

**UNIVERSITY OF CAPE COAST**

**THE CONTRIBUTION OF RURAL BANKING TO HUMAN RESOURCE  
DEVELOPMENT IN AGONA NKWANTA AREA: THE AHANTAMAN  
RURAL BANK IN FOCUS**

**ANNA TWENEBOAH-KODUAH**

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DEVELOPMENT IN AGONA NKWANTA AREA: THE AHANTAMAN  
RURAL BANK IN FOCUS

BY

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MANAGEMENT

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## **DECLARATION**

### **Candidate's declaration**

I hereby declare that this dissertation 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.

Candidate' signature:.....

Date:.....

Name: Anna Tweneboah-Koduah

### **Supervisor's declaration**

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with guidelines on dissertation laid down by the University of Cape Coast.

Supervisor's Signature:.....

Date:.....

Name: Drs. N.K.T. Ghartey

## **ABSTRACT**

Human resource development is vital for the development of every nation. As a result various attempts have been made by governments to ensure the development of its human resource. In Ghana, one of the efforts towards this direction was the establishment of rural banks. The study, therefore, examined the contributions of rural banking activities to human resource development in the communities in which they operate using the Ahantaman Rural Bank [ARB] as a case. It became evident that ARB contributes to human resource development through saving mobilization, the granting of loans to individuals and micro enterprises, granting of scholarships to brilliant but needy students and the provision of social amenities. Findings from the study also indicated a good customer perception of the service delivery and the activities of ARB.

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Finally, my heartfelt gratitude goes to the Ogoe and Pratt family of Takoradi and Apam respectively, Mr. and Mrs. Kwashie, Accra and Rev. Nana Osei Opoku Sarkodie and family.

## **DEDICATION**

To my parents, Mr. and Mrs. A.B. Ogoe, Takoradi, my dear husband, Yaw Tweneboah-Koduah, Tema and my sweet children, Samuella and Fred at KNUST, Priscilla and Emma at Wesley Girl's High School and Yaw Junior at Tema Parent's school.

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## ACRONYMS

ARB - Ahantaman Rural Bank

## **CHAPTER ONE**

### **INTRODUCTION**

#### **Background to the study**

The economy of Ghana is predominantly agricultural. The sector employs about 51% of the active population and contributes about 42.5% of total export earnings (ISSER. 2007). Another notable feature of the economy is that the population is largely rural as about 70% of the total population live in rural areas. This large rural population is mostly engaged in small-scale agriculture, including fishing, and contribute about 90% to all agricultural production in the country. The importance of the rural economy again comes to the fore when one considers the extraction of natural resources. This is because most resources are concentrated there. In spite of these, the rural sector in the past seemed not to have received the attention it deserved to propel it on the path of growth and development. From the early 1970's, however, some attempts were made. Prominent among these was the introduction of rural banking.

Before independence, banking facilities were limited to major urban centres. Various governmental measures were designed after independence to improve micro-finance delivery in the rural areas, especially to support agricultural and other economic activities. In spite of all these efforts to support agricultural activities, the majority of rural folk lacked access to institutional

credit that was needed to enhance their productivity. The few banks that operated in the country a decade or more after independence were all sited in the cities and towns where the major economic activity was commerce.

The two commercial banks with the largest network of branches, Standard Chartered Bank and Barclays Bank, are foreign-owned, and were set up primarily to promote import and export trade of the country. The few branches of these commercial banks that were opened in the rural areas mobilized funds and did very little lending to these rural communities. This is because the banks considered lending to the country's agricultural sector as both risky and expensive. Rural dwellers were therefore discriminated against (Rural Finance Inspection Report, 1997).

The absence of institutional credit in the rural areas therefore created a vacuum which was filled by the village money lenders whose exorbitant rate of interest virtually impoverished the farmers and fishermen. It was to fill this gap that the Agricultural Development Bank was established in 1965. The Agricultural Development Bank (ADB) grew from the Rural Credit Department of the Bank of Ghana to concentrate primarily on the extension of credit facilities to the agricultural sector of the country. The performance of ADB in this vital national assignment was constrained by a number of problems and, therefore, could not give the rural folks the needed financial support. This is partly explained by lack of acceptable collateral security for loans.

The neglect suffered by the small-scale entrepreneurs and peasant farmers because of the inaccessible financial intermediation process of banks became a

stumbling block to development in the rural area(s). It was in the light of the foregoing facts that the rural banking system was introduced in July 1976 to cater for the needs of the rural folks. Thus, in the Banking Act of 1970, rural banks are empowered to engage in banking activity. The rural banks are set up as unit banks, owned, managed and patronized by the people in the localities concerned.

The rural banks, through the Association of Rural Banks (ARB) Apex, serve as a conduit for the channelling of on-lending micro-finance credits from government and donor agencies to the rural communities to facilitate community development. The banks thus are becoming firmly integrated into the banking and payment systems and are playing an essential role with particular reference to the rural areas where they operate to fill the gaps left by the large commercial banks.

The rural banking system is therefore expected to meet the challenges of rural development through the mobilization of rural savings and provision of credit to rural communities in order to improve their economic and social wellbeing (quality of life). Unlike the other banks, rural banks are required to administer credit on the basis of community trust rather than placing emphasis on collateral security. As much as possible rural banks are expected to depend largely on mobilized deposits rather than government funds for credits. They are meant, in other words, to serve as special vehicles for financial intermediation that could transform for the better the standard of living of the rural communities. This was the message delivered by Dr. Acquah, Governor of the Bank of Ghana, when he addressed the Association of Rural Banks at the 13<sup>th</sup> Biennial General meeting



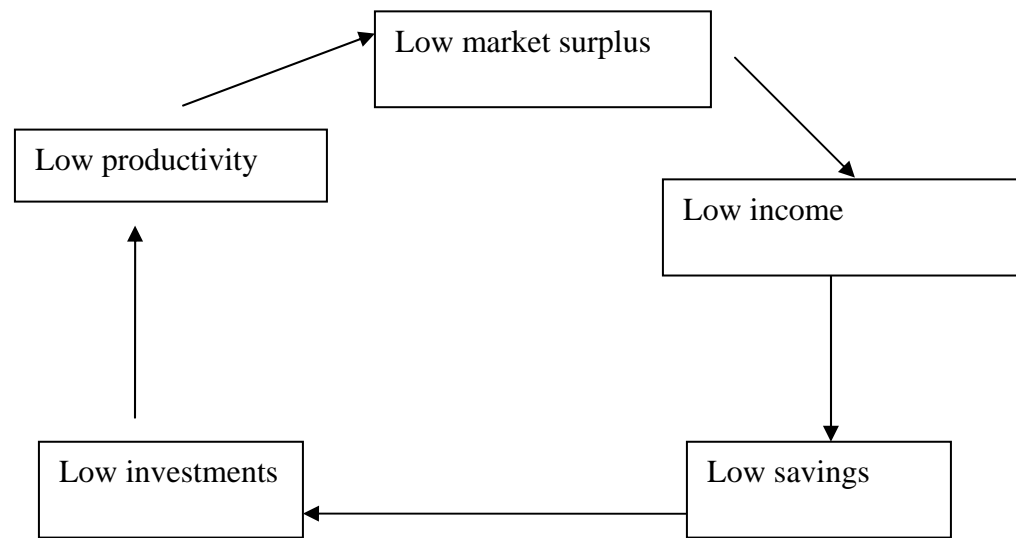
held in November 2004. Therefore, rural banks require effective local participation to prop up community and human resource development.

### **Statement of the problem**

Ghana, like most developing countries, has made several efforts to raise the standard of living of its people through the building of human capacity. Activities put in place include formal ,informal and non formal education as well as poverty alleviation packages. Obviously, human resource development forms an important segment of this effort. The rural areas need be the focus of these efforts since they contain a higher percentage of the total population as already observed. Besides, there are wide disparities between urban and rural income levels, making poverty in Ghana an over-whelming rural phenomenon. A person may be poor because he/she has low income and therefore cannot afford social amenities even where they are available. A person may have low income because he/she is either unemployed, under-employed or has low productivity. Low productivity can result from low skills or poor health. There may be low skills because educational services may be poor or even absent. In this respect the rural banks can contribute in the form of grants to basic schools, the award of scholarships to brilliant but needy students, and provision of some public utilities like safe sources of water such as bore holes, health facilities and school libraries.

They can also help by lending ‘venture capital’ to entrepreneurs to establish new businesses or expand existing ones that would improve the rural economy and, directly or indirectly, the wellbeing of the people. Rural areas in

Ghana are characterized by low productivity such that many of the rural people remain poor and find themselves in a poverty cycle. The low level of production leads to low marketable surplus, low income, low savings and investment and finally results in low production again. This state of affairs is represented in Figure1. It is in view of this that the role of rural banks as intermediaries becomes most important.



**Figure 1: Poverty cycle of rural communities**

Source: Jencks, 2008

Moreover, the wide disparities between rural and urban income levels are reflected in the differential provision of basic amenities as indicated in the United Nations Development Programme (UNDP) 1991. The report stated that about 5.9 million people had no access to health services. Also about 7 million had no access to potable water whilst about 10 million people did not have access to good sanitation. It further stated that about 3 million people were school dropouts. From the UNDP report (1991) it can be concluded that majority of rural folks live below the poverty line.

The focus of community development is significant because rural communities are seen as coherent units of development with peculiar characteristics that can be harnessed for the development process. It was to offset this inadequate attention to the rural dwellers that rural banking as a financial institution for intermediation was introduced. Thus the rural banks constitute, in the banking industry, a segment that is particularly important for the focus on rural economic activity, human resource development and, by extension, poverty reduction. The Ahantaman Rural Bank is then expected to fill this felt need in the Agona Nkwanta area in the Western Region of Ghana.

