

CHAPTER ONE

KEY ISSUES IN THE MICRO FINANCIAL ENVIRONMENT IN GHANA

1.1 Introduction

Micro financing is the provision of financial services to poor and low income households without access to formal financial institutions (Conroy, 2003). Microfinance programmes provide loans, savings and other financial services to low-income and poor people for use in small businesses (Mhammed and Hasan, 2008). These institutions include rural banks, community banks, cooperative banks, thrift banks, credit cooperatives and microfinance NGOs. According to Otero (1999), the aim of micro-finance is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector.

The role of microfinance institutions in developing local economies cannot be over emphasized especially in developing countries like Ghana. This role has particularly been played through the establishment of Rural and Community banks as major microfinance institutions. In Ghana for instance, the total loans advanced to clients by all community and rural banks was GH¢71.63 million in 2005 and this increased to GH¢115.10 million in 2006, thus indicating 35.4 per cent increase (Bank of Ghana, 2007).

It is known that loans advanced by rural banks are normally for purposes such as housing, petty trading, and as “start up” loans for farmers. There are other instances where credit is given to groups consisting of a number of borrowers for collective enterprises, such as:

irrigation pumps or leasing land for cooperative farming. In 2006 alone, a total of GH¢160.47 million was extended to clients, which represents 48.8 per cent higher than the previous year's total loans and advances granted by these rural banks. The upward-trending of Non-Bank Financial Institutions (NBFIs) credit to individuals, small businesses, groups and others indicates marked improvements in level of microfinance in the country (Aryeetey et al, 1994).

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Generally, microfinance administered by the rural banks encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients (United Nations, 2005). It includes loans, savings, insurance, transfer services and other financial products and services. Littlefield and Rosenberg (2004) argue that the poor are generally excluded from the financial services sector of the economy so micro finance institutions (like the rural banks) have emerged to address this market failure. According to Simanowitz and Brody (2004), microcredit is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of the poorest people. From the above discussions, microfinance has emerged globally as a leading and effective strategy for poverty reduction with the potential for far-reaching impact in transforming the lives of poor people. It is argued that microfinance can facilitate the achievement of the Millennium Development Goals (MDGs) as well as National Policies that target poverty reduction, empowering women, assisting vulnerable groups, and improving standards of living.

1.2 Problem Statement

Limited access to credit facilities by small and medium enterprises in Ghana has been of concern to policy makers due to the role that these businesses play in local economies. This limited access is often associated with financial policies and bank practices that make it hard for banks to cover the high costs and risks involved in lending to small firms. Access to finance remained a dominant constraint to small scale enterprises in Ghana. Credit constraints pertaining to working capital and raw materials were cited by respondents in a survey conducted by Parker et al (1995). Aryeetey et al (1994) reported that 38 percent of the SMEs surveyed mention credit as a constraint. This stems from the fact that small and medium enterprises have limited access to capital markets, locally and internationally, in part because of the perception of higher risk, informational barriers, and the higher costs of intermediation for smaller firms. As a result, these businesses often cannot obtain long-term finance in the form of debt and equity. Small and medium enterprises in Ghana are therefore yet to expand their scale of businesses in the face of the increasing numbers of rural banks.

The above discussion raises issues as to how microcredit schemes are administered by the financial institutions. Most specifically, since rural banks mostly considers microcredit to small and medium enterprises, it is of interest to know as to how microcredit is administered by these rural banks to these small and medium enterprises. Since the beginning of the involvement of the Government of Ghana in microfinance in the 1950s, the sub-sector has operated without specific policy guidelines and goals. This partially accounts for the slow growth of the sub-sector, and the apparent lack of direction, fragmentation and lack of coordination (Aboagye-Debrah, 2007). The Bank of Ghana

(2007) is of the view that there has not been a consistent approach to dealing with the constraints facing the sub-sector. Such constraints include - inappropriate institutional arrangements, poor regulatory framework, inadequate capacities, lack of coordination and collaboration, poor institutional linkages, lack of linkages between formal and informal financial institutions, inadequate skills and professionalism, and inadequate capital.

In ensuring that the rural banks perform effectively in the administration of microcredit to small and medium enterprises, certain measures have been put in place. In terms of the regulatory framework, rural and community banks are currently regulated under the Banking Act 2004 (Act 673), while the Savings and Loans Companies are currently regulated under the Non-Bank Financial Institutions (NBFI) Law 1993 (PNDCL 328). On the other hand, the regulatory framework for credit unions is still being developed to reflect their dual nature as cooperatives and financial institutions. In terms of current policy programmes that affect the Microfinance sub-sector, a number of on-going projects can be cited. These include - the Financial Sector Improvement Project, Financial Sector Strategic Plan (FINSSP), the Rural Financial Services Project (RFSP), the United Nations Development Programme (UNDP) Microfinance Project, the Social Investment Fund (SIF), the Community Based Rural Development Programme (CBRDP), Rural Enterprise Project (REP), and Agricultural Services Investment Project (ASSIP).

The above measures notwithstanding, rural banks in Ghana are yet to assume their role as the engine of growth in local economies. Assessing micro credit from these rural banks continues to be a challenge for these small and medium enterprises (Conroy, 2003). The tendency of this challenge to persist stems from a number of interrelated issues such as:

the availability of funds for these rural banks; the proportion of funds available to be advanced as loans to these small and medium enterprises vis a vis other sectors of the local economy; and other administrative measures put in place to aid the rural banks recover the loans it advances to its clients. The administration of microcredit by the rural banks is affected by these issues. It can therefore be inferred that these issues affect the degree to which small and medium enterprises readily have access to credit from these rural banks. This study thereby sets out to investigate into the administration of microcredit to small and medium enterprises by the rural banks with the Amenfiman rural bank as its case study.

1.3 Research Objectives

The study seeks to achieve the objectives listed below.

- ❖ To examine the sectors of the local economy receiving micro finance from Amenfiman Rural Bank Limited.
- ❖ To enumerate the categories of credit facilities offered to Small and Medium Enterprises by the bank.
- ❖ To establish the processes involved in accessing credit from Amenfiman Rural Bank Limited by Small and Medium Enterprises.
- ❖ To identify institution(s) involved in the development of Small and Medium Enterprises.
- ❖ To examine the challenges involved in administration of credit to Small and Medium Enterprises and to propose recommendations to enhance the administration of microcredit to Small and Medium Enterprises by the rural bank.

1.4 Research Questions

The study seeks to provide answers to the following under listed questions.

- ❖ What sectors of the local economy receive micro finance from Amenfiman Rural Bank Limited?
- ❖ Which categories of credit facilities are offered to Small and Medium Enterprises within the Banks Catchment Area?
- ❖ How do these Small and Medium Enterprises access credit facilities from the rural bank?
- ❖ Which other institution(s) are involved in the development of Small and Medium Enterprises in the Municipality?
- ❖ What are the challenges involved in the access and administration of credit by small and medium enterprises and the rural banks respectively?

1.5 Scope of Study

The study is a case study of the Amenfiman Rural Bank in Dunkwa-on Offin (the capital of Upper Denkyira East Municipality) in the Central Region. The study in context aims at investigating the administration of microcredit to small and medium enterprises by the Amenfiman Rural Bank in areas within the Upper Denkyira East Municipality (specifically Dunkwa-on-Offin). The study in essence considers specific issues related to access to credit facilities by these small and medium enterprises.

1.6 Justification of the Study

The study of assessing the administration of microcredit to small and medium enterprise by the rural banks provides contributions in the under listed ways.

- ❖ The research would provide fresh reliable data about particularities of small and medium enterprise and microcredit issues in Dunkwa-on-Offin. Thus, the information generated would provide a better understanding of and relationship between microcredit facilities and the development of small and medium enterprises in a developing country like Ghana.
- ❖ The study would provide updated data on the behaviour of rural banks in the administration of microcredit as well as that of small and medium enterprise owners in accessing microcredit in developing countries which is useful for future microcredit interventions.
- ❖ Specifically in Ghana, the research would contribute to the realisation of the government's objective of enhancing private sector competitiveness (as contained in the Ghana Shared Growth and Development Agenda, 2010-2013) through the creation of the financial sector which is responsible to the private sector.
- ❖ In addition, the study would provide a platform or database for further research by either the rural banks or individuals into the above stated area. This would also help to test the efficacy of recommendations adopted and implemented from this study to propel the development of local economies.

1.7 Organisation of Report

The study has been organized into five chapters. Chapter one outlines the introduction of the study, which consists of the background to the study, statement of the problem, research questions, objectives of the study, scope of the study, justification of the study, limitations of the study, and organization of the report.

Chapter two reviews related literature and defines some key terms on the definitional parameters of rural banking and small and medium enterprises. Chapter three presents the research approach and methodology. It describes the research design, data requirements and sources, population and sampling techniques and data collection techniques employed in carrying out the study.

Chapter fourth looks at the analysis of the data collected from the field. It presents the data from the field and gives meanings to them.

Finally, Chapter five states the major finding of study. Based on the findings, appropriate recommendations were made to address challenges in accessing and administering microcredit to small and medium enterprises by the Amenfiman rural banks in Dunkwa-on-Offin; the Chapter ends with a conclusion to the entire study.

CHAPTER TWO
RURAL BANKING AND THE DEVELOPMENT OF SMALL AND MEDIUM
ENTERPRISES IN GHANA

2.1 Introduction

This chapter presents a review of relevant literature about rural banking and small and medium enterprises in Ghana. The chapter reviews the rural banking industry in Ghana by considering their legal/regulatory frameworks, services and products offered and sectors within the local economy where credits are advanced. It also includes an overview of small and medium enterprises in Ghana, their characteristics and the challenges (especially financial) facing these businesses. In addition to the above, a conceptual framework on the role of microcredit in the development of small and medium enterprises is proposed and discussed.

2.2 Banking in Ghana

Banking in Ghana has been of significance in the growth of the economy. From independence to 1983, there were 12 banks. The incorporation of 11 banks into the banking sector over the last decade (1993-2003) does suggest the increasing role that the banking sector is and would play in the nation's economy. Some significant events have occurred during this period such as mergers (SG-SSB, and National Savings and Credit Bank), liquidation (BHC, Co-op), privatization of state owned banks and change of ownership (GCB, SSB, NIB). According to the Ghana Banking Survey (2010) there are currently 26 banks operating in the country.

According to the section 47 of the Banking Act 1970, defines such terms as ‘bank’, ‘banking enterprise’ and the ‘business of banking’. According to the said section 47, “banking means any banking enterprise (whether foreign or Ghanaian) which is issued with a license”. “Banking enterprise means any enterprise not yet issued with license which carries on or proposes to carry the business of banking”. The business of banking means:

- The acceptance of lending or investment purposes of deposits of money from the public repayable on demand and withdrawable by cheques, drafts, orders or by other means or;
- The financing, whether in whole or in part or by way of short, medium, or long-term loans or advances, of trade, industry, commerce or agriculture.

It must therefore be noted that, no person shall carry on the business of banking without a valid license according to the Banking Act 1970, Act 339 section 2. Also under section 1(i) of the Act, it is provided that only “a body corporate incorporated in Ghana” shall carry on the business of banking (Addeah, 1989).

In Ghana, the banking sector has traditionally been segmented into merchant, commercial (retail) and development banks. While merchant banks have been restricted to corporate clients, the commercial and development banks have traditionally had customers across the entire financial market segments (Hinson et al, 2006). It is against this backdrop and the need to create a level playing field for all banks that the idea of Universal Banking was adopted (Bank of Ghana, 2004). Hinson (2004) has notes that before the passage of the Universal Banking Law, banking was conducted along such narrow scopes as commercial, developmental or merchant banking. With the passage of the Universal

Banking Law however, all types of banking can be conducted under a single corporate banking entity and this greatly reorganizes the competitive scopes of several banking products in Ghana.

