government promulgated an Educational Reform Programme which does not only assure every young Ghanaian the right to free basic education as prescribed by the National Constitution and the UN’s

Millennium Development Goals, but will eventually give them the unrestricted opportunity to participate fully as members of a productive work force of a modernised, technological, and wealth creating economy.

2.2.4Poverty Situation

In formulating GPRS I, the incidence of poverty was analysed and categorized on broad regional basis and this resulted in limitations in targeting poverty reduction interventions. However, further analysis of income poverty based on available data presents a clearer

picture of poverty at district level as depicted in Appendix 1. This has provided the basis for more direct targeting of poverty reduction measures under GPRS II.

2.2.5 Growth and Poverty Reduction Strategy (GPRS II)

The design and preparation of GPRS II (2006-2009) is thus guided by practical lessons and experiences drawn from the preparation and implementation of GPRS I (2003-2005). However, going beyond these, the government and the nation itself have also adopted developmental goals and vision based on the proposition that Ghana has now positioned itself to attain the social and economic status of emerging middle income countries within the next decade.

In place of the former Ghana Poverty Reduction Strategy (GPRS I), Government is accordingly launching a new **Growth and Poverty Reduction Strategy** (GPRS II 2006-2009). The change in name reflects the new direction of government policy which places more emphasis on growth. This document presents a set of coordinated national programme of social and economic development -- that set which illustrates how much a national programme can be purposefully steered to eliminate the worst manifestations of poverty, social deprivation and economic injustice, from Ghanaian society. Essentially, it integrates the otherwise disparate development agenda and sectarian commitments that compete for inclusion in the annual national budget into one comprehensive development policy framework to serve the basic objective of guaranteeing every Ghanaian a decent livelihood, especially for the most vulnerable and deprived (who are disproportionately made up of women, children and unemployed youth). It incorporates the relevant development strategies/policy documents of all the various sectors such as the Basic Education Improvement

Programme and the 2004 White Paper in Education Reform, the Private Sector Development Strategy, Ghana Trade Policy, the Food and Agricultural Sector Development Programme and the National Gender and Children's Policy.

GPRS II also seeks to operationalise various international agreements which are relevant to the poverty reduction objectives and of which Ghana is signatory. Principal among these are the Millennium Development Goals (MDGs), the New Partnership for African Development (NEPAD) and the African Peer Review Mechanism (APRM), the Convention on the Elimination of all forms of Discrimination against Women (CEDAW) and the African and Beijing Platforms for Action. It is also consistent with the relevant ongoing programmes which government is pursuing with development partners.

2.2.6 Goal

The overarching goal of Ghana's current socio-economic development agenda is to attain middle income status (with a per capita income of at least US\$1000) by the year 2015 within a decentralized, democratic environment. This is to be complemented by the adoption of an overall social protection policy, aimed at empowering the vulnerable and excluded, especially women to contribute to and share in the benefits of growth of the economy, thus ensuring sustained poverty reduction. This document reviews GPRS I, analyses growth trends, and defines the strategic direction and interventions aimed at achieving the basic poverty reduction goals prescribed in the MDGs framework and, beyond that, bringing Ghana within the threshold of middle income countries.

The technical computation of these goals in terms of the traditional indicators of "per capita gross national income" expressed in current United States dollars is at present inhibited by a number of professional constraints. First, greater portion of business in Ghana is conducted using the national currency – the Cedi. In the recent period of extreme

turbulence in the relative value of the Cedi against the Dollar, translating the value of the nation's entire production of goods and services into meaningful dollar terms is obviously a difficult and controversial exercise. Besides that complication of the exchange rate, our economists have also to cope with the influence of domestic price changes, including periods of hyper-inflation, on the measurement of the value of Ghana's total economic output in real terms.

A further difficulty is posed by challenges to data inaccuracies relating to the conduct of ten-year national population census. The combined effect of the above factors is that depending on the methodologies and assumptions that have been employed by various agencies, estimates of the value of the productive work that is averagely done by every living Ghanaian today in a year, range from US\$380 per head on the current World Bank rankings, to US \$430 according to some local experts and to US\$480 per head according to some internationally reputed rating agencies. These figures will be refined and the differences narrowed down as a result of the professional advances that are envisaged in the technical standards of governance under GPRS II.

The contemporary debate on the status of national income or demographic statistics notwithstanding, what matters is that as a nation we are able to think through, agree upon and vigorously implement a realistic plan to bring about the vast improvements in our living standards such as are warranted by Ghana's own endowments of human and material resources backed by the technological possibilities of the world that we share.

2.2.7 Linkage to GPRS I

With the attainment of relative macroeconomic stability under GPRS I, the direction of GPRS II is to accelerate economic growth and poverty reduction by assisting the private sector as much as possible to create wealth and by shaping the acts and policies of

government deliberately so as to generate the maximum opportunities for additional employment.

However, there are two broad sets of constraints to achieving accelerated wealth creation and poverty reduction. The first is the vulnerability of the economy due to the persistent reliance on the export earnings from a few primary commodities. The second is the social structure which comprises a high proportion of children and youth. The attendant high dependency ratio is aggravated by the low level of literacy, working skills, and productivity especially among women and the rural population.

