The Role of Rural Banks in Micro Financing in Ghana

Amankwaah Eric[1*], Ntiamoah Yaw Stephen[2], Opoku-Mensah Augustine[2], Abudramani Zakaria[3]
1. Ghana Communication Technology University, Nsawam Road, Adjacent the Police Training School, Tesano, Accra, PMB 100, Accra North, Ghana
2. Finance Directorate, University of Energy and Natural Resources, P. O. Box 214, Sunyani, Ghana
3. Best Point Savings and Loans, Old Peace Fm Building, Achimota, Post Office Box CT 10191, Accra

Abstract
The role played by rural banks in micro financing is very critical for the social and economic development of Ghana. The study therefore evaluates the roles of Rural Banks in micro-financing. Adopting a descriptive research design, a sample size of 700 customers and 200 staffs from Rural Banks are conveniently selected for this study. The Ordinary least square estimator is employed to establish the effect of micro financing activities on the standard of living, savings culture and business culture. The study reveals that manufacturing business, agricultural business and service business are the major activities financed by Rural Banks. In addition, the bank provides major funding such as funds for farming, startup capital, acquisition of raw materials and business expansion. The results show positive and significant effects of micro-financing activities (manufacturing activities, agriculture activities, personal activities, trading activities and service activities) on the standard of living, savings culture, and business expansion. It also emerged that misapplication of loans, insufficient funds and high default rate affects administration of loan at Rural Banks. The study therefore recommends that rural banks actualize the fleeting activity of micro-financing in a joint effort with accomplice establishments of the SMEs. Rural Bank ought to lessen the quantity of collateral security and other qualification for access to microloans to guarantee appropriate considerations for customers applying for bank credits.
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1.0 INTRODUCTION

Microfinancing is regarded as a very powerful instrument for social and economic development of especially rural areas around the globe (Lutzenkirchen and Weistroffer, 2012). Lutzenkirchen and Weistroffer (2012) continued that, the vision of extending micro-credit at affordable conditions with the purpose of alleviating rural poverty and financial constraints has been widely accepted within the public sector, investors and academic arena. Micro-finance Institutions (MFIs) as at the end of 2010 had extended loan facilities to more than 200 million clients. The net effect has been the impact upon the lives of over 1 billion people in developing and emerging countries (Lutzenkirchen and Weistroffer, 2012).

According to the United Nations (2000), microcredit is a very critical aspect of different financial weapons for poor people. The increasing roles by microcredits in rural development results from various factors such as: need for poor people to access financial facilities for productive ventures; ability of the poor to effectively use loans for income-generating activities; neglect of low-income people by the formal financial sector; ability of microfinance to be sustained and thereby help to realize full cost recovery; finally, their ability to ability to positively have an impact on the poor (United Nations, 2000). Otero (1999) stated that the purpose of micro-financing does not just provide capital to help alleviate poverty at the individual level but also to create a financial institution for the purpose of delivering financial products to people who are poor and are neglected by the commercial banks. In this regard, the roles played by micro financing in the development of local economies cannot be underrated in Ghana. One way this role has been manifested is through the establishment of rural banks (Bank of Ghana, 2007).

The activities of rural banks in micro-financing are very critical for the social and economic development of people in rural areas. Rural areas have often been neglected by traditional commercial banks in terms of provision of banking and financing services. The answer to the question of why commercial banks do not consider rural areas in distribution of banking and financial products is obvious – profit motive (Takyi, 2011; Tripathi, 2014). Managements of commercial banks generally perceive rural areas as not safe haven for banking investment. It is in the light of this that rural banks have become inevitable players, as far as financing rural development is concerned (Tripathi, 2014). According to BOG (2007), banks in rural areas are established with the aim of providing small enterprises, individuals, and others within their catchment with loans.

Available data from BOG reveals that rural and community banks in Ghana provided, GH¢20.68 million, GH¢13.12 million in GH¢71.63 million, and GH¢115.10 million loans in 2002, 2001, 2005 and 2006 respectively (Bank of Ghana, 2007). Notwithstanding, these figures are too general and does not specifically provide detailed information on the contribution of each Rural Bank. Notably, the performances of rural banks differ and empirical study by Takyi (2011) attests to the significant roles of Rural Banks as far as rural financing venture is concerned. In spite of the Bank of Ghana's (2007) figures and Takyi's (2011) claim, data available shows that poverty in the study area is quite high. In Ghana, there is Upper Level and lower level poverty. Income levels that are below Gh¢ 90.00 a year are upper level poverty whiles people at the extreme level poverty have income levels below Gh¢ 70.00 a year. Available evidence further indicates that about 40% of Ghanaians fall below the poverty line; out of which 27% are extremely poor (Ghana districts, 2015). Particularly, about 38% of people in the catchment area of Rural Banks are poor; out of which 14.8% are extremely poor (Ghana district, 2015). This study therefore seeks to find out specifically the role of the Rural Banks in micro financing in the catchment area since such activities are expected to enhance poverty alleviation.

1.1 Purpose of the Study

The general objective of the study is to evaluate the role that Rural Banks play in micro financing.

1.2 Research Objectives

The following specific objectives will help achieve the general objective

1) To assess the types of business activities that are normally financed by Rural Bankss.
2) To assess the types of financing normally engaged in by Rural Bankss.
3) To examine the effects of Rural Bankss micro financing activities on: the standard of living; business expansion or investment; and saving culture of its customers.
4) To determine the challenges faced by Rural Bankss in administering micro credit to its customers.
   To determine the constraints faced by customers in accessing micro-credit from Rural Bankss

1.3 Research Hypothesis

The following research questions based on the objectives will be answered:

1) What are the types of business activities that are normally financed by Rural Bankss?
2) What are the types of financing normally engaged in by Rural Banks?
3) What are the effects of Rural Banks micro financing activities on the standard of living, business expansion or investment, and saving culture of its customers?
4) What are the challenges faced by Rural Banks in administering micro credit to its customers?
5) What are the constraints faced by customers in accessing micro-credit from Rural Banks?

2. 0 Overview of Literature

LITERATURE REVIEW

2.1 Conceptual Base of the Study

2.1.1`Micro-finance

Micro-financing is said to involve the delivery of financial products to very poor self-employed people and low income people (Otero, 1999). A critical assessment of Otero (1999) definition reveals recipient-oriented definition. This is because per Otero (1999), any financial offerings delivered to people who are considered to be "poor or very poor" are considered as microfinance. Thus whether a financial service will be considered as microfinance or not is dependent on who is receiving that service. The implication is that, it does not matter the quantum of financial resources provided or the type of financial institution offering that service, once the recipient is regarded as "poor or very poor", microfinance services has been provided. There are a number of criticisms that can be match against Otero's definition. The first criticism is in the area of the definition of "poor or very poor people". Various countries define poor people differently. The definition did not provide a conclusive definition of who a poor person is. According to Ashong, and Smith (2001), the main characteristics of poor people in Ghana include inability to afford needs (food, shelter, clothes, health care and education); lack of economic indicators, job, labour, crop farms, livestock, and investment opportunities; and inability to meet the social requirements such as paying development levies, funeral dues, and participating in public gatherings.

This means that a lot of people who cannot afford education would be classified as poor. Thus a substantial number of people (such as market women, farmers, artisans, and small scale entrepreneurs) who access microfinance facilities may be regarded as poor since most of them have the defining characteristics yet their income levels exceed the upper level incidence of poverty which as measured at GH¢ 90.00/year. Therefore, if they are not poor, then any financial services offered to them irrespective of quantum or the institution that offered it cannot be regarded as microfinance. Another problem with the definition is that, per the definition, any financial institution can involve themselves in microfinance activities. This is because all the purpose of a financial institution is to make available financial services to poor people. However, there are certain financial institutions that are recognized as micro-financial institutions and not banking institutions. Also, the definition ignored the quantum of financial services offered. The word "micro" as used in microfinance means small. That is a service can be regarded as micro-finance if the quantum is small. According to Ledgerwood (1999), savings, credit, financial services like insurance etc. are some of the services of micro finance institutions.

2.1.2. Evolution of Micro-finance in Ghana.

Microfinance has always been a familiar concept in Ghana (Bank of Ghana, 2017). Ghanaians have always needed micro finance for business purpose. This facility is usually obtained through saving and/or taking funds from friends and relatives.

In Africa, a credit union was established by the Canadian Catholic missionaries in 1955 in northern Ghana. However, the Susu system spread in the country in the early 90s after it was originated from Nigeria (Bank of Ghana, 2017).

Policies and programs in the financial sector over the last few years have thrived. Examples include, subsidization of credits, establishing rural and community based banks (RCBs), liberalizing the financial sector through the enactment of PNDC Law 328 of 1991 to allow establishing of different categories of banking and non-banking financial businesses. Such businesses include savings and loans companies, credit unions, etc. (Bank of Ghana, 2017).

Today, microfinancing businesses in Ghana can be grouped into three categories according to the Bank of Ghana (2017). These include the following:

1) Formal supplier microfinance. They include regular commercial banks, rural banks, community banks, savings and loans etc.
2) Semi-formal supplier microfinance. These companies include all forms of credit unions, financial NGOs, cooperative societies etc.
3) Informal supplier microfinance. They include the "Susu" collectors/or companies and fun clubs, etc.

2.1.3. Rural Banks and Micro-financing in Ghana

The major reason for the evolution of the rural banking was to provide finance for the poor and particularly those in the agriculture sector to improve productivity to help boost the economy in the rural setting (Dadzie et al., 2012). In Ghana, rural banking is the main backbone supporting the microfinance scheme to reduce the poverty level in the rural areas. Rural banking has a strong history in terms of providing financial assistance to the rural folks and educating the masses on the use of banking services (Dadzie et.al., 2012).

