

ASSESSMENT OF ACCESS TO FINANCIAL CAPITAL BY RURAL PEOPLE IN GHANA: THE CASE OF THE UPPER EAST REGION

MAMUDU ABUNGA AKUDUGU*

Abstract

Financial capital (FC) can transform self-image, unlock potential and boost the productivity and well-being of the poor. This paper assesses the access to FC by rural people in the Upper East Region (UER) of Ghana. The study results showed that Rural Banks (RBs) are the main source of FC to rural people in UER with only 21% of them having access to FC from the RBs in pursuance of their livelihoods developments. It is recommended that the RBs and government among others should take pragmatic measures towards covering more rural people who constitute 84% of the population of UER.

Keywords: Financial Capital Delivery, Ghana, Rural Banks, Upper East Region.

JEL Classification: G21; G22; G29; G30.

1. INTRODUCTION

The last three decades have seen the evolution of financial institutions across the world as providers of financial services. These financial institutions include rural and community banks which provide banking services to actors in rural economies in many countries. Critical amongst these banking services is the provision of financial capital to actors in the productive sectors, and this is reported to have significantly boosted income levels and employment opportunities in developing countries (Nitin and Shui-Yan, 2001).

Financial capital provided by these financial institutions has the power to turn life around for a person, family or an entrepreneur. It can transform self-image, unlock potential and boost the productivity and well-being of the poor and vulnerable. There are over three thousand financial institutions

* University for Development Studies, C. C. E. I. R., Navrongo Campus - Ghana.

worldwide which have provided financial capital to over 130 million clients out of which about 90 million are among the poorest (Daley-Harris, 2007).

The works of Professor Mohammed Yunus (*see for instance* Yunus, 2003; 2008; 2009; Yunus and Alan, 2003) demonstrate how rural people and the poor can be supported through rural banking to sustainably pursue their livelihoods development. Through rural banking, Bangladesh is currently a shining example in Asia where financial capital delivery to the poor has turned the lives of hundreds of thousands and possibly millions of impoverished individuals and families from a situation of abject poverty and hopelessness to that of dignity and integrity. However, access to financial services by rural people in Ghana is said not to be the best. This assertion is consistent with Akudugu *et al.* (2009) who concluded in their study that about 50 percent of people in rural areas of the Upper East Region of Ghana do not make efforts to access financial services from financial institutions, particularly rural banks, and that only a few of those who make conscious efforts to access financial services from the rural banks receive them. According to Al-Hassan and Bambangi (2006), the worst affected people of inadequate access to financial services especially in the Upper East Region of Ghana are rural women. This has serious negative implications on the socio-economic development of the area given that about 53 Percent of the population of the region are women.

According to the World Bank (2002), poverty still remains a systemic problem in rural settings of Ghana particularly in the northern sector because of inadequate access to basic infrastructure, health services, and quality education, as well as production credit. This is confirmed by the National Development Planning Commission which observed that "by income measures, poverty levels are highest in the three northern savannah Regions (the Upper East, Upper West and Northern Regions) ranging between 69% and 88%" (Republic of Ghana, 2003: 15). Women are said to suffer more from the lack of access to not only financial services but all forms of productive resources than men (Al-Hassan and Bambangi, 2006; Fletschner, 2008).

In the Upper East Region, most of the people are said to be living in the rural areas where poverty is endemic. It has been estimated that about 84 percent of the people in the Upper East Region live in rural areas (Harold, 2005). The situation of endemic poverty in this region in particular, and Ghana as a whole is said to be positively related to inadequate access to productive resources such as financial capital by actors in the productive sectors (Akudugu *et al.*, 2009). To halt and reverse the endemic poverty situation in the region, and the country for that matter, successive governments in Ghana never relent in their efforts to formulate policies and implement projects and

programmes that aim at providing adequate access to productive resources by economic agents at all levels and sectors. These policies, programmes and projects at the national level led to consistent reduction in prevalence of poverty. However, the trend of poverty reduction at national level does not correspond to that seen at regional levels. For instance, while the rate of poverty at the national level was reduced from about forty percent (39.5%) in 1998/99 to about twenty-nine percent (28.5%) in 2005/2006, that of the regional level (Upper East) reduced marginally from about 88% (1998/99) to about 83% (2005/2006) (GLSS, 2007). The slow rate of poverty reduction in the region is an obvious challenge to the attainment of the MDGs by 2015.

