

THE RURAL BANKER

ISSUE 2

Q2, 2018



We Pledge To Serve!

Telling Our Stories

Dr. Alex Asmah
Amenfiman Rural Bank

Mr. Isaac Kwamina Afful
Lower Pra Rural Bank

Mr. Festus Kwame-Mensah Ofosu
South Akim Rural Bank

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*Rethinking Corporate Governance
in Rural Banking*

*5 Compelling Reasons Why RCBs
Should Delight Customers*

The John C. Maxwell Corner



TIME WITH ICONS:

Mr. Emmanuel K. Kwapong
First MD of ARB Apex Bank

Mr. Emmanuel Asiedu-Mante
First Board Chairman of ARB Apex Bank

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FROM THE PREVIOUS ISSUE



ARB Apex Bank became the first local bank to issue a domestic card which employs Europay MasterCard Visa (EMV) standards with CHIP and PIN for transactions. The Bank's resolve to provide flexible, transparent and easy banking experience for customers of RCBs, was the theme of the first issue of *The Rural Banker*.

Paulina Charway of the Finance and Administration Department of ARB Apex Bank, was cast for the front cover concept of issue #1.

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Printed by:
Zebra Press Limited

The Publisher

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EDITOR'S DESK

Maximus Attah



REVISE 25% CORPORATE TAX FOR RCBs DOWNWARDS

Prior to the introduction of the new corporate tax regime, which came into effect in 2015, (Act 896), the Rural and Community Banks (RCBs), paid a flat corporate tax of 8 percent. Under the new tax regime however, companies engaged in mining or upstream oil and gas businesses, pay 35 percent corporate tax, while all other companies pay 25 percent.

According to the new corporate tax classification, the RCBs fall into the second tier of companies described above and are therefore paying the mandatory 25 percent corporate tax. The surge in the corporate tax rate represents an unprecedented 212.5 percent for the RCBs.

The previous 8 percent corporate tax, *The Rural Banker* believes, was applied to the RCBs because of the development-oriented, community and rural focus of these banks. It cannot be gainsaid that the Government needs more tax resources to be able to effectively prosecute the developmental needs of the country, particularly so because of the country's current status of a middle income country, which prevents us from accessing cheap credit and grants from

development partners.

However, *The Rural Banker* believes that our quest to mobilise more domestic tax revenue should be carefully weighed against the crucial role the RCBs continue to play in the economic development of the country.

There are currently 141 RCBs, with more than 700 branches and 5 million customers, providing permanent jobs to more than 15,000 people across the country. This means that, put together, the ARB Apex Bank and the RCBs form the largest bank branch network in the country and command almost twice the number of customers of all the 34 universal banks put together.

The RCBs provide the needed micro-credit to individual farmers, petty traders, fishers, fish mongers, as well as small and medium enterprises (SMEs) in sometimes, hard-to-reach rural communities, which the commercial banks fear to tread.

Commercial banks also shy away from the rural dwellers because, many of the rural folks lack the

necessary documentation and collateral required by commercial banks as security for obtaining loan facilities.

The Rural Banker is therefore humbly appealing to the Government to re-consider revising downwards, the suffocating 25 percent corporate tax on the RCBs.

The RCBs are specialized rural development institutions. The tax rate for RCBs could be pegged at a flat 10 percent or in the worst case scenario, fixed at 12.5 percent.

The Rural Banker respectfully submits that the 212.5 percent increase in the corporate tax of the RCBs is simply stifling their operations. The RCBs could be required to use the 'tax savings' accruing to them from paying a fixed corporate tax of 12.5 percent on special projects relating to say, education, healthcare, security, etc. in their catchment areas. The ARB Apex Bank, could then be mandated to do an effective monitoring and evaluation of all the RCBs to ensure that the 'tax savings' are applied to these specific projects.

The time to act is now!



ARB APEX BANK
Together for progress

STAFF PLEDGE

- 1. I am here to serve the Rural and Community Banks.*
- 2. I shall make every effort to satisfy all Rural and Community Banks that I serve.*
- 3. I am not doing any Rural Bank a favour by serving them; It is my duty to serve them and to serve them well.*
- 4. I am a change agent and I am ready to be part of the change needed to make ARB Apex Bank a successful Bank.*
- 5. I shall contribute positively to the success of the ARB Apex Bank.*
- 6. I shall share information that will support the progress of the Bank and not news that will destroy other colleagues or the Bank.*
- 7. I shall be responsible with my words and time in order to create a great Bank.*
- 8. I shall protect the Bank from people whose actions and words can destroy the Bank.*
- 9. I shall be responsible for creating a healthy work environment in order to promote a positive working environment for all my colleagues.*
- 10. I shall give off my best and be at my best for the betterment, growth and sustainability of the ARB Apex Bank.*



BY: PMS/L UNION OF ARB APEX BANK

FROM THE MD's DESK

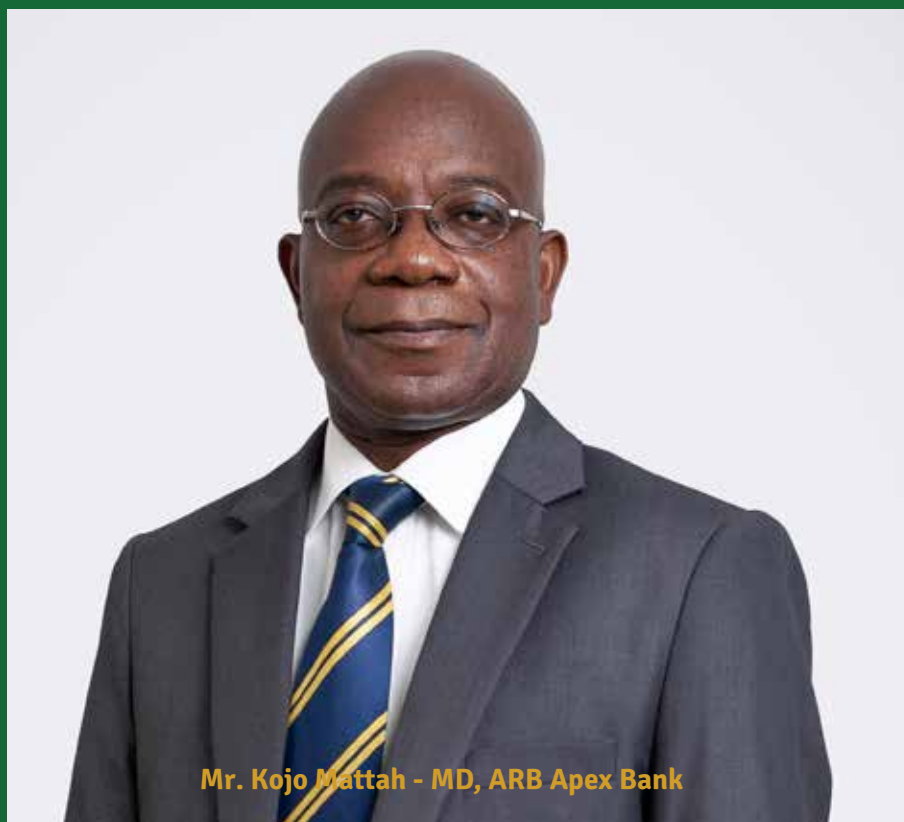
A passion for service

There is no gainsaying that our raison d'être is to serve the RCBs to be able to serve their customers. When we do this, we have not done anything extraordinary, we have just fulfilled our basic reason for existence. Most often, we think we do favours when we serve customers. Meanwhile, without their custom, we would not be in business. Which is why I was so excited when the ARB Apex Bank staff came up with the 10 cardinal pledges for service. I believe when we all imbibe these as our measuring rods, we would never be found wanting.

Service with confidence, service with integrity and service with respect. Service that would make the customer give us repeat business as well as referrals.

We do not need any reminders that the financial services terrain is experiencing very severe competition and that the worst is yet to come. Rapid changes in technology is pushing all the frontiers at break-neck speed, and we have to be firing on all cylinders to keep up with it. We cannot therefore relax in our search for excellence, not even for a little while. We must be running to be at the same place.

We must daily live our core values of **SERVICE: Speed** in delivery, **Efficiency**, **Respect**, **Versatility**, **Integrity**, **Commitment** and **Effectiveness**. These must permeate everything we say and do. SERVICE in its purest and sincere sense.



Mr. Kojo Mattah - MD, ARB Apex Bank

To be able to achieve this, it is important for our service providers, in whatever form and size, to take a cue from our resolve to render unalloyed services to our customers and provide us with same, because their failures would result in our failure.

Much as I believe in thinking out of the box, I feel we can take it a notch further and remove the box. In this case, there is no limit. As Albert Einstein said, we cannot solve our problems with the same level of thinking that created them. We must know that the successes

of the past belong to the past. The future belongs to the sharp and agile, which is why we must be up to date, and even take a peep into the future before it arrives. The need for a paradigm shift is now. I would encourage our customers to exact quality services from us as a matter of right... this is our pledge... from the car parks through the banking halls to the executive floors, we pledge to serve!!

INDUSTRY ICON



**Mr. Emmanuel K. Kwapong,
First Managing Director of
the ARB Apex Bank**

TELLING OUR STORIES

AN INTERVIEW WITH MR. EMMANUEL K. KWAPONG (EKK)

Mr. Kwapong, the first Managing Director of ARB Apex Bank led the Bank from 1999 to 2007. In this edition, we tell the compelling story of Mr. Kwapong and the immense legacy he left.

TRB: Good morning Mr. Kwapong. Thank you for welcoming us to your home. We see it as a rare privilege to be interviewing you today as the first Managing

Director of the ARB Apex Bank.

EKK: Thank you and it's my pleasure to welcome you.

TRB: Can you please take us through some of the hurdles you had to cross to get the ARB Apex Bank running?

EKK: Alright. The major hurdle I would start with was funding. In the year 2000, we needed funding because apparently by the time we were ready to start operations, the Rural and Community Banks (RCBs) who were supposed to be the shareholders of the ARB Apex Bank had not contributed any money at all. So, we started off with Bank of Ghana (BoG) registering as the first shareholder of the Bank and then, we proceeded with seminars to educate the RCBs about the need to put in money for the new company we wanted to establish. At a point, we agreed that the RCBs should deposit five (5) percent of their total deposits with the ARB Apex Bank as a mandatory primary reserve. This was approved by the BoG. Again, we had problems with the RCBs freely or willingly bringing in those funds.

Then we came to external funding,

which was to come from the Rural Financial Services Project (RFSP). Here again, the project was negotiated with the World Bank as partners, I think in June 2000, and we were expecting that by the middle of the year, things could take off. It didn't happen that way. We had to wait till the end of the year 2000, because the Minister was not ready to sponsor or approve the funding. Why, because we had registered the name of the Bank as the ARB Apex Bank. And his take was that the government wanted it to be GHAMFIN, which was the Apex of all Micro-finance Institutions (MFIs) in Ghana. So he (the Minister) wanted it to be known as GHAMFIN Rural Bank. This brought a lot of controversy between the Association of Rural Banks (ARB) and the Ministry. Finally, I think the change of government happened at the end of 2000 and in 2001 we had to wait until March before a new Minister was appointed by the new government and we contacted the Minister. From there, we started activities towards getting the Cabinet to approve it as well as Parliament to approve the project. Finally, it was in November 2001 that the project was approved by all parties. We started receiving funds in 2002. These were the initial funding problems we faced.

When it comes to the operations side, we also experienced a lot of difficulties

with the RCBs responding to letters we sent out to them requesting information because there was no data at all. So we needed to build data from scratch. When you send out circulars, some of the RCBs would never mind. It had to take a lot of effort to get them to respond to requests from the ARB Apex Bank. One area which I remember very well was the area of account numbering. At first, all the RCBs were using alpha-numeric formats (a combination of numbers and alphabets) in generating their account numbers. But the computers would not accept these, so we asked that they should change the numbering and also bring in codes so that their various agencies would be recognized in the account numbering system. It was really a very tough undertaking. We had to hold two seminars, after sending out the circulars, informing them about the step by step approach. Again, we had to hold a workshop to train them on what I would rather say "a simple thing". These are some of the initial hurdles.

TRB: Who were the pioneering staff of the Bank and how easy was it to carry your colleagues along with you?

EKK: Oh yes. First, when I came in, we had the Administrative Secretary, Mrs. Francisca Attipoe and then we had an Accounts Officer, Mr. Solomon Boateng, who has now left for SG Bank.

“I can say government support met a lot of the funding requirements, because what was allocated to the Apex Bank was able to support the establishment of the Bank and got it running.”

There was also a Transport Officer, Kobina Takor Aidoo. Then we brought in Mr. Kenneth Owusu-Twumasi to take care of the Human Resource side and then later, Mr. Felix Kodzo Akatti who is no more, may his soul rest in peace, to also set up the Banking Division. We also had assistance from the Association of Rural Banks (ARB). We had the late Mr. Richard Mettle-Addo, Mr. Robert Kudjoe, and Mrs. Eunice Osei-Bonsu who later joined us from the Association as a full time staff. All of them were at the Association at the time and they came in later to support the few resources that we had at the Apex Technical Secretariat and they did a very good job, assisting us to set up the Bank. We also had Ms. Margaret Afari-Assan, also working at the Association but later joined us as a full time member of staff. So these initial staff members were very very hard working. We had a good time, because they didn't mind what the clock said at the time. We only worked up to the time they finished their tasks.

At the time the Bank started, most of those who joined were either former Ghana Cooperative Bank staff or Bank for Housing and Construction staff. These two banks collapsed in early 2000, we had the redundant labour around and we brought them in. I came from Barclays Bank and had this background in systems and ethical behaviour and therefore how to get these other people from the other banks, how to 'marry' them or how to get them to also conform to what we were doing was a big challenge. However, we managed to train them in whatever procedures we wanted to install at the time and they responded positively. It was a challenging task, but we were able to do it.

TRB: How supportive were governments in the setting up of the ARB Apex Bank?