Accordingly, emphasis in this GPRS II is placed on measures to change the structure of the economy by developing the private sector, diversifying the export base and increasing agricultural productivity, processing and rural incomes.

While the GPRS I focused on poverty reduction programmes and projects, the emphasis of GPRS II is on growth-inducing policies and programmes as which have the potential to support wealth creation and poverty reduction. GPRS II is therefore anchored on pursuing the following priorities:

- Continued macroeconomic stability
- Accelerated private sector-led growth
- Vigorous human resource development
- Good governance and civic responsibility

Continued macroeconomic stability will be realized by ensuring prudent fiscal policy management, effective monetary policy, and a well-managed debt and international trade regime. It is accepted however that the highly reserved posture of macroeconomic policy which was appropriate to the convalescent economy under GPRS I has to be modified to meet the needs of a more expansionary thrust of policy under GPRS II. The Bank of

Ghana is already leading the way by introducing measures such as the reduction in banks' reserve requirements and the lowering of the cost of credit to business on a broad front.

But GPRS II should make its greatest impact in the real economy of agricultural and industrial production. Accelerated growth will be achieved through the development of a vibrant private sector with adequate capacity to lead the growth of agriculture and other emerging sectors including ICT and tourism. After decades of development effort, some of the most basic advances in production technologies have eluded Ghana. We did not need to overcome the terrible scourge of mass famine, but Ghana today has not even achieved basic food security in its traditional staple diet. The peasant woman who feeds this country is still using the same technology of cutlass and hoe which her grandmother used to feed a population one-fifth the size of today's population.

Ghana's timber industry is yet to derive optimum value for the nation from the forest resources which are in the meantime being exploited to exhaustion. A significant portion of wood material ends up as off-cuts and sawdust because of low investment in the technology of timber utilization. The emerging success in Ghana's textile industry has turned sour: the exportable surplus of cotton production has long disappeared, and now not only is the textile weaving industry in a state of crisis but even printing on imported cloth seems to be losing its competitiveness. Overall, the contribution of modern industry to the modestly fast growth of the economy in the most recent years has been unacceptably low, mirroring a relatively stagnant inflow of foreign direct investment. The years of GPRS II should serve as a transition period when a basic platform of agro-industrial production and technology is built up to match the successes that have been achieved in the area of macroeconomic reform. Vigorous human resource development, good governance and civic responsibility will be pursued both to support growth and as important developmental goals in themselves.

2.2.8 Ghana's Progress towards achieving the Millennium Development Goals (MDGs)

The MDGs span the critical development issues of poverty and hunger, education, health (Especially child and maternal mortality), gender equality and women's empowerment, environmental sustainability and global partnership for development, and thus provide an important subsidiary framework for defining specific objectives for GPRS II.

Ghana has, since 2000 adopted the targets of the MDGs as the minimum requirements for socioeconomic development and poverty reduction. Accordingly, Ghana began the monitoring of progress towards achieving the MDGs from 2002 even prior to the formal launching of GPRS I. The initial findings were that though some progress had been made, achieving the goals of the MDGs by 2015 would require additional effort particularly in the area of reducing maternal mortality.

Since then government has focused on removing the constraints hindering the realization of the MDGs.

2.2.9 Structure of Presentation of GPRS II

GPRS II is presented in two volumes; Volume I, which is the policy framework of the Growth and Poverty Reduction Strategy analyses the macroeconomic context and the development policy choices that should be made to attain the goals of GPRS II. It includes a policy matrix, which outlines issues, policy objectives, and strategies, and also identifies the agencies responsible for implementing each component of the strategy. Volume II is a four-year framework of coasted policies and strategies.

This document is organized into six chapters. Chapter 1 is the introduction which includes a discussion of recent experiences and future goals in national development, especially as they bear on the issues of poverty reduction. The GPRS II document is not designed to

present a set of cut and dried policies and programmes. It rather represents a medium term framework which offers a platform for maximising social dialogue with civil society and development partners in order to arrive at the best long term solutions to national development challenges.

The extensive process of consultation which has preceded this publication will be followed by a further and even more comprehensive programme of dialogue within the government itself, with Parliament, civil society, various interest groups, and development partners so that the crucial tasks of consolidation of policies and programmes under GPRS II can be accomplished. During the period of excessive debt dependency, the management of the development dialogue has seemed to be a duet between the Government establishments and its multilateral and bilateral foreign creditors. The ordinary mass of the people, whose future and fortunes were being decided, had no part or opinion in the process. The inevitable result was that all those programmes achieved scant success – because there was an insufficient conviction of “ownership” among either the state or the non-state partners in the implementation of the planned development programmes.

The processes of consultation that have already been conducted in the lead up to this publication are outlined below.

2.2.10 The Process of Preparing GPRS II

During the four year term of implementing this GPRS II it is imperative to institute procedures and relationships that will enhance the probability of attaining the objectives for national development and poverty reduction. The first requirement is that Ghanaians themselves will own and drive forward the process of development.

Accordingly the preparation of GPRS II has involved broad participation to ensure that diverse shades of opinion and experiences are reflected at all stages of the process. The

planning process began with the formation of technical working teams, known as Cross-Sectorial Planning Groups

(CSPGs) organized around the five thematic areas of GPRS I, namely:

1. Macroeconomic Stability
2. Production and Gainful Employment
3. Human Development and Provision of Basic Services
4. Vulnerability and Exclusion
5. Good Governance

These five CPSGs metamorphosed into three at the later stages of the process on the basis of the three priority areas of Government, namely Private Sector Competitiveness, Human Resource Development and Good Governance.

