

**PRIVATE INVESTMENT OF CHURCHES: A STUDY OF SELECTED CASES IN THE  
KUMASI METROPOLIS**

**By**

**KNUST**

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## DECLARATION

I hereby declare that, this submission is my own work toward MSc. Development Policy and Planning. And that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of a University; except where due acknowledgement has been made in the text.

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## ABSTRACT

Poverty has been a major challenge in the world today, especially in developing countries. Past and previous governments have all put in various measures in order to address this global issue of poverty. In this regard, any effort at reducing poverty and creating wealth is very much appreciated. The Church, as a development partner to the state, has been contributing its quota to the development of the country through its social service activities. Church involvement in the provision of education, health care, water and other activities cannot be overemphasized.

In addition to providing social services, the church also has a mandate of evangelization, both of which require financial support. The primary source of finance for the Church is through contributions by Church members; however, this avenue is not sustainable as it cannot fund the continuously increasing budget of the church as well as result in a fatigue in the area of giving. In recent times, Churches are getting into private investments more and more. It is in the light of this that the research was undertaken.

The study therefore sought to identify the major investments of churches, examine how the investment activities of churches are managed and operated, to assess the viability and demand of their investments or businesses and to assess the utilization of gains of these investments.

Using the Kumasi Metropolis as the study area and adopting a case study approach, six businesses operated by six different churches under the broad grouping of Catholic and Christian Council were sampled and studied. Purposively, three key informants being; church leadership, a management and board member, were chosen to furnish the researcher with information for all the churches.

The study has shown that churches get into a wide spectrum of business like any other organization however with ethical and social considerations. Church based investments are tilted toward business investment in contrast with portfolio investment which is much more common in the western world. Again, although all the businesses have board of directors in place, the lack of boards established specifically to oversee to the activities of some of the businesses resulted in delay in decision making affecting business activities.

Efficiency levels of all six businesses are low ranging from average to below average affecting profitability of investments. In totality, each of the investments yielded gains one way or the other and these gains according to leadership have been utilized to benefit the church, its members and society as a whole. In spite of these benefits, the businesses were beset with challenges in the area of records keeping, staff recruitment procedures and accounting mechanisms.

To conclude, church based businesses are contributing their quota to the development of the nation and should be encouraged. In the future, churches should consider one of three suggestions; operate businesses as separate entities, move into portfolio investment, or get into Private/Public Partnership where churches become major shareholders. These approaches will help curtail some of the challenges identified with business investments.



## ACKNOWLEDGEMENT

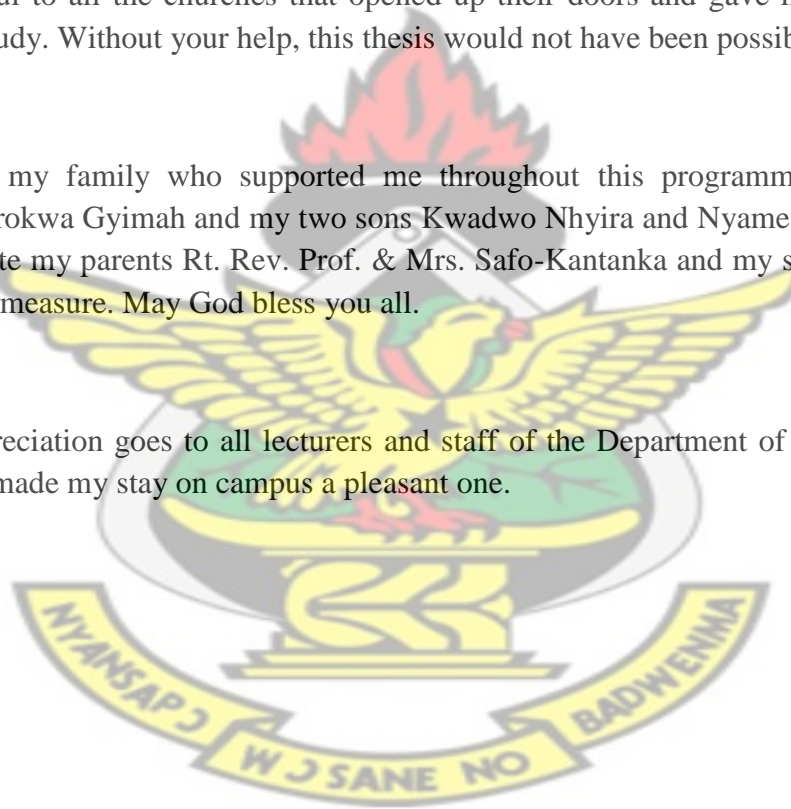
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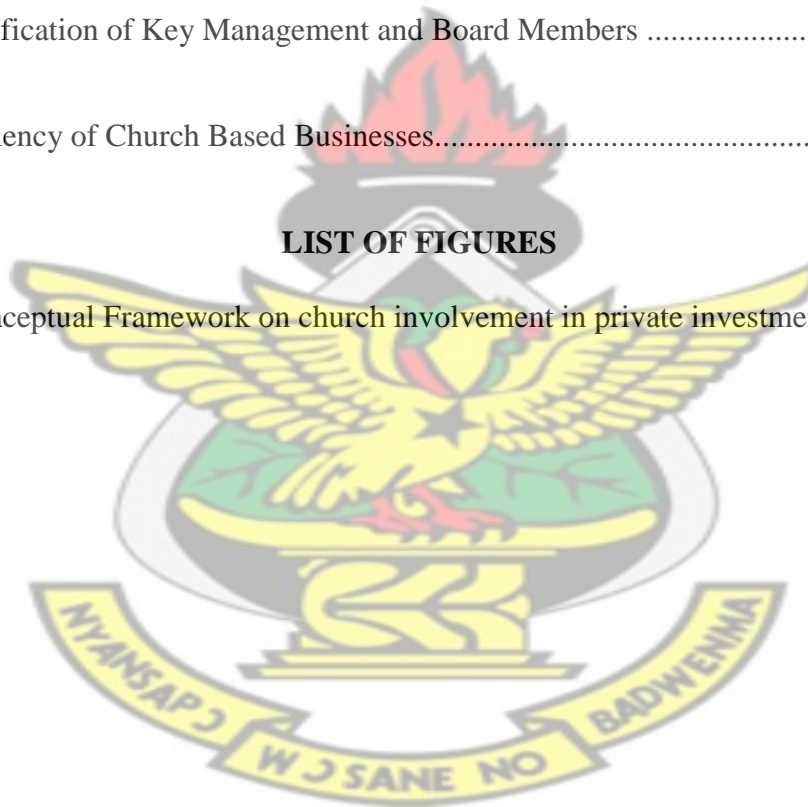


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## LIST OF ACRONYMS



AGM	Acting General Manager
BBC	British Broadcasting Cooperation
CBIS	Christian Brothers Investment Services
CEO	Chief Executive Officer
DNA	DeoxyriboNuclear Acid
ELCA	Evangelical Lutheran Church, America
GDP	Gross Domestic Product
GFATM	Global Fund to Fight Aids, Tuberculosis and Malaria
GSS	Ghana Statistical Service
KATH	Komfo Anokye Teaching Hospital
KMA	Kumasi Metropolitan Assembly
LDS	Latter-Day Saints
MCH	Maternal and Child Health
MP	Member of Parliament
<i>MSNBC</i>	Micro Soft National Broadcasting Company
NFP	not-for-profit
SRI	socially responsible investment
TBA	Traditional Birth Attendants
UK	United Kingdom

## CHAPTER ONE

### BACKGROUND TO THE STUDY

#### 1.1 Introduction

Poverty is one of the major challenges that developing countries in general and Ghana, in particular, face. Across the world, many countries, including Ghana, have used various interventions to create wealth and alleviate poverty with the help of both international and domestic partners. The church can be considered as one of the development partners of the country mostly through its social service provision activities and recently through private investments.

Churches have a mandate to care for both the spiritual and material needs of their members and society at large. Most churches therefore subscribe to the notion that they should be involved in helping members improve their lives. Many churches are into the provision of potable water, health facilities and educational facilities, all in its quest to improve the lives of their members and communities at large. These churches see themselves as being part of the society. They believe that they risk becoming irrelevant if they do not deal with things that concern the larger community (Mpesha, 2003).

In the quest of caring for both the spiritual and material needs of members of the church and the society as a whole, the church requires money to be able to undertake these activities. This is to say that be it evangelism which is the core business of the church or the provision of social services such as water, education, health services; money is needed to sustain these activities.

It is therefore in the light of this that churches are moving more into the area of private investments to generate income to undertake its activities. These investments include; the running of Transport Systems, the Hospitality Industry, Sachet Water Production, Printing Press and Book Stores.



The classical economist believes that for investment to take place there should be some amount of savings that can be translated into investment. The level of investment in an economy determines the growth of that economy (Todaro, 2009). The church has the potential of being a major investor in that it has a great avenue for mobilization of financial resources through its collections. These monies can be transformed into investments that can yield higher returns to run the activities of the church and to meet some of the material needs of its members. The investment portfolio of churches therefore contributes to the wealth creation process in the economy that translates into the Gross Domestic Product (GDP).

The focus of the research is therefore to conduct a study into the investment activities of churches in Ghana and assess their performance and contribution to the growth of churches as well as the economy.

## **1.2 Problem Statement**

The church has existed for many centuries and with its long years of existence, it is expected that it should have done a lot to improve upon the living conditions of their members and society. Much research has however proven that the church has done a lot in the area of social service provision such as schools, hospitals, provision of potable water and relief services.

Little research has however gone into the investment activities of churches and the benefits thereof. The focus of this research is therefore to bring to the fore the involvement of churches in private sector investment activities and the overall performance and benefits to its members and society at large.

In Ghana, mostly Christian missionaries' first established schools with majority of the schools making great strides. Again, a great number of health facilities have also been established by churches in Ghana. Worldwide churches have been known to be greatly involved in the provision of these social services and many more. One can talk of schools such as Aburi Girls Senior High School, Mfanstipim School, and Adisadel

College emerging from the Presbyterian, Methodist and Catholic churches respectively. Mention can also be made of hospitals such as Ankaase Methodist Hospital, Kwamebikrom Presbyterian Clinic and Ola Catholic Hospital which are church based.

The role of churches in the provision of basic services has helped to bridge the supply gap that has existed in the provision of basic social services in Ghana. It goes without saying that in the event where the church was absent in the provision of social services, the spate of development especially in education and health would have been far more challenging.

One area of concern of late is the over-dependence of the churches on collections from its members in financing its developmental activities. Coupled with this is the growing poverty in the churches. It is therefore in response to these concerns that churches are moving into the area of investments such as transportation activities and investment into the hospitality industry such as the establishment of guesthouses, office complex and hotels.

In Ghana, about 69 percent of population profess to be Christians; (GSS, 2010) hence churches can have a greater avenue of financial mobilization and a clientele base for its investment activities and therefore greater returns from its investments to support its activities.

In the light of the above, it is of importance and of interest to study the investment activities of churches to assess how these activities are undertaken to ensure higher productivity. The level of productivity of the investment activities will also tell on the impact churches are making with regards to the economic growth of Ghana.

The study therefore answers the following key questions:

1. What determines the areas of investment of churches?
2. How are investments organised and managed by churches?
3. What is the demand and viability of church based investments?

#### 4. How are the gains made from the investment utilised?

The state has been known not to be a good and productive operator of private investments hence a recent emphasis on private-public-partnership. Also group involvement in business has not been found to be successful in Ghana. Is it so with businesses owned and operated by churches?

Finally, is there a possibility of the state collaborating with the church in its investment activities to ensure greater productivity? On the other hand, is private / Church partnership the way forward? These are some of the issues this study will investigate.

### 1.3 Objectives of the Study

The general objective of the study is to assess the viability and management performance of selected investment activities of churches in Kumasi.

The specific objectives of the research are to:

- Identify the major investment activities of churches in Kumasi.
- Examine how the investment activities of churches are managed and operated to determine their level of efficiency.
- Assess the viability and demand for such investment activities of the churches.
- Assess the utilisation of gains of these investments and their impact on finances of the churches

### 1.4 Scope

Geographically, the study is limited to the Kumasi Metropolis of the Ashanti Region for ease of access to information and time constraints. Concerning issues, the major investment activities of churches in Kumasi Metropolis will be looked at as well as the viability, operational efficiency and demand for the investment activities of churches. Again an assessment of the utilisation of the gains of the investment activities and the major challenges encountered in the operation of investments by churches will be considered. The following investment activities; transportation, guest house, sachet water production, the operation of bookstores, printing press and Hostel operated by

Methodist, Presbyterian, Assemblies, Baptist, Catholic and Anglican churches will be looked.

The selected churches come from the following broad categorization of churches in Ghana; Catholic and Christian Council Churches. Charismatic church groups are not considered in this research due to few years of existence and their scattered nature. Again the investment activities to be studied are a cursory list of investments the above listed churches are into.

### **1.5 Justification**

It is an undeniable fact that the church has contributed immensely in the provision of social services such as education, health and potable water in the country. Although the church is moving into private sector activities, little research has been done with respect to this aspect of the churches activities. Little is therefore known or has been established in line with the impact the church is making in this area. The outcome of this research will provide insight on the performance of the investment activities of the churches. The outcome and recommendations from the research will give an indication to churches to maintain the status quo or make adjustments to facilitate their activities. This research will again add to the body of knowledge presently available on the subject serving as data base for further research.

In addition, this research will be able to clear certain perceptions about the profitability and relevance of the involvement of churches in investment activities. Furthermore, the results of this research will benefits primarily churches and mostly the churches under study. Again the government and other organisations may find the results of the research useful to inform them on possible options of partnership or support.

In a nutshell, the outcome of the research will help improve practice (how investment activities are carried out by churches) and policy (the guiding principles and procedures made by government and churches on how investment activities should be conducted) in



order to improve the investment activities of churches and make them beneficial to the nation.

## **1.6 Methodology**

The methodology of the research presents the systematic procedures adopted in order to come out with findings that respond to the objectives of the study.

The type of research is more towards cross sectional research with a case study approach. Again a comparative analysis of the different activities and approaches by the different churches is done.

A criterion was adopted in the selection of the sample frame and the sample size. Quota sampling was employed to give a good mix of investment activities to be studied. Finally purposive sampling was employed in determining who to interview since only certain groups of individuals could give the information required.

Both primary and secondary sources of data were collected and analysis done using thematic and descriptive analysis. Data is presented in the form of charts, tables and write ups to give an indication of the picture being drawn.

## **1.7. Working Definitions**

### ***1.7.1 Private Sector***

In economics, the private sector is that part of the economy which is both run for private profit and is not controlled by the state. By contrast, enterprises that are part of the state are part of the public sector; Non-profit organizations are regarded as part of the voluntary sector ([en.wikipedia.org/wiki/Private sector](http://en.wikipedia.org/wiki/Private_sector)). From the above definition, it can be seen that though the church may have been considered as part of the voluntary sector, this may no longer be the case since most of them are in activities run for private profit.