However, after 23 years of its operation there has been no systematic investigations or research study into how effectively this rural banking institution had functioned in upgrading the quality of life in the Agona Nkwanta area. A lot of the youth in the Agona Nkwanta area are school drop outs. The town and its environs are situated in the semi-deciduous forest zone yet most of the youth are neither undertaking farming activities nor being serious in academic work. Other issues to be considered are whether these school drop outs are adequately resourced to go into farming, whether home and school conditions are conducive to further academic endeavours by the youth and what the Ahantaman Rural Bank is doing about all these. Most of the people in this area do not have vocational, technical or entrepreneurial skills to provide the human capital base needed for community development.

The Ahantaman Rural Bank just like any rural bank thrives on effective local participation and patronage to ensure its continuity and profit realisation that

would enable it look at human resource development as an element of its social responsibility. Customer care plays an important role in ensuring local participation and patronage in rural banks. Sometimes the rural dwellers find it comfortable to keep their monies in their homes, bury them in their farmlands and the like, instead of depositing these monies in the banks. Cash deposits in the Ahantaman Rural bank in Agona Nkwanta tends to be lower than cash deposits in its agencies like Tanokrom, Sekondi, Kojokrom and Kwesimintsim in the Sekondi-Takoradi Metropolis. This implies that economic activities should be pepped-up in the Agona Nkwanta area and the habit of saving in the banks should be inculcated in the people the more.

Realising the important functions which the rural banks are to serve, a high level of community participation would have been thought to be a matter of course. But, the situation in most rural areas deviates from the expectation and, as a result, a number of rural banks have been closed down. Reasons sited for the closure are mainly that the affected banks did not get the enhanced support from the rural communities and also their activities were marred by fraudulent practices. However, the Ahantaman Rural Bank has survived.

The Agona Nkwanta catchment area, like most rural communities, is peopled by farmers. It can be assumed, therefore, that the agricultural sector should be the engine of growth of the rural economy. It can be further assumed that the performance of the Ahantaman Rural Bank would go a long way to affect the economic and social development of the Agona Nkwanta community.

## **Objectives of the study**

The general objective of the study is to examine the contribution of rural banking activities to human resource development in the Agona Nkwanta community and its environs. Specifically, the study:

- Identifies the mechanisms for savings mobilization and how it contributes to the development of the human resources in the area.
- Examines the uses of such mechanisms and their effects for human resource development.
- Discusses customer expectations from the bank in terms of customer care.
- Examines the social services rendered and the implications they have for human resource development.
- Examines the contributions of the bank to entrepreneurial development of customers and their implications.
- Identifies specific human resource problems of the bank for effective execution of social responsibilities.
- Makes appropriate recommendations for future action by policy makers, stakeholders such as implementers and researchers.

## **Research questions**

To guide the study, the following questions were posed:

- What mechanisms exist for savings mobilization?

- What are the uses of credit and what implications do they have for human resource development?
- What do customers expect from the bank in terms of customer care?
- Do the social services provided by the bank have any implications for entrepreneurship and human resource development?
- How do the bank's activities contribute to entrepreneurial development of customers?
- What human resource problems exist in the bank itself, given the functions it undertakes in the rural communities?

### **Rationale for the study**

Nearly 23 years after the establishment of the rural bank in the Agona Nkwanta area, it is considered long over due for a systematic study of community participation of the area's bank-Ahantaman Rural Bank. The study aims at discussing rural banking in the Agona Nkwanta area and its impact on the human resource development within the communities in the area. It seeks to investigate obstacles to higher levels of participation of the rural folks in Agona Nkwanta and its environs in the Ahantaman Rural bank's operations.

The study also seeks to identify the problems that prevent the growth and development of the Ahantaman Rural Bank and make recommendations that will help the bank and its agencies to improve upon their performances. It provides data to help the Central Bank in policy formulation and planning as well as

implementation in the area of rural banking. The study provides information to help the local and central government in policy formulation and planning.

The study thus attempts a prescription for sustainable operation of rural banks in the future by seeking to identify the problems that hinder the Ahantaman Rural Bank to position itself to become purposively integrated into the banking system infrastructure. In this regard, the study attempts to identify some of the problems the bank faces in being innovative, creative and truly community-based, as a means of improving the human capital of the community.

This study attempts to make a critical assessment of the impact of the Ahantaman Rural Bank on human resource development in its catchment areas, via shareholdings, savings, entrepreneurial capacity building and social responsibility interventions.

On the platform of community development activities, the communities are well placed in terms of resources and capacities. This study therefore seeks to probe the stimulation of problem identification, discussions and decision making for community development, involving human resource development as carried out by the Ahantaman Rural Bank.

Rural banks were therefore set up as unit banks to help mobilize funds to support viable ventures in the rural areas, with the aim of improving the social and economic well being of the rural folks. This was the rationale for the establishment of Ahantaman Rural Bank in Agona Nkwanta, in the eastern part of the Ahanta District of the Western Region. As the “hope” for the “hopeless”, the bank was also expected to benefit from the massive participation of the local

communities in the form of share subscriptions, savings and other forms of support.

### **Limitations**

Due to resources constraint, the study could not cover all the rural banks in the study area. Like most researches, the resources available to the researcher limited the study. In addition, not all the customers and staff of the bank were covered.



## **CHAPTER TWO**

### **REVIEW OF LITERATURE**

#### **Introduction**

There exists in Ghana some secondary sources of data on “human resource development” but secondary data on human resource development relating to rural banking is either hard to obtain or non-existent. There is enough secondary data on the subject “rural banking” in general. This review covers financial intermediation, the concept and structure of rural banking; sources of rural banking law, the role of local people in the establishment of rural banks, human resource that derive from the institutionalisation of credit in community development. These issues are taken as the starting point for the examination of the concept of rural banking and as basis for assessing the benefits the people of Agona Nkwanta and its surrounding villages derive from the activities of Ahantaman Rural Bank in the area of poverty alleviation specifically and human resource development in general.

There has emerged a powerful body of work which highlights the isolation paradox that links economic and social actions at a household level to wider processes of structural transformation in a developing society. In the case of demography, the orthodoxy of the 1970s and 1980s held that ‘poor people are not poor because they have large families; on the contrary, they have large families

because they are poor'(Mamdani,1972 :14 as cited in Development Studies, 1995). That is to say, rates of population growth that might in some way be undesirable at a national or regional level, emerge, paradoxically from the rational decisions of isolated households struggling to survive in an often harsh social and natural environments especially where children are seen as insurance against the risks associated with aging in societies lacking state welfare systems. It follows that government attempts to curb national population growth rates cannot rely solely on campaigns to combat 'ignorance' about family planning , and to dole out modern forms of contraception. Poor households have to be persuaded that large numbers of children are not required to keep their families afloat, or they have to be provided with other forms of insurance against endemic risk. But it is obvious that such assistance is often difficult to come by, hence it can be assumed that the rural banking system has a role to play to fill the gap.

### **Decision making capacities and implementing activities**

Because of their compactness, village communities can mobilize easily for development activities, including taking decisions, fashioning out strategies, resolving conflicts and representing independent constituents, practising democracy in their leadership and local governance and having independent common interests both –economical and social. Communities also have definite development processes. One can identify two major development organs for that purpose, that is, community development agents and their activities.

There are three main agents for the development of a community. These comprise:

- Community leaders- Religious, Traditional, Youth, Men, Women, Opinion leaders.
- Social work personnel or community development workers who may come from outside the community, for example Social Welfare and Agricultural Extension officers.
- Community members may also, at times identify development activities for the community.

### **Financial intermediation and the concept of rural banking**

A financial intermediary is an institution that channels funds from surplus spending units (SSUs) to deficit spending units (DSUs). The units in question are the basic economic units in society, namely, households, business enterprises and governments. Households, historically, have been SSUs while the business firms and governments have been DSUs (Sinkey, 1986:34).

Each household makes plans about how much to spend on consumption and how much to spend on production and how much to save. These are not, however independent decisions. Since saving is income not spent on consumption, it follows that households have to decide on a division of their income between saving and consumption. (Lipsey, Sparks, Steiner 1973). It is the outcome of this decision that will give rise to either a surplus spending or a deficit spending status. This principle also applies to business firms and governments.

The rural banking concept was introduced with the main objective of mobilizing savings from people who had surplus funds and channelling these funds as credit into productive ventures that required resources. The concept was intended then, as now, to create simple but flexible banking units tailored to meet the peculiar needs of predominantly small rural entrepreneurs and to act as catalyst for social and economic development of the rural economy. These rural banks are ,therefore, meant to serve as special vehicles for financial intermediation that could transform, for the better, the standard of living of the rural communities.

A bank, and for that matter a rural bank, might acquire funds by issuing liability to the public in the form of savings deposits and then using the funds to acquire assets in the form of loans to industries, or buying bonds in the financial markets. The ultimate result is that funds are transferred from the public (lenders /savers) to the industrial concerns (borrowers/spenders) through the intermediation of the bank (Mishkin, 1992).

As of now, rural banks are becoming firmly integrated into the banking and payment systems of Ghana and are playing essential roles with particular reference to the rural areas where they operate. Rural banks as part of their activities, are therefore involved in the clearing system, and do collaborate with the ARB Apex Bank in money transmission services dubbed, Apex Link – “*Ewo bebiaa*”. They mobilize both long and short-term resources in the form of capital and deposit. Much of these funds are channelled into some productive sectors in the form of loans and advances, with a good portion invested in risk-free bonds.

