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THE ROLE OF RURAL AND COMMUNITY BANKS IN THE DEVELOPMENT OF MICRO ENTERPRISES IN THE EAST MAMPRUSI DISTRICT OF THE NORTHERN REGION OF GHANA

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PLANNING AND MICRO FINANCE MANAGEMENT

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DECLARATION

I hereby declare that this thesis is the result of my own original work and that no part of it has

been presented for another degree in this university or elsewhere:

....

BIDZAKIN DORCAS KANBURI   **DATE**

  (STUDENT)

I hereby declare that the preparation and presentation of the dissertation were supervised in

accordance with the guidelines on supervision of thesis laid down by the University for

Development Studies:

....

DR. SULEMANA ADAMS ACHANSO   **DATE**

(SUPERVISOR)

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ABSTRACT

Rural and Community Banks form part of the regulated financial sector by the Bank of Ghana. They serve as the largest providers of formal financial services to people living in rural areas. The aim of this study was to investigate the role of these Banks in the development of Micro Enterprises, such as bakery, craft, pito brewing, batik tie and dye production, weaving, blacksmithing, soap making, Shea butter and groundnut oil extraction, etc., in the East Mamprusi District of the Northern Region of Ghana.

Qualitative and Quantitative Research Strategies, the Case Study Research Design and various Research Methods, such as Structured Questionnaire and Focused Group Interviews, were the key research tools employed for the study.

The study shows that there are only two RCBs in the study area, including the East Mamprusi Community Bank Ltd. (EMCB) and the Bawku East Small Scale Farmers Association (BESSFA) and their branches/agencies. The study reveals that sole proprietorship dominates the ownership pattern of Micro and Small-Scale industrial sector in the study area. The study also revealed that over 70 percent of Micro Entrepreneurs ever received loans from RCBs either as a start-up capital or to boost their businesses. Furthermore, the study revealed RCBs have been organizing formal and informal training for the entrepreneurs in the form of marketing, production and financial management skills. Finally, the study suggested that the key problem faced by RCBs in their quest to support Micro Enterprises in the study area is non-payment of loans and interests which hampers their capacity to provide the needed support for the enterprises.

The study, therefore, recommends that the banks should decrease their interest rates charged on micro finance loans to facilitate timely repayments and avoid defaults in repayments.

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DEDICATION

I dedicate this work to Phebe Tiboi-Yennu and Zabdiel Yennu-Benant Louknaan who have been at my side.

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LIST OF ACRONYMS

ADP   Agricultural Development Project

BoG   Bank of Ghana

CwE   Credit with Education

EMCB   East Mamprusi Community Bank

GDHS   Ghana Demographic and Health Survey

GLSS   Ghana Living Standard Survey
GDP   Gross Domestic Product
GPRS   Ghana Poverty Reduction Strategy
GoG   Government of Ghana

GSS   Ghana Statistical Service

IFAD   International Fund for Agriculture Development
IUCN   International Union For the Conservation of Nature
MDGs   Millennium Development Goals

MF   Micro Finance
MFIs   Micro Finance Institutions

MSEs   Micro and Small Scale Enterprises

PCI   Per Capita Income
RCBs   Rural and Community Banks

SMEs   Small and Medium Scale Enterprises
SPSS   Statistical Package for Social scientists

UNDP   United Nations Development Programme

CHAPTER ONE

INTRODUCTION

The Background of the Study

The small and micro scale entrepreneurs in rural areas lack the necessary financial services, especially credit from the commercial banks; this is because they are considered not credit worthy (Jamil, 2008). Consequently they depended on families, friends and other informal sources of funds to finance their businesses. Successive governments have come up with special rural biased programmes, whose principal targets is the overall development of rural enterprises with special consideration on small and medium scale enterprises and also to empower rural dwellers. These programmes range from Agricultural Development Projects (ADPs), the establishment of Agricultural Credit Banks to Better Life Programme for Rural Women and the like. Unfortunately most of the programmes failed to achieve the desired results. That led to the emergence of microfinance banks aimed at extending credits to microenterprises and encouraging entrepreneurship especially in semi urban and rural areas (Jamil, 2008).

Rural and Community Banks (RCBs), henceforth referred to as Rural Banks or RCBs, are a network of 127 independent banks in Ghana (Nair and Fissha, 2010). They are regulated by the Bank of Ghana (BoG) so they form part of the regulated financial sector in Ghana. These banks are the largest providers of formal financial services in rural areas and represent about half of the total banking outlets in Ghana (IFAD 2008).

RCBs are owned by members of rural communities through equity and are licensed to provide financial intermediation by mobilizing savings and providing credit facilities in rural areas (Steel and Andah 2003:5-6). The first RCB in Ghana was established in a farming community in the Central Region of the country in 1976 (Nair and Fissha, 2010). Rural communities show

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tremendous interest in the community ownership and management features of RCBs so, in 1984, the number of RCBs reached 106. The introduction of a check payment system for cocoa farmers known as the 'Akuafo Check' operation also spurred the establishment of Rural Banks in many communities (Nair and Fissha, 2010). In 1981, about 30 existing RCBs formed an Association of Rural Banks (ARB) to serve as a networking forum. As a network of institutions sharing a common mission, the ARB promoted and represented the RCBs and provided training services to its members (Nair and Fissha, 2010).

The clients of RCBs are typically self-employed low income entrepreneurs in both urban and rural areas (Anheier and Seibel, 1987; Liedholm and Mead, 1987; Schmitz, 1995). They include petty traders, 'pito' (local alcoholic beverage) brewers, subsistence farmers, street vendors, service providers, such as hair dressers, motorcycle repairers, blacksmiths, artisans, etc.

In the Republic of South Africa, it is estimated that 91% of formal business entities are Small, Medium and Micro Enterprises (SMMEs) (Hassbroeck, 1996; Berry *et al.*, 2002). They also contribute between 52% and 57% to GDP and provide about 61% of employment (CSS, 1998; Ntsika, 1999; Gumede, 2000; Berry *et al.*, 2002). Even in the developed industrial economies, it is the SME sector rather than the multinationals that is the largest employer of workers (Mullineux, 1997). Interest in the role of SMEs in the development process continues to be at the forefront of policy debates in most countries (Steel and Webster, 1989). Thus, governments at all levels have undertaken initiatives to promote the growth of SMEs (Feeney and Riding, 1997).

Capital, as a result of access to credit, also enhances the level of household's productive and physical assets and raise expenditure that leads to improvement in the consumption of the rural poor (Mensah, 2004).

Olajide (1980) identifies two sources of credits for SMEs and classified them as internal and external. While the internal funds arise from net flow as a result of entrepreneurial activities, the external funds arise from loans extended by micro finance providers, and equity introduced by new proprietors.

Thus, before the establishment of RCBs in the late 1970s and the subsequent expansion of other service providers into rural areas, access to institutional credit for farm and nonfarm activities was scarce, and the main sources of credit were moneylenders and traders that charged very high interest rates (Nair and Fissha, 2010). In many rural communities, secure, safe and convenient savings and payment facilities hardly existed (Nair and Fissha, 2010). Many rural dwellers had to travel long distances to receive payments (such as salaries and pension deposits), transfer funds, and cash check payment for their agricultural produce (Nair and Fissha, 2010).

The Government of Ghana (GoG) has taken several measures to increase access to credit in rural areas (Nair and Fissha, 2010). After establishing an agricultural lending requirement for commercial banks and creating a publicly owned Agricultural Development Bank, the GoG facilitated the establishment of RCBs (Steel & Andah, 2003). Thus, as indicated earlier, Steel and Andah (2003) have suggested that RCBs were formed to mobilize savings and provide credit facilities in rural areas that were not being serviced by commercial banks. The services RCBs provide include the collection of savings, the provision of loans, insurance, money transfer and non-financial services that are needed by the poor, as well as the microenterprise (Steel and Andah 2003).

However, poor financial management, weak supervision and natural calamities led to a deterioration of the financial viability of rural banks (Steel & Andah, 2003). For example, in

1992, the Banking Supervision Department of Bank of Ghana (BSDBOG) considered only 23 (19%) of the 123 RCBs to be functioning satisfactorily (Steel & Andah, 2003). In 1999, 23 distressed RCBs were closed down and the depositors compensated by the Bank of Ghana. This sent a signal to the RCBs to improve their financial position or face closure. As a result, the number of RCBs performing satisfactorily increased from 46% in 1999 to 76% in 2001 (Steel & Andah, 2003).

Credits to microenterprises are assuming importance in rural areas in response to the need of the less privileged entrepreneurs with limited capital base. In Ghana access to formal credit is a major problem facing the small and micro scale entrepreneurs due to the prevalence of some factors such as delays in loan disbursement on the part of the financial institutions and payment defaults on the part of the beneficiaries.

With regards to the potential role that RCBs play in the socio-economic growth and development of SMEs in rural Ghana, and the constraints they face especially in terms of delays in loan disbursement on the part of the financial institutions and payment defaults on the part of the beneficiaries, high operating cost, unfavourable macro economic conditions, and competition (Boapeah, 1994), it is important to have an in-depth study into their roles, internal bottlenecks and the failure of the microfinance institutions to meet their mandate.

However, very little literature is available to enable the entrepreneurs to be in the known about the primary function of these RCBs, hence this research.

1.2 Problem Statement

Small and Micro Enterprises (SMEs) are believed to contribute about 70% of Ghana's GDP and account for about 92% of businesses in the country (Abor Joshua and Peter Quartey, 2010). SMEs, therefore, play a crucial role in stimulating economic growth, generating employment and contributing to poverty alleviation, given their economic weight in some African countries. They are often described as efficient and prolific job creators, the seeds of big businesses and the fuel of national economic engines (Dinye, 1991).

For any business to grow, credit is essential. Lack of credit, therefore, is a barrier to investment and the growth of income of poor households (IFC, 2010)**.** In other words, access to credits enhances the adoption of new and more advanced technologies that will enable rural households to expand agricultural and non-agricultural enterprises which in turn improve their income levels and help in reducing the incidence of poverty. Micro and Small-Scale Entrepreneurs in rural areas often lack the necessary financial services, especially credit from commercial banks because they are considered not credit worthy (Banerjee, 2001). Consequently, they depend on families, friends and other informal sources of funds to finance their businesses (Banerjee, 2001).

It is within this context that this study sought to investigate the contribution of RCBs to the development of Micro Enterprises and challenges associated with accessing micro credit facility from RCBs, as well as the impact of micro credit facility on the survival and performance of micro enterprises in the East Mamprusi District of Ghana.

Although the prospects for the development of micro enterprises are bright, micro businesses continue to face daunting challenges, including limited productive resources, such as limited capital, poor technologies and labour time (Muhammad & Yamao, 2009).

Other impediments to female owned small scale enterprise development include lack of basic financial literacy and numeracy skills, inadequate knowledge of business management principles or practices, as well as lack of transportation and market knowledge (Ledgerwood, 1998). Consequently, financial market imperfections which particularly constrict small entrepreneurs who lack collateral, credit histories and connections are mostly micro entrepreneurs from developing nations, this phenomenon is worrisome since micro enterprises owners are the underserved segment in national economies (IFC, 2011).

Despite the various policy initiatives to attract investment and encourage expansion of productive activities in the private sector, this sector continues to grapple with some challenges and difficulties that require serious attention (GPRS, 11, 2003). Ironically, micro entrepreneurs are constraint in terms of business financing, considering their vulnerability as compared to their large scale counterparts in terms of accessibility and the stringent borrowing regulation by financial institutions (Economy of Ghana, 2008). The proximity of financial institutions to rural communities, which brought to birth the new banking law to restructure rural banks to be more responsive to private sector business growth continue to pose problems (GPRS 11, 2003; Bank of Ghana, 2005). Women who are more into micro enterprises are most of the times glued to household responsibilities may not be able to find the time to travel to urban centres in pursuit of credit which will in essence consume the chunk of their time because of the attendant bureaucracies in assessing credit (Ayeetey, 2005).

Consequently, in spite of the challenges micro entrepreneurs face in their quest to access finance to start-up and or grow their enterprises, the assertion that as compared to their medium and large

scale counterparts, micro entrepreneurs are the most reliable clientele in terms of loan repayment and meeting of time lines (Linda Majoux, 2006). The attempt by many researchers is basically to deal with issues of promoting but has never considered the contribution of Rural Banks to type of industries dimension of financing which as it were is considered the fastest vehicle in private sector development and growth (Ayeertey, 2005). It is for this reason that countries around the world are increasingly formulating policies to make it easier to start a business of which micro entrepreneurs could benefit significantly.

This study is therefore aimed at supporting this process by making available up-to-date information on the contribution of and challenges of RCBs to the development of micro enterprises in the East Mamprusi Districts of Northern Region. The overall rationale is that this small effort complemented by similar other research efforts in the country will go a long way to support Government with useful information on how to deepen financial intermediation and promote inward transfers of capital for SMEs development in especially rural regions of the country.

1.3 The Aim and Objectives of the Study

1.3.1 The Aim of the Study

The study aimed to investigate the role of Rural and Community Banks in the development of Micro enterprises in the East Mamprusi District of the Northern Region of Ghana.

1.3.2 The Objectives of the Study

Specifically, the study seeks:

1. To identify RCBs that operate in the East Mamprusi District

2. To identify the support services that RCBs provide for micro enterprise development in the district.

3. To assess the improvement of Micro Enterprises on the basis of the support that they receive from RCBs

4. To identify the challenges that RCBs encounter in their quest to support Micro Enterprises in the district.

5. To make the necessary recommendations to mitigate such challenges.

1.4 Research Questions

The study sought to find answers to the following research questions:

1. Are there Rural and Community Banks in the East Mamprusi District of Ghana?

2. In which areas do Rural and Community Banks contribute to micro enterprises development in the East Mamprusi District?

3. What support services do Rural and Community Banks provide for micro enterprise development in the East Mamprusi District?

4. What are the challenges faced by Rural and Community Banks in their efforts to develop micro enterprises in the district?

5. How can the Rural and Community Banks challenges in supporting micro enterprises be mitigated?

1.5 Scope of the Study

Spatially, the study focused on the East Mamprusi District, one of the rural districts in the Northern Region of Ghana. The district also has Micro Finance Schemes operating by the RCBs

and other Micro Finance Institutions (MFIs). The research is also familiar with the area. The district is located at the north-eastern part of the Northern Region. To the north, it shares boundaries with Bolgatanga District, Bawku West and Garu-Tempane Districts West, all in the Upper East Region and to the east is Bunkpurugu/Yunyoo District. It is bordered to the West by the West Mamprusi District and to the south by Gushiegu District.

Within the context of this study, the focus is on contribution of RCBs to micro enterprise development because they dominate in the rural districts. In the light of the important role that micro and small scale industries do and could play in local development in Ghana, and the problems they face in the three interrelated areas of supply, production, and marketing, it is important to have an in depth study into the role of RCBs in supporting them. Involvement of women is of particular importance as they form a large portion of disadvantaged and marginalized entrepreneurs in the district (East Mamprusi District, 2006).

1.6 The Significance of the Study

The study sought to explore the contribution of RCBs to the growth of MSEs in the East Mamprusi district. This will serve as a source of information to development practitioners who are interested in empowering rural micro entrepreneurs and dwellers financially.

It would also help the Rural Community Banks to know the level of contribution they have made to Micro enterprises growth in the East Mamprusi District.

At the global level, micro-enterprise development has been acclaimed to be an important weapon for fighting poverty through the promotion or support of enterprise development (Women's World Banking, 1995). Thus, any study which aims at exploring best practices for micro-

enterprise development to fight poverty among rural folks is relevant to Ghana's efforts directed at reducing the present unacceptably high levels of poverty in the country, and especially among rural poor. A micro-enterprise development scheme that targets small scale businesses would substantially improve incomes and reduce poverty among the rural poor and their households.

In spite of its limitations, the findings and recommendations of the study could be used to initiate action to empower entrepreneurs economically, politically and socially to be part of decision making in their communities**.**

In the field of academia, the study will also add to existing literature and guide in policy formulation the role of RCBs in micro enterprise development in Ghana.

1.7. Limitations of the Study

Despite the methodological credentials of case study the research findings of such a study can hardly be generalized. And because the study has had to be conducted in only one of the 26 districts in the Northern Region and the country at large it was limited in scope. As a sample of the target population was chosen to participate in the survey, the procedure attests to the inability of the study to cover every member of the target population, which is a shortcoming of the study. High illiteracy rate amongst respondents also posed a big challenge as it took so much time to administer one questionnaire. The researcher also faced data collection and management problems since the services of research assistants were sought to administer the questionnaires. Accuracy of the analysis therefore relied on the data provided by the respondents

1.8 Organization of the Thesis Report

This thesis has been presented or organized into five chapters. Chapter one is introductory chapter that discusses the background to the study, the problem statement, the study aim and objectives, the significance of the study and its conceptual framework.

The second chapter reviewed relevant literature in relation to the rural finance prior to the establishment of RCBs in Ghana, nature and definitions of Micro Enterprises, the emergence and evolution of RCBs in Ghana, Features of RCBs, products and services provided by RCBs and the role of RCBs in Micro Enterprises development.

The methodology, which is made up of the study design, study type, data collection instruments, sampling procedure and sample size, study population, sources of data, data collection methods, some ethical considerations, as well as plan for dissemination of results are captured in the third chapter.

Presentation of data and discussion of Results of the study are presented in chapter four.

The summary of findings, conclusion and recommendations of the study has been presented in chapter five.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews relevant literature and studies conducted by other researchers on similar topics. The chapter has been arranged in sub-topics in relation to the variables under study. Thus, literature was reviewed on rural finance prior to RCBs, emergence and evolution of Rural or Community Banks in Ghana, their features and products, as well as the significant role they play in terms of the development of Micro industries. The chapter also analyses literature on Development, the nature and definition of Micro Enterprises, and challenges associated with credit delivery to these enterprises.

2.1 Rural Finance Prior to the Establishment of RCBs in Ghana

Before the establishment of Rural or Community Banks in Ghana in the late 1970s and the subsequent expansion of other service providers, such as NGOs into rural areas, access to institutional credit for farm and nonfarm activities was scarce (Aghion and Bolton 1997). The main sources of credit were moneylenders and traders that charged very high interest rates (Nair and Fissha, 2010). In many rural communities, secure, safe, and convenient savings and payment facilities hardly existed (Aghion and Bolton 1997). Many rural dwellers had to travel long distances to receive payments (such as salary and pension deposits), transfer funds, and cash check payments for their agricultural produce (Nair and Fissha, 2010). This situation led the Government of Ghana (GoG) to take several measures to increase access to credit in rural areas (Nair and Fissha, 2010). After establishing an agricultural lending requirement for commercial banks and creating a publicly owned agricultural development bank, the GoG facilitated the establishment of RCBs (Nair and Fissha, 2010).

