

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY,
(KNUST)**

**RURAL BANK CREDIT AND RURAL DEVELOPMENT: BENEFIT INCIDENCE
ANALYSIS
(A CASE STUDY OF AMENFIMAN RURAL BANK)**

**A DISSERTATION SUBMITTED TO THE DEPARTMENT OF ECONOMICS,
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DEGREE (MSc) IN ECONOMICS.**

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MASTER OF SCIENCE IN ECONOMICS

MAY, 2016.

DECLARATION

I, Afari Ntiakoh, hereby declare that except for reference to other people's work which have been duly cited, this submission is my own work towards the award of Master of Science degree in Economics (Money, Banking and Finance) and that to the best of my knowledge, it contains no material previously neither published by another person nor presented elsewhere.

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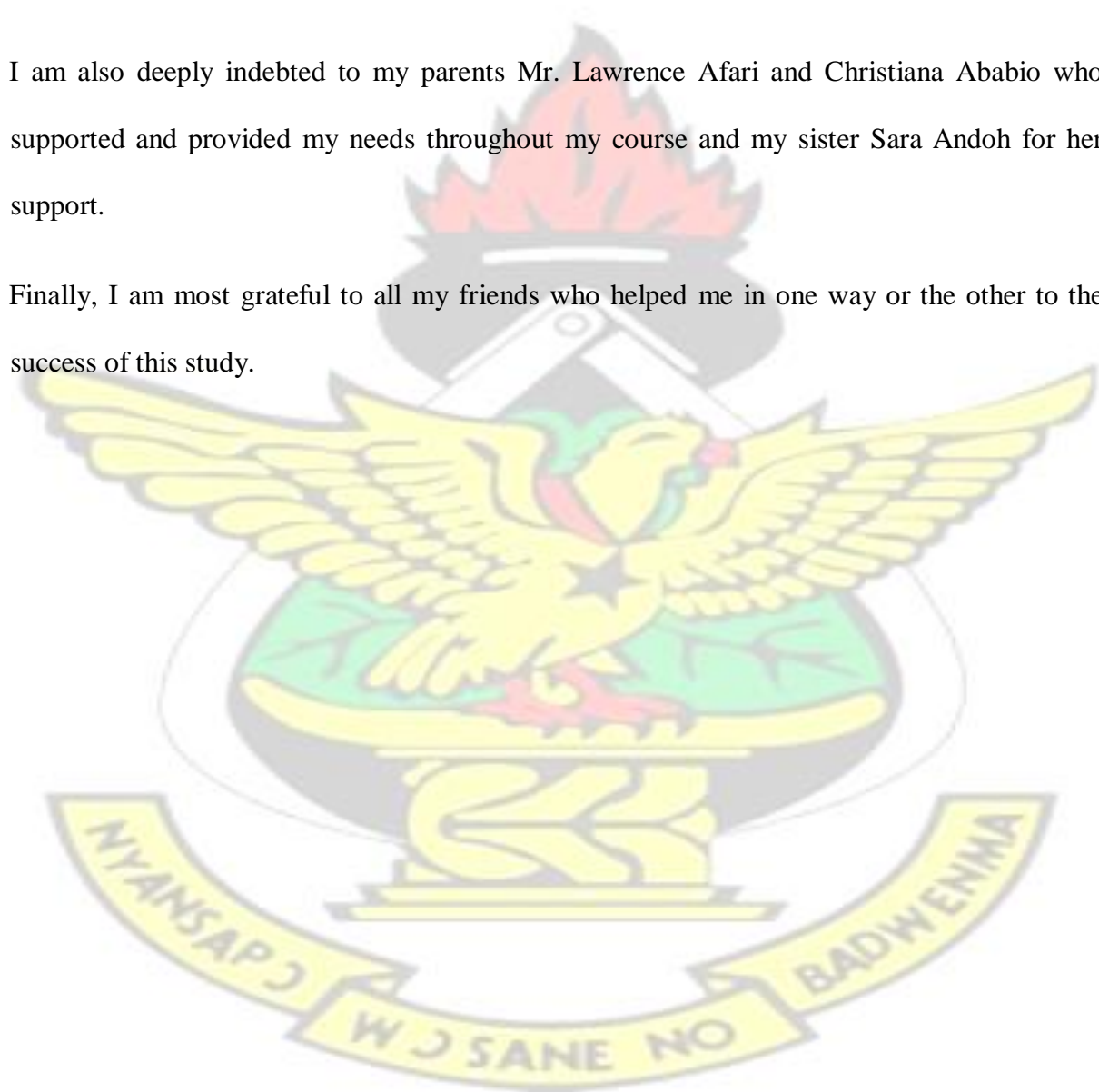
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DEDICATION

This research is dedicated to my parents Mr. Lawrence Afari and Mrs. Christiana Ababio for being my source of inspiration throughout my educational journey.

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ABSTRACT

The rural parts of Ghana face seemingly intractable socio-economic challenges. One of these challenges is the access to little or no institutional credit which makes it difficult for the rural dwellers to adopt modern technologies in order to expand their various economic activities. They are left to seek credit from non-institutional sources like relatives and friends. This credit market is small and as such not able to meet their needs. A rural credit department was then established at the Bank of Ghana to alleviate this problem with rural banks being established subsequently in the rural areas. However, anecdotal evidence suggested that salary earners are the major beneficiaries of rural bank credit. This study was then conducted to seek empirical evidence to do a benefit incidence analysis to find out the category of rural dwellers who receive more of rural bank credit using Amenfiman Rural Bank (ARB) as the case study and 144 sample beneficiaries. The researcher used bar graphs and percentages to analyse the data thematically.

The results from the study showed that between salary earners and farmers, the main beneficiaries of the credit provided by ARB are the former with the latter being the least beneficiaries. This assertion was deduced from the data collected from the bank displaying the total amount of loans disbursed in the year 2012 through to 2014. Within those three years, a total amount of GH¢1,805,870 was disbursed as loan and whilst salary earners received 25.2% of this amount, only 14.4% went to farmers. 10.1% and 50.3% of the total amount disbursed went traders and other business respectively.

Furthermore, for farmers alone, a total of GH¢103,000 was received and only 16.5% of this amount went to the poor farmers whose monthly income was estimated to be below GH¢100 whilst the rich farmers (earning above GH¢1000) received 36.9% of this amount. The same pattern was recorded for all the other occupational categories considered in the study. This shows that the rural poor (low-income earners) in general benefited less from the credit provided by ARB which also emphasizes that rural banks tend to give the bulk of their loan facility to the rural non-poor (high-income earners).

ABBREVIATIONS

RCBs	Rural and Community Banks
BoG	Bank of Ghana
NBFI	Non-Banking Financial Institutions
S&L	Susu and Loans
ARB	Amenfman Rural Bank
NGOs	Non Governmental Organizations
CUs	Credit Unions

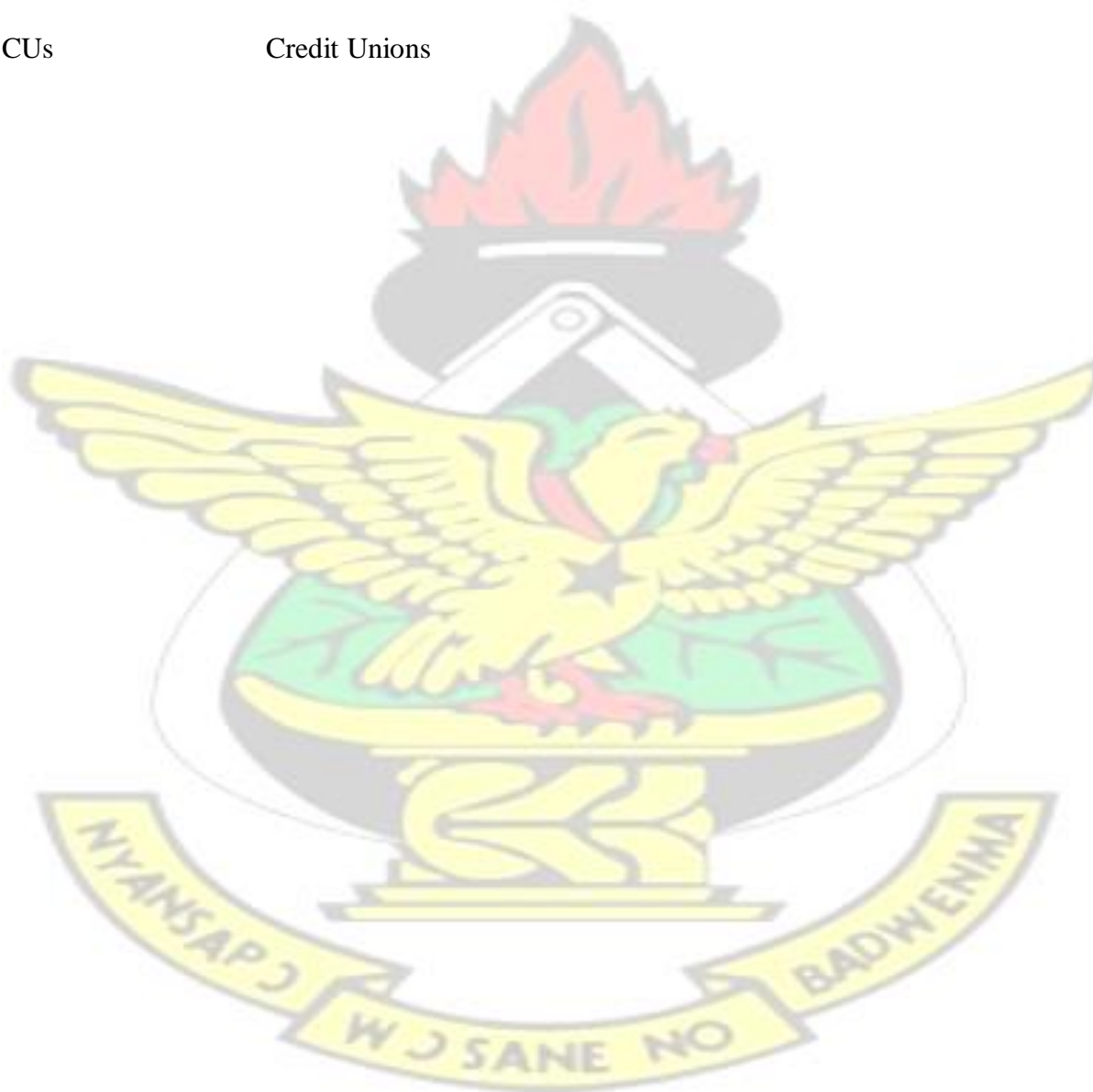


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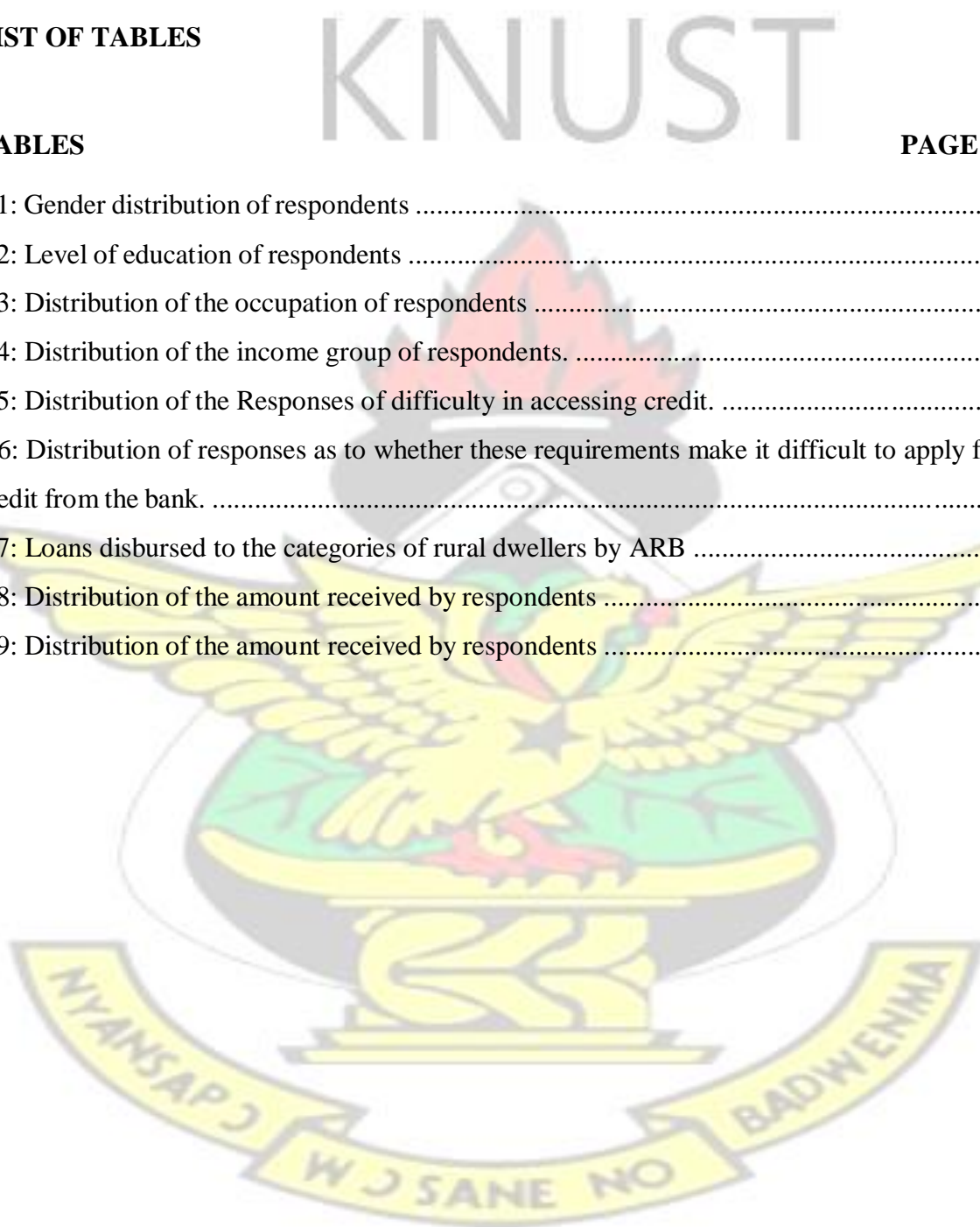
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CHAPTER ONE

INTRODUCTION

1.1: Background to the Study

Rural population in Ghana was estimated to be 13,368,458 in 2014, which is 48.1% of the total population and these rural people have little or no access to institutional credit (Index Mundi Ghana, 2014). It is against this backdrop that development interventions in the rural areas are very urgent and crucial.