2.2.1 Types of Banks

- Development Banks

These are financial institutions dedicated to fund new and upcoming businesses and economic development projects by providing equity capital and or loan capital. Examples of development banks in Ghana are Agricultural Development Bank, Prudential Bank and National Investment Bank.

- Universal Banks

These are banks whose main purpose is to take deposits from consumers and make home mortgages; it combines commercial banking with investment banking. Examples of universal banks in the country include HFC Bank Ghana Ltd, Ecobank Ghana Ltd, Merchant Bank Ghana Ltd, CAL Bank Ltd, Stanbic Bank Ltd, Standard Trust Bank Ghana Ltd, Guaranty Bank Ghana Limited, and Zenith Bank Ghana Limited.

- Merchant Banks

These banks deal with international finance, long term loans to companies and underwriting. They were traditionally banks which engaged in trade finance. The modern definition, however, refers to banks which provide capital to firms in the form of shares rather than loans. Unlike venture capital firms, they tend not to invest in new companies. Examples of merchant banks in Ghana are Amalgamated Bank Ltd and First Atlantic Merchant Bank.

- Commercial Banks

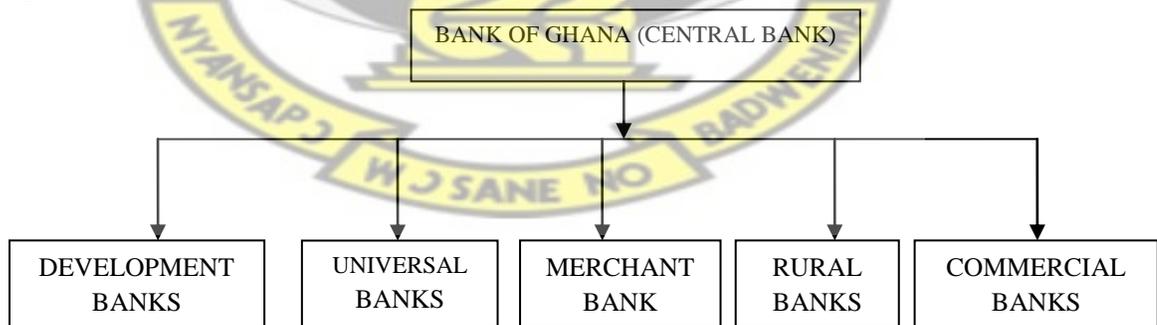
These are banks whose principal functions are to receive demand deposits and to make short-term loans. Commercial banking is also known as *business banking*. It is a bank that provides checking accounts, savings accounts, and money market accounts and that accepts time deposits. Since a commercial bank is required to hold only a fraction of its deposits as cash reserves, it can use some of the money deposited by its customers to extend loans.

- Rural Banks

A rural bank is a financial institution that helps rationalize the developing regions or developing country to finance their needs specially the projects regarding agricultural progress. As at 2009, there were one hundred and thirty-five (135) licensed rural banks in the country. With Tano Rural Bank Ltd in liquidation and Atobiase Rural Bank Ltd with a moratorium placed on bank.

2.2.2 Organizational Structure of the Banking Industry in Ghana

Figure 2.1: Structure of Ghana's Banking Industry



Source: Aboagye-Debrah (2007). Competition, Growth and Performance in the Banking Industry in Ghana.

As shown in Figure 2.1, the Bank of Ghana serves as the central bank and supervises the other banks in the country.

2.2.3 Legal and Regulatory Environment of the Banking Industry in Ghana

The banking sector is governed by the Bank Act 2004 which was passed in 2004 to replace Banking Law 1989, PNDC Law 225. It requires banks to submit periodic returns to the Banking Supervision Department of the Bank of Ghana and stipulates capital adequacy, liquidity, stated capital and lending requirements for banks. Bank of Ghana, the Central Bank is the only institution mandated in the country to grant banking licenses to new banks wishing to operate in the country. With the introduction of Universal Banking which provides all banks with equal opportunities to widen their product offerings, all existing banks which want to convert to Universal Banking will have to increase their minimum capital to ₵70.0 billion (about US\$70billion). This threshold has also become the amount that all new banks will have to raise to be granted an operating license henceforth. New legislations passed in 2005 included the new Banking Bill and the Payments Systems Bill. The former is expected to provide a more effective supervision of the banking system by the Bank of Ghana whilst the latter is supposed to modernize the legal framework as well as improve the efficiency of the payments system (Aboagye-Debrah, 2007).

2.3 Rural Banking in Ghana

Rural Banks operate as commercial banks under the Banking Law, except that they cannot undertake foreign exchange operations, their clientele is drawn from their local catchments area, and their minimum capital requirement is significantly lower. Some collaborate with NGOs using microfinance methodologies.

A study into the rural credit system in 1970 revealed that there was a wide gap in the existing banking and credit system, with insufficient funds flowing through the system to a large number of small scale producers who needed credit most (Quashie-Sam, 2001). It was however shown that, there was no easier access to savings and credit, low level of productivity, signs of abject poverty and a slow rate of economic growth and development. Based on the above, the Bank of Ghana introduced the rural banking scheme in the country in 1976 after a team was sent to Philippines to study the operations of their rural banking system (Essel and Newsome, 1995).

Rural Banks (RBs) therefore were first initiated in 1976 to expand savings mobilization and credit services in rural areas not served by commercial and development banks. Rural banks are unit banks owned by members of the rural community through purchase of shares and are licensed to provide financial intermediation in the rural areas. Rural and community banks have had limited outreach but some have partnered effectively with NGOs to introduce microfinance methodologies such as village banking, and they are now being strengthened as the backbone for expansion of rural financial services. The Bank of Ghana indicates that the total number of rural banks in Ghana as at May 2009 was 135 with Tano Rural Bank limited in liquidation and moratorium placed on Atobiase Rural Bank limited. Table 2.1 shows the regional distribution of rural banks in Ghana. According to United Nations Advisors Group on Inclusive Financial Sectors (2008), the total number of people working with recorded RCBs is 1.2million, with about 150,000 borrowers (some of them are groups of 5 to 35 members, so actual outreach is somewhat greater).

Table 2.1: Regional Distribution of Rural Banks in Ghana

REGION	NUMBER
Ashanti	25
Central	21
Eastern	22
Brong Ahafo	21
Western	14
Volta	11
Greater Accra	6
Upper East	5
Upper West	4
Northern	6

Source: Bank of Ghana, 2009

From the table, it can be seen that the southern sector of the country have more rural banks as compared to the northern sector (Upper East, Upper West and Northern regions) indicating that a lot of poor people as well as small and medium scale enterprises in the southern regions of the country fall within the reach and purview of rural banks as compared to those of the northern regions. It thus can be said that the southern sector have more access to micro finance in relation to the northern sector.

During the 1990s, some of the Rural and Commercial Banks (RCB) adopted a more commercial approach and introduced innovative programs – often in collaboration with NGOs that offered proven microfinance methodologies, such as Freedom from Hunger’s Credit with Education program. A few RCBs have succeeded in expanding to over 20,000 clients and reaching high levels of operational and financial sustainability. As indicated in Table 2.1, on average however, RCBs in Ghana are relatively small compared even to African Micro Finance Institutions (MFIs), especially in terms of lending – though relatively profitable.

Table 2.2: Average Size of Ghana's Rural Banks and Credit Unions Relative to African MFIs

Indicator (Average)	African MFIs	Rural Banks	Credit Unions
Number of clients	7374	8488	405
Loan balance	\$119	\$30	\$153
Total loan portfolio	\$690, 027	\$251, 924	\$65,180
Total assets	\$1, 612, 029	\$841, 102	\$110, 961
Capital/assets	60.3%	2.6%	3.5%
Return on assets	-16.1%	4.4%	N/A

Source: Sample Survey Data from Kowubaa, 2000

2.3.1 Products and Services by Rural Banks

- ❖ Savings: Rural bank savings products include regular savings accounts, current accounts, susu deposits, and fixed or time deposits. These accounts are small in size and short term. The interest rate for regular savings is low and is paid only once a balance reaches a certain amount (usually higher than the balances held by most savers). Many rural clients have access to this type of account; unlike other commercial banks, rural banks do not require a high balance to open an account.
- ❖ Credit: The credit products offered by rural banks include micro-finance loans, personal loans, salary loans, susu loans, and overdraft facilities. Rural bank loans are used for agriculture, cottage industries, and trading.
- ❖ Money Transfer and Payments: Rural bank offer money transfer and payment services to their clients in collaboration with the ARB Apex Bank. Rural banks participate in local and international money transfers through, among others, Western Union, Money Gram, and Vigo. Government agencies use the rural bank service outlets for salary and pension deposits. Clearing of checks for cocoa purchases is also an important service provided under the payment category.

The above notwithstanding, rural banks grant loans such as cottage industry loans, commercial loans (especially for the purchase of farm produce) and agriculture loans. Also, rural banks operate the following accounts: current accounts; savings account; fixed deposit account; and 'susu' account.

It must be noted that before one qualifies for loan, he/she must be a customer of the bank for at least six months and must maintain an account with the bank (Quashie-Sam, 2001). He further states that, in the provision of securities by applicants, the following are prescribed:

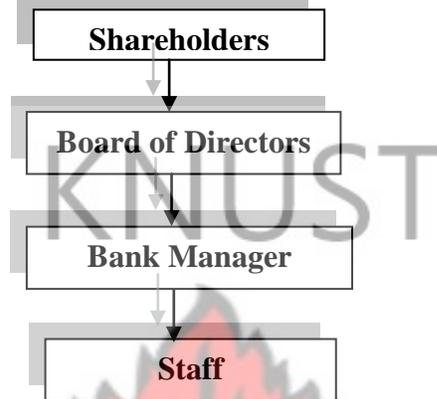
- ❖ **Basic Uncontracted Securities:** These include a clear credit record, a substantial surplus in the applicant's statement of business, and a balance in the account of the applicant which should not be less than 10 percent of the credit applied for.
- ❖ **Specific Uncontracted Securities:** These include personal, joint and several guarantee of two persons; pledge of credit balances; equitable pledge on properties which may include buildings, and farms; pledge on the following instruments by surrendering them to the bank- government stocks, treasury bills, rural shares and so on.

It is important therefore to note that every rural bank determines its terms of operations, but these must be in line with the general provisions of the Bank of Ghana. The loan is disbursed to the perspective applicants after the conditions are met and the securities provided. As part of the rural banks' loan recovery measures, the borrower is given a grace period usually between two to four weeks. This is to prevent the bank from demanding repayment when the project itself has not started generating income from its resources. Repayments can be made through the borrower's savings account or the

project officer. For most rural banks, in case of default, the borrower is invited to a board meeting for discussions; court action is applied as the last resort.

2.3.2 Organizational Structure of Rural Banks

Figure 2.2: Organisational Structure of Rural Banks



Source: Addeah, 1989. An Introduction to the Law of Rural Banking in Ghana.

As indicated by Figure 2.2, Addeah (1989) presents and discusses the organisational structure of rural banks as follows:

- Shareholders and Board of Directors (BoD); the shareholders and for that matter the ordinary shareholders are the real owners of the bank. They therefore have the right to appoint and dismiss directors of the bank as well as the power to make vital decisions with regard to the operation of the bank, the power to allocate responsibility to directors and to alter their powers and the power to monitor the activities of directors through resolution etc. On the other hand the Board of Directors which is headed by the board chairman assumes the role of top level management of the organization. They outline the mission, vision and objectives of the bank. They also exercise the corporate powers of the bank.