Rural Banks, through the ARB Apex Bank serve also as a conduit for the channelling of on-lending microfinance credits from government and donor communities to facilitate community development (Bank of Ghana , 2004).

Like any banking establishment, a Rural Bank then is a financial intermediary purposely established in the rural area to undertake the traditional banking functions; namely, deposit mobilisation, credit and investment extension and the participation in the payment system. Thus, it has the responsibility of accepting deposits from surplus ends of the catchment area and advancing such surpluses to the deficit ends of the areas as credits. The provision of deposits and loan products are what normally distinguish banks from other types of financial firms. The deposit products pay out money on demand or after some notice. Additionally, banks are in the business of managing liabilities. In the process, they lend money, thereby creating bank assets, which also must be managed. Thus one core activity of banks is to act as intermediaries between depositors and borrowers.

Historically, financial intermediation in rural Ghana had been at a very low level compared to the situation in urban areas. “Consequently economic units in the rural areas were starved of financial resources. The banks, which operated branches in the rural areas mostly served the interest of large and medium size enterprises and resource companies. The banks could not modify their operations to suit the needs of the peasant farmers”, (Bank of Ghana, 1997). Such were the conditions prevailing in Ghana before rural banks were introduced.

The desire of governments, particularly those of the developing countries to accelerate economic development in order to raise the level of welfare of their peoples always brings to the fore, the importance of saving on one hand and investment on the other. Whenever the issue of savings is raised, what comes to mind immediately is saving by the public sector and big private entities (some of which go to the big commercial banks). However, in a developing country like Ghana where majority of the people live in rural areas with limited banking services, it is estimated that about 40% of money supply remain immobilised (Bank of Ghana, 1997).

Rural Banks now number 121, up from 115 in 2001. The opening of more branches in areas outside the major cities in Ghana is essential to increasing financial access for all communities, and integrating the un-banked and their assets into the financial system and deepening the scope of financial intermediation (Bank of Ghana, 2006).

Over the years, many rural banks stretched their tentacles to the nearby cities and urban areas to expand their operations as well as to increase their profit levels. It is generally believed by many in the rural banking industry that movement to the cities and other urban areas has been necessitated by the real situation on the ground. This movement is therefore seen purely as a survival mechanism. It is claimed that re-adjustment to the prevailing situation, by and large, has assisted most rural banks to sustain their operations. The future of the industry is thought rightly or wrongly, to depend on venturing out of their

resource-poor areas of operation to the urban centres as a sine qua non for survival.

These unfolding developments have put the Bank of Ghana in a tight situation, since the opening of the floodgates for rural banks to move enemas to the urban areas/cities would result in abandoning the rural dwellers for whom the concept was initially conceived.

### **Critique of the reasons for operation of agencies in the urban areas**

#### Seasonal banking at the head offices of rural banks

It has been suggested that the seasonal nature of rural farming activities entail seasonal flows in deposit supply and credit demands which undermine year-round banking operation. Generally, it is expected that urban markets have a more constant demand for credit and savings instruments than rural markets, (Aryeetey 1995). But up to date no empirical evidence has been supplied to support this contention. Could this be an issue of the failure on the part of rural banks to develop banking services and products which meet the needs of rural clients, especially farmers and fishermen?

#### Narrowness of economic activities in rural localities

It is assumed that the narrow economic base of rural economic activities constrain farmers to earn low incomes which do not sustain profitable banking operations as it is possible in the brisk business environment of the urban areas. The proposition embedded in this observation is that rural

farmers earn low incomes which do not leave enough for savings and loan repayment. Aryeetey, (1995) demonstrates that significant savings occur in the rural household sector. He quotes a study of “Rural Finance in Ghana” by IPC (1988) which indicated that rural folks prefer to keep their wealth in liquid real assets and in illiquid forms. The little savings that occurs is done mainly with informal units like the “susu” collectors.

His list of obstacles to the mobilisation of financial savings includes:

- Lack of strong incentives for savings mobilisation because the banking system suffers from “excess liquidity”;
- Relatively low and sometimes negative real interest rate of interest on deposits and
- Inadequate facilities in rural areas for effective savings mobilization.

### **Banking practices of traditional banks**

Banking practices of traditional banks have excluded certain potential customers and thereby created a viable market niche for rural banks in urban areas. Among the reasons given by managers for proliferation of agencies in urban areas include the view that:

- Rural banks locate agencies in urban areas in order to provide services to a clientele normally disfavoured and ignored by the traditional banks;



- Agencies mobilize savings from clients who cannot satisfy the stringent regulations on minimum deposit and credit application requirements of the traditional banks;
- Clients of agencies obtain credit due to more flexible credit (regulation) requirements;
- Rural banks have introduced credit innovations like emergency loans for non-commercial purposes that induce high patronage from their clients and
- Rural bank agencies in urban areas offer personal services and more friendly customer relationship which is in sharp contrast to the intimidating environment of the traditional banks. The bank exists to serve the people therefore there is the need to apply good customer care principles by looking at the needs of the people and provide in an excellent manner to justify its existence, maximize customer satisfaction and have competitive edge. This package places human need at the centre of the bank.

There is need to establish the fact that rural bank agencies are located predominantly in urban areas to buttress these arguments. Additionally, there is need to show the differences or similarities between the urban and rural clients of agencies which seem to be attracting the rural banks. Finally, there might be reasons why these innovative rural bank practices do not generate as much increase in savings deposits and loans from rural areas where their head offices are located as in the urban agencies.

The rural banking system was introduced to fill a supply vacuum created by the traditional banking practices. Therefore, reasons (a) to (e) are well anticipated. The real issue has to do with the notion that agencies are being located in urban areas with deficiencies in intermediation similar to the situation in rural communities. The questions are the following:

- Are rural banks neglecting bankable rural areas; and
- Should the rural banks market niche be expanded to urban areas?

It is observed that rural banks are setting up branches in order to increase their volume of savings, which is perhaps an easier option, rather than adopting innovative technologies likely to increase the depth and breadth of their outreach in rural areas (financial deepening in their catchment areas) where they are supposed to operate. If the rural banks move out of rural areas, they are not justifying their mission because rural banks are initiated, established and managed by the rural people to operate in the rural localities. Defining the business as it is now and will be later is a necessary first step in establishing a meaningful direction and developmental path for the organization. Management's view of what the organization seeks to do and to become over a long-term is the organisation's strategic mission (Thompson and Strickland,1987).

### **Increasing rural poverty**

The contention that urban areas, with diverse employment opportunities, are better environments for banking because the general economic decline of the 1970s and 1980s depressed the lower incomes of rural people and reduced their

propensity to save more than the urban dwellers is debatable. There must be an empirical fact supported with data and/or references; otherwise it becomes a baseless assertion or speculation. It is expected that rural banking activities would positively impact on the communities where they are established. If there is increasing poverty in the rural areas where the banks are established, they should not run away to urban areas but rather help them to come out of the poverty web. Community development involves training for changing the way of thinking and for improved use of the endogenous resources of the area, training in farming as business, improving skills and attitudes of entrepreneurship, assistance to establish new firms, new cooperatives, organizing a local centre of information and development. Thus we cannot discuss community development and leave human resource development out.

### **Socio-cultural factors**

The belief or expectation that savings mobilized by rural bank agencies will be invested in rural communities motivates rural-urban migrants to save with rural banks is also an empirical observation which needs to be supported with evidence regarding the areas of origin of customers of rural bank agencies. It is doubtful if such data could be easily obtained. It might be possible that, as with the traditional banks, resources mobilized by rural banks in the rural areas supplement those from urban areas (Bank of Ghana, 2000).

## **Ownership and management**

In a way, therefore rural banks are to be owned by the people, in the areas of their operation and management, and control and general operations are to be vested in the people. It is, therefore, to the point when Asare (1991:26), described a Rural Bank as “bank by the people, for the people”. It was in a similar direction when the Bank of Ghana introduced the name community bank to let the people in the catchments area of a bank recognize that the bank is theirs. New banks coming in after the introduction of this idea in the mid-nineties had to pay an increased stated paid up capital of thirty million cedis (¢ 30 million) before being certified as a community bank. Already established banks had to top up their paid-up capital before being granted that status. It is worth noting that at the moment, being a community bank or not does not really matter as they are on the same level of recognition and scope of operations.

Put formally, a rural bank is a body incorporated under Ghana’s Companies Code whose name includes the word “Bank” and which is licensed by the Bank of Ghana to carry on specified banking business that principally includes:

- the acceptance of money from the public on either deposit account or current accounts;
- repayment of such monies on demand by cheques or otherwise;
- collection of customers cheques;
- lending of money;

- financing commerce; industry and agriculture through short, medium and long term loans and advances;
- provision of safe custody for customer's valuables;
- investing part of customer's deposits in economic activities that promote local socio-economic development; and
- any other service authorised by the bank's regulation (Addeah, 1989).

### **The expected role of local people in establishing a rural bank**

Community participation implies that the local people are involved in the identification of a problem or need, the planning process, implementation and to some extent in monitoring and evaluation.

The idea applies to the establishment of a rural bank in a locality. This is because the establishment of a rural bank almost always occurs upon the initiative of the people, and usually originates from someone influential in the area. This person sells the idea to the chiefs, community leaders, opinion leaders and other public-spirited persons. As soon as consensus is reached, the Bank of Ghana is informed through an application to that effect. At this stage, a survey is carried out by the Bank of Ghana. The conditions to be satisfied are made known to the people through the initiators and these include:

- Acquisition of a building in good condition, and furniture suitable for banking: The building should be made of cement blocks; well-roofed and ceiled and other safety gadgets are put in place to prevent thieves

and insects from tampering money and other important documents and valuables.