EKK: Governments, yes, you're right governments. The first government support started around 1998 when the Transitional Apex Steering Committee, which established the Apex Technical Secretariat was set up. The government changed at the end of 2000. Both governments were so helpful. The

Rural Financial Services Project was a government of Ghana Project, aimed at improving financial services delivery at the rural end in order to transform the rural economy and also to reduce poverty. So when this project was set up, we had a component that dealt with the building of the Apex Bank head office. One other component was to strengthen the rural banks as well as the micro-finance or the informal part of rural finance. I can say government support met a lot of the funding requirements, because what was allocated to the Apex Bank was able to support the establishment of the Bank and got it running. The Rural Banks who are themselves the owners of the Apex Bank, by the end of 2007 when I was leaving the Bank, only GH¢2.3 million had been contributed as equity from the rural banks. All the other

villages or the rural areas informing the population that, "oh that Apex Bank is not approved by the Bank of Ghana, so it would not stand". The Magnetic Ink Character Recognition (MICR) that we introduced for the first time to the rural banks was rejected by, I would say, the whole public but mainly where the rural banks wanted to use it as draft to pay for their services such as water, electricity and the like, and transfer money to their wards in schools, this would not be accepted. So we had a tough time, trying to get the Bank going.

The strategy was that we had to convince the rural banks to assist us to convince the people. We also organized seminars for journalists, where we invited senior journalists to



funding came from the Rural Financial Services Project. Therefore, I would say governments were very supportive.

TRB: What were some of the key challenges you faced as first Managing Director?

EKK: Well, there were many challenges when we opened the Bank on 2nd July 2002. At that point, the Bank was so fragile and we needed to stabilize it. Fragile on the account of the fact that there were so many challenges and so much sabotage against the Bank. Rural banks were supposed to place 5 percent of their deposits with the Bank. They would not bring the money. They would not take up shares. Again, we had people going round the

come, so they send out the message to the public explaining the functions of the Bank. We also took out full-page adverts in newspapers so that people would know about the Apex Bank. Again, at the FM stations, we had the Apex Bank managers who were joined by some of the Rural Bank managers who could speak the local dialect to go to the radio stations to explain to the people about what the Apex Bank stood for. We also had to introduce some products such as the Apex Certificate of Deposit (ACOD) so that it would be attractive to them to keep their monies here.

So all in all, much as we had challenges, unfortunately, some of



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Mr. Emmanuel K. Kwapong with his wife, Mrs. Margaret Kwapong

them were from within, in the sense that before you could start the Apex Bank, you had staff working in the commercial banks and you need them. They are the people who were on the Boards of the RCBs and they had interests and so some of them would send information to their banks that this was happening at the rural banks. One day, we were there when one of the banks in the Central Region was invited by a commercial bank that they (the latter) would deliver cash to their doorsteps. So they shouldn't send their money to the Apex Bank.

So that Bank was not sending us money until we got our own bullion vans to start delivering cash to them. Some of the managers too were happy taking some handouts from these commercial banks in order to frustrate efforts of the Apex Bank. So, I would say that we managed through these storms and got the rural banks to agree to finally

support our business.

TRB: How about the successes?

EKK: Well, the successes I will say probably are there for all of us to see. The rural banks, coming from individual, stand-alone entities and now in a networked situation, and coming together, they are becoming stronger. I will say that by the time I was leaving, in 2007, our total assets had increased by about 625 percent, total deposits grew to 650 percent but most important was total loans and advances shot up by about 1040 percent and this really, confirmed that we had achieved, not only our goal but government's goal of making credit available at the rural areas.

TRB: Can we say that you are a very proud person to have seen this vision through?

EKK: Oh, yes, certainly. By His grace, by the grace of God and I always pray

for the rural banks, to see them grow. Where I have my farm, I went there in 2001, the manager didn't even have a place as the manager's office. Now, they are in a very first class storey building. And the staff look so smart, ambiance in the main banking hall is so nice and so it is in so many rural banks.

TRB: Looking back, what advice do you have for both policy makers and shareholders of the RCBs, particularly given the stiff competition in the banking environment?

EKK: I think I would be looking at three areas: Operations, Legal and regulatory framework and Capitalization.

When it comes to operations, the government brought in money under the Rural Financial Services Project (RFSP) and then the Millennium Challenge Account Project to fully computerize the rural banks. What the rural banks need right now is to meet recurrent expenditure and to provide for replacement costs of the equipment they received, which means that they would need to generate funds to be able to do so. But the most important thing about computerization is that, you know the jargon is, 'garbage in, garbage out'. Now, we have badly organized business processes. If you put these badly organized business processes into the computer, you would end up rather paying more as a cost.

What is happening in the rural banks as I go round is that, they are still in the old ways of doing things. You can see the files around, you can see registers around, and they are still filing in these things manually. Policy makers, boards and the Apex Bank must ensure that the business processes of the rural banks are re-engineered. Re-engineered so as to cut off waste, to reduce customer waiting time and whatever would add value, you bring it. For instance, if we have printed forms in the rural banks and you can look at it on their balance sheet, stationery cost, etc. Most of these things could be printed right away when the customer comes, you don't need to pre-print and stock them as stationery. That is money sitting there. Some of them, for ten years, they never use them.

Again, both the Apex Bank and the rural banks are interest income dependent. Most of our income comes from either interest in Treasury Bills or loans. Apex is even the worse. So now, if the government's macro-economic management takes hold, interest rates would drop significantly. If interest rates should drop significantly, then





Mr. Kwapong with a team from *The Rural Banker*

“What is happening in the rural banks as I go round is that, they are still in the old ways of doing things. You can see the files around, you can see registers around, and they are still filing in these things manually. Policy makers, boards and the Apex Bank must ensure that the business processes of the rural banks are re-engineered.”

the obvious thing would be that most of the banks would start making losses.

So what Apex should do is to introduce products, which will bring in commission and fees income to both the Apex Bank and the rural banks. And this you can do through the computer system, the electronic products so that quickly we can begin to earn more income from that stream. At least if we should cover our operations costs, then no amount of government action with respect to the economy will affect us.

The legal and regulatory framework area, you know the Apex Bank Regulation L.I. 1825 was passed in 2006. It is a high level Legislation, which regulates the rural banking industry. However, the fine details, the bolts and nuts of it, to give effect

to some of the regulations would have to come from the by-Laws, which the Apex Bank has put in place. Before I left in 2007, we had made a draft of the by-laws, which would give Apex firm authority to deal with situations we were grappling with, such as, rural banks would not mind if you send them notices that do this or do that. So to enforce compliance, we have to get these by-laws working. I have not heard that it has been implemented and I would hope that the Apex Board would have to work closely with the Bank of Ghana to work on the by-laws and regulations, which ensure that a new L.I. is passed.

The other issue has to do with the capital of the Apex Bank. The Apex Bank is under-capitalised, so also it is with some of the rural banks. We need

to raise fresh capital, but the present policy under the L.I. 1825 is that the rural banks should be the sole owners of Apex Bank. So if they are the sole owners, then if you need capital, the owners of the Bank should come up with the capital. We realized that none of the rural banks could pay more than 20 million old cedis (now GH¢2,000) and when we examined the situation closely, some of them could not even pay the deposit. Some of them were asked to pay just a token of 1 million old cedis which is GH¢100, and that has been the problem all along. So now if we say the rural banks should come up with capital and stay within the policy of them being the sole owners of Apex Bank, then it's going to be a problem. Because I don't see them coming up with capital for the Bank to stand on its feet.



But if we now want to bring in new investors, then we need to change the law so that new investors will come in. The investor coming in also will be required to do a number of things, which would require that you change the face of the Bank and all that. We should be careful to have investors who would share in the vision, mission and the objective of setting up the Bank. I can see that those investors might come and the structure of the Bank would change. You may have a rural banking division and a commercial banking division. The commercial banking division would pursue all relevant activities just as the universal banks do and that would be good for the Apex Bank, to bring in and widen the scope of such activities. There has been talk about when that happens, then Apex Bank would be competing with the rural banks. I don't believe in that. What the new investors should do is to segment the target market. It should not go to the low end of the mass market, where the rural banks operate. It should deal with the middle and the upper market. Companies and high net worth individuals and where Apex would come in to join the rural banks would be after the fast growing medium size enterprises. Let's say an enterprise needs some money, where the rural banks cannot support, Apex would then add money. I know of the One-District-One-Factory (1D-1F). A rural bank is seriously involved. That rural bank is just looking at funding the out grower farmers. But the juiciest part of that company's business would go to another commercial bank, because the Apex Bank cannot handle its external trade financing.

This is where the problem would be, that the investor must come up with capital, which would enable Apex to acquire the Universal Banking License so that it can do a whole range of products. Acceptances, guarantees, letters of credit etc. All these would bring in additional income. So these are my few thoughts for policy makers to consider.

TRB: What is your take on the new minimum capital requirement for the RCBs?

EKK: Well, GH¢1,000,000 is not an easy money. Some of them have already met this new capital requirement. But some of them would not be able to meet it. As is happening with the universal banks, the Governor of the Bank of Ghana is advising that those which cannot come up with the new capital requirement for the universal banks should merge. So also would be the advice I would give to the rural banks. I hear some mergers



Mr. Emmanuel Kwapong

are starting, this should continue, in my opinion until the next say, 10 to 20 years' time when each region would have one big rural bank, which would take care of their needs and it would be a strong one. If they still continue in their parochial interest of wishing to have a traditional bank, it would not work. So they should not just think about GH¢1 million, they should think about GH¢20, GH¢30 million, merge their operations so that in due course, we can see one big rural bank for each region. That can open branches everywhere in the region. That would have the asset base to support every operation in the region. They should be thinking of pooling their resources. It would be a nice thing. Denmark, we were there on a visit, we saw that their cooperative banks merged their balance sheets and became very strong banks.

TRB: Please what have you been up to since you went on retirement?

EKK: I am back to my number one profession, which is farming. As soon

as I came out, I acquired land in the Afram Plains – I am doing maize, plantain and mangoes and I'm into bee and beeswax production.

TRB: Can you please give us a peep into your memoirs?

EKK: Oh, not quite. Indeed, I have started writing about the Apex and the rural banking sector. About my memoirs, that one, I shall let you know when I start one.

TRB: Thank you for welcoming us to the serenity of your home.

EKK: My pleasure and thank you too for coming through. ■



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5 REASONS WHY RCBs SHOULD DELIGHT THEIR CUSTOMERS



Joseph Akossey
Head, Proven Trusted Solutions
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According to the Efficiency Monitoring Unit of ARB Apex Bank Report for the last quarter of 2017, there were 141 RCB's operating across the 10 regions of Ghana. The industry currently has a customer base of over 5 million. The existing and potential customers of RCBs can be described as valuable assets, why?

It is because of the fact that the banking business hinges on customers deposits. RCBs should therefore do their utmost to delight their customers. This implies that, they should go beyond customer satisfaction.

Research has shown that merely satisfying customers is not sufficient in today's competitive banking environment.

Therefore, RCBs should render the best of services to delight customers. Delighting customers means exceeding their expectations. Customers have expectations when transacting banking business with RCBs. When their expectations are met, they become satisfied. In contrast, when their expectations are not met they become dissatisfied.

Staff of RCBs should have the passion to surpass customers' expectations when they get the opportunity to serve customers in order to make them excited. This article will discuss the reasons

why RCBs should delight customers.

REASONS TO DELIGHT CUSTOMERS

1. Ensuring Customer Retention

According to research, it is cheaper to maintain existing customers than prospecting for new ones. Another research specifically mentioned the fact that it costs three to five times less to keep an existing customer than to get a new one.

This implies that when RCBs are able to retain existing customers, it will have the potential to improve their bottom line. This is in line with a research finding, which revealed that businesses, which grow their customer retention rate by as little as 5% typically see profit increases ranging from 25% to 95%.

Therefore RCBs' staff should have the passion to delight customers whenever they get the opportunity to serve them. This is important because, directors and managers as well as staff stand to benefit when their respective banks thrive.

2. To Remain Competitive

The banking landscape is becoming extremely competitive. RCBs are currently facing stiff competition from the universal banks, Savings and Loans Companies, Microfinance Companies, Credit Unions among others. One thing



that makes the competition so fierce is the fact that the players in the banking industry offer homogenous products and services.

In recent times, some Universal Banks and Savings and Loans Companies are invading the catchment areas of some RCBs. For instance, Nzema Manle Rural Bank used to enjoy monopoly at Ayinase where its head office is located. However, competitors such as Calbank, GN Bank, First Allied, Ahantaman, Boin Microfinance, among others have entered the market, thereby posing a threat to the bank. For RCBs to remain competitive, customer delight is a strategic option. This means that the RCBs should place a premium on rendering the best of services to existing and prospective clients in order to remain competitive.

3. To Ensure Positive Referrals

When RCB customers are delighted through superior quality service, they will be happy. This will motivate them to engage in word-of-mouth communication to relatives, friends, co-workers among others, which will attract new customers. This will translate into growth in customer base as well as deposit base. It has been noted that positive word of mouth communication from satisfied and delighted customers is the best form of advertising in terms of impact.

It is also a free advertising because it does not attract any cost.

According to research by the Technical Assistance Research Programme (TARP) delighted customers will tell an average of five people, or less, about the treatment they received.

On the contrary, customers who are dissatisfied, will communicate their dissatisfaction to nine or ten people. In view of this, staff of RCBs should have the passion to render the best of service to customers when they walk into the banking hall to transact banking business. Staff of RCBs should change the mindset that they are doing customers a favour when rendering services to them. Customers are rather doing them a favour by choosing their respective banks.

4. Enhancing RCB Brand Image

When RCBs make earnest effort



to provide high quality services to customers, it will result in inconceivable experience. This will improve customers' perception about the RCB brand. Delighted customers will also serve as brand ambassadors by spreading positive words about the brand and this will have profound effects on the brand's image. Therefore, RCBs should do their utmost to wow customers. It is worth mentioning that when the RCB staff render the best of services, which lead to customer delight, overtime, it will help to eliminate the stigma attached with having an account with rural banks. The resultant effect is that customers will be very proud to hold a rural bank account with confidence. This is paramount in that, it is the vision of Mr Kojo Mattah, the MD of ARB Apex Bank to eliminate the stigma attached to rural banking.

5. To Differentiate the Brand

Players in the banking industry offer homogenous products and services to similar market segments. For example, Banks and Specialized Deposit Taking Institutions offer savings accounts, current accounts, salary loans, kiddy accounts, commercial loans (generic products) and hence difficult for differentiation. Marketing elements such as price, promotion, physical evidence, and place among others can be copied.