Microfinance institutions have as their main objective of improving the lives of the less privileged in the society especially in the rural settings. This is in accordance with the operations of the rural banking system. Most of the rural banking across the country are solely responsible for providing these assistances to the rural folks (Dadzie et al., 2012).

Private sector Micro Financial Institutions are not likely to invest in social intermediation given the externalities associated with such investments. Rural banks system is known to help to support Micro financing to sustain their market based on a large scale (Dadzie et al., 2012).

2.1.4. Activities Financed by Micro-Finance Institutions

Microfinance institutions financed various activities. According to a research conducted by Ahiabor (2013), out of the 70 SMEs surveyed, 34 respondents representing 48.6% indicated that they used microcredit to financed service activities, 22 respondents representing 31.4% used microcredit to financed manufacturing activities with only 14 respondents representing 20% using microcredit to financed agricultural activities. The findings are not surprising given that Ledzorkuku-Krowor is located in the capital region of Ghana where agricultural activities particularly farming are not as high as other parts of the country. It therefore follows naturally that microcredit facilities granted to borrowers will be mostly used to finance other activities other than agriculture.

Findings in Ahiabor's (2013) study is reinforced by a research conducted by Tetteh and Frempong (2006) in which a total of 1542 respondents were surveyed, out of which only 758 respondents representing 49.2% used microcredit to finance service enterprises like food-vending, dress-making, head-dressing, auto-mechanic etc. This is followed by, Agro Processing businesses with examples including cassava-processing, production of edible oil like palm wine, shea abutter production etc. agro-bases business owners represented 471 respondents representing 30.7%. There were 114 respondents who engaged in specialized-agro as well as forestry businesses like the rearing of snails and rodents, mushroom production as well as bee keeping. Finally, 63 respondents engaged in traditional craft such as basket weaving, cloth weaving, sculpture, and other art services while 88 of the respondents were doing other activities.

Tetteh and Frempong (2006) findings are more representative of the country because, Tetteh and Frempong (2006) relied on the results of a study by the Business Opportunity Identification Survey (BOIS) conducted by Science and Technology Policy Research Institute for the Rural Enterprise Project in the year 2006. The said study relied on 4,981 SMEs in the informal sector in approximately 28 Districts. The districts were selected across the country using probability methods. There were 1,542 SMEs that were selected at random from a total of ten regions with samples ranging from most to least endowed rural communities (Tetteh and Frempong, 2006).

On the other hand, a research by Ahiable (2012) shows contrary findings. Most of the microcredit facilities granted by the bank were used to finance agricultural activities. Out of the 100 respondents surveyed by the researcher: 60 respondents used the microcredit to financed farming activities (such as crop farming, vegetable farming, and cash crop farming); 20 respondents and 10 respondents used funds from the rural Banks to finance livestock and fish farming respectively; and the remaining 10 respondents using the funds to financed other activities such as trading. The findings from Ahiable (2012) contradict Ahiabor (2013) because, whilst Ahiabor's (2013) study concentrated on Accra where business activities are high, Ahiable (2012) study focused on "Ziope", a farming community in the Volta Region of Ghana where Unity Rural Banks Limited is located. Thus naturally, microcredit will be channeled through the financing of agricultural activities than Ledzorkuku.

Ahiable (2012) study is supported by an earlier study by Abdul-Aziz (2011) who stated that from 2006 to 2010, a total of GH¢729, 739 microcredit facility was granted to various sectors of the economy. Out of this figure, credit facilities to the agricultural sector amounted to GH¢ 305,446.25 (41.8%), with credit to small scale industries amounting to GH¢ 246,812.20 (33.8%). A total of GH¢ 177,476.55 (24.4%) was extended to the service sector under the same period. He stated that, his findings confirmed the Bank of Ghana mandatory sectoral allocation for Rural Banks loans as shown in table 2.3. From the two findings by Ahiabor and Ahiable, it is clear that the location of respondents strongly influences the types of activities that micro-finance institutions finance.

Another research by Addae-Korankye (2012) shows slightly different results. Whilst in Ahiabor (2013) and Ahiable (2012), microcredit facilities were mostly used to financed service and agricultural activities respectively, in Addae-Korankye (2012), commerce financing led the pack. According to Addae-korankye (2012), out of the 100 respondents interviewed: 58% used microcredit to financed commerce; followed by agriculture with 24%; 16% used microcredit to financed manufacturing activities; with only 2% financing service activities with microcredit. Addae-Korankye (2012) stated that, "even though Ghana is an agricultural country, providers of micro-credit are much aware of the risk and take caution in providing loans to customer engaging in agricultural activates like farming and fishing. On the other hand, the farmer and fishermen are not willing in themselves to access such loans.

Addae-Korankye (2012) added that, reasons why players in the agricultural sector do not engage in micro-credit services are the high risk in investing in the sector. The sector depends solely on natural weather and climate. This makes it unable to predict it. Another identified is that a greater number of in this sector default loan payment. Hence, care is needed when giving fresh loans to others in the sector. Again, the sector does not use modern technology. Besides farming is mostly on a small scale basis. On the other hand, there is evidence that poultry and other livestock producers are relatively reliable despite their unique challenges (Addae-Korankye, 2012).

2.1.5. Types of Financing Provided by Micro-Finance Institutions

Micro finance institutions provide different financing options to customers. A study conducted by Mamman (2013) in Nigeria indicated that micro finance institutions provided finances to finance the following activities of clients; start-up capital, raw material acquisition, machinery (assets) acquisition, wages and salaries expenditure, sales and distribution expenditure, and advertising and sundry expenditure. However, he indicated that the micro finance institutions did not provide funds to finance land acquisition by micro enterprises. The findings by Mamman (2013) shows that micro finance institutions financed both capital and revenue (recurrent) expenditures of micro enterprises.

Ferka (2011) in his study also indicated that, the respondents he studied give different purposes for utilizing the financial assistance from Microfinance institutions (MFIs). He indicated that while 22.6% of respondents rely on microfinance loans to establish their businesses, 51.1% rely on it to expand their businesses that are already existing. It was also established that another 26% relied on micro finance loans for domestic activities like settlement of school fees, utility bills, and house hold expenses. He added that, most managers consider it risky to invest in new businesses. As a result, they used strict measures to assess such businesses before giving them loans. However, most of these respondents engaged in some forms of businesses before using MFLs to expand their business activities (Ferka, 2011).

Beyond the shores of Ghana and Africa, a study conducted by Sopheana et al., (2012) in Cambodia on the topic "Effects of Microfinance on Agricultural Occupation, with case study in Battambang Province", showed that, most households borrowed loans from MFIs for farming investments (such as, buying farming equipment, buying fertilizer, buying seeds, Labour hiring, and Buying land) with only a small percentage of loans used to fund food expenditure. A critical analysis of the above empirical findings shows that different MFIs finance different activities. Thus, this study will find out the activities Rural Banks finance.

2.2 Theoretical Framework

2.2.1. Financial Growth Theory

Berger and Udell (1998) postulated this theory and according to them, as a business becomes operational throughout the years, their financing commitments and financing alternatives change as more information are accessible to the public. As a result, organizations that are smaller, younger and having more vague information ought to depend on initial internal funding, trade credit or a sort of fund financing called "Angel finance" (this happens when an individual or association gives restricted measure of financial support for a new business with more favorable repayment plan). As the organization develops, it qualifies to get both venture capital and midterm loan as sources of both transitional and middle advances, respectively. Further, aging makes the firm now bigger and brighter in the information available. This permits the organization to have access to both public equity and long-term loan as a source of both long term equity and long term debt respectively.

The capital structure of SMEs is altogether different from that of bigger firms and SMEs are more subject to the informal financial market, which restricts the sort of financing they can give. The underlying utilization of internal financing of SMEs prompts to a specific condition of the circumstance in which capital structure choices are exceptionally constrained internal financing choices. SMEs in this way have variable capital structures and are financed by different sources at various phases of improvement (Berger and Udell, 1998).

2.2.2 Bank Capital Channel Theory

This theory infers that the conduct of banks' loaning to SMEs depends to a huge degree on the capital adequacy requirement. Obamuyi (2007) demonstrated that an adjustment in loan costs could affect banks loaning to SMEs through bank's capital. This suggests the expansion in the estimation of the loan cost builds the cost of external financing banks, which decreases benefits and bank capital. The propensity is that banks decrease their credit supply if the capital requirement becomes binding. Then again, banks could become the more eager to loan in circumstances where the financing cost is favourable. The theory helps to identify the reasons behind SMEs financing or why SMEs do not get finance at certain period of time.

2.3. Empirical Literature

2.3.1 Effects of Micro-finance on Customers

It is difficult analyzing the benefits of MFLs. These further complicate how to demonstrate the effect of loans on SMEs (Badiru, 2010). However, Okojie, et al. (2010), noted that MFLs have some sort of positive effects on the families and businesses in the rural areas.

In another study Feijo (2001) on the effect of microfinance on the livelihood of farmers in Brazil. Using a sample of 250 farmers from Brazil and regression analysis to established the relationship. The study realized a positive effect on the lives of farmers in Brazil by the Program to Support Family Farming (PRONAF). PRONAF is an MFI in Brazil and the effect in the study was measured based on productivity in growth in their farm sizes.