Another definition of the concept of private sector is organizations in an economy or jurisdictions that are not controlled by government, including privately owned businesses and not-for-profit organisations ([en.wiktionary.org/wiki/private sector](http://en.wiktionary.org/wiki/private_sector)). This definition however fits appropriately for churches since most of them consider

themselves as not-for-profit organisations. The church as a not for profit organisation sometimes runs businesses for profit.

The adopted definition for the privates sectors is therefore an organisation which is run for profit and not controlled by the government.

### **1.7.2 Investment**

The act of placing capital into a project or business with the intent of making a profit on the initial placing of capital is known as investment. Many types of investing exist, and each is subject to greater or lesser regulation in the jurisdiction in which it takes place. Investing wisely requires a combination of astuteness, knowledge of the market, and timing (Farlex, 2009).

***Churches invest their resources in a number of projects such as schools, hospitals and boreholes. However, for the purposes of this study the adopted definition for an investment is any economic activity which is done with the intent of making profit in the future.***

### **1.7.3 Christian Groups**

Christianity (from the Ancient Greek word Χριστός, *Khristos*, "Christ", literally "anointed one") is a monotheistic religion based on the life and teachings of Jesus as presented in canonical gospels and other New Testament writings. Adherents of the Christian faith are known as Christians (Kimbrough, 2005).

## **1.8 Limitations**

The main objective of this study is to assess the viability and management performance of selected investment activities of churches, however, gathering information on performance and financial records was extremely difficult. Although the various businesses were assured that the research was purely for academic purposes and confidentiality will be maintained, availability of financial records was a big challenge. Again since only specific individual could give information about a particular investment mostly top management and board members, there was a difficulty in getting them for an interview since they are mostly on the go. This challenge was overcome by



being persistent and rescheduling of appointments which eventually yielded the needed results.

### **1.9 Organization of the Study**

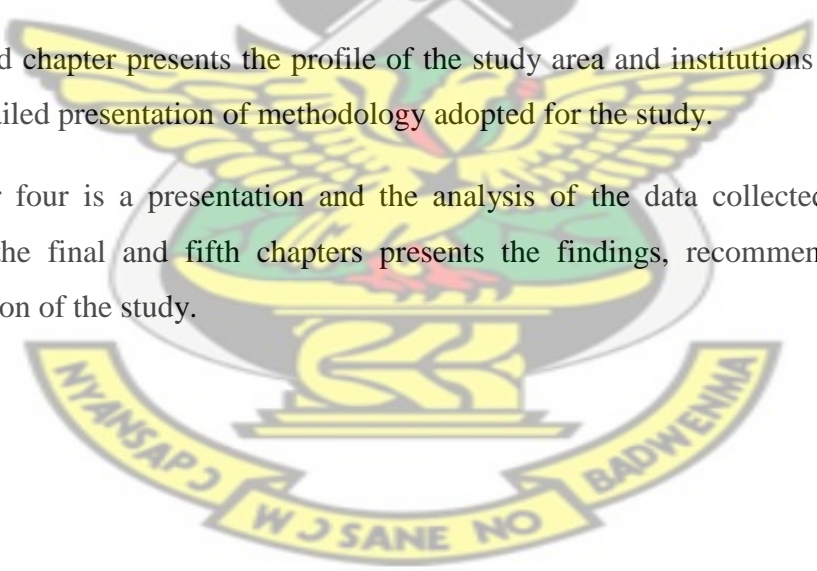
The study comprises of five chapters, divided into sections to enable all major issues to be dealt with comprehensively.

Chapter one looks at the general introduction of the study, problem statement, research questions, general and specific objectives, scope, justification of study, definition of key concepts, limitations and organization of the study.

Chapter two reviews literature on private investment of churches, historical overview of the church, driving philosophies of church's involvement in social work, social service approach of the church, the investment approach, general overview of investment activities of religious groups, current thinking on investment of churches, management and performance of church investment, conceptual framework and the lessons learnt.

The third chapter presents the profile of the study area and institutions of study as well as a detailed presentation of methodology adopted for the study.

Chapter four is a presentation and the analysis of the data collected from the field whiles the final and fifth chapters presents the findings, recommendations and the conclusion of the study.



## **CHAPTER TWO**

### **REVIEW OF LITERATURE ON PRIVATE SECTOR INVESTMENT OF CHURCHES**

#### **2.1 Introduction**

In the first chapter, it was emphasised that although the core business of church is in the area of building its members spiritually, they (churches) are moving into the area of investments to support their activities and possibly to reduce the financial burden on their members through frequent collections or offerings.

Deacon Judith Wray hosted on a British Broadcasting Cooperation (BBC) faith based radio programme by Joe Wilson, Lancashire says, the work churches do can get lost in the crowd, however, the situation is improving: "Generally speaking, in the media and everywhere, there is a greater recognition of the part that Christian groups and churches play in society as a whole" (Wray, 2010). This research is part of the effort being made to assess the role churches are playing in society as a whole.

This section of the research seeks to review literature on what other authors have said concerning the issues of the types of investments churches get into, performance of churches in the area of investment, a critique of the potential conflicts between spiritual and social concerns of churches and the current thinking and lessons learnt on the topic of study.

#### **2.2 Historical Overview of the Church**

The word Christianity is the label that has been widely accepted by the secular and the church-world to describe the practice of faith by the followers or disciples of Jesus Christ (Kimbrough, 2005).

According to Rives (2007) in his book on Religion in the Roman Empire, Christianity began as a Jewish sect in the mid-1st century. As of the early 21<sup>st</sup> century, Christianity had around 2.2 billion adherents and represented about a quarter to a third of the world's population and is the world's largest religion. Christianity is the state religion of several countries (Hunter, 2011).

The two major Christian groups are the Catholics and the Protestants. Under the protestant group there are major break off or sub groupings such as the Orthodox made up of the Methodist, Presbyterians and Anglicans, the Pentecostals and the Charismatic groups (Robinson, 2007).

### ***2.2.1 Catholic***

The Catholic Church comprises those particular churches headed by bishops in communion with the Pope, the Bishop of Rome, as its highest authority in matters of faith, morality and Church governance. The Roman Catholic Church through Apostolic succession traces its origins to the Christian community founded by Jesus Christ (Norman, 2007). With more than 1.1 billion baptized members, the Catholic Church is the largest church representing over half of all Christians and one sixth of the world's population (CIA, 2007).

### ***2.2.2 Protestant***

In the 16th century, Martin Luther, Huldrych Zwingli, and John Calvin inaugurated what has come to be called Protestantism. Luther's primary theological heirs are known as Lutherans. Zwingli and Calvin's heirs are far broader denominationally, and are broadly referred to as the Reformed Tradition (McManners, 2001). Most Protestant traditions branch out from the Reformed tradition in some way. In addition to the Lutheran and Reformed branches of the Reformation, there is Anglicanism after the English Reformation. The Anabaptist tradition was largely ostracized by the other Protestant parties at the time, but has achieved a measure of affirmation in more recent history. Some but not most Baptists prefer not to be called Protestants, claiming a direct ancestral line going back to the apostles in the 1st century (Milton, 2004).

The oldest Protestant groups separated from the Catholic Church in the 16th century Protestant Reformation, followed in many cases by further divisions. For example, the Methodist Church grew out of Anglican minister John Wesley's evangelical and revival movement in the Anglican Church (McManners, 2001). Several Pentecostal and non-denominational Churches, which emphasize the cleansing power of the Holy Spirit, in turn grew out of the Methodist Church. Because Methodists, Pentecostals, and other

evangelicals stress "accepting Jesus as your personal Lord and Savior", which comes from John Wesley's emphasis of the New Birth, they often refer to themselves as being born-again.

Estimates of the total number of Protestants are very uncertain, partly because of the difficulty in determining which denominations should be placed in these categories, but it seems clear that Protestantism is the second largest major group of Christians after Catholicism in number of followers (although the Orthodox Churches is larger than any single Protestant denomination) (Hunter, 2011).

### **2.3 Driving Philosophies of Church's Involvement in Social Work**

"It is exceedingly strange that any follower of Jesus Christ should ever have needed to ask whether social involvement was their concern, and that controversy should have blown up over the relationship between evangelism and social responsibility. For it is evident that in his public ministry Jesus both 'went about doing good' (Stott, 1990)". In consequence, evangelism and social concern have been intimately related to one another throughout the history of the Church. Christian people have often engaged in both activities quite unselfconsciously, without feeling any need to define what they were doing or why.

Finney as quoted by Stott (1990) writes that "the great business of the church is to reform the world... The church of Christ was originally organized to be a body of reformers. The very profession of Christianity implies the profession and virtually an oath to do all that can be done for universal reformation."

Sterns (2011) notes that Christ calls Christians to be his partners in changing the world, just as he called the 12 disciples to change this world 2,000 years ago. Social activity as reported by Stott (1990) is both a consequence of and a bridge to evangelism, and indeed the two were declared to be partners. Besides, they are united by the gospel. "For the gospel is the root of which both evangelism and social responsibility are the fruits".

According to Wagner (1970), the reconciliation of multitudes of men and women to God through Christ is the primary relationship of the church to the world. Wagner (1970)



continued to isolate several relationships of the church to the world, which he called social service. This he defines as embracing all the good works that the church is capable of performing in the world.

This is necessary outcome of the new birth because the Bible says “faith without works is dead” (James 2:17). Jesus taught that Christians are the salt of the earth and the light of the world. This involves public service in which men may see your ‘good works’ and glorify your father in heaven, (Wagner, 1970).

There are now 2 billion people on earth who claim to be Christians. That is almost 1 in 3, if Christians are to follow the great commission and also follow their master’s example, then the world should have changed by now (Stearns, 2010).

From the above discussions, it is clear that churches consider it part of their mandate to partake in social issues which contributes to the total transformation of man.

#### **2.4 Social Service Approach of the Church**

Wunder (1986) defines social service as, "deeds done for people to relieve or alleviate suffering by direct treatment. This is people oriented". Second, by contrast, he defines social action as an attempt to "extricate an institution (all structures, whether unified or diverse, that have a social, political or educational purpose within a given culture) from those who dwell in darkness and bring it under the Lordship of Christ by restructuring it to act in accordance with the propositions of the scripture".

Wunder (1986) concludes that the reformation of structures is not a mandate for the Church [individuals or corporate body] and thus is not on the same part as the clear mandate for fulfilling the Great Commission. He also concluded that social service was an important obligation for individuals, and a possibility for institutional involvement but not a mandate. This contrast between social service (personal or corporate response to social hurts) and social action (personal or corporate response to the structures which caused the hurt) is not new.

Earlier, William Temple took a similar position: "The Church is both entitled and obliged to condemn the society characterized by these evils: but it is not entitled in its

corporate capacity to advocate specific remedies". "The Church is committed to the everlasting Gospel...; it must never commit itself to an ephemeral program of detailed action" (Temple, 1941). However, not all theologians agreed with Temple and Wunder's conclusions. In the last century Finney (1975) has argued:

Now the great business of the church is to reform the world--to put away every kind of sin. The church of Christ was originally organized to be a body of reformers. The very profession of Christianity implies the profession and virtually an oath to do all that can be done for the universal reformation of the world. The Christian church was designed to make aggressive movement in every direction to reform individuals, communities, and governments, and never rest until every form of iniquity shall be driven from the earth.

The main question may be refined as whether the church as an institution has a responsibility to perform either social service or social action or both. Clinton (1989) assumes that the individual Christian has the duty to perform social service and the possibility of performing social action within the New Testament mandates for believers.

Financial support is specifically to be given by church members to help the church function in three areas. First, the church is to meet general needs of its own operation and members (I Corinthians 16:2). Second, the church is to support full-time workers as need exists (III John 8). Third, the church is to raise money for special needs, as they exist (Acts 2:44-45; Galatians 2:10). The last set of verses deal with meeting financial needs of the needy within the congregation and at large.

In the area of the poor and widows there are five passages. The first two deal with widows. Acts 6:1-6 led to the establishment of deacons to deal fairly with the widows in providing food.

The two verses on meeting the financial needs of the poor and the five verses on meeting other needs of the poor and widows are the only verses proposed by Clinton in Acts and



the epistles regarding social obligations. A mandate for the church's social obligations may include the following principles:

1. Be aware of the needs of the poor and widows within the congregation and develop programs to meet their needs.
2. Be aware of the needs of the poor at large and do what you can to help meet their basic needs for food and survival.
3. If anyone is able to meet his or her own needs, or if their family is able to do so, then the church has no obligations.
4. In general, do good deeds whenever you can to meet the needs of people.

These four principles constitute the New Testament mandate of the church's social obligations.

#### ***2.4.1 Faith-Based Social Services - Delivery of Social Services through Faith-Based Organizations***

Both Former Vice President Gore and Republican presidential candidate Governor George W. Bush have recently called for a greater public role for faith-based organizations in delivering social services. Governor Bush has proposed \$8 billion in tax credits and changes in federal regulations to allow greater delivery of child care, drug addiction, and other services by faith-based organizations, charities and community groups. Vice President Gore called for a “New Partnership” under which faith-based organizations could receive federal funds to “provide jobs and job training, counselling and mentoring, food and basic medical care”—as long as recipients were not required to engage in religious observances and secular alternatives to the religiously based services remained available.

The growing interest in the provision of public social services via faith-based organizations stems from several factors. First, some faith-based organizations have demonstrated dramatic success in curbing or alleviating social problems in particularly distressed communities. For example, the efforts of Reverend Eugene Rivers of the

Azusa Christian Community in the Dorchester section of Boston have been credited with reducing the juvenile murder rate in that community to almost zero. Second, social science data has increasingly documented a strong inverse correlation between religious commitment and social pathologies. Beginning with Harvard economist Richard Freeman's work on church attendance and juvenile delinquency, numerous studies have shown that religious commitment tends to lessen the tendency of both children and adults to engage in counterproductive behaviors, ranging from delinquency to addiction and violence.

Third, dissatisfaction with the outcome of government programs has led both to reduction in federal welfare spending and increased pressure to enlist the help of faith- and community-based organizations in caring for the poor. The 1996 Welfare Reform Act included a "charitable choice" provision that permitted states to direct funds to faith-based organizations for childcare and other services aimed at helping welfare recipients return to work. Several states are taking advantage of these provisions (Klein, 1998).

#### ***2.4.2 The Debate***

Advocates of enlisting faith-based organizations in the provision of public services point to anecdotal evidence of the success of faith-based programs. They argue that the dangers posed by the social problems such as drug addiction or teen homicide outweigh any threat to the separation of church and state posed by the use of faith-based organizations. Faith-based or religiously oriented approaches are inherently more effective than secular approaches in changing behaviour (Dionne, 1999).