Rural communities in Ghana lack sufficient credit to help finance their economic activities in order to adopt new technologies and methods of farming. There are two main sources that are available for the provision of credit for financing rural development activities. These are institutional and non-institutional sources. The non-institutional sources include friends, relatives, cooperative societies, moneylenders, etc. and the institutional sources are the banks. According to Food and Agriculture Organization (1994), friends and relatives who usually charge no interest or collateral are the most common providers of loans in rural areas. However, the small nature of this credit market means the total credit provided by these noninstitutional sources is insufficient to meet the credit demands of the rural folks to finance rural development activities.

Rural dwellers in Ghana had almost no access to institutional credit for both farm and nonfarm activities, and in many rural communities, convenient, safe and secure savings and payment facilities hardly existed before the late 1970s. The Government of Ghana took several measures in response to this situation to expand access to credit in rural areas which included facilitating the establishment of rural and community banks (Ajai Nair and Azeb Fissaha, 2010). It became evident by the 1970s that the Agricultural Development Bank which was established to provide a vehicle for reaching the rural poor lacked the capability to provide adequate rural credit. This

led to the establishment of the rural banking system in Ghana, modeled on the rural banking system in the Philippines with the main objectives of mobilizing rural savings for rural development. The Republic of the Philippines established the Republic Act No. 7353 on 22 July 1991 also known as the Rural Act of 1992 to provide for the creation, organization and operation of Rural Banks, and for other purposes (Central Bank of the Philippines). This was established in an attempt to promote comprehensive rural development with the idea of obtaining equitable distribution of opportunities. The rural banks are locally owned and managed.

According to World Bank (1975), “rural development is a strategy intended to improve the economic and social life of the rural poor”. The Moshi Conference (1969) also ascertained that the purpose of rural development is “a rise in the standard of living and favorable changes in the way of life of the people concerned”. Hence, the importance of rural banks as providers of financial services to ensure development in a predominantly agro-based economy cannot therefore be over-emphasized.

1.2: Problem Statement

A greater portion of Ghana’s land area is covered by rural areas which serve as home for a large number of Ghanaians. These areas face socio-economic challenges which are seemingly intractable. More generally, average income per head in rural regions is lower as compared to our towns and cities, while the skills base is narrow and the service sector is less developed.

Farming is the main source of living and economic activity of rural inhabitants in Ghana. Due to insufficient funds, these rural inhabitants are unable to adopt modern technology and are restricted in engaging in small-scale economic activities which generate very little profits and does not really improve their standard of living. Rural dwellers find it difficult to access credit from commercial banks. Some of these problems include their inability to prepare viable

business proposals because they are not well educated in order to plan or write business proposals that would compel these banks to grant them the required loans to aid their businesses and also their inability to provide collateral securities that the banks demand. Finally, the high interest rate charged by commercial banks makes it difficult for them to take loans to aid their businesses. They are left to seek credit from non-institutional sources like relatives and friends. This credit market is small and as such not able to meet their needs.

In an attempt to alleviate this problem, a rural credit department was established at the Bank of Ghana. Currently, there are hundred and thirty-seven (137) registered rural banks dotted in the ten regions of Ghana (Bank of Ghana, 2013). However, based on casual observations, many of the rural bank credit recipients are for the most part salary earners whose probability of defaulting is seen as moderately low not at all like that of the little scale rural producer.

It is therefore necessary to analyze the benefit incidence of rural bank credit on rural dwellers and the development of rural areas as a whole. The questions to address are; what income category of the clients do receive credit from the rural bank, do the poor rural farmers benefit from credit, how much do they receive, is the approved credit used effectively in agreement with the purpose for which it was applied?

1.3: Objectives of the Study

The general objective of the study is to seek empirical evidence to do a benefit incidence analysis of rural bank credit using Amenfiman Rural Bank Limited (ARB) in Amenfi Central District in the Western Region.

The specific objectives are;

- To find out the various types of credit facilities provided by Amenfiman Rural Bank limited to its customers in the Amenfi Central district.

- To find out which income category of the clients benefit more from rural bank credit.
- To determine whether the rural farmers benefit more from rural credit and how much they receive.
- To find out the credit delivery challenges confronting Amenfiman Rural Bank in the Amenfi Central District.

1.4: Justification of the Study

The rural parts of the economy of Ghana are mostly left out in the macroeconomic interventions that are being introduced by our policy makers; bearing in mind that these rural dwellers form a huge part of the Ghanaian population and are responsible for the production of the bulk of the nation's agricultural output. It is therefore imperative to make sure that institutional credit extends to rural dwellers to raise their standard of living which will in turn help to develop those areas. It was for this reason that the Bank of Ghana established the Rural Banking system in the 1970s.

Hence, it is significant for researchers to find out if the establishments of rural banks have really benefited the lives of the rural poor in Ghana. Also, it is visualized that the result of this study would help to create an awareness of the major beneficiaries of rural bank credit.

1.5: Scope of the Study

The scope of the study was limited to finding out if the credit mobilized by Amenfiman Rural Bank Limited in the Amenfi Central district really benefit the rural poor and to ascertain whether the bank is able to give credit to all income categories of the rural population without any form of favoritism. Also, the study will be limited to randomly selected clients and staff of the bank.

1.6: Limitations of the Study

There are many Rural Banks established across the rural areas of Ghana which could have been included in the research. However, the limited time set for conducting the study and financial constraints on the part of the researcher made it very difficult to conduct an extensive study that included a number of rural banks and rural communities in the country. Hence, a manageable study area was selected to ensure meaningful results from the study.

Also, financial constraints posed difficulty in interviewing so many rural inhabitants considering the clients of the selected bank are scattered over a large area.

Similarly, because of the location and dispersed nature of the respondents and the fact that the study was conducted within a timeframe of two months, the distribution and collection of questionnaires was quite cumbersome.

It was found in the study that 63.2% of the respondents were males whilst the remaining 36.8% were females. The significant difference between the distribution for male respondents and female respondents implies that the study might be male bias.

1.7: Organization of Study

The study is structured into five chapters. Chapter One consists of the background to the study, the problem statement, objectives of the study, research hypothesis, justification of the study, scope of the study, and limitations of the study.

Chapter two reviews existing literature (both theoretical and empirical) related to rural banking and rural development.

Chapter three contains the methodology. The methodology consists of the research design, data source/sampling/sample size, data collection procedure/analysis, model specification and the profile of Amenfiman Rural Bank.

Chapter Four deals with data presentation, analysis, and discussion of the main findings and the final chapter which is the chapter five concludes the study with summary, conclusion and recommendations.

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CHAPTER TWO

LITERATURE REVIEW

2.1: Introduction

This section of the study reviews literature on rural bank credit and rural development. It is argued that countries with well-developed financial systems are in a better position to exploit growth opportunities. Despite the theoretical justification provided by these arguments on the widespread government intervention in the banking sector, evidence on the success of such interventions in promoting rural development remains limited.

2.2 Theoretical Review

This section of the paper reviews existing literature and theoretical works related to the topic.

2.2.1: Evolution of the Rural Banking System

The history of rural banking and the main purpose of its establishment were traced by Bill Ganzel (1992) of the Ganzel Group. It was found out that farmers required credit, that is, advances with a specific end goal to fire up, grow and get by in the agricultural economy. In the late 1940s, a mind boggling arrangement of credit organizations powered great times on the farm. Two sorts of credit were needed by rural dwellers. To start with, they required long haul advances to purchase land and machines. Second, they needed short-term advances to purchase the "inputs" they need to cultivate every year. They require cash to purchase seed, manure, herbicides, pesticides and other generation things. Individuals and local businesses were the source of credit for farmers and the rural dwellers in general prior to the formulation of banks.

Neighbourhood affluent individuals or relatives would frequently loan cash to agriculturists beginning up or extending. Actualize and markets would convey agriculturists on their books until the products come in. In 1930, very nearly 60% of ranch obligation was owed to people

and neighborhood organizations. Banks then turned into the most evident wellsprings of credit for agriculturists after they were built up. Amid the 40s, most rural banks were locally owned and operated.

Now, focusing on the local scene, some 32 years ago, the rural banking idea was invented by the Bank of Ghana when it opened a dialog with the Ministry of Finance about what was called junior league of banking institutions to serve the special needs of the provincial populace in Ghana. The customary authorized banking institutions at the time were all organized equipped and managed as city-focused establishments with their client base generally in the import/export business and in the mining sector. It then got to be important to bring the rural populace into the banking system under tenets intended to suit their socioeconomic circumstances (Bawuah, 2011).

According to the Bank of Ghana (2008), there are currently over 137 rural banks dotted in the ten regions of Ghana. In 1976, rural banks were first established in Ghana with the first being in Agona Nyakrom in the central region to provide banking services to the rural dwellers, provide credit to small-scale farmers and businesses and to support development projects. Several others were established in rapid succession, and by 1984 the number of Rural/Community Banks (RCBs) got to 106. However, by the early 1980s, there was a decline in the financial performance of many RCBs for several reasons which includes a drought in 1983, conflicts within boards of directors, weak governing ability, and ineffective management in many RCBs. Several reforms were undertaken to control the deteriorating situation by the BoG. Such reforms included the limiting of exposure to risky sectors, closing distressed banks, training was offered to RCB managers and boards of directors and supervision was strengthened.

The Government of Ghana, between 1989 and 1994, implemented the Rural Finance Project with the support of the World Bank targeted at providing support to the RCBs.

Despite all the effort, the BoG still had to liquidate 23 RCBs in 1998 upon realizing they remained weak. A follow up project named the Rural Financial Services Project was implemented between 2001 and 2007 by the Government of Ghana, with the support of the World Bank and other donors to help strengthen the RCBs further. Extensive training was provided by this project to RCBs and supported the establishment and strengthening of the ARB Apex Bank. On the 4th of January, 2000, the ARB Apex Bank was incorporated as a public limited liability company. Rural and Community Banks act as the shareholders of the ARB Apex Bank. It had its certificate to commence business on 1st November, 2001 and has outlets in all the ten regional capitals of Ghana and Hohoe.

2.2.2: Structure and Performance of Rural and Microfinance Industry.

Indeed, the microfinance concept is not new in Ghana. People used to save and/or take small loans from groups and individuals. For example, available evidence suggests that in 1955, the first credit union in Africa was established in Northern Ghana by Canadian Catholic missionaries.

Then again, Susu, which is one of the microfinance plans in Ghana, is thought to have started from Nigeria and spread to Ghana in the early twentieth century (Asiama and Osei, 2007). The microfinance part has flourished and advanced throughout the years into its present state. This is credited to the different money related division strategies and projects that were undertaken by diverse governments since Ghana gained independence. Among such strategies are:

- Provision of sponsored credits in the 1950s;

- Establishment of the Agricultural Development Bank in 1965 particularly to address the budgetary needs of the fisheries and rural division,
- Establishment of Rural and Community Banks (RCBs), and the presentation of regulations, for example, commercial banks being required to set aside 20% of aggregate portfolio, to elevate loaning to agribusiness and small scale commercial ventures in the 1970s and mid 1980s;
- Shifting from a restrictive financial sector administration to a more flexible administration in 1986;
- Promulgation of PNDC Law 328 in 1991 to permit the foundation of diverse classes of non-bank money related establishments, including savings and loans companies, and credit unions.

The microfinance institutions operating in Ghana fall into three broad types which emerged as a result of the aforementioned policies. These include:

- Formal suppliers: are microfinance institutions incorporated under the Companies Code 1963 and licensed by the Bank of Ghana under either the Banking Act, 2004 (Act 673) or the Financial Institutions (Non-Banking) Law 1993 (NBFI Law) to provide financial services under Bank of Ghana regulation. Such institutions are the rural and community banks, savings and loans companies, as well as some commercial and development banks.

Under the Banking Law, the Rural and Community Banks (RCBs) operate as commercial banks, except are not permitted to undertake foreign exchange operations, their client base is drawn from their local areas of operation, and they have a significantly lower minimum capital requirement.