Amongst the strategies adopted by Ghana government to tackle poverty head on was the liberalization of the financial sector which led to the establishment of rural banks across the country. The main objective of the liberalization policy was to expand the frontiers of banking in Ghana and the Upper East Region. In pursuance of the policy to integrate actors in the productive sectors in the rural areas into the mainstream financial sector, the government of Ghana established a number of rural banks across the country.

The first rural bank established in Northern Ghana was in the Upper East Region in 1981 (Akudugu *et al.*, 2009) thereby kick starting rural banking in that part of the country. Currently, there are five rural banks operating in the Upper East Region with the main responsibility of delivering affordable financial capital to the rural dwellers. In doing this, the rural banks among other things are expected to build community level agents in rural banking which will serve as a link between the informal sector and the formal financial sector. To achieve this objective, they are expected to organize financial literacy workshops with emphasis on sound financial capital utilization and management systems to build the capacity of rural inhabitants in order to access financial services that the banks offer (Akudugu and Gbene, 2005). They are also mandated to design financial products that best suit the socio-economic and politico-cultural circumstances of rural dwellers, particularly the less privileged, vulnerable and women.

The rural banks have been operating in the Upper East Region of Ghana for the past three decades but as to how they are executing their mandate of delivering affordable financial capital to their customers in the rural areas to the best of the researcher's knowledge is not well known. This paper therefore assesses the access to financial capital by rural people in the Upper East Region of Ghana. First, the survey process is presented. Second, the analytical framework of the study is presented. The third section presents the study results and discussion and the fourth and final section concludes the paper with recommendations.

2. THE SURVEY

The survey was conducted in the Upper East Region of Ghana which covers a total land area of about 8,848 square kilometers (km²) and this forms about three percent (3%) of Ghana's land area. Demographically, the region has a total population of about 914,016 (GSS, 2000). Out of this, 484,428 representing about 53% are females with the remaining 47% being males.

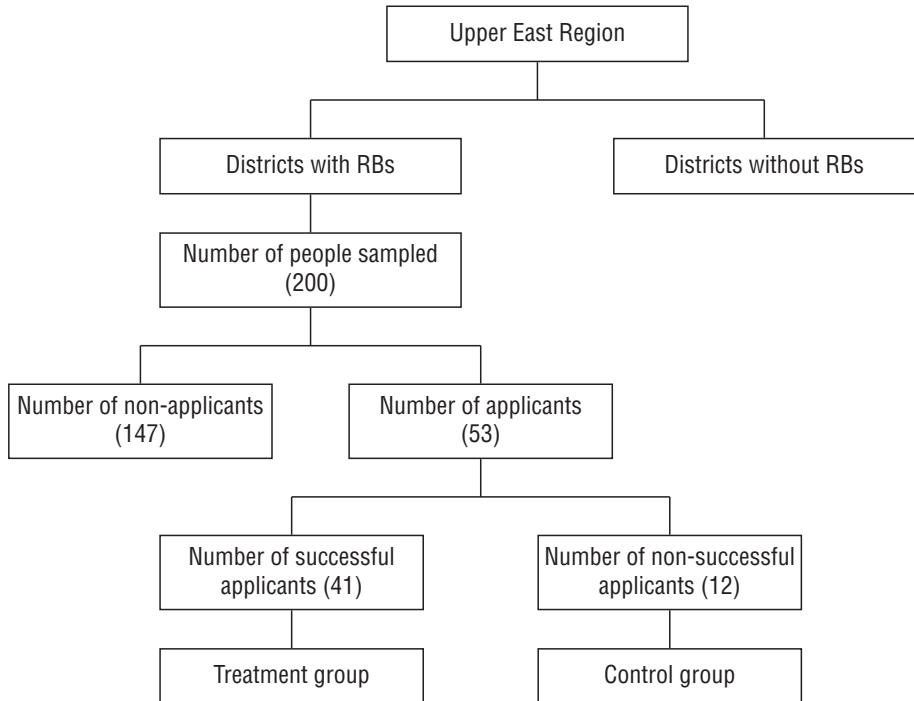
The Upper East Region lies within 10⁰ 45¹N and 0⁰ 45¹W. The region is bordered to the North by Burkina Faso, to the East by the Republic of Togo and to the South and West by Northern and the Upper West Regions of the Republic of Ghana respectively and has its capital at Bolgatanga. It is made up of nine (9) administrative Districts and Municipalities.