Opponents argue that directing government funds, at either the federal or state level, to sectarian organizations raises serious separation issues. While organizations such as Catholic Charities and Lutheran Charities have long received large subsidies from the federal government, such traditional charities have pursued their efforts in a self-consciously nonsectarian manner. Critics argue that newer faith-based approaches, such as that embodied by Eugene Rivers program in Boston or Charles Colson's Prison Fellowship, rely explicitly on proselytization as the means of effecting behavioral change. Subsidies to such organizations, according to critics, can amount to violations of

the Constitution's establishment clause because they involve the state directly supporting the spread of particular religious views (DiIulio, 1999).

#### ***2.4.3 The Communitarian View***

Communitarians emphasize the role of the community as a potent “third force” in shaping the conduct and quality of both individual and collective life. Communitarians argue that a healthy and strong community can frequently exert a deeper and more lasting influence on individual behaviour than the state acting via law and law enforcement. The restoration of vitality and safety to beleaguered neighbourhoods and cities usually requires a revitalization of the organic community institutions that enrich and order community life. Healthy families and churches and neighbourhood communities and like institutions are the key to shaping the conduct of children in such a way that they will become productive adults (Donnie, 1999).

For this reason, communitarians generally support a creative division of labour, which permits the state to channel resources to community organizations, including faith-based organizations, for the provision of services within a community. Community-based organizations, including church organizations, have a comparative advantage in dealing “close-up” with community members.

Communitarians believe that safeguards need to be in place to protect the individual's free exercise of religious rights under the Constitution. Social service should not be provided as a quid pro quo for religious adherence; secular alternatives should also be available. But for those individuals who choose them, faith-based alternatives have been shown to accomplish dramatic improvements in the quality of both individual and community life.

A division of labour that permits faith-based organizations to act as service providers observes the key communitarian principle of subsidiarity—which posits that no unit of society should perform functions more appropriately performed by a smaller entity. The neighborhood should not usurp the normal function of the family; the city the function of the neighborhood; the state the function of the city; or the federal government the

function of the state. Similarly, the bureaucratic government should not usurp the immediate functions of the family and the church. Use of faith-based organizations as service providers—with proper Constitutional safeguards—permits common resources to be directed toward strengthening the community rather than enhancing the power of the state, often at the expense of community institutions (Dilulio, 1999).

## **2.5 The Investment Approach**

The former moderator of the Presbyterian Church of Ghana, Right Reverend Dr. Yaw Frimpong-Manso, buttresses the need for the church to move away from depending on “offerings” and “tithes” to sustain God’s work. “I wish to restate that we move away from our over dependence on offerings and tithes in the light of current fatigue in giving and the poverty of most of our members” (Ghanaian Times, 2010). He continued by saying that the church should chart a new path by exploring innovations in resource and revenue generation to promote the church’s agenda of expanding infrastructure, improving education and evangelisation.

He said "we must-put in every effort and resource with the help of God to execute our resolve for viable investments and projects to sustain the financial base of this church. He therefore supported proposal by the Investments and Projects Committee for the church to form a Presbyterian Church of Ghana Estates company and float shares and funds to execute its project portfolios.

Christian groups mostly in Europe have already taken a leap in the area of investment and making great strides. Examples can be made of some groups in the United States as discussed below.

Christian investment in the United States relies on two main strategies: avoiding investing in companies whose practices are incompatible with basic Christian values and using Christian investors' position as shareholders to change corporate behaviour. A degree of compromise is necessary in choosing which companies to exclude. "If you look to have a completely pure portfolio, you will end up having an empty portfolio," (Nielsen, 2011).



CBIS focuses on excluding companies that violate Catholic "life ethics" (through involvement in abortion, contraception and stem-cell research) or are engaged in pornography, tobacco and "militarism". The Stoxx Europe Christian Index also screens out companies involved in gambling, although Stoxx and CBIS will not release the exact rules by which they construct their portfolio. They did, however, reveal the largest holding in the portfolio: Nestlé, a company that has been heavily criticized by faith groups for its aggressive marketing of baby formula in the developing world (Preston, 2011).

### ***2.5.1 Big impacts by faith-based investing***

While some might sneer at the inconsistencies and equivocations of faith-based investing, this segment of the global investment markets is having a disproportionate impact on corporate behaviour. CBIS is one of the larger firms within the Interfaith Centre on Corporate Responsibility, a multi-denominational body that attempts to use its members' pooled funds to force companies to improve their record on matters as diverse as animal welfare, child labour and Chief Executive Officer (CEO) compensation (Pearson, 2011).

CBIS, is involved in a movement to persuade America's largest banks to implement human-rights-based lending - refusing, for instance, to make loans to Sudan until the Darfur conflict is resolved. Christian funds have been at the forefront of pressure on companies such as Coca-Cola and Nike with regard to working practices. Walmart has implemented big changes to its supply chain after engaging with faith-based groups (Cowley, 2011).

For those who find the clash of prayer and profits too jarring, the Global Fund Supporters invests only in corporations that support the Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM), an organisation supported by Bill Gates, Bill Clinton, Bono and Kofi Annan, among others. A portion of the ETF's profits goes to further the work of the GFATM - something, perhaps, we can all believe in.

### ***2.5.2 General Overview of Investment Activities of Religious Groups***

Despite its un-businesslike nature, a church requires capital to carry out its operations just as any other organization. In 2005, Microsoft National Broadcasting Company's (MSNBC) Nanette Hansen even wondered if Pope Benedict XVI would "have to be a money manager as well as a spiritual leader."

The popular image of a church is that of a selfless organization unconcerned with financial gain. It is reflected in the fact that churches receive tax-exempt status from federal and state governments. And without question, most churches do engage in substantial charity work (Ritchie, 2011).

Ritchie (2011) continues to say that though official records are scarce, the world's major churches are all believed to collect annual revenues in excess of several billion dollars. Like any other institution, these churches work hard to earn the highest possible return on their investments. Both the donations they take in and the investment income they earn help make the world's major churches serious financial players.

Faith-based investors focus a lot on excluding investments that conflict with their beliefs. They will not invest in armaments companies, because they believe in the sanctity of life; nor publishers of pornography, as this "hurts minds", as in the words of 18th century preacher John Wesley; nor gambling, alcohol or tobacco.

Interested individuals debate the legal, moral and philosophical arguments for and against a trade-off between investment returns and an ethical approach, and there is room for judgment in selecting the period over which to measure returns; happily for Christian investors, long-term returns have been good (Ritchie, 2011).

In Australia, churches or church related subsidiaries operate schools, universities, childcare centers, retirement homes, crisis housing accommodation, welfare agencies, legal and counselling services, funeral homes, employment agencies, media interests, music labels, publishing houses, discounted retail outlets and even food manufacturing companies. Not surprisingly the not-for-profit (NFP) sector in Australia employs approximately 6.8% of the entire workforce. Similarly, a leading report compiled by



Johns Hopkins University revealed that the NFP sector accounts for, on average, 5% of the national GDP of several Western countries – a significant contribution to the economic growth of those economies (Neilson, 2010)

Below are examples of some churches and their resultant involvement in private sector investments.

### ***2.5.3 Evidence of Church Involvement in Private Sector Investment***

There are two main kinds of investments churches go into; portfolio investment where churches invest mostly in the financial market or operate shares in an organization and business investment where churches are directly involved in a business venture such as shopping malls, transport businesses and the like.

#### ***a) Churches in Business Investment***

In Anchorage early in October, the doors opened onto a soaring white canvas dome with room for a soccer field and a 400-meter track. Nearby is a cold-storage facility leased to Sysco, a giant food-distribution corporation, and beside it is a warehouse serving a local contractor and another food service company.

The entrepreneur behind these businesses is the Change Point Ministry, a 4,000-member nondenominational Christian congregation that helped develop and finance the sports dome. It has a partnership with Sysco's landlord and owns the warehouse (Legg, 2011). The church's leaders say they hope to draw people to faith by publicly demonstrating their commitment to meeting their community's economic needs.

An analysis by The New York Times of the online public records of just over 1,300 of these giant churches shows that their business interests are as varied as basketball schools, aviation subsidiaries, investment partnerships and a limousine service. At least 10 own and operate shopping centers, and some financially formidable congregations are adding residential developments to their holdings. In one such elaborate project, Life Bridge Christian Church, near Longmont, Colo., plans a 313-acre development of

upscale homes, retail and office space, a sports arena, housing for the elderly and church buildings.

Indeed, some huge churches, already politically influential, are becoming catalysts for local economic development, challenging a conventional view that churches drain a town financially by generating lower-paid jobs, taking land off the property-tax rolls and increasing traffic (Rau, 2011).

But the entrepreneurial activities of churches pose questions for their communities that do not arise with secular development. These enterprises, whose sponsoring churches benefit from a variety of tax breaks and regulatory exemptions given to religious organizations in the United States, sometimes provoke complaints from for-profit businesses with which they compete — as Change Point's new sports center has in Anchorage.

According to Henriques and Lehen (2007), mixed-use projects like shopping centers that also include church buildings, can make it difficult to determine what constitutes tax-exempt ministry work, which is granted exemptions from property and unemployment taxes, and what is taxable commerce.

They further indicated that with local amenities like shops, sports centers, theaters and clinics are all provided in church-run settings and employ mostly church members — people of other faiths may feel shut out of a significant part of a town's life, some religion scholars said.

#### ***b) Precedence in History***

Churches have long played an economic role. Medieval monasteries in Europe and Japan were typically hubs of commerce. In the United States, many wealthy denominations have long had passive investments in real estate. Churches, like labour unions and other non profit groups, have been involved in serving immigrants, the elderly and the poor (Henriques and Lehen, 2007).

Henriques and Lehren, continue in their article that the expanding economic life of today's giant churches is distinctive. First, they are active in less expected places: in largely flourishing suburbs and barely developed acreage far beyond cities' beltways and in communities far from the Southern Bible Belt with which they are traditionally associated. In most cases — as at Change Point in Anchorage — these churches say their economic activities are not just an expression of community service but, more important, an opportunity to evangelize. The sports dome, for example, is a way to draw the attention of young families to the church's religious programs.

“We don't look at this as economics; we look at it as our mission,” said Pastor Clauson of Change Point Ministries.

A pioneer in the study of mega churches at the Hartford Institute for Religion Research at the Hartford Seminary in Connecticut, whose roster of churches was the basis for the Times analysis, said he has become aware of churches that sponsor credit unions, issue credit cards and lend to small businesses (Thumma, 2011).

Although community outreach is almost always cited as the primary motive, these economic initiatives may also indicate that giant churches are seeking sources of revenue beyond the collection plate to support their increasingly elaborate programs, suggested Mark A. Chaves, a religious sociologist at Duke University (Rau, 2007).

#### ***2.5.4 A Complex Tax Challenge***

The Change Point Ministries a mega church, which formed a for-profit property management unit that also includes a small limousine service, envisions a mixture of commercial and religious uses at its new site — with its own share of the space beginning around 38 percent and rising over time.

The entire site is currently taxable, said Alonzo Woods, the church's director of operations. But when the church moves in, it will seek exemptions for areas used “strictly for church purposes.”

Churches are moving into residential development, as well. Windsor Village United Methodist Church, one of two churches that own shopping centers in Houston, is teaming up with a national home builder to develop more than 460 homes in the southwestern section of the city.

In Dallas, The Potter's House, a 30,000-member church established by Bishop T.D. Jakes, is the linchpin in an economic empire that includes Capella Park, a community of 266 homes. Just how far-reaching the mega church economy can become is clear at the First Assembly of God Church in Concord, a small community northeast of Charlotte. Under the umbrella of First Assembly Ministries are the church, with 2,500 in weekly attendance; a 180-bed assisted-living center; a private school for more than 800 students; a day-care center for 115 children; a 22-acre retreat center; and a food service — all nonprofit. In addition, there is WC Properties, a for-profit unit that manages the church's shopping center, called Community at the Village, where a Subway outlet, an eye-care shop and other businesses share space with church programs that draw traffic to the mall.

Doug Rieder, the church business administrator, said WC Properties files a federal tax return and pays property taxes on the commercial space at the mall. Mr. Rieder however acknowledged the difficulty of allocating space, staff time and expenses to the appropriate tax category. "We're very intertwined — it gets tough day to day," he said adding, "I have to constantly ask myself whether I am accurately allocating our costs" (Henriques and Lehren, 2007).

Another contribution the church makes to the city is a free daylong celebration it holds on Independence Day, complete with fireworks. Mr. Hiatt said no one seemed to find it awkward for a church to conduct the community's celebration marking the birth of a country committed to separation of church and state. "It was a very positive event," he said. Mr. Rieder, the church business manager, paused when asked whether people of other faiths would have felt comfortable at the event. "We try not to discriminate in doing community service," he said. "There are Muslims and other non-Christians here,



of course and we do want to convert them, no doubt about it — that’s our mission. We don’t discriminate, but we do evangelize” (Henriques and Lehren, 2007).

The same quandary confronts Pastor Clauson in Anchorage. “There is nothing inherently alienating about what we’re doing economically,” he said. “An Orthodox Jewish youngster or a conservative Muslim child encountering our programs would find zero intimidation.”

Nor does he want his community to become divided along religious lines, he said. But at the same time, “we definitely want to use these efforts as an open door to the entity that we feel is the author and creator of abundant life — Jesus.” He added, “It’s a tough balancing act” (Henriques and Lehren, 2007).

## **2.6 Churches in Portfolio Investment**

### ***2.6.1 The Church of Jesus Christ of Latter-day Saints***

The Church of Jesus Christ of Latter-day Saints has long been one of the world’s wealthiest religious groups. Like most major churches, the exact tally of LDS assets is difficult to come by (Stake, 2007). In July 2007, the Salt Lake Tribune covered an Oregon Supreme Court ruling ordering the church to publicize its financials in connection with a lawsuit from an alleged abuse victim, noting that it had not disclosed such information since 1959. In 1997, Time Magazine in the United Nations found that current Latter-Day Saints (LDS) assets totalled \$30 billion. If LDS were a corporation, Time continued, its estimated \$5.9 billion in annual revenues would have placed it midway through the Fortune 500 (Biema, 1997).

The LDS church has taken ambitious strides to preserve and grow its wealth over the years. Beneficial Financial Group, a \$3.1 billion insurance company with annual revenues exceeding \$600 million, is wholly owned by the church. LDS also owns the *Deseret Morning News*, Utah’s second-largest newspaper. Bonneville International Corporation, which controls over two dozen top radio stations across six states in the United States, is also wholly owned by LDS through Deseret Management Corporation, the church’s for-profit arm. Another \$6 billion of church money was said by Time to be



tied up in “unspecified investments.” All of these activities, it should be noted, are categorized as “unrelated business income” and subject to state and federal taxes (Ritchie, 2011).