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Before the establishment of the first rural bank in 1976, the availability of formal credit in rural communities predominantly made up of small farmers and fishermen was extremely limited (Nair and Fissha, 2010). The main sources of credit were moneylenders and traders charging exorbitant interest rates (Nair and Fissha, 2010). The Government of Ghana had to take some policy measures to improve access to finance in rural areas. These measures included a requirement that commercial banks lend at least 20 percent of their portfolio for agricultural uses and the establishment of the Agricultural Development Bank (ADB) in 1965 with an exclusive mandate of lending for agriculture and allied industries in rural Ghana (Andah and Steel 2003). Subsequently, commercial banks and the ADB opened branches especially in cocoa growing rural areas (Nair and Fissha, 2010). Nevertheless, lending to the rural sector remained low; the commercial banks used their rural branches primarily to make payments to cocoa farmers and collect deposits for lending in urban areas (Nair and Fissha, 2010).

Other Banking services, such as credit, were not provided as initially envisioned (Nair and Fissha, 2010). Commercial banks demanded higher deposit accounts and stronger collateral requirements to provide loans to rural areas (Osei-Bonsu, 1998). Many small farmers and fishermen did not have deposit accounts in commercial banks, and the collateral they had available was not satisfactory for commercial lending (Andah and Steel 2003).

Mensah (1993) and Ranade (1994) indicate that, the ADB's credit provision and coverage were limited. According to them, only 27 percent of the Bank's branches were in rural areas, and lending to smallholder farmers made up only about 15 percent of its total portfolio.

In view of that situation, the Government of Ghana (GoG) considered supporting the establishment of community or rural banks in rural areas that would be dedicated to providing financial services in those areas (GoG, 2002). In that regard, the BoG was tasked to send a delegation to the Philippines to study the rural banking system there and afterward decided to facilitate the opening of banks in rural farming and fishing communities (Nair and Fissha, 2010).

2.2 Nature and Definitions of Micro Enterprises

The heterogeneity of micro enterprises, often referred to as Small-Scale Enterprise (SSE) sector, complicates the problem of defining it (Dinye, 1991). Thus, the concept is defined in different ways, depending on the purpose of classifying firms as micro, small, medium or large-size (Dinye, 1991). For instance, The USAID (1989) defines Small-Scale Enterprises as firms with less than 50 employees and at least half the output is sold while UNIDO (1986) refers to firms with employees ranging from 5 to 19 as Small Scale Enterprises in developing countries (Kayanula, 2000). Technologically, the sector is said to use low-level inputs and skills, to have much greater labour intensity, to produce lower priced products and to operate on a small-scale (Kayanula, 2000). It covered micro or small enterprises operating at various levels along the formality–informality continuum (Kayanula, 2000). The "Private Sector Diagnosis Survey" (USAID 1989) found that most small enterprises in Kenya had fewer than 20 employees.

In Ghana, various definitions of Micro or Small Scale Enterprises can be indentified from the literature. According to Kayanula (2000), the National Board for Small Scale Industries (NBSSI) in Ghana applies to both the fixed asset and number of employees criteria.

NBSSI defines Micro industries as one with less than five employees, Small Scale Industries as one with not more than 9 workers, have plant and machinery including (excluding land, building

and vehicles) not exceeding one thousand Ghana cedis. The Ghana Enterprise Development Commission (GEDC) on the other hand, uses a one thousand Ghana cedis upper limit definition for plant and machinery. Steel and Webster (1989) define Small Scale Enterprises (SSEs) in Ghana as enterprises with an employment cut-off of 29 employees. They also made further divisions as follows:

Micro enterprise: - those employing fewer than 6 workers; **Very**

small enterprises: -those employing 6 to 9 workers and **Small**

enterprises: -those employing between 10 and 29 workers.

According to Dinye (1991), the European Union (EU) uses the term ‗Small and Medium Enterprises'(SME) to describe small enterprises. The SME is further divided into three components:

Micro-enterprises: - those with employees between 1 to 9; **Small**

enterprises: - those with employees between 10 to 99; and

Medium enterprises: - those with employees between 100 to 499

The EU definition recognizes that the SME group is not homogenous, in the sense that distinctions are made between micro, small and medium-size enterprises.

According to Dinye (1991), micro or small-scale industries are defined as manufacturing units employing not more than 30 persons. Therefore, a small enterprise can be distinguished from a large one in respect of uncertainty, innovation and evolution (Dinye, 1991). There are three dimensions of uncertainty (Dinye, 1991). The first feature is the uncertainty associated with

being a price-taker. The second source of uncertainty for small firms is their limited customer and product base. The third dimension of uncertainty relates to the much greater diversity of objectives of the owners of the small enterprises compared with large ones. Many small enterprise owners seek only to obtain a minimum level of income rather than maximizing sales and profits (Dinye, 1991). Small enterprise owners do not report their actions to external shareholders and so effective performance monitoring does not exist (Dinye, 1991).

For a small firm, the relationship between the business and the owner is much closer than it is between the shareholder and large enterprise (Dinye, 1991).

Rothwell (1986) shows that, the early development of the semi-conductor of industry in California stemmed from the establishment of small firms or enterprises. It is the ability of the firm to provide something marginally different in terms of product or service which distinguishes it from the larger enterprises. This means that a Small enterprise is creative and innovative through the introduction of new products. The third area of difference between large and small enterprises is the much greater likelihood of evolution and change in the smaller enterprise. Small enterprises, which become larger, undergo a number of stage changes, which influence the role and style of management and the structure and organization (Rothwell, 1986). Thus, the structure of organization of small enterprise is more likely to be in a state of change as the enterprise moves from one stage to another than is the case for larger enterprise.

In the light of the above discussion, the most commonly used criterion as has been identified from the various definitions is the number of employees of the enterprise. In applying this definition, confusion often arises in respect of the arbitrariness and cutoff points used by the various official sources. As contained in its Industrial Statistics, the Ghana Statistical Service

(GSS) considers firms with less than six employees as Micro Enterprises (Kayanula, 2000) and (Boapeah, 1992: 5) and it is this definition that has been adopted in the course of this study. The employee criterion which has been considered in this study is also similar to the definition of Small-Scale Enterprises adopted by the NBSSI.

The rationale behind this employee criterion is due to the fact that firms can easily be identified by their number of employees and in part because the process of valuing fixed assets itself poses a problem since continuous depreciation in the exchange rate often makes such definitions out-dated.

2.3 The Emergence and Evolution of Rural or Community Banks in Ghana

Rural or community banks are a network of 127 independent unit banks in Ghana. They are regulated by the Bank of Ghana and thereby form part of the regulated financial sector in Ghana (Nair and Fissha, 2010). These banks are the largest providers of formal financial services in rural areas and also represent about half of the total banking outlets in Ghana (IFAD 2008). By the end of 2008, these banks together had 421 branches (Nair and Fissha, 2010). Including head offices, there were 548 service delivery locations spread throughout the country. All administrative regions of Ghana have at least one bank, although most are located in the Ashanti, Western, Eastern, and Central (Nair and Fissha, 2010)

The first RCB was established in a farming community in the central region of Ghana in 1976 (Nair and Fissha, 2010). It was established in Nyakrom, a farming community in the central region (Nair and Fissha, 2010). Capital contributions were mainly drawn from farmers in the community. A second bank was opened in the following year at Biriwa, a fishing village also in

the Central region (Nair and Fissha, 2010). By 1980 the number of rural banks had reached 20 (Osei-Bonsu, 1998). As at 2008, there were 127 RCBs in existence. Out of these, one was in the process of being liquidated and six were categorized as distressed. As of 2008, just over three-quarters of the RCBs were distributed in five regions of Ghana, which together were home to 57 percent of the Ghanaian population in 2000 (Nair and Fissha, 2010). The northern part of the country, which includes the Northern, Upper East, and Upper West regions of Ghana, has 11 percent of the RCBs but 18 percent of the country's population.

Rural communities showed tremendous interest in the community ownership and management features of RCBs, and by 1984 the number of RCBs reached 106 (Nair and Fissha, 2010). The introduction of a check payment system for cocoa farmers (known as the Akuafo Check operation) also spurred the establishment of local banks in many communities (Nair and Fissha, 2010). In 1981 about 30 existing RCBs formed an Association of Rural Banks (ARB) to serve as a networking forum. As a network of institutions sharing a common mission, the ARB promoted and represented the RCBs and also provided training services to member RCBs (Nair and Fissha, 2010). RCBs are relevant rural finance service providers, and the GoG has consistently provided support to the RCBs by financing capacity building (in partnership with several donors), restructuring programs, and undertaking regulatory reforms (Nair and Fissha, 2010). By the end of 2008, 127 RCBs were in operation with a total 584 service outlets (Nair and Fissha, 2010).

Managers and directors of these rural banks founded the Association of Rural Banks (ARB) to promote the exchange of information and to improve the performance of rural banks as a whole (GoG, 2006). Over the period 1980–84 the number of rural banks rose rapidly and reached 106.

This growth was driven by rising interest among rural communities in establishing their own banks and by the introduction of Akuafo Check operations in cocoa-growing areas in 1982 (GoG 2006).

As the network of rural banks grew, it was essential to provide a code for establishing new RCBs. The BoG developed and issued guidelines for the establishment of rural banks in 1985. The minimum paid-up capital required by the BoG was old GHc 1.5 million. Of this, shareholders were to hold 67 percent and 43 percent was to be contributed by the BoG. The maximum share that could be purchased by an individual shareholder was limited to GHc 10,000 (old). This limit was intended to allow equal participation of all shareholders from the community and to mitigate the risk that a few shareholders would dominate the governance of the banks (GoG, 2007). The rural banks provided mainly savings and credit services and products. With the increase in the number of rural banks, the number of individuals with bank accounts also increased. Salary and pension deposits for civil servants were transferred using rural bank networks. The volume of deposits increased from GHc 148,000 (old) in 1976 to GHc 2.3 billion (old) in 1988. With the addition of credit lines, the consolidated loan portfolio grew to around US$4 million, with nearly half of the portfolio in agriculture and 30 percent in cottage industries. The repayment performance of loans worsened, however, with nonperforming loans (NPLs) rising from 5 percent in 1982 to 70 percent in 1986. The capital available in most banks was not sufficient to cover the cost of the bad loans.

Although the 1983 drought and the 1984 bumper yield and price slump contributed to the worsening loan portfolio performance, several other factors also figured in this deterioration. First, the boards of directors of most banks had little experience in or understanding of the

banking business. Criteria for selecting directors did not include an individual's competence to lead a banking institution. The main criterion was popularity in the community. Second, because the banks were located in rural areas and had limited resources, they could not attract well-qualified and experienced personnel. Employees of the banks were in most cases selected from their own communities, regardless of qualifications and experience. Training opportunities were rarely available. Third, weak internal controls led to several instances of corruption by management and staff. Fourth, the sector-specific credit quotas and other inappropriate regulatory requirements (concessional interest rates for priority sectors including agriculture) constrained the RCBs'ability to flexibly respond to market signals and risks unique to RCBs. Specifically, RCBs gave many bad loans to meet the 50 percent lending requirement for agriculture imposed by the BoG. Fifth, inadequate resources limited the BoG's capacity to supervise the rapidly rising number of rural banks and to effectively respond to their complex difficulties.

In an attempt to respond to the worsening financial performance of RCBs, the BoG introduced some financial reforms (GoG, 2004). These reforms included a review of the sector-specific credit quotas and a reduction in agricultural loans, increases in primary and secondary reserve requirements, closure of distressed banks, and a stronger role for the BoG in examination and control of the banks (Andah and Steel 2003). The World Bank–supported Rural Finance Project, approved in 1989, further advanced this attempt. The project aimed to strengthen the rural finance sector, particularly the RCBs, by (1) providing technical assistance for restructuring about 80 RCBs; (2) strengthening the ARB and credit unions; (3) rationalizing the roles of the Rural Banking Department of the BoG and the ARB; (4) improving the rural credit appraisal

capacity of RCBs and participating financial institutions; and (5) strengthening the BoG's capacity to supervise rural banks (Nair and Fissha, 2010).

2.4 Features of RCBs

☐ Regulation

RCBs are regulated by Ghana's Central Bank, the Bank of Ghana, and thereby form part of the country's regulated financial sector. RCBs are the largest providers of formal financial services in rural areas and represent about half of the total banking outlets in Ghana (IFAD 2008).

☐ Assets

RCBs are relatively small financial institutions with average share capital of GHc 136,526 (US$105,263), average deposits of GHc 2.3 million (US$1.77 million), and average assets of GHc 3.8 million (US$2.4 million) (Nair and Fissha, 2010). Values of the three indicators, however, vary significantly (Nair and Fissha, 2010). Out of the 127 RCBs, 75 percent have assets between GHc 1 million (US$771,010) and GHc 8 million (US$6.1 million), 20 percent have assets of less than GHc 1 million, and 5 percent have assets over GHc 10 million (US$7.7 million). Similarly, 44 percent of RCBs have share capital of less than GHc 100,000 (US$77,101) and only 6 percent have share capital of more than GHc 250,000 (US$192,753 (Nair and Fissha, 2010).

☐ Cliental base / Target group

Rural Banks cater primarily for the low-income and middle income segments of the population. The rural banks serve primarily smaller clients because of several factors, including local ownership, regulation, and capacity. Most clients of the banks are teachers, government

employees, pensioners, and small and micro entrepreneurs. Some of the banks, however, do have relatively large clients that obtain part of their financial service needs from rural banks (Nair and Fissha, 2010).

 Partnership

RCBs have had limited outreach. Some have effectively partnered with NGOs to introduce microfinance methodologies, such as village banking, which are now being strengthened as the backbone for expansion of RCBs (William F. Andah 2003)

Some RCBs have also tried to develop linkages with *susu* collectors or have served community-based organizations (CBOs) associated with donor programs (GHAMFIN 2001). RCBs may also use NGOs to perform ancillary services. For example, Nsoatreman Rural Bank pays a 2% commission to an NGO that helps to identify, mobilize and educate rural groups on accessing credit through an IFAD program, as well as to assist in loan monitoring and recovery (Owusu Ansah 1999, p.13). These growing linkages between RCBs and NGOs, CBOs and ‗*susu'* collectors (local bankers) provide an important foundation for greater outreach to rural poor clients, with the RCBs providing a decentralized network of licensed financial institutions in rural areas and others providing the grassroots orientation that permits reaching relatively poor, remote clients with small transactions.

2.5 Products and Services Provided by RCBs

The basic mandate of RCBs is the mobilization of savings and the extension of credit to deserving customers in their areas of operation. A lot of progress has been made since the first rural bank was established in 1976 (Osei-Bonsu, 1998). Deposits have been mobilized, loans

have been granted, the habit of savings and thrift have been inculcated in the minds of our rural dwellers.

In addition, Rural Banks have developed products that facilitate fast and reliable means of moving funds from one part of the country to another through the extensive network of Rural Banks in the country. Moreover, jobs have been created for our rural people as managers, accountants, project officers, cashiers, drivers, cleaners, etc. It is also the belief of the Central Bank that through their financial intermediation roles, Rural Banks will act as catalysts for economic development in rural Ghana.

- *Savings product:* RCBs savings products include regular savings accounts, current accounts, *susu* deposits, and fixed or time deposits (Nair and Fissha, 2010). The interest rate for regular savings is low and is paid only once a balance reaches a certain amount (usually higher than the balances held by most savers). Many rural clients have access to this type of account; unlike other commercial banks, RCBs do not require a high balance to open an account (Nair and Fissha, 2010). *Susu* is the second-largest account type (Nair and Fissha, 2010).

- *Credit:* The credit products offered by RCBs include microfinance loans, personal loans, salary loans, *susu* loans, and overdraft facilities. RCB loans are used for agriculture, cottage industries, and trading.

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Money transfer and payments. RCBs offer money transfer and payment services to their clients in collaboration with the ARB Apex Bank. RCBs participate in local and international money transfers.

2.6 The Role of RCBs in Economic Growth and Development

Generally, Microfinance is defined as the provision of thrift, credit and other non-financial services in very small amount to the poor to empower them raise their income level and improve their standard of living (Eluhaive, 2005). Arising from this definition, Microfinance Bank, according to the Central Bank of Nigeria (CBN, 2009), is a company licensed to carry out the business of providing Microfinance services such as savings, loans, insurance, money transfer and other financial services that are needed by the economically poor, micro, small and medium enterprises.

Economic growth refers to the concerted and sustained effort to improve the standard of living of the citizenry by means of improving the productive capacity of the economy (Njiforti, Adama & Kromiti, 2008). Economic growth policies, according to Obianuju (2012) involve multiple areas such as mobilization of savings, accessibility to credit, employment generation, poverty reduction etc. Economic development on the other hand entails policies by which a nation improves the economic, political, and social well-being of its citizens (Okunmadewa, 2001). Syrous and Laura (2007) define economic development as a process by which an economy is transformed from one that is dominantly rural and agricultural to one that is dominantly urban, industrial, and service in composition.

In pursuit of economic growth and development by all nations of the world, economists have developed a number of theories to explain and facilitate the process. The theories or models

include that of Keynesian macroeconomic growth model, Harrod-Domar model, Leontif's input/output model and a host of others. The centre piece of all the models is that economic growth and development is tied down to levels of savings, investment, employment generation and poverty reduction (Obianuju, 2012). Based on theoretical propositions, countries have developed various measures to strengthen the banking sector to play the intermediary role of mobilization of savings and allocating it to the productive sectors of the economy for investment, employment generation and poverty reduction, especially in rural areas.

In Nigeria, the conventional banks provide financial services only to about 35% of the economically active population while the remaining 65%, are excluded from access to financial services of the banks (C.B.N, 2005). Microfinance according to C.B.N (2005) is about providing financial services to the poor who largely constitute the 65% excluded from access to financial services of conventional banks.

According to Taiwo (2012) microfinance has worked successfully in many parts of the world-Africa, Latin America, Europe and North America. Through microfinance the poor people in most countries were able to have access to variety of financial services comprising savings, loans, money transfer and insurance. The accessibility has resulted in employment generation, poverty reduction and consequently economic growth and development (Taiwo, 2012).

2.7 The Role of RCBs in Micro Enterprises Development.

The role of Micro Enterprises as engines of endogenous development in rural economies is increasingly recognized in development theory and has attracted the attention of policy makers (Tacoli, C, et al, 2003). They add value to agricultural products and play crucial roles in the

decentralised use and distribution of resources (Tacoli, C, et al, 2003). They augment government efforts to achieve economic growth and poverty reduction in rural and urban areas (African Development Bank 2005).

Wangwe (1999) argues further that MSEs tend to ensure balanced economic growth since they are concentrated in different parts of the country. They have been credited for introducing innovations into the market to serve as a catalyst for societal development (Reijonen and Komppula, 2007).

A vibrant Micro enterprise sector can help to achieve a more equitable distribution of the benefits of economic growth by alleviating some of the problems associated with uneven income distribution (UNCTAD, 2001).

Consequently, many development plans in developing countries have placed strong emphasis on the development of an entrepreneurial middle-class that create employment and has the potential to overcome institutional conditions that hamper growth in rural areas (UNCTAD, 2001). For example, in Ghana, the Growth and Poverty Reduction Strategy (GPRS I & II) identified MSEs as engines of growth, wealth creation and avenues for employment generation for the majority of its citizens.