It has been observed that innovation in the banking industry can easily be copied, which results in shorter first mover benefit.

Therefore, rendering the best of service that surpasses customers' needs and expectations and gratifying them may serve as a game changer. ■

TELLING THE

AMENFIMAN RURAL BANK STORY

Amenfiman Rural Bank is one of the most celebrated Rural Banks within the RCB fraternity. This edition of *The Rural Banker* features the life, journeys and leadership philosophy of the CEO of the Bank, Dr. Alex Asmah (AA)

TRB: Can you please tell us a few things about yourself? (Education, family and how long you have been CEO of your Bank).

AA: I come from the Western Region. I am actually from Wassa Akropong and I had my Secondary Education at Asankragwa Senior High School. I continued to the University of Cape Coast to read BSc (Commerce). After my first degree, I did my National Service at St. John's Senior High School in Sekondi, where I taught Financial Accounting and Cost Accounting, then I started my first job at Amenfiman Rural Bank as a management trainee and rose through the ranks to become the Head of Banking Operations. I left to Barclays Bank and then later on in 2011, I got an opening at Amenfiman Rural Bank as the Chief Executive Officer (CEO). But in the course of working too, I took up an MBA (Banking and Finance) from the Paris School of Management and later on, I did a Doctor of Business Administration, DBA (Leadership & Global Business) from California Intercontinental University in the USA. So I have been CEO of the Bank from April 2011 till now. I am married to Gloria and we have four children, two boys and two girls, Nana Ama, Tony, Erica, and Papa Asmah.

TRB: What are some of the major challenges you have encountered since becoming CEO and how have you resolved them?

AA: Thank you very much. About challenges, I have gone through several issues since I became CEO of this Bank. But the Lord has been good to us and the Board has also been extremely supportive. Starting from the very moment I took over in 2011, the first challenge I met was that there

was no management in place. And there was no handing over process too, so essentially, I took over without having anybody to go to. The issue was that my predecessor had some financial misappropriation issues and left unceremoniously. The Board set up a three-member interim management committee (IMC). And then they began the search for a new CEO. By the time I got the appointment as the new CEO, all the three members of the IMC had resigned. So I didn't meet any of them at post. At that time, the Chief Internal Auditor had also retired and there was no management. Navigating that was quite challenging. We needed to act very fast but carefully. One important thing was that I didn't begin with a high. Because I had worked here before, I had a very good understanding of the environment and how things work. I quickly looked through and put some people together in acting positions to form a management team and started work.

The second challenge I encountered was that of reconciliation. Since the

previous CEO left office, reconciliation for the main clearing account was outstanding for more than a year. And inter-branch also not reconciled for more than a year; I could remember very well that at a point that we were to meet with the Apex Bank team, there was no reconciliation team to reconcile the books. That was the time we were doing manual banking, we had to carry boxes of outstanding items. To confront that issue was very daunting because there were imminent risks of fraud issues hiding in, wrong payments made to people and so on. In the course of that, a lot of things came up. For example, a cocoa company that we were dealing with had made a transfer, at that time, of GH¢600,000 to us and we had paid it twice and it was hiding in the reconciliation and nobody knew it and cash had gone out. So we needed to go back to the company and explain it to them. Somehow, they knew it but because we didn't know, they were keeping it and when we threatened to go to court then they brought a payment plan. They issued cheques and cleared the amount in three tranches. We came across fraudulent deals that had been done and hidden. But by the grace of God, we assembled the team, we didn't have a reconciliation team, we had to set up a reconciliation unit to start addressing reconciliation immediately. I can tell you that for several years now, we have not had a single outstanding reconciliation issue. Another issue that I was also met with was that the morale of staff was really low. I remember that at the time I came, the Board had granted a salary increment to the staff and the staff said they wouldn't accept the increment. So instead of implementing the salary increment in January, I

“Because I had worked here before, I had a very good understanding of the environment and how things work. I quickly looked through and put some people together in acting positions to form a management team and started work.”



Profile...

Education

Dr. Alexander Asmah, a native of Wassa Akropong in the Western Region, had his Secondary Education at Asankragwa Senior High School. He proceeded to the University of Cape Coast, where he had a BSc (Commerce) Degree. He later received an MBA (Banking and Finance) from the Paris School of Management and a DBA (Leadership & Global Business) from the California Intercontinental University in the USA.

Work

The CEO of AmerB since 2011, he began his banking career at the Bank as a Management Trainee. He moved to Barclays Bank where he worked from 2006 until he was employed as CEO of AmerB. Under his leadership, AmerB has seen tremendous transformation. The Bank has moved from a profit of GH¢347,000 in 2011 to a profit of GH¢8.20 million in 2017.

Family Life

Dr. Asmah is married to Gloria and they have four children. Two boys and two girls: Nana Ama, Tony, Erica, and Papa Asmah.



Dr. Alex Asmah
CEO, Amenfiman Rural Bank

came in April and the salary increment had not been implemented. Even the Human Resource Manager at the time was part of the people who were agitating. They had collected salary structures from top Rural Banks that were doing well, and they did not want to take anything less. Budget had already been prepared, the previous year 2010, the Bank made a profit of GH¢347,000, and in the 2011 budget, a GH¢687,000 profit was projected and inside that budget was a salary increment of 15 percent, which the staff rejected. So I asked the Board in my first meeting to give me the opportunity to take another look at the budget and I went through the budget. Having worked here before, I put together a team and said, let's review the budget. We did the review and saw that we could actually do more. So I did a bargain, I went to the staff and told them that there is no way we can pay you with the salary structure of Atwima Kwanwoma, because they are producing something

Board Chairman, Dr. Tony Aubynn, who accepted the proposal for the thirteenth month and I went to all the branches to sell the idea to the staff and today, everybody is happy.

One big issue that I also encountered was lack of confidence from the public. Because in the previous two to three years, the Bank was struggling to keep up with liquidity requirements, the Bank stopped granting of loans to customers. So people started moving their accounts from the Bank. We had to take that up and work on it and we were able to restore the loans.

I also went round the branches and the image, the way our staff were dressing, our appearance, someone would be wearing yellow shirt with black tie, there was nothing connecting or exciting about the Bank. Our offices were not in the best



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RURAL BANK

which is backing that pay structure. Let us also work out our own and let it become a reference point for other people to copy. So, we did the revision and had a profit projection of GH¢1 million and factored in a salary increment of 50 percent across board. I came to meet the Board in my second month on the job and everybody was like, can we do it? How can you come in and say you are increasing salaries by 50 percent? The Board said they did not believe in the figures. After a long debate, one of the directors told me, "young man, if we give this salary increase and you don't deliver, you are fired". I took up the challenge and we had to do a lot of road shows. I met the staff, engaged them and had to make them understand what was in it for us if we achieved our target. I realized that from the Business Development perspective, we were not doing much, so we set up a Marketing Unit and then we put together young and enthusiastic people and allocated a pick-up truck to them and gave them targets. We asked them to go round. Things started picking up and by the end of 2011, we made a profit of GH¢1.1 million, we paid the salary of 50 percent across board and because we made a profit above what we projected I went to make a bargain for the thirteenth month pay and this was accepted and has since been in place. Thanks to the

shape, so we had to start working towards rebranding and modernizing our branches. We decided in 2013 to change our logo and rebrand to create a new image out there – and so far, I think it has gone well.

We also had a very high impairment ratio, which we had to tackle head on.

TRB: How exciting has the journey been so far?

AA: I must say it has been very exciting. For me, one of the things that motivated me from the initial stages was that through discussions, I got to know that one of the considerations of the Board was that even though I was successful at the interview, the recommendation from the Board and even an external person was "the guy is good, but he is too young". I was 34 then and so somehow, I felt I had to do everything to justify the confidence for them to know that given the opportunity, young men can also do something and also given that I am from the area, young people would not be denied the opportunity because if I fail, next time a young man wants to become a Member of Parliament, they would use me as the reference point. So, I knew I have to do everything to succeed. It was

“Things started picking up and by the end of 2011, we made a profit of GH¢1.1 million, we paid the salary of 50 percent across board and because we made a profit above what we projected I went to make a bargain for the thirteenth month pay and this was accepted and has since been in place.”





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At the time I took over, the Bank had a total staff strength of 79 people and as we speak, we have a total staff strength of nearly 400.

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Dr. Alex Asmah
CEO, Amenfiman Rural Bank

really a motivation for me. I must say that I was lucky to have a Board, which understands business and so my Chairman in particular, most of the things I have been able to do, I have been able to do because he believes in me. The exciting part of it is seeing a lot of the things we brought on board working well and the outcomes showing. I see the number of young people who are employed here and are growing their careers, it's very exciting. At the time I took over, the Bank had a total staff strength of 79 people and as we speak, we have a total staff strength of nearly 400. Personally, I enjoy helping people to develop, so I take talent development issues seriously. There are some of the people that I see potential in them and I have become their personal coach.

TRB: What are some of the key successes the Bank has chalked under your stewardship?

AA: The Bank has really come very far and from the industry statistics, we have really grown over the period. For example, from the financial results, the Bank had made a profit of GH¢347,000 in 2011 and you see the Bank grows in profitability and as at 2016, the Bank had made a profit before tax of GH¢9.9

million and profit after tax of GH¢8.2 million. If you see the growth of our balance sheet, from GH¢18 million in 2010 to GH¢182 million in 2017, our deposits grew from GH¢15 million in 2010 to GH¢148 million in 2017, shareholders' funds grew from GH¢4.8 million in 2010 to about GH¢28 million in 2017. The growth in our financial performance has really helped us. We have been returning good value for our shareholders. At the time I took over, we paid a dividend of 1 Ghana pesewa per share and now we are paying 6 pesewas per share as at last year. I took over a branch network of eight, now we have a branch network of 16 and I think we have positioned the Bank very well for the future. Key amongst the many awards we have won is that we have been on the Ghana Club 100 consistently for some time and for the past four years, we have been on top as the industry's leading Bank.

TRB: What are some of your key corporate social responsibility (CSR) projects?

AA: One of our key corporate social responsibility (CSR) programmes is the Amenfiman Rural Bank Educational Excellence Award Programme. The

programme was originally introduced by the Omanhene of the Wassa-Amenfi Traditional Area, Tetrete Okuamoah Sekyim II in collaboration with the National Commission for Civic Education (NCCE). The programme is meant to change the attitude of students towards education as well as boost their confidence at school. The programme was launched in December 2017 with an initial beneficiary of 51 Senior High School students. The second batch of the programme saw a total of 93 students being awarded various items including school bags, the Constitution of Ghana, dictionary, mathematical sets, note books, exercise books, pens, etc. The total cost of the programme is borne by the Bank. As headline sponsors of the programme, we hope to extend our support to cover many more Senior High School students in our catchment area.

TRB: Given the rising competition in the financial services sector, particularly from the micro-finance institutions (MFIs), can you kindly share with us the strategy your Bank is adopting to stave off the competition?

AA: Competition has really worked



Dr. Asmah speaking to *The Rural Banker*

for me. If you asked the secret of what has really brought us this far, apart from my Directors and the staff, the next thing, which has brought us this far is competition. This branch had only five deposit mobilisers, we called them 'susu sales executives' and we thought we were okay until the influx of Savings and Loans and Micro-Finance companies. A lot of them came, some are still around, but three collapsed. People were worried and my Directors were pleading that we needed to do something different otherwise, we were going to lose our customers. When the MFIs started hitting us here, we realized we needed to see the opportunities outside here. We did our market scanning and by the time we finished the plan, we had put out 21 'susu sales executives'. And every one of the 21 was able to meet the targets set for him/her. So the year that we experienced this exponential growth was 2013, which was the time the community witnessed the influx of MFIs. We never had any location in town, people started complaining that if they had to come to the branch, they had to pick taxis GH¢1 in and GH¢1 out. So they said they won't come. So, we bought some two small cars for

cash mobilization in the town, which did not work well. We then decided to apply to the Bank of Ghana to allow us to open a small branch in the town and as we speak, that small branch is holding over GH¢5 million in deposits. It means all this potential was there and if the competition had not come, we could not have come this far. So, the point is we see the competition as an opportunity to grow. It really brings the best out of us and some of the things we were not doing for our customers in the past, we are now doing them. Because others have come and are offering them, most of the places we are very competitive, for example, almost all the banks are in Tarkwa, but we are making it there.

TRB: How easy or otherwise has it been, carrying the staff along with you in the current direction?

AA: Initially, it was tough, because people are used to a certain way of doing things. Because I was coming from Barclays, which had a disciplined environment, there are certain things I would not allow to happen. For example, they would load money (specie) here before going to town to pick a police guard. If I see it, I scream

and sometimes because the people are older, they think I am a small boy, but you need to let them know that they couldn't do things anyhow. One of the other things I also did was to move away from being the typical CEO and allow them to socialize with me. For example, on a typical holiday, the staff would buy a goat, come to my house, kill it, cook and we shall all have a meal together. They would bring the public address system they use for marketing to my house and we would all eat and make merry together. Sometimes, some of my Directors join this socialization sessions and by the time we are winding down, the staff would have told me things they would ordinarily not have told me in the formal working environment.

TRB: How collaborative have the Board of Directors and shareholders been?

AA: The Directors have been very cooperative and supportive and thumbs up to my Board Chair, Dr. Tony Aubynn, he is an amazing individual. Sometimes, I think about some proposals and I am already scared but when I sit down and break it down for him and once he buys into it he would



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It is important that you have the trust of the Board, it is important that you also have the trust of the people.

”



present it to the other members on my behalf. But I don't expect everybody to buy into all the things. I remember that some of the things we did, some of them told us to put it on record that they were not party to the decisions, because they do not support the things we were doing. But when it turns out successful, they begin to support us. From the shareholders' perspective, over the years, we have had some minority shareholders who are the loudest. They brand themselves as the concerned shareholders. They write letters seeking explanation to a lot of issues. Last year, they were all over the place at the annual general meeting (AGM). They always have their own agenda. Last year, they came and said they had brought their own Director who they wanted to be put on the Board. But all in all, they serve as checks on the work we do.

TRB: What are some of the tangible benefits your management has brought to the shareholders and depositors of the Bank?

AA: For the majority of the

shareholders, they are very happy and because of the value we have been returning to shareholders over the years, a number of institutional investors are ready to invest in the Bank. Currently, the Board is carefully looking at proposals from some institutional investors. We want to be careful so that we can also protect the interest of the larger public.