Oyeyinka and Bolarinwa (2009) in Nigeria assessed the impacts of MFIs on both beneficiaries and non-beneficiaries in Oyo state. Using a descriptive survey, 360 customers of MFIs were randomly selected for the study. A simple regression model was used to establish the impact of MFIs on customers in Oyo state. The findings indicated that: income as well as access to improved farm inputs of the respondents were higher for beneficiaries than non-beneficiaries. According to Badiru, (2010), some remaining impacts MFLs have on beneficiaries include: helping to improve and facilitate economic transactions; helping to manage dilly resources; helping to access services to help improve quality in life, helping protect against economic vulnerability; helping them to make productive and enhancing investments; as well as helping them to leverage their assets. Badiru has also said credit facilities are timely, they help improve livelihoods of the farmers.

A study by Masnita (2015) on the role of financial inclusion movement for development of micro and small enterprises in Indonesia from 2000 to 2014. Secondary data were gotten from the Indonesian Islamic banking statistics (2013) and Indonesian central statistics. Using descriptive causality research design, and a method fitted regression, the outcome demonstrated financial inclusion through assets Qardh has no impact on expanding family unit salary and obviously, have no effect in diminishing poverty. Similarly, financial inclusion through micro and small scale financing, influences the improvement of the micro and small scale enterprises and the poverty reduction, both through poverty reduction and increment in family unit income.

Onyeneke and Iruo (2012) did a study on the socioeconomic analysis of the effect of MFIs on the small-scale poultry production in Nigeria. In a cross-sectional survey, a sample of 230 poultry farmers was purposefully selected for the study. Using OLS model, the study showed that MFIs have impacted positively on the development of agricultural sector. This is evidence in that some academic journals have devoted special volumes as well as issues to establish this linkage through research. There are also academicians whose research interest is on how to reduce poverty.

As an example, Amin et al., (2003) in their study focused on how micro-financing can be modelled to reach the poor. Their concern was that MFIs were serving people below the poverty line slightly and those that are above the line and neglecting the extremely poor. In another instance Copestake et al., (2001) have conducted a study to analyze how MFIs impact the wellbeing of the poor in Sub-sharan Africa. The focus of their study was on household income and performance of businesses by trying to find the link between these two concepts.

When Hossain (2012) in a study used a village as a case study to measure the impacts of the BRAC Microfinance institution, using descriptive survey, a sample of 210 were randomly selected for the study. A regression analysis indicated an overall positive impact of MFIs on the BRAC customers. Also, it was realized that income of borrowers and their contribution to the family improved on significant bases after joining the BRAC MFI. It was found that the increase in income was only to help borrowers cross the extreme poverty line but were still under the moderate poverty line. Again the BRAC MFI created employment opportunities and the loans in themselves were able to help borrowers fend for themselves. There was no significant increase in savings but a noticeable positive change in the attitude of savings was noticed.

In a report by United Nations Capital Development fund (UNCDF, 2009), on Microfinance and poverty reduction in Africa. The study suggested that microcredit can help to reduce poverty though, it is however not the only cure to poverty, but one of the numerous tools for reducing the menace. There are even total counter arguments. A study by Buckley (1997) on microfinance in Africa. The study revealed that micro financing do not help the poor always. This is supported by Hashemi and Rosenberg (2006) when they made a claim microfinance does not even get to the poorest in the society. A much more stronger argument have even been put by Roodman (2009) that the concept of micro financing even makes the poor worse off in developing countries just as credit cards and mortgages systems have done in the developed countries.

Referring to the over-advertised benefits of microfinance, Ditcher (2006) thought the benefits of MFIs have been overhyped and went ahead to claim that promises from micro credit funds is irresistible but still the hope that the concept can help reduce poverty are elusions. In a similar statement, Karnani (2007) posited that micro financing programs have never been able to help alleviate poverty on significant basis and even less attractive as compared to promises given. He said instead, the way to help alleviate poverty is to create more and intensified supervision to increase productivity. This is because according to him and as has been said before, even when poor people borrow from micro finance loans tend to use the loans to support their subsistence lives instead of investing. The burden of paying such loans obviously makes them worse off. But his study failed to accept that the process of establishing the MFIs in itself gives employment to some people.

Again, it has been claimed by Sachs (2009) that besides the possibility of the positive impacts micro financing, may not be the right tool for alleviating poverty. This was said as a form of support for the arguments that MFI does not help alleviate poverty. The explanation is due to poor way of governing and the dispersed nature of the population in the rural places.

In a similar study to assess how MHIs impact rural farmers in Malawi, it was reported by Aguilar (2006). Using descriptive survey and a regression analysis indicated that borrowing did not make the farmers better than those who did not borrow. Similarly, Ausburg (2008) thinks for MFIs to achieve their aim of alleviating poverty, training on how to manage finances should be given to beneficiaries.

A slightly different approach has been adopted by Evans and Adams (2009). Their study sought to explain why people do not participate in micro financing. In the process they stated that, although microfinance may be a tool to fight poverty, for reasons best known to them, more than 75% of have often chose not to participate in microfinance activities.

The review is an indication that MFIs may be beneficial. However, the promised benefits are sometimes different from the actual benefits depending of several factors like characteristics of clients, structure of the microfinance institutions as well as functional arrangements. It is therefore said to be true when Adams and Bartholomew, (2010) argued that the effects of MFIs are depend on context specific.

Akudugu et al. (2009) examine women farmers' access to credit from rural banks (RBs) in the Upper East region of Ghana over a ten year period. Using ratio analysis and logistics regression to model the factors that influence the access of women farmers to credit from rural banks. A sum of 200 rustic ladies was chosen randomly and data on financial, specialized and institutional were sourced. The study gives exact information on sexual orientation balance in the supply of credit at RBS in Ghana. About 44 percent of RBS advance portfolios in Ghana go to ladies and the rest of the 56 percent are men. Education, application procedures, access to land, wage, level of income, participation in business association, savings culture, type of farming activities, loan cost, and the distance to rural banks are financial variables , specialized and institutional elements that impact farmers' access to credit.

Nawai and Shariff (2011) investigated the significance of microfinance for microenterprise improvement in Malaysia. Microenterprise (ME) assumes an imperative part in the advancement of the Malaysian economy. ME represented roughly 80% of (SMEs) and 78.7% aggregate business foundations in Malaysia. Nonetheless, MS confront numerous issues, for example, absence of showcasing, innovation and credit line. Subsequently, micro financing is a MEs decision since it gives reliable, simple and easy financing. The study infers that a little credit can help microentrepreneurs to support their business.

Opue et al (2011) did a study on the influence of microfinance bank operations on the socioeconomic development of rural communities in Cross-river state in Nigeria. Using quantitative research design and ordinary least square models for the analysis. The study revealed that microcredit policy has no significant effect on the socioeconomic development of the rural communities. Therefore, a conclusion is drawn that except if the government does not embrace strategies, particularly for operations deregulation and microfinance banks working in CRS and Nigeria in general disorder of constant monetary emergency, may be on the high scale.

Idolor and Eriki (2012) on the effect of microfinance banks in reducing poverty in Nigeria. The ordinary least square (OLS) was utilized. This is particularly vital for a superior comprehension of the effect of the activities of microfinance banks in the record of poverty evaluation in Nigeria. The outcomes uncover that advances and loans from microfinance banks have significantly affected education and standard of living of the people. Also, the asset base microfinance banks negatively affect the human advancement record and its segments; while deposit liabilities microfinance banks additionally negatively affect the human improvement and its parts. A few suggestions to build the effect of microfinance banks in decreasing poverty in Nigeria are more endeavors to expand advances and loans allowed to the low income groups so they can take an interest in financially feasible business activities to lessen their neediness. Others incorporate the arrangement of satisfactory framework, for example, streets and electricity in all the areas of the country.

2.3.2. Challenges in Micro-Finance Administration

Ebewore (2010), posited that there are many and serious challenges experienced by microfinance banks in disbursing credit facilities to farmers. He asserted that on the Likert scale, rating value more than three (3) indicates a serious problem. Ebewore rated the following problems in order of seriousness as the main problems confronting microfinance institutions; repayment problem (4.2), farmers complete application form wrongly (3.8), farmers not providing necessary security (3.5), lack of personnel to supervise farms (3.4), insufficient funds (3.3), farmers do not apply loans on time (3.2), and logistics problems (2.5).

Noruwa and Emeka (2012) look at the part of rural banks in decreasing poverty and improvement of business enterprise in Nigeria. Data were gathered through organized polls controlled to business people (little scale endeavors) and microfinance banks in the Lagos region. The study distinguished high default rate among SMEs, which raises genuine ramifications for microfinance banks. It was additionally settled that the difficulties facing microfinance banks incorporate, among others, the credit procedure documentation, wrong data, the character of the borrower, and the unsteady financial circumstance.

Quansah et al. (2012) stated that, a major challenge facing MFIs is the failure of clients to honor their indebtedness. Whiles some people find it difficult to access loans, others who have the opportunity to access the loans fail to pay back the loans on time making it difficult for others to also enjoy the same facility. They added that many rural banks, credit unions, loans and savings organizations, and financial NGOs have expressed their disappointment of clients' inability to pay back loans on time. This unfortunate revelation undermines the very purpose of the credit and loan schemes and contributes to the decline of national industrial development and poverty alleviation.

According to Quansah, et.al. (2012) and Addae-Korankye (2012) some of the challenges among other things include;

1) The lack of clear policy guidelines, clear direction and clear goals affect their growth and their ability to reduce poverty.
2) There is usually lack of coordination and integration.
3) Institutional arrangement are usually inappropriate.
4) Lack of adequate human and capital resource
5) Inadequate capacities.
6) High level of loan default by borrowers
7) No specific criteria set to put beneficiaries into categories.