There are five (5) rural banks working in the region and four (4) of them were studied. The reason for excluding the fifth rural bank is that it was established during the last quarter of 2008 and its operations are yet to be felt by people in its catchment area. The four rural banks studied include the BESSFA Rural Bank with its headquarters in Garu in the Garu-Tempene District, the Toende Rural Bank with its headquarters in Zebilla in the Bawku West District, the Naara Rural Bank with its headquarters in Paga in the Kassena-Nankana West District and the Builsa Community Rural Bank with its headquarters at Sandema in the Builsa District. The BESSFA Rural Bank has branches in Pusiga and Bawku as well as a mobilization centre in Nankpanduri. The Toende Rural Bank has a mobilization centre at Bazua. The Naara Rural Bank has branches at Navrongo, Serigu, Bukere/Bolga and a mobilization centre at Chiana. The Builsa Community Rural Bank has a branch at Bolga.

Two hundred (200) people including 50 from each District where the four rural banks studied have their headquarters located were randomly sampled for the study. Out of the 200 people sampled, 53 of them, representing about 26 percent, had applied for financial capital from the rural banks and the remaining 147 of them, representing about 74 percent, had not applied. Out of the 53 respondents who had applied, 41 of them, representing about 77 percent of the applicants were successful in their applications and 12 of them, representing about 23 percent were not successful. The sampling framework is shown in Figure 1.

3. THE ANALYTICAL FRAMEWORK

The components of financial capital offered to rural people by the rural banks are identified and described in line with Bond *et al.* (2003), DfID (2001)

Figure 1: The Sampling Framework

Source: Author's Construct.

and Carney *et al.* (2000) definitions and descriptions of financial capital. The processes leading to the acquisition of financial capital from the rural banks by customers, and what happens after acquisition are described. A trend analysis of Farmer-Based Groups (FBGs) that applied for credit from the rural banks from 2005 to 2007 was carried out. The groups that were offered the full amount they applied for were separated from those that were either given a portion of what they applied for or were not given at all and the results presented in a frequency distribution table.

The percentage of applicants that had access to credit during the period was computed as:

$$\left(\frac{\text{Number of groups granted credit}}{\text{Number of groups that applied for credit}} \right) \times 100\% = PSA$$

Where: PSA = Percentage of Successful Applicants.

The percentage change of credit supply by the rural banks was also computed as:

$$\left(\frac{\text{Current year's credit} - \text{Previous year's credit}}{\text{Current year's credit}} \right) \times 100\% = PC$$

Where: PC = Percentage Change

The level of access to credit by rural people from the rural banks is measured as the ratio (Z) of the amount of credit received (R) to the amount applied for (A). The magnitude is expressed as a percentage. The mathematical relation used for this purpose was: $Z = R/A \times 100\%$. The savings behaviour of respondents was assessed by examining their savings made in the rural banks during the previous calendar year (2008). This was followed by bank to bank analyses to determine the bank that is able to mobilize the highest amount of savings from the rural people.

4. RESULTS AND DISCUSSION

4.1. Background Information of the Respondents

The study results showed that the respondents were sampled from varied backgrounds. They are heterogeneous in their social and economic pursuits. Table 1 gives the background information of the respondents which comprises of the age, the level of education, marital status, membership of economic or solidarity groups/associations, the savings behaviour as well as farm and family sizes. The average age of the respondents was found to be 43. This means that most of the people interviewed are middle aged, and therefore belong to the economically active group who require financial capital to support their income generating activities.

The study results also showed that 113 (56.5%) of the respondents were men with the remaining 87 (43.5%) being women. The average family size of respondents was found to be 9.7. This means that the respondents support relatively large families. This has a serious implication on the volume of the economic activities of the respondents and their participation in activities geared towards financial capital delivery by the rural banks.

Table 1: Background information of the respondents

Variable		Statistic
Age (years):	Minimum	38
	Maximum	72
	Mean	43.0
	Standard deviation	7.8
Gender:	Male	113
	Female	87
Major Occupation:	Farming	180
	Petty trading	19
	Salaried work	1
Family size:	Minimum	4
	Maximum	17
	Mean	9.7
	Standard deviation	3.4
Farm size (acres):	Minimum	0.7
	Maximum	7.9
	Mean	2.1
	Standard deviation	1.7
Marital status (%):	Married	173
	Single	26
	Widowed	3
	Separated	1
Savings behaviour/habit:	Yes	41
	No	159
Association membership:	Yes	48
	No	152
Education:	No education	139
	Non-formal	34
	Formal education	27