TRB: What are some of the key lessons you have learnt over the years, which you would like other CEOs and General Managers to pick a leaf from?

AA: I will say that what has worked for me is my ability to win the trust of my people. It is important that you have the trust of the Board, it is important that you also have the trust of the people. If you do not keep your integrity right, then people cannot trust you. If something is not working right, I go to the Board and I tell them that, we have challenges in this area and they support me to deal with them. And to my staff, whatever task I give them, I tell them what is in it for them. We have rolled out many initiatives that

have been beneficial to the staff. What I have also realized is that being CEO of a Rural Bank may not be immediately rewarding financially. Things work slowly. The concept that I know is that we create and share. If you have not created, you cannot share. It requires patience. As you improve upon the business, the business would also return some tangible benefits to you. When I joined, the Bank had just three cars, so I was using one of the pick-up trucks to do all the rounds. But when we improved upon the business processes, I am driving a new car. So if you are not patient, you would run ahead of yourself. So you don't run and engage in some fictitious deals and tomorrow when your glory is about to come then the deal is discovered. That would destroy you.

TRB: Thank you very much for talking to "The Rural Banker".

AA: I appreciate it ■

A-TaP

AMENFIMAN TALENT PROGRAMME

The Amenfiman Rural Bank Limited, at Wassa Amenfi in the Western Region, has introduced a distinctive approach to upgrade the skills of staff to stand ready for higher and more responsible positions within the bank, going into the future.

Kizito Cudjoe, Tarkwa

Given the increasing need to have employees with the right expertise to help deal with emerging challenges facing the banking industry, the Managing Director of the ARB Apex Bank, Mr. Kojo Mattah, has asked RCBs to replicate an initiative by Amenfiman Rural Bank to train its employees.

This, Mr. Mattah noted, is “a more cost effective strategy to grow our local banks” while referencing that in today’s fiercely competitive business landscape, success hinges much on the retention of employees.

He said the initiative, an in-house training programme, among others is also meant to instill a world-class customer service character in employees.

“Today’s customers are spoilt for choice and are more sophisticated because of the preponderance of information.”

He therefore urged rural banks in the country to step up customer service training for all their employees, because banks cannot exist without customers.

He said customers are the ones who pay salaries and other benefits and therefore asked that they strive to do whatever is within their means to



Dr. Toni Aubynn (seated, centre) with first batch of graduands of the A-TaP

delight the customers.

Mr. Mattah, who was addressing the maiden graduation ceremony of the Amenfiman Talent Programme (A-TaP) in Tarkwa, said, to survive and ensure sustainability into the future, Human Resource practitioners of firms must be strategic in deploying modern and time-tested approaches to attract, train and retain the best human capital for their companies.

He said companies all over the world are faced with the formidable challenge of recruiting and retaining talent, while at the same time, having to manage talent loss through attrition due to industry-wide crises, among others.

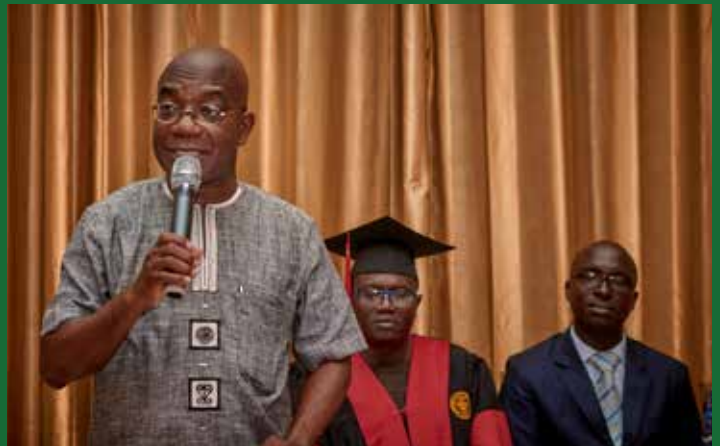
Mr. Mattah also stressed the importance of ensuring oneness among the rural banks in the country, adding that: “As we might all be aware, there are 141 RCBs in the country,

Amefiman A-TaP graduates first batch of students at Tarkwa

700 branches and more than 5 million customers. This makes the RCB branch network a real force to reckon with in the country's economy".

He said this large network of bank branches also gives them considerable advantage and serves as a massive volume discount bargaining tool for the RCBs.

He therefore implored RCBs, which left the core banking platform as well as those contemplating exiting the platform to reconsider their decisions as it would be more attractive and cost effective to be together ■



WE BELIEVE IN OUR PEOPLE

DR. TONI AUBYNN ASSURES



Dr. Toni Aubynn
Board Chairman, Amenfiman Rural Bank

“I am a firm believer in people. If you draw up a strategy, there must be people who are well trained to implement the strategy.”

I have always told my people that as they say in the military, the test of your strategy is where the first bullet would be coming from. Because you can do a strategy and say the bullet is going to come from the left and all of a sudden, the bullet is coming from the back.

The Board operates in a collegiate level. I was telling the MD of Apex Bank that I have been the chairman of Amenfiman Rural Bank for some years but I take the same Director’s fees as all the other members. I know it is not the same for other Rural Banks. This mindset motivates the Board and the Management also sees what we are doing and follow suit. Again, I have yet to see any Rural Bank sending its staff to the Jungle

Warfare Training School in Achiasse for military training for two weeks. They came back very motivated, very willing to go through obstacles and looking for solutions instead of looking for problems all the time. This is really a key instrument that we have not been using.

We have always thought that we wanted to do what is beyond the ordinary. I have told my staff that we are a Rural Bank only by location. We should not think rural. We try to make them feel that our location is not our limitation.

I keep telling them that our challenge is not our colleagues within the Rural Banking sector, but rather the

high street banks, so let’s challenge ourselves to be working beyond ourselves.

We think that we need to consolidate our leadership as a Rural Bank. We strive to maintain our leadership in the Rural Banking industry, by seeing the extent to which we can apply technology. We need to even see how we can use artificial intelligence (AI) and modern ICT tools to enhance the banking experience for our customers and return value to our shareholders. When I say our challenge or our competition is the universal banks, I am saying that I want our customers to have the same experience they would have with banks in the cities at our banking halls ■

JOHN C. MAXWELL



SOME QUOTES FROM THE 17 INDISPUTABLE LAWS OF TEAMWORK

Compiled by: Halima Torto

1. "It's better to prepare than to repair."

2. "A great dream with a bad team is nothing more than a nightmare."

3. "For the person trying to do everything alone, the game really is over. If you want to do something big, you must link up with others. One is too small a number to achieve greatness. That's the Law of Significance."

4. "Effective teams have teammates who are constantly talking to one another."

5. "Good things happen to a team when a player takes the place where he adds the most value. Great things happen when all the players on the team take the role that maximizes their strengths—their talent, skill, and experience."

6. "If you keep nonproductive people, the productive ones become frustrated and leave. If you remove the people who don't add value, then the whole team gets better. It's just like trimming trees: If you don't cut the deadwood, eventually the whole tree falls. But

if you remove the deadwood, the tree becomes healthier, the healthy branches produce more, and there's room for productive new branches on the tree."

"The road to the next level is always uphill, and if a team isn't intentionally fighting to move up, then it inevitably slides down"

7. "Distinct vision, a precise plan, plenty of resources, and incredible leadership, but if you don't have the right people, you're not going to get anywhere."

8. "What's true for a teammate is also true for the leader: If you don't grow, you gotta go."

9. "Because as the challenge escalates, the need for teamwork elevates."

10. "See the big picture. Your place on the team makes sense only in the context of the big picture. If your only motivation for finding your niche is personal gain, your poor motives may prevent you from discovering what you desire."

11. "You lose the respect of the best when you don't deal properly with the worst."

12. "The road to the next level is always uphill, and if a team isn't intentionally fighting to move up, then it inevitably slides down."

13. "Individuals play the game, but teams win championships."

14. "Winning teams have players who make things happen."

15. "Nothing much happens without a dream. For something really great to happen, it takes a really great dream."

16. "A sign of a great team leader is the proper placement of people."



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THE AMAZING STORY OF LOWER PRA RURAL BANK

Started in 1983, Lower Pra Rural Bank has become a benchmark in the RCB industry, setting standards, defining the pace and showing leadership in the sector. This edition tells the amazing story of the Bank and the numerous hurdles they have had to overcome. *The Rural Banker (TRB)* had a chat with Mr. Isaac Kwamina Afful (IKA), CEO of the Bank.

TRB: Thank you for welcoming us to Shama, the Headquarters of Lower Pra Rural Bank. Can you please tell us a few things about yourself?

IKA: After my secondary school education, I went to Prestea to work at the mining sector. Worked there for one year before I left for Sixth Form. I did my Ordinary and Advanced Level Education at Nsein Secondary School at Axim. When I finished my A-Level education, I also went to the Tema Methodist Day School, where I taught for roughly two years before finally going to the University. I was employed at Lower Pra Rural Bank as a Credit Officer, and was later promoted to Manager, Finance and Administration. I was sent to Operations to be in charge of Operations. You know, we had an Operations Manager who took his leave that he was going to the USA for holidays. He went and never returned. So he created a vacuum and the Board saw that I was the right person to fill the vacuum. So quickly, they moved me from Finance and Administration to Operations, until I was made Manager of the Bank. So I have worked here almost all my life.

TRB: What are some of the major challenges you have encountered since becoming CEO and how have you resolved them?

IKA: When I took over as CEO, the Bank was in a crisis. There was a major fraud case and things were almost coming to a standstill. The Bank of Ghana (BoG) had to intervene by bringing in someone to act as CEO for six months on relieving duty. After that, I was appointed as the CEO. As we said, the

journey has not been easy, but with strategy and focus, we have been able to weather the storm.

TRB: How exciting has the journey been so far?

IKA: It has been good and it gives me so much joy, because of where I picked the Bank from. At the time I assumed the highest office here, the Bank had almost collapsed and now, Lower Pra is one of the best Rural and Community Banks (RCBs) in Ghana. So to me, it is an achievement.

TRB: What are some of the key successes the Bank has chalked under your stewardship?

IKA: Under my leadership, Lower Pra Rural Bank has experienced tremendous growth in all financial indicators. The Bank has also seen an improvement in liquidity and profitability, and the branch network has been expanded. We have also won several awards, including, being

Lower Pra Rural Bank has experienced tremendous growth in all financial indicators. The Bank has also seen an improvement in liquidity and profitability, and the branch network has been expanded.”

listed among the Ghana Club 100, European Quality Award, Association of Rural Banks Award, and the Financial Services Excellence Awards.

TRB: What are some of the key corporate social responsibility (CSR) projects the Bank has undertaken?

IKA: Over the years, the Bank has been paying the mock examination fees of students in our catchment area. We have also instituted a scholarship scheme for students in the area. Under the scholarship programme, the Bank pays the full fees of all the beneficiary students. The Bank has also built a library in the Shama Community.

TRB: Given the rising competition in the financial services sector, particularly from the micro-finance institutions (MFIs), can you kindly share with us the strategy your Bank is adopting to stave off the competition?

IKA: The first thing I did was to focus on the community ownership, that this is your own Bank, that the people of the community were all shareholders of the Bank. We have the responsibility to grow our own Bank. And that is what has helped to grow the Bank so far, so when you come into our community the people see Lower Pra Rural Bank as their own Bank. If it is your own Bank, do you give your deposits to someone at the expense of your own Bank? The second one had to do with customer service. We believe that the Bank should not be a preferred Bank but a Bank of choice. When you have about three Microfinance Institutions plus Lower Pra Rural Bank, the person would select Lower Pra Rural Bank

Profile...

EDUCATION

Mr. Afful had his Ordinary and Advanced Level Education at Nsein Secondary School at Axim in the Western Region. He holds an EMBA from the Ghana Institute of Management and Public Administration (GIMPA), an LLB from the GIMPA Law School and a BSc (Administration) from the University of Ghana Business School.

WORK

He has been working with Lower Pra Rural Bank since he completed his first degree. He was initially employed as a Credit Officer and rose through the ranks to become the Chief Executive Officer in the year 2000. He has been CEO of the Bank for 18 years and is instrumental in transforming the fortunes of Lower Pra Rural Bank. The Bank remains one of the most profitable and professionally managed RCBs in the country.

Mr. Isaac Kwamina Afful,
CEO of Lower Pra Rural Bank



Mr. Isaac Kwamina Afful

because of the quality service we offer. Quality service to our customers has always been a priority and I think for so many years, that is how we have educated our staff to make sure they know that the customer is always right. And that has been pursued to the letter. When you visit our branches, as a customer, we make sure you get the best of service.

Apart from that, we have also created this impression in the minds of the staff that banking is not just about transaction. But it is also about relationships, create the relationship with the customer. Once the customers feel at home and are comfortable with you, they are prepared to stay with you forever. So relationship banking is also a dominant factor in our strategies to beat the competition.

TRB: How easy or otherwise has it been, carrying the staff along with you in the current direction?

IKA: When I was appointed as Manager, I formed a Management Team and I was the youngest person in the Team. One of the Management Team members, when he was in Upper Six, I was in Form Three and I was the one serving him. Now the tables had turned so you could just imagine. But what I did was to bring all of them together, to know that we had a focus. That is what we are here to achieve, that no

one individual is indispensable. It is teamwork. So before we set out to do anything, I make sure they are all part of the decision making. And once they become part of the decision making, they were prepared to make sure that we achieve results. We did a lot of staff sensitization for them to understand the new direction. Then, we also created leadership at the branch level, that once you are at a branch, you are the CEO at that level. So the master plan trickled down from the Head Office to the branches and we started moving together from there. That is why we have been successful.

One thing I have also done is to create and share. You see, if you look at the staff conditions of service, a lot of things have been given to the CEO. So in preparing my budget, I have also made sure that I decentralize it. Whatever I enjoy under my conditions of service, I make sure that every staff member enjoys the same. So they are satisfied, that there is nothing that the CEO is taking that we are not benefitting and once they get to know that whatever you are enjoying, they are also enjoying, they are prepared to flow with you and that is why we are moving along.

TRB: How collaborative have the Board of Directors been and what are your thoughts about directorship on



When you have about three Microfinance Institutions plus Lower Pra Rural Bank, the person would select Lower Pra Rural Bank because of the quality service we offer.