- Raising of the minimum capital: The amount changes with time going up when inflation erodes the value of the currency. This used to be three hundred million cedis (¢ 300,000,000), but as at June 2008, it is five hundred million (¢ 500,000,000).

In an attempt to avoid individuals and companies' dominance, limits are placed by the Bank of Ghana on the number of shares which each individual or company could hold. An individual can hold not more than 30% of the total shares and a corporate body is limited to 50% shares and the remaining 20% for the people of the area (Banking Supervision Department Report, 2004). This shows that people residing in Agona Nkwanta and its environs are given the opportunity to have shares in the Ahantaman Rural Bank even if other individuals and corporate bodies could pay for more than the 80% of total shares.

### **The concept of community development (in the context of the banking establishment)**

Development has an international connotation in the sense of the processes by which the efforts of people are combined with those of governmental authorities to improve social, economic and cultural conditions of communities, to integrate these communities into the life of the nation and to enable them contribute fully to national progress, (Economic and Social Council of the United Nations, The 24<sup>th</sup> Session Document E/2931, Annex 111). Governments in most

developing countries are aware of the fact that since most of their economies are agrarian in nature, there is the need to tackle the agricultural sector with all the drive and zeal needed to boost the level of productivity which could go a long way to ensure self-reliance and development of the communities. A nation is made up of communities and, therefore, there cannot be total development of a nation without development of the communities.

### **The role of credit in rural development**

Also, according to the World Bank (1975), rural development is a strategy designed to improve the economic and social life of a group of people—the rural poor. It involves extending the benefits of development to the poorest among those seeking a livelihood in the rural areas. The group includes small-scale farmers, tenants and the landless. This definition reflects the way in which views of development have changed since the early 1970s. The poor were expected to gain from the trickle down effects of benefits from overall rapid growth. However, it was realised that the benefits of rapid growth were not only taking too long to reach the poor, but would never reach most of them. As a result, the impact of rapid growth was a widened gap between the rich and the poor. Therefore, the need to reduce poverty and inequalities came to be incorporated into national and international programmes, giving rise to terms such as “redistribution with growth” or “growth with justice”, “green revolution”, “land reforms” and the like.

It is now recognised that comprehensive policies and programmes necessary to raise the level of skills of communities and to develop attitudes of sympathetic understanding towards the complex social and economic changes which make up the development process must be initiated (Commonwealth Secretariat,1970). In drawing up such policies and programmes in Ghana, rural communities need special attention. This is due to the fact that the greater proportion of the Ghanaian population lives in the rural areas, and it is also in the rural areas that a greater proportion of the wealth of the nation is produced. It is also in the rural areas where there is a high rate of illiteracy and most of the people are poor (Brown, (1986); Okyere, Asante and Gyekye, (1993) and ISSER, (1995).

In Ghana, the report of the Ashridge Conference in 1954 held under the auspices of the colonial office gives the definition of community development as a movement designed to promote better living for the whole community, with the active participation and on the initiative of the community. Also the basic idea underlining the concept of grassroots or community participation relating to developing countries of which Ghana is not an exception, is a partnership between the public authorities and the local people that views development “from below”. Rural banking, the pivot of all community development, is therefore inevitable in community development and rural poverty alleviation.

For any meaningful economic and social programme to take place in the rural area there is the need for credit facilities to be made available to rural folks, since the rural areas form the main foundation for sustainable economic growth or



development. This was the message delivered by Dr. G. K. Agama, a former governor of Bank of Ghana when he addressed the members of the Chartered Institute of Bankers (CIB) at an annual dinner in 1995. He believed that financial institutions had to reconsider their provision of agricultural credit and other facilities to farmers and agro-based industries. Until this issue was addressed to change the present trend, efforts aimed at sustainable national development and alleviation of poverty would not be realized (Agama, 1995).

In the view of Owusu –Acheampong (1986:54) the most crucial factor in the Ghanaian rural farming situation is the availability of credit and not land as it may be in some countries. He continues to say that with credit the less productive traditional simple tools and implements can be transformed into sophisticated capital equipment and other essential inputs for enhanced productivity.

Rural banks are preferred in agricultural financing because they are better suited to direct financing of farmers owing to their low cost structure and rural ethos. Irrespective of the fact that agriculture plays an essential role in the agrarian economy of Ghana, credit given to the sector is not encouraging. The evidence presented in the states of the Ghanaian economy over the years had invariably portrayed that the commercial and secondary banks' loans and advances to all sectors of the economy continued in the downward trend. For instance, in 1979, out of ₵961,591,000.00 total advances made by commercial banks to all sectors, only 9% was allocated to agriculture and even this was almost taken up by commercial farmers within the urban areas (Bank of Ghana Report, 1979). Furthermore, a research undertaken by the Rural Finance Office of

the Research Department of Bank of Ghana revealed that the bulk of credits by rural banks go to government employees in the rural areas like teachers and community health nurses who use their salaries as collateral for the loans.

The Rural Finance Office of the Banking and Supervision Department has, therefore, taken up the responsibility to advise the rural bank officials to extend more credits to the rural peasant farmers, fishermen and small-scale agro-based industries to boost agriculture in the country. With other efforts by some units of the Bank of Ghana, rural banks in Ghana are becoming a potential source of rural financing.

Based on the situation presented above, it is logical that the onus is on the rural banks to help the people in their social and economic development through the granting of loans and also by giving the rural folks the needed confidence in this respect. Therefore it is in the right direction, as Osei (1990), states that the challenge facing the rural banking system is to make the people living in the rural areas have confidence in the rural banking system for all their monetary transactions.

Thus, it is gratifying to note from the Bank of Ghana Report (2004) that in keeping with a sense of social responsibility, rural banks have been making significant contribution to the development of their catchment areas by assisting with the construction of schools, health centres, provision of electricity and pipe borne water, and the award of scholarships to needy but brilliant students. The rural banks are inculcating banking culture among people in catchment areas; they are contributing to the national development effort by bringing banking services

closer to the doorsteps of the rural community; and they are doing so with a sense of social responsibility and a good deal of banking prudence.

It is obvious that the human resource is the most valuable asset of any organisation or community. And for that matter we cannot leave human capital development out of the discussion on the development of the Agona Nkwanta community. The question that arises is, has the provision of social amenities, credits, award of scholarships to brilliant but needy students, grants to basic schools and the like contributed to entrepreneurial skill development or has it been a mere lip service in the rural communities concerned.

### **Problems related to institutional credits**

Basically, there are three problems relating to institutional credit facility.

These are:

- the adequacy of savings;
- the adequacy of effective demand for credit;
- the behaviour of some bank officials in giving credits,

These problems have received wide coverage in reports issued by the Bank of Ghana as the supervising bank.

### **Level of savings**

In development literature, much concern has been expressed on the vital role of savings in economic development but which, unfortunately, remain inadequate in developing countries. Unless there is an increasing effort to raise

savings in Ghana where population growth rates are persistently high, the level of capital per worker could not be raised or even maintained.

The primary sources of savings as already noted, are four: private individuals, business organisations, government and foreign institutions. A developing country is usually faced with inadequacy in each. Savings from private sources come from disposable incomes of individuals. In the rural areas where the rural banks are to serve, the majority of the people have low incomes. This makes it difficult to save. The rural folks' saving capacity is also influenced by the number of dependants. Ghana has a very high rate of population growth, about 2.9%. The crude birth rate is 38 per '000 persons and with improved general conditions of life the infant mortality rate has reduced to 14 per '000 persons. The proportion of children has increased despite the 5-17% increase use of modern contraceptives and made savings of the average household very small if not impossible. Agona Nkwanta is in the Western Region where the rates are 47.3 per neonatal mortality, 29.0 per post neonatal mortality, 76.3 for infant mortality, 60.1 for child mortality and 80 for under five mortality. Number of children a woman was expected to have during the reproductive period was 4.0 births per woman; also, the total fertility rate was higher among rural women at 4.9 children per women and 3.1 for urban women. It pegged women with secondary and higher education as having an average of 2.1 children and 6 for women with no education all in the 2008 GDHS survey. Ghana has a high fertility rate and the fertility level of a country is the principal determinant of its rate of population growth. Until recently, fertility rate has been persistently high, while

mortality has consistently declined in the past three decades resulting in a population that is growing rapidly.

Another factor that discourages savings/deposits in developing nations is “the transaction costs associated with accessing formal loans” (Adams and Nehamann, 1979). According to the authors, the transaction cost may be so high that people become more comfortable with informal loans. People find the idea of accumulating capital with ‘susu’ collectors to be more convenient and easy.

### **Effective demand for credit**

It is a fact that rapid economic growth creates demand for better credit provision and savings rise with real income. Establishing credit institutions therefore ensures capital accumulation for expansions as well as economic development. This partly explains the Economic Recovery Programme introduced in Ghana in the early eighties with its adjustments in the structure and operations of financial institutions to stimulate the needed credits for economic growth (Ministry of Finance ,1994).