Source: Survey data, 2009

Field observations showed that respondents with large family sizes had a higher tendency to join solidarity groups that will enable them have access to financial capital from rural banks, and the reverse also holds true. This finding is consistent with that of Akudugu *et al.* (2009) that family size positively influences the decision to access financial capital from formal sources. This, they argued, is because the volume of economic activities of households with large family sizes is higher than those with small family sizes. This in their view is more so in farm households where the provision of labour by family members is said to be directly proportional with household farm sizes. This argument holds in this study, given that 90 percent of the people interviewed engage in farming as their major occupation.

Also, average farm sizes of respondents were found to be 2.1 acres. This implies that the respondents are largely small scale farmers who are in farming as a way of life rather than as a business. The study results further revealed that about 87 percent of the people interviewed were married, with the remaining 13 percent of them being single, separated or widowed. In terms of savings behaviour, the study results revealed that about 20 percent of the respondents have savings in the rural banks and the remaining 80 percent are without savings in the rural banks. This means that the people in the region have poor savings habits, which is likely have a negative effect on their access to financial capital from the rural banks since the two (savings and access to financial capital) are positively correlated. Besides, out of the 200 people interviewed, 48 of them, representing 24 percent, belonged to solidarity groups or associations with the remaining 152 of them, representing 76 percent, not belonging to any solidarity group. Given that the rural banks offer financial capital mostly to solidarity groups because of the difficulties individuals face in providing collateral, those in the solidarity groups are more likely to access financial capital from the rural banks than those who are not. The fact that majority of the people interviewed (76%) did not belong to solidarity groups implies that most of them will not have access to financial capital from the rural banks since the banks consider lending to poor individuals to be a risky venture (Akudugu *et al.*, 2009).

Also, the study results showed that about 70 percent of the people interviewed did not have formal education, 17 percent of them had non-formal education and the remaining 13 percent of them had received formal education. This is a challenge that must be overcome by rural people if they are to access financial capital from formal sources such as the rural banks. This conclusion is consistent with conclusions drawn by earlier researchers, that the level of formal education is positively related to access to financial serv-

ices from formal sources such as rural banks (Akudugu *et al.*, 2009; Akram *et al.*, 2008; Ayamga *et al.*, 2006; Thaicharoen *et al.*, 2004).

4.2 Components of Financial Capital Delivered by RBs to Rural People

The study results showed that the financial capital being delivered by the rural banks in the Upper East Region to their customers in rural settings is an intervention package that consists of a number of components. These components include group formations, training, savings, credit and supervision of economic activities. Some of these components however, overlap and are interdependent. The classification of the livelihood capital categories and components of financial capital offered by the rural banks is consistent with that of Bond *et al.* (2003), DfID (2001) and Carney *et al.* (2000) as stated earlier. Table 2 presents detailed descriptions of the components of financial capital delivered by the rural banks to the people of the Upper East Region of Ghana and the problems encountered in doing so.

Table 2: Components of financial capital offered by rural banks to women

Livelihood Capital Asset Category	Component Offered as at December, 2009	Description of component	Problems in offering component
Social capital	Community entry	Bank officials enter target communities for sensitization and building of rapport and signing of social contract with the people for operations to start.	Some community leaders do not cooperate and even ask for money for drinks in some cases before giving audience to credit staff.
	Group formation	Members of target communities interested in the services to be provided are put into groups of between 4 and 12 people per group.	Conflicts among group members in some cases derail the whole process.
	Monitoring	Credit staff monitor groups and group members monitor each other to ensure that those who are not serious are eliminated.	Some group members get offended when colleagues try to monitor them and this mostly ends up in quarrels.

	Supervision	The banks officials supervise the activities of groups to ensure there is social cohesion among members and to deal with initial conflicts that might arise among group members.	Inadequate staff and logistics.
Human capital	Training	Groups are given training in groups dynamics, operations of the banks, services rendered, who can access services especially credit, sound credit management and utilization as well as records keeping.	Staff are inadequately qualified to handle training, especially in group dynamics. Training in most cases is only once and this is not enough.
Financial capital	Savings	Groups are given the opportunity to save with the rural banks for at least 3 months before credit is given. This is used to determine the regularity of flow of income and commitment of group members.	Groups sometimes prefer to keep their money at home to saving in the bank. Some group members often complain of low interest paid on their savings.
	Credit	Credit comprising of the principal amount, interest to be paid which is between 22% and 27% and processing or commitment fee of 5% of principal is given to group members.	Late credit applications and diversion of production credit funds to unintended uses is a major problem. Groups complained of late credit disbursement by the banks.
	Repayment	Repayment is made weekly, monthly or quarterly as the case may be. In most cases farmers repay quarterly in installments over ten months and the repayment starts three months after the release of credit.	Farmers complain of unfavourable repayment schedules and high interest rates. Defaults are also problems for the banks to deal with.