A study conducted by Jaffari et al. (2011) in Pakistan identified that there are six different challenges confronting internal institutional arrangements of MFI. These include; existing, availability and accessibility of cheaper options to clients; MFIs are limited in terms of physical availability and presence; generally, MFIs are not able to manage risks and ensure good standards of practices; and the fact mere fact that MFIs are incompatible with conventional banking pose a challenge to them. Besides they realized that there is lack of availability of quality human resource when compared with conventional commercial bank and a lack of value chain in the delivery process of their products.

Owusu-Antwi and Antwi (2010) however said the special nature of the environment, aggravate the problems in rural banking as compared to other credit markets. According to them, these problems are grouped into 3 namely: screening challenges, incentives challenges, and challenges on enforcement of credit. Challenges related to screening include but not limited to assessing the extent of the borrower's risk. Challenges with borrowers' incentives also called moral hazards occurs when information is incomplete. It refers to the change in the course of action by the borrower after borrowing which can have a negative impact on the lender usually when payment is due.

2.3.3 Constraints face by Customers in accessing micro-finance

Different studies have identified a lot of constraints in accessing MFLs. Example of such constraints include lack of bank account, limited information on accessibility, lack of collateral, constant default by some people who access the loans, and complex mechanism of commercial banking which is not understood by SME owners (Okojie et al, 2010; Adejobi and Atobatele, 2008; Agnet, 2004). Beside the above constrains, Rahji and Fakayode (2009), Philip, et al. (2009), Badiru (2010) and Adegbite (2009), have also mentioned provision of imperfect and in some cases costly information; rationing of credit; perception from the financial institutions that it is risky to invest in the agricultural sector; high interest rate; the short time required to repay loans; and locations of most banks in urban centers.

Through interviews involving agricultural credit guarantee scheme (called ACGS), Central Bank of Nigeria (CBN) indicated that the inability of small scale farmers in the country to access credit facilities is due to lack of collateral of the farmers. The facilities require the farmers to produces collateral before they are given loans which they don't have. This demand for collateral is because of the perceived high risk of investing in the agricultural sector (Badiru, 2010). Interview sections with officials of the cooperatives have a strong notion/perception that increase in harvest are not certain and this compound lending problem to small scale farmers (Badiru, 2010). There were other views that credits facilities are sometimes misallocated to wrong beneficiaries. One challenge that was found to rank very high among the lots is default of beneficiaries to pay the loans. According the Badiru (2010), this is followed orderly by high rates of interests, poor information on the credit and poor structure of the market. These challenges are serious impediments on accessing credit facilities.

A critical assertion of the above findings shows that there are different constraints faced by customers in accessing microcredit. These constraints include lack of bank accounts, collateral security, interest rates, and others. The weights given to these constraints differ from findings to findings. This suggests that there is no consensus among the academia as to the major constraints to microcredit access.

3.0 Methodological Framework

3.1 Research Design

The design for the study is descriptive. The study was descriptive because it profiles the: types of activities that are normally financed by Rural Banks; types of financing normally engaged in by Rural Banks; effects of Rural Banks micro financing activities on their customers; challenges faced by Rural Banks in administering micro credit to its customers; and constraints faced by customers in accessing micro-credit from Rural Banks. The study adopted quantitative approach. The quantitative research approach was achieved through the quantitative analyses of responses collected using questionnaire. A case study approach was adopted as the strategy for the study. The approach is an intense description of a selected area/individual of study (Arthur, 2012).

3.2 Model Specification

Regression analysis was used to establish the effect of micro financing activities on standard of living, business expansion and savings culture. Koutsoyiannu (2003) asserted that regression analysis is the widely used estimate on the account of its nature in the reduction of bias and variance.

The study therefore used three regressions model to be estimated

$$\mathrm{SL} = \mathrm{B}_0 + \mathrm{B}_1\mathrm{FSA} + \mathrm{B}_2\mathrm{FMA} + \mathrm{B}_3\mathrm{FAA} + \mathrm{B}_4\mathrm{FTA} + \mathrm{B}_5\mathrm{PFA} + \mathrm{B}_6\mathrm{OC} + \mathrm{B}_7\mathrm{EDL} + \mathrm{B}_8\mathrm{IN} + \varepsilon \qquad (1)$$

$$\mathrm{BE} = \mathrm{B}_0 + \mathrm{B}_1\mathrm{FSA} + \mathrm{B}_2\mathrm{FMA} + \mathrm{B}_3\mathrm{FAA} + \mathrm{B}_4\mathrm{FTA} + \mathrm{B}_5\mathrm{PFA} + \mathrm{B}_6\mathrm{OC} + \mathrm{B}_7\mathrm{EDL} + \mathrm{B}_8\mathrm{IN} + \varepsilon \qquad (2)$$

$$\mathrm{SC} = \mathrm{B}_0 + \mathrm{B}_1\mathrm{FSA} + \mathrm{B}_2\mathrm{FMA} + \mathrm{B}_3\mathrm{FAA} + \mathrm{B}_4\mathrm{FTA} + \mathrm{B}_5\mathrm{PFA} + \mathrm{B}_6\mathrm{OC} + \mathrm{B}_7\mathrm{EDL} + \mathrm{B}_8\mathrm{IN} + \varepsilon \qquad (3)$$

where SL, BE, SC are standard of living, business expansion and savings culture respectively. FSA is the financing service activities, FMA is the financing of manufacturing activities, FAA is the financing of Agriculture activities, FTA is the financing of trading activities and FPA is the financing of personal activities other control variables include income (IN), educational level (EDL) and Occupation (OC); B and ε are the parameter and stochastic error term respectively. The definition of these variables and their expected relationship with the dependent variables are presented below.

3.3 Variable Description and expected sign

The dependent variables in the regressions are business expansion, savings culture and standard of living. The most widely used explanatory variables for microfinance activities include financing service business, financing manufacturing business, financing agricultural activities, financing trading activities and financing personal activities.

3.3.1 Standard of Living

Standard of living deals with the wealth, comfort, material goods and necessities available to socioeconomic class of people (Syed et al., 2015). This was measured using the Likert scale questionnaire relating to standard of living, with responses ranges from strongly agree to strongly disagree where 1 was for strongly agree, 2 was for agree, 3 was for undecided, 4 was for disagree and 5 was for strongly disagree. Copestake et al. (2001) asserted MFIs have significant impact on the wellbeing of the poor. Mohummed et al. (2013) demonstrate a positive effect of micro financing activities on standard of living and poverty reduction. Syed et al. (2015) also revealed a positive and statistical relationship between the micro financing activities on standard of living. Therefore, the researcher expects positive relationship between microfinance activities and the standard of livings for the clients.

3.3.2 Business expansion

Business expansion is a strategy in which the growth is obtained by increasing number of stores from which the clients can purchase a product of a company. This was measured using the Likert scale questionnaire relating to business expansion, with responses ranges from strongly agree to strongly disagree where 1 was for strongly agree, 2 was for agree, 3 was for undecided, 4 was for disagree and 5 was for strongly disagree. As indicated by UNDP (2002), SMEs in Kenya have found a significant positive relationship between the loan sum and the accomplishment of the SMEs targets. Therefore, the researcher expects positive relationship between microfinance activities and business expansion.

3.3.3 Savings culture

Savings entails setting a fraction of income aside for future use, thereby transferring resources over time (Mosley, 2000). This was measured using the Likert scale questionnaire relating to savings culture; with responses ranges from strongly agree to strongly disagree where 1 was for strongly agree, 2 was for agree, 3 was for undecided, 4 was for disagree and 5 was for strongly disagree. It facilitates consumption smoothing, which is particularly important in developing countries where income are often at subsistence levels and falls in consumption could have disastrous consequences. Various studies have demonstrated that savings-driven groups perform superior to anything credit-financed bunches (Allen, Murray and Rosenberg, 2006, Ritchie, 2007). Ondoro and Omena (2012) asserted that there is no significant relationship between microfinance services and savings culture youngsters in Migori County. However, Anand et al., (2005) noted a significant positive relationship between micro financing activities and savings culture. Therefore, the researcher expects positive relationship between microfinance activities and savings culture.

3.3.4 Financing Manufacturing Activities

The manufacturing activities of the SMEs incorporate textile products, wood items; Light engineering and metal fabrication, food processing, leather works, handicrafts, ceramic (Fisher and Reuber, 2000). This was measured using the Likert scale questionnaire relating to financing manufacturing activities, with responses ranges from strongly agree to strongly disagree where 1 was for strongly agree, 2 was for agree, 3 was for undecided, 4 was for disagree and 5 was for strongly disagree. According to Fisher and Reuber (2000) asserted that manufacturing can be found in either rural or urban centers of the country. In any case, the degree of a nation's cooperation in manufacturing will rely on various variables, including the accessibility of raw materials, the taste and utilization of domestic consumers and the level of improvement of credit facilities from financial institutions. Therefore, the researcher expects positive relationship between financing manufacturing activities and savings culture, business expansion as well as standard of living.

3.3.5 Financing Service Activities.

The SME services activities incorporate restaurants, hair salons and barbershops, passenger and load transportation, and also cleaning services. A service activities is a type of economic activity that is impalpable, is not stored and is not reflected specifically in the ownership (Fisher and Reuber, 2000). In financial matters, a service is a monetary action where there is an immaterial trade of significant worth. This was measured using the Likert scale questionnaire relating to financing service activities, with responses ranges from strongly agree to strongly disagree where 1 was for strongly agree, 2 was for agree, 3 was for undecided, 4 was for disagree and 5 was for strongly disagree. Ahiable (2012) and Ahiabor (2013) noted microcredit facilities were mostly used to financed service and agricultural activities respectively. Therefore, the researcher expects positive relationship between financing service activities and savings culture, business expansion as well as standard of living.