2.3 Rural Banks

The Association of Rural Banks (ARB) Apex Bank Ltd is a mini Central Bank in Ghana for the Rural/ Community Banks (RCBs) financed mainly through the Rural Financial Services Project (RFSP), which is a Government of Ghana project to holistically address the operational bottlenecks of the rural financial sector with the aim of broadening and deepening financial intermediation in the rural areas.

The idea of rural banking was conceived 38 years ago by the Bank of Ghana when it opened a dialogue with the Ministry of Finance about what was called Junior League of banking institutions to serve the special needs of the rural population in Ghana. At that time, the traditional licensed banking institutions were all structured, equipped and managed as city-centre institutions with their clients mostly in the export/import business and in the mining sector. It was, therefore, necessary to bring the rural population into the

banking system under rules designed to suit their socio-economic circumstances and the peculiarities of their occupation in farming and craft-making.

The ARB Apex Bank Limited was incorporated as a public limited liability company on 4th January, 2000. Its shareholders are the Rural and Community banks. It was granted banking license on 23rd April, 2001 and was admitted to the Bankers Clearing House as the 19th member in August, 2001 and it manages 143 rural banks in Ghana.

2.3.1 Role of Rural Banks.

According to Anin (2000), a rural bank may be defined as “unit bank with the sole aim of providing simple banking facilities to the rural communities in which they are located” PNDC law 225 (Banking Law) stipulates that, rural banks should be licensed in order to engage in the business of banking, that is, to mobilise deposits saving and give out loans and advance under approved terms. It is therefore authorized;

1. To mobilize saving from resident in rural communities.
2. To accept cash or cheques for the crediting of current and savings accounts.
3. To give out credit facilities to small- scale entrepreneurs, farmers and fishermen.
4. To provide trustworthy and sound accounting to customers, and accept securities for safe custody
5. Ensure proper and accurate handling of all money transactions entrusted to the banks.
6. To provide and assist customers with business advisory services with the view to develop their understanding
7. Engage in any economic activities that will promote socio economic development in the community

2.3.2 Objective of Rural Banks

The primary objectives of the rural banks are to mobilize and channel rural savings for socioeconomic activities within communities in which they operate. They are also expected to extend industrial credit to rural dwellers to increase productivity and thereby create wealth for improved standard of living.

Poor lending practices and ineffective monitoring of credits facilities extended to customers has contributed to loan delinquency in some rural banks and this has put some banks to distress. Rural banks are free to extend any amount of credit to customers by taking into consideration the relevant provision in the banking law and good standing of the customers.

2.3.3 Problems of Rural Banks.

The rural banks also face numerous challenges which include the following;

1. Inadequate cash supply
 2. Problems with liquidity management.
 3. Inadequate computerization and networking.
 4. Inadequate trained skilled personnel /staff.
 5. Delay and absence of debt/ loan recovery.
 6. Inability to develop financial products.
 7. Ineffective control and regulation
1. Changes in credit deposit ratio
 2. Now the rural banks are mostly found in the urban areas and tend to give credit facility to people in the urban areas and cities than rural folks.

2.3.4 Legal / Supervisory Framework

Anin (2000) has noted that rural or community banks are public companies and therefore requires to obtain certificates from the registrar of companies under the companies code of 1963 (Act 179) before operating as business entity. They also require obtaining a license from the bank of Ghana before operating the business of banking under the banking law Act 2004 (Act 673)

The law states the bank of Ghana reserves the right to revoke or issue the license of rural of community banks. The banks of Ghana also have the authority to undertake inspections of rural or community banks at least once a year to ensure compliance with statutory requirement and directives.

2.3.5 Operation

A rural bank in Ghana operates as a unit bank. They are autonomous in their areas of operations as opposed to branches of commercial banks, which take directives from their urban base head offices. The board of directors or rural banks constitutes members drawn from the catchments areas who also engage the managers and staff for the day to day running of the banks. That is to say they are owned managed and patronized by the communities in which they are located.

Rural banks following directives from banks of Ghana are permitted to operate mobilization centres, which entail the provision of banking services within a radius of 40 kilometre or 25 miles from the mains banks. This is to ensure that funds mobilized do not move from one catchments area to the other. If not the purpose for establishing rural banks will be defeated.

2.3.6 Credit Central Government.

Rural banks have chalked success in mopping up excess liquidity in the economy and thereby aiding the central bank in its monetary policy objectives.

2.3 .7 Corporate Social Responsibility

The socio responsibility of rural bank to the rural communities has been very remarkable. The districts rural banks have helped in the provision of electricity poles, boreholes, market, chairs and establishment of scholarship schemes for brilliant but needy students. For example, the following are some the corporate social responsibilities (CSR) of Atwima Kwawoma Rural Bank in Ashanti Region.