- Semi-formal suppliers: are the Credit unions (CUs) and Non-Governmental Organizations (NGOs). Semi-formal suppliers are not licensed by the Bank of Ghana although they are legally established. NGOs are legally established as non-profitable companies under the Companies Code. Their emphasis on neediness drives the vast majority of them to give different services to poor customers, including micro credit, however for the most part on a constrained scale. They are restricted to use external (usually donor) funds for micro credit as they are not licensed to take deposits from the public. Credit Unions are enlisted by the Department of Cooperatives as agreeable thrift societies that can take deposits from and offer advances to their members.
- Informal suppliers: comprises of susu collectors, rotating and accumulating savings and credit associations, traders, moneylenders and other individuals. Moneylenders should be authorized by the police under the Moneylenders Ordinance 1957. The commercial banking system is overwhelmed by a few major banks (among the 17 total) and reaches around 5% of households, the greater part of which are most of which are excluded by high minimum deposit requirements. With 60% of the cash supply outside the commercial banking system, the RCBs, S&Ls, and the semi-formal and informal monetary frameworks assume an especially essential part in Ghana's private sector development and destitution reduction procedures.

2.2.3: Definition of Rurality

Moseley (1979) said that “There is no unambiguous way of defining „rural areas“.” The definition will depend on the context of the study. Rousseau (1995) performed a study to look into the definitions of rurality in a health context as used by several researchers. Some researchers differentiate between rural from urban areas using population density. Hence, an area with a relatively low population density is classified as rural by those researchers. Calculating population densities is regarded as relatively easy, and correlate well with more

complex definitions. The downside of using population densities is that they speak to normal figures and may be adjusted by the presence of a town inside an essentially rural area. On the contrary, some inner city ranges with a high extent of business premises might really have low population densities. Henceforth, including a populace limit definition may be suitable.

In this methodology, an identification area which is not a portion of a town of a sure size (say, a populace of 5000 or less) is characterized as provincial or rural. In any case, meanings of rurality by populace thickness give little data about the way of rural groups.

According to Haynes and Bentham (1982); Trent RHA (1991), definition of rurality can also be dependent on the remoteness from major centres of population. The degree of remoteness has an effect on access to secondary services as hospitals tend to be in larger towns. Nicolette Rousseau (1995) then concluded that „rural“ does not imply a wide range of communities but not a single community: affluent, deprived, agricultural, industrial, stable, mobile, and so on. She added that choosing one feature to capture the essence of rurality is difficult. Thus, researchers are advised to choose a definition of rurality most suited to the subject matter of the study.

According to Kudiabor (1974), the Government of Ghana defines “rural” to be a village of 5,000 inhabitants or less and that most Ghanaian villages fit into this definition. There are two popular misconceptions about rural populations and examining individuals and households in rural areas and what they engage in helps to dismiss such misconceptions.

Firstly, there is a belief that rural households are all bound up with agriculture. To the contrary, there is diversity in what rural households do and in the relative significance of what they do for their incomes. It is undeniable that a large majority of rural households engage in some agricultural activity, but many also obtain a huge part of their income from off-farm activities and from migration.

Secondly, the belief that what determines a household's success in moving out of poverty depends on the types of activities they pursue is also another misconception. There is a parallel dualism in the labour market between high-skill and low-skill jobs, and between migrations with high and low returns. Diversification is therefore not always a sign of success.

It therefore makes sense for the purpose of this research to use population definitions of rural areas and to consider those economic activities that are significant to the inhabitants of the defined rural areas. Similarly, it is significant to recognize that there will be other people who work outside the rural areas but are living in the defined rural areas.

2.2.4: The Concept of Rural Development

Rural development in general is used to describe the actions and initiatives taken to improve the standard of living in non-urban neighbourhoods, countryside, and remote villages. As portrayed in the definition above, the definition of rural development changes from one point of view to the other. Income criterion concept can be used as basis to address the problem of rural poverty. It can also be defined in a sociological concept in which the rural poor represent a pool of untapped talent that deserves the opportunity to enjoy improved education, health and nutrition through development (Yahia, 2011). The provision of social infrastructures is viewed as one of the most significant definitions of rural development as they can serve as catalyst to help transform the rural areas.

Rural development may also be viewed as an ideology and a practice. It may mean planned change by public agencies such as the national Government and International organization. A clear example is when the government of Ghana through the Bank of Ghana established the rural banking system in the 1970s when they realized the rural communities were lacking institutional credit. We can also talk about the cocoa mass spraying programme instituted in 2001 by the Ghana Cocoa Board (COCOBOD) in consultation with government to support

cocoa farmers to eliminate cocoa diseases and help increase production. This went in a long way to improve the living standard of the rural dwellers as the increase in production of cocoa meant an increase in income (Ghana Web, 2014).

Thus, improving the standard of living of rural dwellers by getting them involved in productive activities like the establishment of rural industries which will go a long way to increase their income defines rural development. By doing this, the rural poor will have their sustainable living raised and their full potentials developed.

2.2.4.1: Rural Banking and Rural Development

Financial services are regarded as a key productive resource if the rural poor are to be able to improve their living standard. The poor are for the most part rejected from the financial services sector of the economy (Littlefield and Rosenberg, 2004). Accordingly, bigger institutional wellsprings of credit should be made so as to accomplish a smooth pace of country advancement. This is the real motivation behind why the Bank of Ghana built up its rustic bank division.

Rural banking entails the provision of financial services and the management of funds through a range of products and a system of intermediary functions that are targeted at both low and high income clients. The scope of products includes savings, insurance, money transfer services and other monetary products and services. Rural banking is along these lines one of the fundamental dimensions of the wide scope of financial tools for poor people, and its expanding role in provincial development has radiated from various key factors that include:

- The fact that the poor need access to sufficient institutional credit, to enable them finance their economic activities in order to adopt new technologies and farming methods;

- The poor have the capacity to use loans effectively to generate income, to save and repay loans has been realized;
- The realization that very little or no services have been given by the private banks to low-wage individuals, causing a high demand for credit and savings services amongst the poor.
- The view that microfinance is suitable and can become sustainable and accomplish full cost recuperation;

The Association of Rural Banks (1992), sketched out the accompanying as the aims of rural banks:

- a. To encourage banking habits among rural inhabitants;
- b. To assemble assets locked up in the rural areas into the banking systems to smooth development; and
- c. To recognize viable ventures in their separate catchment for investment and development.

In order to ensure that the small scale rural producer and the rural community as a whole benefits from bank credit, the Bank of Ghana designed rural bank lending operations.

In spite of the fact that microfinance is not a panacea for poverty reduction and its related development challenges, there is expansive agreement among the educated community and policymakers that when appropriately managed, microfinance can for sure make economical contributions through financial investment prompting the strengthening of individuals, which thusly promotes confidence and self-regard, especially for women.

2.2.5: The Concept of Credit

Credit basically includes any form of deferred payment. It is the trust which allows a borrower to receive something of value now and agree to repay the lender at some later date. The resources provided may be financial (e.g. granting of loan), or they may consist of goods or services. When a credit card is used by a consumer to purchase something, the consumer is buying on credit as he/she will receive the item at that time, and pay back the credit card company month by month.

Credit does not necessarily require money. In the barter economy where there is a direct exchange of goods and services, the concept of credit can also be applied. It is necessary to note that the transfer of resources from those who own it to those who wish to use it is made at a cost known as interest. The interest charged is dependent on the risk associated with what the will be used for and also with the demand for, and supply of, credit.

2.2.5.1: Sources of Credit

Banks and cooperative societies form the formal sector of credit. Moneylenders, traders, relatives, landlords, friends and family constitute the informal sector of credit. The formal sector has the capacity to provide only marginally more credit than the informal sector at the present time. The credit activities of the formal sector are supervised and regulated by the Central Banks of the individual countries. In the informal sector there is no supervisory body. Profit with much higher interest rate drives the credit activities of this sector.

There were four major sources of credit in the 1940s which includes individuals and local businesses, life insurance companies, banks and the federal government. (Bill Ganzel, 2001). Evolution in the financial system means a significant increase in the major sources of credit:

2.2.5.1.1 Commercial Banks

Commercial banks make credit to borrowers who are in a decent position to not default. Credit are the offer of the use of cash by the individuals who have it (banks) to the individuals who

need it (borrowers) and are willing to pay a value (interest) for it. Several types of loans are offered by banks to their customers. They include consumer loans, housing loans and credit card loans are offered by banks.

2.2.5.1.2: Credit Unions

They are not-for-profit associations set up to serve individuals who have some sort of common bond. Credit unions as a rule give better terms on savings and loans than commercial institutions because of their not-for-profit status and lower expense of operation. Credit unions not at all like commercial banks for the most part require less rigorous qualifications and give speedier service on loans or savings and loans.

2.2.5.1.3: Savings and Loans Associations

Savings and Loans institutions specialize in long-term mortgage loans on houses and other real estate. In the present time, Savings and Loans Associations offer personal installment loans, home improvement loans, second mortgages, education loans and loans secured by savings accounts.

They usually lend to creditworthy people and collateral may be required. The amount borrowed, the payment period, and the collateral offered all have an impact on the loan rate charged.

2.2.5.1.4: Life Insurance Companies

Insurance agencies will more often than not permit you to obtain up to 80 percent of the collected money estimation of an entire life (or straight life) insurance strategy. Loans against a few policies don't need to be repaid, however the loan balance lingering upon your demise is subtracted from the sum your beneficiaries get. Reimbursement of at least the interest bit is imperative, as aggravating interest works against you. Life insurance organizations charge lower loan costs than some different moneylenders in light of the fact that they take no risks

and pay no accumulations costs. The loans are secured by the money estimation of the arrangement.

2.2.5.1.5: Family and Friends

Relatives can sometimes be your best source of credit. In times when money is needed urgently when institutional sources are not available, family and friends act as the source of credit.

2.2.5.1.6: Individual Money Lenders

They are individuals who are willing to lend their surplus to those in need so that it will bring some income to him/her in the form of the interest charged. Individual money lenders do not require any collateral in order to lend to borrowers. The money lenders usually charge high interest rate above the legal one.

2.2.5.2: Bank Credit

It is the amount of credit available to an individual or company from the banking system. In other words, a bank loan is an extension of credit by a bank to a customer or business; it has to be paid along with interest.

An individual or a company's bank credit depends on both the borrower's capacity to repay and the overall amount of credit available in the banking system. Over the past 50 years, bank credit for individuals expanded enormously.

Financial institutions contribute to economic growth by channeling surplus resources from savers to borrowers/investors. Basically, banks grant three types of loans namely, consumer loans, commercial and industrial loan, and mortgage loans. Consumer loans are loans offered to individuals to purchase goods or services. Consumer loans come in two forms namely, closed-end credit and open-end credit. Closed-end credit loans are loans fixed amount of money, for a fixed purpose, and for a fixed period of time (usually not more than five years). They are mostly referred to as installment loans because they must be repaid in equal monthly

installments. The item the loan was used to purchase then serve as collateral for the loan. Commercial and industrial loans are loans offered to business or industrial organizations. These are primarily short-term working capital loans or transaction or longerterm loans. Mortgage loans or real estate loans are loans used to purchase land or buildings. These are typically long-term loans and the interest rate charged can either a variable or a fixed rate for the term of the loan, which often ranges from 15 to 30 years. The land and buildings purchased serve as the collateral for the loan.

Bank loans have the following characteristics:

- It can be either secured or unsecured depending upon the circumstances.
- Fixed or variable interest may be charged on such loans by the bank.
- If the loan obtained is a mortgage loan, the borrower has to pay a number of fees such as title searching fees, application fees, inspection fees, etc.

2.2.5.3: Rural Credit and the Need for Rural Credit

Cheaper credit is essential for development in a country. Ghana is a country of villages, the bulk of these villages have very poor socio-economic conditions. Ideally, the credit needs of rural poor should be met by commercial banks or other specialized financial institutions that operate in the national mainstream of a country. Livelihoods of rural dwellers rely on farming and other small-scale businesses. They borrow money to buy seeds, fertilizers, other implements. Money lenders and traders exploit the poor farmers. These informal sources of credit lend money on high rate of interest and borrowers mostly find themselves in a debt trap. Hence, there is the need for proper basic infrastructure as well as financial assistance by providing productive resource through credit and subsidy.

A proper rural market must be in place in order to develop, price, promote and distribute rural products and services to satisfy consumer needs and achieve national objective of bridging the gap between the rural and urban centers of the country.

2.2.5.4: The Cost of Credit

Acquiring credit from either one of the formal or informal sources of credit is always done at a cost. The price of money obtained in the form of a loan is the interest rate. The interest rate charged on loans is a significant factor in the long-term sustainability of a credit programme. Desai and Mellor (2002) debate that in developing countries the demand for rural credit expands or contracts depending on the interest rate charged at that period of time. At a high interest rate, farmers tend to borrow less which will negatively affect rural productivity.

The Ghanaian financial sector has been growing rapidly. However, the cost of credit has been incessantly high, which stifles the level of investment and economic growth.

In a paper written by Dr. J. K. Kwakye (Institute of Economic Affairs) on financial intermediation and the cost of credit in Ghana, he mentioned that the country is witnessing high cost of credit as a result of competitive government borrowing. He also said that the high cost of credit is because of structural inefficiencies in the banking sector which lead to a higher operational cost. There is then the need to reduce government borrowing by entrenching fiscal consolidation and improving managerial practices in the banking industry to make it more efficient.

2.2.5.5: Distribution of Credit

In the context of liberalization, banks' sectorial lending preferences and the low access to credit by the private sector and the agricultural sector in particular represent a market failure in the financial sector of the Ghanaian economy. Most of the population of rural areas is poor and needs financial assistance in the form of credit. However, research indicates that bank credit is

skewed in favour of those living in the urban areas. There is a need to ensure availability of affordable credit for small-scale and informal private enterprises and for the agricultural sector. Rural banks were established to serve this purpose.