Source: Field Survey Data, 2009.

The study results revealed that the rural banks offer three (social, human and financial) of the five livelihood capital assets, namely social capital, human capital, natural capital, physical capital and financial capital (Bond *et al.*, 2003; DfID, 2001; Carney *et al.*, 2000) upon which individuals and communities draw to build their livelihoods. The group formations enhance the social capital of the group members and serves as collateral for the acquisition of financial capital from the rural banks. It inculcates in group members the habit of saving, since it is incumbent on every member of the group to save. The savings made by group members form a critical component of access to credit from the rural banks, because of the savings before credit policy of the banks. As such, these savings allow group members to acquire credit from the rural banks to support their livelihood activities. It provides a critical platform for group members to develop their leadership skills that enable them participate effectively in the decision making process at the household and community levels. In effect, these groups serve as springboards for group members, particularly rural people to develop their political careers and boost their social standing in their communities and beyond. It also helps build social cohesion and solidarity among group members in beneficiary communities. Besides, the training given to group members by the rural banks enhances their human capital, and this empowers them to better their lots. Also, the savings opportunities and credit delivered by the rural banks improves beneficiaries' financial capital base, which enables them to pursue their economic activities towards the development of sustainable livelihoods.

4.3 Level of Access to Financial Capital from Rural Banks by Respondents

In assessing the level of access to financial capital, particularly credit, by the respondents, the study first looked at the trend of credit applications to the rural banks by Farmer-Based Groups (FBGs) from 2005 to 2007. The results showed that the number of FBGs in the Upper East Region that applied for credit from the rural banks reduced from 278 in 2005 to 213 in 2007 representing a reduction of about 23 percent. Similarly, those FBGs that were offered credit by the banks also decreased correspondingly from 261 in 2005 to 206 in 2007, representing a decrease of about 21 percent. Out of the successful applicants, those FBGs that were not offered the total amounts they applied for decreased from 187 in 2005 to 161 in 2007, representing a decrease of about 14 percentage points. The reducing trend of number of group applicants has a serious consequence on access to financial capital by the people since the banks prefer group – based lending to lending to individuals,

which is considered riskier. Table 3 presents the nature of group financial capital applications and the offerings by the rural banks.

Table 3: Nature of group applications and offerings by RBs in Upper East

Year	Number of groups that applied for credit	Number of groups given total amount of credit applied for		Number of groups given a portion of the amount applied for		Number of groups not given credit at all	
		Frequency	Percent	Frequency	Percent	Frequency	Percent
2005	278	74	27	187	67	17	6
2006	234	53	23	171	73	10	4
2007	213	39	18	167	78	7	3
Total	725	166	23	525	72	34	5
Percentage of Successful Applicants = $\frac{(166 + 525)}{725} \times 100\% = 95\%$						Percentage Unsuccessful = $\frac{34}{725} \times 100\% = 5\%$	

Source: Field Survey Data, 2009.

As indicated in Table 3, six hundred and ninety-one (691) out of seven hundred and twenty-five (725) FBGs representing 95 percent of FBGs that applied for financial capital were offered by the rural banks thereby given a 95 percent level of success or access by FBGs. Out of those FBGs that were granted credit by the RBs, about 24 percent of them were not rationed or were granted the amounts they applied for, while the remaining 76 percent of them were rationed or given a proportion of the amounts they applied for. The main reason given by the rural banks for denying some FBGs credit is as a result of default on a previous credit. The use of FBGs as collateral for lending by the rural banks is consistent with that of Armendariz and Morduch (2005) and Kah *et al.* (2005) who observed that group-based lending is the best way to circumvent the difficulties faced by the poor in providing collateral for borrowing, and also moral hazards.