Below are examples of the social responsibilities by Atwima Kwawoma Rural Bank:

1. Computers donated to AVE Maria R/C JHS at Dichemso



2. Dominase Street Bulbs Presentation



3. AKRB assists with construction of Pakyi road



Atwima Kwawoma Rural Bank Limited assisted the Pakyi No. 2 traditional Council with 100bags of cement towards the construction of the road. The Board Chairman assisted by the Supervising Manager, Mr. Sarfo Kantanka and other management staff visited the Chief, Nana Kyei Asiamah Aduakwa II at his palace in Pakyi No. 2 to present the cheque for the purchase of the cement.

4. Police gets support from AKRB



The Board of the Bank donated computers to Pakyi No. 2,-Police Station to support t their administrative and management system.

5. Kotwi DA School gets help



20 Bags of cement donated to Kotwi DA School to support the construction of School Library. The Marketing team donated the cement on behalf of management to the School authorities.

6. **KNUST Police gets computer from AKRB**



The Head of Business Development and Marketing and Senior Officers of Atwima Kwawoma Rural Bank presented a brand new computer and printer, and computer accessories to the KNUST Police Station as part of our corporate social responsibilities.

7. **Donation to Al – Azhariya Islamic Senior High School**



A brand new Photocopier machine donation to the students and teachers of Al – Azhariya Islamic Senior High School, Old Tafo Kumasi. The Board Chairman of the bank, Mr. Patrick Owusu presented the photocopier to the School on behalf of the bank. In attendance during the presentation were the, Head of Human Resource, MS. Mercy Asante; Head of Business Development and Marketing, Ms. Paulina Kwarteng Fokuo and Mr. Francis Amonor; Old Tafo Branch Manager.

8. Ashanti Financial Services Excellence Awards



2013 – Ashanti Financial Services Excellence Awards conferred on the bank in a beautiful ceremony held at Golden Tulip Kumasi City a Gold Award. The Board Chairman, Mr. Patrick Owusu and Ms. Paulina Kwarteng Fokuo, Head of Business Development and Marketing received the award on behalf of the Bank. Mr. Isaac Frimpong Manso, looked on with cheers.

9. Atwima Kwawoma Presby Senior High School



The Board of Directors of AKRB and the leadership of the Presbyterian Church of Ghana, Asante Presbytery have on the 23rd of March, 2013 finalized and endorsed the Transfer Agreement covering ATWIMA KWANWOMA PRESBYTERIAN SENIOR HIGH SCHOOL (AKPSHS); a model senior high school in Pakyi No. 2; Ashanti Region.

Social Developments Projects in Catchment Area

The bank has undertaken a lot of developmental programmes in its areas of operations, some of which include;

1. Construction of culverts to link suburbs of Santasi
2. Construction of a bridge of link Moshie – Zongo, New-Tafo and Tafo Nhyieso

Poverty Reduction

One of the recent directions of Atwima Kwawoma Rural Bank is to make financial services especially savings and loans accessible to low income people in both rural and sub-urban areas so that they can generate wealth to cater for their basic needs and improve their quality of life.

Incomes levels are relatively low due to the nature of the employment pattern in the area. Majority of the people engage in subsistent farming which generates low incomes. There is also post-harvest loses due to lack of storage facilities. Large scale farmers are just around 15% with 85% engaged in small scale farming. Now, majority of the rural folks do their businesses in urban areas which is affecting the nature of business in the district.

Support towards Disease Prevention

Atwima Kwawoma Rural Bank has made the health concerns of its operating area a priority. The S.D.A Hospital at Dominase in the year 2000 was adopted and has since donated cash support of GH¢ 6,000 towards a construction of a nurses' quarters, five (5) hospital beds with mattresses, furniture for the out-patient department, one (1) colour television and a video deck and above all, health educational and outreach programmes to create awareness on health issues.

Health delivery in the vicinity is provided mainly by government health centres, maternity homes and a few private clinics. A few others were established by foreign non-governmental organizations in collaborations with local counterparts. An example is Gary Marvin Hospital and others.

Support to Education and Scholarship Scheme

The future of the country lies in the quality of education. Atwima Kwawoma Rural Bank has been fighting ignorance since 1999 when a committee was set up to study the special needs of its community. The committee considered the role education plays in the human resource development and therefore threw its searchlight on the state of primary schools in the bank's catchment areas.

The educational sector in the district has become expensive as mainly private basic educational units are being established in the district. For instance, The International Community School we are mostly foreigners and charges in foreign currencies. There are some few government basic schools and colleges in the district. Enrolment figures are low in the vicinity due to the fact that most of folks cannot pay for their wards school fees and other basic needs. The gender participating in respect of enrolment of boys and girls into these schools is almost 1:1.

Also, the bank has initiated a scholarship scheme to enable needy Junior High School (J.H.S) pupils to enter the Senior High School (S.H.S) in 1999. So far, 270 students have benefited, out of which 60% are females. This has helped improved girl child education. Again, the bank has put up a Community Library at Pakyi No. 2 to assist children in the area to read and research to enhance their education.

Contribution to the Development of Bank's Area of Operation

As a development oriented institution, Atwima Kwawoma Rural Bank has provided funding for a number of development projects. The bank's focus is to assist the communities to help themselves and their environment by providing resources, sharing knowledge and building capacity.