The concept or the idea behind the establishment of rural banks is to encourage banking habits among rural household and mobilize rural savings for agriculture, fishing, forestry and other agro-based industries. However, the rural banking system is subjected to constraints that hamper its ability to work effectively.

The issue of loan defaults resulting in losses makes the rural banking system unprofitable. This is caused by inadequate borrower identification, inadequate credit reference on borrowers, inadequate loan recovery mechanisms, poor project management skill and poverty. Banks blame inadequate borrower identification and credit reference as important contributors to loan defaults (Kwakye, 2012). Also, the high cost of funds in the country means banks are compelled to charge high lending rates. Other factors like Treasury bill rate, borrower default risks, reserve requirement costs, and others influence banks' lending rate.

2.2.6 The Concept of Benefit Incidence Analysis

Huge emphasis has been placed on the significance of providing rural credit as a means of raising the standard of living of the rural poor. However, whilst rural banks provide sufficient institutional credit to rural folks, the level of poverty in the rural areas is still high (Ajai Nair and Azeb Fissha, 2010).

It is therefore imperative to evaluate the performance of the credit delivery component of rural banks to determine: Who, in terms of socio-economic groups, is receiving credit from rural banks? Are the credits issued being used for the purpose upon which it was borrowed? What approach do rural banks use to ensure the credits are used just as it was stated in the business

plan of the customer? Benefit incidence analysis is a tool that helps to find answers for those questions.

Benefit incidence analysis is a technique that has been utilized conventionally to examine the distributional effect of government spending, all the more particularly the degree to which government subsidies benefits the diverse socio-economic groups. The hidden reason of such investigations is that government funds, and the services provided with these funds, ought to lopsidedly advantage the lowest socio-economic groups and a benefit incidence analysis is conducted to survey whether government spending is in fact 'pro-poor' or not. This presupposes public spending ought to promote efficiency through redressing for diverse market failures, furthermore promote value by enhancing the distribution of economic welfare (Van de Walle 1995).

Limiting the idea to the context of this study, benefit incidence analysis was used to determine if rural bank credit reaches the rich before reaching the poor. The poor often have limited access to credit that could enable them to escape poverty; rural banks are expected to target the provision of credit to the poor. There is an anecdotal evidence that rural banks favour giving credit to salary earners on government payroll than the ordinary rural dwellers. But that should not be the case because the standard of living of rural dwellers will not improve if only some particular group of people is always targeted. Hence, institutional credit must be transferred to all categories of rural producers as long as they are able to present a good business plan.

2.3: Empirical Review

Ajwad and Wodon (2001) in their research used single cross-sectional data to determine who benefits from increased access to public services at the local level by performing a marginal benefit incidence analysis for education and basic infrastructure. Their work indicated that the marginal benefit incidence is higher (or at least not systematically lower) for the poor than for

the nonpoor in education, but the same could not be said for many basic infrastructure services. More generally, the poor seem to gain access only once the nonpoor already have high levels of access. They then suggested that pro-poor policies must be implemented if the poor are to reap the benefits of gains in access faster.

Obeng (2008) did a study to examine the impact of rural banking on rural farmers in Ghana using regression analysis as the major statistical tool to analyze the data collected. He discovered that all the farmers at Abokobi rural area do save their monies at the financial institutions. Also, he found out that the higher the interest rate, the lower the demand for loans. In addition, he realized higher interest rates cripple rural farmers. Furthermore, higher interest rates tend to have an adverse effect on the development or growth of farming or businesses in Ghana since they depend very much on availability and accessibility to funds at reasonable or favourable rates.

By using both primary data and secondary data in terms of annual reports of Atwima Kwanwoma Rural Bank and simple tables showing percentages, frequencies, cross tabulation, pie charts and bar charts for the analysis, Adjare (2009) investigated the impact of bank credit on rural development. The study found out that the rural bank provides about seven types of credit facilities to its customers and for the four year period in which the study was conducted, the bank increased its loan portfolio to customers by about 214%. The study also ascertained that the loans granted by the bank have impacted positively on the community in terms of development. Respondents had witnessed improvement in their income levels, standard of living, and employment.

Boadu (2009) also did a study to assess the impact of microfinance on poverty alleviation. The data gathered through questionnaires and interviews were analyzed using the Statistical Package for Social Sciences (SPSS). It was established from the results of the study that

microfinance alone does not alleviate poverty. The study also found out that the poorest of the poor were not reached as they were seen as highly risky.

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CHAPTER THREE

RESEARCH METHODOLOGY

3.1: Introduction

This section of the research discusses the methodology used to gather and investigate all the necessary data to draw conclusions. The discussion includes research design, population, sample and sampling techniques. It also discusses the instruments used in the data collection, procedure for collection of data and the method for analysis of data.

3.2: The Research Design

In this study, the research design used is the descriptive design. It involves the collection and analysis of data, and drawing out the answers regarding the present status of the subject. Thus, analyzing the rural bank's credit to find out who benefits more. Is it the rural poor or the rural non-poor? The study is a case study of Amenfiman Rural Bank limited and it is both quantitative and qualitative in nature.

3.3: Data Source/Sampling/Sample Size

Data from only a single cross-section survey was used for the study. Basically, primary and a few secondary data were used by the researcher. Variables used in the study were clients, bank credit and income level. Stata software is used as the main econometric software. Due to the limited time used to conduct this research and the limited budget, it is necessary to use a small but measurable sample size in order to yield good results. The study area is sparsely distributed and as such the convenient sampling technique was used to select the clients who participated in the study.

Also, below is the formula by Slovin (1960) used to calculate the sample size out of the total clients of the bank within the Amenfi Central District.

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

Where n = sample size, N = total population, e = error level (usually taken as 5%).

Based on this formula, a sample size of 200 was calculated from the total population of 400 clients.

3.4: Data Collection Procedure/Analysis

Clients of the Amenfiman Rural Bank were targeted for the research as they are involved in the main economic activities in the area. The major data gathering instrument to be used to collect the primary data is a questionnaire with a specific end goal to get a standard type of response is a questionnaire. It was self-administered and respondents are going to be guided to answer questionnaires. To accurately collect the data, a structured questionnaire was used to collect the data by applying the face-to-face method (where questions were read for them to answer) for the clients and again for the purposefully chosen staff of Amenfiman Rural Bank. In order to find further information to support the primary data gathered from the field survey, annual report from the bank and information from the bank's brochures were used as sources for the secondary data. Tables and graphs were used to analyze the data collected.

3.6: Econometric Framework

3.6.1: Model Specification

Following Lanjouw and Ravallion (1999) and Ajwad and Wodon (2001), consider a bank with $i = 1, \dots, N$ credit facilities, and a number of beneficiaries (clients). The clients are ranked and assigned to one $q = 1, \dots, Q$ income intervals. The intervals are defined within each occupational group. For the purposes of this study, x_{ij}^q represents the benefit incidence of each credit facility in every client j belonging to interval q and assigned to a particular occupational group i . The benefit incidence measures the share of clients with access to the credit facilities at

Amenfiman Rural Bank. The mean benefit incidence in interval q for clients assigned to a particular occupational group i is denoted by X_i^q whilst the mean of the overall occupational group is represented by \bar{X}_i .

Also, let J_i^q represent the total amount of credit received by clients in interval q belonging to a particular occupational group i , respectively the two means are hence shown below:

$$\frac{\Sigma}{\Sigma} \quad (1)$$

$$\frac{\Sigma}{\Sigma} \quad (2)$$

$$\bar{X}_i = \frac{\sum_{q=1}^Q \sum_{j=1}^{J_i^q} X_{ij}^q}{\sum_{q=1}^Q J_i^q} \dots \dots \dots (3)$$

Equation (1) measures the share of credit that was received by the clients belonging to a particular occupational and belonging to a specific income interval.

Also, equation (2) measures the share of credit received by clients belonging to a specific income interval across the four occupational groups used in the study.

Lastly, equation (3) measures the overall benefit incidence of the occupational groups. In other words, it measures the share of credit that went the various occupational groups out of the total credit disbursed by the bank.

3.7: Profile of Amenfiman Rural Bank (ARB)

Amenfiman Rural Bank Limited was the first Rural Bank set up in the western region and the fourth in Ghana in 1980. The motivation behind its foundation was to give fundamental banking services to provincial and peri-urban locations in which it operate. The bank got its authentication to begin business in May 1980 and was authorized under the Banking Act 2004 (673) to take part in the customary business of banking. It was incorporated under the Ghana organizations code 1963 (Act 179). They as of now have eleven branches over a few towns, to be specific, Akropong (Headquarters), Bawdie, Asankrangwa, Tamso, Manso Amenfi, Prestea, Enchi, Samereboi and Dunkwa on Offin all in the western district. These branches are committed to mobilization of surplus funds from their separate catchment territories and diverting such finances into reasonable and beneficial financial endeavors. This is achieved by loaning to individuals and groups in all areas of the economy, furthermore to small and medium enterprises, subsequently creating wealth and reducing poverty simultaneously.

The vision of the bank is to be a main Rural and Community bank in Ghana giving significant financial services to its clients and situating itself as the most favored bank for each client, each worker and each shareholder. This, according to information on their website can be accomplished by doing precisely what is expressed in their core mandate which incorporates; accepting deposit, provide lending and cash management services and related financial services and support for enterprise growth.

The bank has created products like savings account, current account, investment accounts, loan products and funds transfer services both local and international that suit the needs of its customers.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1: Introduction

This study was conducted purposefully to ascertain which category of rural dwellers in the Wassa-Amenfi Central district do benefit from rural credit created by the Manso-Amenfi branch of Amenfiman Rural Bank Limited. This chapter, thus, covers the presentation and analysis of the data used in this research.

Out of the 200 sample size that was selected from a population of 400 for the study, a total of 144 returned completed questionnaire which represents 72% return rate.

4.2: Socio-Demographic Characteristics of Respondents

Table 4.1: Gender distribution of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
male	91	63.2	63.2	63.2
female	53	36.8	36.8	100.0
Total	144	100.0	100.0	

Source: field survey, 2015.

As depicted from Table 4.2.1, we see that 63.2% of the respondents are males whilst the remaining 36.8% are females. The significant difference between the distributions for male respondents and female respondents implies that the study might be male biased. However, the

gender biasedness has little or no significant implication on the results of the study. In other words, it will not render the benefit incidence analysis any less meaningful.

Table 4.2: Level of education of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
primary	35	24.3	24.3	24.3
JHS	37	25.7	25.7	50.0
SHS	8	5.6	5.6	55.6
Tertiary	17	11.8	11.8	67.4
none	24	16.7	16.7	84.0
A'Level	23	16.0	16.0	100.0
Total	144	100.0	100.0	

Source: field survey, 2015.

Table 4.2 shows that more of the respondents (25.7%) had junior high education. Also, 11.8% of the respondents are University, Polytechnic or Training College graduates whilst 24.3% and 5.6% had primary and senior high education respectively. Lastly, 13.9% had A'Level education and the remaining 16.0% had no formal education. We could also see that whereas only 12.5% had tertiary education, thus, a significant 87.5% were semi-literates and they form part of the bank's client base. Comparing the distribution of the various level of education of the respondents, there is no significant differences between them. Therefore, on the educational level front, the data presented in Table 4.2 is not bias and as such the results of the study will not be affected by it.

Table 4.3: Distribution of the occupation of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
farmer	36	25.0	25.0	25.0
Other Businesses	36	25.0	25.0	50.0
salary earner	36	25.0	25.0	75.0
Trader	36	25.0	25.0	100.0
Total	144	100.0	100.0	

Source: field survey, 2015.

Table 4.3 is showing the same frequency (36) as well as percentage (25.0%) for all the occupation groups. The researcher, in order to perform an effective and fair benefit incidence analysis and not be bias, made sure the sample size contains equal number of clients corresponding to each occupation group.

Table 4.4: Distribution of the income group of respondents.

	Frequency	Percent	Valid Percent	Cumulative Percent
below 100	9	6.3	6.3	6.3
100-500	45	31.3	31.3	37.5
501-1000	45	31.3	31.3	68.8
Valid above 1000	45	31.3	31.3	100.0
Total	144	100.0	100.0	

Source: field survey, 2015.

Table 4.4 shows that 9 of the respondents representing 6.3% earn below GH¢100. This category has different frequency as compared to the others because only respondents in the „farmers“ occupational group replied that they earn below GH¢100 monthly.

There is an equal frequency (45) and percentage (31.3%) representing those who earn from GH¢100-500, GH¢501-1000 and above GH¢1000 respectively. This was purposefully chosen in order to have the same number of respondents representing each income group in the four occupational groups accordingly.

4.3: Types of Credit Facilities Offered by ARB

The manager of ARB provided the various types of credit facilities granted by the bank to the clients of its catchment areas.

4.3.1: Commercial Loans

ARB offers this type of loan as a way of providing credit to well established and registered business entities rather than consumers. Such business entities include; hospitals and clinics, hotels, private schools, transport unions. Commercial loans offered by ARB has a turnaround time of 72 hours and no collateral or lien is obtained if the loan is less than or equal to GH¢ 20000.00. However, collateral is required to obtain a commercial loan if the loan is above GH¢ 20000.00. In both cases, two guarantors (Salary earners) are required and the repayment period is 12-60 months. Interest charged on commercial loan is 40%.