The nature of credit applications by FBGs during the period (2005-2007) which amounted to two million, nine hundred and twenty-eight Ghana Cedis (GH¢2, 000, 928) was also analyzed. For the purpose of this paper, the specific names of the banks will not be mentioned but would be referred to by numbers (i.e. 1, 2, 3 and 4). Table 4 presents the amounts applied for by the FBGs and the amounts granted them by the rural banks. The results revealed that within the period (2005-2007), the successful FBGs were able to

access about 66 percent of what they applied for from the rural banks. This in simple terms implies that if an FBG applied for GH¢100.00 for instance, it was given an amount of GH¢66.00.

Table 4: Level of credit supply to groups by Rural Banks (RBs) in Upper East

Bank	Applied/Received/Extent	2005	2006	2007	2005-2007
1	Amount applied for (GH¢)	77,791	97,945	160,780	336,516
	Amount received (GH¢)	52,238	66,603	110,456	229,297
	Level of access (%)	67	68	69	68
	Percentage increase (%)	-	22	40	-
2	Amount applied for (GH¢)	107,087	163,065	267,753	537,905
	Amount received (GH¢)	82,037	103,321	158,013	343,371
	Level of access (%)	77	63	59	64
	Percentage increase (%)	-	21	35	-
3	Amount applied for (GH¢)	145,621	235,864	387,289	768,774
	Amount received (GH¢)	94,265	137,571	275,044	506,880
	Level of access (%)	65	58	71	66
	Percentage increase (%)	-	31	50	-
4	Amount applied for (GH¢)	85,739	102,950	169,044	357,733
	Amount received (GH¢)	54,294	86,589	97,571	238,454
	Level of access (%)	63	84	58	67
	Percentage increase (%)	-	37	11	-
Total	Amount applied for (GH¢)	416,238	599,824	984,866	2,000,928
	Amount received (GH¢)	282,834	394,084	641,084	1,318,002
	Level of access (%)	68	66	65	66
	Percentage increase (%)	-	28	39	-

Source: Field Survey Data, 2009.

It was also found that some of the respondents in 2008 made some savings with the rural banks studied. Out of the two hundred (200) people interviewed, 41 of them, representing about 20 percent, had savings with the rural banks, with the remaining 159, representing about 80 percent of them, not having savings with the rural banks. A bank by bank analysis revealed that 11 respondents representing 22 percent of the 50 people interviewed in the operational area of Bank 1 made savings with the bank. Besides, 14 respondents representing 28 percent of the 50 people interviewed in the operational

area of Bank 2 during the same period made savings in the bank. Also, 9 respondents representing 18 percent of the 50 people interviewed in the operational area of Bank 3 made savings in the bank and 7 respondents representing 14 percent of the 50 people interviewed in the catchment area of Bank 4 made savings in that bank during the same period (2008). Table 5 gives the details.

Table 5: Savings made in RBs by respondents in 2008 (12 months)

Bank	Number of respondents who saved	Frequency of savings	Amount of savings made (GH¢)	Average savings made (GH¢)
1	11	Weekly/Monthly	247	22.45
2	14	Weekly/Monthly	206	14.71
3	9	Weekly/Monthly	339	37.67
4	7	Weekly/Monthly	374	53.43
Total	41		1,166	
Average savings per respondents who saved per year = GH¢1,166/41 = GH¢28.44				
Average savings made by respondents per bank = GH¢1,166/4 = GH¢291.50				

Source: Field Survey Data/ Passbooks, 2009.

The 41 respondents who had savings with the four rural banks had a total savings of GH¢1,166.00 giving on an average savings of about GH¢28.44 per person per year, and GH¢291.50 per bank per year (Table 5). In summary, a bank to bank based analysis showed that the average amount of savings made per person per year are GH¢24.45, GH¢14.71, GH¢37.67 and GH¢53.43 for Bank 1, Bank 2, Bank 3 and Bank 4 respectively (Table 5). This means that Bank 4 was able to mobilize the highest amount of savings per person per year from its rural customers, with Bank 1 mobilizing the least amount per person per year from its rural customers.

According to the respondents who made savings with the rural banks, savings are made weekly and kept by the treasurer who then deposits it at the bank mostly at the end of the month. The frequency, however, depends on the season. Whereas weekly savings are mandatory during the harvest season, it is not the case during the lean season. Further, it came out that individuals are not encouraged to save their extra income earnings with the rural banks. There is therefore the need for the RBs to design strategies for mobilizing savings from individuals in the rural areas of Ghana and the Upper East region in particular.