### **2.6.2 Roman Catholic Church**

In 2005, MSNBC reported that the Roman Catholic Church owned more real estate globally than any other organization or individual on earth. Interestingly, a surprising amount of this land does not produce income for the church. Gabriel Kahn, a Rome Correspondent for the *Wall Street Journal*, told *MSNBC* that the church’s land assets “are not liquid and they cannot be put to use for the Catholic Church in the way they could be for, say, a corporation” (Kahn, 2005)

But just five years earlier, the church’s own financial statements told a different story. In 2001, the Economic Report and the Holy See stated that the church’s real estate activities in fiscal year 2000 produced \$81.7 billion in revenue on \$51.8 billion in expenses: a nearly \$30 billion profit (Ritchies, 2001).

Outside of real estate, *MSNBC* suggests that the Catholic Church maintains a portfolio of conservative investments. In 2006, the *Boston Globe* revealed that the church turned a profit of roughly \$55 million on a portfolio heavily concentrated in government bonds. The Vatican’s TV and publishing operations, too, were said to have produced an unspecified surplus (Simpson, 2006)

The bulk of the Catholic Church’s yearly income continues to come in the form of donations. The *Boston Globe* found that “contributions from worldwide dioceses” totalled \$92.9 million in 2005, while individual donations made directly to the Pope neared \$60 million.

In recent years, the Vatican has suffered from having a portfolio biased toward dollar-denominated investments. The UK’s *Guardian* found that in 2008 the church suffered its first loss in four years, owing to the decline of the dollar relative to the stronger Euro (Wearden, 2008).

### ***2.6.3 Evangelical Lutheran Church***

The Evangelical Lutheran Church, America (ELCA) is less guarded than either the Catholic Church or Church of Latter-Day saints, releasing detailed yearly financial reports on its website [elca.org](http://elca.org).

In fiscal year 2009, the church claims to have earned \$1,698,336 from “investment income”, \$2,238,629 from “bequests and trusts” and another \$1,003,420 in rental income. The same report lists a separate column of “temporarily restricted” revenues, on which another \$1,625,000 in investment income is reported (Ritchies, 2011).

While the exact nature of these investments are not specified in the report, the church appears to derive substantial income from its Mission Investment Fund, a financial ministry of ELCA.

Through the Mission Investment Fund, the Evangelical Lutheran Church has made “nearly 800 active loans totalling over \$475 million” to affiliated ministries located in the United States, Puerto Rico and the Virgin Islands. The purpose of loan proceeds is to help these organizations buy land, expand operations or in some way improve the Lutheran experience of nearby worshipers.

In total, the church claims that a significant number of “schools, colleges, universities, social ministry organizations and outdoor ministries” are invested in the Mission Investment Fund.

## **2.7 Current Thinking on Investment of Churches**

### ***2.7.1 Ethical investment***

Investing ethically means that you know what your money is doing and what it is funding. Ethical investment is also known as sustainable and socially responsible investment (SRI). The term describes an investment process that incorporates environmental and social factors when selecting investments, in addition to the objective of achieving a competitive financial return (May, 2010).

Ethical funds are administered in accordance with a wide range of ethical criteria, mainly using negative selection to avoid investment in companies associated with certain areas. Most ethical funds will also make assessments in relation to environmental impact. After using negative screening, positive vetting is then applied to many of these funds.

Unwittingly, many people may be directly financing the arms trade, environmental destruction or human rights abuse through their Bank accounts, Life Assurance, Pension, Savings and Investment Plans. For instance, who can clearly state they do not share their Bank (and therefore their money) with an arms company, one that uses child labour to manufacture its goods or a company contributing unnecessarily to climate change.

When an arms manufacturer gets a large order and needs to increase borrowings from its Bankers to meet the order, can one honestly say their Bank does not lend your money to finance the order? If a company agrees to finance or support dictatorship, can you be linked to the transaction? Where there is a serious chemical spillage, can you be seen as supporting this catastrophe?

These are important questions, much of the problem with investing lies in the fact that when the savings, investments or pension payments of thousands of people are pooled together, the money is invested on the stock market. This money is going to be invested in companies with the sole aim of maximizing the return at any cost. This is your money and your future, but how can you be sure that your future is not being rapidly destroyed by your own investments? The economics of the 'quick buck' can be so destructive. They work against all the laws of sustainable growth, of working within the limits of the planet's resources and the clear natural law that if we destroy our planet we destroy ourselves.

Ethical, or Socially Responsible, Investment offers the opportunity for investors and savers to avoid the companies whose activities they would not want to support, and invest in those operating within a moral framework that reflects their own moral stance.

Investing ethically is now one of the fastest growing areas in financial planning (funds in the ethical sector have grown from £1Bn in 2000 to over £5Bn in 2007).

Time has also proved that investing ethically is in no way any handicap to investment performance, it is actually a significant benefit. In a recent paper released by Standard Life investments, they have proven that investing ethically has actually boosted the return on their ethical fund, over and above the equivalent non-ethical funds and against the appropriate Indices.

Ethical funds have, overall, performed well compared to their unscreened counterparts. Indeed, in a speech to the 1998 Acting General Manager (AGM) of the United Kingdom (UK) Social Investment Forum, John Denham Member of Parliament (MP) (then Parliamentarian under Secretary of State for Social Security) confirmed that "research currently underway in this field appears to suggest that ethical funds have performed better than other alternative investment approaches".

It is becoming increasingly accepted that the socially responsible companies will prove to be an even better financial investment in the future. The rigorous screening processes involved in ethical investment can help to identify companies that, in the long term, have a great potential to do well. The proportion of smaller companies included in such a portfolio is an advantage, as the high performance of smaller companies over the long term is well documented. It must be remembered, however, that past performance is not necessarily a guide to future performance, and that the price of units can fall as well as rise (Reynolds, 2007).

Ethical investment is ultimately part of the DeoxyriboNuclear Acid (DNA) of how the Church seeks to behave and has been so for nearly 60 years, making the Church of England one of the oldest as well as one of the largest ethical investors in the UK (White, 2007). Those entrusted with managing its assets have the often impossible task of trying to meet irreconcilable expectations.



Being an ethical investor means tension: between meeting ideals and the legal and practical responsibilities attendant on managing assets. Managing ethical investment is difficult for an individual but for a Church open to public scrutiny and challenge, it is fraught with more difficulties (May, 2010)

To that end the Church may inevitably disappoint – but not because the Church is failing to be an ethical investor, or is failing to follow a visible set of principles. It will disappoint because, in the eyes of many, what it means for the Church to be an ethical investor will be so disparate, wide-ranging, different and particular, that it could never hope to fulfil the aspirations or beliefs of everyone regarding how the Church should manage its money (White, 2007).

### ***2.7.2 Disinvestment and avoidance***

One of the tensions for churches is to engage in investments or to avoid the issue all together. It costs over £1,000 million a year to run the Church of England – to finance its parishes, cathedrals, dioceses, episcopate and buildings (White, 2007). Can avoidance however be a sustainable approach or should the Church simply maximise returns to carry out its mission? These are the issues that govern the involvement of churches in investment activities. The Church currently avoids 10% of the UK stock market, and slightly smaller percentage of world markets. Each activity avoided - tobacco, arms, gambling, alcohol, pornography - has been looked at theologically, pastorally and ethically to ensure it makes sense and can be justified. Ethical self-restraint can sit comfortably with both a biblical and a fiduciary response to investment. It speaks to our sense of sacrifice and apartness; there can be no integrity for the Church without a strong conviction of faith-consistent investing.

### ***2.7.3 Witness to business***

For the living Church engaged in the real world and speaking to society on a range of complex problems, it is extraordinarily well placed to take its visible witness to business where the Church's moral strength often outweighs the financial strength of its investment. The Church has brought discussion to business on a wide range of issues



that touch the life of society, where to take a purely economic view of investment would be to sacrifice this prophetic role. For example, the Church has been an influential and persuasive partner in talking to British Airways about its uniform policy, helping the company reach a workable solution to a problem that was beginning to destroy its reputation (White, 2007).

## **2.8 Management and Performance of Church Investment**

According to an article on the responsibilities of church members entrusted with managing and overseeing church investments, when reviewed emphasized on “fiduciary responsibility”. Fiduciary responsibility ultimately boils down to *trustworthiness*, the word “fiduciary” derived from the Latin *fide* or faith — the same root for fidelity, faithfulness and confidence. It reported that when a fiduciary is trusted with assets, it is expected that his/her actions will be carried out in a manner that remains faithful to the intentions of the group. Faith and confidence is placed in their judgment, virtually without reservation. When an individual becomes a member of the governing body of a church or other organization, they accept that responsibility of faithfulness. Men and women entrusted with oversight of church or assets owe three primary responsibilities; duty of loyalty, duty of care and duty of obedience according to the article by the United Church Funds (Murphy, 2010).

### ***2.8.1 The Duty of loyalty***

Acting solely in the best interest of the institution, rigorously avoiding even the appearance of a conflict of interest while managing the organization’s affairs.

### ***2.8.2 The Duty of care***

Operating in a reasonable and informed manner, insisting on the information needed to monitor investment managers, and using best practices in decision-making. The duty of care also assumes that investment committee members will attend committee meetings regularly.

### ***2.8.3 The Duty of obedience***

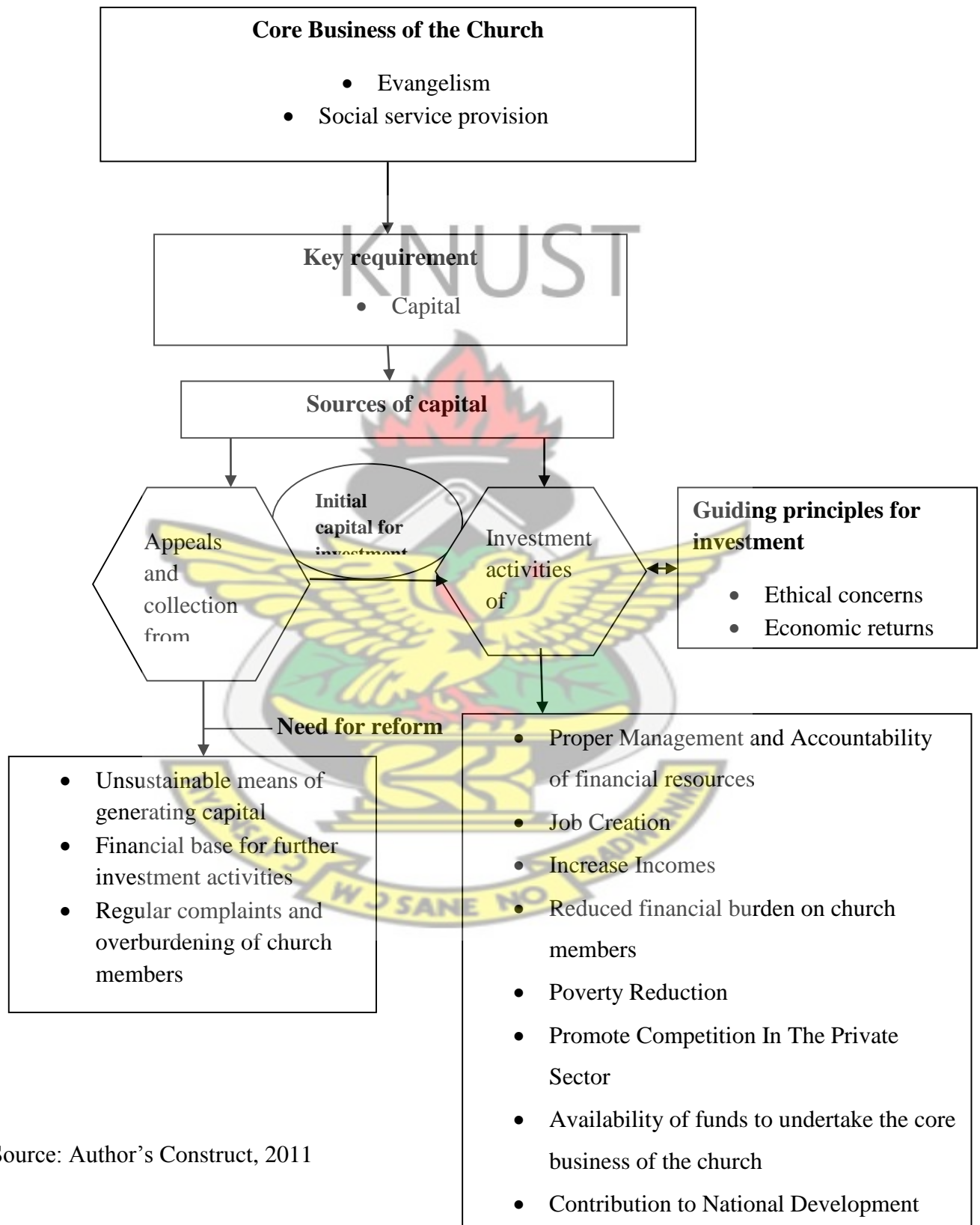
Operating in accordance with the stated mission, goals and objectives of the organization; remaining in compliance with both the law, and with the policies, guidelines and covenants established by the organization. Church members nominated to serve on investment or endowment committees need not be investment professionals — a range of voices are needed to ensure each committee represents the church as a whole.

### ***2.8.4 The Challenge of internal management***

Fiduciary responsibility covers all aspects of endowment management — from acceptance and investment of funds to spending endowment proceeds. Church committees that manage their own investments can run a greater risk of comprising that responsibility. While the task itself can often prove cumbersome and difficult, internal portfolio management is also fraught with opportunities for conflicts of interest, conflicts among church members, and even legal challenges.

With rare exception, churches are well advised to select an outside investment manager to handle their endowment portfolio. In selecting an investment manager, a committee should consider the potential manager's company structure and management history, performance history with the types of assets your church has selected, fee structure, and commitment to investing with the churches values in mind (Murphy, 2010).

**Fig 2.1 Conceptual Framework on Church Involvement in Private Sector Investment**



Source: Author's Construct, 2011

## 2.9 Natural Expectations from the Process

Literature has revealed that the core business of the church is mainly in the area of evangelism and also in supporting the society through the provision of social services. It is however important to note that the church requires financial resources to undertake these mandates.

The commonest avenue of financial accumulation in the church is through regular appeals and collections from church members. This avenue though affords the church a financial base, is beset with the challenge of complaints and overburdening of church members financially and is generally unsustainable.