4.3.2: Microfinance Loans

This loan scheme is designed for registered and licensed microfinance institutions who seek to acquire credit for their micro-fin business. A beneficiary of this product must have operated account for three months. An interest rate of 40% per annum and a processing fee of 5% are charged.

4.3.3: Susu Loans

The Susu Loan facility is targeted to petty traders who are regular Susu contributors of ARB. Interest rate charged on this product is fixed and the individual receives double the size of his/her Susu contribution as loan. The trader must be an account holder and the account operation should be three months minimum. A processing fee of 5% is charged along with a per annum interest rate of 32%. Petty traders who seek to benefit from the Susu Loan facility must complete fully a loan application form, provide two existing salary workers as guarantors, one passport picture and must also provide valid national photo ID.

4.3.4: Personal Loans

ARB provides consumer loans to its customers for their personal (medical) family (education), or household (purchase of computer, refrigerator, etc) use. Personal loans of ARB are either secured or unsecured. It can be secured by using the asset purchase as collateral or by providing guarantor. The unsecured loans are advanced provided the customer has a good credit history and the ability to repay the loan from personal income.

Personal loans can either be given to salary or non-salary earners hence the interest charged is 30% or 32%.

4.3.5: Farmers Loans

This credit facility is targeted for farmers to obtain credit for commercial farming. Repayments are made in installment at a fixed interest rate with duration of 60 months maximum. The farmer must operate an account at ARB for six months minimum in order to be a beneficiary of this product. Also, two existing salary worker must be provided as guarantors as well as one passport picture. Farmers Loan application form that has been fully completed must also be submitted.

4.3.6: Funeral Loan

This product is designed to give loans to bereaved family that needs credit to complete their funeral. Funeral Loans are repaid after the funeral at a fixed interest and a processing fee of 5% is charged. The maximum amount to be offered to bereaved family as loan is GHC 5,000.00. Beneficiary of this product must be an account holder of ARB and must provide two guarantors (Salary earners).

4.3.7: Auto Loan

Also known as Car Loan is designed for institutions, companies, organizations and individuals who seek to obtain vehicles for their business. ARB provides 100% financing but 30% deposit as security. An interest rate of 30% per annum and a processing fee of 5% are charged on the loan.

4.3.8: Smart Loans

Controller and Accountant General's (CAAG) salary earners are the beneficiaries of this type of credit facility. Customer should be 18 years minimum and maximum 60 years on maturity of loan. A fully completed Smart Loan application form must be submitted with three most recent salary pay slips, one valid national ID card and one passport size picture.

4.3.8: Traders Helpline (Group Loan)

This product was designed to encourage small and micro enterprises to acquire loan to expand their businesses as well to encourage them to save. A minimum membership of five and a maximum of ten should form the group. Field officers of ARB visit the group members frequently to ensure that they undertake a viable income generating activity.

4.3.9: Overdraft Facility

This facility is approved by ARB to its customers to enable them withdraw an amount over and above the customer's account balance. Holders of current account are the only beneficiaries of

this product type. The branch manager also answered that the Group Loan is the most patronized credit facility and that loan requirements are processed within a maximum of five days.

4.4: Basic Considerations in Appraising Credit

The questionnaire that was prepared to elicit information from the bank requested that the manager should rank the basic considerations in appraising credit request by a customer. The ranking was done in ascending order from 1 to 5 with „1“ being the first to be considered and „5“ being the least to be considered in granting loans. The factors were ranked in order of importance to the bank by the manager of ARB as follows:

1. Ability to raise cash flow in order to repay loan
2. Relationship with other banks
3. Past financial performance
4. Sound credit history of customers
5. Collateral being offered.

The respondents were asked about what is requested by the bank in order for them to be granted loan. Their responses are presented in the table 4.4 below.

Table 4.5: Distribution of the Responses of difficulty in accessing credit.

	Frequency	Percent	Valid Percent	Cumulative Percent
Collateral	24	16.7	16.7	16.7
Guarantors	84	58.3	58.3	75.0
Pay slip and Guarantors	36	25.0	25.0	100.0

Total	144	100.0	100.0	
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Source: field survey, 2015.

From Table 4.5, the highest requirement needed to access a loan from ARB is providing guarantors representing 58.3%. In some cases, pay slip and guarantors must be provided. This is required specifically if the customer is on government payroll. 25.0% respondents replied the question in favour of pay slip and guarantors. Also, 16.7% of the respondents answered that collateral must be provided in order to access a loan.

Accessing a loan facility on the basis of collateral has the least percentage and it affirms the ranking as provided by the bank where collateral provision was ranked last. Also, the bank ranked the ability of a customer to raise cash flow in order to repay loan as the most important but a security must be provided on the loan. Thus, pay slip (if customer is on government's payroll) and guarantors must be provided to give some sort of security on the loan.

It was also imperative to find out if these requirements hinder the rate of loan application among the rural folks.

Table 4.6: Distribution of responses as to whether these requirements make it difficult to apply for credit from the bank.

	Frequency	Percent	Valid Percent	Cumulative Percent
yes	92	63.9	63.9	63.9
no	52	36.1	36.1	100.0
Total	144	100.0	100.0	

Source: field survey, 2015.

Table 4.6 indicates that majority of the respondents (63.9%) responded that indeed the requirements make it difficult for them to access loan from ARB. They went further to cite that sometimes people are reluctant to serve as guarantors. Also, 36.1% responded that the requirements do not really affect the rate of loan application.

4.5: Pattern of Loans Disbursed by ARB

4.5.1: Loans Disbursed to the Occupational Groups

The study was conducted mainly to determine which category of the rural dwellers of the Wassa- Amenfi Central district benefit more from the credit created by ARB. Hence, it was important to find out from the rural bank the pattern of its loan portfolio. In other words, to find out how much money was given to the occupational groups in their catchment area? Table 4.6 portrays the amounts of loans granted to the four major occupational groups used for the study over their three-year period ending December, 2014. Although the bank started its operation in the year, 2010, they could not give out loans in their first two years thus the data available were for 2012, 2013 and 2014.

Table 4.7: Loans disbursed to the categories of rural dwellers by ARB

Client Type	2012		2013		2014		Total	
	Amount (¢)	%	Amount (¢)	%	Amount(¢)	%	Amount(¢)	%
Farmers	56770	13.5	74960	11.8	129000	17.2	260730	14.4
Traders	32440	7.7	59535	9.4	90000	11.9	181975	10.1
Salary Earners	121650	28.8	178200	28.2	154600	20.6	454450	25.2
Other Businesses	210860	50.0	320355	50.6	377500	50.3	908715	50.3
Total	421720	100	633050	100	751100	100	1805870	100

Source: field survey, 2015.

Table 4.7 shows that in the year, 2012, total loan disbursed by ARB to its customers was GH¢421,720. Farmers received a total of GH¢56,770 which represents 13.5% of the total loans disbursed. In that same year, traders also received GH¢32,440 representing 7.7% of the total loans disbursed, whilst salary earners received GH¢121,650 representing 28.8% of the loans disbursed. Most of the loans provided in 2012 were given to the „other business“ category. They received a total of GH¢210,860 representing 50.0%. We can now conclude that in the bank’s first year of loan provision to the people of Wassa-Amenfi Central, salary earners received more of the loans provided as compared to farmers as well as traders. A difference of 15.3% and 21.1% is found between loans given to salary earners and farmers, and traders respectively.

Secondly, in the year 2013, table 4.9 depicts that ARB gave out GH¢633,050 as loans. The bank recorded an increase in loans disbursed to all occupation groups. Farmers received GH¢74,960 representing 11.8% of the total loans given in, 2013, traders on the other hand, received GH¢59,535 which represents 9.4% of the total loans provided by ARB whilst salary earners were given a total of GH¢178,200 representing 28.2% of the total loans disbursed.

The remaining 50.6% went to people in the other businesses category. We can deduce from the information provided for the year 2013 that salary earners still received more than farmers and this time around the difference is quite significant. A difference of 16.4% is found as the gap between loans provided to salary earners and farmers which is 1.0% more than the difference in 2012. Percentage of loan given to traders trail that of salary earners and farmers by 18.8% and 2.4% respectively. It must also be noted that in both years (ie. 2012 and 2013), traders receive less as compared to the other three occupational groups.

Lastly, in the year 2014, loans disbursed by the bank increased in all the categories except salary earners, who saw a decrease in the loan they received as compared to the previous year.

Even though salary earners received less in loans in 2014 than 2013, the amount they received is significantly higher than farmers who witnessed an increase in loans given to them as compared to the previous year. Salary earners were given GH¢154,600 in loans representing 20.6% of GH¢751,100 whilst farmers received GH¢129,000 representing 17.2% of the total loans disbursed. Also, traders received GH¢90,000 which represents 11.9% of the total loans provided by ARB in 2014. 50.3% of the loans disbursed in 2014 went to other businesses. In this scenario as well, salary earners received more than farmers and traders. They received 3.4% and 8.7% more than farmers and traders respectively.

Generally, table 4.6 shows that between the years of 2012 and 2014, a total of GH¢1,805,870 were given out as loan by ARB to its customers. Farmers received 14.4% of this amount which is GH¢260,730, traders received GH¢181,975 which is 10.1%, GH¢454,450 went to salary earners which is 25.2% and the remaining 50.3% was given to „other businesses“.

Figure 4.1 is a graphical representation of the loans disbursed by ARB in 2012, 2013 and 2014.

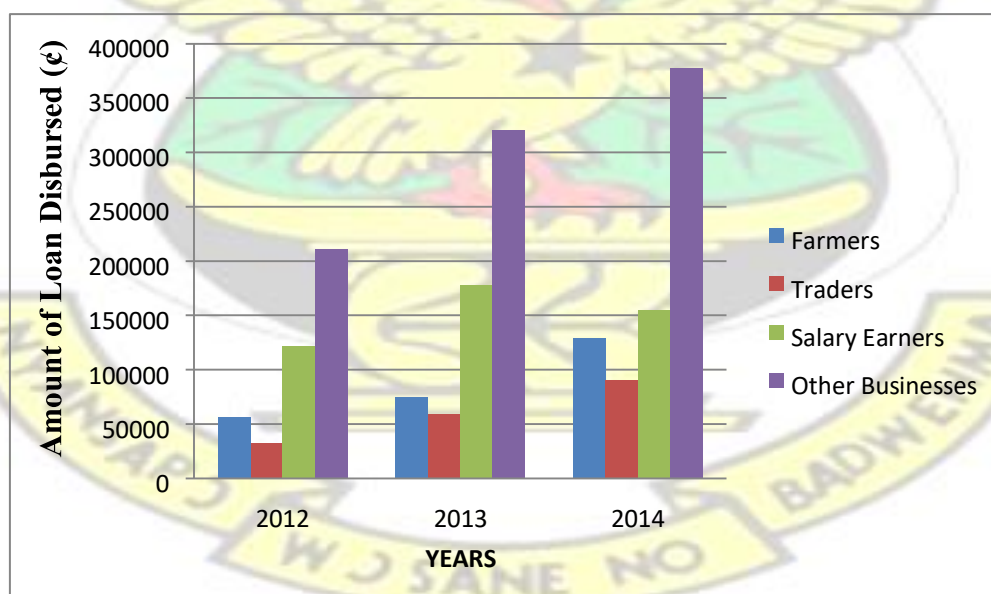


Figure 4.1: Loan Granted to Occupational Groups

It is evident from Figure 4.1 that although the bulk of the loan disbursed went to other businesses, salary earners received most of the credit disbursed by ARB between the years of 2012 and 2014 as compared to that given to traders and farmers.

4.5.2: Loans Disbursed to Income Groups

The researcher further analyzed the pattern of loan disbursement but this time using the data given by the clients of the bank. Table 4.8 shows the loan received by the income categories of all the four occupational groups from 2012 to 2014:



Table 4.8: Distribution of the amount received by respondents

Occupation Income Group(¢)	Farmers		Traders		Salary Earners		Other Businesses		Total	
	Amount(¢)	%	Amount(¢)	%	Amount(¢)	%	Amount(¢)	%	Amount(¢)	%
Below 100	17000	16.5	0	0.0	0	0.0	0	0.0	17000	3.6
100 – 500	19500	18.9	27000	22.1	36000	28.1	30000	24.9	112500	23.8
501 – 1000	28500	27.7	39500	32.4	38500	30.1	39000	32.4	145500	30.7
Above 1000	38000	36.9	55500	45.5	53500	41.8	51500	42.7	198500	41.9
Total	103000	21.8	122000	25.8	128000	27.0	120500	25.4	473500	100

Source: field survey, 2015.

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4.5.2.1: Analyzing the Amount Received by the Income Groups Within Each Occupation Group.

Firstly, Table 4.8 shows that a total of GH¢103,000 was received by farmers. Farmers who are in the highest income group (above GH¢1000) category had the most of this total amount. They received GH¢38,000 which represent 36.9% of the total amount that was received by farmers. Those within the „GH¢501-1000“ income group received a total of GH¢28,500 representing 27.7% of the total amount that went to farmers.

Table 4.7 also portrays that GH¢19,500 representing 18.9% of the total amount was received by farmers who are within the „GH¢100-500“ income group. Furthermore, farmers who earn the least in the study (ie. earn below GH¢100) received GH¢17,000.00 which represent 16.5% of the total amount received by farmers. Figure 4.2 is the graphical representation of this finding.