According to the Ghana Statistical Service (2007), about 86% of the total population living below the poverty line in Ghana can be found in the rural areas. Recognizing the critical role of MSEs in poverty reduction, a number of existing institutions which have the mandate to promote

industrialization in the rural areas have been strengthened to facilitate more economic change on the countryside. In order to build a strong rural economy, the government of Ghana has set up National Vocational Training Institutions (NVTI), established entrepreneurial development programs, as well as favourable conditions for Micro Financial Institutions (MFIs) and other infrastructural services to encourage the growth and development of both informal and formal MSEs in the country (GSS, 2007).

Micro enterprises are important to the economy of Ghana. This is buttressed by the fact that the industrial and business sectors are dominated by a large informal sector. For example, about 70% of the Ghanaian enterprises are micro to small sized and it is estimated that nearly 40% of Ghana's GNI is attributable to informal sector activity (GSS, 2002). It is believed that small firms can more easily propel growth in the economy than the large ones due to their numbers and niches they occupy in the national economy (Ghana Government 2002).

The dynamic roles of rural banking in developing countries like Ghana in the development of micro industries have been highly emphasized. These Rural Banks have been identified as the means through which the rapid industrialization and other developmental goals of the small and medium scale enterprises can be realized (GoG, 2002). Despite the numerous benefits that we as a nation stand a chance of getting from these micro or small scales enterprises, the sector faces problem of financing (Banerjee, 2001). Borrowing from commercial banks has become a problem to owners of these micro or small and medium scale enterprises since they are required to open a current account that requires a lot of documents that this category of people because of their level of education cannot provide to enable them access such facility (Osei-Bonsu, 1998).

In a quest by government to alleviate the problems of rural farmers and small and medium scale enterprise owners through credit finance provision, government at that time introduced rural banking in Ghana in the 1970 and the first Rural Bank was established in 1976 as Nyakrom Rural Bank Limited at Agonas.

The main products and services offered include Current Accounts, Savings Accounts, Fixed Deposit Accounts, Susu Savings, Loans (microfinance and consumer credit loans) and Overdrafts, Domestic Money Transfer (Apex Links) and western union money transfer.

Finance is one of the life wires of every economic activity. Access to finance will provide startup capital for the business, as well as funds to meet operational costs. According to Tetteh and Frempong (2006), most of the micro enterprises depend on their personal savings to provide start-up capital with a very small number borrowing from the RCBs in the country, while others got support through government special projects and from NGOs. However, increased scale of production, especially by the growth-oriented MSEs requires access to institutional credit which can provide far more support than what can be obtained through personal savings, micro credit and other sources (Nair and Fissha, 2010).

RCBs make standard commercial loans to individuals or groups, often related to micro enterprises (Nair and Fissha, 2010). For example, Nsoatreman Rural Bank was reported in 1998 to have 25,587 depositors (average balance of US$38) and 17,584 borrowers (average loan size US$190), 130% operational self-sufficiency and portfolio in arrears under 4%. (Andah and Steel 2003: p7). While the term lending may have been justified by the investment in a productive asset, it tended to result in portfolio performance problems, as borrowers had difficulty making

timely repayments and RCBs had weak capacity to follow up and enforce repayment (Andah and Steel 2003).

During the 1990s, however, a number of the more progressive RCBs drew on emerging microfinance techniques to introduce new programs for saving and credit, often in association with NGOs that provided the expertise in implementing the approach (CHORD, 2000). Loans of this type were generally short-term (4-6 months) with weekly repayment, averaging around $50-75 but ranging up to several hundred dollars, with compulsory up-front savings of 20% that was retained as security against the loan, complementing group or individual guarantees as the other principal form of security (Andah and Steel 2003: 9). Some RCBs have tried to develop linkages with *susu* collectors or have served community-based organizations (CBOs) associated with donor programs (GHAMFIN, 2001).

RCBs also used NGOs to perform ancillary services to micro enterprises. For example, Nsoatreman Rural Bank pays a 2% commission to an NGO that helps to identify, mobilize and educate rural groups on accessing credit through an IFAD program, as well as to assist in loan monitoring and recovery (Owusu Ansah, 1999, p. 13). These growing linkages between RCBs and NGOs, CBOs and *susu* collectors provided an important foundation for greater outreach to rural poor clients, with the RCBs providing a decentralized network of licensed financial institutions in rural areas and the others providing the grassroots orientation that permits reaching relatively poor, remote clients with small transactions (Andah and Steel 2003).

To facilitate savings collection, some RCBs, such as Akwapem and Lower Pra, have introduced Mobile Banking, whereby officers visit rural markets on certain days to collect savings and provide loans to groups or individuals with guarantors (Andah and Steel 2003). They consider this to be a profitable formal adaptation of the *susu* system.

The risks associated with lending to MSE entrepreneurs have restricted RCBs to adequately support these important entities (Tetteh and Frempong, 2006). Lending to MSEs has been characterised by high default rates and high cost of credit administration, as a result only few RCBs are willing to provide entrepreneurs with financial assistance to improve on their businesses (Tetteh and Frempong, 2006).

While these are very noble achievements, it has not been all rosy. There have been many problems. Out of the 137 Rural Banks currently operating in the country, approximately 70 have been classified as operating satisfactorily by the Central Bank (Nair and Fissha, 2010).. The performances of 50 have been described as mediocre and the rest will need close monitoring and nurturing to avoid being closed down by the Central Bank (Nair and Fissha, 2010).

The financial sector in Ghana is becoming increasingly competitive. In addition to the universal banks extending their services to the rural areas through their branch networks, there are institutions, such as Savings and Loans Companies, Finance Companies, Credit Unions, Susu Companies, Mutual Funds all of which are in the business of mobilizing deposits and granting loans.

2.8 The Concept of Development

Development is a value concept that has lent itself to various interpretations and definitions, according to each individual's value preferences. The absence of a commonly agreed universal definition or understanding of development results in what Musto (1985: 1) refers to as a "crisis of theory" and states that "after three decades of intensive reflection on development policy issues, we now know even less of what development actually means". Development is a holistic concept that touches on every aspect of human life in cultural contexts. It evolves from the collective experience of a society and reflects societal values and preferences. Since development is a value word, there is no consensus as to its meaning. Pearce (1990: 2) also argues that since development is a value word, implying change that is desirable, there is no consensus as to its meaning. He contends that development depends upon what social goals are being advocated.

Hence, the classical and neo-classical economists defined development in terms of growth in the national wealth with respect to the gross national product and per capita income. It advocated for laissez-faire, that is, non-intervention of government in the economy, as development or economic growth will be achieved through the invisible hand of the market (Adam Smith, Mill, Marshall, Rostow, and so on). These growth theorists or apostles of free market focused on growth maximization and economic efficiency, while playing down on equity. It was considered that achievement of rapid and high growth rates in the gross national product required some levels of inequalities in income and wealth at least during the initial stages of growth. Thus, development is conceptualised in terms of production and consumption of the material things of life - a process that recreates the industrialised world. Its emphasis is on economic growth or the process whereby the real per capita income of a country increases over a long period of time.

This is emphasized as the primary objective of development because a continuous growth of the economy is a pre-requisite for poverty eradication, although there are other objectives such as distribution.

This concept advocates for rising net income accompanied by reduction in poverty, unemployment and social inequality as well as the satisfaction of basic needs for the marginalized (Ikeanyinonwu, 2001).

Development is therefore seen as modernisation of economic structures through heavy industrialisation, with agriculture providing the big push. Development in this sense is also urban-driven and urban-biased, as development programmes and projects are usually concentrated in the core cities while the rural hinterland (the periphery) is mostly ignored, thereby fostering a dualistic urban-rural economy.

The justification for the alienation or exclusion of rural areas at the initial stages of the development process came from the growth pole theory by Perroux and later developed by Hirschman (1958) and others. According to this theory, economic growth does not take place unifom1ly across regions of a country but is rather concentrated in poles, mainly major urban centres, which constitute the core of development activity. Development spreads from these poles to the periphery in terms of capital flows, innovation, know-how and markets, which constitute the trickle down or polarisation effects. While acknowledging the existence of "negative polarisation effects" by exploitation of rural agriculture to finance industrial, physical and social infrastructure investments at the poles (urban centres) to the neglect of the rural hinterland, the growth pole theorists believe that the benefits of growth would trickle down to the peripheral regions at a later phase of the development process.

The failure of growth-oriented development theories to redistribute the benefits of economic growth across regions as evidenced from the growing income inequalities between rich and poor people, urban and rural regions called to question the effectiveness of these theories in addressing the problems of developing countries. These problems include absolute and massive poverty, income and regional inequalities, declining agricultural productivity and food shortages, hunger and starvation, mass unemployment, rural-urban migration, population explosion, environmental degradation, falling commodity prices, high inflation and depreciating local currency, worsening balance of payments problems, external debt burden and most recently, the HIV/AIDS epidemic. The growth strategy could not be sustained in the midst of these overwhelming problems plaguing and devastating the poor countries of the world.

This provided the background for the emergence of welfare theories of development that emphasize values associated with the common good or public welfare. This viewpoint would tend to associate development with rising net income accompanied by reduction in poverty, unemployment and social inequality, and the satisfaction of the basic needs of the poor. The strategy is to direct public investment to rural areas, informal sectors and vulnerable populations so as to empower and enable the poor to satisfy their own needs through their productive efforts and thus redistribute the benefits of growth in favour of the poor. While not abandoning growth, the welfare oriented or growth with redistribution proponents including Singer, Dudley Seers, Rains and others argue that growth alone could not be sustained in the midst of mass poverty, hunger, "unemployment, diseases and glaring inequalities. The main elements of this new conceptual approach to development include:

☐ Satisfaction of basic human
needs;

□ Target group orientation to cater for the economic and social differentiation among regions and people;

□ Production orientation as a precondition for redistribution, including access to productive resources (empowerment) through which people's potentials can be realized; and

□   Participation both in the benefits of development and in the decision making process

(Waller, 1986 in, Fekade, 1994: 31-32, in Ikeanyionwu, 2001: 92-93).

The welfare approach, though focusing on human welfare, participation, equity and social justice, has also its shortcomings (Lewis, 1986; Friedmann, 1988;) as the redistribution of productive resources to empower the people has not occurred while participation in the decision making processes especially political power is frustrated by weak democratic systems and centralised administrative institutions. For instance, on the administrative barriers to participation and development, Oakley (1991: 12) points out that highly centralised administrative and government bureaucracies have proved to be obstacles to the participation of the poor in decision making and development. These administrative structures retain control over decision making, resource allocation and information and knowledge which rural people will require if they are to play an effective part in development activities. Administrators in such structures tend to have a negative attitude towards the whole notion of people's participation. The result is that administrative procedures often become a minefield and an effective deterrent to rural people seeking direct involvement in or assistance from local administration (Fekade, 1994: 61-62).

Despite its shortcomings, there is considerable consensus that development should include the process of satisfying basic human needs - food, shelter, clothing, and security among others. These should be attained not as goodwill gestures from the government, but primarily through people's efforts, hence their right to work, access to gainful employment, resources and decision

making powers are conceptual elements of development. Beyond the satisfaction of basic needs, there is also a commonly accepted meaning of development especially in the context of local level development in Africa. For the local politician and the common man, development is about "modernisation" or the acquisition of facilities, services, and infrastructure associated with modernity (Oyugi, 2000: 4). These include clean and safe water supply, health services, basic education, good roads, electricity, industries and employment, or generally referred to as "the good things of life ".

In recent times, more illuminating literature on development studies have steered away from the more banal definitions of development which use indicators like growth rates of gross national product and average per capita income to one emphasizing attempts at reducing poverty, unemployment and inequality (Seers 1973; Currey 1973; Kuitenbrouwer, 1975; Songsore, 1997; Songsore and Denkabe, 1995, in Songsore, 2003: p.1). Currey (1973: P.21) refers development as a process of change through which a society evolves the values, political leadership and other forms of social organization necessary to mobilize and utilize resources in such a way as to maximize the opportunities available to the majority of its members, for realization to the fullest possible extent of their potential as human beings. Development must serve the interests of the majority; no society is perfectly homogenous, all are composed of competing interests and social change must benefit some and harm others. But on balance, it must be interests of the majority that are advanced (Currey, 1973, p.21; Drewnowski, 1976, Songsore, 2003: P.1-2)

The UNDP (1993) conceptualizes development as a process of transformation of the whole of a society's economic, socio-cultural and political structures, the core values system and the way of

life of a people. Development connotes improvements in the lifestyles and quality of standards of living of individuals, who become better-off, happier and generally freer than before and have wider life choices (UNDP, 1993). For Seers (1981) development is a ―condition for the realization of the human personality‖, which implies that development has got to be evaluated with respect to its effects on poverty and un-employment as well as the extent to which inequality in a society has been bridged. The IUCN (1997) also defined development as an attempt by mankind to modify the bio-sphere through the application of human, financial and living and non-living resources to satisfy mankind's needs and improve quality of life. The concept of development is, therefore, homo-centric and has often been associated with desirable socio-economic and cultural changes intended to add greater value to society's welfare and resulting in significant improvements in the overall quality of life of a people.

Development is operationalized in terms of quantifiable economic variables like per capita income (PCI), Gross Domestic Product (GDP), low inflation rates and other micro-economic indicators (Mabogunje, 1981; Alexander, 1993). Rostow (1960) had earlier championed the highly controversial historical stages of development model and presented a linear development path that was based on a society's past history. Others, such as Todaro & Smith (2009) argues that development implies improvement in the welfare of a people and suggests that development means a better state of affairs with respect to which persons got what, where, and how; implying a kind of resource or income redistributive justice that would lead to substantial reduction in income and human poverty. In a review of development literature Mabogunje (1981) draws attention to the shift from purely economic based indicators of development to a broader perception of development that includes social, psychological and political processes of

economic growth, distributive justice, socio-economic transformation, modernization, and spatial re-organization. And for Dudley Seers (1980; 1981) there is development if the levels of poverty, un-employment and in-equality in an economy have been declining consistently over time. In the context of this study there will be development of micro enterprises if and when RCBs role in credit provision, training, skill acquisition, monitoring and supervision of micro-enterprises and entrepreneurs succeeds in increasing their fixed assets, operation capital, and employees, in the Districts.

The UNDP (2003) therefore define development as a process of enlargement of people's choices, including longevity and healthy lifestyles, acquisition of knowledge and access to all kinds of resources requirement needed to enjoy a decent standard of living. For the UNDP, the other equally important variables in the development equation should include group formation and strengthening of human capabilities, economic and political empowerment of citizens to facilitate their participation in the economic and political activities of their communities. Thus, the UNDP human development index focuses on longevity of life, acquisition of knowledge and quality of life. This study's conceptualization of development is similar to the UNDP's (1995) definition of development although its focus is on the role of RCBs in micro-enterprise development in poverty reduction among rural poor in the East Mamprusi District.

Today the concept of development assumes a broader meaning and is used to include ideals such as right to life and property, access to education, quality health care, clean sources of water and sanitation (World Bank, 1996).

There appears to be conceptual differences in the above perspectives of development, and as such, there is need for a common understanding of the meaning of development to be able to relate it to micro enterprise development objectives. These differences notwithstanding, there is a commonalty in what development is about: people, wealth creation or production, human welfare and human rights, poverty reduction, improving the people's productive capacity; employment provision, provision of basic facilities, access to resources and opportunities for participation in decision making. While not ignoring any of these attributes of development, in the context of this study, development is seen mainly in terms of the provision of or access to facilities, services and infrastructures because through this, other development objectives at the local level can be achieved. Other variables are food security and adequately nutritious meals, and security and human decency. This study therefore, anticipates that this wider meaning of development is attainable through deliberate targeting and development of micro-enterprises and that micro-enterprise development will contribute to reduce extreme poverty among rural poor in the East Mamprusi Districts.

2.9 Poverty

Poverty has been conceptualized in various ways. Watts, (1968) defines poverty as the lack of command over commodities in general or alternatively, the lack of command over some basic necessities of life. For Sen, (1985) poverty refers to the lack of capability to function in any given society. Similarly, the World Bank's (2002) synthesizes these definitions as a state of deprivation prohibitive of decent human life.

All the definitions of poverty above, point to the phenomenon where the status of a reasonable standard of living is not achieved. Poverty is, therefore, a condition in which a person lacks command over economic resources. For example, an individual is considered poor if he or she lacks food, education, health, shelter and other basic necessities of life, including clothing or if he or she lacks income to purchase these items. Sen (1985) explains that one could be designated poor if one had a capability failure to participate in the affairs of the society. Ability to function socially could merely refer to lack of basic needs, such as food, shelter and clothing or complex issues, such as freedom, self-respect, social inclusion and political participation (Sen, 1985). Thus, one's lack of ability to achieve these socially desirable outcomes would make one poor. Indeed, inability or disability does not only reduces an individual's ability to earn income (which means lack of command over resources) but it also makes it harder to convert income into roles, although, in terms of income, that achievement is potentially feasible (Sen, 1985). In such a situation, poverty becomes a state that is characterized by unacceptably low levels of capabilities.

Poverty is also a function of one's inability to maintain a socially acceptable standard of living, which depends on what is deemed to be socially acceptable standard of living by a given society over time and space (Sen, 1985). For example, in a society where most people own cars, the use of public transport may be an indicator of poverty. Having no television (TV) in a technologically advanced society might again be an indicator of poverty, while in other countries a car could be a luxury good. One's standard of living also depends on how it is measured, in which case the variable or the set of variables used to maximally —capture‖ the standard of living of societies may differ over space and time (Sen, 1983, 1985; UNDP, 2003). The variety of ways

poverty can be defined makes it advisable to contextualize. There is no general conceptual definition of poverty which is applicable to all countries for all times although admittedly, focusing on lack of command over economic resources and on a one dimension approach could be a good starting point to define and analyze poverty. The capability approach is stimulating but it also has a tendency to generate an enormous strand of technical literature that might confuse the amateur researcher (Morduch, 2008). The latter approach is also harder to operationalize in terms of identifying the poor and measuring poverty. To overcome the problem of identifying and operationalizing poverty this study uses , access to land and micro-credit, food security, infant and maternal mortalitylack of education, poor housing and sanitation, and powerlessness as some of the indicators for identifying who is a rural poor.

Finally, with the different perspectives by UNDP the definitions of poverty could be synthesized and conceptualized as a denial of human rights (i.e. those rights that are inherent to the person and belonging equally to all human beings) (UNDP, 2003). Such a concept makes the application of either of the two approaches problematic (Narayan, 2002). The human rights-based approach to poverty reduction espouses the principles of universality and in-divisibility, empowerment and transparency, accountability and participation, which lays emphasis on the multi-dimensional nature of poverty and goes beyond a lack of income UNDP, (2003).