According to Farnest (1980:51) “Instead of the establishment of financial institutions awaiting on the emergence of adequate domestic demand for credit and savings facilities, the financial structure rather depends on funds mobilised from the public”. This statement underlines the establishment of rural banks in Ghana. Rural banks in Ghana were not established on the emergence of adequate effective demand for credit but on the need for faster and more balanced economic growth. Rural banks through the Association of Rural Banks (ARB

Apex) serve as a conduit for the channelling of on-lending micro-finance credit from government and donor communities to communities to facilitate community development. The rural banking system was expected to meet challenges of rural development through mobilization of rural savings and provision of credit to rural communities to improve the economic and social well-being (quality of life) of the people living in the communities (Bank of Ghana , 2004). It should be noted that human development is an end and economic growth is a means. So, the purpose of growth should be to enrich people's lives. But far too often it does not. The recent decades show all too clearly that there is no automatic link between growth and human development. And even when links are established, they may gradually be eroded – unless regularly fortified by skilful and intelligent policy management.

The establishment of rural banks has helped to mobilize savings which otherwise would have remained with rural dwellers for spending, kept in unsafe places or even turned into non-financial savings. This is in line with what Otumfuo Osei Tutu II, the Ashantehene, disclosed during the opening of the Kumasi branch of UniBank Ghana Limited. “There were still some farmers who continued to keep their monies in their homes and these were the people they should target to serve in the banks” (Daily Graphic Tuesday February 6, 2007).

### **The expected behaviours and competencies of bank officials**

This situation, coupled with the wrong perception that the loan is from the government and therefore is “nobody's money” make the customers comfortable

with long years of outstanding debts. A notable example of this problem is the “A-life” scandal where most bank officials were found to be guilty. This problem is not related to only the traditional banks. Some rural banks find themselves in the same soup and this is a headache for the Bank of Ghana since the integrity of bank officials cannot be dealt with by internal controls put in place to prevent and disclose fraud. Therefore it was not out of place when Dr. Kwabena Duffour, the former Governor of Bank of Ghana, said in an interview with the “Daily Graphic” that “banks certainly need men and women with skills but skills alone are not enough. Integrity must go with skills and so those who do not have both credentials have no room at the banks” (Daily Graphic, Friday, May 19, 2000, page 3).

As an organisation, leaders carry out their work from decision making to talking with customers they and their employees observe that some patterns of behaviour lead to desired outcomes. Their conclusions about these successful behaviours become incorporated into broad assumptions about what works or does not. The leaders and employees eventually become committed to the truth of their assumptions and they pass them unto new members. Thus these shared assumptions form the foundation.

Over time, emphasis has been placed on human resource development within the banks. A good bank without proper internal controls is only waiting for disaster to occur. Rural banks’ staff should avail themselves of numerous training programmes conducted by the Apex Bank, the Association of Rural Banks, the National Banking College and other agencies so as to promote efficiency for

improved productivity as said by the Governor of Bank of Ghana when addressing the 13<sup>th</sup> Biennial Conference of Rural Banks. Drawing attention to the lack of adequate training programmes, the answer is to have systematic courses of training for clerks and junior officers who are recruited directly. Modern management methods should be adopted to increase efficiency. It is necessary for the banking industry to improve the productivity of the staff.

Training is a process whereby people acquire capabilities to aid in the achievement of organisational goals (Mathis and Jackson, 2000). Thus training provides employees with specific, identifiable knowledge and skills for use on their present jobs whilst human resource development provides new capabilities for both present and future jobs.

Equally important human resource development principles that should be taken seriously to shape the behaviour of bank officials is orientation and excellent customer care or service delivery. Orientation is the planned introduction of new employees to their jobs, co-workers and the organisation. It should not be a mechanical, one-way process because all employees are different. Orientation should incorporate a sensitive awareness of the anxieties, uncertainties and needs of the individual. The essence of orientation is that it should help create a favourable impression and enhance interpersonal acceptance of new employees. A good orientation programme creates a favourable impression of the organisation and its work. This impression begins even before the new employee reports to work. Providing sufficient information about when and where to report the first day, handling all relevant paperwork efficiently and



having personable, efficient people assist new employee contribute to creating a favourable impression of the organisation.

Although not all firms use identical inputs, every business must use four general elements: entrepreneurial skills, land, labour and capital. The combinations of inputs would differ among firms and are determined by size and kinds of products. But all of these are required in some form or another as the initial step in managing operations. Thus people often referred to as human resources are required in every business. However, education, skill, expertise and other desirable attributes are dependent upon the demands of the firm (Djokoto, 2006) and the public. An entrepreneur is a person who organises or combines the other three factors of production- land, labour, and capital in order to yield an output. An entrepreneur bears all the risk involved in the production of goods and services. A good entrepreneur must be able to work with and through people.

He must be able to discover the needs of his workers and to know the strategies for achieving desired goals. The possession of leadership qualities is therefore, a requirement for becoming a successful entrepreneur. Knowledge has no value if it is not applied towards a worthy goal. The knowledge that is acquired must be organised and put into practical use, that is, an entrepreneur must have mastery over his or her chosen career. He/she must have courage to act on his/her judgements, good human relations, be knowledgeable, persistent and visionary (Aryeetey, 2002).

## **Conclusion**

This review of the contribution of rural banking to community development has given direction to what the study attempts to cover, namely the contribution of rural banking to human resource development in the Agona Nkwanta rural areas. The next chapter presents the methodology which was adopted for the study.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **Introduction**

This chapter describes the procedure used in the collection of data for the study. Its focus is on the research design, touching on target population, sample and sampling procedures, data collection techniques and instruments used for data collection. It also covers the pilot study and the main survey. Problems encountered during the data collection and methods used in the data analysis are also discussed in the chapter.

#### **Study institution**

The institution under study is the Ahantaman Rural bank. The head office of the bank is in Agona Nkwanta, the administrative capital of the Ahanta West District. The bank has several agencies spreading across the Ahanta West District and Shama Ahanta East Metropolitan Assembly. The bank has eight (8) branches/agencies at Agona Nkwanta, Tanakrom, Kojokrom, Aboadze, Kwesimintsim, Sekondi, Apowa and Axim.

## **Research design**

The study design is a cross-sectional case study. The focus and the kind of data the study needed allowed for a combination of both quantitative and qualitative approaches. The survey method was employed to solicit responses from the respondents. A survey research method is a present-oriented methodology which is used to investigate populations by selecting samples to analyse and to discover the relative occurrences, distributions and interrelationships among variables. It is used to collect facts and access beliefs, interests and attitudes a descriptive approach that describes some phenomena at a point in time (Creswell 1994).

## **The population and the sampling procedure**

The target population of the study consisted of customers, staff, management and board members of the Ahantaman Rural Bank. In order to have a representative sample, a multistage sampling procedure was applied to generate the sample size. A sample size of 227 was drawn. This is a case study and sample size determination in such a study is not too rigid, since there are no strict rules for that purpose (Taschereau 1998). The customers of the bank were stratified into bank/agency (since the Ahantaman Rural Bank has many agencies) and the random sampling technique was employed to sample 180 customers of the bank. The sampling distribution was done based on the number of customers in each town. In addition, 42 staff members were randomly selected while through the

searching technique, five management staff were purposively included in the sample. Table 1 presents a summary of the categories of the samples drawn.

**Table 1: Categories of respondents**

Bank/Agency	Customers	Management	Staff	Total
Agona Nkwanta	45	5	10	60
Tanakrom	20	0	5	25
Kojokrom	15	0	4	19
Aboadze	15	0	4	19
Kwesimintsim	20	0	5	25
Sekondi	20	0	5	25
Apowa	15	0	4	19
Axim	30	0	5	35
Total	180	5	42	227

Source: Field data, 2007

### **Data collection**

Data were collected from both primary and secondary sources. The use of questionnaires was employed because according to Sarantakos (2005), questionnaires offer a considered objective view on issues because respondents are able relevant documents, and also because many subjects prefer to write rather than to talk about certain issues. In situations where the respondent could not read and write, the same questions were administered in the form of an interview. The

results of the discussion served as a useful complement to the other sources of data.

### **Pilot survey**

The questionnaire and the various data collection instruments were pre-tested using the management, staff and the customers of the Ahantaman Rural Bank. The bank was selected because of accessibility and also because of similar socio-economic characteristics the location of the bank shares with that of the Agona Nkwanta Rural Bank. Fifteen customers, 3 management and 4 staff of the Ahantaman Rural Bank were given questionnaires to respond to. This exercise was necessary to ascertain that adequate information could be tapped by the instrument.

Some problems were identified with some of the questions and they were corrected before the final survey. The pilot study showed that respondents were mainly fishermen, farmers, traders, drivers of commercial vehicles and salaried workers who were available to respond to questions only in the evenings, and the weekends.

### **The main survey**

The main survey began on the June 4, 2007 and ended on July 6, 2007. Taking cue from the pilot survey, traders and the fishermen were targeted on market days, and Tuesdays for fishing communities (because it is forbidden to fish on Tuesdays in the study area). Therefore Tuesdays , Sunday afternoons and

Wednesdays were chosen for the convenience of the respondents. Respondents who could read and write were given the questionnaires to complete. Some of the questionnaires were, however, administered as interview schedules to respondents who could not read and write. The self administered questionnaires took a longer time to retrieve. The face-to- face interviews saved time as well as prevented illiteracy from being a barrier to interacting with a fair representation of the people of Agona Nkwanta and the surrounding villages.

### **Problems faced during data collection**

The agencies of the Agona Nkwanta Rural Bank are scattered over three Districts; namely, Shama Ahanta East Metropolitan Assembly (SAEMA), Ahanta West District and Nzema East District, and this posed a major challenge because the researcher had to travel the length and breadth of these Districts to locate sampled customers. Another major problem the researcher faced was soliciting information from the bank staff as the management initially were reluctant in providing information. On the whole, even though the exercise was difficult and challenging, the experience was worthwhile.