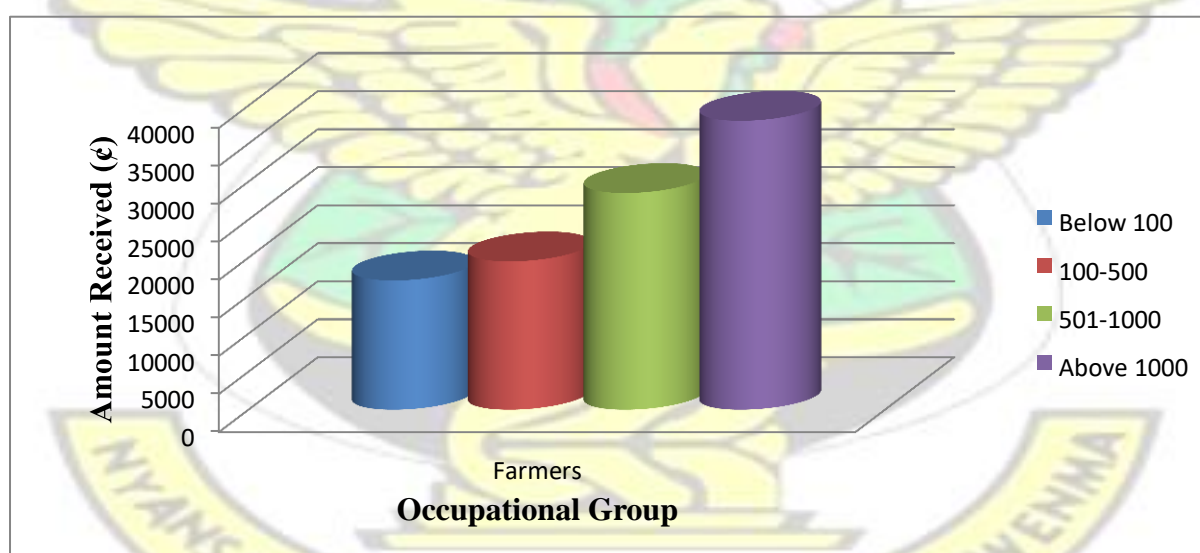


Figure 4.2: Pattern of Loans Disbursed to Farmers

Figure 4.2 shows that the amount received by the four income groups within the „farmers“ category is dependent on their income level. As the income group increases, amount received

moves up accordingly. The analysis signifies that the rich group of farmers received more than the poor farmers.

Secondly, Table 4.8 depicts that traders received a total of GH¢122,000. In this category, none of the respondents received a monthly income below GH¢100. Traders who earned above GH¢1000 received a total of GH¢27000.00 representing 22.1% of the total amount.

Also, 32.4% (GH¢39,500) of the total amount was received by traders who are in the „GH¢501-1000“ income category and the remaining GH¢55,500 representing 45.5% of the total amount went to traders who are in the „Above GH¢1000“ group. Figure 4.3 is the graphical representation of this finding.

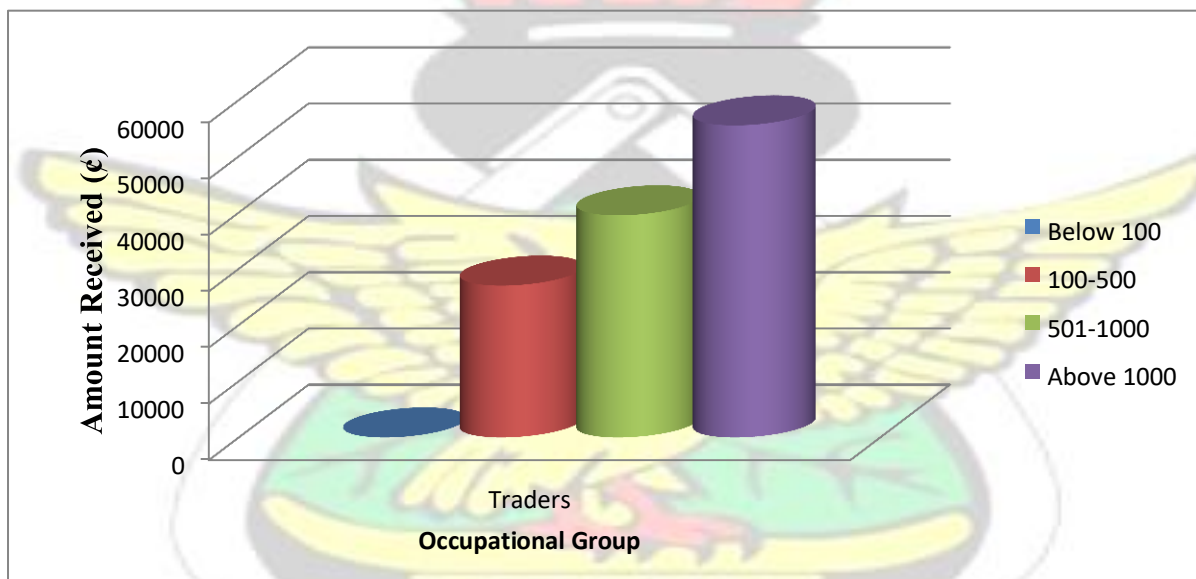


Figure 4.3: Pattern of Loans Disbursed to Traders

Figure 4.3 portrays a similar loan pattern to that of Figure 4.2. The amount received by the four income groups within traders is also dependent on their income level. As the income group increases, amount received moves up accordingly. The analysis once again signifies that the rich group of traders received more than the poor traders.

Thirdly, the researcher analyzed the pattern of loans received by respondents who are salary earners. From Table 4.8, salary earners received a total amount of GH¢128,000. We see that GH¢36,000 representing 28.1% of the total amount was received by salary earners who are in the „GH¢100-500“ income group, GH¢38,500 representing 30.1% also went to those in the „GH¢501-1000“ income group whilst the remaining GH¢53,500 representing 41.8% was received by respondents in the Above GH¢1000 income group. Once again, the high earners emerged as the major beneficiaries of the loans disbursed. Figure 4.4 is the graphical representation of this finding.

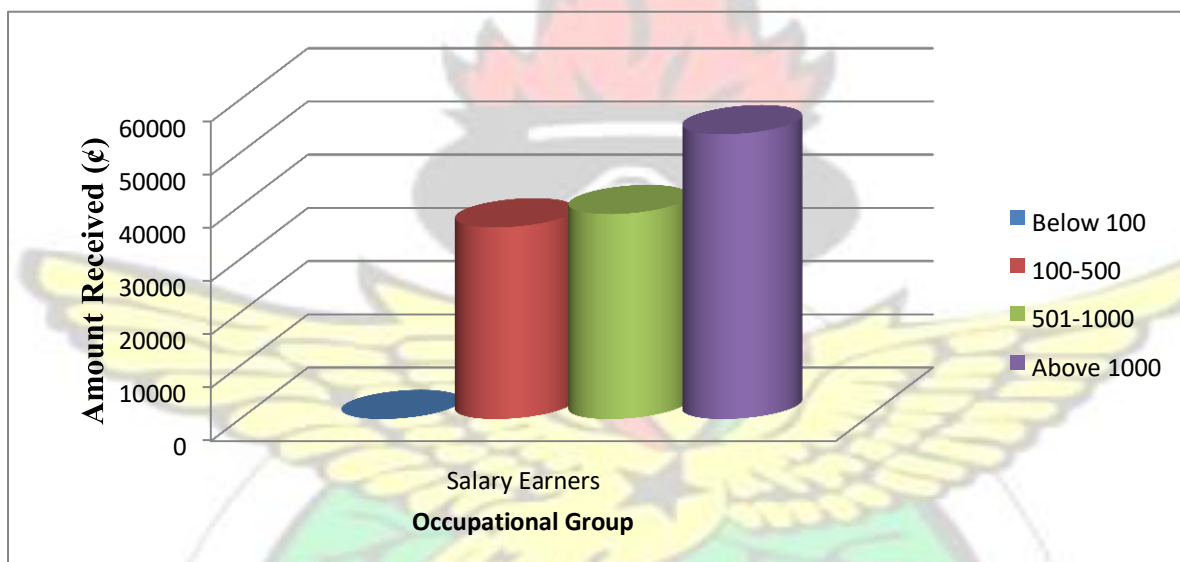


Figure 4.4: Pattern of Loans Disbursed to Salary Earners

Figure 4.4 portrays a similar loan pattern to that of farmers and traders. The amount received by the four income groups within salary earners is also dependent on their income level. As the income group increases, amount received moves up accordingly, signifying that the high earners receive more than the low earners at any given period.

The researcher went further to analyse the pattern of loans received by respondents in the „Other Businesses“ category. As depicted from Table 4.8, the income category with a higher monthly earnings (ie. Above GH¢1000) received the most of loans (42.7%) made to the „other

businesses" occupational group which was recorded as GH¢120500. 32.4% of this total amount went to respondents in the „GH¢501-1000" income group whilst the remaining 24.9% was received by the respondents in the „GH¢100-500" income group. Figure 4.5 is the graphical representation of this finding.



Figure 4.5: Pattern of Loans Disbursed to Other Businesses

Figure 4.5 shows that the amount received by the four income groups within other businesses is also dependent on their income level. As the income group increases, amount received moves up accordingly, portraying that the high earners receive more than the low earners at any given period within this occupational group as it happened in all the other three categories.

Generally, we conclude that within the occupational groups, the high-income earners receive the bulk of the credit provided by ARB whilst the low-income earners benefit the least. This further emphasize that the rural rich are the main beneficiaries of rural credit.

2.5.2.2: Analysing the Amount Received by the Income Groups Across the Occupational Groups Table

4.9: Distribution of the amount received by respondents

Occupation Income Group(€)	Farmers		Traders		Salary Earners		Other Businesses		Total
	Amount(€)	%	Amount(€)	%	Amount(€)	%	Amount(€)	%	Amount(€)
Below 100	17000	100	0	0.0	0	0.0	0	0.0	17000
100 – 500	19500	17.3	27000	24.0	36000	32.0	30000	26.7	112500
501 – 1000	28500	19.6	39500	27.1	38500	26.5	39000	26.8	145500
Above 1000	38000	19.1	55500	28.0	53500	27.0	51500	25.9	198500
Total	103000	21.8	122000	25.8	128000	27.0	120500	25.4	473500

Source: field survey, 2015.

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Table 4.9 differs from table 4.8 only in the percentages calculated. For table 4.9, the percentages were calculated using the total amount received within each income group across occupations.

Now, we analyse the amount received by respondents who fall within the Below GH¢100 income group across the four occupations. Table 4.9 shows that farmers in this income group received GH¢17,000. We can see from table 4.9 that traders, salary earners and other businesses received nothing. This is as a result of the fact that none of the respondents representing these occupational categories responded that they earn below GH¢100.

This does not permit an effective benefit incidence analysis within this income category across the occupations.

However, analysis can be done for the remaining income groups. From Table 4.9, a total amount of GH¢112,500 was received as loans by respondents who represent the 100-500 income group. 17.3% (GH¢19,500) of this amount went to farmers, 24.0% (GH¢27,000) went to traders, 32.0% (GH¢36,000) was received by salary earners and the remaining 26.7% (GH¢30,000) went to respondents of the „other businesses“ and also within the „GH¢100-500“ income group. Within this income group, it is obvious from table 4.9 that salary earners received the bulk of the loan representing 32.0%, followed by other businesses, and then traders. Farmers received the least amount of loan within the „GH¢100-500“ income group having received just 17.3% of the total loans received. Figure 4.6 is the graphical representation of this finding.

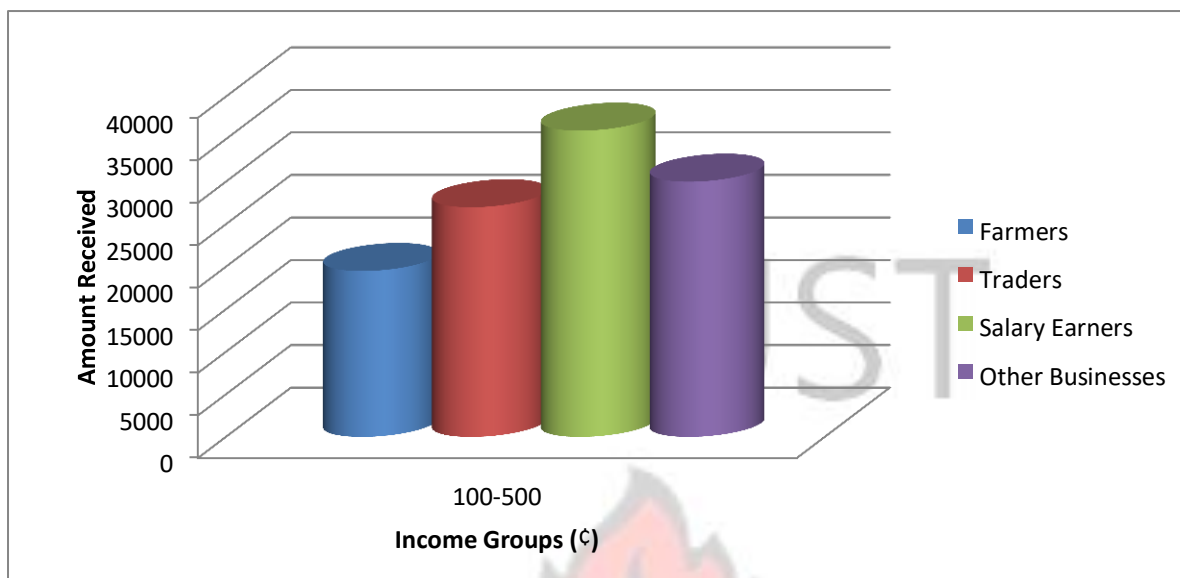


Figure 4.6: Amount Received by respondents in the Income Group, 100-500.