3.3.6 Financing Trading Activities

The trading activities concentrate on consumables, industrial items and agricultural inputs and produce. This was measured using the Likert scale questionnaire relating to financing trading activities, with responses ranges from strongly agree to strongly disagree where 1 was for strongly agree, 2 was for agree, 3 was for undecided, 4 was for disagree and 5 was for strongly disagree. According to Fisher and Reuber (2000) it is common that most SMEs are involve in the trading activities. SME trading activities in the retail sector varies extensively from nation to nation and amongst communities and urban territories within a nation. Access to finance is to help SMEs to develop and flourish. Finance does not just encourages SMEs into the market, business development and risk reduction, additionally fosters innovations for business expansion which improves savings culture and standard of living. Then again, organizations with better access to capital are better ready to exploit development and investment opportunities. Addae-Korankye (2012), commerce financing is also included in the financing activities of microfinance institutions. Therefore, the researcher expects positive relationship between financing trading activities and savings culture, business expansion as well as standard of living.

3.3.7 Financing Personal Activities

According to Todaro and Smith's (2009) personal activities incorporate food, clothing and safe house to maintain standard of living. Income from SMEs, asset accumulation revenue and employment indicates an enterprise growth whiles family income are mostly spend on food, education and shelter. Also accumulation of asset shows the livelihood of the SMEs and resource amassing are the marker of the lives of Owners of SMEs. This was measured using the Likert scale questionnaire relating to financing personal activities, with responses ranges from strongly agree to strongly disagree where 1 was for strongly agree, 2 was for agree, 3 was for undecided, 4 was for disagree and 5 was for strongly disagree. Diagne and Zeller (2001) contend that absence of access to credit for the poor just underneath or simply over the poverty line can have negative outcomes for SMEs and the general welfare. Access to credit additionally upgrades SME chance administration abilities; improve adapting techniques for risk and take into consideration delicate additional time. Albeit numerous business people need their businesses to develop, to accomplish and keep up an enduring source of income is sufficient for some, adding to no less than a specific level of success for poor people and to securing themselves against economic and household emergencies (IRIS, 2006). SME incomes used to cover consumption needs and, when positive, are bound to the reinvestment of business expansion; These financing personal activities can bolster fleeting consumption needs, as well as acquire long term assets (IRIS 2006) which in a way improve standard of living, savings culture and business expansion. Therefore, the researcher expects positive relationship between financing personal activities and savings culture, business expansion as well as standard of living.

3.3.8 Financing Agricultural Activities

Agriculture is the cultivation and rearing of animals, plants and fungi for food, fiber, biofuels, medicinal plants and other products used to sustain and improve human life (International Labour Office, 1999). Finance has a key part to play in raising agricultural efficiency and salaries, helping the poor to broaden their standard of living, helping the poor to reduce hunger, opposing stuns, and intermittently evading falls into traps of destitution. This was measured using the Likert scale questionnaire relating to financing agriculture activities, with responses ranges from strongly agree to strongly disagree, where 1 was for strongly agree, 2 was for agree, 3 was for undecided, 4 was for disagree and 5 was for strongly disagree. A recent cross-sectional study found a causal connection between financial advancement and expanded utilization of present day inputs, agricultural efficiency and diminishment of undernourishment (IFC, 2012). Studies utilizing randomized controls uncovered that entrance to monetary services advances development (IFC, 2011), diminish inversion to kid work after agricultural stuns (Irz et al., 2001), by advancing business and poverty reduction. This confirms the discoveries of Makasure et al (2008) that there is a significant and positive effect of the financing of agricultural activities on the savings culture and standard of living. Map (2014) noted in the average income and financial inclusion proposes that farmers, or if nothing else some portion of it, can possibly be more commercial and have a more prominent capacity to retain financial agriculture. The SMEs have diverse credit needs as long as the product mirror the requirements regarding payment and tenor. Focusing on these "yearning" agriculturists can prompt to productivity and business expansion. Makasure et al (2008) further noted a significant and positive relationship between financing agriculture activities and standard of living of farmers as well as business expansion and savings culture. Therefore, the researcher expects positive relationship between financing agriculture activities and savings culture, business expansion as well as standard of living.

3.3.9 Educational level

Education is the process that facilitates the learning or acquisition of knowledge, skills, values, beliefs and habits (Dewey, 1944). This was measured base on the educational background, where 1 was for SHS and Below, 2 was for diploma, 3 was for 1st degree/HND, 4 was for post-graduate, and 5 was for no formal education. It therefore seems that the quality of education - as measured by test results - has an influence on the speed with which societies can become richer and the extent to which people can improve their own productivity and income. World bank (2014) also noted that years of education and cognitive skills - especially focusing on literacy and numeracy - have economic and social benefits in terms of income improvement, improved rural and non-agricultural productivity, and improved efficiency of household behavior and family life. The researcher expect positive relationship between educational level and standard of living, business expansion as well as savings culture.

3.3.10 Occupation

According to the business dictionary (2016), occupation is a habitual or principal matter, trade or work of a person committed to making a living. This was measured using the questionnaire relating to occupation ranges from Government (salaried) to unemployment, where 1 was for government workers, 2 was for self-employed, 3 was for private sector salaried worker, 4 was for part-time worker and 5 was for unemployment. Occupation is the most important determinant of standard of living in the world. For most people, work is the main source of income, especially in the poorest countries. An employment-related events are the most common reasons for families to escape or fall into poverty. On the other hand, as income increases, individual choices are expanding - family members may choose to stay out of the workforce or work fewer hours and spend more time in education, retirement or family. Paid employment opportunities, including agriculture and self-employment, offer families the means to increase consumption and reduce their variability. Increased crop yields, access to out-of-farm small business activities, migration of family members to cities, and transitions to employment are milestones on the road to prosperity (World bank, 2014). In addition to their basic and immediate contribution to earnings, jobs affect other dimensions of well-being positively and negatively. The researcher expect positive relationship between occupation and standard of living, business expansion as well as savings culture.

3.3.11 Income

Income is the money that a person or company receives in exchange for a capital asset or service or investment. The income is used to provide current expenses (Investopedia, 2017). Individual with high average income are likely to save more of their disposable income and an individual ability to save indicates an improvement in standard of living which can improve business as well (Dynen et al., 2004). This was measured based on the questionnaire, income ranges from GH¢ below 3000 to above GH¢ 30,000 where 1 was for below GH¢ 3000, 2 was for GH¢3001- GH¢10,000, 3 was for GH¢10,000- GH¢20,000, 4 was for GH¢20,001- GH¢30,000 and 4 was for above GH¢30,000. The researcher expects positive relationship between income and standard of living, business expansion as well as savings culture.

3.4 Data Analysis

In analyzing, primary data was presented using tables and Figures. The analysis of the descriptive study was done using statistical techniques such as percentages, mean, and standard deviation. Also standard errors of the mean, as well as variance were used. Regression analysis was used to establish the effect of microfinance activities on standard of living, business expansion and savings culture of customers of Rural Banks in the Brong Ahafo region of Ghana. In the analysis chapter, results were discussed comparing findings of the current study to the literature that was reviewed.

The Likert scale have five options ranging from strongly agree to strongly disagree; and very important, important, not sure, unimportant, and very unimportant. In coding the responses, strongly agree/very important was coded 5, agree/important was coded 4, neutral/not sure was coded 3, disagree/unimportant was coded 2, and strongly disagree/very unimportant was coded 1.

4.0 Results and Discussions

4.1 Demographic Characteristics of the Respondents

This subsection deals with the analysis of the demographics of the respondents. It covers an aspect of gender, age, level of education and number years in the service. As summarized below:

Table 1: The Demographic Information of the Customers' respondents

CHARACTERISTICS	FREQUENCY	PERCENTAGE
Gender		
Male	254	36.3
Female	446	63.7
Total	**700**	**100.0**
Age range		
20-25 years	44	6.3
26-30 years	362	51.7
31-35 years	156	22.3
36-40 years	78	11.2
41-45 years	38	5.4
More than 46 years	22	3.1
Total	**700**	**100.0**
Level of Education		
SSSCE	86	12.2
HND/diploma	306	43.7
1st degree/professional	260	37.1
Post-graduate	40	5.7
No formal education	8	1.1
Total	**700**	**100.0**
Years of Banking with Rural Banks		
5 years and above	54	7.7
6-10 years	376	53.7
11-15 years	256	36.6
16 years and above	14	2.0
Total	700	100.0
Income Range		
Below 1000	156	22.3
1000-5000	246	35.1
Above 5000	298	42.6
Total	**700**	**100.0**

Source: Field Data (2020)

Table 1 demonstrates that the customers of Rural Banks are female dominated with only 36.3% males. This shows that most women are into pretty trading and they normally prefers microfinance institutions that operate `susu` than the traditional banks. Also these banks prefers given loans to women with the notion that women had good credit rating than men. Most of them (51.7%) are between the ages of 26-30 years, 22.3% of them were between 31-35 years, 11.2% were between the ages of 36-40 years, whiles 6.3%, 5.4% and 3.1% were between the ages of 20-25 year, 41-45 years and more than 46 years respectively. Most youth bank with the Rural Banks than the aged because of low collateral security requirements by the Banks which are easily accessible by the youth. On their educational level, 43.7% had HND/Diploma certificate, 37.1% of the customers had 1st degree and professional qualification, whiles 12.2%, 5.7% and 1.1% had SSSCE, post-graduate and no education respectively. Due to location and the banking activities of the rural Banks most graduates prefers banking with them. Most of the customers have banked with the bank for 6 to 10 years, 36.6% have banked with the bank for 11 to 15 years whiles 7.7% and 2% have banked with the institution for below five years and above 16 years respectively. Most of the customers have been banking for long with the Banks due to the value the Banks gives to its customers.