Also, the district have infrastructure like roads, real estate's (Angel Estates), a foreign construction company (Sanvik) which assembles tractor and equipment and also heavy duty machines, factories such as Special Ice Water Company, Jeomaxx Roofing Company, Fuel Filling Stations

Support to the Under Privileged

Atwima Kwawoma Rural Bank has been there all the time to defend and protect the needy, children, the infirmity, the disabled and socially vulnerable. The bank has constructed ramps at two sites at Ayigya and Santasi to receive the physically challenged that come to do business with the bank.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter discusses the methodology adopted and used for the study. It looks at method of the data collection, research design, population and sampling, data collection instrument. The chapter further discusses the administration of questionnaires, the analytical framework and tools for analysis.

3.1 Research Design

The study used the cross-sectional research design that is to examine one variable in different groups to gather information. The study was to find out the challenges facing rural banking in poverty alleviation in the rural communities, using Atwima Kwawoma district as a case study. The study was evaluative because it vividly assessed the problems rural banks faced in alleviating poverty in Atwima Kwawoma district. This design is considered appropriate because the researchers aimed to give a detail description of the phenomena. Also, this design aimed of providing meaningful and accurate picture of events and seeks to explain people's perception and behaviour on the basis of the data collected. It was also designed to cover both sexes as much as possible.

3.2 Population of the Study

The target population for this study consists of the communities within the district and customers of Atwima Kwawoma bank at April 2015

3.3 Sampling Design, Size and Procedure

Sampling design is a definite plan for obtaining a sample from a given population. It involves the procedure the researcher used to select the units to be included in the sample. Gay (1987) says that sampling technique is used because it guarantees desired representation of the relevant sub groups. A sample size of one hundred (100) was selected from the general population and staff of Atwima Kwawoma bank.

Also, senior staff and junior staff in Atwima Kwawoma rural bank in the district were selected using the simple random method for the study. This made the sample size to be one hundred (100) that is (80 to the general public and 20 staff members of the bank).

3.4 Data Source

The study used both primary and secondary data. Primary data were collected from the general population and customers of Atwima Kwawoma bank. Secondary sources of data such as journals, articles, newspapers and other publications have been used in the preparation of the study as well as surfing of the internet was also employed.

3.4.1 Primary Data

The study used questionnaires, and interview guides as the major technique for primary data collection. Customers were sampled to participate in the study. Structured questionnaires were used to collect data from the respondents. Also personal interviews were conducted to supplement the questionnaires to help gather more information for the study.

3.4.2 Secondary Data

Secondary data were reviewed for the study. This was to identify the relevance of available data to the study. Documents reviewed included journals, policy documents as well as information from website.

3.5 Data Collection Instrument

Two set questionnaires were developed for the general public and employees of the rural bank. The questionnaire consisted of both closed and open questions. The investigators administered most of the questionnaire personally by interviewing and filling the questionnaire for respondents. This was done to prevent misinterpretation of the questionnaire by respondents to obtain relevant details needed and also to improve the recovery level of questionnaire.

3.6 Data Processing and Analysis

The data collected from the field were processed. The data was first edited to ensure completeness, accuracy and uniformity. Some instruments that had problems such as inconsistent and/or incomplete responses were returned to the respondents and the necessary corrections were made. All instruments were assigned serial numbers to facilitate identification and data entry into the computer. The data was coded after editing and entered into the computer for analysis. The analysis was done using descriptive statistics showing frequencies and percentages some of which were transformed into pie charts and bar graphs.

The statistical package employed for data analysis was the Software Package for Social Scientist (SPSS), software that described the variables and presented clear information, for easy interpretation of results.

3.7 Ethical Consideration

Permission was sought from the Managing Director of the rural bank. Consent was sought from individual respondents. The respondents were assured that their responses would be handled confidentially and that the results could not be traced back to individual respondents and that measures will be put in place to better their living.

CHAPTER FOUR

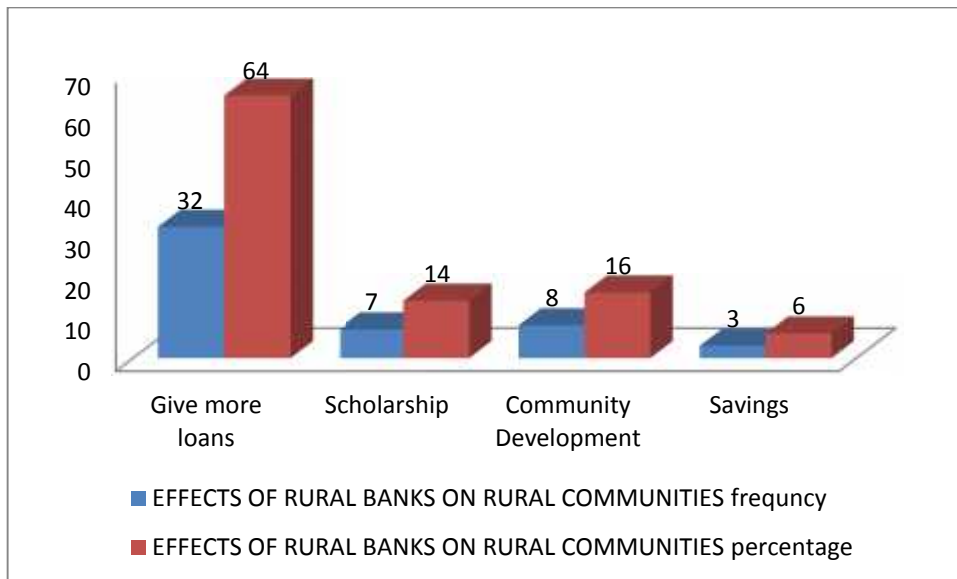
RESEARCH FINDINGS AND ANALYSIS

This chapter present the analysis and discussion of the results of the study. It covers the characteristics of respondent and suggestions.