- The Manager and Other Bank Staff; the scope of the powers of the rural bank manager is determined by the Regulations, banking laws, the Bank of Ghana and the Board of Directors. The manager manages on behalf of the directors the actual banking business and other corporate matters relating to the bank as a legal entity. The manager may be part of the board of directors of the bank and assumes the role of a secretary to the board. The manager in carrying out the banking and corporate duties, works with a team known as the ‘other bank staff’ consisting of an accountant, project officer, clerks, messenger and watchman etc. The manager exercises control and supervision over them on behalf of the directors.

2.3.3 Sources of Funding for the Rural Banks

According to the Bank of Ghana (2007), the sources of funds of a Microfinance Institution consist of the following:

- a. Shareholders’ funds – paid up share capital and reserves;
- b. Deposits by customers; and
- c. Grants/donations (individuals, organizations, national government, and international sources).

2.3.4 Sectors of Focus on Advancing Microcredit by the Rural Banks

The Bank of Ghana has developed a mandatory sectoral allocation for Rural Bank loans. The lending allocation guidelines are shown in Table 2.2. The allocation ensures that the bulk of the resources go to agriculture, the priority sector in Rural Bank lending.

Table 2.3: Sectors of Focus in Advancing Microcredit

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 (1985)

2.4 Small and medium enterprises/Enterprises in Ghana

There is no single, uniformly acceptable, definition of a small firm/business (Storey, 1994). Small scale enterprises/businesses have been variously defined, but the most commonly used criterion is the number of employees of the enterprise. In applying this definition, confusion often arises in respect of the arbitrariness and cut off points used by the various official sources. As contained in its Industrial Statistics, The Ghana Statistical Service (GSS) considers firms with less than 10 employees as small and medium enterprises and their counterparts with more than 10 employees as Medium and Large-Sized Enterprises. Ironically, The GSS in its national accounts considered companies with up to 9 employees as Small and Medium Enterprises.

The National Board of Small and Medium Scale Enterprises (NBSSI) in Ghana applies both the 'fixed asset and number of employees' criteria. It defines a small and medium enterprise as one with not more than 9 workers, has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Cedis (US\$ 9506, using 1994 exchange rate). The Ghana Enterprise Development Commission (GEDC) on the other hand uses a 10 million Cedis upper limit definition for plant and machinery. A point of caution is that the process of valuing fixed assets in itself poses a problem. Secondly, the continuous depreciation in the exchange rate often makes such definitions out-dated. Steel and

Webster (1990), Osei et al (1993) in defining small and medium enterprises in Ghana used an employment cut off point of 30 employees to indicate small and medium enterprises. The latter however disaggregated small and medium enterprises into 3 categories: micro -employing less than 6 people; very small - those employing 6-9 people; and small - between 10 and 29 employees.

2.4.1 Characteristics of small and medium enterprises in Ghana

A distinguishing feature of small and medium enterprises from larger firms is that the latter have direct access to international and local capital markets whereas the former are excluded because of the higher intermediation costs of smaller projects. In addition, small and medium enterprises face the same fixed cost as large scale businesses in complying with regulations but have limited capacity to market products abroad.

According to Kayanula and Quartey (2000), small and medium enterprises in Ghana can be categorised into urban and rural enterprises. The former can be sub-divided into 'organised' and 'unorganised' enterprises. The organised ones tend to have paid employees with a registered office whereas the unorganised category is mainly made up of artisans who work in open spaces, temporary wooden structures, or at home and employ little or in some cases no salaried workers. They rely mostly on family members or apprentices (ibid). Rural enterprises are largely made up of family groups, individual artisans, women engaged in food production from local crops. The major activities within this sector include:- soap and detergents, fabrics, clothing and tailoring, textile and leather, village blacksmiths, tin-smithing, ceramics, timber and mining, bricks and cement, beverages, food processing, bakeries, wood furniture, electronic assembly, agro

processing, chemical based products and mechanics (Liedholm & Mead, 1987; Osei et al, 1993, World Bank, 1992).

It is interesting to note that small scale enterprises make better use of scarce resources than large scale enterprises. Research in Ghana and many other countries have shown that capital productivity is often higher in small and medium enterprises than is the case with large scale businesses (Steel, 1977). The reason for this is not difficult to see, small and medium enterprises are labour intensive with very small amount of capital invested. Thus, they tend to witness high capital productivity which is an economically sound investment. Thus, it has been argued that promoting the SCE sector in developing countries will create more employment opportunities, lead to a more equitable distribution of income and will ensure increased productivity with better technology (Steel & Webster, 1990).

In Ghana, available data from the Registrar General indicates that 90 percent of companies registered are micro, small and medium enterprises. This target group has been identified as the catalyst for the economic growth of the country as they are a major source of income and employment. Data on this group is however not readily available. The Ministry of Trade and Industry (MOTI), in 1998 estimated that the Ghanaian private sector consists of approximately 80,000 registered limited companies and 220,000 registered partnerships.

A typical profile of this target group is as follows,

1. They are, dominated by one person, with the owner/manager taking all major decisions. The entrepreneur possesses limited formal education, access to and use of new

technologies, market information, and access to credit from the banking sector is severely limited,

2. Management skills are weak, thus inhibiting the development of a strategic plan for sustainable growth.

3. This target group experiences extreme working capital volatility.

4. The lack of technical know-how and inability to acquire skills and modern technology impede growth opportunities.

2.4.2 Challenges in the Development of Small and medium enterprises in Local Economies

There are many who believe that the single most important factor constraining the growth of the SME sector is the lack of finance. As discussed earlier, credit constraints pertaining to working capital and raw materials were cited by respondents (between 24 percent and 52 percent in Parker et al, 1995). Aryeetey et al (1994) reported that 38 percent of the small and medium enterprises surveyed mention credit as a constraint. There are many factors that can be adduced for this lack of finance:

- A relatively undeveloped financial sector with low levels of intermediation
- Lack of institutional and legal structures that facilitate the management of small and medium enterprise lending risk
- High cost of borrowing and rigidities interest rates.

Despite the financial challenges, many non-financial constraints inhibit the success of such enterprises. Small and medium enterprise owners are reluctant to be transparent or open up involvement of their businesses to outsiders. They seem to be unaware of or oblivious to the obligations and responsibilities they have toward capital providers, and

the need to acquire or seek support for technical services like accounting, management, marketing, strategy development and establishment of business linkages. Management and support services are perceived to be cost prohibitive and non-value adding. Small and medium enterprises have not taken full advantage of Government-sponsored business support services such as the National Board for Small and Medium Scale Enterprises (NBSSI), which operates in the 10 regional capitals under the Ministry of Trade and Industries and the Ghana Regional Appropriate Technology and Industrial Service (GRATIS), a foundation that provides skill training and basic working capital tools for start-ups.

2.5 Rural Banking and Small and medium enterprise Development

The role of rural banking in the development of small and medium enterprise in local economies is through the provision of microcredit to these businesses. The administration of microcredit by the rural banks thus determines the level and degree to which small and medium enterprises would gain access to microcredit from the rural banks. This section seeks (through literature) to assess how rural banks administer microcredit to small and medium enterprises and the challenges involved.

2.5.1 Processes Involved in Advancing Microcredit to Small and medium enterprises

The Bank of Ghana has streamlined Rural Bank lending operations to ensure that Bank credit actually benefits the small scale rural producer and the rural community. The Bank of Ghana has developed an Operational Manual for all Rural Banks. The Operational Manual describes the application process and clearly defines the conditions any eligible credit applicant must fulfil. Applications are accepted from individuals, groups,

associations, and companies. Recommendations to reject an application must be justified by specific and clearly stated reasons and cannot be based on vague suspicions.

Before granting a loan to a group, the Bank requires that there be mutual trust and respect among members. In the case of a group loan approval, members are held jointly and severally liable. The group cannot exceed 20 members, and the group leader must have a clean loan record. The Rural Banks try to reduce the cash element in the loans to the minimum possible to prevent the diversion of funds for purposes other than those for which they are granted. The Banks arrange for inputs to be made available in kind (raw materials, seeds, fertilizers, equipment and machinery, etc).

Loan repayment conditions are determined with reference to the borrower's capacity to repay. A "grace period" is allowed between the loan approval date and the time the borrower is expected to generate sufficient income to repay the loan. During the "operation period" of the loan, the Bank's Project Officer monitors the borrower to ensure proper use of funds and punctual repayment. Routine and emergency visits by the Project Officer are common during the operation period of the loan. Rescheduling may be allowed if there are circumstances which the loans committee or board of Directors accepts as "unforeseen developments." If there is default on the loan, the case is sent to the Bank's lawyer(s) for action.

According to Essel and Newsome (1995), the Rural Banks today are still given the opportunity to determine who should benefit from their credit resources. There is substantial anecdotal evidence of misdirection and misapplication of rural credit by the Rural Banks and the rural people. Many rural banks appear to give credit to people who

do not fall into the Bank of Ghana target groups (ibid). It is not uncommon to see many credit recipients spending borrowed credit on land litigation and funeral ceremonies instead of productive ventures. The Bank of Ghana initiated the Rural Bank system with the hope that small-scale rural producers and small towns would benefit from the new credit resources.

2.5.2 Challenges in Administering Microcredit by the Rural Banks

According to the Bank of Ghana (2007), funding for the sub-sector has been from three sources - the institutions themselves, government, and development partners. In the first place, available funds have not been adequate, and secondly, the different sources come with their associated conditions, and thus distort the market in some cases. There is considered to be a need for a central microfinance fund to which MFIs can apply for on-lending and/or capacity building support, building on experience such as the case of the Training Fund under the Rural Financial Services Project.

The Bank of Ghana requires that of all rural credit resources, 50% support agriculture, 30% support small-scale industry, and 20% support rural area service sectors. Credit for these purposes is called “direct production credit.” However, a study on the *Effectiveness of Institutional Credit for Rural Development in Africa* by Essel and Newsome (1995) indicates that credit for production activities, such as farming, trading, and fishing constituted only about 15% of the total loans in the sample. Social and domestic needs were the two most common reasons given for acquiring a loan. Credit for these purposes is called “social credit.” About 82 percent of the sampled recipients used the loan for family obligations, health, education, and consumer items in the home. Another 3% of the respondents admitted misapplying credit from productive to social investment. An

informal discussion with Rural Bank managers revealed that the trend toward social credit is pervasive all over Ghana. The general consensus among managers was that the focus of the Banks was changing because of loan recovery problems (ibid).

Similarly, the lack of interest in small rural credits by the National Investment Bank and the commercial banks is explained by the high cost of administering a large number of small credits spread over a wide area, coupled with the comparatively high level of default that has often accompanied small credits.

Finally, the inability of rural borrowers to offer adequate security for loans, and the enormous risks associated with agricultural production, are the typical reasons given for the urban-based bias of commercial lending. The Agricultural Development Bank was created to service the rural sector in particular. It too, however, eventually began to concentrate on traditional urban-based banking activities.