### **Data analysis**

Data collected from the field were edited and coded. The questions were presented in modules to reflect the various objectives of the study. The Statistical Product and Service Solutions (SPSS) was the software used in ascertaining the

frequencies for the various statistical treatments. The summarised data shows distribution of frequencies, means and percentages.



## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

#### **Introduction**

This chapter discusses the findings from the survey in accordance with the set objectives. The presentation is in six parts. The first part looks at the mechanisms for savings mobilization and how it contributes to human resources development. The second examines the uses of credit and its implications for human resource development while the third part discusses customer expectations from the Ahantaman Rural Bank in terms of customer care. The fourth part examines the social services provided by the rural bank and how the services contribute to human resource development, and the final part identifies peculiar human resource problems of the Ahantaman Rural Bank itself and how these can be overcome.

#### **Respondents' profile**

Three sets of questionnaires were administered to the management, staff and customers of the bank. Two board members, two managers and an Operations manager responded to the management questionnaire (Table 2). Eighteen senior clerks, twelve microfinance managers, eight operations officers, two credit officers and two assistant banking officers responded to the questionnaires for the

staff (Table 3). Sampled customers of the bank also responded to the questionnaires for the customers. The details are presented in Tables 2 ,3 and 4 below.

**Table 2: Profile of management**

Position	Frequency	Percent
Board members	2	40.0
Operations manager	1	20.0
Manager	2	40.0
Total	5	100.0

Source: Field data, 2007

**Table 3: Profile of staff**

Position	Frequency	Percent
Operations officer	8	19.0
Credit officer	2	4.8
Assistant banking officer	2	4.8
Microfinance manager	12	28.6
Senior clerk	18	42.9
Total	42	100.0

Source: Field data, 2007

**Table 4: Occupation of sampled customers**

Occupation	Frequency	Percent
Student	16	8.9
Cobbler	12	6.7
Civil engineer/Construction	8	4.4
Teaching	32	17.8
Nursing	4	2.2
Hairdressing	4	2.2
Fridge mechanic	4	2.2
Dressmaking	8	4.4
Baking	8	4.4
Trading	12	6.7
Fisherman/Fishmonger	16	8.9
Pensioner	4	2.2
Farming	12	6.7
Proprietor	28	15.6
Quantity surveyor	4	2.2
Driver	8	4.4
Total	180	100.0

Source: Field data, 2007

Table 4 shows the occupational distribution of customer respondents. About 17.2% (32) of the sampled respondents were teachers. Twenty-eight owned their businesses (proprietors). Some (16) of the respondents were students. Other

people interviewed were fishmongers/ fishermen, artisans, cobblers, farmers, and drivers among others.

### **Mechanisms for savings mobilisation and how they contribute to human resource development**

The staff of the bank were asked to indicate the mechanism for mobilising savings. It is important to note that one of the functions of any bank is to mobilise savings. Traditionally, customers of banks walk to the banking premises to deposit money. This method of savings mobilisation is not able to mop up enough savings. In response to the problem of inability to mobilise enough savings, many banks have devised mechanisms of generating savings. Among the mechanisms for savings mobilisation identified by the bank's staff include moving from shop to shop to collect daily deposits, the use of the *susu* scheme, sending agents to economic zones to mobilise savings, among others. The details of the mechanisms for savings mobilisation are presented in Table 5.

It is evident from Table 5 that the bank uses a number of mechanisms to mobilise savings. Apart from the traditional way of mobilising savings where customers walk to the bank to save, there are other ways through which the bank mobilises savings. In addition, the bank moves from shop to shop to collect deposits. This mode of mobilising savings is done through special arrangement with the customer. Customers who qualify must have a high sales turnover. Other mechanisms of savings identified were the *susu* scheme where *susu* collectors go

from home to home and from workplace to workplace to collect small daily deposits.

**Table 5: Mechanisms for savings mobilisation**

Mechanism	Frequency	Percent
Moving from shop to shop on daily basis to collect deposits	4	9.5
Target economically active zones	6	14.3
Go to customers to collect <i>susu</i> savings	4	9.5
The use of <i>susu</i> collection points	8	19.0
Go to market centres to educate people on the need to save	8	19.0
No responses	12	28.6
<b>Total</b>	<b>42</b>	<b>100.0</b>

Source: Field data, 2007

Twelve of the staff interviewed, however, did not respond to this question. It also became evident that some practices of the bank indirectly contribute to savings mobilisation. These practices are linked to the criteria for advancing credit to customers. The details of the criteria applied in advancing credit to customers are presented in Table 6.

**Table 6: Criteria used to advance credit to customers**

Criteria	Frequency	Percent
Account holder with a loan repayment history	6	14.3
Operating an account for a minimum of 3 months	12	28.6
Salaried worker who collects salary from the bank	10	23.8
Saving with the bank for a minimum of 3 months	10	23.8
Account performance	2	4.8
Having a business plan	2	4.8
Total	42	100.0

Source: Field data, 2007

Table 6 shows the criteria applied by the Bank for advancing credit to customers. It is evident that with the exception of the business plan which is mandatory for firms and enterprises, the rest demand that some deposits are made before one can access credit. These criteria contribute to the volume of savings that the bank mobilises, according to the staff respondents.

Based on the mechanisms for savings mobilisation which are indirectly linked to credit accessibility, customers of the bank were asked to indicate the implications for their development. Responses given by the customers on the implications of the savings mechanisms on human resources development centred on improvements in standard of living. According to some of the respondents they were able to save enough money that served as start-up capital for their businesses.

While some said that their savings qualified them to access credit from the bank, others indicated that they now have the dignity of staying in their homes and work places and wait for the agents of the bank to come and collect their savings. With respect to the improvement in respondents standard of living, they were asked to indicate the extent to which the bank's savings mechanisms had improved their standard of living. The responses are presented in Table 7.

**Table 7: Effects of savings on standard of living**

Effects	Frequency	Percent
Somehow improved	24	13.3
Improved	108	60.0
Improved very much	16	8.8
Non responses	32	17.9
Total	180	100.0

Source: Field data, 2007

Responses in Table 7 indicate that savings mechanisms, especially the door to door collection of small savings, lead to improved standard of living as respondents were able to accumulate some amount which hitherto they would spend on unproductive ventures. Respondents were of the view that they were able to accumulate huge sums of money, through small daily savings, which some use to pay children's school fees and hospital bills, to start businesses, as working capital for business, and for the purchase of equipment for the businesses.

It is evident that the Ahantaman Rural Bank uses varied mechanisms for savings mobilisation. Among the mechanisms identified include moving from shop to shop on daily basis to collect deposits, targeting economically active zones, door to door collection of *susu* savings, the use of *susu* collection points, and intensive public education on the need to save. Through these mechanisms of savings mobilisation, customers were able to accumulate huge sums of money use to pay children school fees, start- up businesses, pay hospital bills, increase working capital, and the purchase of equipment for the businesses.

### **Uses of credit and its implications for entrepreneurial development**

Customers of the bank were asked whether they had ever accessed credit from the bank. Out of the one hundred and eighty (180) customers interviewed, one hundred and forty-four (144) had had access to credit. They were therefore asked to indicate what they used the credit for. The responses from the customers are presented in Table 8.

Table 8 shows some of the uses to which credit accessed from the Bank by the customers are put. It is evident that a greater number of customers who access credits from the bank use them to establish micro enterprises. About thirty-two of them used the credit to pay children school fees, books and other things necessary for a better education. Twenty used the money to build a house while some used the money to establish training centres. Others used the credit to pay for funerals, hospital bills, trading, the purchase of equipment, while some added the credit to their working capital.



**Table 8: Uses of credit by customers**

Uses	Frequency	Percent
Educate children	32	22.5
Build a house	20	14.1
Trading	12	8.4
Establishment of training centres	16	11.3
Establishment of an enterprise	44	31.0
Others	28	19.7
Total	142	100.0

Note: Multiple responses; Source: Field data, 2007

It is important to note that the above uses of credit have some implications for entrepreneurial and human resources development. Access to education has been identified as an essential tool to improve the standard of living for the poor. Customers of the bank who used the credit to educate their children did so in order to improve the human resources in the area. Equally important to education is shelter. Some customers of the bank who used the credit to build houses did so to enable them have shelters. Good shelter enables one to have good rest and to have strength to concentrate on whatever the person does. Others were able to acquire good medical care by using the credit to buy drugs and to pay hospital bills. A greater number of the respondents used the credit to establish business, with their implications for entrepreneurial skills development which contribute to human resources development.

## **Customers' perception of the Ahantaman Rural Bank customer care and service delivery**

Sampled customers of the bank were asked to rate the services provided by the Ahantaman Rural Bank to its customers. A four point scale – poor, good, very good and excellent, was used to categorise customers' perception of the quality of services provided by the bank. The details of customer perception are presented in Table 9 below.

**Table 9: Customers' perception of the quality of services provided by ARB**

Responses	Frequency	Percent
Excellent	24	13.3
Very good	76	42.2
Good	72	40.0
Poor	8	4.4
Total	180	100.0

Source: Field data, 2007

Responses in Table 9 indicate a very good public perception of the Ahantaman Rural Bank's activities. Out of the one hundred and eighty sampled customers of the bank only eight had a negative perception of the services provided by the bank. Twenty four (13.3%) of the sampled customers perceived the bank's services as excellent whilst seventy six (42.2%) perceived the services as very good. About seventy two (40%) described the services as good with only eight customers perceiving the bank's services as poor. However, sampled

customers were asked to explain their responses in Table 9. The explanation given are presented in Table 10. Responses in Table 10 indicate that the majority (80%) of the sampled customers perceive the staff of the bank as patient, very polite and time conscious.