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The Management Team of Lower Pra Rural Bank

THE LEADERSHIP TEAM OF LOWER PRA RURAL BANK (FROM LEFT TO RIGHT)

- ISHMAEL OBUAE - SENIOR MANAGER, OPERATIONS
- AUGUSTINA MENSAH - EXECUTIVE SECRETARY TO THE MD
- ISAAC KWAMINA AFFUL - MANAGING DIRECTOR
- GRACE ADJEI-MISA - SENIOR MANAGER, CREDIT
- DANIEL SARKOH - SENIOR MANAGER, IT
- FRANCISCA ADETSU - SENIOR MANAGER, FINANCE AND ADMINISTRATION

RCB boards?

IKA: The relationship with the Board has been good. Yes, for the past 15 years, the relationship has been very good. The Board understands and sees me as the technical advisor, they take my advice and we work together. But of late, there has been some changes, that when you are giving the technical advice, sometimes they read meaning into it. I think our problem is that now, we have more knowledgeable people on the Board and they think that banking is academic. So while you are talking banking, they are talking academic and sometimes, the understanding is not there. Recently, they said we should assign directors to branches and some of them go and hold official meetings with the branches and then take note. To me, I think that is more of interference and micromanagement. Once the Director has gone to the branch and had meetings with the branch, when the CEO comes, who is the CEO? After all,

the Director himself has been here. It is the latest development that I believe would not auger well for Rural Banking. It is not a good corporate governance strategy. The CEO represents the Board and now if the Board is going to the branch to hold meetings with the branches, I think it is not good for corporate governance.

Again, when it comes to appointment of Directors to the Board, I think they have to look at the quality of people we appoint to the Boards. Because the boardroom should not be a place that you are now coming to learn. But rather coming to contribute. You get Directors repeating issues at every Board meeting.

That is why I say for example, that is it not possible for ARB Apex Bank to have one Director on every Rural Bank's Board? So if Lower Pra, we have Apex Bank's representative on the Board, it is not necessarily that the person

should be an Apex Bank staff. Apex Bank can pick a retired banker, or an accountant, within the Shama area or community. That person will be able to support Management and the Board and will also be able to help pursue the Apex Bank's agenda at the Board level. Now, you see a lot of RCBs going outside of the Apex Bank, which we ourselves have set up. But if there is the Apex Bank's representative, the issues can be picked and quickly resolved.

Sometimes, the Manager is misdirecting the Board, for example, that they have gone in for a new software because they were misled. So given the new developments in the industry, I think there is the need to have Apex Bank directors on the Boards of RCBs.

I am also looking at the number of times we hold meetings - monthly.





“You have lawyers, bankers, chartered accountants wanting to be Directors. We need some of these high calibre people on the boards of RCBs and I think that Apex Bank has the responsibility to ensure that the corporate governance structure of the banks is improved.”

I think it is too expensive for the RCBs. Now that we are being tasked to cut costs, I think Apex Bank must take a second look at the monthly Board meetings for the RCBs. For the universal banks, the requirement is for quarterly Board meetings.

Apex Bank must also be interested in the corporate governance of the RCBs. I think the Bank of Ghana must relinquish some of its duties, such as the vetting of would-be Directors of the RCBs to Apex Bank, because I think BoG itself already has so many issues to deal with. And it is Apex Bank which is on the ground, they understand the issues. Why did we set up Apex Bank? Apex can come down and then vet the people before they are sent to the Annual General

Meetings (AGMs) for elections. Apex Bank has regional representatives in all regions. Sometimes, the quality of Directors leaves much to be desired. And again, when it is time for re-election that is when they want to entrench their positions. In almost all the RCBs, no Director wants to leave, meanwhile, you have lawyers, bankers, chartered accountants wanting to be Directors. We need some of these high calibre people on the boards of RCBs and I think that Apex Bank has the responsibility to ensure that the corporate governance structure of the banks is improved.

TRB: What are some of the tangible benefits your management has brought to the shareholders and depositors of the Bank?

IKA: When you take the payment of dividends, we pay more dividends than many Rural Banks, as far as I know. In the area of Rural Banks, we pay a lot of dividends. In 2015, we paid 12 Ghana pesewas per share and in 2016, we paid 15 Ghana pesewas per share. So our AGMs are full and the shareholders always enjoy our AGMs. Secondly, their share is always appreciating, so they are very happy. Now if you are somebody who bought the shares at one Ghana pesewa, there has been a quantum leap in the share prices and constantly, we have been holding our AGMs every year to give shareholders an opportunity to make inputs.

TRB: What are some of the key lessons you have learnt over the years,



“

As a leader, you must also set good examples. If you are a manager and you are not setting good examples, what do you expect your staff to do?

”

which you would like other CEOs and General Managers to pick a leaf from?

IKA: What we have to do as managers is to be independent. We must have a mind of our own. As a manager, you report to the Board. You do not report to only the Board Chairman. You must be able to differentiate Board Chairman’s interest from the Bank’s interest and from the Board’s interest. Once you take a position that this is a Board decision, do not take any individual’s position, for the Board Chairman is the first amongst equals. Make sure your decisions are always aligned to the Board’s position. I will advise fellow managers not to compromise their decisions. I also believe that they must be transparent with their staff. When the staff sees that you are transparent with them, if it comes to promotion, you are fair, if it comes to employment you are fair, you would get their full support. As a leader, you must also set good examples. If you are a manager and you are not setting good examples, what do you expect your staff to do? Then you yourself you are setting a bad precedent for your staff to follow.

Finally, let us respect our audit team. There is the Audit and Internal Control Department. Some of us as managers,



do not enforce the report of the Internal Control Team. They go to the field and bring their reports and we just put them somewhere. I think it is time we support the Internal Control Team. Once we give support to them and we enforce with sanctions there will be sanity in our banks and I believe we can move forward. Because for us to succeed, the structures must be there and they must be clear. Let the departments of the banks work. I went on leave to do a programme at GIMPA for two years, the Bank never called me, because the structures

are working. Operations know what to do, Credit knows what to do, Risk knows what to do and they have all been mandated and given the power to do what they have to do. So I think as Rural Banks, let us build the institutions, let us build the structures and give them the authority and power to do their work. When you do that and you are a manager and you are away for even five years, nobody will call you.

TRB: Thank you and we wish you well.
IKA: You are welcome.

SHAMA REMEMBER

FROM A CORNER SHOP TO A SUPERMARKET AND GROWING



Mrs. Adriana Womuah-Mensah who started selling provisions from a corner shop at Shama, near Takoradi some 20 years ago, said her business has seen enormous growth because of her relationship with the Lower Pra Rural Bank.

“I have been banking with Lower Pra Rural Bank for more than 20 years. I am particularly thrilled by the good customer care I receive from the Bank and I recommend Lower Pra Rural Bank to small and medium enterprises

(SMEs) around”, she advised.

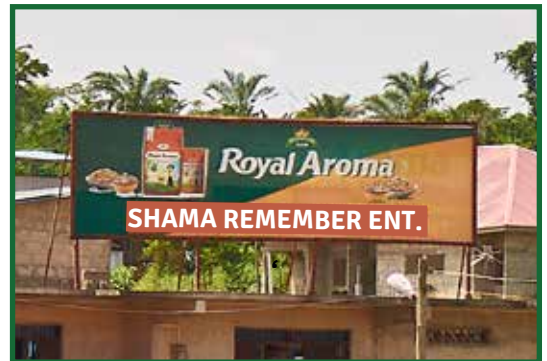
Her business has expanded into a thriving supermarket, which operates from a two-storey building. The supermarket employs over 30 staff, whose salaries are paid through the Lower Pra Rural Bank.

“Because of what the Bank has done for me over the years, I have encouraged some of my retail customers to also operate bank accounts with the Bank”.

Shama Remember Ltd. before Mrs. Adriana met Lower Pra Rural Bank



Shama Rember is now a leading supermarket at Shama.



TOP FOUR LATERAL THINKING PUZZLES: HOW SMART ARE YOU?

1 A man lives on the tenth floor of a building. Every day he takes the elevator to go down to the ground floor to go to work. When he returns he takes the same elevator to the seventh floor and walks up the stairs to reach his apartment on the tenth floor. He hates walking so why does he do it? Note that there is nothing wrong with the elevator or the design of the building. It's a perfectly normal elevator in a perfectly normal building.

ANSWER: The man is very short (i.e. a little person). Because of his short stature, the man is unable to reach any higher than the button for the 7th floor (elevator floor number buttons are laid out in descending floor order from top to bottom).

2 Two boys were having fun in the school playground at lunchtime. The school bell rang, signalling that lunchtime was over. As they turned to head back to class, a gust of wind scooped up some dirt off the ground and blew it right in their face. When the wind stopped, one boy's face was covered with dirt, while the other boy's face was perfectly clean. But it was the boy with the clean face who rushed to the washroom to wash his face, while the boy with the dirty face went straight to class. Assuming both children had equally good hygiene habits, can you explain this strange behavior?

ANSWER: The boy with the clean face saw that his friend had a dirty face and assumed his face was dirty as well (and conversely, the boy with the dirty face saw his friend had a clean face and assumed his face was clean as well).

3 There is a man in a room that has no windows or doors. The walls, floor, and ceiling are made of concrete and are 6 inches thick. Despite this, the man manages to leave the room with ease in just a few seconds. With a little creative thinking, can you think of some ways this might be possible?

ANSWER: 1. There are only three walls.
2. He is in a basement and climbs up the stairs.
3. There's no door, so he walks through the doorway.
4. There's no window, so he goes through the frame/hole.

4 A man is standing in line at a bus stop with his newly purchased fishing rod. When it's his turn to board the bus, the driver measures his fishing pole and informs him that he can't bring it on board. The maximum length of items allowed on the bus is 4 feet and the fishing pole is 5 feet long. The man goes back to the store to return the fishing rod but fortunately the sales clerk is clever and proposes a simple solution that will allow the man to bring his fishing rod on the bus. The man returns to the bus with the same fishing rod and this time the driver allows him to board. The man did not bend, break, cut, collapse, or alter the fishing rod. So what did he do?

ANSWER: The man bought a 3 x 4 foot box at the store and placed the fishing rod inside it diagonally. The length of the box (as per the standard way in which it is measured) did not exceed the 4 feet maximum so he was allowed to bring it on the bus.

SOURCE: www.puzzlesandriddles.com

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Mr. Emmanuel Asiedu-Mante
First Board Chairman,
speaking to *The Rural Banker*

THE STORY OF

MR. EMMANUEL ASIEDU-MANTE:

THE MAN WHO HELPED PIONEER RURAL & COMMUNITY BANKING

TRB: Good afternoon Mr. Emmanuel Asiedu-Mante. I must say, it's a rare privilege to be interviewing you today for *'The Rural Banker'* magazine. Some have described you as a finance avatar. Others say you are a colossus in finance and I say, you are more than a walking encyclopaedia in finance.

EAM: Thank you for those very kind words and I appreciate them very much. And I wish to welcome you.

TRB: Thank you, Mr. Asiedu-Mante. In the next few minutes, we would go through a few questions to help us pick some golden nuggets of wisdom for our magazine.

EAM: You're very welcome.

TRB: What were your personal roles and efforts in the setting up of RCBs as well as the ARB Apex Bank?

EAM: First, let's start with the Rural and Community Banks (RCBs) and

then, the ARB Apex Bank because that is the way it came. The RCBs came first and then later on, the ARB Apex Bank was also incorporated. But to understand the importance of rural banking, we need to go back in history. You know in the 70s, I think the first rural bank was established in 1976. Before then, we had other banks. We had banks like Barclays Bank, Standard Chartered Bank and at independence, we had Ghana Commercial Bank (GCB), Social Security Bank (SSB), Agricultural Development Bank (ADB), National Investment Bank (NIB) and so on. We had quite a number of banks in the country. The question is, why rural banks? If you were in the country at the time, and I think the practice still persists, if you live in rural Ghana and you want a loan from a commercial bank, like any of the banks I have mentioned, they would ask you to first of all, have a current account. A current account means you can read and write, the rural people were illiterates, they couldn't read and write. It means, they

were not qualified for loans. Secondly, the banks insisted on security and they needed to provide security and somebody living in the rural Ghana in a mud house, obviously, that house wouldn't qualify for security that the banks were looking for and these two means the rural dwellers were cut off completely from institutional credit. So what the rural branches of these major banks were doing was mobilizing deposits from the rural areas and channeling them through their branch networks to the head offices in Accra. And then Accra rather was giving loans to traders and big businesspeople and so on. So constantly, our rural areas were being starved of loanable funds. The thinking of Bank of Ghana (BoG) was, why don't we create an institution that would mobilise funds in the rural areas and trap the funds over there, for on-lending to deserving customers in the rural areas? That's how come the rural banks were born. Rural banks are unit banks. They did not have branches and were supposed to operate within



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“I am happy that I was a member of a team that worked very hard to get the Rural Banks running.”



defined catchment areas and they are owned, managed and patronized by the people of that rural area. So they are unique institutions and I am happy that I was a member of a team that worked very hard to get the rural banks running.

Yes, as I said, the rural banks are unit banks and after operating them for about 10 years or so, problems started emerging. Problems about the specie movement because they were small, problems about clearing of cheques, problems about inspection and audit, problems about product development. So then, the thinking was, why don't we create a 'mini' central bank for these unit institutions called rural banks and let that institution tackle these problems that have started emerging. Then came the idea of the Apex Bank, apex to the unit RCBs that have been established. The Apex Bank came in to address some of these specific problems.

TRB: What were some of the bottlenecks faced in the introduction of rural and community banking in the country?

EAM: There were quite a number of

problems. In the first place, RCBs are unit banks and they are owned by the people, locally. Owning the RCBs meant that they needed to buy shares and those days, the idea of owning shares in a bank was alien, even here in Accra, owning shares was a novelty. We had to explain to the rural dwellers what is meant by shares and the need to buy shares in their RCBs. They were used to seeing say, Ghana Commercial Bank, coming in to open a branch and bring their tools, renovate a house or a building and start working. But here was another institution that comes and says buy shares and then you manage it and you patronize it. It was a novelty, so, it took quite a while having to go to rural areas to educate them on how to get a rural bank established.