2.6 The Role of Microcredit in the Development of Small and medium enterprises

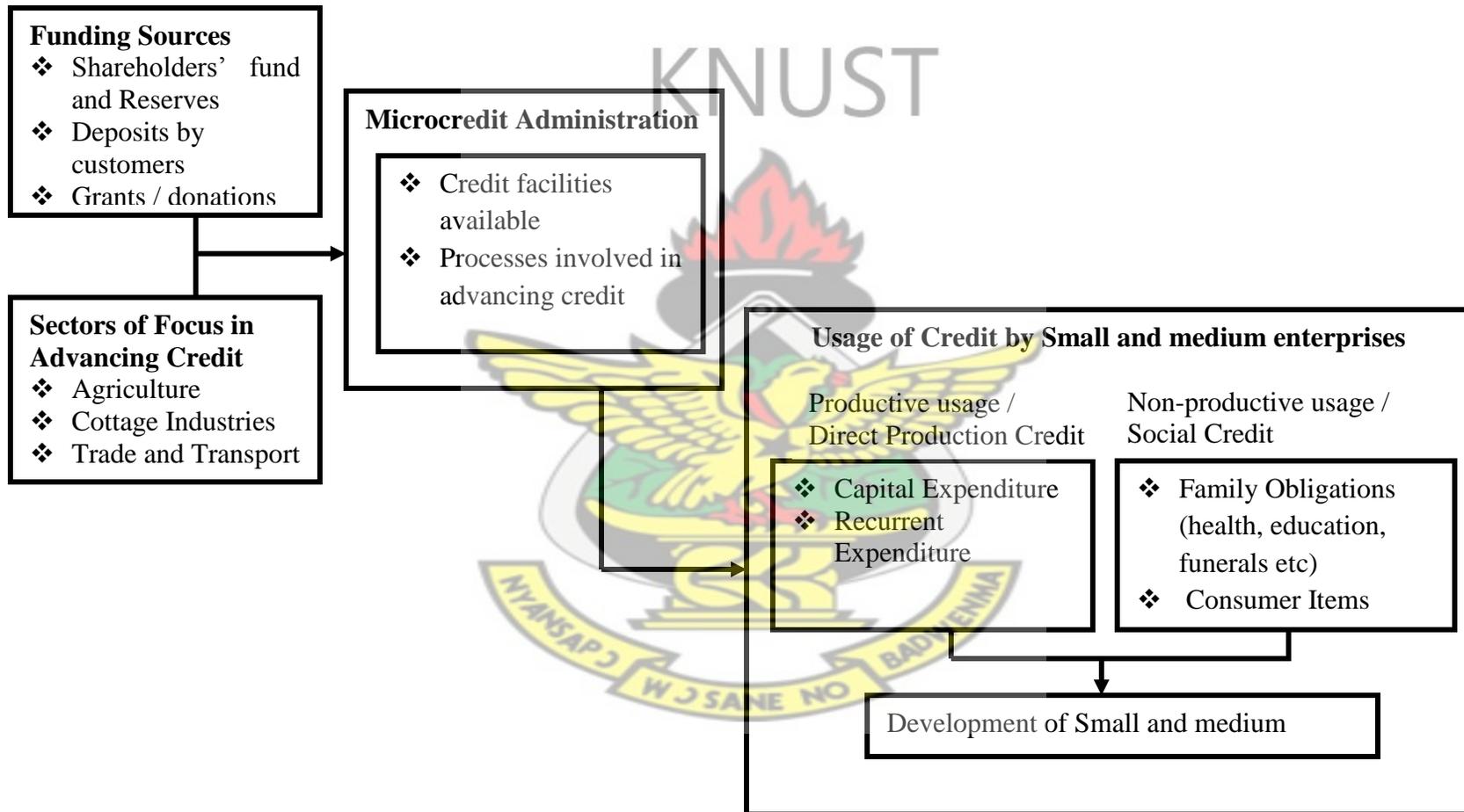
As indicated in Figure 2.3, the administration of microcredit focuses on the credit facilities offered and the processes involved in advancing these credits. This is determined by the rural banks is determined by the funding sources as well as the sectors of focus in the local economy. The funding sources determine the amount of money available for the rural banks to advance as loans to the small and medium enterprises. Similarly, as discussed from the literature review, the Bank of Ghana has indicated the proportion of credit to be advanced to the various sectors of the local economy (from Table 2.2). Hence, compliance or otherwise to the Bank of Ghana's directive by the rural banks is also a determinant in the advancement of credit to the various sectors of the local

economy. In sum, two factors from (Figure 2.) become the determinants in the administration of microcredit by the rural banks. These are the funding sources and the sectors of focus in advancing credit.

Credits advanced to the small and medium enterprises are used for either productive or non-productive activities. These non-productive activities are those activities which does not support the production process of these small and medium enterprises. In actual sense, credits advanced are not supposed to be used for these non-productive activities. However, as Essel and Newsome (1995) note, 82 percent of microcredit recipients use it for these non-productive activities. Credits used for productive activities by the small and medium enterprise owners directly influence the productive processes. Such credits are used as start-up capital and/or to acquire raw materials for the businesses. The productive and non-productive use of credit affects the development of small and medium enterprises. Whilst the later have a negative connotation to development of the small and medium enterprises, the former positively affect the development of these businesses.

From the above discussion, the development of small and medium enterprises depends on not only the administration of microcredit but also the use of these credits. This notwithstanding, by focusing on the process of acquiring credits as well as the credit facilities offered, the administration of these credits can in a way be used to determine how these credits are used by the business owners. The above provides an ideal conceptual basis for an investigation into the administration of microcredit to small and medium enterprises by the rural banks

Figure 2.3: Role of Microcredit to Small and medium enterprises Development



Source: Adapted from Essel and Newsome, 1995

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology adopted for the study. A detailed procedure for the design of the research, collection of primary and secondary data required for the study as well as their analysis is explained in the chapter. This procedure is organised and presented as a sequence of steps and techniques to achieve the objectives proposed in the study.

3.2 Research Design

The research design explains the organization and planning of the study. The study follows the scientific process which includes the identification of the problem to be investigated, definition of research questions and objectives, the review of relevant literature for the contextualization and understanding of the topic, collection and analysis of the data and main findings and conclusions.

The study followed a qualitative research approach. With this approach, a better qualitative understanding about the socio-economic characteristics of small and medium enterprise owners was obtained. In addition, small and medium enterprise conditions and their financial options for improvements were analysed.

The research is thus a case study of the administration of microcredit to small and medium enterprises by the Amenfiman Rural Bank in Dunkwa-on-Offin. In the particular case of this study, the case study method could help the critical analysis and

understanding about the operations of rural banks in the administration of microcredit to small and medium enterprises in the area under the study.

Techniques in the study included the administration of questionnaires to the management of the Amenfiman Rural Bank as well as small and medium enterprise owners (both customers and non-customers of Amenfiman Rural Bank). In addition, interviews in relevant institutions were applied. Thus, the main stakeholders explained the issues in the administration of microcredit to the small and medium enterprises in Dunkwa-on-Offin.

The study followed five research stages to organise and simplify the research process. These stages are explained as below and presented in Figure 3.1.

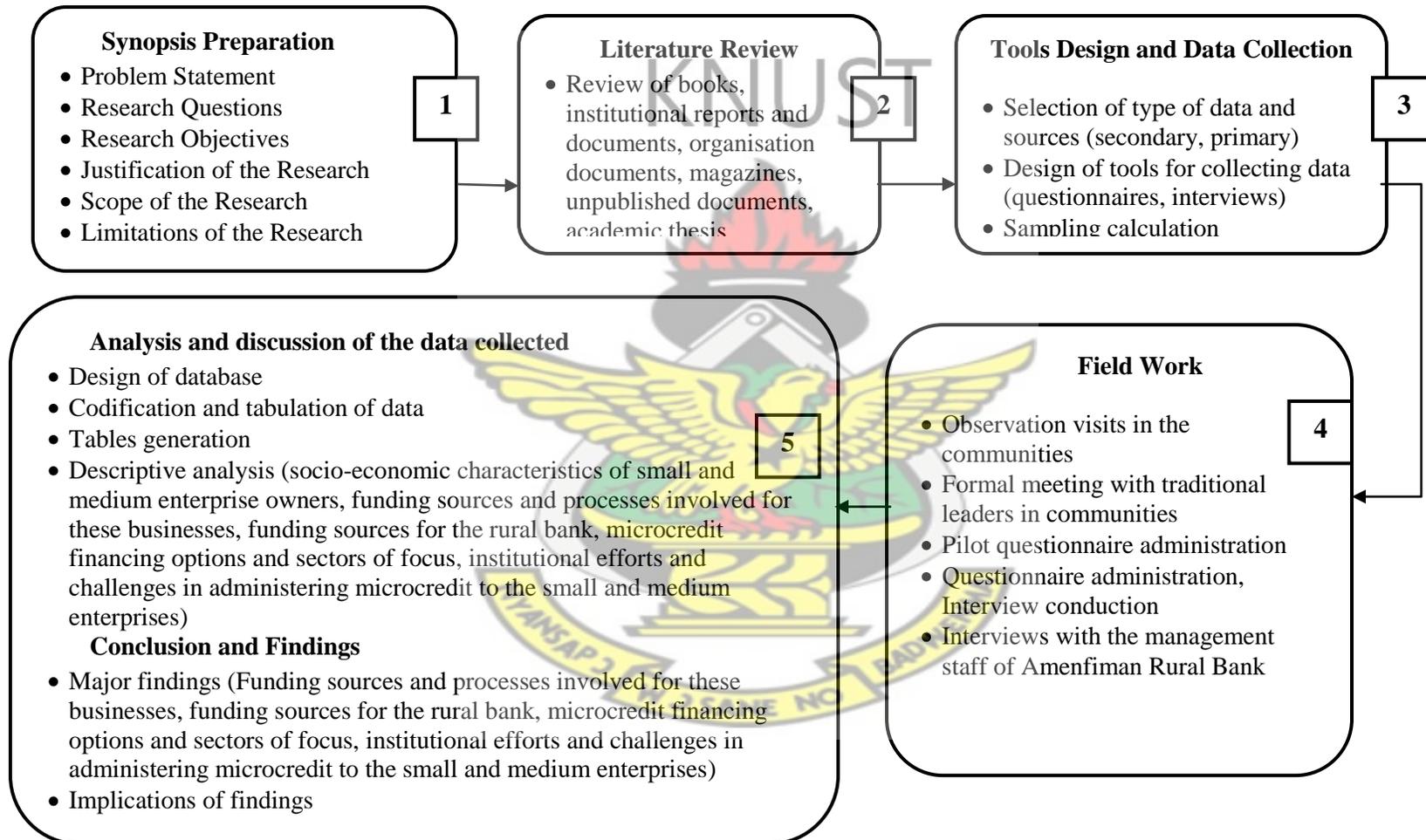
- ❖ **Synopsis Preparation:** Firstly, the synopsis of the study was prepared and presented. The synopsis included introduction to the study about microcredit administration to small and medium enterprises by microfinance institutions in Ghana, research questions, objectives, problem statement, justification of the study, scope of the research and expected limitations.
- ❖ **Literature Review:** Secondly, secondary data such as relevant books, working papers, published and unpublished documents and reports from international organisations as well institutional documents or figures in Ghana were reviewed. This review allowed the researcher to know the state of the problem, the approaches followed by other authors as well as information generated from different sources.
- ❖ **Tools Design and Data Collection:** Thirdly, tools for collecting data were designed. These tools included questionnaires to the small and medium enterprise owners, interview guides to the management staff of the Amenfiman Rural Bank and

officials from major institutions related to microcredit administration in Dunkwa-on-Offin such as the Business Advisory Council and other microfinance institutions in the study area.

❖ **Field Survey:** Visits to the study area were organised in order to have a firsthand understanding of the issues related to the study. The assistance of enumerators for the questionnaire administration was required due to the limited time available to the researcher. The enumerators were trained about the information required and objectives of the research and they participated later in a pilot of the questionnaire in the study area. After this, questionnaires were administered. In addition, interviews with the management staff of Amenfiman Rural Bank, the officials of the Business Advisory Council in Dunkwa-on-Offin and the officials of other micro finance institutions in Dunkwa-on-Offin were carried out.

❖ **Analysis and Reporting:** This stage involved the design of databases in Microsoft Excel, coding of questionnaire and representation of data in tables and graphs. For the data analysis, Pivot Tables of Excel were used. Then, the analysis of the major results from the field work was prepared. Later, the main findings and conclusions were included in the study and the complete report of the study was organised and presented in the format required to meet the appropriate standards.

