

*Francis Enu-Kwesi**
*Frederick Koomson***
*Richard Baah-Mintah****

THE CONTRIBUTION OF THE KAKUM RURAL BANK TO POVERTY REDUCTION IN THE KOMENDA-EDINA-EGUAFO-ABREM MUNICIPALITY IN THE CENTRAL REGION, GHANA

ABSTRACT: *The study was designed to examine the contribution of Kakum Rural Bank (KRB) to poverty reduction in the Komenda-Edina-Eguafo-Abrem Municipality (KEEA). The study employed descriptive and evaluative designs. All four agencies in the KEEA municipality were included in the study. The systematic random sampling technique was used to draw 370 customers and 14 members of staff of Kakum Rural Bank who were purposively sampled for the study. Questionnaires were principally used to collect data from respondents. Graphs and tables were used to present descriptive aspects of the results while non-parametric inferential procedure*

was used to present the evaluative aspect. The results of the study revealed that KRB, with its financial and non-financial services, has helped in poverty reduction in the KEEA Municipality. Data gathered from the respondents showed a significant improvement in most of the poverty indicators, with the exception of provision of potable water and clothing for families. Judging by the potential that KRB has for reducing poverty, it is recommended that the bank should expand its coverage in the municipality.

KEY WORDS: *rural, banks, poverty, reduction, financial, Ghana*

JEL CLASSIFICATION: G21

* Institute for Development Studies (IDS), University of Cape Coast, Ghana

** Institute for Development Studies (IDS), University of Cape Coast, Ghana,
Email: Frederick_koomson@yahoo.com

*** Institute for Development Studies (IDS), University of Cape Coast, Ghana

1. INTRODUCTION

A major development issue facing many developing countries has been the need to reduce the scale and depth of poverty among the growing population. Chandy and Gertz (2011) estimate that there were about 878.2 million people living below the poverty line in the year 2010. Of this number over 700 million live in rural areas. Asia has the highest proportion of poor with 464.5 million, followed by sub-Saharan Africa with 369.9 million, Latin America and the Caribbean with 35.0 million, and the remainder in the Near East and North Africa.

The elimination and reduction of poverty is a key concern of development thinkers and practitioners (Coyle, 2007; IFRPI, 2007). The beginning of the 1970s saw attention geared towards improving the wellbeing of the rural poor who formed the majority of the population in developing countries. Many governments and international and local agencies shifted their attention and channelled their resources towards rural development. This idea was motivated by the intention of reducing the levels of unemployment, increasing access to public goods and services by the rural population and, more particularly, lowering poverty and overcoming income inequalities in most developing and least-developed countries (Brohman, 1996). The UN Millennium Development Goals (MDGs) also aimed at halving poverty by 2015 (Laderchi, Saith & Stewart, 2003).

According to Bradshaw (2006), the theoretical explanations of poverty may be structural, personal, social, or economic. Theories that explain poverty from the economic point of view stress that people are poor because they have limited opportunities and resources with which to achieve income and wellbeing. As part of the measures to address poverty, microfinance and, specifically, rural banking have been deemed appropriate. Research has shown that financial institutions in rural areas have a significant role to play in the effort to reduce poverty in these areas (Burgess & Pande, 2002). In the fight against poverty it is believed that the introduction of banks in rural areas enhances the livelihood of rural dwellers. It is assumed that intervention will change human behaviours and practices in a way that will lead to the achievement of desired outcomes (Hulme, 2000). Financial services for the poor have also been proven to be a powerful instrument for reducing poverty, enabling poor people to build assets and increase incomes, and reducing vulnerability to economic stress and shocks (Van Santen, 2010).

Studies by Burgess and Pande (2002) and Chowdhury (2009) in India revealed that the establishment of banks in rural areas spurred entrepreneurship, structural change, and poverty reduction. With the recognition of this, the concept of the

'rural bank', a banking entity which is co-operative in character but provides a much wider range of services, was introduced.

Apart from mobilising local savings and meeting the credit needs of medium- and small-scale entrepreneurs and cultivators, rural banks were envisaged as taking up the task of implementing programmes of supervised credit, providing ancillary banking services, supplying inputs and agricultural credit, providing assistance in marketing, and generally helping the overall development of their areas of operation (Shekhar & Shekhar, 2007). Examples of prominent rural banks and financial institutions are Banco Solidario (BancoSol) in Bolivia, Bank Rakyat Indonesia (BRI) of Indonesia, and the Grameen Bank in Bangladesh (Lavoie, Pozzebon & Gonzalez, 2011; Merrill, 2009).

As a developing country, Ghana is no exception to the global phenomenon of poverty. The Ghana Living Standard Surveys by the Ghana Statistical Service show the poverty trend in Ghana. The studies' results show that the percentage of the population defined as poor, relative to the poverty line, was 37% in 1987/88 (GLSS1), 42% in 1988/89 (GLSS2), 31% in 1991/92 (GLSS3), and 39.5% in 1998/99 (GLSS4). The 2005/06 survey (GLSS5), however, shows a decline in poverty, with 28.5% and 18.2% for the upper poverty line and lower poverty line, respectively. This implies that the problem of poverty persists, even though it is declining (GSS, 1995; 1996; 2002; 2007).