**Table 10: Explanation of customers' perception of ARB**

Explanation	Frequency	Percent
Enjoyment of overdraft	20	11.1
One of the leading banks in the Western Region	14	8.9
<u>Time conscious, patient and polite staff</u>	<u>144</u>	<u>80.0</u>
<u>Total</u>	<u>180</u>	<u>100.0</u>

Source: Field data, 2007

About 11% of the sampled customers said they enjoy overdrafts from the bank whilst about 9% of them were happy about the good image of the bank as one of the leading banks in the Western Region. Customers' perception of the services provided by ARB are also reflected in the attitudes of the public towards the bank. When staff of the bank were asked to appraise community attitudes towards the bank their responses are captured in Table 11.

The Table 11 shows that the majority of the respondents (18/43%) perceive the communities attitude towards the bank as positive. Twelve staff members perceived the communities to be very patriotic towards the bank whilst some perceived the communities to be cooperative with encouraging attitudes.

**Table 11: Staff perception of communities' attitudes towards ARB**

Responses	Frequency	Percent
Good impression about the bank's activities	4	9.5
Positive	18	42.9
Very patriotic	12	28.6
Encouraging	4	9.5
Very good	2	4.8
Cooperative	2	4.8
Total	42	100.0

Source: Field data, 2007

It also became evident that the culture of the bank as an organisation have to some extent influenced the communities' perception towards the bank. Table 12 presents aspects of organisational culture indicated by the staff of the bank.

**Table 12: Organisational culture of the Ahantaman Rural Bank**

Responses	Frequency	Percent
High sense of discipline	22	52.4
Team spirit/teamwork	12	28.6
Good interpersonal relationship	4	9.5
Provision of social services to community	2	4.8
Observance of dress code	2	4.8
Total	42	100.0

Source: Field data, 2007

Table 12 shows aspects of the organisational culture of the bank as indicated by the sampled staff. It could be assumed that the high sense of discipline and team spirit/team prevailing in the bank is responsible for the goodwill the bank enjoys from the communities in which they operate. Other

factors indicated by the staff include and the social services the bank provides for the communities.

It is also important to note that the way staff treat customers can have some effect on public perception of the bank. Sampled staff of ARB were asked to describe their relationship with their customers and the responses gathered are presented in Table 13.

**Table 13: Staff – customer relationship**

Response	Frequency	Percent
Very cordial	14	33.3
Very respectful and careful	20	47.6
Treat them as kings and queens	6	14.3
Friendly but businesslike manner	2	4.8
Total	42	100.0

Source: Field data, 2007

Table 13 shows that staff of the Ahantaman Rural bank treat their customers in special ways. Majority (20) of the staff interviewed tended to treat the customers with respect and were very careful in dealing with them. About 33% of the staff described their relationship with their customers as cordial whilst about 14% of them said they treated the customers as kings and queens. Only two members of staff described their relationship as friendly but businesslike. Notwithstanding the fact that the ARB enjoys considerable goodwill from the communities in which it operates, customers suggested the following to help

improve upon the good image the bank has in the communities in which it operates.

**Table 14: Suggestions to improve the image of ARB**

Suggestion	Frequency	Percent
Staff motivation	13	7.2
Public performance	3	1.7
Improve staff and public relationship	3	1.7
Improve staff attitude to work	3	1.7
Motivate customers	27	15.0
Construct public utility services	5	2.8
Give grants to basic schools	10	5.6
Increase scholarship to brilliant but needy students	37	20.5
Non responses	79	43.8
<b>Total</b>	<b>180</b>	<b>100.0</b>

Source: Field data, 2007

From Table 14 above, one can see that customers of the bank want the bank to increase sponsorship of brilliant but needy students in the form of more awards scholarship and, in addition, to motivate customers. Others suggested staff motivation, grants to basic schools, and the construction of public utility services as some of the things the bank should do to improve the goodwill it enjoys and the good image it has created. In reaction to some of these suggestions, especially the motivation of customers, management was of the view that the bank had been

motivating customers in the form of awards to old and faithful customers, visiting customers to find out their problems and suggesting possible solutions. Management also intimated that some customers were given bonus at the end of every financial year.

### **Summary of customer perception of the Ahantaman Rural Bank in terms of customer care**

Responses from sampled customers about the activities of the bank indicate that the communities in which the bank operates have a very good perception of the bank. This goodwill had come about as a result of the cordial relationship between customers and staff of the bank. Study results indicate that staff are respectful, time conscious, friendly and have a sense of discipline.

### **Social responsibilities of ARB and its significance for human resource development**

Many organisations in Ghana are socially responsible and this gives them good public image. The management of the bank revealed that the Ahantaman Rural Bank had been involved in the provision of social services over the years. These services included donations to health centres for disease awareness campaigns, scholarships to brilliant and needy students and the purchase of books for community libraries. It can be seen that all the social services provided by the bank have some implication for human resource development. Donation to health centres for disease awareness campaign may result in good health which is an

essential factor for human resource development. The other area of attention is education. The scholarships and donation of books to a community library have direct consequence for the acquisition of knowledge which is an important ingredient in human resource development.

From the discussions on the social responsibilities of the Ahantaman Rural bank, it can be seen that there are three areas of concentration and these are scholarships to brilliant but needy students, books for community libraries and donations to health institutions for diseases awareness campaigns. It is clear that the bank's areas of concentration with respect to their social responsibilities have strong implications for human resources development of the communities in which they operate; that is in terms of education, training and healthcare and services delivery.

### **Contributions of ARB to entrepreneurial development**

The contributions of the Ahantaman Rural Bank to the entrepreneurial development of customers were in the form of credit, provision of advice and the outreach programmes of the bank. Table 15 shows the contributions of the Ahantaman Rural Bank to the development of entrepreneurship in the communities in which they operate. The major area of concentration is financial intermediation where the bank gives credit to entrepreneurs to support their businesses. The details of the banks contribution to entrepreneurial development are discussed as follows.



**Table 15: Contributions of ARB to entrepreneurial development**

Area of contribution	Frequency	Percent
Technical	4	2.2
Financial	116	64.5
Advisory	24	13.3
Others	12	6.7
Not applicable	24	13.3
Total	180	100.0

Source: Field data, 2007

#### Advisory support

Customers of the bank were asked to indicate the contributions of the bank to the development of their capacities as entrepreneurs. Among the types of advice indicated by the customers of the bank were technical, financial, and business development. Twenty four of the customers indicated that they benefited from the bank's technical advice.

#### Financial support

It also became evident from the study that the Ahantaman Rural Bank helps in the development of entrepreneurship through credit given to customers. Some of the beneficiaries of the credit said they used the money as start-up capital where various enterprises were established. Others used the money to

increase their working capital, while others used the money to purchase raw materials.

#### Technical support

Customers of the bank indicated that they had been receiving technical support from the bank. Some said the bank does organise records keeping lessons for them and this support has improved their records keeping skills. Others, especially the fishermen, also said that the bank gives them quality outboard motors and fishing nets and this, according to the fishermen, has helped them in their operations. Other technical support identified were the purchase of mills for customers.

#### Summary of Ahantaman Rural Bank's contributions to entrepreneurial development

In sum, it can be seen that the ARB's contributions to entrepreneurial development are in the form of finance to micro enterprises, technical support that take the form of purchase of equipment, training in good business practices, such as book keeping,, and business advisory services.

#### **Human resource development problems within ARB**

A number of questions were posed to solicit responses from both management and staff on human resource problems faced by the bank. First, management was asked to indicate how often they recruited staff. The responses

attained from them were that recruitment was done as often as job analysis proved that people should be recruited; when there was a vacancy and when new agencies were opened. Regarding the level of labour turnover, management said they had been having low labour turnover and that, on the average, about 5% of their staff had left the bank on retirement. Management said retention of staff was very high.

Regarding the motivation of staff, management responded that staff motivation was high; it took the form of high salaries comparable to those in other financial institutions, promotions, awards to outstanding staff and welfare packages. Also, the human development strategy of the bank is to groom young qualified staff for higher responsibilities. The bank does this by recruiting graduates and also by conducting training needs assessment to know the appropriate training to give to their staff.

Staff were also asked to indicate the number of times staff meetings were held in a year on aspects of management which has important implication for management staff relation. While the staff of some agencies were meeting monthly others were meeting quarterly. This means that the bank has no policy on the number of times staff meetings are held. With regard to promotion the staff said they were assessed annually for that purpose. In spite of the motivation of staff to enable them give of their best at the workplace, some problems were identified by staff and, according to them, these problems constrain them from achieving their full potentials as bankers. The details are presented in the Table 16.

**Table 16: Problems faced by staff of ARB**

Problems	Frequency	Percent
Undue pressure from loan applicants	8	19.0
Bad debt resulting from loan defaulters	12	28.6
Power interruptions	2	4.8
Lack of transportation to and from the work	4	9.5
No problem	14	33.3
Total	42	100.0

Source: Field data, 2007

It can be seen in Table 16 that whilst some (33%) of the sampled staff indicated they faced no problems, others were very much concerned about bad debts incurred by the bank from problem loans. Eight of them found the pressure from loan applicants too difficult to bear. Two of them were concerned about power interruptions whilst others complained of lack of transport facility to go round to visit customers of the banks engaged in micro and small-scale enterprises.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **Introduction**

The study set out to achieve the following objectives:

- Identification of the mechanism for savings mobilization and how it contributes to the development of the human resources in the area.
- Examination of the uses of credit and its implications for human resource
- development in the catchments area of Ahantaman Rural Bank .
- Determination of customer expectations from the bank in terms of customer care.
- Examination of the social services of the rural bank and the implications they have for entrepreneurship and human resource development.
- Identification of peculiar human resource problems of the bank.
- Make appropriate recommendations to the management of the bank.