There is a recent phenomenon of church involvement in private business or private sector investment which appears to be a more sustainable way of financing its core mandate. This is so because this avenue helps in the proper management and accountability of financial resources, in that monies collected are put into a business or an investment which generates greater returns. Again proper documentation, records keeping and auditing which are typical of investments result in proper management and better accountability.

Also this avenue further contributes to society in the area of job creation as the operation of businesses requires human resource reducing the unemployment situation. In addition, as more people get jobs, their incomes are increased, resulting in better living standards.

Furthermore, profit accrued from these investments can be channelled into funding the churches numerous activities including its core business. This will eventually reduce the financial burden on members. In totality, poverty at both the church and society levels will be reduced.

The involvement of the church in investment also promotes competition in the private sector ensuring efficiency.

National development will eventually be achieved as the churches role in private investment will create jobs, create employment, increase incomes and raise the standard of living of the people.

### 2.10 Key Issues and Lessons Learnt From Literature

- There are two main schools of thought on whether the church as an institution has a responsibility to perform either social service or social action or both. There have however been justifications on the need for the church to be involved in both from literature.
- There are two main kinds of investments churches go into; portfolio investment where churches invest mostly in the financial market or operate shares in an organization and business investment where churches are directly involved in a business venture such as shopping malls, transport businesses and the like. Church involvement in business investment is however more complex.
- Churches operating well flourishing businesses emphasize missions rather than the economic returns they are making. Ethical considerations are great interest to churches, especially in portfolio investments.
- There is a growing interest in the provision of public social services via faith-based organizations and hence governments giving tax credit and changes in federal regulation to allow for greater social service. This situation has however, brought about tax challenges with churches directly involved with business investments. It has become difficult for tax assessors to determine which activity of churches is tax free and which ones are not.
- One of the tensions for churches is to engage in investments or to avoid the issue all together. Theological, pastoral and ethical are the bedrock for a successful involvement of church in investment activities.



## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

This chapter highlights the main research methods adopted in carrying out the study. It also presents the general framework within which the study was undertaken. The methodology of the research presents systematic procedures adopted in order to come out with findings that respond to the objectives of the study. Emphasis is laid on the research design, sample size and its determination, sources of data, interpretation and the analysis of the data.

#### **3.1 Research Design**

A case study approach was used to assess the different investment activities as operated by the different groups of churches. According to Dencombe (2007), the purpose of adopting a case study approach is to illuminate the general by looking at the particular and to study an issue in detail.

What a case study can do that a survey normally cannot is to study things in detail. When a researcher takes a strategic decision to devote all his or her efforts to researching few instances, there is obviously far greater opportunity to delve into things in more detail and discover things that might not have become apparent through more superficial research. It also affords the researcher the opportunity of unravelling the complexities of a given situation as it can deal with a case as a whole, in its entirety and thus have a chance of identifying how the many parts affect each other. In this regard, case studies turn to be holistic rather than deal with isolated factors.

Again, Dencombe (2007) asserts that one of the strengths of the case study approach is that it allows for the use of a variety of methods depending on the circumstances and the specific needs of the situation. The case study approach involves procedures and techniques of investigating and understanding the dynamics of a particular system. It is adopted because it is the best approach for the study of a contemporary issue such as private investment of churches.

In addition case study is adopted as the situation under study is not artificially generated specifically for the purpose of the research unlike experiments where the research design is dedicated to imposing controls on variables so that the impact of a specific ingredient can be measured. As Yin (1994) stresses, the case is a ‘naturally occurring’ phenomenon. It exists prior to the research project and, it is hoped, continues to exist once the research has finished.

Case study approach is the most appropriate for this study because the generality of private investments of churches is going to be illuminated by looking at particular cases in detail and the issue under study is a contemporary situation.

In spite of these strengths is it important to note that case studies are difficult to generalize because of inherent subjectivity and because they are based more on qualitative data, generalizable only to a particular context as stated by Colorado State University.

### **3.2 Data Categories Required**

The major data categories required are;

- Types and level of investments and capitalisation
- Business or investment philosophies
- General performance of the various investments in terms of production levels, income and expenditure and profitability
- Employment and clientele base
- Ownership and management structure and systems of operations
- Operational challenges

**Table 3.1 Data Requirements and Collection Methods**

<b>Research Objective</b>	<b>Data Required</b>	<b>Source(s) of Data</b>	<b>Mode(s) of Collection</b>
Identify the major investment activities of churches	Types and level of investment, source of capitalisation.	Interview church leader.	Interview guide.
Examine the management and operation of church investments	Management structure and style, system of operation and ownership.	Interview management, church leaders and staff members.	Interview guide, Focus Group Discussions (FGD), Direct observation.
Assess the viability and demand for investment activities of churches	Clientele base, level of competitiveness, profitability	Interview management, church leaders and staff members.	Interview guides, Focus Group Discussions (FGD).
Assess the utilisation of gains of investments and their impact on the finances of the church	Benefits accrued from the investment and it is being used, financial impact on the church.	Interview board, management, church leaders and staff members.	Interview guide and Focus Group Discussion (FGD).
Examine the challenges that militate against church based investment.	Factors that militate against the sustainability and viability of church based investment.	Interview board, management, church leaders	Interview guide
Make policy recommendation to guide future private investment of the churches.	Best practices on church based investment. Findings from field survey.	Interview board, management, church leaders, Literature.	Literature review, Interview guide.

Source: Author's Construct, 2012

### **3.3 Data Sources and Collection Methods**

Both quantitative and qualitative data were gathered mainly through desk study (as secondary source) and field survey (as primary source). The study was generally qualitative in terms of research approach. Burns and Groove (1993) suggest that qualitative research which is descriptive in nature is useful in providing detailed analysis of research attributes such as behaviour, opinions, perceptions and knowledge of a particular individual or group on the phenomenon. In this regard, the behaviour of churches with respect to private investments, their opinions and knowledge was assessed.

#### **3.3.1 Secondary Data**

Secondary research involves the summary, collation and/or synthesis of existing research rather than primary research, where, for example, data is collected from research subjects or experiments (Pilch and Bauman, 2001). For Kotler (2002), the secondary data is information that already exists somewhere and have been collected for another purpose. The collection of secondary data helps the researchers to get a wide horizontal view of the subject. Annual Conference Reports and Annual Financial Statements were used to supplement primary data collected on investment activities of the churches under study.

To gain knowledge about the generality of investment activities of churches, an extensive literature review was done drawing information on relevant secondary sources such as articles, journals, books, reports and the internet.

#### **3.2.2 Primary Data**

Primary research involves the collection of data that does not already exist. Primary data was gathered from first hand sources from the various respondents (church leaders, management, board and employees of the various investments). Information was gathered on types and level of investments and source of capitalisation, business or investment philosophies, general performance of the various investments in terms of production levels, income and expenditure and profitability, employment and clientele

base, ownership and management structure and systems of operations as well as operational challenges.

Questionnaires, interviews, focus group discussions and direct observation were used to gather most of the primary data required above. Key informants such as church leaders, managers of investment and board members were interviewed using both questionnaires and interview guide in collecting primary data.

Questionnaires were mostly unstructured or open ended in nature to allow key informants give all relevant information without restrictions. Respondents however had the tendency of veering off the issues under discussion sometimes. This was controlled by trying to bring respondents back to the issues politely, however respondent were sometimes allowed to express themselves as it brought to the fore certain essential issues.

### **3.4 Study Variables**

Variables are empirical properties that take on two or more values. The unit of enquiry is church based investments which include Guest House operation, book shops, Hostel Facilities, printing press, sachet water production and printing press.

The study variables that were considered for the study of the various investments are management and operation style, registration of investments, level of competitiveness, profitability of investment, utilisation of gains, challenges of churches in private investments.

### **3.5 Sampling**

Sampling refers to selecting a part to represent a whole. It allows the researcher to draw inference from all the members based on a relatively small number. The population is the entire set of relevant unit or cases or individuals which fit a particular specification. In this case, the sampling population looks at churches in Kumasi Metro of Ashanti Region under the broad categorization of Catholic and Christian Council churches.



The sample unit which is a simple member of the sample population is church based investments.

The sample frame which is a complete listing or compilation of the sample units was therefore be a list of all church based investments of Catholic and Christian Council churches in Kumasi Metro. Table 3.2 shows a listing of the sample frame for the survey.

**Table 3.2 Sample Frame**

Investment	CHRISTIAN COUNCIL					CATHOLIC
	Anglican	Presbyterian	Assemblies	Baptist	Methodist	Catholic
Transport	√	√	√		√	√
Book store	√			√	√	
Guest House		√			√	
Print business						√
Sachet water production			√			
Hostel facility	√					

Source: Authors' construct 2011

### **3.5.1 Sample Size Determination**

To determine the exact proportion of the population to be studied, the following criterion was used. One investment was selected to be studied from each church under the categorization of Christian Council and Catholic. One investment was selected for each church as a case in order that the researcher can undertake an in depth study. Resource and time constraint could not also allow the researcher study all the investment activities of the various churches. Again, since the various churches are into similar investments, one unique investment for each church was selected in order to bring about variety.

With this criterion in mind, Table 3.3 gives an indication of the actual sample of church investments used for the study.

**Table 3.3 Sample Size**

<b>Name of church</b>	<b>Type of investment</b>
Anglican	Hostel facility
Presbyterian	Guest House
Assemblies	Sachet water production
Baptist	Book store
Catholic	Printing press
Methodist	Transport

Source: Authors' construct, 2012

### **3.5.2 Sampling Design**

For the interview, non- probability sampling was adopted, specifically purposive sampling in the collection of data. This method was adopted because there are some key people such as management, board or church leaders who can give information about the performance, management and viability of church based investments.

According to Nachmais (1992), purposive sampling is adopted when the researcher has a specific purpose in mind and the issues or objects selected have relevance to the topic of investigation. Purposive sampling was adopted because it helps to zero on people who are believed to have good grounds critical for the research. It also makes the research focused, economical and informative in a way that conventional probability sampling cannot be. The key informants for this study therefore are; a management member, a board member and a church leader for each investment to be studied.

### **3.6 Field Administration and Challenges**

An interview guide as well as semi-structured questionnaires was used to collect data on the field. Key informants for the study were board members, management members and church leaders. Again, focus group discussions were also organised with workers of the various investments to get an in depth knowledge of the issues at hand.

Interviews were conducted by the researcher herself through one on one interview. At other times, semi structured questionnaires were given to respondents to fill and upon

collection, one on one discussion was undertaken to bring out the issues well and also to confirm the responses given. Interview guides and semi-structured questionnaires were used to enable informants and the researcher to be flexible and for the researcher to let the informants develop ideas and speak more widely on the open questions that were asked and elaborate points of interest.

Again, since the research was focused on very key informants, who are usually very busy with heavy schedules, there was a challenge in getting them to answer questions. Several appointments were rescheduled before information could be gathered. It is, however, important to note that most key informants were able to furnish the researcher with the required information. Other informants, as a result of poor records keeping were not able to give all the information required especially in the area of finances. This however did not severely affect the results.

Finally, ethical considerations were upheld in conducting this research. Ethical considerations require not only expertise and diligence but also honesty and integrity. This is done to protect the rights of respondents. To this extent, the rights to anonymity, confidentiality and informed consent were observed. Permission was also obtained from the right sources. Informants were well enlightened about the purpose of the study, the required data and were assured that there would be no potential risks or costs associated with the exercise.

### **3.7 Methods of Data Analysis and Presentation**

This research generated mostly qualitative data and therefore the use of qualitative methods of analysis. Content analysis was adopted as the tool for analyzing the issues coming out of the field work. In addition to the content analysis, a comparative analysis and triangulation process were used in the analysis.

#### **3.7.1 Content Analysis**

Content analysis was used as the main approach to analyze the issues because most of the data collected were qualitative. Content analysis involves two levels of analysis namely, primary and secondary levels of analysis. Primary analysis was basically a

descriptive account of the data. This involved the processing (that is data classification and summarization) and presentation (in tables and charts). Secondary analysis on the other hand adopted a more discursive, implied and inferential processes that tried to attribute meaning to the responses.

### ***3.7.2 Comparative Analysis***

Comparative analysis entails the assessment and evaluation of the relationship between two or more variables. The study employed this process due to the nature and the direction of the study. For instance, a comparison was made between the different kinds of investments run by the various churches taking into consideration the various variables under study. Some variables used in this regard include management and operation style, registration of investments, level of competitiveness, profitability of investment, utilisation of gains, challenges of churches in private investments.

### ***3.7.3 Data Triangulation***

Triangulation was used to cross-validate some of the responses, as data was collected from more than one level of person – being church leaders, board members, management and workers. This tool became useful as it contributed to the completeness and confirmation of findings necessary in qualitative research investigations.



## **CHAPTER FOUR**

### **SELECTED CASE STUDIES OF PRIVATE INVESTMENT OF CHURCHES**

#### **4.0 Profile of the Study Area**

The profile of the study is divided into two main parts. The first part looks at the physical and socio-economic characteristics of the study area while the second part looks at the religious profile of the city focusing on types and numbers of churches, membership, spatial distribution and activities.

#### **4.1 Physical Characteristics of Kumasi Metropolis**

Kumasi Metropolis is the second largest city in the country and the administrative capital of Ashanti. It is a fast growing Metropolis, with an estimated population of more than two million people and an annual growth rate of about 5.4%. The Metropolis is about 254 square kilometres and it is estimated that 48%, 46% and 60% of the Metropolis are urban, peri-urban and rural respectively, confirming the fast rate of urbanization.

The city is a rapidly growing one with an annual growth rate of 5.47 per cent (Regional Statistical Office, Kumasi). It encompasses about 90 suburbs, many of which were absorbed into it as a result of the process of growth and physical expansion. The 2010 Population Census put the population at 2,035,064.

Kumasi is bounded to the north by Kwabre District, to the east by Ejisu Juabeng District, to the west by Atwima Nwabiagya District and to the south by Bosomtwe-Atwima Kwanwoma District.

#### **4.2 Socio Economic Characteristics of Kumasi Metropolis**

The Socio-economic characteristics of the Metropolis focuses on major economic activities, and basic social characteristics.

##### ***4.2.1 Major Economic Activities***

Although, many people in Kumasi are engaged in a form of employment (Employment level 86 percent) either with the private or public sector about 60 per cent of residents still have a lower standard of living resulting from low incomes (KMA, 2006).



Kumasi is predominantly a trade/commerce (service economy inclusive) area with an employment level of 71 percent. This is followed by industry and agriculture with employment levels of 24 percent and 5 percent respectively. Kumasi has therefore established itself as a major commercial centre. Commercial activity is centred on wholesaling and retailing. Both banking and non-banking financial institutions also offer ancillary services.

#### **4.2.2 Social Characteristics**

With respect to social characteristics, health and education are considered as the key social characteristics of Kumasi Metropolis.