Sen's (1983) attempt to create a bi-polar hierarchy by defining poverty as ―absolute deprivation‖ that could probably be interpreted to mean a preference for the absolute concept of poverty which will lead to the contradiction between absolute and relative concepts of poverty. In rejecting the relative concept of poverty Sen, (1983) argues that there is an irreducible absolutist

core in poverty, regardless of people's relative positions. Sen (1983) cites hunger and starvation as unequivocal indicators of poverty and argues that absolute and relative concepts should not be confused with variability of poverty over time and space. It is admissible that the variability of poverty over time and space introduces elements of relativity into the concept of poverty. Sen, (1985) adds that indeed, there could possibly be a difference between achieving relatively less than others and achieving absolutely less than others. Absolute poverty concepts are, therefore, subject to variations over time, because poverty has always been a function of multiple variables that reflect social and economic conditions. For example, some non-food items, once thought to be non-essential at one stage of national development may become essential commodities some years later. Similarly, inter-country comparison of poverty would necessarily involve absolute poverty concepts, which require some adjustments to reflect poverty variations over space and time (Sen, 1985; Narayan, 2002)**.** For example, while meat may be included in a minimum subsistence basket in industrialized countries it may not be the case in the least industrialised nations. Therefore, using the same basket of goods under different circumstances might give a misleading impression about the relative level of poverty across countries. Absolute concepts of poverty, over time, are also relative to the prevailing socio-economic conditions of society, so both the absolute and relative concepts of poverty may vary over time and space.

An analyst is also interested in the relationship between the definition of poverty and food security, where the latter, (food security) refers to all time physical and economic the stability of access to sufficient, safe and nutritious food to meet the dietary needs and food preferences that would ensure an active and healthy life (Romer, Knowles & Horii, 2004). Food security, so defined, also relates to the concept of vulnerability, which refers to an individual's propensity to

either fall or stay below some pre-determined threshold of food security, and explains why food insecurity is also closely related to the absolute concept of poverty, especially to those concepts that tend to emphasize the lack of a given "level" of food as a primary cause of poverty (Sen, 1985).

Food security depends on three factors of availability, stability and accessibility (Romer, et al, 2004). Food availability and stability are necessary for its accessibility, while, access to food can be organised if food supply is available and stable over time and space by either growing or importing food in sufficient quantities and quality. In addition, the food supply process should be relatively stable over time. Finally, households should have sufficient income (or other entitlements) to buy and or grow food. Absolute concepts of poverty are, therefore, mainly related to food accessibility rather than its availability and stability of supply.

Food security and absolute concepts of poverty are closely related in terms of access. The study conceptualizes food security among rural poor women in a wider sense than those underlined by absolute poverty. This is because it would require policies for ensuring food availability and supplies stability. Thus, in a way, food availability is related to which food is produced, imported and stored, while food stability is related to the way food is made readily available or marketed and how food stocks are managed in the NND and NSD. Access to food is mainly related to households' purchasing power and stock of resources. The discussion has so far shown that the concepts of absolute and relative poverty have common features though the two concepts are logically distinct. The World Bank defines poverty as one's inability to achieve a "socially acceptable standard of living". It should be noted that this socially acceptable standard of living

can be defined only by recourse to making value judgements on what should be considered socially acceptable at any given time and space ((Romer, et al, 2004). In communities where hunting is the primary source of food, a socially acceptable standard of living could be assured if there is enough meat or fish to eat at the end of the day, but in industrialised societies the socially acceptable standard of living could not be achieved unless everyone owns a TV or has access to school. Thus, one's inability to achieve an absolute standard of living would usually imply some relative perception of what poverty is to the individual. By analogy the concept of food insecurity, being a situation where people fail to achieve some pre-determined food security threshold, requires a value judgement on what is deemed to be the appropriate threshold of food security for an ―active and healthy life". As a result the appropriate threshold of food will vary enormously across space and different societies. Romer, et al. (2004) explicitly recognizes that ―the nature of this minimum welfare threshold depends on the outcome in which one is concerned".

In spite of the numerous definitions of the concept of poverty given by many academics and international institutions most of those definitions of poverty encountered in the literature emphasize the point that the phenomenon is a condition in which the individual or group is unable to achieve a reasonable standard of living. The World Bank's (1996) version of poverty is that situation where there is the lack of or the inability to achieve a socially acceptable standard of living'. Poverty is therefore a condition where individuals, like rural poor of the East Mamprusi District, lack command over economic resources or a capacity failure to be active participants in activities of their communities.

The study has hypothesized that empowering such poor people, through micro-enterprise development, could reduce poverty, especially among the rural poor. This study therefore defines poverty in terms of food insecurity, lack of access to micro-credit, lack of housing and potable water, poor sanitation, lack of access to health care and education, as well as one's ability to assert one's fundamental human rights, and is line with the UNDP'S (1996) synthesized version, which is in line with both economic and human dimensions of poverty.

2.9 Ghana's Industrial Experience

2.9.1 The Pre Economic Recovery Programme (ERP) Era

With the attainment of independence, Ghana's drive to modernize its economy through state-led industrialisation took the following policy strategies; import substitution through high levels of effective protection, reliance on administrative controls instead of market forces to determine incentives and resource allocation and dependence of large-scale public sector investment.

This strategy was adopted based on the hypothesis that rapid economic development was feasible, provided the state assumed the entrepreneurial function. This approach was adopted against the background of rudimentary state of indigenous industry in the late fifties, the limited number of local entrepreneurs and complete absence of capital market. The emphasis on import substitution was to reduce economic dependence, which was a consequence of balance of payment difficulties due to rapidly rising import, and stagnating export earnings.

Whilst pursuing the import substitution strategy, Ghana did not process enough primary products for export and hardly started export promotion and diversification. Much foreign exchange was spent on the importation of inputs for consumer goods without any attempt to find

any local substitutes. Despite the attention given to import substitution industries, the prices of their products were very expensive. The country soon found itself in foreign exchange crisis, which led to the development of the problem of under utilization of plant capacity. Between 1970 - 1982, manufacturing output of thirteen per cent per annum declined. Its share of Gross Domestic Product (GDP) also showed a downward trend from 14 per cent in the mid 1970s to five per cent in 1981/82. Employment also declined from 89,000 to 66,000 between 1977- 1981/82. Capacity utilization declined from 40 per cent in 1978 to 21 per cent in 1981 (Boapeah, 1994: 20).

2.9.2 The Economic Recovery Programme Era (1983 -1991)

Against the backdrop of the above economic decline and the general deterioration of the other sectors of the economy, the ERP was launched in 1983 to reverse the economic decline and set the pace for a sustained development. The major industrial objectives were to: increase the production of manufactured goods through the greater use of existing capacity, remove production bottlenecks in efficient industries through selective rehabilitation, encourage the development of local resources to feed and promote the development of agro based industries, develop economically viable linkages among local industries and among the key economic sectors of agriculture, construction, transport, health and education and encourage the export of manufactured goods and increase earnings from nontraditional exports. Ghana has achieved an impressive measure of success since the introduction of the economic recovery programme. Capacity utilization increased to an average of 45 to 50 per cent. The average annual industrial growth rate between 1984 and 1990 was estimated at four per cent. Real gross domestic product (GDP) in 1984, recorded a surplus ever since. Inflation declined from 123 per cent in 1983 to

39.7 per cent in 1984. Overall balance of payment recorded a surplus of $100 million in 1989 (Boeh-Ocansey, 1996).

2.9.3 Lessons From The Past Industrial Policies

The review of the past industrial policies presents useful lessons for policy consideration, especially with regard to the small-scale sector. The following conclusions were drawn: The approach to industrial development mainly focused on medium and large-scale industries relegating small-scale enterprises to the background. The reason being that small scale industries were not considered as playing a complementary role to large scale industries in the development process (Boapeah, 1994). The legal and administrative frameworks, instituted were biased against small-scale enterprises. Whereas the investment code favoured large enterprises, credit schemes largely favoured the commercial and faming sub sectors (Ibid, 1994). Public financial resources, which were contracted through loans, were dissipated by large enterprises due to inefficient management ([bid, 1994). Development analysts are converging on small scale industries on account of their potential contribution (employment creation, resource utilization, foreign exchange saver, reduction in regional imbalance and application of indigenous technology) to the development of the nation. It is against this backdrop that the National Board for Small Scale Industries (NBSSI) (ACT, 434) was established to initiate, formulate, develop and implement national programme and coordinate all assistance programmes in the small- scale industry sector.

As part of the strategies of Ghana's 1992 industrial policy, the NBSSI was to be strengthened and decentralized and greater emphasis placed on district level activities including small-scale

enterprises and rural repair and maintenance workshops. In fulfillment of the mandate given to NBSSI, a policy document, which cover broad areas as government policy framework, technology development, product and market development, inter industry linkages and networking, women entrepreneurship, micro and small enterprise financing and non-financial support programme is currently being developed (NBSSI News Bulletin, volume 1 June, 1999).

2.9.4 Review of Institutional Support for Micro and Small Scale Industry Promotion in Ghana

Policy reforms of the last decade have resulted in the private sector being increasingly seen as the principal agent of industrial development. The development of smaller firms has been made a priority in the Ghana Government's industrial development policy considering the sub sector's potential to generate employment and create wealth. The small enterprise sector is also a key to regional development and is consistent with Government's efforts to decentralize economic activity and promote rural development. It is against this background that the government has initiated policies to support small firms.

2.9.5 Policy Initiatives for Micro and Small Scale Enterprises promotion

A number of measures have been put in place to promote small-scale enterprises development in Ghana (NBSSI, 1997). These include: financial support, through programmes such as Funds for Small and Medium Enterprise Development (FUSMED); institutional support such as establishing enterprise associations and co-operatives, and the establishment of National Board for Small Scale Industries as the apex institution responsible for small and medium enterprise development; standardization and quality control of products and supporting efforts to boost non-traditional exports; promoting the development of indigenous technologies to improve the

quality of local products, and supporting the adaptation of existing technologies to meet local needs.

2.9.6 The support Schemes

A number of initiatives - business advice, training, technology transfer, financial support have been introduced in Ghana to support the development of the small-scale enterprise sector. The supporting organizations include government institutions, industry federations, bilateral and multi-lateral lending organizations, Non Governmental Organizations (NGOs) and private sector bodies.

i) Business Advice

The National Board for Small Scale Industries manages a network of Business Advisory Centres (BACs), which are located in all the regions of Ghana. Range of services including training, credit finance, technology transfer and capacity building are provided to small-scale enterprises by the BACs. Training related services cover such areas as entrepreneurship and technical support. Follow-up assistance to enterprises is also provided in order to ensure that skills and knowledge acquired at the training workshops are applied in the day-to-day running of their businesses. The problem with the BACs is that: they do not make these services available on a one-stop basis and there seems to be little targeting of firms with assistance going to all enterprises in all sectors whether or not they have growth potential.

Impresario Technologies, Ghana (EMPRETEC) also directs its support services to growth-oriented and successful Ghanaian entrepreneurs. The range of EMPRETEC's support services include: entrepreneurship, management, business awareness, customized training, production advice, export, overseas linkages, market and feasibility studies, sub-contracting, to mention just

a few. Despite the fact that EMPRETEC is providing useful services to small scale entrepreneurs, it appears that the ranges of services are not delivered on an integrated basis.

Again, the target firms are growth oriented small enterprises involved in non-traditional exports with each centre focusing on particular industrial sub-sector: textile/garments (Accra), furniture (Kumasi), Gari processing (Koforidua) furniture and hotels (Takoradi), metal and shea butter processing (Tamale). A review of the activities of the Business Growth Centres (BGCs) indicates that the target is on the enterprises with growth potential and there is a pronounced sectoral focus. Again, in spatial terms, the BGCs have all been cited in the urban areas to the detriment of the rural areas. The implication is that rural enterprises do not reap the full benefits of the BGCs.

ii)Training initiatives

The private Enterprise Foundation (PEF), which represents the interest of the private sector, provides training to small-scale enterprises. It is responsible for the overall management and co-ordination of the UNDP Capacity Development Programme in Ghana. Training seminars are mainly organised on a cost-sharing basis between participants and PEF. In this regard, only larger firms can afford to participate. The scheme has also not benefited the rural enterprises.

iii)   Technology Transfer

To support technology development and transfer, Technology Consulting Centre (TCC) has been established at the Kwame Nkrumah University of Science and Technology (KNUST) Kumasi to serve as a link between research from the institution and the business community. The TCC

concerns itself with the following areas: metalwork, foundry, agro-processing equipment, textiles and construction. The centre also makes available equipment on hire purchase and provides consulting services. One Institution that is also involved in technology transfer is Ghana Regional Appropriate Industrial Technology Industrial Services (GRATIS). It manages a network of Intermediate Technology Transfer Units (ITTUs) whose objective is to develop the capacity of local firms to design, manufacture and repair machinery and equipment. GRATIS also supports three Rural Technology Services Centres (RTSCs). The assessment of the role of ITTU in technology transfer indicate that its role with regard to promoting start-ups is somewhat limited, which forces trainees to become either self-employed or employees of existing enterprises.

The Intermediate Technology Ghana (ITG) and Technoserve have taken up skills enhancement for artisans. In the area of research and development quite a number of institutions - Council for Scientific and Industrial Research (CSIR), Cocoa Research Institute, the Industrial Research Institute (IRI), Savannah Agricultural Research Institute (SARI), Food Research Institute (FRI) are involved. The activities of these institutions, which cover crops, building and road, water resources and oil palm are mainly coordinated by CSIR. An assessment of the contribution of the research institutions indicates that the research institutions have not been able to design commercialized research package and this explains why technology development in Ghana has been very slow. Again, there seems to be a weak linkage between research and industry.

Development and Application of Intermediate Technology (DAPIT) established in 1984 concerns itself with the development and application of intermediate technology that will be useful to the rural communities in Ghana.

iv) Financial Support

Through the network of NBSSI's BACs, the German Development Services make short-term loans to small enterprises. The repayment period is between 12-15 months with a 2-3 months moratorium. A short-term credit line under the UNDP's Capacity Development Utilisation Programme is also being managed by EMPRETEC through five credit centres - Accra, Kumasi, Takoradi, Tamale and Koforidua. EMPRETEC again, manages Funds for Small and Medium Enterprise Development (FUSMED) financed by the World Bank and long term commercial loans from EU Supported Enterprise Fund. The purpose of these funds is to provide managerial skill particularly, accounting and book keeping to entrepreneurs. Technology and Enterprise Development Fund (TEDF), which aims at facilitating small enterprise access to specialized consulting advice on efficiency in value added production and funded by the World Bank, UNDP and the European Union (EU) is also being handled by EMPRETEC. An assessment of the credit scheme raises the question of sustainability of the scheme as most of the schemes are externally funded. Moreover, the credit schemes seem to be biased towards urban small enterprises.

2.9.7 Problems of Micro and Small Scale Enterprises in Ghana

The non-financial problems relate to infrastructure development and, enabling environment. Enabling environment has to do with policy framework within which small enterprises operate at a low level of market development and lack of inter-industry linkages in the economy. At the macroeconomic policy level, small-scale enterprises face high tax burden and high cost of capital. Lack of access to electricity, water and good roads that prevail in most rural areas of Ghana are among the infrastructure handicap facing the small enterprise in Ghana. Small enterprise in Ghana faces severe problems in marketing due to their lack of access to market

information and advice and the use of low levels of technology in production.

Financially, lack of access to credit is the severest problem facing small-scale enterprises in Ghana. A study in 1993 by the World Bank showed that lack of credit had the most severity index of 3.80 followed by other problems with an index of 2.86. Lack of credit to small firms is caused at the firm level by low levels of management, inability to prepare business plans and lack of credit history (Dinye, 1991). At the bank level, lending to small enterprises is unattractive due to high transaction costs, the considerable levels of risk involved and limited range of financial instruments.

2.6. Concept and Scope of Funding Enterprises

The importance of financing enterprises for the development of national economies cannot be overlooked because of the significant contribution enterprises make towards the growth of national economies globally (Cavalluzo et al., 1999:269). It is for this reason that micro enterprises have, in recent times, attracted the attention of policy makers worldwide, which is considered as the untapped source of economic growth (Mbambo, 2011). In Ghana, women own almost 45% of micro and small enterprises, contributing 46% of the country's Agricultural GDP (Ayeetey, 1997:127, GLSS, 2006). Out of the 45% business representation, 37% of these businesses are concentrated in the urban centres while 8% are in the rural settings (Economy of Ghana, 2008). Thus, if the assertion that 80% of Ghana's population lives in the rural areas (World Bank Report, 2006, GLSS, 2006) is true, then much needs to be done if governments want to achieve the Millennium Development Goal (MDG) of eradicating extreme poverty and hunger. There are contentions that women are incapable of operating and managing businesses and that their status in traditional societies is dependent on their male counterparts for financial

survival (Coleman et al., 2009). This is flawed by the fact that women who own businesses tend to do better as compared to their male counterparts (Linda Majoux, 2006). According to her increases in women's access to micro-finance (MF) will lead to economic empowerment and efficiency in terms of loan repayments.

Research has focused on equity and debt finance, which are the conventional methods of financing business start-ups and growth. While the researcher agrees with the various schools of thought pertaining to the definitions of both equity and debt financing, these are considered in the context of giant and multilateral companies and corporations which are listed. According to the United States Small Business Administration (2005), about 85% of businesses are small scale, majority are not listed and are incapable of raising equity financing and are concentrated in rural settings. In spite of this, access to finance for business start-up is relatively easier in some parts of the world.

In Africa, the situation is increasingly different especially because of the conflicting evidence emerging as to whether or not female entrepreneurs face gender-specific problems in accessing business overdrafts and loans (Carter and Rosa, 1998). While there is empirical evidence that women owned businesses start both with lower levels of overall capitalization and lower ratios of debt finance, they however, tend to be the best most performing businesses across the globe (Hisrich & Brush, 1984).

Studies comparing women owned enterprises to that of their male counterparts have found significant residual differences with women using a third of the start-up capital used by men

(Carter & Rosa, 1998; Rosa et al., 1990, 1996). Various studies have revealed that credit programs for women are in vogue in numerous countries and maintained than if the gap in policy intervention and regulatory framework constraint of women access to finance is not only a pro-growth but a pro-poor reducing income inequality and poverty. In addition, empirical evidence suggests that improved access to finance, especially by women entrepreneurs, is beneficial to households and businesses on risk management and inter temporal consumption smoothing (Yiadom, 2006, 116). Some researchers have suggested that female owned businesses experience greater difficulties in dealing with banks than their male counterparts (Brush, 1992, Stoner et al., 1996). Others contend that there may be discrimination in the lending process, placing women at a disadvantage (Coleman, 2002). According to this view, women who hold the bread basket are either unfairly denied the credit or discouraged in the credit application process with the end result that they are less likely to obtain loans. In addition, some analysts contend that women may not network as effectively as men (Aldrich, 1989). Thus, they may not have the same access to sources of information and capital. However, women tend to be more credible and reliable in terms of usage and of loan repayments. Within the business environment, factors influencing business decision making include availability and cost of finance, the level of consumer demand, level of inflation and level of exchange rates, etc. (Frimpong et al., 2008). There are basically two sources of financing of enterprises. These include short and long terms. The short term sources include bank overdraft, debt factoring, trade and invoice discounting whereas the long term sources include equity financing, debt financing, debentures and leases and foreign loans.