A number of strategies have been embarked upon since independence to tackle the causes and mitigate the consequences of poverty. Among such programmes were the Mass Education Drive, the Integrated Rural Development Programme, the Operation Feed-Yourself Programme, and the Programme of Action to Mitigate the Social Cost of Adjustment (PAMSCAD) (Hakim, 2009). The most recent of these efforts are the Ghana Poverty Reduction Strategy I (2003-2005) and the Growth and Poverty Reduction Strategy II (2006-2009). In all of these, access to credit was considered crucial for success (Asamoah, 1996; Sowa, 1993; World Bank, 1995).

Consequently the government of Ghana, through the Bank of Ghana (BoG), on 5th July 1976 introduced the rural banking concept into the country. The Bank of Ghana sponsored the establishment of the first rural bank at Agona Nyakrom in the Central Region, and by December 1987 as many as 117 rural banks had been established. The number has since increased to 127 (Anin, 2000; ARB, 2009; World Bank, 2009). According to the Association of Rural Banks (1992), cited in Essel (1996), the aims of rural banks, including Kakum Rural Bank, are

to stimulate banking habits among rural dwellers, mobilise resources locked up in the rural areas into the banking systems to facilitate development, and identify viable industries in their respective catchment areas for investment and development.

A meeting held to chart the development path of the then Komenda Edina Eguafo Abrem (KEEA) District in 2003 revealed that the district was one of the deprived districts in the country. Incomes were generally low and the informal sector offered the highest employment. There were no major industries and the health facilities in the district were inadequate. Furthermore, the report indicated that the financial situation of the Assembly was so critical that it had become very difficult to implement many of the Assembly's intended projects. Consequently the district was selected to benefit from the Social Investment Fund (SIF) under the government's poverty reduction programme (KEEA Municipal Assembly, 2009).

Although rural banks have been established in the KEEA Municipality, there is no specific empirical evidence on how they have affected the life of the people in the municipality. Issues such as poverty as reflected in poor housing conditions, poor health, unemployment, low production, and the existence of major differentials in income and wealth still persist (KEEA Municipal Assembly, 2009; Korankye, 2008). A careful and systematic enquiry is therefore needed to examine how the Kakum Rural Bank has contributed to reducing poverty in the municipality. In subsequent sections of this paper the discussions will focus on conceptual issues of rural banking and poverty reduction, the methodology, and the empirical evidence of KRB's activities and poverty reduction in the KEEA municipality. The last section of the paper features the conclusions and policy implications.

1.1 Rural banking and poverty reduction

Shekhar and Shekhar (2007) define a rural bank as a banking entity which is co-operative in character but provides a much wider range of services. Rural banks' basic function is to mobilise local savings and meet the credit needs of all medium and small-scale entrepreneurs and cultivators. They are also envisaged as taking up the task of implementing programmes of supervised credit, providing ancillary banking services, supplying inputs and agricultural credit, providing assistance in marketing, and generally helping the overall development of the banks' areas of operations.

The concept of the rural bank has spread across the length and breadth of the globe. Banco Solidario (BancoSol) in Bolivia, Bank Rakyat Indonesia (BRI) of Indonesia and the Grameen Bank in Bangladesh are prominent rural banks and financial institutions often cited as examples (Lavoie, Pozzebon & Gonzalez, 2011; Merrill, 2009).

At the core of microfinance and specifically of rural banking is combating poverty (Otero, 1999). According to Otero establishing financial institutions in the rural areas to cater for the banking needs of the local people creates access to productive capital for the poor, which together with human capital addressed through education and training and social capital achieved through local organisation-building, enables people to move out of poverty. Providing material capital to poor people strengthens their sense of dignity, and this can help to empower the person to participate in the economy and society as they escape poverty (Otero, 1999).

Poverty is a complex issue and is difficult to define, as there are various dimensions to poverty. Attimir (1982) defines poverty as a situation of poor health facilities, low level of education, malnutrition, and lack of participation in the decision-making process. Unlike Attimir (1982), Sen (1999) perceives poverty not only as lack of income, education, or health, but also, on a broader scale, lack of voice, lack of empowerment, and lack of good governance. Sen (1999) defines poverty as the deprivation of basic capabilities rather than merely as low level of income, which is the standard criterion for identifying poverty. Sen identifies five dimensions of poverty: lack of political space, economic space, social space, transparency, and protective security. Sen views poverty as deficits along these five dimensions which limit the ability of people to develop their capabilities and function effectively.

A critical assessment of the literature reveals that at the heart of poverty is the whole gamut of basic needs. Typically, a person is considered as poor if he/she does not have the capabilities to meet basic needs. Poverty is not just paucity of income but goes beyond that to consider the social context in which the person lives, including access to credit which in turn improves capabilities (Akindola, 2009; UNFPA, 2007).

As development agents, rural banks have over the years brought banking services to the doorsteps of people, most importantly rural dwellers. With this rural banks have succeeded in instilling in the rural dwellers the habit of banking in the form of savings and borrowing. Rural banks have contributed immensely

to the mobilisation of savings and have granted loans and overdrafts to several productive ventures to promote development activities and enhance the socio-economic lives of rural dwellers (Afrane, 2007). Access to financial services has been identified by Okukpara (2009) as a potential tool in raising the productivity and incomes of small and micro entrepreneurs.

Providing credit increases the productivity of the individual and also increases social equity by improving the individual's income (Dullien, 2009). Such income gains may be regarded as the avenue to greater equality in national consumption levels and a more just distribution of economic opportunities (Dullien, 2009; IFAD, 2009). IFAD (2012) have shown how access to credit, a service provided by rural banks and micro financial institutions, affects household welfare outcomes.