Table 1 further shows that most of the customers have an income range above GHS5000.00 whiles 35.1% of the customers had their income range between GHS1000 to GHS5000.00 and only 22.3% had their income below GHS1000.00. This clearly shows that most of the customers had small income base, which requires additional support from the rural banks to operate effective and efficient businesses. Therefore, the customers will provide valuable information needed to achieve the stated objectives of the study.

Table 2: Demographic Characteristics of Staff Respondents

CHARACTERISTICS	**FREQUENCY**	**:ENTAGES**
Gender		
Male	152	76.0
Female	48	24.0
Total	**200**	**100.0**
Age range		
20-25 years	8	4.0
26-30 years	36	18.0
31-35 years	68	34.0
36-40 years	64	32.0
41-45 years	16	8.0
More than 46 years	8	4.0
Total	**200**	**100.0**
Level of Education		
SSSCE	12	6.0
HND/diploma	56	28.0
1st degree/professional	100	50.0
Post-graduate	32	16.0
Total	**200**	**100.0**
Years in the Service		
5 years and below	52	26.0
6-10 years	48	24.0
11-15 years	56	28.0
16-20 years	24	12.0
21 years and above	20	10.0
Total	**200**	**100.0**

Source: Field Data (2020)

Table 2 illustrates that most of the staff (76%) were males whiles only 24% were female. This shows that rural Banks staffs are males dominated that seek to supervise the operation of the micro financed SMEs effective payment of the credit given. With regard to age, 34% of the respondents were between the ages of 31-35 years, 32% were between the ages of 36-40 years, whiles 18%, 8%, 4% and 4% were between the ages of 26-30 years, 41-45 years, 20-25% and more than 46 years respectively. On the issue of educational level, most of the staff have acquired 1st degree and professional qualification, 28% had HND/Diploma whiles 16% and 6% had post-graduate and SSCE respectively. This shows that rural Banks employs qualified staff for the smooth running of the institution to be in this competitive banking industry. In addition, 28% of the respondents have worked at the Banks for 11 to 15 years, 26% have worked there for less than 5 years, 24% have worked at the Banks for 6 to 10 years, whiles 22% have worked at the Banks for more than 16 years. This shows that most of the employees are well experienced to provide innovations in the Banks in the provision of financial needs of SMEs. Therefore, the employees will be able to provide valuable information needed for the achievement of the objectives of the study.

4.2 The Types of Business Activities that are Normally Financed by Rural Banks

This subsection analyzed the activities that are normally financed by Rural Banks. These activities include manufacturing business, agricultural activities, services trade, and personal activities. The analysis is done below:

Table 3: The Types of Business Activities that are Normally Financed by Rural Banks

Statements	Mean	Std. Deviation	Variance
Financing manufacturing business (e.g. juice processing, agro-processing)	4.3914	.89471	.800
Financing agricultural business (e.g. farming, livestock rearing, etc)	3.8143	1.05566	1.114
Financing service business (e.g. dressmaking, hairdressing, food vending, auto repairs, etc)	3.7029	1.38255	1.911
Financing trade activities (e.g. buying and selling).	3.2314	1.11804	1.250
Financing personal activities	3.1514	1.25419	1.573
Overall means	**3.65828**	**1.14103**	**1.3296**

Source: Field Data (2020)

The respondents were asked to indicate on five-point scales ranging from strongly agree to strongly disagree on each aspect of financing activities of Rural Banks. Table 3, indicates a wide degree of average responses and variation in the extent to which the Banks financed its customers' activities. Responses on such activities included financing manufacturing business activities, financing agriculture activities, and service activities as indicated by their mean responses and degree of variation of (mean=4.39, SD=0.89), (mean=3.814, SD=1.06) and (mean=3.70, SD=1.38) respectively. Since these means obtained are more than the average mean score of 3.658, which can be concluded that manufacturing business, agricultural business and service business are the major activities financed by Rural Banks. These findings are in tandem with Ahiabor's (2013) study is reinforced by a research conducted by Tetteh and Frempong (2006)

Other activities that are least financed by Rural Banks included trading activities and personal activities with mean score of (mean=3.23, SD=1.12) and (mean=3.15, SD=1.25) respectively. These mean scores are less than the mean of mean of 3.66. These are evidence that the Banks less finances these activities. These findings clearly show that rural Banks provide wide range of activities of which it finances. These findings support Ahiable (2012) findings that microcredit facilities were mostly used to financed trading and personal activities.

4.3 Types of financing normally provided in by Rural Banks

This section deals with the analysis of the types of financing normally provided in by Rural Banks. The analysis is done below:

Table 4: Types of financing normally provided in by Rural Banks

Statements	Mean	Std. Deviation	Variance
Provision of funds to finance farming investments (such as , Buying farming equipment, Buying fertilizer, Buying seeds, Labour hiring, and Buying land)	5.90	.91	.83
Provision of startup capital	4.78	2.04	4.18
Provision of funds for stocks and raw materials acquisition (such as provisions, seeds, etc.)	4.50	1.76	3.11
Provision of funds to finance customers business expansion projects	4.44	1.45	2.09
Financing of operating expenditures of small businesses (e.g. salaries, advertising, etc.)	3.82	.96	.93
Provision of funds for machinery (assets) acquisition (such as motor van, plant for businesses)	3.54	1.09	1.19
Provision of funds to finance domestic or personal consumption (such as school fees, funerals, electricity bills, health insurance, etc.)	3.20	1.58	2.49
Overall mean	**4.21**	**1.43**	**2.20**

Source: Field Data (2020)

Table 4 illustrates the type of financing normally provided by Rural Banks. Using five-point scales ranging from strongly agree to strongly disagree, most of the staff respondents indicated that they provide funds to finance farming investments with mean score of 5.90 (SD=0.91), followed by start up capital with a mean of 4.78 (SD=2.04), funds to finance raw materials and stock with a mean score of 4.44 (SD=1.76). Comparing these mean scores to the overall mean of 4.21, shows that the major funding include funds for farming, startup capital, acquisition of raw materials as well as funds for business expansion.

Other types of funding are provided for operating expenditures of small businesses with mean of 3.82 (SD=0.96), funds for machinery with mean score of 3.54 (SD=1.09), financing domestic or personal consumption with mean score of 3.20 (SD=1.58). These means, compared to the overall mean of 4.21, shows that these products are the least financed projects of the Banks. These findings is in line with a study conducted by Mamman (2013) in Nigeria which indicated that micro finance institutions finance the following activities of clients; start-up capital, raw material acquisition, machinery (assets) acquisition, wages and salaries expenditure, sales and distribution expenditure, and advertising and sundry expenditure. However, he indicated that the micro finance institutions did not provide funds to finance land acquisition by micro enterprises. Similarly, the findings by Mamman (2013) show that micro finance institutions financed both capital and revenue (recurrent) expenditures of micro enterprises. Also Ferka (2011) in his study also indicated that, the respondents he studied give different purposes for utilizing the financial assistance from Microfinance institutions (MFIs). He indicated that while 22.6% of respondents rely on microfinance loans to establish their businesses, 51.1% rely on it to expand their businesses that already exist. Addae-Korankye (2012) stated that, "even though Ghana is an agricultural country, providers of micro-credit are much aware of the risk and take caution in providing loans to customer engaging in agricultural activates like farming and fishing. On the other hand, the farmer and fishermen are not willing in themselves to access such loans.

4.4 Effect of Micro Financing Activities

A multiple linear regression model was used to predict the effect of micro-financing activities in the study. The prediction was carried out building on the effect of three independent factors: Savings Culture, Standard of living and Business expansion or investment. In addition, the b coefficients for each independent variable generated from the model were subjected to a t-test, in order to test the significant levels of each of the variables as indicated in below:

Correlation Matrix

This section presents the correlation matrix among the variables examined in determining the effect of micro-financing activities in the study. The correlation matrix is used to text the multicollinearity among the variables. Multicollinearity (also collinearity) is a phenomenon in which two or more predictors are strongly correlated in the multiple regression model, which means that one can predict the other linearly with a high degree of precision. Table 4.6 below shows the correlation matrix.

Table 5: Correlation Matrix

	SL	BE	SC	FSA	FMA	FAA	FTA	FPA	OC	EDL	IN
SL	1										
BE	-.204	1									
SC	-.114	.026	1								
FSA	.462	-.013	-.037	1							
FMA	-.324	-.141	-.012	.016	1						
FAA	.228	.473	.553**	.225	.120	1					
FTA	.141	-.031	-.034	.193	-.145	.238	1				
FPA	.561	-.059	-.085	.350	-.482	-.102	.369	1			
OC	.410	-.113	-.029	.351	.124	.262	.216	.200	1		
EDL	-.373	-.104	-.124	-.298	-.047	-.368	-.479	-.240	-.290	1	
IN	-.068	-.111*	-.075	.034	-.040	-.129	-.158	.183	.015	-.110*	1

Source: Field Data (2020)

Table 5 shows that for the most part the coefficients of correlation between the independent variables are small, this shows that the muliticollinearity is not a real problem in the estimations, which maintain a strategic distance from spurious regression estimate in the empirical analysis. With the small correlation coefficient among the variables is a clear indication that the models have passed the multicollinearity test (Bryman and Cramer, 1997).