In conclusion, many organisational frameworks including the AGREDS concept model has categorised the above discourse into three paradigm consideration namely: The Feminist

empowerment Paradigm; the Financial self-sustainability Paradigm and the Poverty Alleviation Paradigm. In the Feminist empowerment approach, Micro finance is an entry point for women's economic, social and political empowerment with the underlying assumption that women's empowerment requires both fundamental change in the macro-level development agenda, and elicit support for women to challenge gender subordination at the micro-level, (Linda Majoux, 2006). Secondly, the financial self-sustainability concept hinges on the efficiency consideration which relates to repayments and business growth. Finally, the poverty alleviation concept concerns the high levels of female poverty and the tickle down effect and women's responsibility for household well-being.

2.8 Conceptual Framework of the Study

The study was conducted with reference to the conceptual framework presented below. The framework served as a guide and gave direction to the relationship between the various components of the study thus; Contribution of Rural Banks to the development of Micro Enterprises, Level of support given, Level of growth of MSEs.

One of the reasons for conducting a literature search in this study was to identify and adopt an appropriate conceptual framework for the study. The study examined the role of Rural and Community Banks in the development of micro-enterprises in the East Mamprusi district of Northern region of Ghana. The study identified and adopted the Credit with Education (CwE, 2002) model to guide the research process and achieve the goal and objectives of the study. The model has also been successfully applied in several studies on micro-finance, small scale enterprise development and poverty.

Figure 1: The Credit with Education Conceptual framework (2002)

**Contribution of Rural and Community Banks
to the Development of Micro Enterprises**

Credit

1. Loans

2. Overdrafts

3. Monitoring

visit

Skill training

1. Business skills

2. Credit management

3. Micro-enterprise

management

Physical,

1. Psychological and mental

orientation

2. Provision of insurance

3. Functional training

Increased income

Enterprises Developed

Level of growth of Micro Enterprises Improved

1. Increased savings of Entrepreneurs

2. Increased in fixed assets of SMEs

3. Increased in Operational capital

4. Ability of entrepreneurs to finance children's
   education

5. Improvement in daily living skills

Source: Adopted from Credit with Education (CwE, 2002)

2.9 Structure and Functioning of the CwE-model

Structurally, Figure 1 shows that the CwE conceptual framework has seven inter-related parts. The first box represents micro-enterprise development as the dependent variable. Entrepreneurial development is a function of readily available credit (Box 2), which undertakes provision of loans, payment and monitoring visits to loan beneficiaries, and encourages the formation of a culture of savings or pooling financial and other resources as well as holding periodic review meetings with entrepreneurs who have been granted or are about to be given micro-credit.

Skill training for loan beneficiaries or owners of the small scale businesses is the third component of micro-enterprise development training entails giving basic business skills, credit management and micro-enterprise management. Box (4) represents the physical, psychological and mental orientation or the sensitization of entrepreneurs to take advantage of intervening opportunities of insurance, basic financial literacy and numeracy. This functional training module is responsible for preparing micro enterprise entrepreneurs to be able to effectively handle the daily challenges in order to realize the potentials of their business environment. Provision of services under the four modules would improve communication and movement among loan beneficiaries or owners of the small scale businesses (Box 5). That would in turn lead to increased incomes and savings (Box 6) and subsequently the development of the enterprises.

Finally, the inter-relations and interactions among the six components of micro-enterprise development will promote economic and social empowerment of entrepreneurs of micro enterorises and effectively equip them to fight poverty among rural poor. The assumption is that

economic and social empowerment will serve as a catalyst for increased self-confidence to assert individual and group rights and get involved in family and the larger community decision making processes.

Consequently, economic empowerment of rural entrepreneurs would enable them to increase their fixed assets, operation capital, finance their children's education and increased accessibility to health care services and household food security.

Social empowerment of entrepreneurs through micro-enterprise development will also tend to engender their social acceptability, improved daily living skills and enable them contribute at social gatherings and making them more visibly than before. The Credit with Education conceptual framework (CwE, 2002) postulates that participants of the Credit with Education development module will be granted small working capital as loans, provision of safe places to deposit savings, and access to education services in business management, health and nutrition. When these services are delivered to the very poor entrepreneurs who come together to form joint-liability borrower groups they are able to increase operational capital. Fixed assets, increase employees, save reqularly and better nutrition, which will enhanced the health status of participants. Ultimately entrepreneurs' incomes and savings are increased, which leads to improved nutrition and health practices, and enhanced self-confidence among rural poor especially women (CwE, 2002).

Credit with Education focuses on women as the group with the greatest ability to impact children's nutritional status. Globally, women continue to play important roles in the family's

well-being. Traditional roles of women range from producing, purchasing, preparing and serving food, child care, infant feeding, and maintaining a clean and safe environment. Women also oversee children's personal hygiene, secure preventive and curative health services and taking care of the nutrition and health needs of the family. In spite of the enormous roles women play they are typically the most deprived when it comes to accessing formal micro-credit, basic financial numeracy and information needs for small scale enterprise development (Ledgerwood, 1998; CwE, 2002, Muhammad &Yamao, 2009).Thus, the CwE conceptual framework can be characterized as a structure-functionalist model, which prescribes a systems approach to micro business development through micro financing. The expected outcome of such a development approach is economic and social empowerment of poor women. It is also expected that micro-enterprise development through micro credit would enable women's small scale business owners to reduce their economic and human poverty.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter discusses the strategies adopted to gather and analyze the relevant data for this study. First, it outlines the philosophies that underpin the research approach, and discusses the cultural interpretation and positivist stance to justify the consequent choice of a mixed-method approach. That is followed by the choice and the rationale for the research strategy developed for the study, and gives details of how various variables relating to the respondents were to be analysed. The chapter further analyses the rationale for the adoption of the research design and the statistical techniques used to analyse the data. The chapter concludes on an assessment of the limitations and ethical considerations of the research.

Research Methodology is the systematic and theoretical analysis of the procedures applied to a field of study (Kothari, 2004). It involves procedures of describing, explaining and predicting phenomena so as to solve a problem; it is the ‗hows'; the process or techniques of conducting research. A Methodology does not set out to provide solutions but offers the theoretical underpinning for understanding which procedure, set of procedures that can be applied to a specific case. Research methodology encompasses concepts, such as research designs, target population, sample size and sampling procedure, data collection instruments and data analysis procedure

3.1 Study Area

East Mamprusi District Assembly (EMD) is one of the 26 Metropolitan/ Municipal and Districts of the Northern Region and has its capital at Gambaga. It is located in the north-eastern part of the region. To the north, it shares boundaries with Bolgatanga Municipal, Bawku West and Garu

Tempane districts all in the Upper East Region and to the east is the Bunkpurugu-Yunyoo District. It is bordered to the west by the West Mamprusi District and the south by Gusheigu District. This can be seen on the district map in Figure 2 below.

3.1.1 Human Settlement

There are two urban settlements with population of 5,000 and above. They are Nalerigu, and Gambaga. The people in these urban settlements constitute about 30% of the total population of the District. Seventy percent of the people are thus rural dwellers. Since all the major social and economic infrastructure and services are located in the urban areas, majority of the people are either deprived totally of utilising these facilities or have limited access to them. Any programme aimed at alleviating poverty of the needy and vulnerable should best target the rural communalities.

3.1.2 Demographic Characteristics

According to the 2010 Population and Housing Census (PHC), EMD has a population of 121,009. The distribution shows that females account for 61556 with 59,453 being males, representing 51 % and 49% respectively. The average population density is 57 persons per square kilometer, which is lower than the national density of 79.7 persons per sq km but about twice the regional density of 26 persons per sq. km (GSS, 2013). The low population density of the district may be the interaction between a harsh climate and ecology, migration and poverty. This may constitute a significant constraint on the sitting of feasible sustainable community facility such as schools, health infrastructure, potable water supply, etc. There are 142 communities in the district with 17,656 houses and 22,281 households. The average household size is 7.7.

Majority of the population are between the ages of 15 and 40 (GSS, 2013). The population structure of the EMD can be said to be young. The implication of such a young population age structure for the provision of social and community facility is enormous. This raises the issues of youth mobilization, employment creation and proper grooming with skills for development of the district. Since women constitute 51 % of the total population, more focus on gender mainstreaming and women empowerment to have a greater say in decisions that affects their well-being is identified as a factor that will enhance development in the district. The current growth rate of the population is 3% per annum (GSS, 2013).

Figure 1: Map of East Mamprusi District in National and Regional
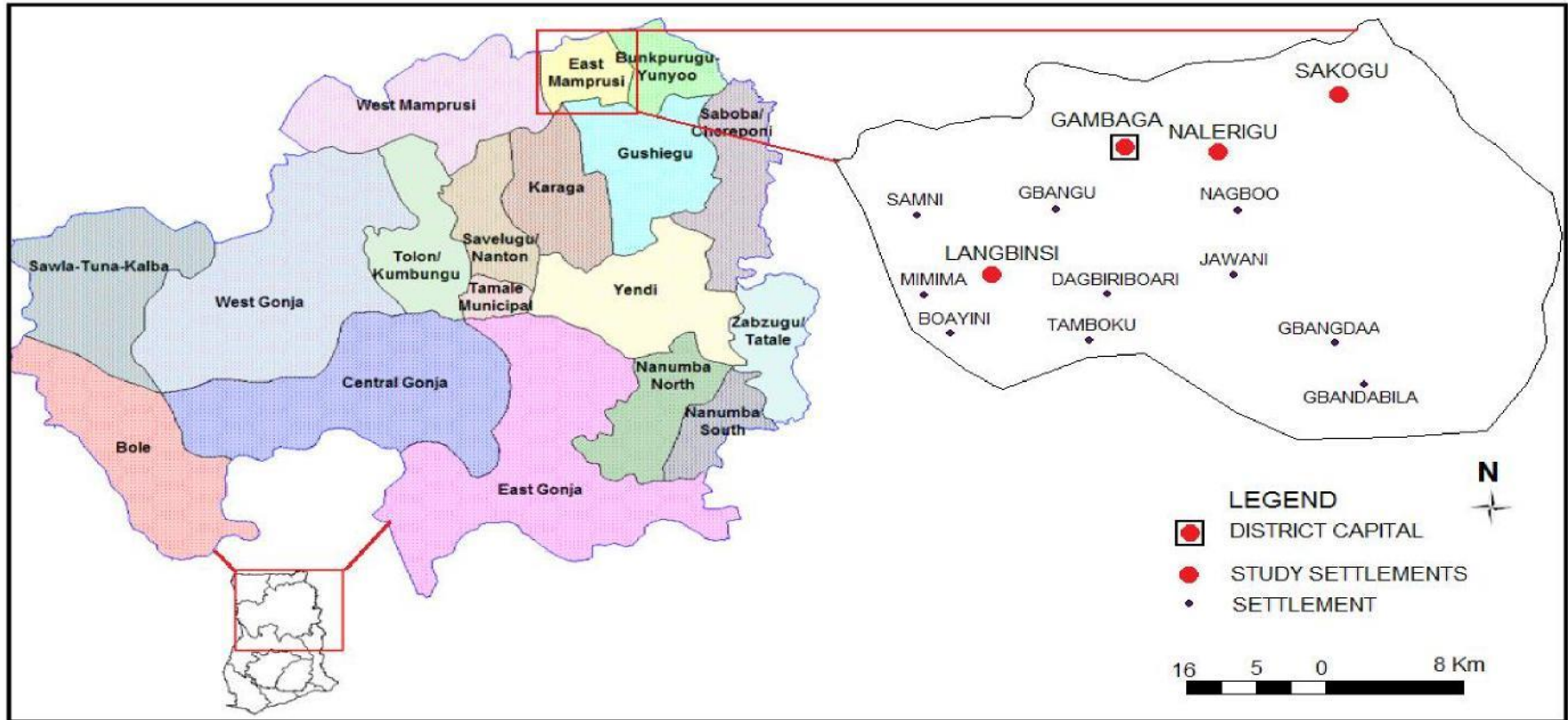
Source: Department of Planning, EMDA 2013

3.1.3 Major Economic Activities

Agriculture and its related activities is the main economic activity in the East Mamprusi District. Agricultural production activities in the district are labour-intensive carried out by both males and females, although females are known to hold only 2% of all acreage under cultivation. Most crop farmers (82%) are small-scale holder (cultivating up to 4 acres), while only 3% of farmers have large scale holdings. The district experiences an increase in proportion of labour force in agriculture at the expense of manufacturing and other industrial activities. The proportion of the working population aged 15 years and above employed in agriculture in their main job increased from 78.3% in 2000 to 90.5% in 2008 while the share of especially manufacturing and social services declined from 5.5 and 5.7 percent to 0.9 and 1.3 percent, respectively (DAEA, 2009). Most of the people are either self-employed or work for their family, a trend which has remained largely unchanged from 2000. The main employer in the district is the private informal sector, which employed 73.7, 89.7 and 91.2 percent of the economically active population in 2000, 2003 and 2008, respectively (DAEA, 2009).

Industry in East Mamprusi District is at a basic stage. The sector is dominated by Micro and small-scale industries. Potential exists in the industrial sector especially in the processing of agricultural produce such as groundnuts and Shea butter. Shea butter and groundnut oil extraction is dominated by adult women. Processing of dawadawa, blacksmithing, bakery, pito brewing, food processing, carving and weaving of traditional textile and baskets are carried out on a small scale.

3.2 Research Strategy

A Research Strategy is a research tool used for achieving a particular intermediary research objective — such as sampling, data collection, or data analysis (Brannen, 2005). The use of multiple strategies to enhance construct validity (a form of methodological triangulation) is now routinely advocated by most methodologists (Brannen, 2005).

The research strategy employed for this study is the Mixed Strategy. This strategy refers to the combination of qualitative and quantitative research strategies. Qualitative research strategy was employed in data collection to know the support services RCBs offer to the micro entrepreneurs in terms of managerial, production and marketing skills acquired. The data collection tools used was structured questionnaires and focused group discussion.

In addition, quantitative research strategy was additionally employed to know the assets value of the micro entrepreneurs and initial working capital at the start up stage of their business compared to their current working capital. Moreover, this strategy also sought to know the various loan size offered to the micro entrepreneurs.

The paradigm controversies, contradictions and emerging confluences of quantitative and qualitative data collection strategies have been occasioned by an imperative to combine both strategies at all levels of the research process in order to minimize the disadvantages of using only one of the two methods (Lincoln & Guba, 2000). The genesis of the mixed strategies dates back to the multi-trait, multi-method approach espoused by Cook & Campbell, (1979) and Campbell (1995) (cited in Teddie & Tashakkori, 2003). Although the mixed strategy is a relatively new concept, its key philosophy and methodological foundation and practice had been a subject of controversy as far back as the early 1990s (Teddlie & Tashakkori, 2003).

The fundamental premise of combining quantitative and qualitative approaches provides a better understanding of research problem than either approach alone (Creswell, 2003). Others also have argued that the fundamental principle of the mixed strategy is that multiple kinds of data should be collected with different strategies and methods in ways that reflect a complementary effect (Teddlie & Tashakkori, 2003). Undoubtedly, allowing a mixed method of data collection and analysis will enrich a research undertaking that will be better than using either qualitative or quantitative strategies. Greene (2009: 17) has stressed that the mixed research method allows for the ―opportunity to compensate for inherent method weakness, capitalise on inherent method strengths and defray inevitable method biases‖. For instance, the argument that quantitative research is weak in understanding the context in which people talk. Also, voices of respondents are not directly heard in quantitative research. Furthermore, in quantitative research personal biases and interpretations are seldom discussed. Qualitative research makes up for these weaknesses.

On the other hand, qualitative research is seen to be deficient because of personal interpretations and the difficulty in generalizing which is also compensated by the quantitative method. Similarly, others has asserted that a mixed approach provides a more comprehensive evidence of studying research problem because it enables and allows all the tools of data collection to be used without any restrictions (Greene, 2009: 345). Greene (2009) also believes that a mixed approach helps the researcher to answer questions which could not have been answered by quantitative and qualitative alone. Furthermore, as in Greene, (2009) a mixed method encourages and enhances research collaboration across adverse linkages between quantitative and qualitative

research. Finally, as cited in Creswell, a mixed approach encourages the use of the multi paradigm view as it practically blends all the methods to address research issues (Creswell, 2003. p.57).

Despite these assertions on the strengths of the mixed method in data collection, there exist some traditions or schools of thought that depart from those assertions. Primarily, some argue that a mixed method study is a quantitative and qualitative data collection techniques, whereas others say that mixed method must have a mixed methods, questions, both qualitative and quantitative analyses and integrated inference. Similarly, other disagreement hinges on when a mixing should occur. (Greene & Carecelli, 1997; Onwuegbezie, 2004). For example, is it at the point of the design stage, during data collection or data analyses and or at the point of interpretation?

Furthermore, some authors argue that the mix method is in-appropriate because of incompatibility of the world view or belief system (Tashakkori etal, 2003). Underlying quantitative and qualitative methods as studying of different phenomena with different methods as advocated by Smith and Hodkinson, 2005. Yet other also have raised the concerns that the mixed method designs leaves qualitative method in the position of being secondary to quantitative methods.(Denzin, 2006; Gidding, 2006; Yin,2006).

Finally, Teddlie & Tashakkori, 2003 argues that the fundamental principle of the mixed method research is that multiple kinds of data is collected with multiple strategies, this makes the research become difficult in terms of resources. In spite of these disagreements, the mixed research method still has enormous and comparative benefits over only the quantitative or

qualitative method since the mixed method ensures and enhances the richness of the analysis and also tends to reduce the degree of bias research.

From the above, the researcher used both the mixed methods but the qualitative methods dominated more because it enabled the researcher to convey the findings of the study to the readers.

3.3 Research Design

The conceptual research design follows an inductive research approach and is illustrated below in figure 3.1. The research process started with the research problem identification following an introductory background. On the basis of this, research objectives were formulated to further guide the investigation process. Deriving from the research problem and objectives, literature and emerging issues was reviewed and the conceptual framework for RCBs contribution to micro enterprise development examined and presented through a desktop study. On the basis of the research problem, objectives and conceptual framework, research questions were raised and field data collection instruments prepared for data collection. The data was collected on the objects of study (RCBS, entrepreneurs, business locations, nature of support service and support institutions) and was then analyzed and assessed for research results. Then recommendations made for policy implications.

The research design refers to the overall strategy that one may choose to integrate the different components of the study in a coherent and logical way. This is done in order to ensure that one effectively addresses the research problem. Research design constitutes the blueprint or the roadmap for the collection, measurement, and analysis of data. According to Kothari (2004),

research design is a plan, a roadmap and blueprint strategy of investigation conceived so as to obtain answers to research questions (Kothari, 2004).