Also, respondents within the 501-1000 income group received a total amount of GH¢145500. Of this amount, 19.6% (GH¢28500) went to farmers, 27.1% (GH¢39500) went to traders, 26.5% (GH¢38500) went to salary earners, and the remaining 26.8% representing (GH¢39000) went to other businesses. Once again, farmers received the least amount of loans which is 19.6% of the total loans given to the respondents in this income group whilst traders received the most with a percentage of 27.1%. Salary earners are not the major beneficiaries in this income group but just as in income group 100-500, they received more than farmers. This is further illustrated in Figure 4.7.

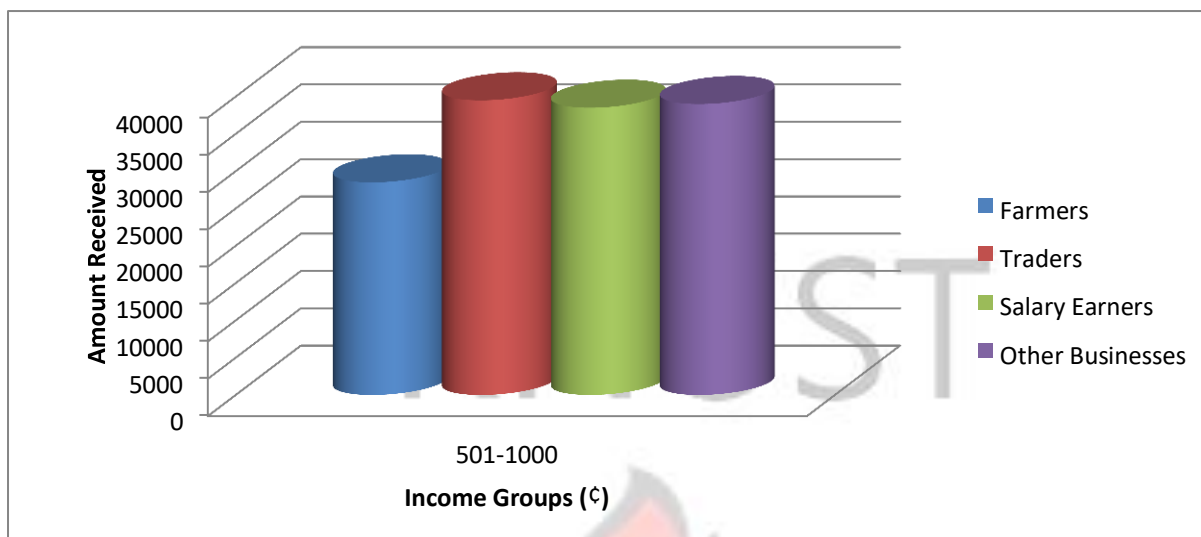


Figure 4.7: Amount received by respondents in the Income Group, 501-1000

Furthermore, Table 4.9 depicts that respondents in the „Above GH¢1000“ income group received a total amount of GH¢198,500. Farmers received GH¢38,000 which is 19.1% of the total amount, traders on the other hand, received GH¢55,500 representing 28.0% of the total amount. Also, salary earners received GH¢53,500 which is 27.0% of the total amount whilst the remaining GH¢51,500 which is 25.9% of the total amount went to other businesses. In this instance too, traders are the major beneficiaries whilst farmers are worse-off as compared to the others. Figure 4.8 gives a graphical representation of this finding.

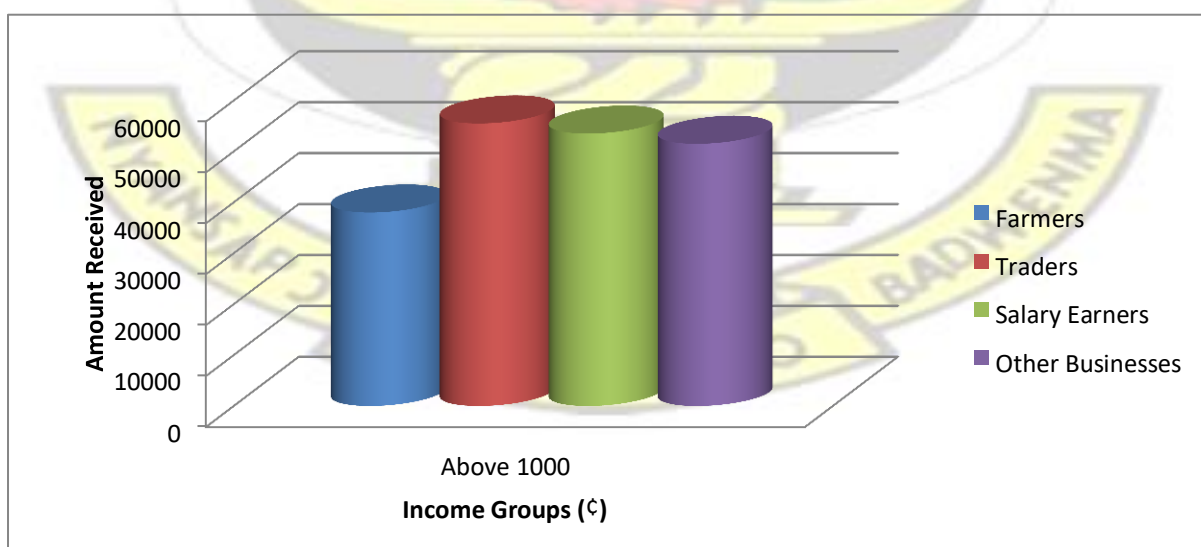


Figure 4.8: Amount Received by Respondents in the Income Group, Above 1000

In conclusion, it is evident in the analysis that farmers were the least beneficiaries in terms of the total amount received within each income group. This further emphasize that farmers do not receive much of the credit disbursed as compared to the other occupational groups.

4.5.2.3: Analysing the Total Amount Received by the Income Groups.

From Table 4.8, a total amount of GH¢473,500 was received by the respondents of all the four income groups. GH¢17,000 representing 3.6% of this amount went to respondents within the „Below 100“ income category, GH¢112,500 which is 23.8% of the total amount went to respondents within the „GH¢100-500“ income category, GH¢145,500 representing 30.7% went to respondents within the „GH¢501-1000“ income category, and the remaining GH¢198,500 representing 41.9% of the total amount went to respondents in the „Above GH¢1000“ income category. Figure 4.9 gives a graphical representation of this finding.

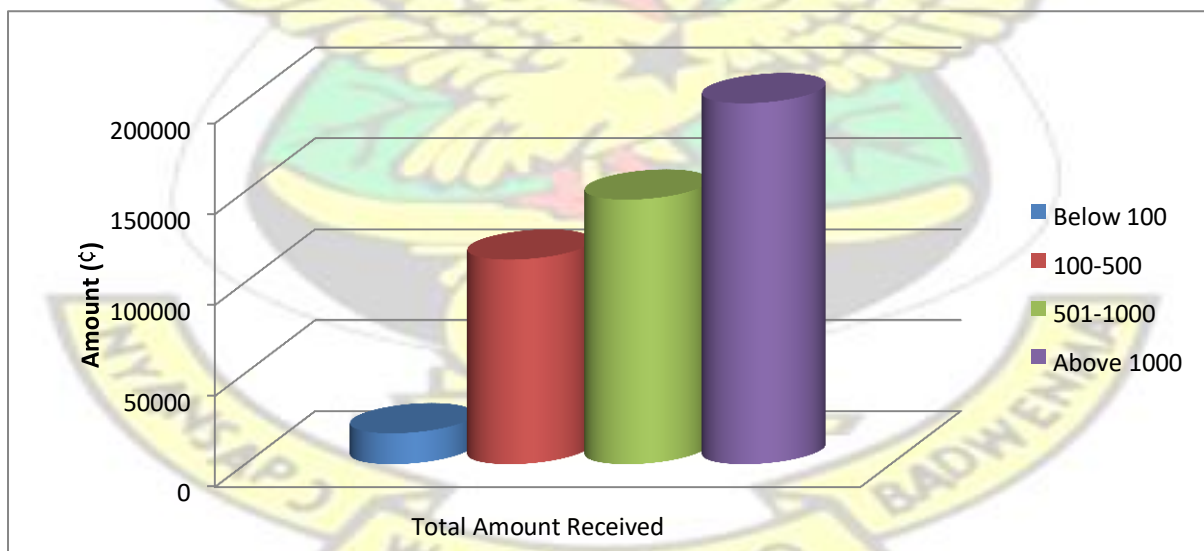


Figure 4.9: Comparing Total Amount Received by the Income Groups

Figure 4.9 depicts that low income earners received less credit and it was also seen that the amount received rises as income level was rising. This further buttress the point made earlier in the study that rural banks give less credit to the rural poor and that the major beneficiaries of rural bank credit is the rural rich.

4.5.2.4: Analysing the Total Amount Received by the Occupational Groups.

From Table 4.8, the total amount of loans received by the respondents was GH¢473,500. Of this total amount, farmers received a total of GH¢103,000 representing 21.8% of the total amount received by the respondents. Traders on the other hand received GH¢122,000 which is 25.8% of the total amount received by the respondents, salary earners received GH¢128,000 representing 27.0% of the total amount disbursed to the respondents. The remaining GH¢120,500 which is 25.4% of the total amount was received by respondents in the „other business“ category. This shows that salary earners received the most of the credit disbursed as loans. The rural farmers received the least representing 21.8% of the total loans disbursed. This finding is represented graphically in figure 4.10.

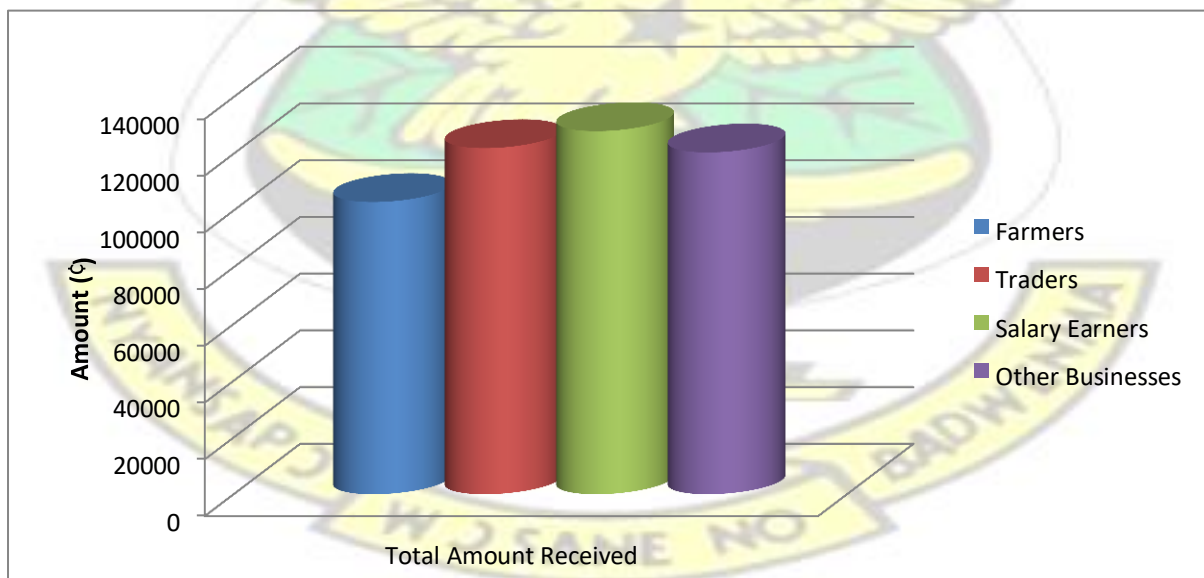


Figure 4.10: Comparing the Total Amount Received by the Occupational Groups

From figure 4.10, the study ascertained that rural farmers in the Wassa-Amenfi Central are not the main beneficiaries of rural bank credit. Most of the credit disbursed by ARB, according to data collected from the clients, went to salary earners and other businesses that tend to have a better ability to raise cash to repay the loan instead of the rural farmers.

4.6: Credit Delivery Challenges Faced by ARB

The questionnaire that was given to the manager of ARB tried to elicit information on some of the challenges faced by the bank in the delivery of credit. This was necessary in order to find out if the challenges had any bearings on the credit delivery system of ARB.

She responded that despite ARB experiencing an upward movement in terms of granting loans since its establishment in the Amenfi-Central district, the bank still faces some difficulties that make it difficult to give credit to certain members of its client base. Some of the difficulties according to her include;

i. Low assets base of the customers:

The manager of ARB mentioned that the majority of the bank's customers have insufficient assets thus making it difficult for ARB to give out credit and have a lien on such assets to protect the loans given. According to her, sufficient asset base could promote providing a high amount of loan knowing that the customer would not default and even if he/she defaults, the bank could sell the valuable asset and the money made would be used to repay the loan.

ii. Illiteracy among customers:

Additionally, she cited illiteracy as one of the major challenges faced by ARB in credit delivery. This according to her makes it difficult for the customers to write a viable business plan that could actually land them a much higher loan to help expand their business.

iii. Locations of customers:

Furthermore, the manager acknowledged that the dispersed nature of the locations of the clients especially the rural farmers also poses difficulty in delivering credit. They are scattered across the landmark of the Amenfi-Central district and as such make it difficult for bank officials to visit the clients to observe the progress of the projects upon which the loan was granted. Thus, clients who are in more suitable locations are targeted.

iv. Excessive documentations:

The manager added that the bank is now trying to switch from the old book keeping way of documenting information on clients who seek to obtain loans from ARB to the modern computer database method making it difficult to obtain and keep information on clients. She also added that there are excessive documentations on their loans such that the staff is confronted with a huge workload when they try to assist a customer to complete a loan form. They are therefore unable to attend to many customers who also seek to obtain credit from ARB.