Now, having gotten them off the ground, the issue of managing them also became a problem, because you'd ask the shareholders to constitute a board. A board means you would be giving policy direction to the activities of the bank and most of them hadn't even seen a balance sheet before, let alone analyse it and take a decision on the basis of the bank's performance. That was also another big challenge. Initially, the way we went about this was to have a Bank of Ghana (BoG) representative on the board of the RCBs. The RCBs were not that many at the time. When the number went beyond 20, we couldn't have a BoG representative on the boards any longer. But at the initial stages, we had to do that so the BoG representative would guide them in the financials. And then there was the issue about internal controls, which was very weak, naturally because the board members were not that educated in finance and accounting. Some of the managers played a fast one on them, hence there were a lot of fraud cases and that was a big challenge also.

There was also the case of poor credit management practices. They were just interested in dishing out loans, without doing any proper due diligence,

and that also created some liquidity problems for some of the banks.

TRB: According to your expectations, are the RCBs performing their financial intermediation roles effectively?

EAM: They are. That is not to say that there aren't problems, but let's face it. They are doing a great job. Those that are functioning properly, at least people now in our rural areas have the habit of going to banks. Before the onset of rural banks, they would approach money lenders for their financial needs, but now, the habit of banking has been inculcated in them. Now, they know that when they have a couple of Cedis, they know where to put it and when they need a loan, they would go to a RCB rather than go to a rich uncle, that is if you have one. So they are doing the intermediation very well and then the very sound ones have been doing a lot of corporate social responsibility work. Some of the RCBs have been building classroom blocks, some drilling boreholes, building community centres, giving scholarships to children, it's all happening. And then also, they are giving loans to small businesses in the rural areas, farmers, fishermen, traders, transporters and you know, for me, they are the fulcrum around which rural economic activities revolve. So they are doing a great job.

TRB: Looking back, would you have championed the cause of the RCBs if you were given another chance?

EAM: I will do that. I will certainly do that because I think rural banking is serving our people a lot.

TRB: Would you recommend that the government should set up a fund for on-lending to RCBs?

EAM: Having a fund for on-lending is a good idea, but what I am not sure of is whether it's the government that should do it. Because you see, the way things work in this country, once government comes in, then government would be dictating the way





Mr. Emmanuel Asiedu-Mante

things should be done. I'd rather the fund is set up and maybe contributions are made into the fund by either corporate bodies or individuals but not government. The idea of a fund is good but who should contribute is my concern. I want the rural banks to be owned and managed by the rural people without any government interference.

TRB: In your estimation, what other concrete steps should government take to help enhance the operations of the RCBs?

EAM: I think what government can do is to create the enabling environment for these institutions to function, and I would explain. Initially, when the RCBs

started making profit, government then came out in a budget statement to say that they should pay corporate tax and we petitioned the then government and they decided to reduce it to 8 percent. Currently, the thing has been jacked up to 25 percent for RCBs, so my proposal is that, instead of taxing them and the tax being put into a central pool where you never know when that money gets used up, the RCBs could be made tax free with the proviso that they use a percentage of their profit in developing the catchment area.

For instance, the RCBs are being asked to pay corporate tax of 25 percent. What government can do is to say, RCBs should not pay tax, use your

profit or a percentage of your profit to develop the rural areas or your catchment areas. That would be a big boost to the rural banks.

TRB: What are some of your recommendations for improving upon the current RCB business models?

EAM: The challenges, most of them can be addressed by training. When you train the directors, they can know what to do when they meet at the boardrooms and then they would know how to monitor performance of the banks and therefore be able to take the right decisions. Then you need the Apex Bank also to strengthen its supervision arm over the RCBs. They need to pay frequent visits and to mount surveillance on the operations of the banks so that, fraud cases would be minimized. And then the issue of training again on credit management practices is a whole area in banking and I think the RCBs need to be trained. The staff should be trained on when to receive applications, how to process them, the decision making process and follow ups when the loans have been disbursed and all that. It's a whole gamut of activities and one needs to be trained so they would be able to recover a lot of the funds that they lend out. These are areas that I think I would recommend to the current management of the RCBs as well as the Apex Bank.

TRB: Please what have you been up to since you retired from active service?

EAM: Basically, I have been consulting but I do it at my own free time and at my own pace. I don't want any pressures, I turn 77 in May, so I take it easy. Occasionally, I take some consulting assignments and then I also chair the boards of a couple of financial institutions. That is what I do during my retirement.

TRB: Apart from your very rich book on Rural Banking in Ghana, which was published in the year 2011, do you want to give us any snippets of information in your memoirs?

EAM: Quite frankly, I don't even remember what I wrote, but it all borders on rural banking and the need to promote those institutions. You see,





Mr. Emmanuel Asiedu-Mante recounting how it all began

we tend to lay too much emphasis on the commercial banks – we call them universal banks, admittedly yes, they command a lot of numbers in terms of deposits and so on. But it is also a fact that a greater percentage of our population live in rural Ghana and we should be shifting attention to what happens in those areas. Most of our rural dwellers are farmers, fishers and so on and it appears to me that everybody is looking at Accra so there is a lot of migration from the rural areas into the cities, coming to create all manner of social problems, accommodation, hygiene, sanitation, transportation. Accra is becoming jammed up because the rural areas are all deprived of, what I would call all reasonable means of living. So I'd advice that attention should be shifted there to create, I used the word enabling environment, right, for basic amenities like water, electricity, good schools, banking, so people would feel like staying there and making a living. It doesn't have to be Accra alone. If we did that, then pressure on transportation, hygiene, sanitation in Accra would be minimized. I mean I look at young men and women, hawking on the streets of Accra every

day when I drive over here. Some carry babies at their backs. What are they selling, plantain chips, and toilet rolls. You ask yourself how much they are going to make a day. They would be more useful if they stay in the rural areas and do something beneficial rather than being in Accra and hawking on the streets. This is my thinking and I don't know how people would take it but I believe that if policy could be shifted and made in a way such that it could be attractive to stay in the rural areas, it would help.

I think it would be too early to be telling you things in my memoirs. I am writing something right now. At the appropriate time, when I finish writing, I would share that with you.

TRB: Thank you so very much. Once again, it's been a great honour having you speak to "The Rural Banker".

EAM: It's been good having you around and I appreciate everything ■

RETHINKING CORPORATE GOVERNANCE IN RURAL BANKING IN GHANA

*Francis Enimil Ashun
Manager, Lower Pra Rural Bank*

The practice of corporate governance is often seen only through the context of large companies and corporations. Although corporate governance in small and medium enterprises (SMEs) is widely studied and researched, corporate governance specific to the rural banking industry in Ghana is rarely emphasized. Despite the challenges bedeviling the Rural and Community Banks (RCBs), corporate governance is not given the needed attention. The lack of the practice of good corporate governance has resulted in many RCBs, which have hitherto shown promise of growth and success, suddenly beset with so many governance related problems affecting their growth and subsequently falling into distress. Many had been put under direct supervision by the Bank of Ghana and lately ARB Apex Bank. It is a well-known fact the RCBs in Ghana are crucial in the rural economy of Ghana. They provide financial intermediation to these parts of Ghana, which are usually cut off from mainstream banking services provided by the major traditional universal banks and thus are a crucial driver for economic growth.

Corporate Governance: what is it?

Corporate governance is about effective, transparent and accountable management of affairs of an institution by its management and board. It is about decision-making processes that hold people accountable, encourage

the participation of all stakeholders, encourages good information transmission, rely on open and clear rules, regulations and policies that are fair and uniformly enforced. Governance principles and practices have evolved and continue to do so over time and different codes are developed for specific industries. It is in this wise that the Basel Committee on Banking developed and prescribed a specific set of rules to govern the operations of banks to make them more robust and responsive to the changing dynamics of the financial world. The Basel Committee on Bank Supervision described the roles of the board of directors and management, underscoring the need for banks to set strategies for their operation and establish accountability for implementing them. Corporate governance cuts across all banking and financial institutions, which solicit funds from the public.

Given the role of RCBs in providing financial intermediation in the rural economy of Ghana, it is of a great importance that Rural Banks pay great attention to good Corporate Governance practice in order to safeguard depositors' funds and shareholders' investments. According to the December 2017 edition of the ARB Apex Bank's Efficiency Monitoring Unit (EMU) report, the total loan portfolio of RCBs was GHC1,278.93 million, total deposits were GHC



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2,847.53 million, and with total assets in excess of GHC 3,600 million. In view of this, a failure by any of these banks due to bad corporate governance practices may bring significant costs and consequences to the banks.

Rural and Community Banks

RCBs, first established in Ghana in 1976, were locally owned and managed. Recent developments have however allowed people from all over the country to be able to buy and own shares in any RCB. By December 2017, there were about 141 RCBs, with 700 branches spread all over Ghana with the heaviest concentration in the middle and southern belts of the country.

The spread and penetration of RCBs make it incumbent on all stakeholders such as the ARB Apex Bank, the Bank of Ghana, and the various Boards of Directors to institute good corporate governance structures to strengthen the RCBs.

Out of the 141 RCBs, only 29 were classified as strong, a drop by four (4) from September 2017. 67 were classified as satisfactory, 41 fair and/or unrated, and four (4) classified as distressed. The reasons attributed to these classifications are varied but poor corporate governance structures played a key role. These include low calibre of staff employed, and low quality management, including senior management and weak supervisions by some boards.

Applying Good Corporate Governance to Rural Banking

Good corporate governance promotes discipline. All banks require strict regulations and laws to function properly, to instill confidence in depositors and shareholders. These regulations are largely related to transactions, conflict of interest situations and proper operational procedures.

The ARB Apex Bank being the direct supervisors of RCBs, and the Bank of Ghana must ensure that RCBs have appropriate corporate governance policies that are being complied with. Where through their supervisory duties, it is found that there are unsound banking practices, they must quickly bring them to the attention of

senior management and the board of directors for corrective measures to be taken. It must not be left there but they must follow through to ensure that their recommendations are duly implemented. The internal controls in the banks must be strengthened with qualified and experienced staff. There are stories of internal control staff being transferred by their General Managers for questioning certain transactions.

The BoG must as a matter of course, ensure that senior management and directors have the requisite knowledge, expertise and integrity to lead the RCBs. This is because the RCBs need skilled and experienced personnel to ensure quality decision-making and sound banking operations. Now let us turn our attention to the key pillars in the implementation of corporate governance. The main architects of a firm's corporate governance structures are the Board of Directors, who designs the strategic framework and principles to be implemented by senior management. However, shareholders must exercise their responsibility of critically assessing the performance of the boards and make their views known forcefully during annual general meetings (AGMs). This would make both management, and directors become alive to their duties of providing good management practices that may lead to shareholder wealth maximization. However, with exception of a few, sometimes vociferous members, who may agitate for the payment of higher dividends, the AGMs of most RCBs do not witness the rigorous examination of the reports presented as compared with the AGMs of universal banks in the country.

Board of Directors and Board Committees

In order to have a sound corporate governance structure that may contribute to the strength of RCBs, there must be a strong and independent board, which is not dominated by a few individuals who may have personal interests to protect and so force unpopular decisions on them. The members must be fit and qualified people in their own right. Where board members regard sitting allowances as their only source of income, their decisions may be



In order to have a sound corporate governance structure that may contribute to the strength of RCBs, there must be a strong and independent board, which is not dominated by a few individuals who may have personal interests to protect and so force unpopular decisions on the rest.



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AN INSIDE STORY OF THE SOUTH AKIM RURAL BANK BRAND

The spotlight is on South Akim Rural Bank - another brand within the Rural Banking fraternity known for excellence. *The Rural Banker* sat with Mr. Festus Kwame-Mensah Ofosu (FKO), General Manager of the Bank.

TRB: Thank you for welcoming us to Nankese. Can you please tell us a few things about yourself (Education, family etc.)

FKO: My name is Festus Kwame-Mensah Ofosu from a family of nine (9) siblings. I am the fourth child. I started Primary One (1) at Kadjebi R/C Primary in the Volta Region in the 1964/65 academic year. I continued Primary Two (2) at R/C Primary at Lolobi Kumasi, which is my hometown. Due to family relocation, I continued Primary Three (3) at St. Francis Training College Demonstration School at Hohoe, where I completed Primary 6. With further family relocation, I ended up at Kete-Krachi, where I attended Bunda L/A Middle for two (2) years, sat for, and passed the Common Entrance Examination at age 13 and entered Secondary School at Bishop Herman College (BIHECO) at Kpando in September, 1972. I was in BIHECO for seven (7)

years; that is five (5) years for the Ordinary Level and then and two (2) years for the Advanced Level. I completed my Secondary Education in 1979. I entered the University of Ghana (UG) in October, 1979 and completed in November, 1982 with a combined Geography and Economics Degree. I did a two (2) year National Service with the Institute of Statistical Social and Economic Research (ISSER), UG and proceeded to the Bank of Ghana as a Manager Trainee for Rural Banks. I was part of the first Manager Trainees for the Rural Banks. I have attended various Management training programmes at:

- Management Development and Productivity Institute, Accra
- Ghana Institute of Management and Public Administration (GIMPA), Accra
- Banking College, Accra
- Bank of Ghana, Accra
- ARB Apex Bank Ltd., Accra
- Association of Rural Banks
- Business College, Odense-Denmark
- Boulder University., Colorado, USA

I am married to Mrs. Joan Abla Ofosu and we are blessed with three (3) children, namely Mary Shireen, Ellis Kwesi Afriyie and Wisdom Sena.

After initial training at the Bank of Ghana (BoG) Training School, I was sent on attachment at Lower Pra, Amenfiman, and Brakwa Brehman Rural Banks.

TRB: At what level did you start work with the Bank?

FKO: After initial training at the Bank of Ghana (BoG) Training School, I was sent on attachment at Lower Pra, Amenfiman, and Brakwa Brehman Rural Banks. I was then posted to South Akim Rural Bank Ltd by the Bank of



Profile...

EDUCATION

Mr. Festus Kwame-Mensah Ofosu, had his Ordinary and Advanced Level education at the Bishop Herman College, Kpando in the Volta Region. He later proceeded to the University of Ghana where he had a BA (Geography and Economics). He has also attended courses at the Odense Business College, Denmark and the Boulder University in Colorado, USA.