Other research has shown that financial institutions have a significant role to play (Asenso-Okyere, Asante & Gyekye, 1993; Chowdhury, 2009). It is believed that the introduction of banks in rural areas enhances the livelihood of rural dwellers. A study by Burgess and Pande (2002) revealed that the establishment of banks in rural areas of India spurred entrepreneurship, structural change, and poverty reduction. Burgess and Pande assert that access to banking, particularly finance, may be critical in enabling poor rural residents to begin new macroeconomic activities, thereby exiting poverty.

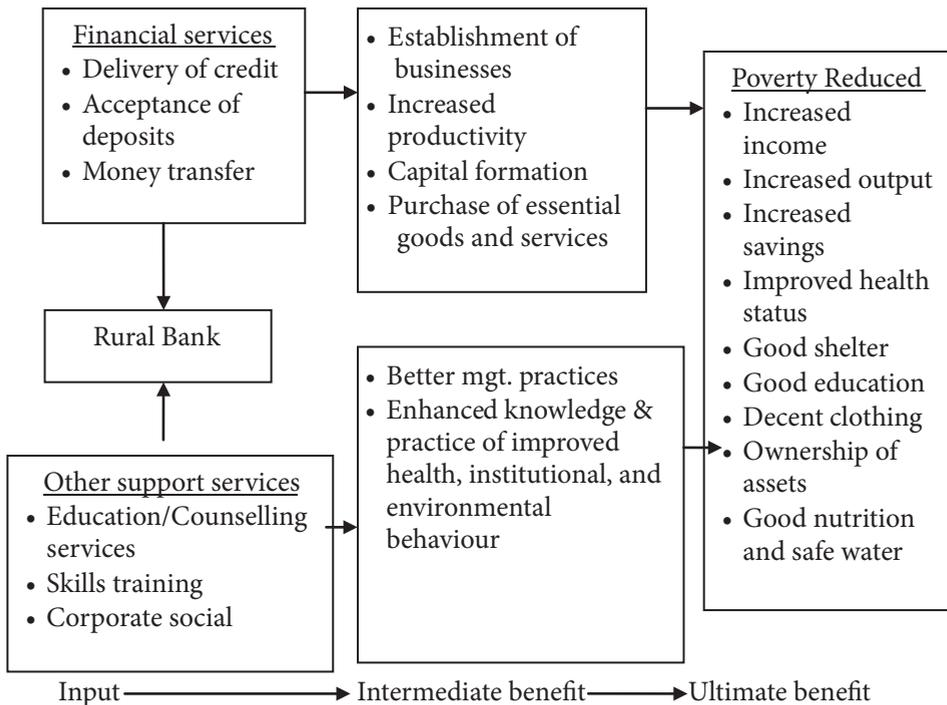
With the provision of credit, saving facilities, and other ancillary financial businesses, rural banks have helped in the development of small and medium-scale enterprises (IFAD, 2012, Okpukpara, 2009). With the recognition of the importance of human capital development, rural banks have organised educational and skills training and counselling programmes for their clients. These programmes are in areas such as credit management, investment management, product development, market access and marketing, basic bookkeeping, health issues relating to business, customer care, and environmental policy issues, as well as social and community issues (BoG, 2007; Cheston & Kuhn, 2002).

Scholars such as Hulme and Mosley (1996) remain sceptical about the role that rural and microfinance institutions play in poverty reduction. They point out that rural banks and micro-credit are not a panacea for poverty alleviation, since in some cases the poorest people have been made worse-off. However, some scholars such as Bakhtiari (2006) see rural banking institutions as agents of poverty reduction.

Empirical studies show that rural banks help the poor to meet basic needs and also protect them against risk. This consequently results in improvement in household economic outcomes. Rural banks create access to productive capital for the poor, which, together with human capital development through education and training, enables the poor to move out of poverty (Bank of Ghana, 2007).

The financial and non-financial services that rural banks offer to their customers can be seen from the conceptual framework (Figure 1). These inputs result in intermediate benefits which include the establishment of businesses, increased productivity, capital formation, purchase of essential goods and services, better management practices, and enhanced knowledge and practice of improved health, institutional, and environmental behaviours. Such intermediate benefits result in ultimate benefits where the output, income, and savings levels of customers increase. Customers are also able to afford good shelter, good education, decent clothing, good nutrition and safe water, and improved health status, and also to own assets.

Figure 1. Conceptual framework for rural banking and poverty reduction



Source: Authors' construct 2009

1.2 Methodology

The study adopted descriptive and evaluative designs to analyse and assess the extent to which Kakum Rural Bank has helped in reducing poverty among its customers, and also how the poverty levels of the customers have been reduced (Yin, 2008). A sample of 370 customers was determined from a population of 10,061. This assumed a 5% margin of error and 95% confidence in the results. The systematic random sampling based on a sample fraction of 12 was used to select the 370 customers from the register of KRB customers. The sample of 370 was proportionately distributed among the four agencies in order to ensure fairness in distribution.