Table 6: Results for Regression Models

VARIABLES	MODEL 1		MODEL 2		MODEL 3	
	Coefficient	S.E	Coefficient	S.E	Coefficient	S.E
C	.340	.458	4.037***	.529	3.039***	.395
FSA	.273***	.031	.072**	.036	.096***	.027
FMA	.231***	.049	.263***	.057	-.067	.043
FAA	.103**	.040	.496***	.047	.460***	.035
FTA	.720***	.042	.188***	.049	-.146***	.036
FPA	.200***	.042	.003	.048	.051	.036
OCCUPATION	-.008*	.045	.093*	.052	-.035	.039
EDUCATION	-.103	.053	.066	.061	.025	.046
INCOME	.066**	.028	-.127**	.045	.717***	.037
R square		.730		.516		.573
Adj R. square		.724		.502		.550
Durbin Watson		2.072		2.079		1.900
F – statistics		132.082		22.592		29.022
Significance		.000		.000		.000

*, **, *** for significant levels at 10%, 5% and 1% respectively.

Source: Field Data (2020)

From Table 6, the R^2 in all the models ranges between 51.6% to 73% to show that the total variations in the dependent variables are explained by that of the independent variables by 73%, 51.6% and 57.3% in the model 1, model 2 and model 3 respectively. Whiles 27%, 48.4% and 42.7% are been explained by other independent variables, which are not included in the models. The Durbin-Watson statistics is around 2, which shows that the error terms are not serially correlated, hence the analysis is reliable. The F-value ranges from 22.59 to 132.08 are significant at 1% significance level, to show that the overall significant levels of the models. . These diagnostic tests suggest that the models are reliable and thus the results are also reliable.

With respect to financing service activities, the estimated coefficients in all the models are statistically significant (P<0.05). Financing service activities is positive and statistically significant to standard of living, business expansion and savings culture. This implies that all other things being equal, the percentage increase in financing service activities, standard of living, business expansion and savings culture improve by about 27.3%, 7.2% and 9.6% respectively for the customers of Rural Banks. This confirms a prior prediction of positive relationship. By implication, the more funds are available, the more will be the increase in consumption and basic necessities of life. Similarly, the positive link between financing service activities and business expansion show that advances and loans to the low-income groups help them to take an interest in financing feasible business activities to lessen their neediness. Again, as noted by Herald (2015), in the situation that SMEs are properly harnessed and proper supported, microfinance can develop micro-level as a feasible part of the financial empowerment by which the poor can ascend out of poverty and improve their savings culture. The finding support the works of Idolor and Eriki (2012).

In models 1 and 2, there exist a statistically significant relationship between financing manufacturing activities and standard of living (B2=0.231, P<0.01), business expansion (B2=0.263, P<0.01) but that of savings culture is insignificant (B2= -0.067, P>0.05). This implies that the percentage increase in financing manufacturing activities result in 23.1% increase in standard of living, 26.3% increase in business expansion but does not affect savings culture. This however, confirm a prior prediction that financing manufacturing activities has a positive effect on standard of living and business expansion. The limited resources to support both standard of living and productivity may arise, as more money will be available to purchase equipment and to feed the family. Manufacturing activities increase productivity in smallholder is the fundamental for poverty reduction, given the share of population in the rural areas. Hence, also support Idolor and Eriki (2012) findings that micro financing activities in the field of manufacturing have enhance the standard of living of the customers. In addition, financing manufacturing activities provide finance to improve the accessibility of raw materials, improve production process and this help the firms to achieve economies of scale and hence business expansion. This is consistent with the findings of Masnita (2015).The insignificant impact of financing manufacturing on savings results when manufacturing activities are very expensive to finance. As such, advances from the rural banks will be used for manufacturing activities without necessary saving for future used. The findings obtained for this study contradicts a prior prediction of a positive and significant relationship between financing manufacturing activities and savings culture and the works of Anand et al., (2005).

Further, findings from the three models show that financing agriculture activities of the customers of rural Banks are statistically significant to the standard of living of the customers of the Banks (B3=0.103, P<0.05), business expansion (B3=0.496, P<0.01) and savings culture (B3=0.460, P<0.01). This means that the percentage increase in financing agriculture activities results in 10.3% increase in standard of living of the customers of the banks, 49.6% increase in business expansion and 46% increase in the savings culture. This confirms a prior prediction of a positive relationship. The positive relationship between financing agriculture activities and standard of living indicates that financing agriculture activities improve access to land, fertilizer and good farm practices resulting in an increases in farm yield and access to markets are fundamental for improved standard of living since more money will be available for consumption. This finding is in line with Onyeneke and Iruo (2012) findings that MFIs contribute to the development of agricultural sector to improve the standard of living for the customers.

The positive relationship between financing agriculture activities and business expansion shows that the customers through agriculture financing farmers get access to application procedures of farming, access to land, improve the type of farming activities, improve access to transportation which in a way improve the ability to expand their businesses. This support Akudugu et al (2009) for rural banks. Also, the positive effect on savings culture of customers indicates that financing agriculture activities improves the farming practices resulting in an increase in agriculture products. The sales of these products increase income for the farmers to save. This is in conformity to Anand et al., (2005) and Zeller (1999).

Financing trading activities of the customers of rural banks are statistically significant on the standard of living ($B4=0.720$, $P<0.05$), business expansion ($B4=0.188$, $P<0.01$) and savings culture ($B4= -0.146$, $P<0.05$). The results show that the percentage increase in financing trading activities result in 72% and 18.8% increases in standard of living of the customers of the banks and business expansion, hence confirm a prior expectations. This is because financing trading activities improves the quality of the material provided for trading which results in higher sales and thereby improving the standard of living. This finding is in tandem with Copestake et al. (2001) findings for Sub-Saharan Africa through financing of trading activities. Another implication is that financing trading activities is an important determinant of business expansion. Access to finance for trading activities enables the customers to be ready to exploit development and investment opportunities. This is in conformity with Nawai and Shariff (2011) findings that a small credit to finance trading activities can help micro entrepreneurs to support their business. This implies that an increase in financing trading activities will cause 14.6% increase in savings culture. This indicates that loan and advances encourages SMEs into the market, expand business development and risk reduction, additionally fosters innovations, and more income will be available for consumption rather than savings due to the collapse of some rural banks in the district. Most people rather invest in their business than savings for fear of losing their capital. This finding contradicts to findings of Ondoro and Omena (2012).

Financing personal activities significant improves standard of living but not business expansion and savings culture. That is increasing finance of personal activities results in a 20% improvement in the standard of living, which is significant at all levels. . Possible reason being that financing of personal activities enhance customers affordability of the necessities of life (such as food, shelter and clothing). This supports Hossain (2012) assertion that financing personal activities have overall positive impact on the BRAC customers standard of living. The insignificant impact on business expansion could only mean that most customers use personal activities financing to purchase their basic need without necessary using to expand their business, therefore financing of personal activities have no influence on the business expansion. Further, the finance from the rural banks may not be enough to cover the necessities of life for the customers to save remaining funds. Therefore financing personal activities does not improve savings culture of rural banks customers. This contradicts to findings of Mosley (2000).

There is a statistically significant positive effect of income on standard of living, savings culture but negatively affect business expansion, implying that an improvement in the income results in a higher standard of living and savings culture but reduction in business expansion. This confirms the prior prediction of positive relationship between income and (standard of living and savings culture) but contradict to business expansion. The income is used to provide current expenses. Individual with high average income are likely to save more of their disposable income and an individual ability to save indicates an improvement in standard of living due to lack of proper business plan the income available are used for consumption and savings but not for the expansion of business. With the notion that the more their business expands the greater the tax payment, therefore most SMEs do not expand their business. This support the findings of Dynen et al., (2004).

Under all the three models, the coefficient of education is statistically insignificant. This suggests that education is not a significant predictor of standard of living, business expansion and savings culture. This is because most people do not get job after schooling to earn income to improve their standard of living, expand business and improve savings culture. This contradicts to World bank (2014) assertion that years of education and cognitive skills - especially focusing on literacy and numeracy - have economic and social benefits in terms of income improvement, improved rural and non-agricultural productivity, and improved efficiency of household behavior and family life.

As can be seen in the models, the coefficient of occupation is positive under business expansion model and negative under the standard of living model, but not significant under savings model. In effect, an increase in the occupation level results in an improvement in business expansion and negatively affect standard of living but does not improve savings culture. The reasons have been that most people into SMEs operations in the Municipality are having larger family size which are difficult to manage financially with their occupation. Due to the current economic hardship, the available income is not enough for their family expenses. This contradicts to World bank (2014) assertions that employment-related events are the most common reasons for families to escape or fall into poverty. On the other hand, as income increases, individual choices are expanding - family members may choose to stay out of the workforce or work fewer hours and spend more time in education, retirement or family.

4.5 Challenges faced by Rural Banks in Administering Micro credit to its customers.

This section deals with the challenges facing Rural Banks in administering credit facilities to its customers. The administration of microcredit at Rural Banks is burdened with numerous challenges. These challenges are analyzed in the Table 4.8 below:

Table 7: Challenges Faced by Rural Banks in Administering Micro Credit to its Customers

Challenges	Strongly agree	Agree	Indifferent	Strongly disagree	Disagree	Mean	Std. Deviation
Misapplication of loans by borrowers	40(20%)	48(24%)	28(14%)	44(22%)	40(20%)	5.02	1.58
Insufficient funds to meet all applications	84(42%)	52(26%)	8(4%)	28(14%)	28(14%)	4.52	1.36
Lack of collateral security	100(50%)	40(20%)	4(2%)	32(16%)	24(12%)	4.36	1.40
Lack of enough personnel to supervise borrowers	68(34%)	60(30%)	28(14%)	16(8%)	16(8%)	4.22	1.52
High default rate and repayment problems	88(44%)	44(22%)	20(10%)	4(2%)	8(4%)	4.10	1.07
Wrong timing of loan applications	108(54%)	32(16%)	8(4%)	20(10%)	32(16%)	3.18	.75
Logistical problems	60(30%)	88(44%)	24(12%)	8(4%)	20(10%)	3.00	.83

Source: Field Data (2020)

Table 7 demonstrates the extent to which the respondents perceived some factors as challenges facing them in administering micro-credit. With regards to misapplication of loans by borrowers as a challenge, a cumulative total of 44% agreed that misapplication on the part of the borrowers affect the administration of loans whiles a cumulative total of 42% had a contrast view.