##### **4.2.2a Health**

The city has a number of health facilities in both the public and private sectors. Notable among them are the Komfo Anokye Teaching Hospital (KATH), which is one of the two (2) national autonomous hospitals, four (4) quasi health institutions, five (5) health Care Centres owned by the Church of Christ and the Seventh-Day Adventist Church. In addition, there are over two hundred (200) known private health institutions and 13 Industrial Clinics in the metropolis. There are also 54 trained Traditional Birth Attendants (TBAs), nine (9) Maternal and Child Health (MCH) points and 119-outreach sites. These facilities are evenly distributed in space.

##### **4.2.2b Educational Sector**

Educational facilities in the city are provided by the public, private (individual and religious bodies) sectors. The private sector provides the bulk of these institutions at the pre-school, first and second cycle levels, whereas the public sector is the leader at teacher training colleges and the tertiary levels. In terms of Pre-School structures the private sector continues to lead. In 2003/2004, the private sector accounted for 459 out of the 607 Pre-School structures representing 75.6%. In 2006, it provided 478 out of the 633 Pre-school structures representing 75.5%. Statistics, from the year 2003/2004 academic year show that out of an estimated population of 410,939 that fall within the basic school going age of 6-15 years 227,179 were in school leaving a number of

183,760 who were not in school. Given that the basic school participation rate was 55.3%. This fell short of the national participation rate of 80%. The Metropolis has four tertiary institutions, namely; Kwame Nkrumah University of Science and Technology (KNUST), University of Education Winneba, Kumasi Campus (UEW-K), Christian University College (private) and the Kumasi Polytechnic.

### **4.3 Religious Profile of Kumasi Metropolis**

#### ***4.3.1 Religious Composition***

The dominance of Christians in the Metropolis is profound (78.8 %). Islam (16%) and Traditional (0.3%) religion are also fairly represented. About 4.2 percent of the population does not associate with any of these religious organizations as presented in the Development Plan of KMA (2010). The doctrines of these religious groups could be used as a tool for shaping the character and attitude of the youth to become responsible and productive labour force for national development and God fearing citizens in the future.

#### ***4.3.2 Types and Number of Churches***

In the metropolis, there are four (4) main church groupings namely; Christian council, Catholic, Pentecostals and the Charismatics. There are a number of churches under these four (4) major groupings; for instance under the Christian Council are the Methodist, Presbyterians, Assemblies of God and Baptist churches. Under the Catholic grouping are the Roman Catholics and under the Pentecostal group are the Pentecost churches. Lastly, the Charismatics are made up of the “one man churches” which in recent times have spread all over the country. Some of the popular charismatic churches in the metropolis are the Christian Charismatic Centre (CCC), Family Chapel International (FCI), Light House Chapel (LHC) and many more. It is however important to note that the charismatic churches are wide spread and quite scattered in the metropolis. It is also quite difficult to find all of them coming under one umbrella.

#### ***4.3.3 Membership and Spatial Distribution***

The Christian Council and Catholic Church groupings are relatively much older churches, in that they have been around for a longer time. As a result of this, one can say that most of the people who can be found in these churches have had their parents or grandparents being members of the church, more or less like a family tradition. Most members are therefore in the older age group as compared to the Charismatics and Pentecostals who have much younger church members, i.e. young people who have now come to know Christ or those diverting from their family traditions.

Again most of the older churches – Christian Council and Catholic churches can be found a lot more in the rural areas as compared to the charismatic churches. Although their presence is felt in the urban centers, they have much more branches in the rural areas while lots of the charismatic churches and sometimes Pentecostals can be found mostly in the urban areas.

#### ***4.3.4 Activities***

It can be said that soul winning is the main activity of all the various churches in the metropolis, however, most of the Christian Council Churches and Pentecostals are involved in a lot of community work such as the provision of schools, health care services and water. It is however important to note that some of the Charismatic Churches are also helping needy communities in these same areas of social service. A recent phenomenon is church involvement in pure business or portfolio investments.

#### **4.4 Field Data Analysis**

Using interview guides, interviews were conducted with six main churches in the Kumasi Metropolis of Ashanti Region namely the Presbyterian, Catholic, Baptist, Assemblies, Methodist and the Anglican Churches. The outcome of the interviews conducted is outlined below in relation to the set objectives for the study.

Responses were taken from the churches on the major areas they invest into and what determines the areas they invest into, how investments are organised and managed by churches, the demand and viability of church based investments, gains made from the investment and how they are utilised.

#### **4.5 Profile of the Selected Church Investments**

The study showed that all the churches which were studied are tilted towards business investments while portfolio investments are more common with churches in the western world. Data on church based investment is mostly from the western world and most of these are in the area of portfolio investment while little is said about business investment.

Basic information about each of the selected investments is presented here in order to have a general overview of what each investment is about. The profile of these investments looks at location, years of operation, source of capitalization, staff, operations, market targets, outputs and growth overtime.

##### ***4.5.1 Basel Mission Guest House and Restaurant - Presbyterian Church***

One key investment the church is into is its Guest house and Restaurant operation located on the Ashanti Presbytery compound in Adum, the Central Business District of Kumasi. This guest house actually started some 20 years ago as a stopover place for ministers and partners from overseas who come for exchange programmes and ministers who needed a place to retreat and reflect. The initial capital to start the whole operation came from the churches coffers.

Ten key staff are employed in this investment whose aim is to provide a comfortable and affordable accommodation for all who may find themselves in the metropolis. Its market target makes its location very advantageous, which is the Central Business District (CBD) being a transit point for anyone who comes into the metropolis. It is presently open to the general public. The investment which started with about 10 rooms can now boast of 21 rooms and a restaurant. Construction works are underway to add 100 more rooms to the facility.



#### ***4.5.2 Ghana Baptist Convention Book Store - Baptist Church***

The Baptist book store is operated by the Ghana Baptist Convention and is located in Amakom next to the Baptist University College campus. This enterprise was started in the year 1970 when missionaries established the church in Ghana with the aim of making Christian literature available and not necessarily as a profit making venture. It was recorded that no such enterprise was available in the vicinity at that time hence a feasible thing for the church to do at that time.

The initial source of capitalisation was from the churches coffers however in the last two years, a loan was taken to revamp the business. The business which was initially stocked with Christian literature mostly Baptist materials can now boast of educational materials, some electronics and a wide range of books. It operates presently with three permanent staff.

#### ***4.5.3 LIWAT Limited (Sachet Water Production) - Assemblies of God***

LIWAT Limited is a sachet water production company of Living Waters Chapel of the Assemblies of God Ministries. This company started with the drilling of a borehole to aid the availability of water supply for church projects and activities. After completion of the drilling process it was realised that the borehole is very deep and can be used in the meantime for the production of sachet water. It therefore started with the intent of making water available to members of the church and residents around its vicinity. Church leadership and management saw this to be a good venture and started producing on a larger scale to the general market. The company operates with a five member staff.

#### ***4.5.4 Kumasi Catholic Press Ltd. – Catholic Church Kumasi Diocese***

The Kumasi Catholic Press is one of the key businesses of the Catholic Church – Kumasi Diocese. It is located very close to the central business district, Roman Hill. The area got its name as a result of the presence of the main cathedral of the Roman Catholics. This business started in the year 1989 whose aim was to make Christian literature available to the church members and the general public. The company has 12 permanent staff and 3 casual workers. The initial capitalisation of the business came



from the churches coffers; however the little business has now grown to become a big company which has now been registered as a limited liability company. This company has grown over time and there have been a lot of investments in terms of acquisition of equipments and machinery making it a solid contender in the metropolis.

#### ***4.5.5 Anglican Hostel – Anglican Diocese***

The Anglican Diocese of Kumasi also runs a hostel facility at Kentinkrono, a suburb of Kumasi. The main focus of the hostel is to provide accommodation to mainly students of KNUST. According to the leadership of the church, the Vice-Chancellor at the time convinced the Diocese on the viability of the project and the need for them to get involved.

Leadership of the church decided to get into this venture as it saw a supply gap in the provision of decent accommodation for students and also to use the place to host church programmes during vacations. Drawings for the hostel were done, business plan drawn and funds sourced from the church members as well as a loan facility from a bank. The facility now operates with a staff capacity of seven and has been in existence for the past five years.

According to leadership, the real reasons for investing into this facility were the provision of a platform for private/public partnership for university education, the provision of a cheaper accommodation for students and then to raise money for the church's mission being evangelism. The Hostel has 48 rooms which can take up to about 120 people.

#### ***4.5.6 Bethel Transport System – Methodist Church***

Bethel Methodist church transport system, Ayigya is an investment run by the church. The transport facility of the church has been available since 2002 and has thence been available for hiring purposes as well as serving the transport needs of the church. Funds for the purchase of the Benz Bus 207 was acquired through the proceeds of a harvest celebration (an annual fund raising ceremony with a particular church project as the

focus of celebration) of the church. This bus served the church until 2010 when a new 38 seater coach bus was acquired.

This investment is operated by a transport committee who report to the Leader's Meeting of the church and has one paid staff being the driver. The transport system serves the transport needs of the church and is also available for hiring to church members and the general public. Church leadership indicated that before the 38 seater Yutong bus was purchased, the Benz bus 207 rarely fetched the church any income and no records were kept to that effect.

#### **4.6 Reasons for Business Investment**

As presented in literature by Henriques and Lehen (2007), most churches say their economic activities are not just an expression of community service, but more importantly, an avenue to evangelize. For example, the sports dome of Change Point Ministries, a western church studied earlier in Literature is a way of drawing the attention of young families to the church's religious programs. "We don't look at this as economics; we look at it as our mission," said Pastor Claudson of Change Point Ministries.

Information gathered from the various churches indicates that five out of six church based investments started with the intent of providing some social service to its church members and communities around them. This goes to buttress the point made by Henriques and Lehen (2007), earlier in literature. It is only the Anglican Hostel which started out purely as a profit making venture. Management of the hostel indicated that feasibility studies were conducted before the start of the business investment.

It is however interesting that as the investments progressed, profit making became a major concern for all the various investments studied. This is because as time elapsed these churches saw that their activities had the potentials of generating a more sustainable income for the churches activity and hence was pursued.

This point is supported in literature where Mark A. Chaves, a religious sociologist at Duke University purported that although community outreach is almost always cited as the primary motive, these economic initiatives also indicate that giant churches are seeking sources of revenue beyond the collection plate to support their increasingly elaborate programs (Rau, 2007).

#### **4.7 Registration of Business**

The study revealed that the Bethel Transport System and the Baptist Book store have not been registered as separate business entities at the Registrar Generals Department and used the churches registration to operate. As a result, these two businesses do not pay taxes. The other four investments (Catholic Printing Press Ltd, LIWAT Ltd, Anglican Hostel Ltd, and the Basel Mission Guest House) have however been registered as corporate entities and hence indicated tax payment as an item on their expenditure records.

The registered businesses according to the survey were doing better in terms of structures and profit margin than the non-registered businesses, even though they had the extra burden of paying taxes. It can therefore be inferred that the requirement to pay taxes served as a push factor for these companies to become more productive. The Anglican Hostel however had initial operational challenges (discussed in detail under section 4.10) which restrained its potential for making profit. However, it is a fairly new investment and with the structures in place, it has the potential of making gains in the near future.

#### **4.8 Records Keeping**

With respect to the six investments which were studied, documents were not readily available. None of the businesses was able to provide documentation of its business or strategic plan except for the Anglican Hostel, who was forced to do so because a plan was needed to acquire a loan. For others like the Catholic Printing Press, management indicated that it would be a waste of time to write up a business or strategic plan since it may not be necessarily followed.

Financial records were also very scanty making it difficult to do a serious financial assessment. Three of the investments being Basel Mission Guest House, Anglican Hostel and Catholic Printing Press were able to give information on their businesses more readily than the other three being the sachet water production, book store and transport system.

One can therefore say that documentation, is not the best with respect to church based businesses, mostly due to 'trust system' expected to be among management and staff who are mostly church members. This situation is however getting better as the years go by. Many are accepting that keeping of records or documents does not take away the trust reputed in a person but makes administration and operations better.

#### **4.9 Accountability**

Like documentation, accountability reflects on how transparent an organisation is. Three of the businesses, (Basel Mission Guest House, Anglican Hostel and Catholic Printing Press) which had more ready documents on their investment had accounts which were audited. For the Basel Mission Guest House, two internal audits are done which are presented to the standing committee of the church. An external audit is also done once a year which is presented to the Presbytery.

The Anglican Hostel also undertakes auditing once a year, which is presented to the Diocese during one of the churches major meetings known as the Synod. The Catholic Press, which has the same structure as the Anglican Church also undertakes auditing, submits to the Diocese and is presented to the church at its Synod.

The Baptist Convention Book Store also undertakes audit together with the Convention, and is presented to church leadership at its General Assembly. LIWAT Ltd also does its audit together with the church accounts and presents it to the church members once a year during a general meeting. The Methodist transport system also follows a similar system as the Assemblies of God church hence does its auditing together with the churches accounting procedures, after which it is presented to the church members during its society meeting.



The difference between the first three businesses and the last three is that, the first three do independent auditing of their respective businesses, while the last three do their auditing together with all other accounting procedures of their respective churches. Although both procedures indicate a sense of accountability and transparency, the former is recommended as it puts the business in focus. Proper accountability backed by accurate documentation is a catapulting factor to the success of an organisation, evident of the first three businesses; Basel Mission Guest House, Anglican Hostel and Catholic Printing Press.

#### **4.10 Management and Operation of Church-Based Investment**

Management and how investments are operated tell a lot on how viable, sustainable and profitable it is. The management structure of all six investments was assessed and it was proven that each investment has a management and board in place that see to the operation of their respective businesses. This was not the case earlier, however as the businesses progressed and became more profit oriented, the mode of management changed to facilitate the process. This is true especially for the Basel Mission Guest House, Bethel Transport System and Ghana Baptist Convention Book Store.

Although each business indicated having a board in place, only three being the Basel Mission Guest House, Anglican Hostel and Catholic Printing Press had boards set specifically to oversee their activities. For these businesses, decision making was swifter facilitating business activity.

According to key informants, it was revealed that there are procedures in the selection of a particular management or board member. However the prerogative of selection was left with the church leadership.

Board of Directors, represents the owners or interest group of people who represent a firm or company and has the responsibility of selecting management personnel. Directors or Board are concerned with the vision of an organisation and translation of vision into policy whiles management looks at decisions for implementing policy.



While there seems to be a clear distinction between their functions, there sometimes is clash of ideas as management is on the ground and expects to be able to influence policy. This opportunity is usually not given them as indicated by some managers.

Again management indicated that, there is not much contact between them and their respective boards, which affects the speed with which decisions are taken. According to the study, the Basel Mission Guest is one business which has a very close and cordial relationship between Board and Management. Management indicated that there is a close contact with the Board members making the flow of information and implementation of ideas very swift. This is because; key management and board both have their offices on the compound of the Ashanti Presbytery.