In addition, a total of 14 KRB staff considered to be knowledgeable about the activities, operations, and the constraints of the bank were purposively selected as key informants. Questionnaires were used to collect data from the randomly sampled groups and individuals, and an interview guide was used to solicit information from the key informants. A five-point Likert scale item format was used in collecting data to assess the effect of the bank's operation on poverty reduction among customers. A pre-test was carried out using the Akatakyiman Rural Bank, also in the KEEA municipality. As part of the analysis, Statistical Product and Service Solutions (SPSS Version 16) and Microsoft Excel (2007) were used to generate frequencies and percentages, Wilcoxon Signed Ranks Tests, charts, and graphs. The results are presented in the next section.

1.3 Empirical evidence

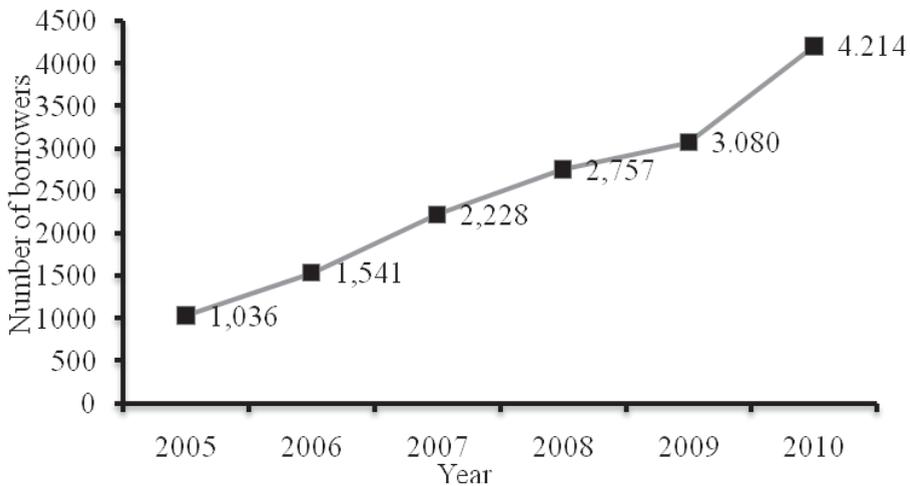
Kakum Rural Bank's efforts at poverty reduction.

Kakum Rural Bank stands as one of the key players in the reduction of poverty in the Central Region as a whole. In this section the study examines the extent to which the Kakum Rural Bank has helped in reducing poverty among its customers with its financial, non-financial, and corporate social services, and the extent to which the poverty indicators of customers have been reduced after operating with KRB.

According to the key informants the financial services offered by the bank included credit delivery, acceptance of deposits, and Apex Link Money Transfer services. This conforms to the services that are presented in the conceptual framework of the study. The key informants indicated that the bank gave out credit both in cash and in kind. The credit products offered by KRB included

microfinance loans, personal loans, salary loans, 'susu'¹ loans, and overdraft facilities. The study revealed that the number of customers who were granted loans by Kakum Rural Bank kept on increasing year after year. Figure 2 shows the trend in the number of customers who were given loans by the bank during the period 2005-2010. As can be seen from the Figure, 1,036 customers received loans from KRB in 2005. This figure increased over the years to 1,541 in 2006 and to 4,214 in 2010.

Figure 2. Number of customers granted loans by Kakum Rural Bank (2005-2010)

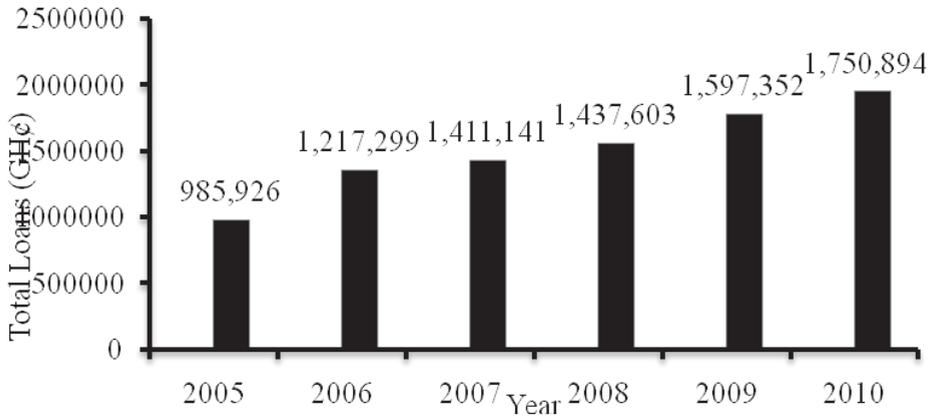


Source: Kakum Rural Bank, 2010

The bank has played a very important role in the area of loan advancement. Like all rural banks in Ghana, it was established specifically to advance loans to small enterprises, farmers, and individuals within their catchment areas. Loan advances by the bank during the period 2005-2010 in the KEEA municipality showed a steady increase.

¹ An informal means for people to save and access their own money with the possibility of getting access to credit, a form of microfinance. This can be done with fellow individuals or with institutions.

Figure 3. Loans advanced by Kakum Rural Bank (2005-2010)



Source: Kakum Rural Bank, 2010

It can be seen from Figure 3 that loans and advances extended to small businesses, individuals, and groups by Kakum Rural Bank in the KEEA Municipality amounted to GH¢ 1,217,299 in 2006 as against GH¢ 985,926 in 2005, indicating a 23.5% growth. The amount of loans further increased from GH¢ 1,411,141 in 2007 to GH¢ 1,437,603 in 2008, suggesting a 1.8% growth. In 2009 the bank advanced an amount of GH¢ 1,597,352 in the form of loans to customers. In 2010 total loans disbursed by Kakum Rural Bank stood at GH¢ 1,750,894 as against GH¢ 1,597,352 in 2009. The average annual growth rate from 2005 to 2010 was 15.2%.