Figure 3.1: Research Framework



Source: Author's Construct, February 2011.

3.3 Sources Data

Data on microcredit administration to small and medium enterprise in Dunkwa-on-Offin was from selected small and medium enterprise owners as well as officials from the management staff of Amenfiman Rural Bank and other financial institutions. The detailed data collected is presented in Table 3.1.

Table 3.1: Major Types and Sources of Information Collected for the Study

Type of Information	Sources
Review of major literature about rural banking, small and medium enterprises and the administration of microcredit to small and medium enterprises.	Libraries, Internet resources from UN, World Bank among others.
Geographical information and profile of the study community.	Upper Denkyira East Municipal Assembly.
Information on the socio-economic characteristics of the small and medium enterprise owners, Funding sources and processes involved for these businesses, challenges involved in accessing microcredit form the rural banks.	Small and medium enterprise owners, Business Advisory Council and the Medium Term Plan of the Upper Denkyira East District.
Funding sources for the rural banks, microcredit financing options and sectors of focus, existing microcredit facilities for the small and medium enterprises, institutional efforts and challenges in administering microcredit to the small and medium enterprises	Management staff of Amenfiman Rural Bank, Management staff of other microfinance institutions, Officials of the Business Advisor Council.

Source: Author's Construct, February 2011.

3.4 Sampling Techniques

The study applied the random sampling method. The study collected information from communities within Dunkwa-on-Offin as well as from the management staff of Amenfiman Rural Bank and some selected institutions. With this method, each small and medium enterprise owner (both customers and non-customers of Amenfiman Rural Bank)

had an equal probability of being selected. Thus purposive sampling method was adopted for the selection of those relevant institutions.

The sample size for the small and medium enterprise owners was calculated from the number of registered small and medium enterprises in Dunkwa-on-Offin doing business with the Amenfiman Rural Bank Limited. This is because the study is focused on the administration of microcredit to small and medium enterprises by Amenfiman Rural Bank in the study area. In Dunkwa-on-Offin there are 225 registered small scale enterprises operating with the Amenfiman Rural Bank. The sample details are explained below.

❖ Estimation of Sample Size for the Study:

The estimation of the total sample size in the study community was derived from the formula below:

$$n = \frac{N}{1 + N \alpha^2}$$

where; n is the sample size

N is the total population

α is the margin of error defined at 92 percent confidence level ($\alpha = 0.08$).

The sample size was defined from the total number of small and medium enterprises in the study community operating with Amenfiman Rural Bank. A total sample size of 96 small and medium enterprises was selected for the purpose of this study.

3.5 Field Work

The field work process adopted in the study is organized as follows:

- ❖ Visits to the study community to observe the socio-economic characteristics of the small and medium enterprise owners.
- ❖ Preparation of questionnaires to small and medium enterprise owners and interview guides to the management staff of Amenfiman Rural Bank, other financial institutions as well as officials of relevant institutions.
- ❖ The management staff of Amenfiman and the other financial institutions as well as the officials of the relevant institutions were contacted in order to explain to them the objectives of the survey and to schedule the date and time for the field study.
- ❖ Selection and training of field enumerators. This was to equip them with an understanding of requirements of the study.
- ❖ Another visit to the study community was organised to conduct a pilot of the questionnaire administration. The enumerators accompanied the researcher to the field to introduce the team to the officials involved and to test the adequacy of the questionnaires. In these visits the interviews with the officials were conducted.
- ❖ The weaknesses found in the administration of the pilot questionnaire were corrected to improve the survey instrument in order to achieve its set objectives.
- ❖ Preparation of materials for the questionnaire administration. The materials included questionnaire forms, interview guides and other materials required. The questionnaires were then administered in the study community.

3.6 Data Collection Methods

Secondary and primary data were required for the study. Secondary data was collected through a review of relevant documents, articles and academic reports. Others included governmental reports, international reports, books, working papers, magazines and internet resources. The primary data required the design and administration of questionnaires in the community. In addition, structured interviews to the management staff of Amenfiman Rural Bank, other financial institutions in the communities and the government sector were conducted. The results of the interviews were analysed and interpreted with statistical methods in order to generalize conclusions. Pivot tables of Excel were used to generate tables of results.

3.7 Presentation and Reporting

The analysis of the major results from the field work was explained with the use of descriptive statistic tools such as percentages, averages and statistic functions. The descriptive analysis of the study was prepared and sometimes summarized in tables or boxes and illustrated through charts and maps. These resources contributed to better understanding of the topic in the study.

CHAPTER FOUR

MICROCREDIT ADMINISTRATION AT AMENFIMAN RURAL BANK

4.1 Introduction

This chapter presents the discussion and analysis of findings of the study with particular reference to the responses received after collecting and collating data from Amenfiman Rural Bank as well as clients of Amenfiman Rural Bank in the small scale industrial sector. The chapter presents issues on the categories of respondents interviewed, profile of the bank, type of credit facilities provided by the bank to small scale enterprises, procedure for accessing microcredit by small scale enterprises as well as challenges faced by the bank and small scale enterprises in micro credit administration.

4.2 Categories of Respondent

Data collected for the research study was sourced from three categories of respondents, these the Amenfiman Rural Bank Limited, the Business Advisory Centre as well as small scale enterprises. Per the focus of the research, only small scale enterprises doing business with the Amenfiman Rural Bank were considered and interviewed for the study.

Table4.1: Total Number of Respondents Interviewed

Category of Respondent	Number of Respondent
Amenfiman Rural Bank	3
Business Advisory Centre	1
Small Scale Enterprises	96
Total	100

Source: Field Survey, 2011.

A total of 100 respondents were interviewed during the field survey for this research study. At Amenfiman Rural Bank 3 officers were interviewed these were: the branch manager; micro-finance officer and the credit officer. The director of the Business

Advisory Centre was interviewed as well as 96 small scale enterprises spanning the various types of Small and Medium Scale Enterprises in the Upper Denkyira East Municipal Assembly thus agro processing, arts and crafts, as well as small scale mining. Table 4.2 indicates the breakdown of the Small and Medium Scale Enterprises interviewed during the field survey.

Table 4.2: Breakdown of Small Scale Industry Respondents

Activity	Frequency	Percent
Soap Making	9	9
Mechanics, welders, electronic assembly	12	13
Gold mining, sand winning	2	2
Bakery	23	24
Oil palm processing, cassava processing, alcohol distillery	45	47
Wood crafts, carpentry	5	5
TOTAL	96	100.0

Source: Field Survey, 2011.

4.3 Origin of Amenfiman Rural Bank Limited

Amenfiman Rural Bank Limited, a registered rural bank operating in Ghana, was incorporated on 10th January, 1984 as a financial institution to rationalize the developing areas to finance their needs especially the projects regarding agricultural progress. The bank has a total of eight (8) branches throughout the country located at Wassa Akropong; Dunkwa; Bawdie; Prestea; Asankragwa; Tarkwa-Tamso; Samreboi as well as Enchi. The Dunkwa branch of the rural bank was used as the case study for this research.

4.4 Clients and Products of the Bank

The client base of Amenfiman Rural Bank Limited spans the entire social spectrum comprising farmers; traders; artisans; small and medium scale enterprises; public servants as well as corporate organizations. As a result, the bank provides an array of products and services to meet its clientele. The following are the products offered by Amenfiman Rural Bank Limited to its clientele:

- **Current Account:** This is a type of account where funds can be drawn on demand by the customer. It also provides flexible credit facilities, salary advances for salaried workers, cashless account operation among others.
- **Savings Account:** This is a type of account that earns interest on money deposited. The account offers all categories of persons and businesses the opportunity to enjoy very attractive and competitive interest rates.
- **Fixed Deposit Account:** This account attracts very high yields on investment ranging between one to twelve months at negotiable rates.
- **Susu Account:** This account allows susu contributors easy access to loans and very flexible repayment packages.
- **Salary Advance:** This facility is offered to clients who are paid their salaries through the bank. The bank makes available funds to the clients before their salaries are paid, and when the salaries are paid to the bank; the bank debits the account of the client.
- **Workers Loan:** This is a loan granted to workers irrespective of the workers account holding bank.
- **Traders Loan:** This is a loan granted to traders to expand their business and later pay within a stipulated period with interest.

4.5 Characteristics of Small and Medium Scale Enterprises Operating with Amenfiman Rural Bank

This sub-section considers the characteristics of the Small and Medium Scale Enterprises in the Upper Denkyira East Municipal Assembly operating with the Amenfiman Rural Bank. This is essential to the study since the unique characteristics of the Small and Medium Scale Enterprises will have to be considered in providing appropriate interventions for the sector. This sub-section considers issues such as the year of establishment, number of employees, marketing of output, sources of funds, duration of credit delivery, duration of loan repayment as well as sources of funds for loan repayment.

4.5.1 Establishment of Small and Medium Scale Enterprises

The number of Small and Medium Scale Enterprises have increased over the years in the Upper Denkyira East Municipal Assembly, although there has been consistent increase, a half-decade analysis revealed that whereas Small and Medium Scale Enterprises increased at an increasing rate during some half-decades it also increased at a decreasing rate during other half decades. Table 4.3 indicates 27.3 percent of the small scale respondents interviewed were established between the 1990-1995 period, 22.7 percent created between 1996-2000, 31.8 percent established between 2001-2005 whereas 18.2 percent were formed between 2006-2010. The period with the highest number of Small and Medium Scale Enterprises formed was the 2001-2005 period; this can be attributed to the government's GPRS 1 and 11 policy documents which sought to reduce poverty at the time through agricultural modernization with emphasis on the establishment of industries to add value to the agricultural produce of the country.

Table 4.3: Year of Establishment

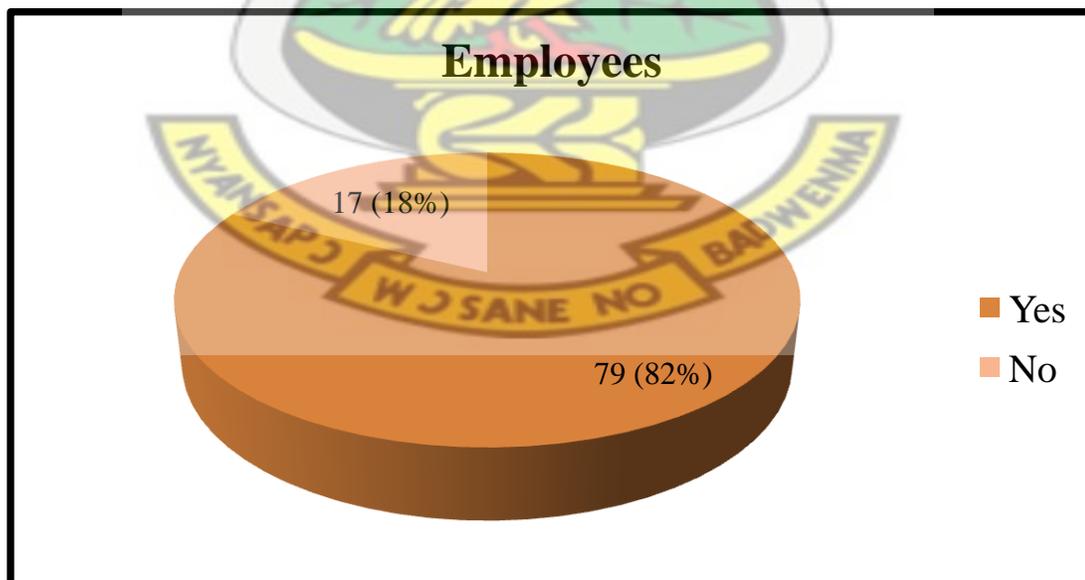
Year of establishment	Frequency	Percent
1990-1995	26	27.3
1996-2000	22	22.7
2001-2005	31	31.8
2006-2010	17	18.2
Total	96	100.0

Source: Field Survey, 2011.