Table 6: Nature of credit applications by respondents and offerings by RBs

Bank	Number of respondents who did not apply for credit	Number of respondents who applied for credit	Number of respondents granted total amount applied for	Number of respondents granted portion of amount applied for	Number of respondents not given credit
1	35	15	2	9	4
2	33	17	5	9	3
3	38	12	3	6	3
4	41	9	6	1	2
Total	147	53	16	25	12
Percentage Access and Non-access			$\%Access = \frac{(16 + 25)}{53} \times 100\% = 77\%$		$\%Non-access = \frac{12}{53} \times 100\% = 23\%$

Source: Survey data, 2008.

The amount saved per person per week ranges from 28Gp to GH¢1.05. Incidentally, it was observed that those who had made savings in the rural banks were those who received credit from them. This emphasizes the savings before credit policy of the banks. The rural banks ration their credit to applicants, which according to them is dependent on the amount of savings made (Table 6).

As shown in Table 6, the study results revealed that out of the 53 respondents who applied for credit from the rural banks, 41 of them, representing 77 percent, had access to it and 12 of them, representing 23 percent, did not. It is therefore clear that many people (77%) who apply for credit from the rural banks have access. Out of the 41 applicants who had access to credit from the rural banks, 16 of them, representing 39 percent, were given the amount they requested for or were not rationed with the remaining 25 of them, representing 61 percent, being given a proportion of the amounts they requested or being rationed.

The 53 applicants requested an amount of GH¢7, 445.00 from the rural banks, of which they were granted an amount of GH¢5, 743.00, representing about 77 percent of the amount they applied for. The results in Table 7 show that each of the 53 credit applicants applied for an average amount of GH¢140.47, out of which the successful applicants were given an average amount of GH¢140.07 each (Table7).

Table 7: Level of access to credit by respondents from RBs in 2008

Bank	Amount applied for in GH¢ (A)	Mean amount applied for in GH¢	Amount received/ GH¢ (R)	Mean amount received in GH¢	Percentage (%) Received = $(R/A)*100\% = Z$ (Extent of Access)
1	1,745	116.33	1,235	112.27	71
2	1,215	71.47	1,005	71.79	83
3	1,980	165.00	1,645	182.78	83
4	2,505	278.33	1,858	265.43	74
Total	7,445	140.47	5,743	140.07	77

Source: Field Survey Data/Passbooks and application letters, 2009.

On average, applicants to all the four rural banks studied were given about 77 percent of what they applied for. In simple terms, it means that if an individual applicant requested an amount of GH¢100.00 from any of the rural banks, he/she was given about GH¢77.00.

From the foregoing, it can be concluded that a higher percentage (95%) of Farmer Based Groups (FBGs) in the Upper East Region are successful in their credit applications to the rural banks. Also, a higher percent (77%) of the people interviewed who applied for credit from the rural banks had access. The successful applicants are given an average of about 77 percent of the amounts they apply for. In fact, from the results presented above, personal observations on the field and key informant interviews, it was confirmed that those people who save with the rural banks continuously for at least three (3) months before applying for credit either as individuals or groups have access to credit and can take up to five times their savings. This means that one can take credit up to GH¢500 from the rural banks if one makes savings of GH¢100 with them. This, by all standards, is a very good policy initiative by the rural banks in the Upper East Region of Ghana, which economic agents must be encouraged to take advantage of to improve their lots. It is important to state that individuals who do not belong to farmer groups can only access credit from the rural banks after saving continuously for at least three months, just like their counterparts who are in farmer groups. In addition to that, such individuals, unlike those in farmer groups, must provide collateral such as land of economic value, or other valuable properties in order to be able to access credit from the rural banks. Besides, individuals who cannot provide collateral must be guaranteed by at least five (5) people who are either formal sector workers receiv-

ing their monthly salaries through the given rural bank or business people who have huge savings with the rural banks. These requirements are difficult to meet, particularly for people in the rural areas of the Upper East Region of Ghana, where land is of low economic value, highly priced properties are non-existent and formal sector workers as well as business people are very few. As such, the use of social collateral provided by solidarity and economic groups is the best way to go if access to financial services by rural people in the Upper East Region of Ghana in particular, and Ghana as a whole, is to be widened, deepened and sustained.