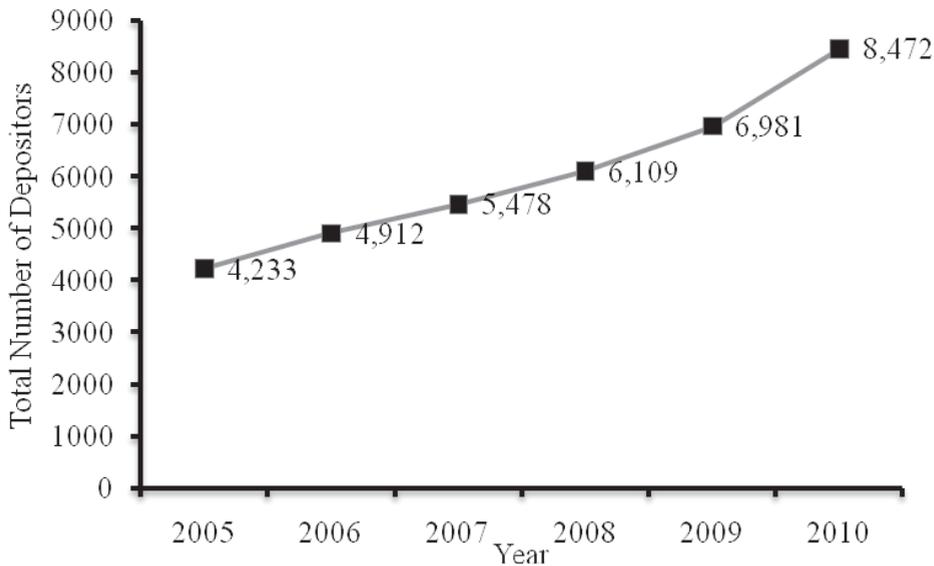
As indicated by Dullien (2009) and Nair and Fissaha (2009), the bank over the years has contributed immensely to providing credit facilities to its customers in its areas of operation. This, in the long run, goes a long way to affect the household welfare outcomes of the beneficiaries (IFAD, 2009). Apart from giving out loans the bank was also doing well in mobilising funds in the municipality in particular and the region at large. The study revealed that the bank had several saving packages for its customers, such as the Mbofra Daama Savings Account (Children’s Future Savings), the Asoremba Mpuntu Savings Account (Church Development Account), ‘Susu’, and the Kakum Classic Account and Savings Account.

Deposit services, according to Oloyede (2008), are more valuable than credit for the poor. The argument is that, with savings, households can not only build up assets to use as collateral but also capital to cater for their seasonal consumption needs, finance major expenditures such as school fees, self-insure against

major shocks, and self-finance investments. In this way the basic capabilities as identified by Sen (1999) will be enhanced, and they will be in a position to function effectively in their communities.

Data gathered from the bank indicated that the total number of depositors with the bank increased year after year. As can be observed from Figure 4, the total of 4,233 in 2005 increased to 4,912 in 2006. In 2007 the total number of depositors was 5,478, which increased to 6,109 depositors in 2008. As at December 2010 the total number of depositors with Kakum Rural Bank stood at 8,472, which was 21.4% over the 2009 figure of 6,981, as can be seen from Figure 4. An increase in savings means funds will be available for credit, since savings are a potential source of loan capital (Dullien, 2009).

Figure 4. Number of Kakum Rural Bank's depositors (2005-2010)

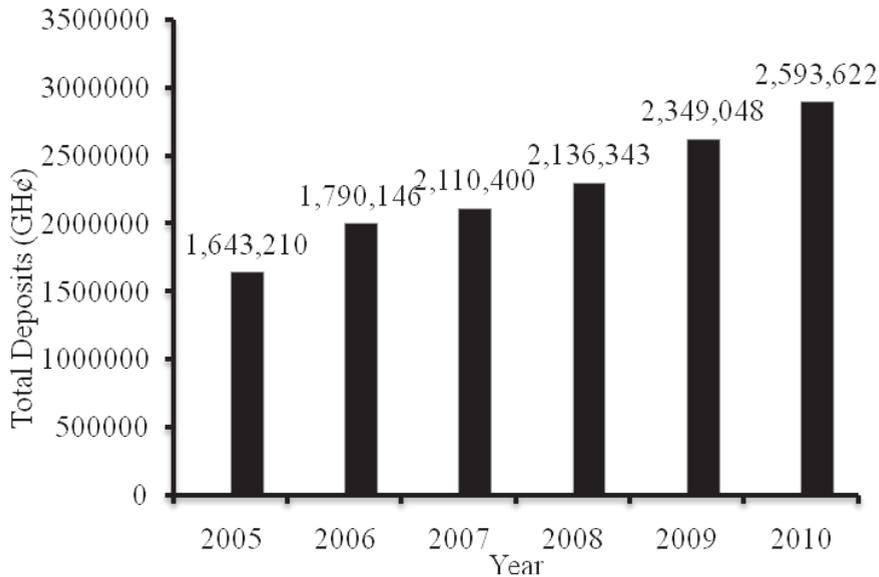


Source: Kakum Rural Bank, 2010

The majority (79.8%) of the customers were saving in their homes before they joined KRB, while 20.2% were saving with associations or clubs and other financial institutions within the municipality. This is similar to the findings of the World Bank (2009) that rural banks, over the years, have contributed immensely to the mobilisation of savings in rural areas in Ghana.