WORK

After a two-year National Service stint at the Institute of Statistical Social and Economic Research (ISSER) at the University of Ghana, he proceeded to the Bank of Ghana as a Management Trainee. He was posted to the South Akim Rural Bank in 1985 as an Assistant Manager in charge of the Bank with an initial staff strength of seven (7). He has since supervised the growth and expansion of the single branch bank to eight branches. Under his watch, the Bank has grown to become the largest deposit-holding RCB in the Eastern Region since 1995. He would be retiring as General Manager of the Bank in February 2019 after more than three decades of dedicated service to the Bank.

FAMILY LIFE

A family man, Mr. Ofosu is married to Mrs. Joan Abla Ofosu and they are blessed with three (3) children, namely: Mary Shireen, Ellis Kwesi Afriyie, and Wisdom Sena.

Mr. Festus Kwame-Mensah Ofosu
General Manager





Mr. Festus Kwame-Mensah Ofosu

Ghana in August, 1985 as an Assistant Manager in charge of the Bank with a staff strength of seven (7). I have since been in charge of the Bank for the past thirty three (33) years. From the level of an Assistant Manager, I have risen through the ranks to the grade of General Manager.

TRB: When did you become General Manager of the Bank?

FKO: I became the General Manager of the Bank on 1st April, 2015. When I joined the Bank at the time, it was a small, single branch bank with a staff of seven (7). We did not have certain ranks in the system at that time. I however grew from the ranks, from Assistant Manager through to Chief Manager. In 2011, the Association of Rural Banks (ARB) introduced a new organogram and grading structure, where they introduced Deputy General

Manager and General Manager. At the time it was introduced, I was already a Deputy General Manager, so in 2015, I was promoted to the General Manager's role. But for all the 33 years, I have been in charge of the Bank. I have supervised the whole expansion and growth of the Bank.

TRB: What are some of the landmark achievements of the Bank under your stewardship?

FKO: From a single branch in 1985, we currently boast of eight (8) branches in the Eastern Region and also from a Staff strength of seven (7) to one Hundred and Eighty Six (186) members of staff. The Bank can boast of being the highest deposit holding Rural Bank in the Eastern Region since 1995. The Bank has won several awards such as the Best Rural Bank in 2015 by the Association



From a single branch in 1985, we currently boast of eight (8) branches in the Eastern Region and also from a Staff strength of seven (7) to one Hundred and Eighty Six (186) members of staff.





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SARB Ltd. - My Bank, Our Bank

of Rural Banks-Eastern Regional Chapter and has been a member of the Ghana Club 100 since 2002. In 2009, South Akim Rural Bank Ltd was ranked 21st at the Ghana Club 100 and the best Rural Bank for that year. In December 2016, the Bank was rated as the Best performing Rural Bank per the ARB Apex Bank ratings.

I am also happy because under my leadership, the Bank continues to support communities and individuals in our catchment areas. In the year 2016 for example, we awarded scholarships to 12 candidates in various Senior High Schools. That brought the total beneficiaries of our scholarship scheme, since we begun the programme in 2003 to 182 candidates. Again, under our corporate social responsibility (CSR) project, the Bank has acquired a land for the construction of the Nankese Senior High School. The Bank has invested an amount of GH¢440,000.00 in the construction of the School so far. The Bank also spent an amount of GH¢58,390.00 on CSR in 2017 alone.

TRB: What has been your relationship with staff, management and board of the Bank over the years?

FKO: Simply put, my relationship with every one over the years has been very cordial.

TRB: Looking back, what are some of the actions you took, which if given the chance, you would take again and what are some of the actions that on hindsight, you would not like to repeat?

FKO: If given the chance, the action I would take again will be

the decision on strong liquidity management strategies to sustain the bank. Further, I would continue to ensure strong discipline and self-control. Finally, I would continue to avoid excessive expenditure and acquisition of assets.

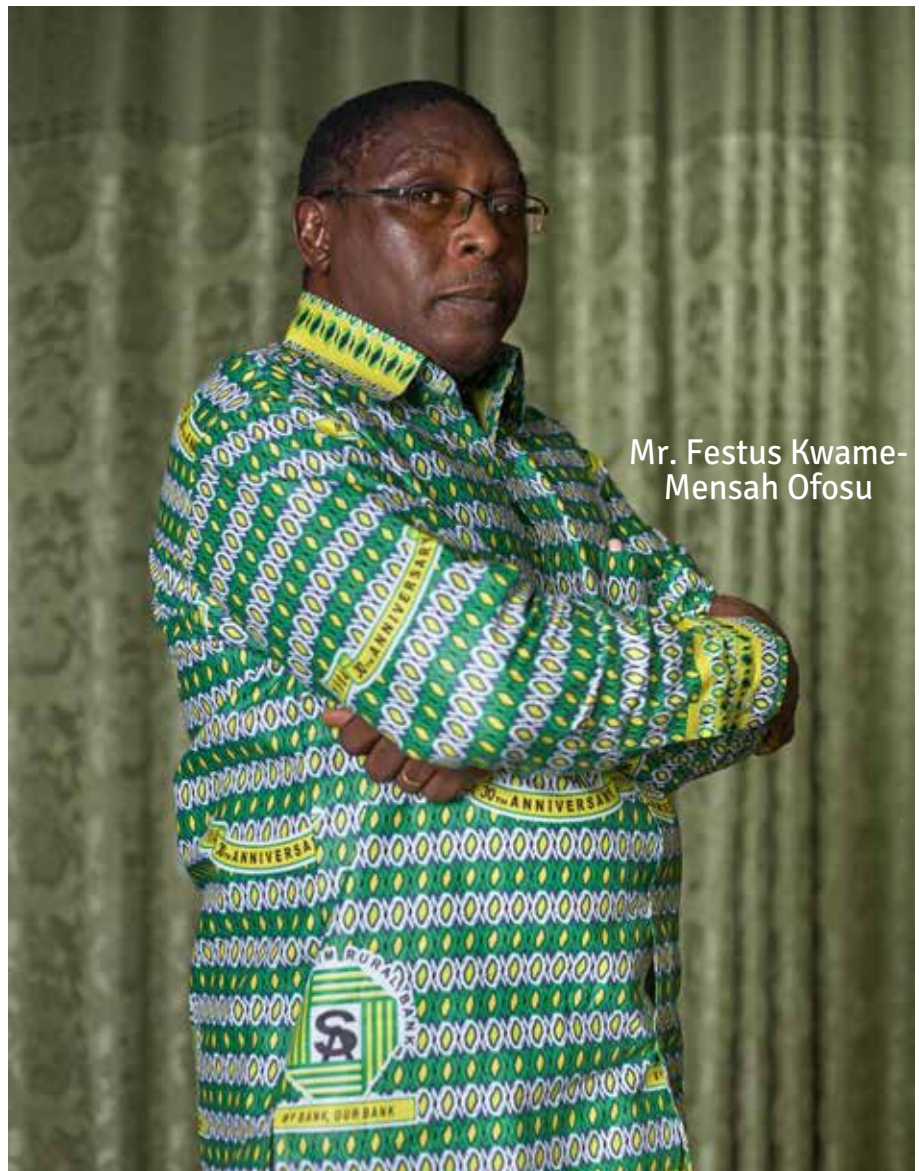
TRB: Any advice to fellow General Managers (GMs) and Chief Executive Officers (CEOs)?

FKO: My advice to my fellow GMs and CEOs would be that we establish a long term investment in our customers, staff, shareholders and other stakeholders to help sustain the

businesses of the RCBs.

TRB: Any advice for your would-be successor?

FKO: My advice to my would-be successor is to uphold the South Akim Rural Bank culture, follow the succession plan and ensure discipline and self-control in all areas of the management of the Bank ■



Mr. Festus Kwame-Mensah Ofosu

33RD AGM OF SOUTH AKIM RURAL BANK

IMPRESSIVE RESULTS FOR THE 2017 FINANCIAL YEAR

THE SOUTH AKIM RURAL BANK HELD ITS 33RD ANNUAL GENERAL MEETING AT NANKESE IN THE EASTERN REGION ON SATURDAY, JUNE 30 2018. *THE RURAL BANKER* WAS PRESENT AT THE AGM

The South Akim Rural Bank has posted a profit after tax of GH¢2.344 million for the 2017 financial year, representing an increase of 0.07 percent on the previous year's profit after tax of GH¢2.342 million. The stated capital of the Bank also increased to GH¢2.407 million from GH¢2.027, representing a growth of 18.7 percent.

This was made known in a report read on behalf of Mr. William Kwadwo Boateng, Chairman of the Board of Directors at the 33rd Annual General Meeting (AGM) of the Bank at Nankese in the Eastern Region.

It was also revealed that shareholders' funds grew from GH¢9.12 million in 2016 to GH¢11.01 million, representing a 20.8 percent growth. The Board of Directors declared a dividend of GH¢0.012 per share for the year, which translated into a

return on the stated capital of 31.85 percent. Shareholders received GH¢0.010 per share in the previous year.

Speaking at the AGM, Mr. Alex Kwasi Awuah, Deputy Managing Director of the ARB Apex Bank, charged Rural and Community Banks (RCBs) to tighten their Internal Control processes, "to prevent unscrupulous persons from exploiting any weaknesses in the systems to the disadvantage of the banks".

Mr. Awuah revealed that, "key among the Internal Control breaches can be traced to the origination of new account opening for customers of the banks".

He therefore implored all RCBs to ensure that basic know your customer (KYC) requirements such as a verifiable physical address of the customer, valid identity card, passport size photographs and correct signatures are captured at the account opening stage.

He commended the Board of Directors of the Bank, noting that, "the efforts of the Board, I believe, have significantly contributed to the sterling financial results of the Bank over the years".

Mr. Awuah also praised Mr. Festus Kwame-Mensah Ofofu, General Manager of the Bank for dedicating his entire working life to the service of South Akim Rural Bank.

Mr. Ofofu, who was the founding Manager, has worked with the Bank for 33 years and would retire in February 2019.

The South Akim Rural Bank, headquartered in Nankese in the Eastern Region, was established in 1984 and currently has seven branches, including, Nankese, Suhum, Osenase, Adoagyiri, Koforidua, Asamankese, and Adweso ■

33RD AGM OF SOUTH AKIM RURAL BANK IN PICTURES





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AT THE 18TH AGM OF ARB APEX BANK

ARB Apex Bank bounces back with GHS4.4m profit

Prince Appiah, Luv FM

ARB Apex Bank says it is diversifying its income streams to increase profits and improve value for shareholders.

The bank recovered from a 2016 loss of GHS13.6 million to record profit after tax of GHS4.4 million Ghana in 2017.

The previous year's set-back caused a depletion of the bank's reserves in the face of declining interest rates.

Over 80 percent of the bank's revenue comes from interest related activities, which makes it overly sensitive to interest rate changes.

At the 16th Annual General Meeting in Kumasi, Managing Director, Mr. Kojo Mattah, said "prudent management of our resources, has resulted in the performance".

"There are some decisions we took in 2016 that significantly accounted for the loss, which is to support the rural and community banks in their

communication cost and there was also some bailouts for the rural and community banks.

Other financial indicators

The balance sheet grew by 19.1 percent from GHS273.9million in 2016 to GHS326.3 million in 2017.

Total deposits grew from GHS231.9 million in 2016 to GHS277.9 million in 2017, representing a growth of 19.8 percent.

Shareholders' funds rose to GHS29.1 million in 2017 as compared with GHS24.8 million recorded in 2016, representing an increase of 17.3 percent.

Non-Performing Loans

The quality of Bank's loan portfolio continued to be of grave concern.

According to the Bank of Ghana, the non-performing loans ratio which is a measure of the industry's asset quality increased to 22.7 percent in 2017 from 17.3 percent in 2016. Over half of



Mr. James Otieku
Board Chairman, ARB Apex Bank

these loans are in the loan loss category.

Corporate Social Responsibility

Despite the challenges it encountered, the Bank continued to spend on corporate social responsibility activities.





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In 2017, an amount of GHS43,300 was spent on several worthy causes, while the 2016 figure stood at GHS54,300.

Dividend

Board Chairman of the Bank, Mr. James Kwame Otieku, said because the bank is still recovering from the huge loss recorded in 2016, there is the urgent need for the bank to increase its capital base and this demands accumulation of profits over time. “We do not propose the payment of dividends for the year under review”, he said.

Improvement in Service Quality

As part of this strategy, ARB



The bank recovered from a 2016 loss of GHS13.6 million to record profit after tax of GHS4.4 million in 2017.

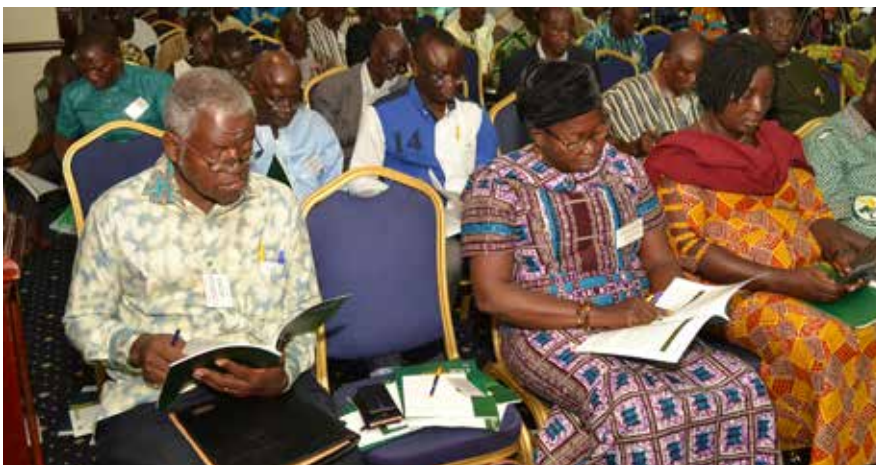


Apex Bank has started the process to facilitate the rebranding and/or refreshing of all RCBs brands.

It is also developing a customer service standard, which would be shared with RCBs. These two strategies will allow the bank to withstand competition from all angles.