5. SUMMARY OF FINDINGS AND CONCLUSIONS

First, the results from the study indicate that the people of the Upper East Region are heterogeneous, particularly in their farm and family sizes, savings behaviour, social interactions through solidarity and economic associations and level of education. Despite their heterogeneity, the rural banks still provide financial capital for the development of their livelihoods to about 21 percent of them. Second, the study results showed that the financial capital offered by Rural Banks in the Upper East Region of Ghana to their customers in the rural areas is a package that consists of formations of economic associations and training in group dynamics, basic business skills such as records keeping, application procedures, credit management and utilization as well as repayment schedules. The other component of financial capital offered include savings opportunities in which groups are encouraged to open joint savings accounts with the rural banks to enable them save their extra income earnings. The rural banks also offer credit to their customers, and this credit consists of the principal amount, interest rate of between 22 percent and 27 percent and the processing or commitment fee of 5 percent of principal amount. All the components offered by the rural banks in the Upper East Region to their customers are critical in livelihoods development of beneficiaries.

The study also found that from 2005 to 2007, about 95 percent of FBGs that applied for credit from the rural banks were granted it. On average, these groups or associations were given about 66 percent of the amount they applied for over the period. About 77 percent of the respondents who applied for credit in 2008 had access to it. Aside from this, about 21 percent of respondents had the opportunity to save their extra incomes with the rural banks, which guaranteed them access to credit from the banks. About 79 per-

cent of the people interviewed had no savings with the rural banks, which explains why they did not have access to credit from the RBs.

On the basis of the findings above, it is concluded that the RBs in the Upper East Region of Ghana deliver financial capital to about 21 percent rural people, enabling them to pursue their sustainable livelihoods development. The financial capital delivered creates a platform for beneficiaries in solidarity groups to develop leadership and decision making skills by assuming leadership positions in such groups. This helps them develop their political careers and improve their social standings in their communities.

6. RECOMMENDATIONS

Based on the study results, the following recommendations are made:

- i The Rural Banks deliver financial services to only a small proportion (21%) of rural dwellers. This is unacceptable given that their mandate is to provide banking services to actors in the rural economy of the country. In this regard, the rural banks, government and stakeholders in the financial market of Ghana must take pragmatic steps to ensure that many rural people get access to financial services to support their socio-economic development.
 - ii The solidarity groups formed by the Rural Banks for financial service delivery serve as collateral for group members to access services from the the Rural Banks. As such, it is recommended that the existing solidarity groups formed be strengthened and sustained, and new ones formed, so as to ensure financial service widening in the rural areas where it is difficult for individuals to provide collateral in order to access financial services particularly credit from the Rural Banks.
 - iii People in rural areas of the Upper East Region and elsewhere in Ghana who are not in associations are encouraged to join existing ones, or form their own groups so as to enhance their chances of accessing financial capital from the Rural Banks in pursuance of their income generation activities.
 - iv Rural Banks operating in the Upper East Region of Ghana train members of solidarity groups in sound financial management and record keeping among other things as a component of the financial services offered to them (solidarity groups). This is commendable, and should be up-scaled and sustained. As such, the rural banks and other financial intermediaries as well as the relevant private and public sector institutions that work to empower people in rural areas in the region should formulate strategies,
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- policies and programmes that aim at enhancing the financial literacy of rural people. These capacity building services should not only target members of solidarity groups, but all members of rural communities.
- v The number of farmer groups applying for credit from the rural banks is on the decline. The Department of Cooperatives in Ghana should therefore do more to halt and reverse this trend by strengthening the existing organizations (FBGs), revamping collapsed ones and encouraging the formation of new ones across the region in particular, and the country at large.
 - vi Government and its development partners should formulate policies, programmes and projects that aim at integrating the needs of the large proportions of the rural unbanked into the mainstream financial sector.

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Résumé

Le capital financier (CF) peut transformer l'image de soi, libérer le potentiel et améliorer la productivité et le bien-être des pauvres.

Cette étude évalue l'accès aux CF par les populations rurales dans l'Upper East Region (UER) du Ghana. Les résultats de l'étude ont montré que les banques rurales (RB) sont la principale source de FC pour les populations rurales en UER et seulement 21% d'entre elles ont accès au FC des RBs dans le cadre de leur évolution des moyens de subsistance. Il est recommandé que les RB et le gouvernement parmi d'autres prennent des mesures pragmatiques en vue de couvrir davantage de populations des zones rurales qui constituent 84% de la population de l'UER.

Mots clés: Financial Capital Delivery; Ghana; Banques rurales; Upper East Region

Classification JEL: G21, G22; G29; G30.