The total amount of deposits mobilised by Kakum Rural Bank increased significantly between 2005 and 2010. As can be observed from Figure 5, in 2005 the total amount of deposit mobilised by the bank was GH¢ 1,643,210. The year 2006 saw an increase in this figure to GH¢ 1,790,146, representing an 8.9% increase. As at December 2010, the bank had been able to mobilise savings up to GH¢ 2,593,622. It can be seen that in the six years from 2005 to December 2010 the savings mobilised by Kakum Rural Bank had increased by 60.6%. The figures translate into an average annual growth rate of 12.1% over the six-year period.

Figure 5. Trend in Kakum Rural Bank’s deposit mobilisation (2005-2010)



Source: Kakum Rural Bank, 2010

According to data gathered from the key informants, Kakum Rural Bank played a significant role in money transfer. With this service rural dwellers were able to transfer funds from one community to another, using the network of rural and community banks (ARB, 2009; World Bank, 2009). According to the key informants, the people in the municipality had come to rely on this service. As can be seen from Table 1, the total number of customers who patronised this service increased significantly between 2005 and 2010, similarly to the increase in the amounts involved.

It can also be observed from Table 1 that the total amount transferred in 2006 was GH¢ 30,644 as against GH¢ 30,000 in 2005, a 2.4% increase. In 2010 the total amount transferred by the bank was GH¢ 43,889, as against GH¢ 40,306 in 2009. The study showed that the increase in the amount involved was a result of the confidence people had in the service. For instance, customers indicated that the service was safe, reliable, and convenient for them.

Customers were asked whether they had accessed the Apex Link money transfer of Kakum Rural Bank and their rating with regard to the Apex Link money transfer service. About 34% of the customers affirmed that they had received or transferred money using the Apex Link

Table 1. Trends in Kakum Rural Bank's Apex Money Transfer Service

Year	Number of Transfers	Amount involved GH¢
2005	2010	30,000
2006	2450	30,644
2007	2700	30,737
2008	2800	36,758
2009	3000	40,306
2010	3200	43,889

Source: Kakum Rural Bank, 2010

Table 2. Customers' rating of the Apex Link Money Transfer Service

Rating	Frequency	Per cent
Very Good	86	69.4
Good	33	26.6
Fair	2	1.6
Poor	2	1.6
Very Poor	1	0.8
Total	124*	100.0

* n is less than the number of customers because some customers had not accessed the service

Source: Fieldwork, 2010

Table 2 shows that, out of the 124 customers who had received or transferred money through the Apex Link, 69.4% indicated that the service was very good, with 26.6% indicating that the service was good. This finding corroborates the assertion by ARB (2009) that the Apex Link money transfer has helped rural dwellers to transfer funds from one community to another. The service also has

proved to be safe, reliable, and convenient for traders, businessmen, and students. However, 0.8% of the customers indicated that the service was very poor, with 1.6% indicating that the service was poor.

Apart from the above-mentioned financial services that Kakum Rural Bank provided for its customers there were also non-financial services that the bank offered to its customers and the communities within which it operated. These services, according to the key informants, included training in credit management, investment management, entrepreneurship, and bookkeeping; customer care; and business management; which were all geared towards poverty reduction and community development.

The services, according to the key informants, were basically aimed at equipping customers with the skills and knowledge they might need in going about their businesses and other activities. The training programmes were expected to result in changes in the attitudes of entrepreneurs, which would consequently have a positive effect on their operations and the communities in which they operated (NBSSI, 2009).

The study further investigated the extent to which the Kakum Rural Bank had helped in the provision of corporate social services in the municipality. It was revealed from the study that the bank had made several contributions towards community development and poverty reduction. The key informants indicated that the bank had helped in areas such as education, rural electrification, improvement in sanitation, and the construction of a fishing harbour. This finding corroborates the observation made by BoG (1999) and the Association of Rural Banks (2009) that rural banks engage in the provision of social services in their catchment areas. This is further revealed in the conceptual framework for the study.

Poverty indicators were used to assess the extent to which the poverty of customers had been reduced after operating with Kakum Rural Bank. These were: changes in income level, changes in output level, changes in savings level, provision of medical care, provision of good shelter, provision of good education for family, provision of clothing for family, provision of nutritious food for family, acquisition of property/assets, and provision of potable water for family.

A five-point Likert scale item format was used to assess the poverty indicators of customers before and after joining KRB. The following values were assigned to the responses: 1 represented 'weak agreement', and 5 represented 'strong

agreement' on a scale of 1 to 5. The non-parametric Wilcoxon Signed-Rank test was used to evaluate whether there were any statistically significant differences in the poverty indicators of customers before and after joining Kakum Rural Bank at 0.05 significance level. Table 3 shows the results of the test.

From Table 3 it is discernible that most of the poverty indicators of customers showed a statistically significant difference after customers had joined Kakum Rural Bank. Changes in customers' income level, output level, and savings level were statistically significant after they had joined Kakum Rural Bank. This corroborates the findings of Okukpara (2009) and IFAD (2012).