4.5.2 Availability of Employees

The study revealed that a substantial number of the Small and Medium Scale Enterprises had employed people in their operations with a relatively few of them having no employees. Out of the number of Small and Medium Scale Enterprises interviewed, 79 of them representing 82 percent had employees whereas 17 accounting for 18 percent had no employees.

Figure 4.1: Pie Chart indicating Small and Medium Scale Enterprises with/without Employees



Source: Field Survey, 2011.

This scenario presents a good potential, as the small scale industrial sector of the Municipal Assembly can be used as a catalysts for growth and development. This is because if resources; both financial and technical are channelled into the expansion of the sector it has the potential and capacity to employ more people thereby creating more jobs and ensuring growth and development.

4.5.3 Employees of Small Scale Industries

The survey revealed that out of the 79 Small and Medium Scale Enterprises which had employees; 40 (50%) employed between 1 to 5 persons; 22 (27.3%) employed between 6 to 10 persons; 14 (18.2%) employed between 11 to 15 persons whereas 3 (4.5%) employed between 16 to 20 persons.

Table 4.4: Table indicating the number of employees

Number of employees	Frequency	Percent
1-5	40	50.0
6-10	22	27.3
11-15	14	18.2
16-20	3	4.5
Total	79	100.0

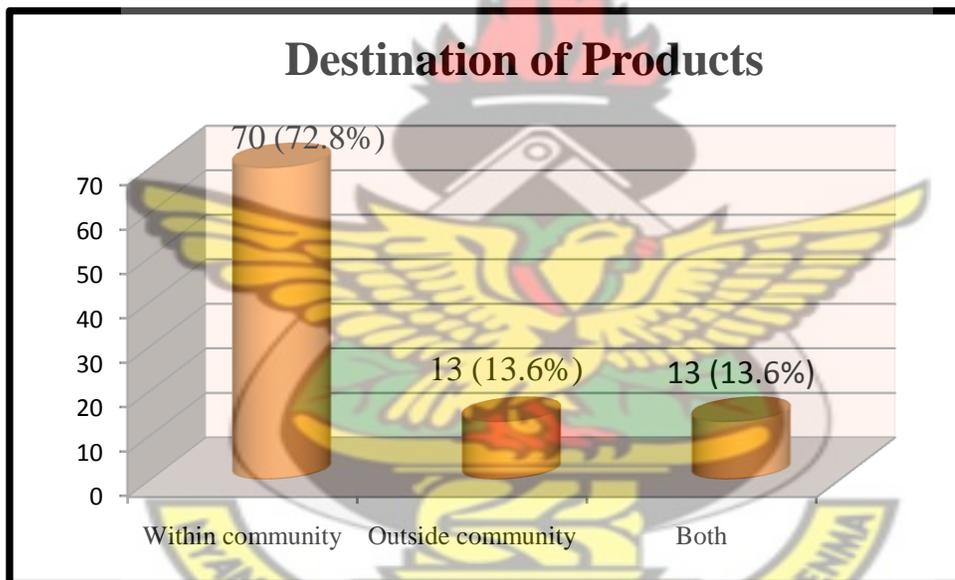
Source: Field Survey, 2011.

From table 4.4 it can be seen that 95.5 percent of the Small and Medium Scale Enterprises with employees had between 1 and 15 employees, this situation is encouraging as further expansion of the sector can further increase employment in the Upper Denkyira East Municipal Assembly.

4.5.4 Marketing of Small Scale Industrial Products

Marketing is an essential component in small scale enterprising which can not be overlooked since it serves as a link between the manufacturer and the customer. The study revealed that the Upper Denkyira East Municipal Assembly serves as a the major market for small scale industrial products with 72.8 percent of respondents indicating that products were marketed within the district whereas 13.6 percent marketed their products outside the district with another 13.6 percent marketing their products both within and outside the district (Fig 5.2).

Figure 4.2: Bar Chart Showing Destination of Small Scale Products



Source: Field Survey, 2011.

The fact that products are marketed outside the district though small can be a potential for development if developed. This is due to the fact that marketing of produce outside the district will generate revenue for the Upper Denkyira East Municipal Assembly.

4.5.5 Funds for Small Scale Industrial Development

Funds considered as the live wire of every business is as essential to a business as the business idea. This is due to the fact that, money is the only factor that translates ideas into reality thus implementing the ideas. As can be seen from Table 4.5, the survey showed that 83 (86.4%) of small scale enterprises obtained funding for their activities through loans and personal savings whereas 13 (13.6%) had personal savings, loans and family income as the source of funding of their businesses. This underscores the essence of loans to the survival of Small and Medium Scale Enterprises in the Upper Denkyira East Municipal Assembly.

Table 4.5: Source of Funds for Small and medium enterprises

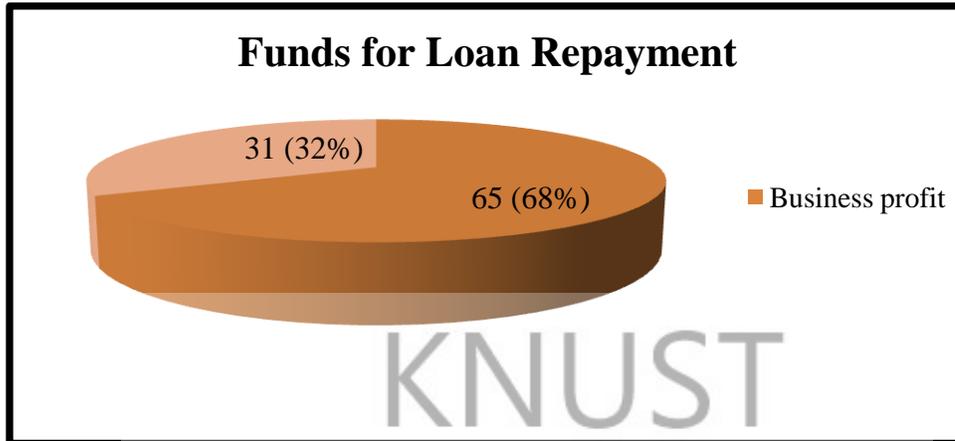
Source of Funds for Business	Frequency	Percent
Personal Savings and Loans	83	86.4
Personal savings, loans and family income	13	13.6
Total	96	100.0

Source: Field Survey, 2011.

4.5.6 Source of Funds for Loan Repayment

Business profit and personal savings are the sources of income for repaying loans accessed from Amenfiman Rural Bank by small and medium enterprises. Sixty-eight percent (68%) of the small scale enterprises interviewed representing 65 small and medium enterprises indicated that business profit was used in repaying loans whereas 32 percent representing 31 small and medium enterprises paid loans using a combination of business profit and personal saving sources.

Figure 4.3: Pie Chart Indicating Source of Funds for Loan Repayment



Source: Field Survey, 2011.

4.6 Microfinancing in Amenfiman Rural Bank

This segment presents an overview of microfinance administration at Amenfiman Rural Bank. The issues discussed include; credit facilities offered by Amenfiman bank, conditions for accessing credit as well as challenges faced by small scale enterprises and the bank in microcredit administration.

4.6.1 Microcredit Administration to the Local Economy

The Amenfiman Rural Bank Limited offers microcredit assistance to all the sectors of the local economy of the Upper Denkyira East Municipal Assembly. The total credit offered by the bank to the agricultural, service and industrial sector has consistently increased since the 2006 financial year. From Table 4.6 it can be clearly seen that the total credit advanced by the bank to all sectors of the local economy increased from GH¢110,250 in 2006 to GH¢182,175 in 2010. However, a sectoral analysis indicates that credit advancement has been fluctuating between the various years among the sectors of the local economy. In 2009, GH¢83,460 was advanced to the agricultural sector but this fell

to GH¢71,048.25 in 2010. In general, the agricultural sector is the highest benefactor of microcredit from Amenfiman rural bank consuming 41.8 percent of the total credit advanced to the local economy, with small scale industry taking 33.8 percent while service took 24.4 percent between the 2006 and 2010 financial years.

Table 4.6: Volume of Credit Advanced to the Sectors of the Local Economy

Year	Total Credit (GH¢)	Credit to Agriculture (GH¢)	Credit to Small Scale Industry (GH¢)	Credit to Service (GH¢)
2006	110,250	55,125	16,537.50	38,587.50
2007	127,700	51,080	63,850	12,770
2008	149,110	44,733	62,626.20	41,750.80
2009	160,500	83,460	27,285	49,755
2010	182,175	71,048.25	76,513.50	34,613.25
Total	729,739	305,446.25 (41.8%)	246,812.20 (33.8)	177,476.55 (24.4)

Source: Amenfiman Rural bank, 2011.

This scenario is due to the fact that agriculture is the largest employer of labour force in rural areas in Ghana. It also goes to confirm the findings in the literature review which indicates that the largest proportion of rural banks microcredit end up in the agricultural sector followed by the small scale industrial sector with the service sector consuming the least of rural banks total microcredit.

4.6.2 Microcredit offered by Amenfiman Rural Bank

The study revealed that Amenfiman Rural bank provides a number of credit facilities to small scale enterprises. The credit facilities offered by the bank include: workers loan, group loan as well as personal loan. Table 4.7 indicates the various credit facilities and the conditionalities for accessing the microcredit.

Table 4.7: Types of Credit Facilities and their Conditions for Access

Type of Credit Facility	Conditions for Accessing the Facility
Workers Loan	<ol style="list-style-type: none"> 1. An applicant must operate an account for 3 months. 2. The applicant must make an application for the loan. 3. The applicant must provide 2 guarantors who are salaried workers.
Group Loan	<ol style="list-style-type: none"> 1. The group must have members ranging between 5 and 10. 2. The group must have executives who steer the affairs on behalf of the group. 3. The group must have an account. 4. One third of the amount required as fixed deposit.
Personal Loan	<ol style="list-style-type: none"> 1. The applicant must provide two guarantors who are salary workers. 2. The applicant must provide any collateral eg: Title deed.

Source: Amenfiman Rural bank, 2011.

4.6.3 Credit Delivery Process at Amenfiman Rural Bank

The credit delivery process of the bank begins with “*Loan Application*”; this is where individuals willing to access loans from the bank make their intentions known to the bank. This is followed by “*Initial Interview*” where an applicant is preliminary assessed to determine whether he/she should benefit from the loan. “*Loan Appraisal*” follows to determine whether the intended use of the loan is beneficial. This stage of the credit delivery process is very essential since if the purpose for which the loan is being sought is not beneficial or necessary it would not be granted. All loans granted by the Bank are appraised; the problem at this stage is that officers do not properly appraise applications resulting in poor appraisal assessments. The “*Loan Appraisal*” stage is followed by the “*Loan Documentation*” stage where all the necessary paper work concerning the loan is undertaken. “*Loan Approval*” is the stage where loans applied for are either approved or

rejected. After loans have been approved, it is disbursed. The “*Loan Disbursement*” stage comes after the “*Loan Approval*” stage in the credit delivery process. The loans are disbursed to small and medium enterprises through the collaborating institutions which are MASLOC, MOWAC and EDIF. It must be noted here that the duration of loan processing for all the loans is one (1) week. “*Loan Repayment*” is the stage where credits already disbursed are repaid to the bank. Loan repayments are done weekly and monthly at the Bank. This is followed by the “*Loan Recovery*” stage where applicants defaulting in payment are made to pay. Some of the measures used by the bank to undertake this task include: sending reminder letters to defaulters as well as demand letters.

The summary of the credit delivery process of the bank is captured in Figure 4.4. It begins with the loan application stage followed by the initial interview, loan appraisal, loan documentation, loan approval, loan disbursement, loan repayment and finally loan recovery.