“We believe this is key because, if our branches are standardised and our front-line associates (FLAs), have the requisite product knowledge and are customer-centric, customers would be happy walking into any RCB banking hall to access banking services”

THE AGM IN PICTURES



Mr. James Otieku
Board Chair, launching Issue #1 of *The Rural Banker*







RURAL BANKS ADVISED TO IMPROVE OPERATIONS

Directors, shareholders and managers of Rural and community banks (RCBs) in the country have been advised to adhere to prudential regulations of the Bank of Ghana (BoG) and the ARB Apex Bank to pre-empt regulatory sanctions. Mr. Joseph Kofi Amoa-Awuah, Head of the Other Financial Institutions Supervision Department at the BoG who was speaking in Ho at the last in the series of the annual zonal Banking Operations Conference for directors and general managers of RCBs from the Greater Accra, Eastern and Volta regions, said it was not in the interest of the BoG to be penalising the RCBs for regulatory infractions.

He said the BoG and ARB Apex Bank have instituted a lot of prompt corrective actions aimed at ensuring that all the RCBs could continue to operate efficiently.

“Prompt remedial and corrective action instituted by the BoG, Apex Bank and the RCBs themselves can prevent the situation where RCBs would continue to ask for liquidity support from the ARB Apex Bank to shore up their operations,” he said.

Mr. Amoa-Awuah charged the RCBs to prepare for the introduction of the Ghana Deposit Protection Scheme, which is aimed at giving depositors of banks “some guaranteed minimum reprieve in the unlikely event of a rural bank being liquidated”.

He said he was happy that the meetings were organised on zonal basis, which allowed for greater interaction and participation between the RCBs and the two regulatory institutions.

Mr. Amoa-Awuah also encouraged directors and shareholders of RCBs, which have not yet met the mandatory minimum operating capital of GHC1 million set by the regulator to endeavour to meet the requirement before the end of 2018.

Mr. Kojo Mattah, Managing Director of the ARB Apex Bank, urged the RCBs to collaborate more and stop perceiving partner RCBs as their competitors adding, “the only direct competition we face is from the commercial banks and other non-bank financial institutions”.

He said he believes that, “we can succeed better through greater collaboration amongst ourselves” and charged the RCBs to endeavour to tap into the core ICT banking platform introduced by the ARB Apex Bank to provide enhanced products and services to their customers.

He noted that the ARB Apex Bank had also introduced automated teller machines (ATMs) to the RCBs, adding that the Bank was in the position to assist RCBs to procure ATMs to help offer greater convenience to their valued customers.

He revealed that customers were becoming sophisticated and charged the RCBs to innovate in order to meet customer demands, noting that “we believe in deploying modern alternative banking channels to the delight of the RCB customers”.

Mr. Mattah said the ARB Apex Bank had supplied the needed equipment to many of the RCBs to help them issue ATM cards to their customers at their branches.

He indicated that the ARB Apex Bank was also coordinating the development of many products to suit the needs of the customers of RCBs.

Mr. Alex Awuah, Deputy Managing Director of the ARB Apex Bank tasked directors of the RCBs to take advantage of all the



Mr. Joseph Kofi Amoa-Awuah
Head, Other Financial Institutions
Supervision Department, Bank of Ghana

special initiatives being introduced by the regulators to improve upon their operations to enhance shareholder value.

Mr. Awuah also encouraged the banks to remain under the “umbrella” of the ARB Apex Bank to enjoy the economies of scale, which come with operating within the family of rural banks with the largest number of bank branches in the country.

This year’s meetings organised by the ARB Apex Bank, were held in Kumasi for RCBs in Ashanti and Brong Ahafo, Tamale for RCBs in the three regions of the north, Agona Nkwanta for RCBs in Western and Central Region and Ho for RCBs in Greater Accra, Eastern and Volta regions.

The ARB Apex Bank is the “mini” central bank for the 141 rural and community banks operating in the country.



OPERATIONS MEETINGS IN PICTURES





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FUNNY NIGERIAN JOKES



AKPOS AND MR PRESIDENT ON A TRIP

The President of Nigeria, his Deputy, Mr Akpos and a former Miss World, Agbani Darego were travelling in a train.

The train suddenly goes through a tunnel and it got completely dark. Suddenly there was a kissing sound and then a slap! The train came out of the tunnel. The deputy and Akpos were sitting down looking perplexed. The President was bent over holding his face, which was red from an apparent slap. All of them remained diplomatic and nobody said anything.

The Deputy was thinking; "These men are all crazily after Agbani Darego. The President must have tried to kiss her in the tunnel. Very proper that she slapped him."

Agbani Darego was thinking: "The President must have moved to kiss me, and kissed Akpos instead and got slapped."

The President was thinking; "Damn it, Akpos must have tried to kiss Agbani Darego and she thought it was me and slapped me."

Akpos was thinking; "If this train goes through another tunnel, I would make another kissing sound and slap the President again."

AKPOS JOKE: ATM CARD

Akpos wanted to use his ATM card but the machine kept on rejecting the card. A frustrated Akpos called his bank help line.

AKPOS: (Angry) So what's wrong with my ATM card.

CALL GIRL: I'm sorry sir, can I cross check your account please?

AKPOS: Please be fast joor, my clients from London are waiting.

CALL GIRL: Sir, I have checked your account, everything is alright here and you should be able to use your card. Are you sure your card is not damaged or broken?

AKPOS: Are you insane? What are you insinuating? No one takes good care of their ATM card like I do.

CALL GIRL: Okay sir, are you also sure the surface isn't wet or stained with dirt?

AKPOS: Are you mad? An ATM card that I pet like an egg? As a matter of fact, I even laminated it last week when I laminated my identity card.

WHO IS MORE INTELLIGENT?

President Goodluck Jonathan met with the Queen of England.

He asked her:

JONATHAN: How do you run such an efficient government? Are there any tips u can give to me? I want to help Nigeria.

"Well," said the Queen, "the most important thing is to surround yourself with intelligent people."

Jonathan frowned, and then asked, "But how do i know the people around me are really intelligent?"

The Queen replied, "Oh, that's easy, you just ask them to answer an intelligent riddle."

The Queen pushed a button on her intercom. "Please send David Cameron in here, would you?"

David Cameron walked into the room and said, "Yes, your majesty?"

The Queen smiled and said, "Answer this riddle. David, your mother and father have a child, it is not your brother and it is not your sister. Who is it? "Without pausing for a minute David Cameron answered, "that would be me." Yes, very good," said the Queen.

Jonathan went back home to ask his Vice President Sambo

JONATHAN: Answer this. Your mother and your father have a child, it's not your brother and it's not your sister, who is it?

SAMBO: "I'm not sure, let me get back to you."

He asked all his staff in the Office but none could give him an answer. Finally, one day, VP Sambo ran into Dora Akunyili.

Sambo asked, Dora,

SAMBO: Your mother and father have a child and it's not your brother or sister, who is it?"

Dora answered sharply, "That's easy, its me!" Sambo smiled, and said "Thanks!"

Then he went back to speak with President Jonathan.

Sambo: Sir, I have the answer to that riddle, It's Dora Akunyili!

Jonathan got angry, he said to Sambo. "No wonder Nigeria isn't moving forward, I am Surrounded by Dummies.! The answer is David Cameron!"

SOURCE: www.akposjokes.com

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MANAGEMENT SUCCESSION PLANNING: A CATALYST TO THE GROWTH OF RURAL AND COMMUNITY BANKS



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Management succession planning is a deliberate decision by an organization to foster and promote the continual development of their employees. This is to ensure there are always the personnel to maintain key positions, thus enabling the business to maintain its continuity. Succession planning management strategically identifies and develops internal people with the potential to fill key business leadership positions in the organization. Through succession planning, management recruits superior employees, develops their knowledge, skills, and abilities, and prepares them for advancement or promotion into more challenging roles. Actively pursuing succession planning ensures that employees are constantly developed to fill each needed role. As organizations grow, they lose key employees, succession planning ensures that the business has qualified employees on hand to take over when the old guards retire or exit.

Preparing for Succession

Developing a good management succession plan and implementing programmes can take some years, so it is important that directors and management put in place the necessary structures and policies to make it successful. Clear objectives are key to the establishment of an effective succession plan. These objectives must include identifying potential candidates with the requisite skills sets who can assume leadership roles in the future and tying them down with incentives, both immediate and deferred. The potential candidates must also be provided with critical development experiences to prepare them to move into their roles. A database of all the potential candidates for various identified positions must be built in order to provide a critical pool of experienced staff, making it easier for the organization



to make better staffing decisions.

Over the years, organizations have changed their approach to succession planning. What used to be a rigid, confidential process of hand-picking executives to be company successors is now becoming a more fluid, transparent practice that identifies high-potential leaders and incorporates development programmes in their operations to prepare them for top positions.

Rural and Community Banks (RCBs) must consider succession planning a part of their strategic planning on human



capital. This is known as talent management. It is the activities and processes throughout the employee life cycle: recruitment, onboarding, training, professional development, performance management, workforce planning, leadership development, career development, cross-functional work assignments, succession planning, and the employee exit process. When managing internal talents, RCBs must ensure the right people are moving at the right pace into the right positions at the right time. An effective succession planning strategy, coupled with solid career development programmes, will help paint a more promising future for employees and help them focus more on realizing the objectives of the banks. RCBs must actively guide potential successors in their career development. In this way they are assured of continuous loyalty of their employees.

Process and practices of succession planning

Progressive companies establish a well designed plan that embodies every detail of their succession and development practices. These processes and plans may include: Identifying key roles for succession or replacement planning, defining the competencies required, assessing people against these criteria - with a future orientation, identifying pools of talents that could potentially fill and perform highly in key roles.

Stages in succession planning

Management experts emphasize four stages in the management succession planning process. These are the initiation, selection, education and transition stages.

At the initiation stage, the chief executive officers (CEOs) speak openly about the future prospects of the bank in a positive but realistic manner. The aim of this is to enable possible successors learn about the strategic paths the bank has taken and how their skills sets fit in. If the possible successors want to remain with the bank but find they are lacking in some aspects, they could seek to acquire or learn such skills to enable them



fit in properly or become eligible for positions, which become available in the future.

The next stage is the selection stage. This stage involves actually choosing or designating a successor from the various candidates eligible for the position. This is a very important stage that must be properly managed to assuage bruised egos from rival or other possible successors who were all interested in the position. To manage this stage well, a consultant could be employed to develop specific objectives and benchmarks for qualifications into the various positions including the CEO position. This must also include detailed job descriptions and functions or roles for the successors to any of the management positions. This is a very critical stage as everything must be done in an open and fair manner. Many CEOs sometimes skew qualifications and skills sets for vacant positions such that every bystander would know that it was done to cut off some very good and qualified contenders in order to pave the way for a favourite. A story is told of an RCB in which they set

the qualification for a management position as 10 years Post-Bachelor Degree experience. All who applied for the position, even with 8-year Post-Bachelor Degree's experience and a Master's Degree were disqualified since their Bachelor's Degrees were not 10 years. Only one person had a 10-year Post-Bachelor's Degree experience and so was appointed. It could be said that, this was clearly designed to exclude all to pave the way for this person to be appointed.

Once the eligible person has been appointed or selected, the bank must now enter the training stage. This involves giving specific responsibilities to the successor. As they settle into their routine, their levels of responsibilities are then gradually increased. The CEOs or the substantive officers can then be given planned leaves of absence to give the successor the chance to actually run the bank for a limited time to enable them start having a handle on things without someone looking over their shoulders. This is the stage that seems very difficult for some CEOs to accomplish.





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Papa! Paa!!

Even when they are on leave, they want to continue to give daily instructions to their deputies. Some would attend every board meeting even when they are on leave. These situations leave their deputies unprepared so that the deputies cannot take over when they finally retire. Due to this phenomenon, many RCBs are unable to fill positions internally but have had to go out to employ someone from another bank to take over. This is the stage, which also affords the board of directors the opportunity to evaluate the successor's decision making processes, leadership skills and abilities, and ability to perform under pressure. This is also the phase where the new successor is introduced to the necessary networks needed for success in the position. These networks include the Association of Rural Banks and the respective regional chapters, managers of financial institutions in the area and other stakeholders.

The final stage is when the new CEO or officer finally takes full responsibility for the position. At this stage, the board of directors must ensure that they give the new manager the maximum support required to succeed. If it is any other management position, the CEO must ensure that the person gets every support necessary.

The importance of management succession planning to the growth of RCBs

According to the American Banker, there were less than 50 percent of American banks that had any succession plans in 2013. Therefore, federal regulators viewed this as a major risk to the sustenance of the banking system and encouraged every bank to formally put in place a verified system of management succession planning to mitigate the risk. This situation is not peculiar to only the American banks. According to the CEO Succession Planning Survey Banking Edition of 2011, 41 percent of successions happened when neither the board nor management had identified a viable internal candidate. As a result, many of the banks were forced to look outside for a replacement for the exiting candidate. Of the 10 CEOs and other management staff of RCBs I spoke to while preparing

this article, only three (3) have a formal succession planning strategy incorporated into their strategic plan. Five others said they have often talked about it but have not written them down as a formal document, while only one said he does not know if any such policy existed. This might be widespread in many RCBs in Ghana. It is imperative to underscore the importance of management succession planning in the growth and continuity of RCBs in Ghana.

Management succession planning is important to the growth and development and continuity of RCBs since it involves the evaluation of the skills set of staff and identification of those that have the potential to ascend to top management positions. Succession planning in this way encourages actively developing staff, which sends a clear message to the rest of the staff that the company is serious about developing the capacity

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of its human capital. This may persuade talents within the organization to seek to remain rather than seeking for employment in other companies due to the availability of growth prospects in the new companies.

Succession planning increases the availability of experienced and capable employees who are prepared to assume these positions as they become available. It is also the process of preparing an organization for a transition from one leadership to

another. It is helpful to forestall an abrupt exit of a key executive through death or change of employment.

Why some RCBs Waver

It is established that if succession planning is not undertaken properly, potential candidates who do not get the job might leave the bank. This would then exacerbate the succession issue and most boards and management would dither, holding on till the very end. In view of this, some RCBs do succession planning on an as and when basis. This in a way keeps their good staff at post but rarely gives younger employees the needed time to be properly groomed to assume managerial positions in the future.

Conclusion

Management succession planning is critical to ensuring the growth and continuity of every bank, and most especially RCBs which experience high staff turnovers. Many bank CEOs are reluctant to plan for their succession usually because they fear for the security of their tenure and also because most RCBs suffer high CEO employment termination rates in Ghana. Management succession plans must be integral to the strategic plans of RCBs, to prepare managers at all levels for career advancement to top management levels. ■

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