4.1 Expectations on what Atwima Kwawoma should do to reduce poverty in the rural communities

Variables	Frequency	Percentage (%)
Give more loans	32	64
Scholarship	7	14
Community Development	8	16
Encourage Savings	3	6
Total	50	100

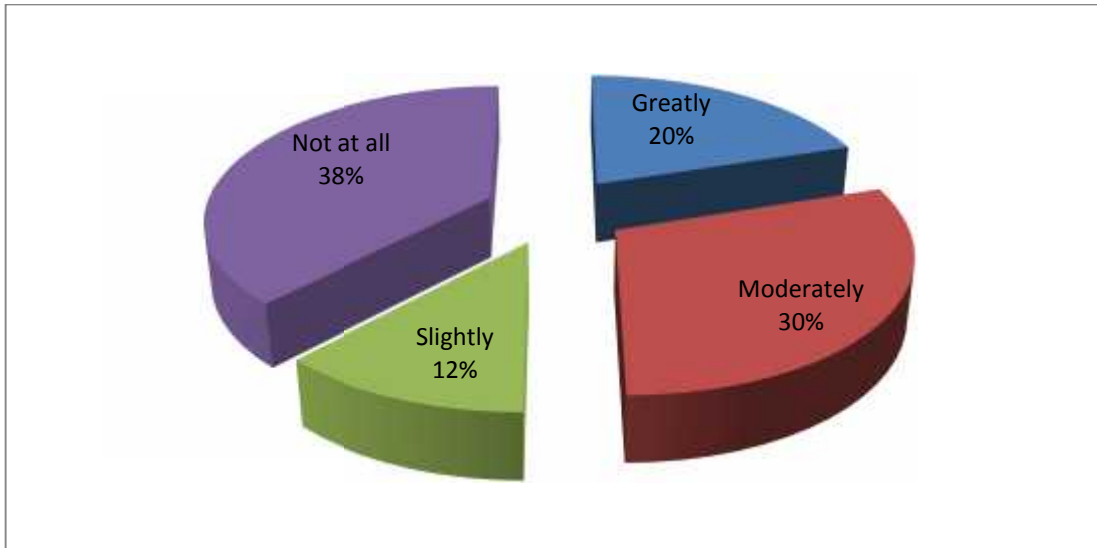
From table 4.1, it shows that out of the total frequency of 50 respondents, 32 of them representing 64% wants the bank to give more loans and 7 out of the 50 respondents, representing 14% wants the bank to give more scholarship whiles 8 out of the 50 respondents representing 16% opt for community development and 3 out of the 50 respondents representing 6% are in favour of encouraging savings in order to reduce poverty.



4.2. Have the presences of Atwima Kwawoman Rural Bank cause a change in your financial status?

	Frequency	Percentage (%)
Greatly	10	20
Moderately	15	30
Slightly	6	12
Not at all	19	38
Total	50	100

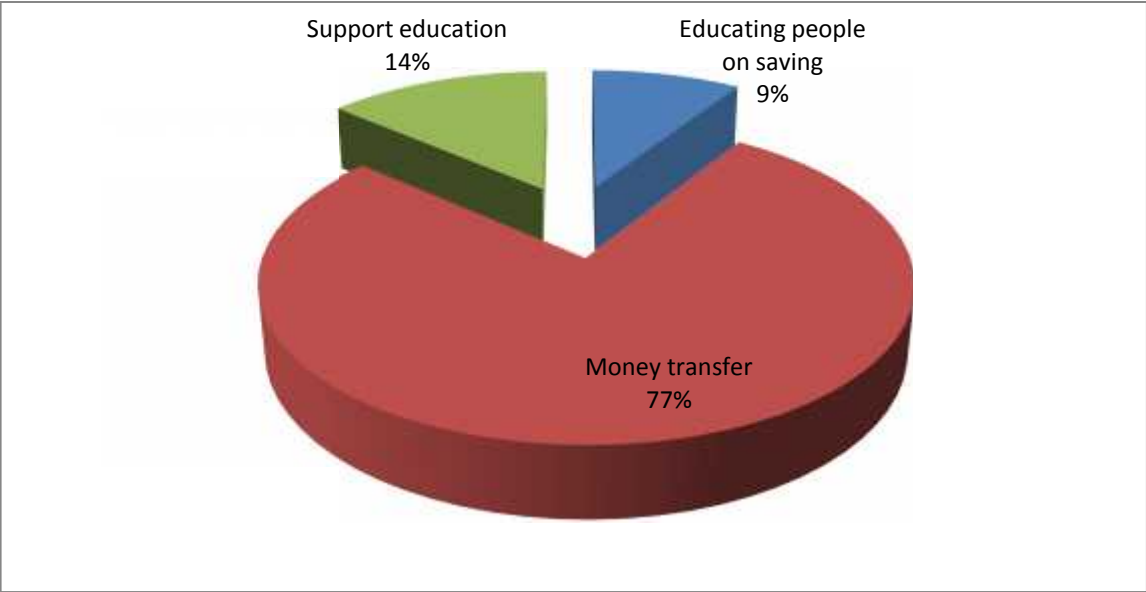
From table 4.2, it shows that out of the total frequency of 50 respondents 10 of them representing 20% had great effect on their financial status, whiles 15 out of the 50 respondents which represent 30% had a moderate change in their finances. 6 out of the 50 respondent representing 12% also saw slight change in their finances but 19 out of the 50 respondent representing 38% had no effect in their finances.