Figure 4.4: Credit Delivery Process at Amenfiman Rural Bank Limited



Source: Author’s Construct, June 2011

4.6.4 Credit Advanced by Amenfiman Rural Bank Limited to Small Scale Enterprises

The microcredit facilities accessible by Small and Medium Scale Enterprises in the Upper Denkyira East Municipality are personal loan, group loan as well as workers loan. The Amenfiman Rural Bank limited has since the 2006 financial year advanced a total of GH¢246,812.20 to the small scale industrial sector (Table 4.8). A cursory look at Table 5.8 shows that the total credit advanced to the sector fluctuated during the 2006/2010 financial year whereas the total number of applicants increased throughout the period.

Table 4.8: Credit Advanced and Number of Small Scale Enterprises Served

Year	Credit to Small Scale Industry (GH¢)	Number Applied	Number Honoured	Percentage Honoured
2006	16,537.50	115	92	80
2007	63,850	150	139	93
2008	62,626.20	172	152	88.4
2009	27,285	200	181	91
2010	76,513.50	225	218	97
Total	246,812.20	862	782	91

Source: Amenfiman Rural Bank, 2011.

Out of the 862 applicants who applied for loans from Amenfiman between 2006 and 2010; 782 applicants were served representing 91 percent of the total applicants. According to the bank, its inability to serve all applicants is as a result of the incapacity of the applicants to provide one third of the total sum applied for as a guarantee. The situation makes it impossible for Small and Medium Scale Enterprises to access loans from the bank. In 2006, 80 percent of the 115 loan applicants accessed loans; which was the least during the 2006-2010 period with the highest being 97 percent of applicants accessing loans in 2010.

4.6.5 Institutional Collaboration

The Amenfiman Rural Bank Limited partners with other institutions in administering microcredit to Small and Medium Scale Enterprises in the Upper Denkyira East Municipality. These institutions include Ministry of Women and Children's Affairs (MOWAC), Micro Finance and Small Loans Centre (MASLOC) as well as Export Development and Investment Fund (EDIF).

MOWAC as part of its objectives is to improve the socio-economic status of women and children, the vulnerable and marginalized groups through targeted interventions. The ministry executes this objective by mobilizing funds from financial institutions as well as donors and making them available to target individuals and groups.

The Export Development and Investment Fund (EDIF) was established by Act 582 on the 4th October 2000 to provide financial resources for the development and promotion of the export trade of Ghana. Its mission is to enhance the economic growth of Ghana by the provision of funds on concessionary terms for the development and promotion of the country's export.

Microfinance and Small Loans Centre (MASLOC) is a microfinance apex body responsible for implementing the Government of Ghana's (GoG) microfinance programmes targeted at reducing poverty, creating jobs and wealth. Over the years MASLOC has modestly established itself not only as a microfinance institution that disburses micro and small loans to the identified poor in the various sectors of the Ghanaian economy, but also provides business advisory services, training and capacity building for small and medium scale enterprises (SMEs). MASLOC provides micro and

small loans for start-ups and small businesses with fast, easy and accessible microcredit and small loans to grow and expand their businesses as well as to enhance job and wealth creation.

These institutions (EDIF, MOWAC and MASLOC) assist in the administration of microcredit at Amenfiman Rural Bank by disbursing loans to small scale enterprises in the Upper Denkyira East Municipal Assembly.

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4.7 Bottlenecks in Microcredit Administration

The Amenfiman Rural Bank Limited is confronted with challenges in the administration of microcredit to small scale enterprises within the Upper Denkyira East Municipal Assembly. The challenges can be categorized into three reflecting the problems facing the three stakeholders of microcredit administration of the bank. These challenges are the focus of this section.

4.7.1 Challenges faced by Small Scale Enterprises

- **Low Volume of Sales**

A major problem inhibiting the expansion of small scale enterprises is poor sales resulting from the limited market for small scale products. The survey revealed that 72.8 percent of enterprises marketed their produce within their communities.

As a result small scale entrepreneurs are not able to sell products in order to generate enough revenue to settle loans acquired from the bank.

- **High Interest Rate**

Another challenge affecting the operations of Small and Medium Scale Enterprises is the high interest rate charged by the bank. Entrepreneurs

interviewed during the survey indicated that the interest rate charged by Amenfiman rural bank gravely affects their operations since a substantial amount of profit made are used to pay off loans. From the survey 68 percent of Small and Medium Scale Enterprises paid loans from business profit. This indicates that a substantial number of industries are been affected by the high interest rate charged by bank.

- High Rent Charges

Further more, rent paid by Small and Medium Scale Enterprises to the Upper Denkyira East Municipal Assembly is expensive according to the entrepreneurs. A consequence of this high rent is the inability of small and medium enterprises to expand and create employment. This is because income which would have been invested into the business is used in the payment of rent.

- Inadequate and Ineffective Small Scale Industrial Unions/Associations

The study revealed that there were only seven (7) small scale industrial unions/associations in the Municipality which were dormant. As a result, small and medium enterprises can not come together to pull their resources together for mutual benefit neither can they access funds or assistance from NGOs due to their dormancy and unorganized nature.

4.7.2 Challenges faced by Amenfiman Rural Bank Limited

The major setback faced by the bank in microcredit administration has to do with the inability of small scale enterprises to provide security as well as guarantors for the loans. All the small scale enterprises denied loans were as a result of their inability to pay one-third of the total loan amount being applied for as collateral. Also small businesses are

not able to provide two (2) guarantors required by the bank; hence not able to access readily available loans. This coupled with poor records keeping by small scale firms make it extremely difficult for the bank to grant loans to the small business. This is as a result of the fact that these small businesses are not able to furnish the bank with essential data which is a prerequisite for accessing loans. These act as major bottlenecks in microcredit administration on the part of Amenfiman Rural Bank Limited.

4.7.3 Challenges faced by Collaborating Institutions

The collaborating institutions aid in microcredit administration at Amenfiman Rural Bank by disbursing loans to small and medium enterprises. These institutions also assist the bank by identifying beneficiaries for accessing microcredit from the bank. MASLOC, MOWAC and EDIF are all institutions established by the government; as a result small scale enterprise beneficiaries have the perception that the money given as loans belong to the government. Consequently, beneficiaries treat loans as tokens from the government of the day thereby undermining the credibility of the collaborating institutions. This strains the relationship between the bank and the collaborating institutions subsequently affecting the microcredit administration of the bank.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

This chapter encapsulates the entire research study in a nutshell by presenting the major findings emanating from the analysis in the previous chapter as well as making apposite recommendations for action which have been developed to address the challenges identified in the study. The key components of the chapter thus include summary of findings, policy recommendations and a conclusion for the whole study.

5.2. Summary of Findings

The findings of the study have been developed in consonance with the research questions and objectives of the study. The findings of the study are elucidated below.

5.2.1 Microcredit Administration to Upper Denkyira East Municipal Local Economy

All sectors of the local economy of the Upper Denkyira East Municipal Assembly access microcredit from Amenfiman Rural Bank Limited. However, the agricultural sector is the highest benefactor of microcredit from Amenfiman Rural Bank followed by the industrial sector and the service sector respectively. The agricultural sector received 41.8 percent of the total credit advanced by Amenfiman Rural Bank Limited between 2006 and 2010, while the industrial sector consumed 33.8 percent of the total credit advanced and the service sector taking 24.4 percent of the total credit advanced for the same period. This situation can be attributed to the fact that the agricultural sector is the dominant sector of the Upper Denkyira East Municipal Assembly's local economy.

5.2.2 Microcredit offered to Small and Medium Scale Enterprises by Amenfiman Rural Bank.

The microcredit facilities offered by Amenfiman Rural Bank and accessible by small and medium enterprises include personal, workers as well as group loans. The small scale industrial sector of the Upper Denkyira East Municipal Assembly has benefitted from a total of GH¢246,812.20 between the 2006 and 2010 financial years representing 33.8 percent of the total microcredit advanced by the bank within that period. A total of 782 small and medium enterprises have accessed microcredit from the bank between 2006 and 2010 representing 91 percent of the total number (862) of small and medium enterprises applying for loans from the bank within that same period. The inability of the bank to serve the remaining 9 percent emanates from the fact that small scale applicants are either not able to pay one-third of the amount applying for as collateral or are not able to provide two guarantors as demanded by the bank.

5.2.3 Credit Delivery Process at Amenfiman Rural Bank Limited

Credit delivery at the bank exemplifies credit delivery of rural banks in Ghana. The process begins with “loan application” where an applicant shows interest in accessing microcredit from the bank. This is followed by the initial interview, loan appraisal, loan documentation, loan approval, loan disbursement, loan repayment and finally loan recovery. Amenfiman rural bank limited collaborates with other institutions in its credit delivery. These institutions are the Microcredit and Small Loans Centre, Export Development and Investment Fund as well as Ministry of Women and Children’s Affairs. These institutions are involved in the loan disbursement stage of the credit delivery

process. The collaborating institutions identify and disburse microcredit to successful applicants.

5.2.4 Challenges in Microcredit Administration

The administration of microcredit at Amenfiman Rural Bank Limited is saddled with many challenges which can be categorized into three main dimensions each affecting the three stakeholders in microcredit administration of the bank.

- Small and medium enterprises accessing microcredit from Amenfiman rural bank are confronted with three major issues. These are low volume of sales emanating from limited market for small scale products. Also high interest rate charged by the bank on loans granted to Small and Medium Scale Enterprises makes it difficult for these businesses to break-even as substantial amounts of profit realized is used in the payment of loans. In addition, exorbitant rent charges paid to the Upper Denkyira East Municipal Assembly by small scale enterprises make operation unprofitable. Furthermore, inadequate and ineffective unions/associations militate against the development of the small scale industrial sector. All these factors combine to undermine the operations of small scale enterprises in the Upper Denkyira East Municipality.
- The major factors affecting Amenfiman Rural Bank Limited in microcredit administration to small and medium enterprises are the inability of small scale enterprises to provide two (2) guarantors when accessing loans and also to pay one-third of the amount being applied for as collateral. These two factors seriously inhibit the bank from advancing credit to potential applicants.

- The issue faced by the collaborating institutions has to do with the false perception small and medium enterprises have concerning the loans advanced. Small and medium enterprises have the impression that loans granted belong to government since all the collaborating institutions were set-up by the government. As a result, loans given to these businesses are considered as tokens. This in turn affects the relationship between the bank and the collaborating institution since collaborating institutions are to identify and claim the loans advanced.

5.3 Recommendations

Subject to the findings of this study, recommendations have been developed to enhance the administration of microcredit to small and medium enterprises by Amenfiman Rural Banks in the Upper Denkyira East Municipal Assembly. The recommendations include;

- **Identification of New Markets for Small Scale Industrial Products**

The analysis of the study revealed that, Small and Medium Scale Enterprises had low volume of sales resulting from limited market. This is due to the fact that about 70 percent of the industries market their products within the community. The Business Advisory Centre in the Municipal Assembly should assist small and medium enterprises by identifying local as well as foreign markets for their products and also build capacities of these businesses on the modus operandi of the new markets. This recommendation if carried out within the short to medium term will help turn the fortunes of small and medium enterprises within the Upper East Municipal Assembly. This has the potential of generating foreign exchange for the Assembly if goods are exported outside the country.

- **Formation and Strengthening of Small Scale Industrial Unions/Associations**

Inadequate and ineffective unions/associations to give a common voice to small and medium enterprises in order to advance their welfare and interest has entrenched challenges confronting small and medium enterprises in the Municipality. The Business Advisory Centre in conjunction with the Municipal Assembly should assist small scale enterprises in forming unions/associations as well as strengthen the already existing ones. This can be done by grouping small scale activities with similar characteristics under the same union or associations. For example establishing a small scale miners union in the Municipality; these unions/associations must be duly registered with the BAC and the Municipal Assembly to make them official. Also already existing ones must be empowered by building their capacities through skills training in order to access funds and assistance not only from banks but also development partners and associations. This intervention must be carried out in the short-term with the BAC guiding growth and development of such unions by providing with the necessary expertise.