The challenges as stated by the manager in one way or the other have effects on the pattern of loan disbursed to the rural dwellers of the Amenfi-Central district by ARB with huge emphasis on the problem regarding the settlements of the bank's client base.

This can be one of the reasons why a previous finding in this study made an assertion that the rural farmers benefit less as compared to the other occupational groups as most of these rural farmers live in the very remote parts that have very bad roads of the bank's catchment area.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1: Summary of Major Findings

There have been numerous pro-poor economic interventions by the government of Ghana since colonial era to promote development in the rural areas in a bid to improve the standard of living of rural dwellers. From the common free mass spraying right down to the distribution of fertilizers to cocoa farmers. However, there has always been a major drawback which curtails the achievement of this feat, that is, lack of access to institutional credit by rural dwellers.

Little or no access to institutional credit has led to high rate of poverty, lower productivity, and rural-urban drift. In an attempt to correct these economic inconsistencies, the government of Ghana through the Bank of Ghana introduced rural banking in 1976 to help channel institutional credit to the rural areas to make credit available to the rural poor. This has seen several rural banks being opened in the rural areas of Ghana. However, anecdotal evidence suggested that the main beneficiaries of rural bank credit are salary earners who are on government payroll rather than the rural poor who are into other economic activities. Furthermore, rural credit is said to be going to the rural rich rather than the rural poor. It was against this backdrop that the study was conducted with the main objective of finding out which category of the rural dwellers benefits more from the credit disbursed with specific reference to Amenfiman Rural Bank in the Amenfi Central district.

In order to achieve the aforementioned objective and its related objectives as stated in the first chapter, the researcher reached out to two categories of respondents. They included on one hand respondents who have benefited one way or the other from the credit support of

ARB in the Amenfi Central district and on the other hand a bank official of ARB who produced information on the bank's credit delivery system. The study was conducted basically by examining the various types of credit facilities provided by ARB to its customers, the pattern of credit delivery as well as to find out which category of the rural dwellers is the major beneficiary of the credit provided by ARB. On the developmental front, the bank's contribution has been evident in the field of education and water in its five-year operation in the Amenfi-Central district as part of its corporate social responsibility.

The concept, types, cost and distribution of credit were examined in the study. The concept of benefit incidence analysis, rurality and rural development were also not left out in the discussions. Primary and secondary data as well as simple tables displaying frequencies and percentages and bar charts were used for the analysis.

Among the specific objectives set in the study is finding out the various types of credit facilities offered by ARB to its customers. The study revealed that the bank provides credit facilities including Commercial loan, Microfinance loan, Susu loan, Personal loan, Farmers loan, Funeral loan, Auto or Car loan, Smart loan (to salary earners only), Group loan also known as Traders Helpline and Overdraft facilities. The study also discovered that two salaried workers who collect their salaries through ARB must guarantee before an application can be considered with respect to Smart loan, Traders helpline, Farmers loan and Personal loan.

Within the five-year operation (2010 – date) of ARB in the Amenfi Central district, the study discovered that ARB started giving loans in its third year and their explanation was that they needed time to gather more information on clients and to examine the area to know which type of loan facility will best suit the people in its catchment area. The study further established that for the three year period from 2012 to 2014 there was significant rise in

ARB's loan portfolio across the occupational groups that were considered in the thesis except for 2014 where loans to salary workers saw a drop as compared to the amount disbursed in 2013.

It was also established per the figures provided by the bank official that the total loans disbursed in the three-year period is GH¢1,805,870. Traders received the least amount in terms of loans which is 10.1% of the total loans disbursed, Farmers received 14.4% whilst salary earners received 25.2% of the total loans disbursed. The bulk percentage (50.3%) of the loans disbursed went to „other businesses“. The study then established that between salary earners and farmers, the former benefits a significant 10.8% more from the credit provided by ARB than the later.

Further analysis was done to ascertain which income category of the rural dwellers benefit more from the bank's credit but this time with the information provided by the respondents from ARB's clientele. It was established that the low income earners received a total less of credit as compared to the other income categories. For farmers alone, a total of GH¢103,000 was received and only 16.5% of this amount went to the poor farmers whose monthly income was estimated to be below GH¢100 and the percentage increases as income category increases. The same pattern was recorded for all the other categories of occupation. This establishes that low income earners benefit less from the credit provided by the bank as compared to high income earners. The study also analysed which occupational category received more of the credit disbursed by ARB to the respondents and it was established that salary earners who received a total amount of GH¢128,000 representing 27.0% of the amount received by the respondents which was GH¢473,500. Traders and other businesses received 25.8% and 25.4% of the total amount received by the respondents respectively. Farmers on the other hand were the least beneficiaries of the total amount received. It was recorded that only 21.8% of the GH¢473,500 received by the respondents went to farmers.

It was also discovered in the study that ARB is confronted by a series of challenges in its credit delivery system and some of these challenges include the assets base of the customers, illiteracy among customers, dispersed nature of the clients and excessive documentations on loans.

5.2: Recommendations

The following recommendations are made with respect to the findings of the study:

5.2.1 Grant more loans to the rural poor and farmers.

The main aim of the Bank of Ghana for establishing rural banking was to ensure that credit gets to even the poorest of the poor in the rural part of Ghana. The research, however, discovered that the bulk credit disbursed by the bank goes to the high income group of the rural dwellers. Also, it was discovered that salary earners receive more credit than the rural farmers which contradicts the Bank of Ghana mandatory sectorial allocation for Rural Bank loans, minimum of 50% of total loans outstanding should be targeted at agriculture.

Thus, the researcher recommends that the bank should follow the requirements as stated by the Bank of Ghana and make more loans to the rural farmers. This will help the farmers to expand their farming activities which will go a long way to improve their standard of living.

5.2.2: Lack of adequate information on clients

The bank official stated that they lack adequate information on their clients which makes them hesitant to offer credit to some of the rural dwellers in their catchment area. This type of challenge is out of the bank's capacity to rectify. The researcher, therefore, urges the government to help create a database on rural dwellers.

5.2.3: Educating the rural dwellers

It was discovered in the study that the majority of the respondents could have formal education up to the JHS level which spells that the district is struck with a moderately high illiteracy rate.

The researcher hereby recommends that farmers and the rural folks as a whole should be educated on how to establish, manage, sustain and expand their farms/businesses.

5.2.4: Setting up additional Credit Unions

The study established that little or no credit is made to the rural poor by ARB. This stems from the fact that the first thing the bank looks at during loan processing is the ability of the customer to raise cash flow in order to repay loan. The researcher once again recommends that additional credit unions who naturally charges lower rates than rural banks should be established in the localities to make it easy for lower income earners to access credit.

5.2.5: Corporate Social Responsibilities

Respondents indicated that ARB has engaged in corporate social responsibilities over the years. They have a scholarship scheme for the needy but brilliant students in the Amenfi Central district and have also helped to provide water for an underprivileged community in the district. The researcher hereby recommends that this gesture by ARB to the people in its catchment area should be not end there. They should extend this gesture to other areas regarded as the domain of the government which includes electrification, building schools and road construction.

5.3: Conclusion

The rural parts of Ghana face seemingly intractable socio-economic challenges. One of these challenges is the access to little or no institutional credit to enable the rural dwellers to adopt modern technologies to expand their various economic activities. They are left to seek credit from non-institutional sources like relatives and friends. This credit market is small and as such not able to meet their needs. A rural credit department was then established at the Bank of Ghana to alleviate this problem with rural banks being established subsequently in the rural areas. However, anecdotal evidence suggested that salary earners are the major beneficiaries of rural bank credit. This study was then conducted to seek empirical evidence to do a benefit

incidence analysis to find out the category of rural dwellers who receive more of rural bank credit using ARB as the case study. SPSS software as well as Microsoft Excel was used to present and analyse the data thematically.

The findings as briefly summarized earlier on with respect to the main objective of the study give rise to some conclusions that between salary earners and farmers, the main beneficiaries of the credit provided by ARB are the former with the latter being the least beneficiaries. This assertion was deduced from the data collected from the bank displaying the total amount of loans disbursed in the year 2012 through to 2014. Within those three years, a total amount of GH¢1,805,870 was disbursed as loan and whilst salary earners received 25.2% of this amount, only 14.4% went to farmers contradicting the Bank of Ghana mandatory sectorial allocation for rural bank loans, minimum of 50% of total loans outstanding should be targeted at agriculture. Furthermore, the data as collected from the clients showed that farmers received a total of GH¢103,000 and only 16.5% of this amount went to the poor farmers whose monthly income was estimated to be below GH¢100 whilst the rich farmers (earning above GH¢1000) received 36.9% of this amount. The same pattern was recorded for all the other occupational categories. We then conclude that the rural poor (low-income earners) in general benefited less from the credit provided by ARB which also emphasizes that rural banks tend to give the bulk of their loan facility to the rural non-poor (high-income earners).

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APPENDIX

QUESTIONNAIRES

The questionnaire used to gather information on allocation of funds to income groups from Amenfiman Rural Bank Limited (ARB).

NB: This questionnaire is only requesting for information needed for conducting an MSc dissertation and all information provided will be used for purely academic purposes. Please, you are required to be open and as honest as you can be in answering the questionnaire in order to make the study a successful one.

1. What is your position/status in Amenfiman Rural Bank (ARB)?

A. Manager

B. Accountant

C. Clerk

D. Board Member

E. Other (Specify).....

2. What are the various types of credit facilities offered by your bank to its customers?

A.

B.

C.

D.

E.

F.

G.

H.

3. Which of the product do customers patronize the most?

.....

4. What is the basic consideration in appraising credit request in your bank? Please rank with 1 being the highest score and 5 being the least score.

A. Collateral being offered

B. Ability to raise cash flow in order to repay loan

C. Sound credit history of customer

- D. Past financial performance
- E. Relationship with other banks

5. How much loans did your bank disburse for the following years in GHC?

	2011	2012	2013	2014
Farmers				Salaried
Workers				
Traders				
Other Businesses				
TOTAL(GHC).....				

6. How many days or weeks does your bank take in processing loan requirements?

.....

7. What is the bank's policy for loan recovery?

.....

.....

.....

8. Is the bank able to reach to even the poorest of the poor in the communities?

Yes [] No []

9. If no, why

.....

.....

.....

10. . What would you say are the challenges encountered by the bank in the delivery of credit?

- A.
- B.
- C.
- D.
- E.

11. Does your bank engage in corporate social responsibility activities?

Yes [] No []

12. If yes, what are some of these social responsibility activities in the bank's catchment area?

- A.
- B.
- C.
- D.
- E.

13. Would you say that your activities have brought real development to the people in the district in which you operate?

Yes [] No []

14. If yes, how do you explain?

.....

.....

.....

15. Does the culture of the area encourage banking activities?

Yes [] No []

16. How prevalent is illiteracy in your area?

.....

17. Does it affect the bank's operation?

A.

B.

C.

18. Please state any other information you would like to give concerning the bank's operations.

A.

B.

C.

D.

E.

Thank You.

QUESTIONNAIRE: (FOR THE CLIENTS OF ARB)

NB: This questionnaire is only requesting for information needed for conducting an MSc dissertation and all information provided will be used for purely academic purposes. Please, you are required to be open and as honest as you can be in answering the questionnaire in order to make the survey a successful one. Confidentiality of respondents is assured.

Please tick and fill in the blank spaces appropriately.

1. What is your gender?

Male ☐ Female ☐

2. Level of education?

Primary ☐ J.H.S ☐ S.H.S ☐ Tertiary ☐ Other (specify).....

3. What is your main occupation?

.....

4. How much do you receive as income at the end of every month?

Below GHC 100 ☐ GHC100-GHC500 ☐ GHC500-GHC1000 ☐

Above GHC 1000 ☐

5. Have you applied for a loan or credit from the ARB before?

Yes ☐ No ☐

6. If yes, how much did you receive as loan from the bank?

.....

7. What do you need to provide in order to access a loan from the bank?

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

8. Do these requirements make it difficult to apply for a loan from the bank?

Yes ☐ No ☐

9. What was your reason(s) for taking the loan?

A. Farming

B. Trading

C. Social

D. Domestic

E. Education

F. Others (Specify)

10. Was the loan facility used for its intended purpose?

Yes [] No []

11. Did the bank follow up to have a look at the activity you took the facility for?

Yes [] No []

12. What do you think about the interest rates being charged by the bank?

A. Low

B. Moderate

C. High

D. Very high

13. Do the interest rates scare you from borrowing from the bank?

Yes [] No []

14. How do you rate the impact of ARB on your business(s)?

A. Low

B. Moderate

C. High

D. Very high

15. In your own observations, do you think the bank reaches out to all categories of rural dwellers?

Yes [] No []

16. Does it take several days to access a loan from the rural bank?

Yes [] No []

17. Do you think the establishment of ARB has developed your community?

Yes [] No []

18. If yes, what are some of the activities they have done that you can attest to?

.....

.....

.....

19. What other strategies do you think should be implemented by the rural bank to help improve on the lives of you the rural dwellers?

.....

.....

.....

20. Any other remarks?

.....

.....

.....

Thank You.