4.3. What other services should be provided by the rural bank apart from their core business?

Variables	Frequency	Percentage (%)
Educating people on saving	5	9
Money transfer	38	77
Support education	7	14
Total	50	100

From table 4.3, the table shows that 5 out of the 50 respondents representing 9% opt for the bank to educate people on savings, and 38 out of the 50 respondents representing 77% wanted the bank to provide money transfer services apart from their core business. 7 out of the 50 respondents which represent 14% want the bank to support education in the community.



CHAPTER FIVE

SUMMARY, RECOMMENDATION AND CONCLUSION

5.0 Summary of the study

Generally, this study sought to identify the challenges of rural banking industry in poverty alleviation in Ghana among the rural communities. The opinion and impressions of 50 respondents sampled and analysed in chapter four. The summary of the findings of this study are presented below:

- ❖ As high as 64% of the respondents want the rural bank to give more loans.
- ❖ 14% of the respondents want the bank to give more scholarship.
- ❖ 16% of the respondents want the rural bank to engage in community development.
- ❖ 6% of the respondents want the bank to encourage savings in order to reduce poverty.
- ❖ 20% of them had a great effect on their financial status due to the presence of Atwima Kwawoma Rural Bank that they were able to expand their businesses.
- ❖ 30% said they had a moderate change in their finances.
- ❖ 12% had a slight change in their finances.
- ❖ 38% said they had no change or effect in their finances.
- ❖ About 9% opt for the bank to educate people on savings.
- ❖ As high as 77% of the respondent want the bank to engage more in money transfer.
- ❖ 14% of them want the bank to support education.

5.1 Recommendation

Although rural banks are not a panacea for poverty and that poverty situation in Ghana seems to be on the increase, rural banks and other organizations need to do more than they are currently doing in order to deepen and increase outreach among the poor households sustainably thus to support themselves and their families independently through financial helps like loans. This will however require the concerted efforts of the Government, the financial institutions and other stakeholders. The following recommendations could serve to improve rural banking sector so as to enable it have a more effective role in reducing poverty in Ghana.

1. Give out more loans to the people

It was realized from the findings in the previous chapter that as high as 64% of the respondents said the rural bank have to give out more loans in order to reduce poverty in the rural communities. 14% wants the bank to give more scholarship while 16% opt for community development and 6% are in favour of encouraging savings in order to reduce poverty.

This stems from the fact that giving of loans has proven to be the best way of alleviating poverty in Ghana. When loans are given out they serve as a source of financing for businesses. Establishment of new companies and expansion of old ones are made possible with the use of loans from rural bank. This means the bank should continue give out more loans majority of the respondents wants the bank to do so

2. Improving upon their banking policies

An estimated 38% of the respondents said they had no change or effect in their finances. However, 30% of the respondents had a moderate change in their

finances while 20% of the respondents had great effect on their financial status and 12% of the respondents also saw slight change in their finances. For a rural bank that focuses on alleviating poverty and bettering the lives of rural folks, the above responses are not very encouraging due to the high percentage of those who had no change in finances. For the rural bank to have influence on the finances of the rural folks, they should review their banking policies and programs and tighten all loose ends to render better services to its stakeholders and by so doing, engendering massive participation and better enthusiasm from the communities.

3. To provide other services apart from their core business

The rural bank needs to modify its strategies, policies and practices as suggested by respondents. For instance, as high as 77% of respondents wanted the bank to provide money transfer services apart from their core business. Also, 9% of the respondents opted for the bank to educate people on savings while 14% of the respondents wanted the bank to support education in their community. From the above responses on the other services the bank should render to the rural community, the rural folks are more interested in the money transfer facilities the bank provides but they also need to balance its services in order to satisfy the needs of all customers.

Other Suggestions

i. Changes in Policy and Environment

Rural banks face real difficulties in raising adequate funds to widen and maintain outreach among the poor especially with the dwindling donor funds. The government policies on the Legal framework and Banking Act of most African countries restricts rural banks from mobilizing and using deposits from the general public to lend to the poor. This includes even the forced savings collected as part collateral for credit issued to the clients.

Government need to create a supportive and favourable environment (legal, socio-economic, political and fiscal) that will promote the development of the rural banking industry. Some of the policy and environmental issues that require urgent attention include for instance: a review of the existing legal and regulatory framework to permit the mainstreaming of rural banks into the country's financial system.