- **Reducing the Bottlenecks Faced by Small and medium enterprises in Accessing Microcredit**

The study made known that the inability of Amenfiman Rural Bank to provide microcredit to all small scale enterprises applying for loans each financial year is as a result of the incapacity of small businesses to first provide two guarantors and second to pay one-third of amount being applied for as collateral. The Amenfiman Rural Bank should reduce the number of guarantors needed to access microcredit from two to one and should further reduce the collateral needed from 33.3 percent to 10 percent. This will ensure that all small and medium enterprises applying for loans from the bank will eventually access loans since the deterring factors have been duly addressed.

- **Educating Small and medium enterprises on the Role of Collaborating Agencies**

Finally, in ensuring effective microcredit administration by Amenfiman Rural Bank to small and medium enterprises in the Upper Denkyira East Municipality, small scale enterprises must be duly educated on the roles of stakeholders in the administration of microcredit. This short-term intervention must be implemented by the BAC in conjunction with the collaborating institutions as well as the Amenfiman Rural Bank Limited. This will help erase the erroneous impression harboured by small scale enterprises that loans granted through collaborating institutions are tokens from the government.

5.4 Conclusion

The industrial sector is an engine for growth and development since it has the ability of adding value to raw materials thereby generating higher returns. The Small scale industrial sector is an essential sector of the Ghanaian local economy since most of the country's labour force is employed in the informal sector where the small scale industrial sector is located. The sector has the propensity of generating employment opportunities through expansion.

Unfortunately, microcredit necessary for the expansion and development of the sector remains a major challenge confronting the sector. The study revealed that the Amenfiman Rural Bank Limited has been consistent in advancing microcredit to the small scale industrial sector of the Upper Denkyira East Municipal economy. However, bottlenecks such as limited market, high interest rate, lack of collateral, inadequate guarantors as well

as high rent charges undermine the objective of microcredit delivery to the sector. The recommendations elucidated in this study, if implemented by the respective agencies has the potential of addressing the challenges identified in the study. If the small scale industrial sector is developed; the sector can be Ghana's Magna Carta for growth and development.

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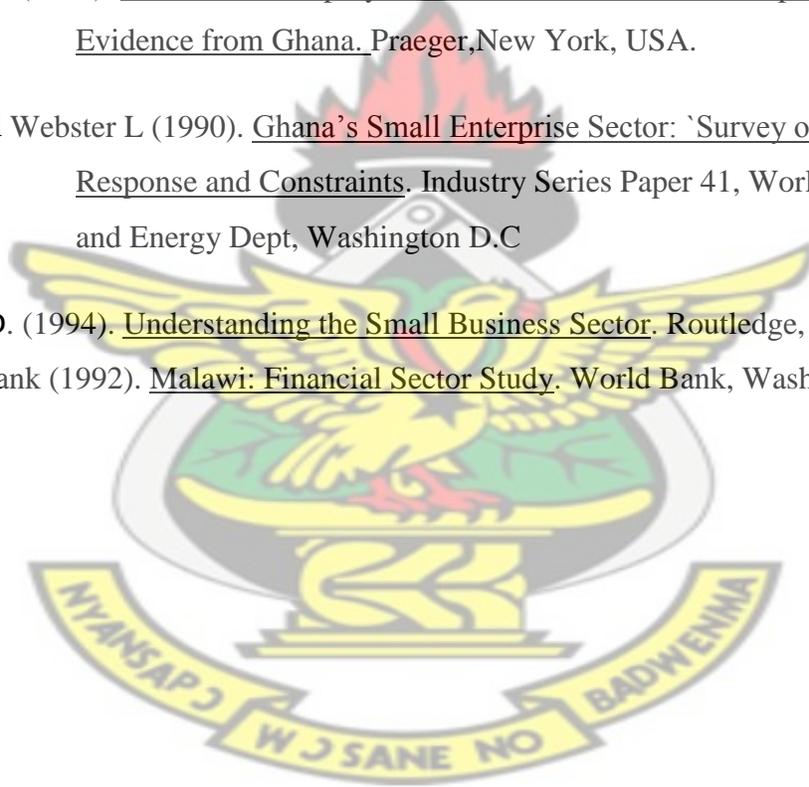


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PPENDICES

Appendix 1:

CALCULATION OF SAMPLE SIZE

Formula for the calculation of the sample size for small scale enterprises is given as

$$n = \frac{N}{1 + (Ne^2)}$$

Where n is the sample size (sample of community members), N is the sampling frame (total number of people in the district) and e is the margin of error. For this study, a margin of error of 8 percent was used.

The total number of small scale enterprises operating with the Amenfiman Rural Bank Limited is 225. Thus the sample for small and medium enterprises is computed as;

$$n = \frac{225}{1 + (225 \times 0.08^2)}$$

$$n = 96$$

Thus a total of 96 small scale enterprises operating with the Amenfiman Rural Bank Limited were and interviewed.

APPENDIX 2
RESEARCH INSTRUMENTS

**COMMONWEALTH EXECUTIVE MASTERS IN BUSINESS
ADMINISTRATION**

Kwame Nkrumah University of Science and Technology



**RESEARCH TOPIC: ASSESSING THE ADMINISTRATION OF MICRO-
CREDIT TO SMALL AND MEDIUM SCALE ENTERPRISES IN THE UPPER
DENKYIRA EAST MUNICIPAL ASSEMBLY. A CASE STUDY OF THE
AMENFIMAN RURAL BANK LIMITED**

This questionnaire is prepared to collect data on the above research topic for academic purpose. Your kind co-operation is much needed and any information given will be handled with confidentiality.

**QUESTIONNAIRE FOR THE MANAGING DIRECTOR – AMENFIMAN
RURAL BANK**

Profile of Bank

1. When was Amenfiman rural bank established?

2. How many branches has the bank and where are they located?

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

3. What is the staff strength of the bank?
.....

4. What are the products offered by the bank?

- i.
- ii.
- iii.
- iv.
- v.
- vi.
- vii.
- viii.

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5. Who are your clientele? (Please tick all those that apply)

- i. Public Servants ()
- ii. Small & Medium scale enterprises ()
- iii. Corporate Organizations ()
- iv. Traders & Artisans ()
- v. Farmers
- vi. Others specify

Micro-Credit Administration

6. What are the types of micro-credit facilities offered by the bank?

- i. Work loan ()
- ii. Farmer's loans ()
- iii. Personal loan ()
- iv. Group loans ()
- v. Others specify

7. What are the requirements in accessing each of the micro-credit facilities mentioned above?

Type of Loan	Condition/ Requirement
Work loan	
Farmers loans	

Personal loan	
Group loans	
Others specify	

8. What is the duration for processing each of the loans stated above?

Type of Loan	Duration for Processing
Work loan	
Farmers loans	
Personal loan	
Group loans	
Others specify	

9. Who are the beneficiaries of the micro-credit facilities offered by Amenfiman Rural Bank?

- i. Farmers
- ii. Traders
- iii. Small scale enterprises
- iv. Public Servants
- v. Others specify

10. How much credit has been advanced by the bank to the following sectors since 2006?

Year	Total Credit	Total Credit to Agriculture	Total Credit to Small-Scale Industry	Total Credit to Service
2006				
2007				

2008				
2009				
2010				
Total				

11. How many small scale enterprises are you able to support each year with respect to the number that apply?

Year	Number applied	Number Served or Honoured
2006		
2007		
2008		
2009		
2010		
Total		

12. What are the reasons that prevent the bank from serving all small scale enterprises that apply?

.....

.....

.....

13. Do small scale enterprise loan applicants default in loan payment?

i. Yes

ii. No

14. If yes, what is Amenfiman's loan recovery rate?

Year	Total Credit to Small Scale Enterprises	Total Amount Recovered	Total Outstanding Credit
2006			
2007			
2008			

2009			
2010			
Total			

15. What are the loan recovery mechanisms used by the bank?

.....

.....

.....

16. What are the factors that contribute to loan default by small scale industries?

.....

.....

.....

17. What actions does the bank take against loan defaulters?

.....

.....

.....

18. Does the bank collaborate with other agencies or institutions in credit delivery?

i. Yes

ii. No

21. If yes, what are the agencies/institutions and what type of collaboration exist between the bank and these institutions?

Name of Agency/Institution	Type of Collaboration

19. What challenges are faced by the bank in its collaboration with these institutions?

Name of Agency/Institution	Challenges

20. What suggestions will you recommend to address these challenges?

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

21. What problems does the bank face in credit delivery to small scale industries?

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

22. What suggestions will you recommend to address these problems?

.....
.....
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QUESTIONNAIRE FOR SMALL SCALE ENTERPRISES

Background Information

1. What type of small scale activity do you engage in?

.....

2. When was the business started?

.....

3. Do you have employees?

i. Yes

ii. No

4. If yes, how many employees do you have?

.....

5. What has been the output of your activity over the years?

Year	Output Level
2006	
2007	

2008	
2009	
2010	
Total	

6. Where do you market your output?

- i. Within community ii. Outside community iii. Both

7. What are some of the challenges faced in your business?

.....

Access to Credit

8. What are the sources of funds for your business? Please tick all that apply.

- i. Personal savings ii. Loans iii. Family income iv. Others specify

.....

9. What is the contribution of each source to your business capital?

Source of Funds	Percentage Contribution
Personal savings	
Loans	
Family income	
Others specify	

10. How long does it take you to access credit after applying?

11. What challenges do you face when accessing credit from Amenfiman rural bank?

.....

12. What is the duration of the loan repayment?

- i. 1-6 months ii. 7-12 months iii. 13-18months iv. 19-24months v. 25months+

12. How do you repay credit received from Amenfiman rural bank? Please tick all that apply.

- i. Business profit ii. Personal savings iii. Loan from other sources iv. Other specify.....

13. What are some of the challenges faced in repaying loans and what are the causes of these challenges?

.....

.....

.....

14. What suggestions will you recommend to address these challenges?

.....

.....

.....

BUSINESS ADVISORY CENTRE

Background Information

1. When was the Business Advisory Centre established in the Upper Denkyira East Municipal Assembly?

2. What are the functions of the Centre?

.....

.....

.....

3. What is the institutional capacity of the Centre?

	Available	Required
Staff		
Motobikes		
Cars		

4. What agencies/institutions does the Centre collaborate with in the delivery of its functions?

- i.
- v.....

- ii.
- iii.
- iv.
- vi.
- vii.
- viii.

Small Scale Activities

5. How many registered small scale enterprises are in the Upper Denkyira East Municipal Assembly?.....

6. What are the various types of Small and Medium Scale Enterprises and the numbers engaged in them?

Type of Small Scale Industry	Number of People Engaged in the Activity

7. What is the role of the Centre in Small Scale Enterprise establishment, expansion and credit access?

.....

.....

.....

8. What are the challenges faced by the Centre in Small Scale Enterprise establishment, expansion and credit access?

.....

.....

.....

9. What other agencies/institutions help in small scale enterprise development in the Municipality?

- i.
- ii.
- iii.
- iv.
- v.
- vi.
- vii.
- viii.
- ix.
- x.

10. What is the role/contribution of these agencies/institutions?

Institution	Role/Contribution
i.	
ii.	

iii.	
iv.	
v.	
vi.	
vii.	
viii.	
ix.	
x.	

11. What are the challenges faced by small scale enterprises in the Municipality?

.....

.....

.....

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12. What suggestions will you recommend to address these challenges?

.....

.....

.....