Other indicators that showed significant difference after customers had joined the Kakum Rural Bank were provision of medical care, provision of good shelter, provision of good education for family, provision of nutritious food for family, and acquisition of property/assets. This finding generally is similar to the outcome of a study by IFAD (2012) that access to financial service affects the household outcomes of beneficiaries. It also conforms to the expected outcomes in the conceptual framework of the study.

Table 3. The effect of Kakum Rural Bank's operations on poverty reduction among customers

Poverty indicators	Mean ^B	Mean ^A	Z-value	P-value(sig)
Income	2.637	2.951	2.716	0.007*
Output	2.413	2.881	2.362	0.018*
Savings	2.612	2.881	2.473	0.013*
Provision of medical care	2.643	2.960	2.950	0.003*
Provision of good shelter	3.014	3.322	2.707	0.007*
Provision of education good education for family	2.494	2.846	2.878	0.004*
Provision of clothing for family	3.001	3.057	0.337	0.736
Provision of nutritious food for family	3.192	3.441	2.432	0.015*
Acquisition of property or assets	2.284	2.562	2.403	0.016*
Provision of potable water for family	3.957	4.076	1.704	0.088

* Poverty indicator statistically significant at 5% significance level

Mean^B= Mean before joining KRB Mean^A= Mean after joining KRB

Wilcoxon Signed Ranks Test (5% significance level)

Source: Fieldwork, 2010

However it can also be seen from Table 3 that customers' ability to provide clothing and potable water for their families were not statistically significant at the 5% significance level. The provision of potable water was not significant due to the general absence of potable water infrastructure in the municipality.

1.4 Conclusions and policy recommendations

Kakum Rural Bank has to a large extent contributed positively towards poverty reduction in the Komenda-Edina-Eguafo-Abrem Municipality. This is reflected in the changes in income level, output level, and savings level; the provision of medical care, good education for families, good shelter, and nutritious food for families; and customers' acquisition of assets or properties. The trends in financial, non-financial, and corporate social services attest to the extent to which the bank has helped in poverty reduction.

The location of rural banks in the rural centres acts as a catalyst in creating a banking consciousness among the rural inhabitants, who are encouraged to patronise such banks. It is therefore recommended that Kakum Rural Bank establishes more agencies and mobilisation centres in the municipality, so as to expand its coverage. The bank should further ensure that those activities which are positive, such as credit delivery, savings mobilization, and money transfers, are continued and enhanced. However, the bank should ensure that depositors receive realistic interest rates on their deposits. The interest rate on credit should be lowered to the level that will cover the bank's operating expenses while at the same time facilitating the improvement of the customers' welfare.

REFERENCES

.....

Afrane, S. (2007, 19th-21st March). *Promotion of rural savings through microfinance: the experience of Sinapi Aba Trust in Ghana*. Paper presented at International Conference on Rural Finance Research, FAO Headquarters, Rome, Italy.

Akindola, R.B. (2009). Towards a definition of poverty: Poor people's perspectives and implications for poverty reduction. *Journal of Developing Societies*, 25 (2), 121-150.

Anin, T.E. (2000). *Banking in Ghana*. Accra: Woeli Publishing Services.

Asamoah, A. (1996). *Socio-economic development strategies of independent African countries: The Ghanaian experience*. Accra: Ghana Universities Press.

Asenso-Okyere, W. K., Asante, F.A., & Gyekye, O. (1993). *Policies and strategies for poverty alleviation in Ghana*. Accra: ISSER.

Association of Rural Banks (2009). *First quarter (2009) report on the performance of rural and community banks (RCBs)*. Accra: Efficiency and Monitoring Unit (EMU).

Attimir, O. (1982). *The extent of poverty in Latin America*. World Bank Staff Working Paper, No. 522. Washington D.C.: World Bank.

Bakhtiari, S. (2006). Microfinance and poverty reduction: Some international evidence. *International Business and Economic Research Journal*, 5(12), 79-114.

Bank of Ghana (1999). *Quarterly economic bulletin*. Accra: Bank of Ghana.

Bank of Ghana. (2007). *A note on microfinance in Ghana*. Bank of Ghana Working Paper (WPI/BoG-2007/01). Accra: Bank of Ghana.

Bradshaw, T.K (2005). Theories of poverty and anti-poverty programs in community development. *RPRC Working Paper*, 06 - 05

Brohman, J. (2000). *Popular development: Rethinking the theory and practice of development*. Oxford: Blackwell Publishers.

Burgess, R., & Pande, R. (2005). Do rural banks matter? Evidence from Indian social banking experiment. *American Economic Review*, 95, 780-95.

Chandy, L, & Gertz, G. (2011). *Poverty in numbers: The changing state of global poverty from 2005 to 2015*. Washington D.C.: Global Economy and Development.

Cheston, S., & Kuhn, L. (2002). *Empowering women through microfinance*. New York: UNIFEM.

Chowdhury, A. (2009). Microfinance as a poverty reduction tool - A critical Assessment. *Economic & Social Affairs DESA Working Paper No. 89*. New York: United Nations.

Coyle, D. (2007). How to tackle poverty: Economists are closing in on the answers. *World Economics*, 8(3), 1-5.

Dullien, S. (2009). *Central banking, financial institutions and credit creation in Developing Countries*. UNTAD Discussion Paper No. 193. Geneva: UNTAD United Nations Conference on Trade and Development (UNTAD).