All six church leaders who were interviewed maintained that one key consideration for the selection of management and board members was expert knowledge in that particular business. Representation of church interest was also essential, therefore for all the boards, there was a church leader or church member on board. The literature however puts it this way, that people trusted with oversight of church assets have three primary responsibilities including the duty of obedience. Duty of obedience states that church members nominated to serve need not be professionals but have a wide range of voices needed to ensure that committee represent the church as a whole, focusing on representation of church views. All management and board members, for that matter were church members for all the six. Table 4.1 gives an indication of key management and board members.

**Table 4.1 Qualification of Key Management and Board Members**

Name of business	Management team	Qualification	Board members	qualification
Basel mission guest house	3 member team	-Degree holder	5 member board	-Director of social services -hospitality oriented person -accountancy
	-Manager		-chairman	
	-Secretary	-Degree holder	-secretary	
	-Accountant	-ICA holder	-3 other members	

				background, Presbyter and any church member
Baptist Convention Book Store	3 member team -manager  -operations manager -sales attendant	-Degree holder and business man  -Degree holder -secondary school certificate holder	5 member Board of finance and administration -chairman -secretary 3 other members	Individuals with economic and finance backgrounds
Catholic Printing Press	6 member management team -Director -operations manager -assistant operations manager -3 unit heads	-Priest and publisher  -degree holder in publishing -IT technician  -certificate holders in management	5 member board	-2 priest - a lawyer - a catholic sister -managing director
Bethel Methodist Transport business	7 member transport committee	Church members who have experience and are willing to render their services to the church	Church leaders meeting	Church members in good standing and are leaders of various organisations of the church
Anglican Hostel	-Manager -Accountant -2 porters -3 cleaners	-degree holder -ACCA holder -secondary school certificate holders -Basic school certificate	5 member board -chairman -secretary -3other members	-Bishop of Diocese -Synod Secretary -a lawyer, Architect/marketing officer and a business man
Sachet Water Production	5 member management team -Manager  -Sales personnel	-Steward and Degree Holder	Church Leadership	Church members in good standing and are leaders of various organisations of the church

	-Marketing personnel	-Secondary school certificate holders		
	-Production personnel	-Secondary school certificate holders		
	-Cleaner	-Secondary school certificate holders		
		-Basic school certificate		

Source: Author's Construct, 2012

From Table 4.1, the Basel Mission Guest House, Catholic Printing Press and the Anglican Hostel seem to have a full compliment of management and board members with requisite qualifications which is quiet acceptable. This gives an indication of the seriousness attached to these businesses. It is not surprising, therefore that these three businesses comparatively were able to provide more records including better accountability. This also reflected in better levels of efficiency in their businesses discussed under section 4.11.2.

Others like the Baptist Convention Book Store and LIWAT Ltd, although had well structured management teams in place, lacked boards established specifically to see to their operations. This situation, seriously affected these businesses in the area of swift decision making and also in the area of business efficiency discussed much later.

The Bethel Transport System however, has the least constituted management and board membership. The management team is made up of a committee of which the drivers of the vehicles are not even members. It also does not have a specific constituted board and uses its church leadership meeting as its board. It is no wonder that its activities are beset with so many challenges.

#### ***4.10.1 Training of key management and staff***

When it comes to training of key management and staff, it was realised that none of the businesses or investments under study has undertaken any such activity at least in the

past five years except for LIWAT limited which gave its workers especially those at production line initial training on how to maintain and utilise machinery for water production. No refresher courses had been undertaken and this goes to tell on the quality of staff and management as new technologies are coming up all the time. Again with respect to Information Technology (IT), all top managers indicated that they were abreast with the very basic of it while the other worker virtually had no knowledge of it. Those who had knowledge of IT attested to the fact that it was not a key component in their day to day operations.

#### ***4.10.2 Staff Recruitment***

With regards to staff recruitment, announcements are made at the various churches and individuals who qualify are recruited for various positions. Advertisements are also put on the media for key positions and for positions where no recruitments are obtained from church members. In fact for all six churches almost all staffs are church members, except for the Catholic Printing Press who had about five workers not being Catholics.

Although most of the businesses indicated that there is no written down policy which seeks to recruit only members of a church, church members are the preferred choice when there is any vacancy. Church leadership indicated that, this is done because they see church members as a priority. This situation comes with its own challenges, as in most cases, commitment and dedication is very low. Some managers indicated that, although the church is running a business, some staff members come to work late, go out at inappropriate times and generally have a lackadaisical attitude to work. This situation has taken root as a result of inappropriate recruitment procedures and relatively lower remuneration, as indicated during one of the Focus Group Discussions organised. Catholic Printing Press however indicated that, it follows strict procedures in its recruitment process and with strict supervision on the job, employee output is high.

#### **4.11 Viability and Demand for the Investment**

Viability here looks at the capability of existence and development of the businesses as independent units. In looking at the viability of these enterprises, two key factors being



market and economic/financial viability are used. With regards to market viability; size, sustainability, potential market and target market, competitor, similar products, pricing, packaging and promotion or advertising are looked at. Economic or Financial viability assesses capitalisation, and overall profitability as presented by Thompson (2005).

#### ***4.11.1 Market Viability***

##### ***a) Size***

Considering size, all six businesses are rated as small scale as they employ a maximum of four people to fifteen persons. A small establishment is easier to manage compared to a large operation. This is because the dealings are usually local and small scale. Keeping track of inventory, cash flow and transactions is easily manageable. The advantage of simplicity of management, with regards to small scale enterprises, is not telling on the businesses studied as they are set back with challenges such as records keeping, accountability and recruitment challenges.

##### ***b) Target Market***

With regards to target market, no special group had been targeted by the businesses. They saw their church members and the general public as their key target group. For instance for the Book Store of the Baptist, their targets were the university students and the general public, Bethel Transport of the Methodist, Church members and the general public, Guest House of the Presbyterians look at the general public, LIWAT sachet water targeting church members and the general public, Hostel targeting KNUST students and the general public and the Catholic printing press targeting the general public. This is so because there were no special packages, advertising or promotion being done by any of the churches to make them more competitive on the market and to attract more clients except for the Anglican Hostel which had packages like reduction in prices and also special offers for Anglicans who use the facility.

##### ***c) Competitors***

Considering similar products on the market, none of the enterprises which were studied had unique products to it alone. There are similar enterprises on the market with similar



products, doing quiet well. When one talks about Guest Houses and Hostels, there are so many of them around who have more facilities such as means of transport and advantageous locations. There are also many publishing houses in the Kumasi Metropolis especially around the Central Business District. Book stores are many and varied as well as sachet water producers not to talk of transport businesses. This situation seriously affects the competitiveness of the businesses resulting in lower profit margins.

#### ***4.11.2 Economic / Financial Viability***

With regards to economic / financial viability initial source of capitalisation, efficiency and overall profitability are assessed.

##### ***a) Initial source of capitalisation***

All six investments had their initial source of capitalisation from the churches coffers through various appeals from church members. Bank loans, were later sourced for investments such as the Baptist Book Store, the Anglican Hostel and the Catholic Printing Press to revamp them. It is important to note that the Baptist Book Store and the Catholic Printing Press through hard work and prudent management have been able to pay off their loans. The Anglican Hostel though had prudent measures in place, had a rough start and has not been able to pay off its loan. Management indicated that, it wants to contract more loans to reinvest in order to be more competitive. It is important to recall that it is only the Anglican hostel which had a business plan in place however the projections made in the plan did not reflect in reality hence its inability to make enough returns to pay off its loan.

It can therefore be concluded that the preparation of plans, though a good thing does not necessarily result in business success.

##### ***b) Overall profitability***

Profitability looks at the ability of a company or a business to generate earnings in comparison to its cost and expenses over a period of time. Profitability of a company goes a long way to tell on its competitiveness and efficiency, making it an important

parameter to assess. It is, however important, to note that most of these investments were not able to provide financial details, as this was difficult to obtain from them. Others were generally not willing to release this information. This goes to reinforce the point made earlier that, records keeping and accountability is not strictly adhered to when it comes to church based businesses. This situation seriously limits business progression as growth cannot be measured adequately.

Churches were however able to indicate whether they had been making profit or losses over the years.

The Basel Mission Guest House, Baptist Convention Bookstore, LIWAT Ltd and Catholic Printing Press were businesses which indicated that, they have at least been making some profit over the past three years. These profits, they indicated, has helped them in undertaking other projects for their respective churches. They also indicated that, they have been able to pay off the loans which they took earlier and other financial obligation which had been outstanding. Details of how these returns have been utilized are discussed under section 4.13 on utilisation of gains.

The Anglican Guest House, as at the time of the study, was operating under capacity, making losses. The Bethel Transport System on the other hand had just done major overhauling on its 204 Benz Bus and had bought a new Yutong 38 Seater Bus. It had therefore not reached break even point. These two businesses are positive about future and hope their investments will pay off soon.

### ***c) Level of Efficiency***

A five point Likert scale ranging from highly efficient to not efficient was used as a tool for measuring the efficiency of the six investments under study. Based on the information gathered, the various businesses were ranked using the following; quality of management and staff, quality of board, capitalisation, records keeping, profit, audit and competitiveness. Ratings were then shown to church leadership to assess its fairness, the outcome of which is shown in Table 4. 2.

**Table 4.2 Efficiency of Church Based Businesses**

Business / variables	Quality of management and staff	Quality of board	capitalisation	Records keeping	Profit	Audit	Competitive ness	Total Horizontal score
Basel Mission Guest House	4	4	4	3	3	3	3	<b>24</b>
Baptist convention book store	3	3	2	2	2	2	2	<b>16</b>
LIWAT limited	3	2	2	3	2	4	2	<b>18</b>
Bethel transport system	2	2	2	2	2	2	3	<b>15</b>
Anglican Hostel	4	4	3	4	2	3	3	<b>23</b>
Catholic Printing Press	4	4	3	3	3	3	4	<b>24</b>
<b>Total vertical score</b>	<b>20</b>	<b>19</b>	<b>16</b>	<b>17</b>	<b>14</b>	<b>17</b>	<b>17</b>	

Where poor:  $1 \times 7 = 7$

Fair:  $2 \times 7 = 14$

Good:  $3 \times 7 = 21$

Very good:  $4 \times 7 = 28$

Excellent:  $5 \times 7 = 35$

With 7 parameters being used, the least score for any business will be 7 followed by 14, then 21, 28 and 35.

From the measurements done on the Likert scale, the Basel Mission Guest House and Catholic Printing Press are considered as the most efficient investments scoring the highest marks of 24, even though this is just the average by the scale. The Anglican Hostel follows closely with a mark of 23, making it the next most effective business. This puts all three businesses in the same category.

LIWAT Ltd being the fourth most effective business based on the variables used in Table 4.2 scored a mark of 18. The Baptist Convention Book Store and Bethel Transport System came 5<sup>th</sup> and 6<sup>th</sup> with a score of 16 and 15 respectively. These 3 businesses find themselves in the fair category as they all range around the average score and 14 for fair.

This analysis puts 3 of the businesses on an average scale while the others are below average. Again from the scores on the table, Bethel Transport System comes out as the least efficient business as it scores 2 for each parameter except for competitiveness where it scores 3. It scored 3 for competitiveness because it has refurbished its 207 bus and has one of the newest Yutong buses around. The Baptist Convention Book Store has a similar condition except that it has more structured management and board in place.

With respect to the variables, quality of management and staff came up tops with a score of 20. Although, one cannot say that these church based businesses have the best of staff, they indicated that they have the full complement of staffs that are recruited, mostly based on qualification as shown in Table 4.1.

It is also important to note that none of the parameters was able to have a total of up to 21 being an average score of “good”. This is a clear indication that church based businesses have a long way to come up on the ladder of efficiency. There is a need for these businesses to work on all seven parameter in order to increase their lot.

#### **4.12 Utilisation of Gains**

From the study, it was realized that each of the businesses was enjoying one gain or the other. The gains were both monetary and non monetary.

#### ***4.12.1 Monetary Gains***

In terms of monetary gains, four out of the six investments indicated that they had received profits which have been beneficial to their respective churches. The Presbyterian Church, for instance, described the Guest House as the financial bedrock for the Presbytery. The returns gained, has enabled the Church venture into other projects such as, the establishment of the Presbyterian Girls Senior High School in Kumasi and the further expansion of the Guesthouse from 21 to 100 rooms.

It was also reported that, the returns from the facility has also assisted in funding much of the recurrent expenditure of the Asante Presbytery which hitherto came from collections of church members.

The Catholic Printing Press, on the other hand, contributes substantially to the finances of the church as it has contributed a total of GH ₵7,000 to the church administration over the past three years. This financial support, they indicated, goes to support the churches service provision activities.

Presently, benefits accrued from LIWAT Ltd, in terms of profit are reinvested into the enterprise to make it more viable. For now, this investment is not really funding any other church projects or activities but at a self- sustaining level.

Financially, the Book Store and Transport System of the Baptist and Methodist Churches respectively, have not made much impact on the finances of their churches. The book store, is still repaying its outstanding loan, while the transport system of the Bethel Methodist church underwent major overhauling, leaving them in a deficit situation.

Although, the Methodist Church, Ayigya reports that it has not received any financial gains as yet, running the transport system has relieved it from tapping into its coffers whenever maintenance work is suppose to be done on the vehicles. Monies which were previously used to maintain the transport system are now being used to fund other projects.



The Anglican Hostel, as indicated earlier, with respect to overall profit has not yet made any monetary gains as it has been operating under capacity. It is hopeful that as the years go by this condition will change.

#### ***4.12.2 Non-Monetary Gains***

In terms of non monetary returns, all six investments indicated that some benefit has accrued from their operations. All six investments studied indicated that, they were creating some kind of employment to church members and the general public at large. Church members were the major beneficiaries as all the churches had preference on employing their members. The highest employer is the Catholic Printing Press with a staff capacity of fifteen with seven of them being members of the church.

According to church leadership and management, the Baptist Book Store has helped in the distribution of church materials to all of its members across the length and breath of the country. Again it serves the needs of its University College in terms of making literature and text books available. LIWAT Ltd on the other hand indicated that through its activities, water is always available for church projects and church members are supplied with drinking water free of charge during church programmes.

Furthermore, the Bethel Transport System, according to management has helped to facilitate movement of church members from place to place instead of hiring a means of transport for this purpose. This has made movement of organisations and individuals in the church very convenient. In addition, the Anglican Hostel helps to solves some of the accommodation needs of the church as church members pay lesser rent for their wards that patronise the facility and the facility is also available for church programmes such as synods where minimum fees are paid by the church to utilise the facility.