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Figure 3.1: Research Framework-Design and process

Source: Author's construct
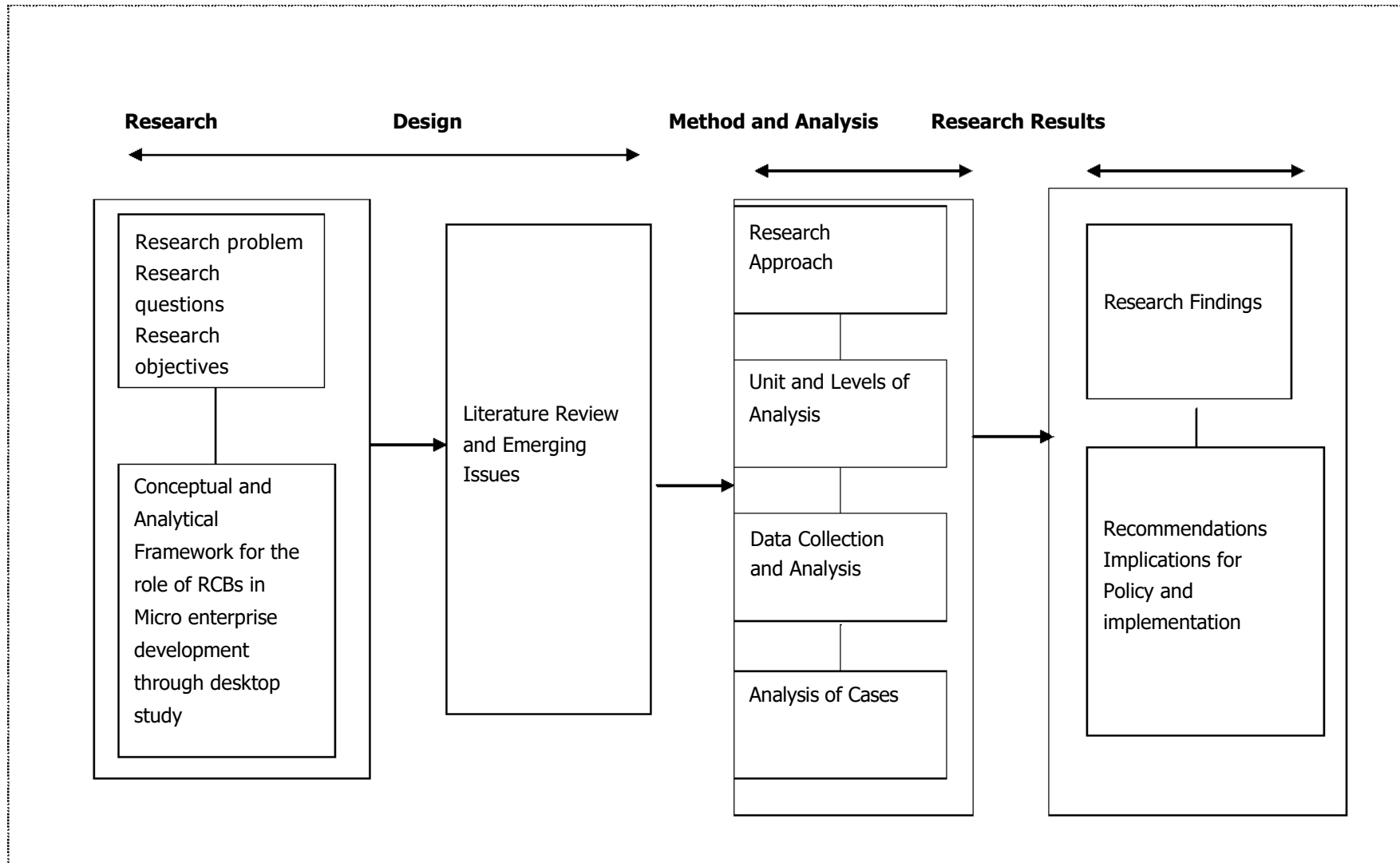
As indicated already, the focus of this study is to identify the role of RCBs in the development of Micro Enterprises in the East Mamprusi District of the Northern Region of Ghana. The research also seeks to examine the characteristics of RCBs and by so doing identify constraints relating to RCBs. The study is, therefore, a detailed investigation into contribution of RCBs to the development of Micro Enterprises. As a result, multiple sources of information were relied on to better understand the dynamics and peculiarities of RCBs and Micro Enterprises.

Moreover, to empirically grasp in-depth and complex inter-relationships pertaining to RCBs and Micro Enterprises, which could be captured both in qualitative and quantitative discussions and analysis of pressing issues pertaining to both industries, case study research design was deemed appropriate. Since the study mainly seeks to identify and assess funding level and financial products for service delivery to Micro Enterprises, case study research design enabled the author to engage diverse groups of stakeholders like shea nut/butter producers, hawkers, RCBs, and the District Business Advisory Centre (BAC) officers who made contributions according to their respective spheres to facilitate understanding of the industry as well as the status of funding and training the Micro Enterprises Entrepreneurs receive and the possible interventions required to respond to the financial needs of Entrepreneurs.

Case study research approach according to Phil et al (2001) and Spring (2007) is a comprehensive and empirical enquiry that investigates a phenomenon within real-life context and adopts flexibility in analyzing contemporary societal issues.

Spring (2007) proposes six major steps to be followed in case study approach to research. These steps include:

☐ Selection of cases and determination of data gathering and analysis techniques

☐ Preparation for data collection

☐ Field data collection

☐ Evaluation and analysis of data and

☐ Report preparation

The steps above informed this study and were, therefore, followed systematically.

Since the study mainly seeks to identify and assess the contribution of RCBs to Micro Enterprises, case study research design enabled the author to engage diverse groups of entrepreneurs and stakeholders, such as sheanut/butter producers, hawkers, RCBs managers, credit coordinators, micro finance officers, NGO's and the District Business Advisory Centre (BAC) officers who made contributions according to their respective spheres to facilitate understanding of the industry, as well as the status of funding the Micro Enterprises and the kind of training the Entrepreneurs receive and the possible interventions required to respond to the financial needs of Entrepreneurs.

For the purpose of this study as in academic papers, the case study research design is found to be the most suitable approach. A case study is the most flexible of all research because it allows the researcher to retain holistic characteristics of real life events while investigating empirical events (Schutts, 1999). Case studies focus on events that will lead to current interest regarding a specific problem or issue (Sarantakos, (2005).

According to Yin (1995) a case study design is an empirical enquiry that investigates a contemporary phenomenon within a real-life context when the boundaries between the

phenomenon and context are not clearly evident and in which multiple sources of evidence are used. Criticism of case studies as a research strategy in mostly directed at many levels from the most practical to the abstract. Critics of the case study design relate it highly labour intensive research strategy. Yin, 2000, asserts that case study designs generate research fatigue because it requires a high degree of energy and skill in the following stages:

1. The observation stage when dealing with ranges of phenomena encountered with other strategies;

2. Field work stage when collating and reviewing large volumes of notes and;

3. Write up stage in determining what goes into the write up and how to code and analyze the data.

Similarly, critics argues that case study takes too long which result in volumes of unreadable reports and documents but what actually matters is the researchers' conclusion (Yin, 2000). Also, unlike quantitative research, the researcher cannot empirically generalise a stance to defend against self-delusion in concluding. For example, how can one guarantee a serendipitous finding is not in fact wrong?

Finally, it is observed in case study research that there is a potential ethical issue such as the role of the research team.

Critics lament the lack of defined methodology as worrisome, especially considering interviewing very high skilled and specialised professionals, informant and role holders are concerned (Lupton, 1992). Yin, 2000 to some extent agrees that there are methodological

concerns with regards to case study research designs, but contend that these concerns are not innate which represent growth and development opportunities within the research strategy.

Despite these assertions, researchers continue to use case study research methods with success in carefully planned and crafted studies of real life situations, issues and problems. Consequently, the use of case study requires the collection of data and other information concerning the significant past and analyzes the data and information to provide a comprehensive, objective description of it. This study's methodology therefore includes content analysis of past events as they relate to a specific theory or conceptual framework, which is why the current study tries to observe past events and to determine their implications on RCBs role in micro enterprises development, using the AGREDS credit with education Micro Enterprise Development Model as a case study.

Case study research procedure supplements the observation in which the study seeks to test the authenticity of reports, journals and observation made. The current approach is the most suitable because it offers the following benefits. Firstly, a case study is preferred when there is the need to answer how and why questions about an event. A case study strategy allows the researcher to focus on a contemporary event within some real-life context (Ofori & Dampson, 2011). Moreover a case study strategy aids one to understand complex social phenomena (Yin, 1994; Stake, 1995; Burns, 2000). Some of these reasons account for adopting a case study approach to investigate why and how RCBs has affected micro enterprise entrepreneurs in the East Mamprusi District. Thus, as a case study, the specific research goal is to assess the contribution of RCBs to micro enterprise development in the East Mamprusi district.

Cohen & Mirion (1989) have stated that surveys are used to gather data at particular points in time with the sole aim of describing the nature or the set of existing conditions and to examine the relationship between events. Survey is a cost-effective way of collecting data from a large number of sources. It is relatively cheap and saves time. It makes use of sampling which produces valid and very reliable generalization (Gajendrak & Ruth, 1981; Babbie, 2001; Kumekpor, 2002).

Despite the numerous benefits of a case study design it has several limitations. One major weakness of the case study design is that some respondents may not portray their true feelings, opinions and understanding of an issue, especially if the problem is about a sensitive political or social issue. The case study research design was chosen for a variety of reasons, including the fact that it is effective for data collection, cheaper as compared to other methods and very convenient for the one carrying out the study. It is also appropriate as it makes it possible for the researcher to gather responses in a natural setting.

Qualitative methods are usually developed and purposely employed to verify or confirm a theory. On the other hand, quantitative methods tend to facilitate theory generation or discovery (Babbie, 2001; Creswell, 2003). A qualitative research strategy easily accommodates small samples as well as facilitate information gathering from each respondent to be quantified later. Since the concepts of development and poverty reduction border on quality of human life, it ought to be assessed qualitatively. Qualitative research designs are most suitable for any research that searches for meaning, ideas, opinions and feelings about an event or phenomenon related to people's perceptions about the characteristics of an entity and the resultant attitudes and overt

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behaviour towards the phenomenon. The quality of data and their relevance and adequacy are crucial for determining the overall success of a research.

A study of this nature was expected to capture the varied issues of context and the complexity of the research hence Case study design was deemed appropriate to be employed. In the sense that, it was an empirical enquiry which allows the researcher to investigate and understand the dynamics of the phenomenon being studied.

3.4. Sampling Procedure

It was essential to take adequate measures to minimize bias before selecting the sample. For instance, the study ensured that respondents were Micro Entrepreneurs and actually engaged in or owned a micro business in the East Mamprusi District and are being supported by any RCBs in the District. The study had an achieved sample of 74 micro entrepreneurs, who were selected by a simple proportional random sampling technique. Proportional sampling procedure involved dividing the population into homogeneous sub-groups and taking a simple random sample from each group (Gravetter & Wallnau (2000). Simple random sampling refers to a sample selection process that accords every unit of analysis the probability of being selected to represent the population (Babbie, 2001; Seidu, 2006; Ofori & Dampson, 2011). Lists of groups of micro entrepreneurs who are clients to RCBs were obtained from Rural Enterprise Project (REP) of the Business Advisory Centre (BAC) of East Mamprusi District and stratified by type of business.

The systematic sample selection technique was used to proportionally and randomly determine the sampled size this is because in a case study the sample should be customised to get relevant information and data for the sample (Babbie, 2001). Systematic technique relies on arranging the study population according to ordering scheme and then selecting elements at regular through

that ordered list. It involves a random start and then proceeds with the selection of every kth element onwards until the sampled size is attained to obtain the 74 respondents out of the 370 population.

The reason for adopting a proportional and random selection process for micro entrepreneurs was dictated by the need to ensure fair representation of each stratum and to increase precision. The proportional simple random sample selection technique was adopted because it has been found to be a most trustworthy method of securing a truly representative sample of a population (Lipsey, 1990; Borden & Abbot, 2002). Systematic random sampling was used in order to ensure that all forms of researcher biases were eliminated. Having ensured that the sample selection procedures had sufficiently guaranteed a representative working sample, it was necessary to identify the types of data to be collected.

3.5 Sampling Techniques

Sampling techniques denotes all the stages and the processes involved in reaching the respondent (Phil, 2001). Kish (1967) cited in Twumasi (2001), stresses that the first step in the selection of a sample is to consider sampling design. In sampling design, characteristics of the population must be clearly indicated (Twumasi, 2001). This enabled the researcher to have an idea about the existing social situation (2001). Both probability and non-probability sampling techniques were used to select respondents to ensure sample representativeness and reliability of data.

3.6 Purposive Sampling

Purposive or judgment sampling involves deliberate choice of particular units of the universe to contribute the sample on the basis that the sample so selected will be typical or representative of the whole sampling frame. The sample elements are chosen because they satisfy certain criteria. It is often used for community studies or case studies (Kumar, 2011).

According to (Kumar, 2011) in a population universe certain characteristics are not distributed uniformly or randomly. This sampling method involves deliberate selection of particular units of the universe for constituting a sample which represents the universe. This is used primarily when there are a limited number of people who have expertise in the area being researched. In this study, the information from purposive sampling was used to argument the simple random technique. In view of this, it was very appropriate to identify units of the population which satisfied the characteristics of the phenomenon under investigation. This was adopted for the selection of key informants, focus group participants, such as groups' executives, market queens, and the managers and directors of RCBs. Some of the data for this study was generated from people who have in-depth/or specialized knowledge in the subject under investigation.

3.7 Determining the Sample Size of the Study

Bernnett, (1991) defines a sample as a subset of a population, while Nsowa-Nuamah, (2005:95) says ―A Survey basically involves the sampling of a population to estimate the numerical characteristics of the population. Obeng, (2003) gives the following three (3) advantages of sampling a population:

☐ Sampling saves time and resources.

◻ Minimizes problem of record keeping since researcher handles relatively smaller numbers of respondents.

◻ Can be highly accurate if well handled.

The sample size is derived by the use of a systematic random sampling technique from the existing company stratified data bank with a population of 370 segmented into homogeneous subgroups of between 25 and 30 beneficiary per group. First of all, the interval size is derived with the formula kth = {N/n}, where {N} represent population (370) and {n} is the sampled size of (74). Secondly, the result determined as the Kth above is randomly select between integers of 1- k. This means that 370/74 is 5 and so from the range (1-5) five is randomly selected as the kth element. The process then starts with the number five (5) and take every 5th unit onwards until the sampled size is attained to obtain the 74 respondents out of the 370 population.

The first major reason why a systematic random sample is preferred includes the fact that it is relatively fast and convenient to use because sampling relies on the random selection of individuals or objects. For instance, the researcher looks out for every Kth or third batch of the group(s). Second, it is more precise than simple random sampling in terms of uniformity of the sample, and finally, in terms of cost it is cheaper and not very laborious and time consuming.

3.8 Simple Random Sampling

Simple random sampling is a type of sampling known as chance sampling or probability sampling where each and every item in the population has an equal chance of inclusion in the sample and each one of the possible samples, in case of finite universe, has the same probability of being selected (Kothari, 2004). As a way of enhancing the chances of every unit being

selected for investigation, simple random sampling was employed. This simple random sampling was used to select entrepreneurs from each stratum by use of random numbers.

3.9 Institutional Based Survey

An institutional based survey was conducted purposively in the East Mamprusi Community Bank (EMCB) and Bawku East Small Scale Farmers Association (BESSFA) and its agencies operating in the EMD. The paramount criterion was that, this institution had to have interest or programmes concerning microfinance and Micro and Small Scale Enterprises (MSEs) development.

3.10 Data Sources

3.10.1 Secondary Data

Secondary data was processed into information that is readily available to be utilized (Moore, 2006). For instance, records of loan amounts, disbursement reports, repayment reports and reports based on the content of other supporting services like business management training and marketing was analyzed with respect to the research questions of the study. The researcher reviewed literature from theoretical concepts of Micro and Small enterprise, the understanding of rural finance prior introduction of RCBs and delivery of micro finance through empirical studies in Ghana. Sources of secondary data relied on include textbooks, journals, reports, and news papers, internet sources relating to SMEs growth and financing mechanisms, among others. The choice of this data is influenced by the fact that it broadens the scope of generalization, allows for comparison between rural areas and cities and this will enable the researcher to compare results from target communities; it provides opportunity for replication and triangulation, hence increasing the validity of research findings (Bishop, 2007).

3.10.2 Primary Data

Primary data provides first-hand information on any subject under study (Salant and Dillman, 1994). For the purpose of this research, some of the primary data requirements included type of support services, sources of funds, kind of training programmes, size of loans, repayment schedules, and marketing of produce. Others include constraints in terms of raw materials and production and management skills. Interview guides and structured questionnaires were used to source information from respondents. Respondents for the study included sampled micro enterprises and management staff of Rural and Community Banks.

3.11 Data Collection Instruments

3.11.1 Structured Questionnaires

This was used to solicit information on the support services received from the RCBs by the entrepreneurs of micro enterprises. Some of the primary data was collected from the field by use of self-administered structured questionnaires. The type of data that was collected includes type of support services, sources of funds, kind of training programmes, size of loans, and total repayment.

3.11.2 Focus Group Discussion (FGD)

The focus group discussion (FGD) is a rapid assessment, semi-structured data gathering method in which a purposively selected set of participants gather to discuss issues and concerns based on a list of key themes drawn up by the researcher/facilitator (Kumar 1987).

A distinctive feature of focus groups is that, they create research data by generating social interaction (Boddy, 2005). This is done by assembling a group of participants to discuss a

specific topic and then observe how the ensuing discussion evolves (Boddy, 2005). The underlying assumption is that meaning is created in social interaction (Wilkinson, 2001). Organized and focused group discussions provide a context for participants to articulate the meaning of their experiences and elaborate on them in a collective sense making process (Wilkinson, 2001). Of course, focus groups discussion was used to obtain individual viewpoints. It is typical to instruct discussants that the aim is not to reach consensus, but to explore the different viewpoints that emerge. The method is popular in marketing research because it is a quick and easy way to gain a wealth of perspectives on a novel or relatively unexplored topic (Threlfall, 1999)

This data collection method was employed to source information from the leaders of women groups, executives of men and the youth who are into Micro Enterprises. The discussion was centered on support services received from RCBs. This method gave the respondents chance to collectively air their views on the subject matter (Boddy, 2005). The method also allows multiple checking of information gathered earlier through the use of questionnaire (Kumar, 1987).

3.11.3 Unit of Observation

The unit of observation is that unit about which information is collected and that provide the basis for analysis. The unit of observation according to Kumekpor (2002) is the actual empirical units, objects, occurrences which must be observed or measured in order to study particular phenomenon. Therefore, the unit of observation must be appropriate to the problem being investigated and focuses on the essentials of the objectives of the study.

For the purpose of this study, RCBs, centers of production, workshops and market places were the researcher's unit of observation and analysis.

3.11.4 Data Processing and Analysis

Data obtained from the field were organized through data cleaning and processing by coding and editing before data entry process. This was followed by the separation of data into its constituents in order to find out what it contains by examining individual parts. Quantitative data was processed using the Statistical Package for Social Sciences (SPSS 17.0). This is because its facilitated easy manipulation of and interpretation of data to achieve the study objectives. Also, descriptive and inferential statistics were used to do the analysis.