Essel, T.T. (1996). *The impact of rural banks' credit operations on rural development: A case study of Kakum Rural Bank*. Unpublished M.Phil. thesis, University of Cape Coast, Cape Coast.

Ghana Statistical Service (1995a). *The pattern of poverty in Ghana, 1988-1992*. Accra: Ghana Statistical Service.

- Ghana Statistical Service (1995b). *Ghana living standards survey on the second round (GLSS2)*. Accra: Ghana Statistical Service.
- Ghana Statistical Service (1996). *Ghana living standards survey on the third round (GLSS 3)*. Accra: Ghana Statistical Service.
- Ghana Statistical Service (2000a). *Poverty trends in Ghana in the 1990s*. Accra: GSS.
- Ghana Statistical Service (2000b). *Ghana living standards survey on the fourth round (GLSS 4)*. Accra: Ghana Statistical Service.
- Ghana Statistical Service (2007). *Ghana living standards survey on the fifth round (GLSS 5)*. Accra: Ghana Statistical Service.
- Hakim, A. (2009). Poverty reduction efforts in Ghana: The experience of the European Union Micro Projects Programme in the Northern Region. Unpublished MSc. Thesis, Kwame Nkrumah University of Science and Technology (KNUST), Kumasi.
- Hulme, D., & Mosley, P. (1996). *Finance against poverty: Volumes 1 and 2*. London: Routledge.
- Hulme, D. (2000). Impact assessment methodologies for microfinance: Theory, experience and better practice. *World Development*, 28(1), 79-98.
- IFAD (2008). *The Republic of Ghana rural and agricultural finance program (RAFiP)*. Rome: International Fund for Agricultural Development.
- IFAD (2009). *Rural finance: Small amount making a big difference*. Rome: International Fund for Agricultural Development.
- IFAD (2012). *Promoting rural enterprise growth and development: Lessons from four projects in sub-Saharan Africa*. Rome: International Fund for Agricultural Development.
- IFPRI (2007). *Taking action for the world's poor and hungry people: A way forward*. Washington D.C.: International Food Policy Research Institute.
- KEEA Municipal Assembly (2009). *The Elmina 2015 strategy: Building on the past to create a better future*. Elmina: Elmina Cultural Heritage and Management Programme.
- Korankye, T. (2008). *Dealing with HIV/AIDS and poverty in fishing communities: How risky are artisanal marine fisher-folks at Elmina in Ghana?* Unpublished MSc. thesis, University of Tromsø, Norway.
- Laderchi, C. R., Saith, R., & Stewart, F. (2003, 7th-10th October). *Everyone agrees we need poverty reduction, but not what this means: Does this matter?* Paper presented at the WIDER conference on inequality, poverty and human well-being, Helsinki.
- Lavoie, F., Pozzebon, M., & Gonzalez, L. (2011). Challenges for inclusive finance expansion: The case of CrediAmigo, a Brazilian MFI. *International Management*, 15(3), 57-66.

- Merrill, S. R. (2009). *Microfinance for housing: Assisting the "Bottom Billion" and the "Missing Middle"*. Washington D.C.: International Development and Governance.
- Nair, A., & Fissaha, A. (2009). *Rural banking: The case of the rural and community banks in Ghana*. Agriculture and Rural Development Discussion Paper No. 48. Washington, DC: World Bank.
- NBSSI (2008). Report for National Board for Small Scale Business Industries. Accra: National Board for Small Scale Business Industries.
- Otero, M. (1999). *The evolution of nongovernmental organizations toward financial intermediation*. West Hartford, CT: Kumarian Press.
- Okpukpara, B. (2009). Strategies for effective loan delivery to small-scale enterprises in rural Nigeria. *Journal of Development and Agricultural Economics* 1(2), 41-48.
- Oloyede, J.A. (2008). Informal financial sector, savings mobilization and rural development in Nigeria: Further evidence from Ekiti state of Nigeria. *African Economic and Business Review*, 6 (1), 35-63.
- Sen, A. (1999). *Development as freedom*. New York: Oxford University Press.
- Shekhar, K.C., & Shekhar, L. (2007). *Banking theory and practice* (19th ed.). New Delhi: Vikas Publishing House.
- Sowa, N. K. (1993). The impact of structural adjustment on the population of Africa: Ghana case study. In A. Adepoku (Ed.), *The impact of structural adjustment on the population of Africa, chapter 2* (pp. 7-24). London: James Currey.
- UNFPA (2007). *State of the world population 2007: Unleashing the potential of urban growth*. New York: United Nations Population Fund.
- Van Santen, R.M. (2010). Microfinance as a poverty reduction policy. Retrieved July 23 2012 from <http://rienekevansaten.com/teksten/Essay>
- World Bank (1995). *Ghana's growth, private sector and poverty reduction: A country economic memorandum* (World Bank Report No. 14111 GH). Washington D.C.: World Bank.
- World Bank. (2000a). *World development report: Attacking Poverty*. Washington D.C.: World Bank.
- World Bank (2000b). *World development report 2000-2001*. Washington, D.C.: World Bank.
- World Bank (2009). *Implementation completion and results report on IDA credit and IFAD loan to the Republic of Ghana*. Washington DC: World Bank.
- Yin, R.K. (2008). *Handbook of applied research*. CA: Sage.

Received: August 30, 2012

Accepted: May 15, 2013