A cumulative total of 68% had the view that insufficient funds to meet all applications affect their loans delivery whiles 28% of them disagree. On the issue of collateral security, a cumulative total of 70% indicated that lack of collateral security affects their loan delivery whiles 28% had a contrast view. Also most of the respondents perceived lack adequate personnel to supervised borrowers (64%) whiles 16% of them disagreed.

Similarly, majority of the staff (66%) agreed that high default rate and repayment problems whiles 6% of them disagreed. Furthermore, a cumulative total of 70% indicated that wrong timing of loan applications with only 26% having contrast view. With regard to logistics, a cumulative total of 74% indicated that logistics problem affect administration of loans to customers. These clearly show that misapplication of loans by borrowers, insufficient funds to meet all applications, insufficient funds, lack of collateral security, personnel, high default rate, wrong timing of loan and logistics problems affect administration of loan at Rural banks. These shows that Microcredit administration concentrates on layaway lines offered and the procedures required in advancing these credits. In this manner, consistence with the Directive of the Banks of Ghana "by rustic banks is additionally a deciding element in elevating loaning to different segments of the economy. These findings support Ebewore (2010) and Noruwa & Emeka (2012) findings.

The Constraints Faced by Customers in Accessing Micro-Credit from Rural Banks

The customers of Rural banks also identified they faced challenges in accessing credit from the banks. The summary of the challenges is shown below:

Table 8: The Constraints Faced by Customers in Accessing Micro-Credit from Rural Banks

One-Sample Test				
	Test Value = 0			
	t	df	Sig. (2-tailed)	Mean Difference
The banks denies further loan to customers who default or do not pay their loans on time	75.19	699	.000	3.70571
I was asked to open Banks account with before I was granted loan	51.12	699	.000	2.89714
Lack of information on procedure for accessing loan constraints my access to credit from	51.92	699	.000	3.34571
The Banks perceives my business to be too risky	43.51	699	.000	3.05429
High interest rates impedes my access to loan rural banks	102.53	699	.000	3.67429
Long loan processing period is a major constraints to accessing loan from rural banks	83.21	699	.000	3.78000
Lack of collateral security constraints my access to credit from rural banks	101.05	699	.000	3.81714
Maximum loan threshold by the Banks constraints my access to credit from rural banks	76.46	699	.000	3.81143

Source: Field Data (2020)

Table illustrates the constraints facing the customers in accessing micro-credit from Rural Banks. Using one sample t-test, the analysis shows that the customers believe that high interest rates impede their access to loan from the banks with t-value=102.530 ($P<0.01$), followed by lack of collateral with t-value=101.051 ($P<0.01$), long loan processing period with t-value=83.212 ($P<0.01$), maximum loan threshold with t-value=76.457 ($P<0.01$), Default or failure to pay for loans on time with t-value=75.191 ($P<0.01$), lack of information on procedure for accessing loan with t-value=51.923($P<0.01$), opening of account with t-vale of 51.122($P<0.01$) and the perception of the banks on risky business with t-value of 43.508 ($P<0.01$). These findings clearly show that accessing loan from rural banks is constraints three major issues high interest rates impede their access to loan from the banks, lack of collateral and long loan processing period.

Also, maximum loan threshold, default or failure to pay for loans on time and lack of information on procedure for accessing loan. Lack of collateral in the form of land, house etc limits customers qualification for the loan whiles the high interest rate results in high cost of borrowing. As a result, most of the customers failed to honour their loan. These findings conform to Noruwa and Emeka (2012) findings that distinguished high default rate among SMEs, which raises genuine ramifications for microfinance banks. Also Okojie et al, 2010 and Adejobi and Atobatele (2008) findings noted lack of collateral, constant default by some people who access the loans, and complex mechanism of commercial banking which is not understood by SME owners. Similarly, Rahji and Fakayode (2009), Philip, et al. (2009), Badiru (2010) and Adegbite (2009), have also mentioned provision of imperfect and in some cases costly information; rationing of credit; perception from the financial institutions that it is risky to invest in the agricultural sector; high interest rate; the short time required to repay loans; and locations of most banks in urban centers.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Micro financing by rural banks are engine for growth and development, as it can increase the value of raw materials, in this manner producing more noteworthy gainfulness. Rural banks give credit facilities to microenterprises. It is required to influence administrations to every operational zone of microenterprise. As per the study, banks offer microfinance benefits in most operational zones of independent customers and for banks to gauge, assume a vital part in financing miniaturized scale endeavors in the country. The small scale enterprises are crucial segment of the economy of Ghana, since the greater part of the nation 's work drive is utilized in the casual division where the business on a little scale is. The rural banking financing division has the penchant to create business openings through development.

Microcredit for extension and improvement of the sectors of the economy remains a vital test confronting the area. The study observed that Rural Banks has been reliable in advancing microcredit for its customers in financing agriculture, services and industrial activities of the customers. However, bottlenecks and constrained market such as high loan fees, lack of collateral security, loan processing period, and failure to pay precludes the objective from securing giving microcredit to the customers.

Access to microcredit for the poor, either through direct credits or title advance, expanding agrarian profitability in rural areas, enhance standard of living, businesses and savings culture, positively. The actualization micro financing by the rural banks can possibly accomplish the goals of Ghanaian growth and development.

5.2 Recommendations

In the light of the findings drawn from the study, the following recommendations are provided for implementation purpose. The recommendations include:

From the study, manufacturing business, agricultural business, service business are the major activities being financed by Rural Banks. To advance fortify the part of rural banks play in financing miniaturized scale, it is recommended that banks themselves should get more finances through proper savings mobilization programmes and should be able to create more money to support the services and its offices.

The study demonstrated that the financing of service, trading, manufacturing and agriculture activities have significant effect on standard of living, business expansion and savings culture. It is therefore recommended that Rural Banks lessen the quantity of vital collateral security for access to microloans. This will guarantee that all customers applying for banks credits after some time getting to advances as obstructions have been appropriately considered.

The study shows that accessing loan from rural banks is constraints by three major issues high interest rates impede their access to loan from the banks. To guarantee the viable administration of microcredit for small scale enterprises in the Brong Ahafo region, independent companies must be legitimately educated about the parts of partners in the administration of microcredit. The must actualize this fleeting activity in a joint effort with accomplice establishments. This will dissipate any misperceptions and non-utilization of credit facilities by private venture credits

The study shows that misapplication of loans by borrowers as the major challenges followed by insufficient funds to meet all applications. It is recommended that Badu rural banks ought to fortify the specialized limit and staff mastery in microfinancing through orderly preparation. In such manner, a preparation program can be created to enhance the limit of staff in the outline, execution, checking and assessment of financing undertakings by the banks. This will permit rural banks to adjust microcredit to address the issues and propensities for the interest for competitors and guarantee the fulfillment of the recipients. Rural banks ought to likewise reduce the need to guarantee competitors so they can get credit in time for production. This should at present be possible by gathering loaning.

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Profile of the Authors

Amankwaah Eric is a native of Fiapre a suburb of Sunyani in the Brong Region of Ghana, West Africa. He is currently a research development officer at ABBOTT RESEARCH CONSULT and assistant Registrar at Ghana Communication Technology University. This author became a member of the Association of Certified Chartered Economics (ACCE) in 2011. He is an astute researcher in the field of economics, finance, investment, and other related areas. He owns two master's degree thus MSC economics (2017) and MSC industrial finance and investment (2016) from Kwame Nkrumah University of Science and Technology, Kumasi, Ghana.

Ntiamoah Stephen Yaw is a Professional Accountant with over Nine (9) years of post-qualification experience and Twelve (12) years of rich experience in Public Sector Financial Management. He is currently a Senior Accountant at the University of Energy and Natural Resources, Sunyani, Ghana. This author became a member of the Institute of Chartered Accountants Ghana (ICAG) in 2013. He is a researcher with interest in Finance, Accounting, Taxation, Public Financial Management and Auditing. He holds a Master's Degree in Business Administration specializing in Accounting from University of Cape Coast, Cape Coast, Ghana.

Opoku-Mensah Augustine hails from Gyinyase, a suburb of Kumasi in the Ashanti Region of Ghana, West Africa. He is currently a Senior Accountant in the Finance Directorate of University of Energy and Natural Resources responsible for Treasury Division. This author has being a member of the Institute of Chartered Accountants, Ghana (ICAG) since 2013. He has wealth of knowledge in Accounting and Finance and adjourning or related areas. The author has Masters in Business Administration, Finance (2018) from Catholic University College of Ghana (CUCG), Fiapre.

Abudramani Zakaria is a native of Kumasi in the Ashanti Region of Ghana. He is the managing director Best Point Savings and Loans Company in Ghana. He became a member of Association of Certified Chartered accountant (ACCA) in 2012. He is currently the managing director of Best Point Savings and Loans company, Kejetia branch. He has MSC in industrial finance and investment.