#### **Summary**

In order to accomplish the set objectives, a number of research questions were posed based on those objectives. The summary of the findings and the

conclusions drawn from them are presented below. It is evident from the findings that the Ahantaman Rural Bank uses varied mechanisms for savings mobilisation. Among the mechanisms identified include accredited staff members moving from shop to shop on daily basis to collect deposits, targeting economically active zones, the collection of *susu* savings, at *susu* collection points, and intensive public education on the need to save. Through these mechanisms of savings mobilisation, customers were able to accumulate huge sums of money which they could use to pay children school fees, start businesses, pay hospital bills, increase working capital, and purchase equipment for the businesses.

Responses from sampled customers of the ARB on their perception of the activities of the bank indicate that the communities in which the banks operate have a very positive perception of the bank. This goodwill had come about as a result of the cordial relationships that exist between customers and staff of the bank. The study results indicate that staff are respectful, time conscious, friendly and disciplined.

With regards to the social responsibilities of the Ahantaman Rural bank, it was found that there are three areas of concentration and these were scholarships to brilliant but needy students, provision of books for community libraries and donations to health institutions for diseases awareness campaigns have obvious implications for human resource development of the communities in which they operate.

ARB's contributions to entrepreneurial development were in form of finance to micro, technical support that took the form of purchase of equipment,

training of entrepreneurs in good business practices, book keeping, records keeping, and business advisory services. Internal human resource development problems identified were undue pressure from loan applicants which at times affect the performance of staff. Other problems identified were bad debts resulting from loan defaulters and poor access to transportation to enable staff perform their duties. However, some of the staff and management said that the bank has no specific human resource utilisation problems.

### **Recommendations**

Based on the findings of the study the following recommendations are hereby made to the Ahantaman Rural Bank

- That the bank maintains its good relationship with the customers
- More scholarships be given to brilliant but needy students
- Transportation facilities be extended to staff who do not have access to transportation
- As salaries paid to staff appear to be the only motivator it is recommended that management varies the form of motivating staff. The staff themselves suggested promotion, training and welfare packages as other forms of motivation
- Interest on loans to enterprises must be reduced to enable more entrepreneurs in the communities access credit

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**APPENDICES**

**APPENDIX A**

**QUESTIONNAIRE FOR CUSTOMERS**

The following questions are aimed at collecting information that will help the researcher to find the contribution of the operations of Ahantaman Rural Bank to the human resource development of the Agona Nkwanta Area. This is purely for academic work. All information provided by the respondents will be treated confidentially.

Tick as appropriate:

1. Sex:      Female (  )      Male (  )
2. Age:
3. Marital status:      Single (  )      Married (  )      Divorced (  )      widow/er (  )
4. Hometown:              Western Region (  )      any other Region (  )
5. Level of Education:      Illiterate (  )      Basic (  )      Secondary (  )      Tertiary (  )
6. Occupation:
7. Have you ever received assistance from the bank?      Yes (  )      No (  )
8. If yes, In what form?  

(a) technical (b) financial (c) advisory (d) skill acquisition (e) any other form.....
9. (a) How has the assistance affected your occupation?  

(b) How has the assistance affected your standard of living?

10. In what ways have you contributed to the establishment of Ahantaman Rural Bank?
11. What is the banks contribution in the promotion of human resource development in the area?
12. Do you own a share in Ahantaman Rural Bank? Yes ( ) No ( )
13. How attractive are the returns on your shares?
14. (a) Do you attend shareholders meetings? Yes ( ) (b) If no, why?
15. Are you involved in decision making?
16. Do you have a say in the appointment of Board members? Yes ( ) No ( )
17. If no, why?
18. Do you have difficulty in providing collateral security?
19. How do you find the attitude of the staff of Ahantaman Rural Bank to their customer?
20. What do you suggest should be done by the bank to improve its image?
  - (a) staff performance
  - (b) staff motivation
  - (c) public relations of staff with the people
  - (d) public perception of staff attitudes to work
  - (e) customer motivation
  - (f) public utility services like library and internet centres
  - (g) grants to basic schools
  - (h) award of scholarships to brilliant but needy students

**APPENDIX B**  
**QUESTIONNAIRE FOR THE MANAGEMENT AND BOARD OF**  
**DIRECTORS OF AHANTAMAN RURAL BANK**

The following questions are aimed at collecting information that will help the researcher assess the contribution of the operations of Ahantaman Rural Bank to the human resource development of the Agona Nkwanta Area. This is purely for academic work. All information provided by the respondents will be treated confidentially.

Tick as appropriate:

1. Sex: Female ( ) Male ( )
2. Age: .....
3. Marital status: Single ( ) Married ( ) Divorced ( ) Widow/er ( )
4. Hometown: Western Region ( ) any other Region ( )
5. Level of Education: Illiterate ( ) Basic ( ) Secondary ( ) Tertiary ( )
6. Position:
7. What necessitated the establishment of Ahantaman Rural Bank?
8. What assistance other than financial do you give to customers to ensure human Resource development
9. (a) Name the bank's agencies if any  
(b) What necessitated the opening of the agency/agencies and when?  
(c) Where are the agencies located?
10. How accessible is the credit to customers?

11. What category of customers (people) benefit from the credits
12. What problems do you have in demanding collateral securities?
13. (a) Do people default in the repayment of credits?  
           Yes ( )      No ( )  
       (b) If yes, what is the percentage of default over a period of a year.
14. Do you receive feed back from the public on the quality of the bank's services? Yes ( ) No ( )
15. If yes, (a) on what aspects ?  
       (b) how do you deal with the feed backs?  
       (c) where negative, what is the next line of action and if positive, what happens to the suggestion?
16. How have the public suggestions helped in improving services?
17. How often do you do recruitment over a period of five years
18. What is the level of labour turnover?  
       (a) High   (b) Moderate   (c) Low
19. How effective is the staff retention policy of the bank?  
       (a) High   (b) Moderate   (c) Low
20. What is the degree of the people's participation in the Ahantaman Rural Bank?  
       (a) High   (b) Moderate   (c) Low  
       (explain your answer).....
21. (a) What is the mission statement of the bank?  
       (b) What is the vision of the bank in five years time?

22. What strategies are adopted for the realisation of the mission and the vision.
23. What is the level of staff motivation?
  - (a) High (b) Moderate (c) Low
24. (a) What financial motivations do you give to the staff?
  - (b) What other non-monetary motivation do you give to staff?
25. In what forms do you motivate your customers?
26. What is the management development strategy of the bank?
27. What assistance do you give to community projects in terms of health/sanitary education, mobilization through organizations which save with the bank.
28. Do you organise periodic durbars with the staff? Yes ( ) No ( )
  - (a) If yes , what to do you do with their sentiments?
29. What outreach programmes do you have for customers and non customers?.
30. What strategy do you adopt to have competitive edge in your operations.

## APPENDIX C

### QUESTIONNAIRE FOR THE STAFF OF AHANTAMAN RURAL BANK

The following questions are aimed at collecting information that will help the researcher assess the contribution of the operations of Ahantaman Rural Bank to the human resource development of the Agona Nkwanta area. This is purely for academic work. All information provided by the respondents will be treated confidentially.

Tick as appropriate:

1. Sex:                      Female (  )      Male (  )
2. Age:
3. Marital status:      Single (  )    Married (  )    Divorced (  )    Widow/er (  )
4. Hometown:              Western Region (  )    any other Region (  )
5. Level of Education:    Illiterate (  )    Basic (  )    Secondary (  )    Tertiary (  )
6. Position:
7. Date of appointment:
8. Do you move out of the bank to mobilize funds? Yes (  )    No (  )
9. What is the attitude of the people in the area towards the agency/agencies of the bank?
10. What criteria are used to advance credit to customers?
11. Do you have a say in the recruitment of other members of staff? Yes (  )  
No (  )



12. Do you have a unionised association for the members of staff?      Yes ( )  
No ( )
13. What is the degree of the people's participation in the Ahantaman Rural Bank?      (a) high      (b) moderate      (c) low  
(explain your answer)
14. What problems do you face as a bank official?
15. What suggestions will you recommend for improvement of overall performance of the bank?
16. How often do you have staff meetings?  
(a) weekly      (b) bi-monthly      (c) monthly      (d) quarterly      (e) bi- annually  
(f) annually
17. How often are members of staff assessed for promotion?  
(a) monthly      (b) bi-annually      (c) annually      (d) biennially      (e) irregular
18. How many years have you spent in the bank?
19. How many times have you had on the job promotion?
20. How many times have you attended a course?
21. Do you have job rotation among members of staff?  
Yes ( )      No ( )
22. What is the vision of the bank in the next five years?
23. What are some of the organisational culture of the bank?
24. How does this facilitate the realisation of the mission and vision of the organisation?
25. Do you consider money as the only form of motivation?

Yes ( ) No ( )

(explain your answer)

26. How often do you do job analysis?

(a) annually (b) biennially (c) every three years (d) every five years (e)  
not done

27. Do you perform other job related assignments to enrich your schedule?

Yes ( ) No ( )

28. Do you see this as a form of motivation?

Yes ( ) No ( )

(explain your answer)

29. What is the level of customer turnover?

(a) high (b) moderate (C) low

30. What are you doing to ensure customers do not leave your bank?