The Catholic Printing Press like the Book Store has also facilitated the production and distribution of Christian literature to all its sub churches.

In totality, each of the investments has yielded gains one way or the other and these gains according to leadership have been utilized to benefit the church, its members and society as a whole.

#### **4.13 Ethics in Church Based Business**

In the literature, ethical Investment was discussed with a lot of focus on portfolio investment. Ethics investment is also known as sustainable and socially responsible investment (SRI). The term describes an investment process that incorporates environmental and social factors when selecting investments, in addition to the objective of achieving a competitive financial return. (May, 2010)

During data collection, businesses were asked if ethical consideration was a major component of their activities. As is expected, all six businesses said ethical considerations were important for their activities which is acceptable as their returns are used for socially oriented projects. Again some church members were recruited without due process; hence one could find people who were not competent enough in a particular job. Apart from these, it can be said that these businesses are socially responsible hence ethical in their dealings.

#### **4.14 Challenges of Churches in Private Investments**

Each of the investments studied indicated one challenge or the other militating against its growth and development. In fact, most of the businesses seem to have a challenge as they were in a dilemma whether to run the enterprises as real businesses or to attach some social service to them. As expressed in the literature by Ritchie (2011): the popular image of a church is that of a selfless organization unconcerned with financial gain, this image seem to cloud the churches visited and hence an uncertainty whether these investments should be run purely as an investment or not focus on profit. This was particularly true for investments such as the Bethel Transport system and LIWAT sachet water production. The Catholic Printing press and the Baptist Book Store though run for profit seem to lack the churches support and commitment to pursue these investments to make them more profitable and vibrant.

Documentation and accountability is another big challenge for these church based investments, as shown with the provision of details on finances. This situation is so due to the so-called 'trust system' among church members. This situation seriously limits the

ability of church based businesses to grow as they should, since information that will help them strategies is almost not available.

Another challenge identified was that, innovations and suggestions are not readily accepted by church leadership who are mostly members of boards. This situation, served as a disincentive for management to give off their best.

Again, the attachment of the investments to their respective churches makes decision making laborious and lengthy. This is so as some major decisions have to pass through the churches decision making body which meets sometimes quarterly or yearly or even biannually. This bureaucratic nature of decision making causes undue delays and hence affects the growth and progression of church based business.

Like public institutions, church business seemed to be “nobody’s business”, hence the dedication and commitment needed to run it as a pure business was almost absent for most of the businesses visited. Certain prompt actions and decisions that a private person will take to propel its business such as proper documentation, advertisement and strict supervision was a challenge. Most of the businesses also indicated having problems with staff dedication, as most staffs are members of the churches they represent, affecting strict adherence to discipline. Again it was indicated that the church members and the church itself sometime do not patronise the services offered by the various businesses, limiting its clientele base.

Finally, high government taxes were another challenge sited by the registered businesses who pay taxes. They indicated that, since the returns from their investments are used for the betterment of society, a tax rebate would help them do more for society.

## **CHAPTER FIVE**

### **FINDING AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter, presents the key findings from the research on private investment of churches in Kumasi Metropolis and makes appropriate policy recommendations for addressing the respective findings. This chapter concludes the study and also addresses the research questions which have been outlined earlier.

#### **5.2 Key Findings**

##### **5.2.1 Major investments activities of churches**

- Churches get into a wide spectrum of business like any other organisation, however guided by ethical considerations and social benefits. It is important to note that, only one of the businesses started out as a purely profit making venture. The rest were investment that already existed, run with social serve intentions; until they grew into profit making ventures.
- Church based investments in Kumasi are tilted toward business investment while portfolio investment is much more common in the western world, which probably should be one of the future options of church investment in the Kumasi Metropolis and Ghana as a whole.
- Three of the businesses which were studied had been registered as business entities, while the other three operated with their churches registration. For instance, although the transport facility of the Bethel Methodist was operating commercially, its registration was private.
- In terms of size, taking number of employees into consideration, all the businesses were rated as small scale with staff strength ranging from two to fifteen. Church based businesses therefore have a long way to go, growing into multimillion Dollar companies or businesses.
- The youngest business is four years old while others are as old as twenty two years. Five of the businesses had been in existence for more than five years; however business growth has been very slow.



### 5.2.2 Management and operation of church business

- For all the six businesses studied, there was an indication of a board or management team responsible for its activities. However, only three of the businesses had boards specifically appointed to oversee their businesses. The others were church boards who are responsible for other church activities such as boards of Finance and Administration or Church leaders meeting. For these organisations, decision making was not as swift as was expected, as the boards had other responsibilities to deal with.
- Again, there was an indication by church leadership that management and board members selected are people with expert knowledge in the particular business, while the literature emphasized on the importance of church representation (Murphy, 2010). Management and board members for all the businesses studied are members of their respective churches, meeting both requirements.
- In terms of staff recruitment, management did not necessarily follow due process as some employees were selected without going through any recruitment process. This situation had an effect on employee commitment and effectiveness.
- Record keeping is a major challenge with church based businesses, as most managers had difficulty providing the needed information on their businesses especially that of finance. It is believed that there is a challenge with obtaining financial records because some of these businesses did not want to be tagged as profit making ventures, avoiding taxes.
- Use of Information Communication Technology is quite low and should be encouraged.

### 5.2.3 Viability and demand for church business

- In assessing the efficiency of the businesses, three (3) of them (Basel Mission Guest House, Anglican Hostel and Catholic Printing Press) were rated as average whiles the other three (3) (Baptist Convention Book Store, LIWAT Ltd and Bethel Transport) were below average. The Bethel Transport however had the least score as it scored two (2) for each parameter except competitiveness. This goes to buttress the fact that in terms of efficiency, church businesses are not doing too well.

- Profits as a parameter had the least score of fourteen (14). This is not surprising as efficiency in the other parameters is supposed to result in high profits, which unfortunately was not the case.
- None of the parameters was able to have a total of up to twenty-one (21) being an average score of “good”. This shows that to be efficient, church businesses have to work seriously on each of the parameters used for assessment.

#### **5.2.4 Utilisation of gains of church based business**

- The gains made by church based businesses are both monetary and non monetary in nature.
- With respect to monetary gains, 4 out of the 6 investments indicated that they had received profits which have been beneficial to their respective churches.
- The Basel Mission Guest House, Baptist Convention Bookstore, LIWAT Ltd and Catholic Printing Press are businesses which indicated that, they have at least been making some profit over the past three years. These profits, they indicated, has helped them in undertaking other projects for their respective churches.
- In terms of non monetary returns, all 6 investments indicated that some benefit has accrued from their operations. All 6 investments studied indicated that, they were creating some kind of employment to church members and the general public at large. Church members were the major beneficiaries as all the churches had preference on employing their members. The highest employer is the Catholic Printing Press with a staff capacity of 15 with 7 of them being members of the church.
- In totality, each of the investments has yielded gains one way or the other and these gains according to leadership have been utilized to benefit the church, its members and society as a whole.

#### **5.2.5 Challenges**

- Due to the social orientation attached to churches, there was a dilemma among some of the businesses, whether to run the enterprises as real businesses solely for profit or to attach some social service to them.

- There was a lack the churches support and commitment as some churches did not even patronise their own serves and church leadership was not willing to put in more investment into the businesses.
- Another challenge identified was that, innovations and suggestions are not readily accepted by church leadership who are mostly members of boards. This situation, served as a disincentive for management to give off their best
- Lastly, bureaucratic nature of decision making causes undue delays and hence affects the growth and progression of church based business.

### **5.3 Recommendations**

#### **5.3.1 Major investment activities of churches**

- Church based investment identified in the metropolis were more of business investment instead of portfolio investment. With all the challenges associated with churches being involved directly in business, portfolio investments should also be considered. Churches should seek more information about this to minimise risk and maintain their ethical values.
- Church businesses that operate as separate entities do better. This therefore should be the way forward for church businesses.
- Church based businesses should maintain a healthy balance between professionalism, economic and social motivational objectives by having a good mix of professional who can represent each of these values.

#### **5.3.2 Management and operation of church business**

- Businesses which had boards which were set specifically for them were doing better than those who had generalised boards. If churches want to seriously operate businesses and make the required profit, they should consider having boards who will specifically be responsible for vision building and decision making and approval of plans. This will facilitate business activity.
- To make church based businesses a force to reckon with, staff recruitment procedures such as putting up advertisements, going through interviews and

selecting the right professionals for the right job as well as supervision should be strengthened. This will afford them the best of staff that can be more productive.

- Business registration and proper records keeping should be encouraged among church based businesses as those who did this diligently were doing better than those who were not. Church members should be advised to serve as pressure groups to ensure that the right things are being done to make church based investments very profitable. Records keeping and accountability are key to get investments to where they ought to be. Board members should therefore ensure that this is done regularly.
- The use of information communication technology (ICT) by key management should be encouraged, to make church based businesses more competitive.
- Again, Annual General Meetings should be organised for the church members to receive Annual Reports and to hold Managers and Directors accountable.
- Finally, there is a need for regular staff appraisal and training to addresses the gaps identified. Board training is also needed.

#### **5.3.3 Viability and demand for church business**

- It is recommended that business plans are drawn for all businesses as well as effective promotional activities to make them more competitive.
- Church based businesses are also advised to provide quality products and services to compete and enhance their image.
- For church based businesses to be more viable, parameters / variables such as profit, audit, capitalisation and competitiveness should be looked at. The ability of church based investments to be efficient hence viable will go a long way to reduce the monetary burden on church members.

#### **5.3.4 Utilisation of gains of church based business**

- From discussions done, it is clear that numerous benefits, both monetary and non monetary, have accrued from church based businesses. For those who have operated their businesses very judiciously, the gains made have had ripple effect on their finances and church projects such as the Presbyterian Girls Senior High



School of the Presbyterian Church. The Basel Mission Guest House and the Catholic Printing Press should be used as examples on how successful church based business can be and should be encouraged to do more.

- Church members should also be informed about the benefits from the businesses in order to whip up their interest.

#### 5.4 Conclusion

Church based business is important because the continuous collection of monies from church members to fund church projects could reduce, if churches were making the desired financial gains.

Although there are counter arguments on government support in terms of tax rebate and tax exemptions, it is an important factor for church based investments to thrive, at least at the infant stages. Churches are partners with government in development in the areas of employment generation, establishment of schools, hospitals, orphanages and the like. Government should therefore support these church based investments to make them more competitive and profitable, as returns from church investments go into more social projects.

Like government, some may say that the business of the church is not to do business. This may be true or false; however literature has shown that churches in the advanced world have moved from direct business activity into portfolio investment where they invest into the financial market and stocks. With all the challenges of trying to run a business with little success, it would be of benefit for churches to shift from direct business investment to portfolio investment.

The way forward therefore is that;

- a) Church businesses operate as separate entities, independent of undue church control like the Catholic Printing Press or
- b) Embark on Private Public Partnership, where the church becomes a shareholder as in the case of Donewell Insurance of the Methodist Church.

Finally, it is important to note that the success of these recommendations will only be possible with change of attitude and policy – both government and church policies that limit the productiveness of church based investment. Change of policy without enforcement is however to no avail. Enforcement of policy is therefore the key.

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## Appendix 1

### KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

#### College of Architecture and Planning

#### Department of Planning

#### Questionnaire for the Board of Selected Church Investments

1. Name of church denomination .....
2. Name of church .....
3. Name of enterprise.....
4. Type of investment
  - a) Hospitality      b) printing press      c) book store      d) transport      e) insurance company      e) others specify .....
5. What factors were considered in the selection of this investment?
  - a) Viability      b) ethical grounds      c) social benefits      d) others (specify).....
6. Was there a market survey or feasibility study informing the church of which activity to invest in?
  - a) Yes      b) No
7. If Yes why does the church consider it as an essential process  
.....  
.....
8. If No why was it not done  
.....  
.....
9. How long has this enterprise been in existence  
.....
10. How did the company start? .....





tion .....  
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## College of Architecture and Planning

## Questionnaire for the Management of Selected Church Investments

- of enterprise.....
- of investment
- ility                      b) printing press                      c) book store    d) transport
- pany                      e) others specify .....
- management of the company separate from the management of
- , what is the composition and qualification of key management?
- .....
- .....
- .....
- why? .....
- .....
- .....
- are an organizational structure in place indicating the command s
- any?
- b) No



21. What has been the financial outlay of the company for the past five years?

YEAR	REVENUE	EXPENDITURE	PROFIT / LOSS
2006			
2007			
2008			
2009			
2010			

22. What benefits has the church received from the company over the last 3 years?

.....

.....

.....

23. If nothing, why? .....

.....

.....

24. Are there any preferences for employing church members?

Yes ☐ No ☐

25. What is the staff capacity of this company? .....

26. How many of the staff are members of the church? .....

27. What are the major challenges faced by the church with respect to running of investment activities? .....

.....

.....

28. What are the major challenges faced by the company itself?

.....

.....

.....

.....

29. How do you hope to solve these difficulties? .....

.....  
.....  
30. How do you see the future of this business? .....

.....  
.....

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### Appendix III

#### KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

##### College of Architecture and Planning

##### Department of Planning

#### Questionnaire for Selected Church Leaders

1. Name of church denomination .....
2. Name of church .....
3. Name of enterprise.....
4. Type of investment
  - a) Hospitality      b) printing press      c) book store      d) transport      e) insurance company      e) others specify .....
5. What factors were considered in the selection of this investment?
  - a) Viability      b) ethical grounds      c) social benefits      d) others (specify).....
6. Has this company been registered with the registrar General's Department?
  - a) Yes      b) No
7. If no why? .....
8. Was there a market survey or feasibility study informing the church of which activity to invest in?
  - a) Yes      b) No
9. What was the real reason for this business investment?  
.....  
.....  
.....
10. What is the governance / management structure for this company? .....

- .....
- .....
- .
11. Why did you choose this structure? .....
- .....
- .....
12. Do you consider it effective? .....
- .....
13. What are the weaknesses of this structure? .....
- .....
- .....
14. How much control does the church have over the company? .....
- .....
- .....
15. How many church members are represented on the board? .....
16. What church policies guide the business? .....
- .....
- .....
- .....
17. Are they helpful to the business? .....
- .....
- .....
18. Is there any church policy on employment preferences? .....
- .....
- .....
19. Has the church received any benefits from the business over the past 3 years?
20. How is the church able to fund its numerous expenses? If yes state them.
- .....
- .....
- .....
- .....

21. How were the benefits utilized? .....

.....

.....

22. Is the business a profitable investment? Explain

23. Is the objective of this investment being achieved?

.....

.....

.....

24. Are the church members benefiting? If yes how? .....

.....

.....

.....

25. Is the church willing to invest more funds into the business?

26. How can the business be improved? .....

.....

.....

.....