Appropriate statistical tools were used to process the raw data for interpretation and relevant inferences made from the output of the SPSS analysis. The use of tables was employed to represent the data for interpretation.

3.12. Originality, Ethical Considerations and Validity Procedures

In order to ensure validity and reliability the questionnaire items were first peer-reviewed and cross-validated by persons with research experience. The procedure was also meant to ensure scale consistency, reliability, and content validity. Reliability refers to the extent to which a test or instrument produces similar measurements under the same or similar conditions (Ofori & Dampson, 2011). Validity on the other hand, is about the extent to which a test or instrument measures what it is actually intended to assess.

The main types of validity are face, content concurrent, construct and predictive validity. While face validity refers to the acceptability of a test or questionnaire by both participants and test user, the content validity of an instrument refers to the qualitative extent to which the specification of a test has matched the specific purpose for which it was designed. On the other hand concurrent validity deals with how a quantitative measurement is congruent with the same

or similar construct it is purported to measure. Predictive validity refers to how a test, which is designed to predict an outcome, actually predicts that outcome.

Another way to obtain quality data for the study was to use question items and scales developed from previous research questionnaires. Finally, preliminary findings of the study were rechecked for accuracy and consistency through debriefing and examination by a team of researchers.

A team of four (4) research assistants was contracted to administer the research instruments after they had been trained and briefed on how to administer the research instrument. One other method adopted by the study to ensure accuracy of findings was peer debriefing. It involved getting others to review and ask probing questions for further clarifications in order to ensure congruence. Thus, the triangulation of different data sources and collection techniques were meant to make a strong case for the validity of findings of the study. Finally, the use of introductory letters to the Mangers of the RCBs and REP/BACs administrators had informed and assured staff about the purpose and guarantee of anonymity of their persons. These preliminary measures, according to Tashakkori & Teddlie, 2003 and Walliman, 2009) are usually essential and intended to elicit the cooperation of potential givers of information, which can also ensure honest and valid answers to questions. Ostensibly, the collected information is checked with authentication through proper citation. Internet criticisms are used by the researcher to validate the accuracy and relevance of the source with reference to the scope of the research. An unbiased argument of sources is considered to make the study competent and reliable.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF RESULTS

4.0 Introduction

This Chapter presents the data and the discussions of the results obtained from the study. These are presented using descriptive statistical presentation tools such as frequency tables, figures, and charts. The chapter discusses the data in terms of how they address the key issues that informed this study**.** As a prelude to assessing whether the study has achieved its key objectives, it is necessary for the discussion to duel on the socio-economic and demographic characteristics of the respondents. These variables have some influence on the business activities of entrepreneurs in a general way, hence, the need to discuss them. Also, management skills acquired, value of fixed assets when business was started, present value of fixed assets, location of businesses, loans received from RCBs, interest rate on loans, repayment period, trainings received from RCBs and Marketing arrangements. Other issues discussed in the chapter include the types of businesses ran by entrepreneurs, sources of funding for business start-ups, challenges micro-entrepreneurs and potentials for making micro-enterprise development a vehicle for economic and socio-political empowerment of entrepreneurs and also challenges faced by RCBs in the district.

4.1 Demographic Characteristics of Respondents

This section illustrates the socio-demographic characteristics of the study sample. Age, sex, levels of education, income and occupational activities of the respondents are the main socio-economic and demographic variables identified for the discussion.

4.1.1 Sex of Respondents

Out of the 74 respondents represented in the study, 20 of them were males representing 27% and 54 respondents were females representing 73% as shown in table 4.1 below.

More female's respondents were involved in the study than male's respondents. Females appeared to be more involved in Micro Enterprise businesses than their Male counterparts. The percentages of males and females employed were found to be higher than that reported by the GSS (2012), which found that a relatively large proportion of males (25.3%) compared to females (11.4%) are employees in Ghana.

Table 4.1: Sex of Respondents

Sex	Frequency	Percent
Male	20	27.0
Female	54	73.0
Total	74	100.0

Source: Field Survey, October 2013

4.1.2 Age of Respondents

The age groups that were involved in the study ranged from 21 and above. The age group that was ranged from 31 to 40 years had highest frequency of 34 representing 45.9% of the population followed by ages ranged from 21 to30 with a frequency of 28 representing 37.8% of the study population. Ages 41 to 50 came out with a frequency of 9 representing a percentage of 12.2% and ages 51+ had a frequency of 3 representing a percentage of 4.1. Table 4.2 below shows the age groups of respondents.

Most of the respondents were in the age group of 31-40 years, representing 45.9% of the study sample. This is consistent with the findings of Asiedu-Mante (2011) that 45% of people working in the formal sector in Ghana are between 30 to 40 years whilst less than 5% are above 50 years.

Few people were above 50 years because of the nature of services provided by these industries. Again, most of the workers were within the age group of 31 to 40 years because most manufacturing industries require people within that age group for increased productivity (Asiedu-Mante, 2011).

Table 4.2: Age Distribution

Age group	Frequency	Percent
21-30	28	37.8
31-40	34	45.9
41-50	9	12.2
51+	3	4.1
Total	74	100.0

Source: Field Survey, October 2013

4.1.3 Educational Status

The levels of education employed in the study included No-formal education, primary education, and JHS and above. Respondents with educational level of JHS and above had a highest frequency of 38 representing 51.4%, then those with No-formal education had a frequency of 25 representing a percentage of 33.8 and those with primary education had a frequency of 11 representing a percentage of 14.9 of the respondents. Table 4.3 represents the level of education attained by respondents.

Respondents with educational level of Junior High School (JHS) and above had a highest frequency of 38, representing 51.4%, which is higher than the 42.1% established by the GSS (2012). Again, the finding is in tandem with the findings of Mahama and Rauf (2013) that about 50% of the people working in the formal sector in the Northern Region of Ghana have a minimum of Junior High School education. The study also found that 33.8% of the respondents had no formal education which is in agreement with the assertion or findings of the GSS (2012)

that the proportion of the population in Ghana which has never attended school in the rural area is 33.1%. The finding is also consistent with that of the Ghana demographic and Health Survey (2008) which established that about 40% of the population in the Northern region of Ghana has no formal education especially among females.

Table 4.3: Educational status of the Respondents

Educational status	Frequency	Percent
No formal education	25	33.8
Primary education	11	14.9
JH S/ Secondary/Vocational and above	38	51.4
Total	74	100.0

Source: Field Survey, October 2013

4.1.4 Literacy Status

Out of the 74 respondents that were involved in the study, 42 of them representing a percentage of 56.8% were literates whiles 32 respondents were illiterates with a percentage of 43.2 as shown in table 4.4

A large proportion of study sample 56.8% are literates which is lower than the 67.1% found by the Population and Housing Census of 2010 of those who can read and write in English (GSS, 2013). The percentage of literates in the study sample is lower than the national average of 67.1% because of the rural nature of the study area because evidence from other surveys in Ghana including Ghana Demographic Health Survey (GDHS) and Population Housing Census have shown that there are disparities in literacy levels between rural and urban areas involved in both studies because this study used a smaller sample size compared to the Population and Housing Census.

Tables 4.4 Literacy Status

Literacy status	Frequency	Percent
Yes	42	56.8
No	32	43.2
Total	74	100.0

Source: Field Survey, October 2013

4.1.5 Type of Industry

The industries that were involved in the study were manufacturing and service providers. Out of the 74 respondents involved in the study, 11 of them representing 14.9% were manufacturing industries and 63 respondents representing 85.1% were services providers. Table 4.5 below shows the types of industries where respondents work.

Table 4.5 Types of Industries

Industry	Frequency	Percent
Manufacturing	11	14.9
Services	63	85.1
Total	74	100.0

Source: Field Survey, October 2013

4.1.6 Type of Engagement in the Business

The type of Engagement in the business involved in the study was full time and part time business. About 89.2 percent of the respondents are involved in full time occupation in the business while those involved in part time were 10.8 percent as shown in table 4.6

Table 4.6 Type of Engagement in the Business

Nature of business	Frequency	Percent
Full time	66	89.2
Part time	8	10.8
Total	74	100.0

Source: Field Survey, October 2013

4.1.7 Ownership Type

Most of the business involved in the study were sole proprietorship business with a frequency of 62 representing a percentage 83.8, 9.5% of them are family business with a frequency of 7 and then 5 of them are partnership business with a percentage of 6.8. Table 4.7 below shows the type of ownership of businesses in the study.

Table 4.7 Ownership Type of Business Involved

Ownership	Frequency	Percent
Sole Proprietorship	62	83.8
Partnership	5	6.8
Family	7	9.5
Total	74	100.0

Source: Field Survey, October 2013

4.1.8 Management Skills Provided by RCBs to Entrepreneurs

The management skills provided by RCBs to entrepreneurs in the study included marketing skills, production skills personal skills and financed skills. From table 4.8, respondents with a frequency of 57 received marketing skills representing 77 percent from RCBs, 53 of them had production skills with a percentage of 72 percent, 60 of them had finance skills representing 81

percent of the respondents and 30 of them are using personal skills representing 41 percent of the respondent.

Table 4.8 Management Skills Provided by RCBs to Entrepreneurs.

Skills	Frequency	Percent
Marketing	57	77
Total	**74**	**100**
Production	53	72
Total	**74**	**100**
Personnel	30	41
Total	**74**	**100**
Finance	60	81
Total	**74**	**100**

Source: Field Survey, October 2013

4.1.9 Value of Fixed Asset when Started

Out of the 74 respondents, 59 of them had their value of fixed asset to be from 1-1999 representing a percentage of 79.5, 6 of them had their value of fixed asset to be from 2000-2999 representing 8.1%, 3 of from 3000-3999 with a percentage of 4.1, 2 of them from 8000-8999 with a percentage of 2.7%. 4000-4999, 5000-5999, 6000-6999 and 7000-7999 had the same frequencies of 1 each representing a percentage of 1.4 each as shown in table 4.9 below.

Majority of the respondents representing 79.5% had their value of fixed asset ranging from 11999 whilst 8.1% of them had their value of fixed asset to be from 2000-2999. This finding is in agreement with that of UNCTAD (2001) that most small scale enterprises in Ghana have lower fixed asset value with only a small fraction having a higher fixed asset value which has made it difficult for most of these enterprises to stay in business. A few of the enterprises in the study

sample have a higher minimum fixed asset value because of the rural nature of their locations and their inability to get access to huge loan facilities. The inability of the enterprises to have a higher fixed value asset is also attributable to the higher dependency ratio as earlier found by Kyeremeh et al (2008). According to their study when businesses are established in rural areas they find it difficult to grow because of the number of people who get their livelihood from them.

Table 4.9 Value of Fixed Asset When Started Business

Amount (Gh¢)	Frequency	Percent
1-1999	59	79.7
2000-2999	6	8.1
3000-3999	3	4.1
4000-4999	1	1.4
5000-5999	1	1.4
6000-6999	1	1.4
7000-7999	1	1.4
8000-8999	2	2.7
Total	74	100.0

Source: Field Survey, October 2013

4.1.10 Present Value of Fixed Asset

Out of the 74 respondents operating microenterprise that were involved in the study, 31 of them has their present value of fixed asset to be 20,000 +, 15 of them 1000-1299, 10 of them 400-699, 8 of them 700-999, 6 of them 100-399, 3 of them 1300-1599 and only 1 respondent for 1600-1899. All representing a percentage of 41.9, 20.3, 13.5, 10.8, 8.1, 4.1 and 1.4 as presented in table 4.10 below.

The study again found that 41.9% of the enterprises have grown their fixed asset value to 20,000 or more. The ability of the enterprises to grow their fixed asset value is attributable to the loans

they received from the Rural or Community Banks to boost their enterprises. This is also coupled with the marketing skills possessed by the owners of the enterprises to increase sales.

Table 4.10 Present value of fixed assets of respondents

Amount (Gh¢)	Frequency	Percent
100-399	6	8.1
400-699	10	13.5
700-999	8	10.8
1000-1299	15	20.3
1300-1599	3.0	4.1
1600-1899	1	1.4
20000+	31	41.9
Total	74	100.0

Source: Field Survey, October 2013

4.1.11 Location of Business

Out of the 74 respondents, 29 of them have their businesses operating on a permanent location, 20 of them in kiosks, 15 of them in rooms and 10 of them in verandahs with their respective percentages as 39.3, 27.0, 20.3 and 13.5. Table 4.11 below shows the location of businesses of respondents.

Table 4.11 Location where Business Operate

	Frequency	Percent
Permanent location	29	39.2
Kiosk	20	27.0
Verandah	10	13.5
Room	15	20.3
Total	74	100.0

Source: Field Survey, October 2013

4.1.12 Equipments and tools used

The type of equipment and tools respondents use in operating their business was also included in the study. These include modern, traditional and modern and traditional tools. 47 respondent are using both modern and traditional tools with a percentage of 63.5, 25 of them are using modern tools representing 33.8% and 2.7% of them are using traditional tools and equipment with a frequency of 2. The types of tools and technology used in operating the businesses are shown in table 4.12 below.

Table 4.12 Equipments used

	Frequency	Percent
Modern	25	33.8
Traditional	2	2.7
Both Modern and Technology	47	63.5
Total	74	100.0

Source: Field Survey, October 2013

4.1.13 Initial Capital

The initial capital used in starting the business was also included in the study. Respondents with an initial capital of 1600+ had a frequency of 14 representing a percentage of 18.9 then respondents with an initial capital from 200-399, 400-599 and 600-799 had the same frequency of 10 representing a percentage of 13.5% each. 100-199 and 1000-1199 had a frequency of 5 and a percentage of 6.8 each and then 800-999 and 1200-1399 had a frequency of 4 representing 5.4%. table 4.13 below shows the initial capitals of the businesses. The study found that most of the respondents started their businesses with an initial capital 1,600 Ghana cedis. About 13.5% of them started with an initial capital of 200-300 cedis

Table 4.13 Initial capital when started business

Initial capital	Frequency	Percent
1-999	5	6.8
100-199	6.0	8.1
200-399	10	13.5
400-599	10	13.5
600-799	10	13.5
800-999	4	5.4
1000-1199	6	8.1
1200-1399	4	5.4
1400-1599	5	6.8
1600+	14	18.9
Total	74	100.0

Source: Field Survey, October 2013

4.1.14 Source of initial capital

Out of the 74 respondent involved in the study, 27 of them had their own funds to start up their business, 34 of them had their funds from banks, 10 of them from money lenders and 3 of them from family and friends representing a percentages of 36.5, 45.9, 13.5 and 4.1 respectively as shown in table 4.14 below.

Those who had their initial capitals from the banks were 45.9 percent of the study sample which portrays that RCBs has helped tremendously in the development of micro enterprises in the district and also supports the findings of the study conducted by Misra (2008) that micro enterprises that take loans from the banks to start businesses forms 50% of all small scale enterprises in Ghana. About 36.5 percent had their initial capitals or funds generated from their economic activities, closely 14 percent from money lenders and 4.1 percent from family and friends.

According to the findings, some of the business owners are unable to access loans from banks and other financial institutions because of the demand for collateral and other cumbersome procedures. The study also found that family members and friends also provide initial capital for businesses which is in tandem with the assertion by BoG (2005) that most businesses in Ghana started with family funds and when well managed grows into giant companies.

Table 4.14 Sources of Initial Capital

Sources of funds	Frequency	Percent
Banks (RCBs)	34	45.9
Own Funds	27	36.5
Money Lender	10	13.5
Family and friends	3	4.1
Total	74	100.0

Source: Field Survey, October 2013

4.1.15 Loans from Rural and Community Banks

Table 4.15 below shows the frequencies and percentages of entrepreneurs who have ever collected loans from RCBs to enhance their businesses and respondents who did not collect loans for their micro enterprises. An overwhelming 73 percent of entrepreneurs have ever collected loans from RCBs to promote their businesses in one way or the other in the study area. Just 27 percent of the respondents said they never collected credit to promote their micro enterprises.

The study results showed that 73 percent of the respondents contracted loans from the banks to support the development of their businesses. This main finding depicts that, RCBs are actually supporting the growth and development of micro enterprises in the district by lending to them even though it is a high risk area due to the non-availability of collateral and level of business expertise of the micro entrepreneurs.

However, 61.1 percent of the respondents borrowed the money at an interest rate of 20% which was the lowest rate from the findings and is considered to be very high. According to Asiedu-Mante (2011) who stated that monies borrowed from banks for businesses at an interest rate above 15% is too high for the person to make profit to repay the loan. This therefore brings to bare the main challenge currently faced by the RCBs in terms of high default rate recorded in their microfinance sector of their loan portfolio.

Table 4.15 Loans Taken by Respondents

Loan	Frequency	Percent
Yes	54	73.0
No	20	27.0
Total	74	100.0

Source: Field Survey, October 2013

4.1.16 Amounts Borrowed from RCBs

Out of the 74 respondents who were involved in the study, 21 of them representing a percentage of 38.9 borrowed monies amounting from 400-699, 7 of them borrowed monies from 700-999 representing a percentage of 13. Also 14.8 percent of entrepreneurs interviewed borrowed amounts ranging from 100-399 and 1000-1299 each. 10 respondents borrowed amounts ranging from 1300 and above representing a percentage of 13.5 as shown in table 4.16 below.

Table 4.16 Amounts Borrowed from RCBs

Amount (GH)	Frequency	Percent
100-399	8	14.8
400-699	21	38.9
700 – 999	7	13.0
1000-1299	8	14.8
1300+	10	18.5
Total	54	100.0

Source: Field Survey, October 2013

4.1.17 Interest rate on Monies Borrowed

With respect to interest rates, 33 respondents representing 61.1% borrowed monies with an interest rate of 20%, 20 respondents borrowed monies with an interest rate of 30% representing 37% and just 1 respondents borrowed monies with an interest rate of 26% representing 1.9%. Table 4.17 below shows the interest rates on loans taken by respondents.

Table 4.17 Interest Rates

Rate (%)	Frequency	Percent
20	33	61.1
26	1	1.9
30	20	37.0
Total	54	100.0

Source: Field Survey, October 2013

4.1.18 Repayment Period

The repayment period ranged from 4 months to 24 months. 34 respondents had a 6 month repayment period with a percentage of 45.9%, 17 respondent had a repayment period of 4

months representing a percentage of 23, 13 and 10 respondents had a repayment period of 12 and 24 months with a percentages of 17.6 and 13.5 respectively as shown in table 4.18 below.

Table 4.18 Repayment Periods

Months	Frequency	Percent
4	17	31.5
6	34	63.0
12	1	1.9
24	2	3.7
Total	54	100.0

Source: Field Survey, October 2013

4.1.19 Support Services Rural and Community Banks Provide for micro enterprise

74 percent of respondents received support service from RCBs while 26 percent on the other hand did not receive assistance as shown in table 4.19 below. This indeed portrays that RCBs provides support services to the micro entrepreneurs in different forms.