Again, the government should also define the priority areas to fight poverty and provide incentives for rural banks that would be willing to work in those areas. For example, they could improve on the infrastructure – road networks, communication systems as well as providing the part of the funds required for lending and program support. This will however only happen if the government will take the front-line responsibility of fighting poverty if they assess and show appreciation for the work undertaken by the rural banks.

ii. Meeting the clients' needs

One of the biggest challenges in the provision and expansion of financial services to micro and small entrepreneurs remains that of designing appropriate financial products and delivery mechanisms that reflects an understanding of the reality of this market. Rural banks that desire growth will need to understand the financial needs of both their existing and potential clients. This will enable them develop and match the products and delivery methodologies to the diverse needs of these clients.

iii. Networking and Development of Strategic Alliances

Rural banks and other financial institutions should enhance their information sharing and largely become more transparent in their reporting especially on their performance. This could be the first step towards the development of strategic partnerships with other

financial and non-financial actors especially the commercial banks and other development partners.

The rural banks will also need to speak in one voice if they are to lobby the government, development partners and financial institutions to become more involved in supporting their programs.

iv. Expanded outreach through Central Banks

Majority of central banks in Africa still lack the mission and capacity to support the informal sector. This coupled with lack of knowledge and skills, appropriate organization design structures and capacity to work directly with the rural banks has kept the custodians of too much liquidity out of the development process, a rather unfortunate situation. Some of the ways that this status could be changed include:

- J The central bank could contribute towards the reduction of poverty through liaison and working with complementary organizations such as rural banks, microfinance, NGOs and other community organizations that are more used to working with this type and level of clientele. The formal banks could extend wholesale funds to these institutions using the program performance yardstick as the collateral.
- J Also, the central bank needs to continue to reduce the minimum balances required to open and maintain a bank account to attract the small savers especially women in the rural communities.

5.3 Conclusions

In all, the potential economic benefits of sustainable rural banking in Ghana are compelling, and its potential effects on the development process cannot be understated. This calls for a holistic approach, as discussed to facilitate the development of the rural

banking sector and thereby unleash its potential for alleviating poverty by accelerating growth and development in the rural communities. From the earlier statement, it is safe to say that rural banks and other interventions can be more viable strategy for sustainable poverty alleviation.

As was seen in the chapter on data analysis, the lives of the rural folks have seen tremendous improvements due to presence of the rural bank. However, it is suggested that the rural bank should modify certain aspects of its operations in order to encourage more participation.

REFERENCE

FosuAdarkwa (Personal Communication, April, 2015)

Institutions in Ghana,” paper presented at the Rural Financial Services Project Launch Workshop, Agona-Swedru, Ghana.

Addo, J.S.,Consultants (1998). “A Feasibility Study and Business Plan for the Establishment of an ARB Apex Bank,” Accra: revised report for the Association of Rural Banks.

Anin, T.E. (2000). Development Institute.

Asiedu-Mante, E. (1998).”Financial Markets in Ghana ’in Issues in Central Banking and Bank Distress, Lagos:WAIFEM.Press, Accra Ghana.

Kudiabor, C.D.K.1974. Regional Development Authority in Ghana, “Rural Development in Ghana. Ghana Universities Press,Ghana,

Okonjo, C.1986. “The Concept of Development “in rural development in Ghana. Ghana Universities Press, Accra, Ghana,

Chambers, Robert (1983). Rural Development, Putting the Last First”: Longman Group (FE) Ltd, Printed in HongKong.

World Bank-Africa Region, (1999). “Studies in Rural and Micro Finance: Financial Services for Women Entrepreneurs in the Informal Sector of Ghana”. World Bank, New York, (1999)

World Bank Development Report,(2000/2001). “The nature and Evolution of poverty”, The World Bank.

Mustafa, K. (1994). “Cooperative credit and the rural poor: Lessons from experience”, Journal of Rural Development and Administration

APPENDIX I

QUESTIONNAIRES

CHRISTIAN SERVICE UNIVERSITY COLLEGE

CHALLENGES OF RURAL BANKING INDUSTRY IN POVERTY ALLEVIATION IN GHANA (A CASE STUDY OF ATWIMA KWAWOMA DISTRICT- ASHANTI REGION)

This questionnaire is to help find out the role of the rural banks in alleviating poverty in the rural communities. All information is solely for academic purpose and the confidentiality of the information you provide is very much assured. We would therefore be most grateful if you could answer the following questions.

Instructions

Please read each question carefully.

Tick only ONE option for each question.

Are you a customer of Atwima Kwawoma Rural Bank?

(a) Yes [] (b) No []

Gender (a) Male [] (b) Female []

What is your occupation?

(a) Trading [] (b) Farming [] (c) Artisan [] (d) Others [specify].....

Have you benefited from any loan facility from Atwima Kwawoma Rural Bank?

(a) Yes [] (b) No []

If yes, was it difficult to assess the loan facility? Reason

.....
.....

Has the loan facility improved your business?

(a) Yes [] (b) No []

How does poverty affect you and your family?

(a) Greatly [] (b) Moderately [] (c) Slightly [] (d) Not at all []

State one thing that Atwima Kwawoma Rural should do to reduce poverty in your district?

.....

From Q7, what do you think will be the challenges if the bank should do what you have stated?.....

How has the presence of the Atwima Kwawoma Rural Bank cause a change in the financial status of you?

(a) Greatly [] (b) Moderately [] (c) Slightly [] (d) Not at all []

Has the rural banks been providing other services apart from their core business?

(a) Yes [] (b) No []

If Yes, please give example (s).....

.....