Table 4.19 Support Services Received from RCBs

Assistance	Frequency	Percent
Yes	55	74.3
No	19	25.7
Total	74	100.0

Source: Field Survey, October 2013

4.1.20 Type of Support Services received from RCBs

Majority of the respondents received some form of support services from the rural and community banks. About 74.3 percent of respondents had assistance from rural and community banks and out of this number, 22 had loan support, 2 had technical support and 31 had both loan and technical support. Their percentages attained are 40.3 and 56.4 respectively as shown in table 4.20 below. Only 25.7 percent of respondents 99 did not get any assistance from the banks.

Their inability to receive any support from the banks was due to cumbersome procedures of banks as reported by 52.6 percent of the study population. About 36.8 percent of the respondents said that they were not able to get assistance from the banks because of the requirement for collateral as shown in table 4.21 below.

Table 4.20 Forms of Assistance Received

Form of assistance	Frequency	Percent
Loan	22	40.0
Technical	2	3.6
Both	31	56.4
Total	55	100.0

Source: Field Survey, October 2013

Table 4.21 Reasons why they could not get any Support Service

Reasons	Frequency	Percent
lack of Collateral	7	36.8
Cumbersome Procedure	10	52.6
Do not trust the bank	2	10.5
Total	19	100.0

Source: Field Survey, October 2013

4.1.22 Marketing Arrangement

Some marketing arrangement were employed for sales, cash sales , credit sales and cash and credit had a frequency of 41 representing a frequency of 55.4. Cash and credit sales had a

frequency of 31 with a percentage of 41.9 and then credit sales had a frequency of 2 and a percentage of 2.7 respectively as represented in table 4.22 below.

Table 4.22 Marketing arrangement employed for sales

Marketing arrange	Frequency	Percent
Cash sale	41	55.4
Cash and credit	31	41.9
Credit sales	2	2.7
Total	74	100.0

Source: Field Survey, October 2013

4.23 Training of Loans Beneficiaries

Training programmes organized by the RCBs for the operators of the micro entrepreneurs to equip them with skills on financial management to sustain their businesses. The results from table 4.23 show that 32.0 percent received training on financial management whilst 28.5 percent were trained on entrepreneurship development. About 28.1 percent of respondents stated that they were trained on marketing and promotion of their goods and services and only 11.4 percent received training on technology transfer as shown below in table 4.23 below.

This invariably means that RCBs contributes to the development of micro enterprises in different constituents such as the financial management, entrepreneurial skills, marketing strategies and technology transfer.

From table 4.24 below, an overwhelming majority of 85.5 percent of respondents who received support from RCBs said they applied the knowledge and skills they received from the training which aided them to grow their businesses.

Table 4.23 Training Programmes

Training	Frequency	Percent
Financial Management	55[**]	32.0
Technology Transfer	20[**]	11.4
Marketing and Promotion	49[**]	28.1
Entrepreneurship development	50[**]	28.5
Total	174[**]	100.0

Source: Field Survey, October 2013   ** Multiple responses

Table 4.24 Skills Applied by Entrepreneurs who received support from RCBs

Skill applied	Frequency	Percent
Yes	47	85.5
No	8	14.5
Total	55	100.0

Source: Field Survey, October 2013

4.24 Benefits of the Training

The benefits of the training programmes as reported in table 4.25 below indicates that almost 17.3 percent of the respondents who received training increased their sales, 26.0 percent of respondents improved their business skills after the trainings. Also, increased production and ready market as reported by the respondents are 20.2 percent and 4.6 percent respectively. Just about 20.2 percent of the respondents stated that the training has helped them to handle their own finance. Finally, 11.7 percent reported high demand for goods after the training programmes.

Table 4.25 Benefits from Trainings Received from RCBs

Results	Frequency	Percent
Increased in Production	35[**]	20.2
Ready Market	8[**]	4.6
Improved Business Skills	45[**]	26.0
Increased in sales	30[**]	17.3
Handle own finance	35[**]	20.2
High demand for goods	20[**]	11.7
Total	173[**]	100.0

Source: Field Survey, October 2013   ** Multiple responses

4.25 Contribution of RCBs to the Development of Micro entreprises

The study assessed the contribution of RCBs to the growth of Micro enterprises in the district. The results indicate that, RCBs have given loans to some of the entrepreneurs which have helped them increase or maximize their profits. An overwhelming 70 percent of micro entrepreneurs have ever received loans from the RCBs towards the growth and development of their enterprises.

Furthermore, the respondents from the RCBs also reported that they have been organizing formal and informal training for the entrepreneurs. The training always focused on financial management, Technology transfer, credit risk management and how to improve marketing skills.

They have also created the enabling environment for the entrepreneurs to interact and consult them on their business Plans and ideas.

4.26 Factors Considered by RCBs in giving out Loans

The results of the study show that, certain criteria are met before giving out loans to the entrepreneurs. The respondents from the banks reported that factors that the considered in giving out loans to the entrepreneurs include the borrower's income invested in his/her business, borrower's credit worthiness thus the records of past transactions of the entrepreneur with the bank and borrower's savings and deposit made with the bank.

Other factors that are considered include; borrower's credit needs and his/her managerial and financial competence to manage the amount being requested.

The conditions under which a loan applicant was refused the loan include; lack of information on borrower/applicant, poor performance of his/her business, poor managerial skills and his/her inability to pay back the loan.

4.27 Challenges faced by Rural Banks in the District

The study assessed the challenges faced by Rural and Community Banks in the district. Results from questionnaire administered by RCBs revealed that, the challenges faced by the Banks include; non-payment of loans and the interest by customers and lack of funds to expand their coverage.

4.28 An Institutional Based Survey

An institutional based survey was conducted in the East Mamprusi District of Northern Region to identify Rural or Community Banks that operate in the District. Based on this, East Mamprusi Community Bank Ltd (EMCB) and Bawku East Small Scale Farmers Association (BESSFA) and their branches/agencies operating in the EMD were identified.

From the institutional surveys, it was found out that the RCBs provides Micro enterprises with credit scheme known as Trade/Micro Credit With Education (CWE) Scheme. This is a cash credit provided by both the East Mamprusi Community Bank and BESSFA to micro entrepreneurs. The Trade/Micro Credit With Education Scheme is been practice by the financial institutions in credit delivery by organizing a group of processors into solidarity groups where group members mutually guarantee each other's loan amount and each individual group member in a solidarity group is responsible for repayment of her group members in case any member defaults. Loan officers go to the field on weekly or by- weekly basis to recover loans and give education.

This credit scheme has enabled butter producers buy large quantities of raw shea fruits/nuts at cheaper prices especially during glut harvest and may possibly sell processed shea butter at higher prices to boost income. Trade/micro credit scheme could however be limited by the level of interest rate charged by financiers.

This credit scheme discussed above led to an increase in the general level of skills in bakery production and shea nut and butter processing; increases the capacity of processing groups to purchase and store shea nuts at cheaper prices for processing and thereby increasing profit margins; reduces the risk of market demand; promotes strong social link with the buyer hence enhances mutual trust and confidence and finally gives room for some level of price negotiation.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

This chapter contains the summary of key findings from the study, the conclusions drawn from the study and the recommendations suggested for policy implications.

5.1 Summary of Key Findings

Specifically, the study objective was to identify RCBs that operate in the East Mamprusi District, to know the support services that RCBs provide for micro enterprise development as well as to assess the improvement of Micro Enterprises on the basis of the support that they receive and to identify the challenges that RCBs encounter in their quest to support Micro Enterprises in the district in order to make the necessary recommendations to mitigate such challenges.

An institutional based survey shows that there were only two RCBs operating in the EMD namely, East Mamprusi Community Bank Ltd (EMCB) and Bawku East Small Scale Farmers Association (BESSFA) and their branches/agencies.

The support services that RCBs provide for micro enterprise development from the findings include; loan support, technical support and managerial skills. About 74.3 percent of respondents had assistance from rural and community banks and out of this number, 22 had loan support, 2 had technical support and 31 had both loan and technical support.

The main aim of this study was to assess the improvement of Micro Enterprises on the basis of the support services that they receive from Rural and Community Banks in the East Mamprusi District of the Northern Region of Ghana. The following are the key findings of the study:

In assessing the role of RCBs in the development of micro enterprises in the EMD, the findings show that, all the 54 out of the 74 respondents of those who received loans from RCBs per the questionaire administered agreed that the credit provided them has helped in the expansion of their businesses. 54 out of the 74 respondents representing 73 percent while agreeing that their assets have improved upon receiving some form of loans (credit) from RCBs also agree that they can now save with banks due to the improvements in their businesses. RCB with their micro finance offers the window of hope for even the hopeless (poor) because of its ability to support income generation of enterprises operated by low-income earners (Mohammed Yunus, 2005).

Only 9.4% of the respondents used their personal skills to operate their enterprises which is in support of the finding of the Business and Financial Time Newspaper (2012) that most SMEs in Ghana are managed with raw personal skills of the owners because most of the owners and employees of these enterprises do not have the requisite skills and training in financial management which often lead to the collapse and embezzlement of monies of their clients.

The study also shows that 73% of Micro Enterprises have ever borrowed money from the RCBs either as a starting capital or to boost their businesses. This shows that RCBs are actually supporting the growth of micro enterprises in the district by lending to them even though it is a high risk area due to the non availability of collateral and level of business expertise of the micro entrepreneurs.

In addition, those who had their initial capitals from the banks were 45.9% of the study sample which portrays that RCBs have helped micro entrepreneurs with the starter capital.

The study again found that 41.9% of the enterprises have grown their fixed asset value to 20,000 or more. The ability of the enterprises to grow their fixed asset value is attributable to the loans

they received from the Rural or Community Banks to boost their enterprises, including the marketing skills imparted by the Banks.

RCBs supports the growth and development of micro enterprises by providing managers of the enterprises with marketing skills since such skills are major skills needed by Micro Enterprises to thrive. A report by GHAMFIN (2001) stated that management of Microfinance requires skills of business management in order to sustain it. Some enterprises have been unsuccessful because of mismanagement. This study found that management skills that were involved in the management of the businesses include marketing skills, production skills personal skills and financed skills. Majority of the respondents had financial management skills and represented 32 percent of the respondents who received support from RCBs. This assertion was based on the fact that the enterprises have to compete with the well-established enterprises in order to get clients or customers. Financial Management skill was found to be the predominant skill among the respondents because of the competition with well-established enterprises. Most of the clients are mainly market women and small-scale businesses operators.

With regards to the main challenge in credit delivery to micro entrepreneurs by the RCBs in this district, about 61.1% of the monies were borrowed at an interest rate of 20%, with the repayment spanning between 4 to 24 months. Hence, due to the high interest rate charged, loan clients are not able to repay loans on schedule, leading to high default rates.

5.2 Conclusion

The aim of the study was to investigate the role of Rural and Community Banks in the development of Micro enterprise in the East Mamprusi District of the Northern Region of Ghana.

The main finding of the study was that, most of the respondents received some level of support from the RCBs either as starting or initial capital to support their business. The support given to the business owners had increased their income levels greatly as established by the study. More to this, it has been established in the study that entrepreneurs who are clients to RCBs have also received trainings on marketing skills from them.

However, the interest rate of about 20% is high for the people to repay the loans. Certainly, this has culminated into the main challenge faced by the banks for non-payment of some of the loans.

Based on this finding, I therefore suggest that, RCBs should reduce their interest rates charged on micro finance loans to facilitate prompt repayments of the loans and interest on it.

5.3 Recommendations

The findings of the study have established that, the key challenge is the nonpayment of loans by microenterprises attributed to the interest rate of about 20% which is high for the loan clients to repay the loans. It is therefore recommended that, the banks should decrease their interest rates charged on micro finance loans to facilitate timely repayments.

In addition other findings of the study in terms of the challenges been faced by the bank in micro credit delivery was the lack of funds to expand their coverage as well timely disbursement and to meet the actual demands of clients. Hence it is prudent to suggest that, there is the need for the banks to look for disbursement fund to meet their client's demands and the need for more financial providers or other banks to also operate in the district since there are only two banks.

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APPENDIX

UNIVERSITY FOR DEVELOPMENT STUDIES

SCHOOL OF BUSINESS

DEPARTMENT OF BANKING AND FINANCE

MA THESIS

The Role of Rural and Community Banks in the Development of Micro Enterprises in the East Mamprusi District of Ghana

Questionnaire for Micro Entrepreneurs

General Information

Name of Enumerator...Name of settlement...Date **............**

B. INTERNAL (ENTREPRENEURIAL) PROFILE ANALYSIS

1.0 Entrepreneurial Characteristics

1. Type of enterprise/industry....... 2. Sex (i) M   (ii) F   3. Age ....

4. Level of education obtained (Tick only one)

   i)   No formal education ( )   ii)   Primary education ( )

   iii)   J H S ( ) Secondary/Technical/Vocational and above ( )

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5. Are you able to read and write? (1) Yes (2) No

6. Nature of engagement in the business (1) Full time (2) Part time

7. What management skills do you have? (Tick as many as applicable)

i) Marketing ( ) ii) Production ( ) (iii) Personnel ( )   (iv) Finance ( )

8. When was your enterprise established?

9. What is the ownership pattern of the enterprise?

(i) Sole proprietorship ( ) ii) Partnership ( )   (iv) Family ( )

10. .... What was the value of the fixed assets you started the business with? ....

11. .... What is the present value of your fixed assets? ....

12. From what location does the business operate?

i) Permanent workshop ( ) (ii) Kiosk ( ) (iii) Verandah ( ) (iv) Room

13. In terms of technology what equipment and tools are being used? (Tick only one)

   i) Modern ( )   ii) Traditional ( )   iii) Both modern and traditional ( )

14. What was your initial capital? GHc

15. What was the source of your initial and working capital? (i) Own

   Funds (ii) Bank (iii) Money Lender (iv) Family and friends

16. Have you ever received any loan from Rural or Community Bank for your business?

1 – Yes   2 – No

17. If yes to the above question, kindly complete the following:

i. Amount GHc .... ii. Interest rate .... iii. Repayment period

18. Have you ever receive any assistance from any Rural or Community Bank?

1 – Yes   2 – No

19. If yes, indicate the form of assistance given: (i) Loan (ii) Technical support (iii) Both (Tick at most 2)

20. If No, indicate the reasons (Tick as many as applicable)

(i) Lack of collateral ( ) (ii) Cumbersome procedures ( ) (i) Do not trust the bank

21. What marketing arrangements have you employed for the sale of your products?

i) Cash sale ( )   ii) Credit sales ( )   iii) Cash and credit sales ( )

22. If you have attended any training program organized by Rural or Community Banks in respect of your business, complete the following table:

Support area	Skills acquired	Skills application		Reasons (if no)	State results (if yes)
		Yes	No		
Finance					
Technology transfer					

Market promotion					
Entrepreneurial development					

UNIVERSITY FOR DEVELOPMENT STUDIES

SCHOOL OF BUSINESS

DEPARTMENT OF BANKING AND FINANCE

MA THESIS

The Role of Rural and Community Banks (RCBs) in the Development of Micro Enterprises in the East Mamprusi District of Ghana

QUESTIONNAIRE FOR RCB's ON THEIR SERVICES TO MICRO

ENTERPRISES 1. Are you aware of support services available from RCBs to

micro enterprises? i) Yes ( ) ii) No ( )

2. If yes, tick as many as the support services you are aware of : i) Financial ( )

ii) Entrepreneurial development ( ) iv) Management skills ( ) iv) All of the above
Business Information

3. What are your objectives as RCB with respect to development of micro and small enterprises

development?

    i   ....

    i   ....

    i   ....

    iv.   ....

4. What type of support do you offer Micro enterprises in the country? (Tick as many as

applicable)

   ....Entrepreneurship

   ....Managerial   **130**

............Technical

...........Financial/Credit

...........Market promotion

...........Others (specify)

5. Do you provide these services in an integrated manner? 1- Yes 2 – No

    ii.   If yes, state reasons:

    i.   ....

    ii.   ....

    iii.   ....

    iii.   If no, state reasons

    i.   ....

    ii.   ....

iii.   ....

6. What are your major problems with regard to the support service delivery to Micro

    entrepreneurs in the district?

 i...

ii...

iii. ....

iv. ....

7. In your opinion, what do you think must be done to address these problems enumerated

    above?

    i.

ii. ....

iii. ....

8. Provide any relevant information for the improvement of micro enterprises in the

district:

i ....

ii...

iii..

9. Which is/are the largest category of borrower/s?

………Micro/Small Businesses and enterprises

………Large companies

………Government

………Commercial Farmers

……….Other (specify)

10. What factors do you consider when giving loans? (Tick as many as applicable)

……………Borrower's Income

……………Borrower's credit worthiness

…………Borrower's savings deposit

…………Borrower's credit needs

…………Previous credit records

…………Availability of acceptable credit

…………A clear business plan

.... Demonstrate managerial and financial competence

...............Others (specify)

11. What are your concerns for lending to Micro Industries? (Tick as many as applicable)

.... .High default risks

.............Lack of collateral

………...Lack of managerial skills

…………Others (specify)

12. Do you require collateral from micro entrepreneurs before a loan is given?

(1) Yes   (2) No

13. If yes to the above question, what type of collateral do you require? (Tick as many as applicable)

.... Land

.... .Life Insurance

.... .Real Estate

.... .Bank (fixed) deposit

.... .lien on Savings balance

.... .Others (specify)   **133**

14. Have you ever refused a loan request from micro entrepreneur? (1) Yes (2) No

15. If yes to the above question, what are the reasons for the rejection of the loan? (Tick as many as applicable)

.... .Lack of acceptable collateral

.... .No enough information on potential Borrowers

.... .Poor performance in Business

………No managerial competence seen

……….Ability to pay back not proven

…………Lack of good business plan

………..Small size of firm compared to large size of loan requested

…………Physical remoteness of enterprise

………..Lack of book keeping or inadequate compliance framework

.... .Lender prejudice against micro enterprises/industries

.... .Other (specify)

16. What is the average processing time between receipt of loan application and disbursement?

i. less than one week

ii. between one and three weeks

iii.   above three weeks

17. Do your customers default on loan repayment? (1) Yes (2) No

18. If yes to the above question, what are the reasons for loan default among entrepreneurs?

(Tick as many as applicable)

.... .Poor performance of Borrower enterprise

.... .Lack of judgment in loan approval

.... .Excessive interest charges
.... .Others (specify)

19. What measure(s) do you adopt to reduce default risk among your customers?

i. ....

ii. ....

iii. ....

iv. ....

Utilization of Credit

20. Do you acquaint yourself with the business interest of your borrowers? (1) Yes (2) No

21. If yes to the question, give reasons for such interest?

i. ....

ii. ....

iii. ....

22. Do you monitor and evaluate the use of loans disbursed to micro enterprises? (1) Yes (2) No

23. In your view, do you think that micro   entrepreneurs divert loans into ventures other

than for their purpose? (1) Yes (2) No

24. If yes to the above question, give reasons why they do so:

i. ....

ii. ....
iii. ....

25. What suggestions would you offer to ensure the effective utilization of loans by micro

enterprises?

i . ...

i i . ...

i i i . ...

i v . ...

v . ...