

**THE ROLE OF CREDIT UNIONS IN DEVELOPING ECONOMIES: CASE
OF ST. JOSEPH'S CREDIT UNION-JIRAPA.**

By

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Declaration

I hereby declare that this submission is my own work towards the M.B.A., 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 the university, except where due acknowledgement has been made in the text.

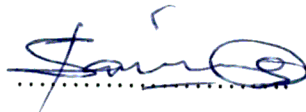
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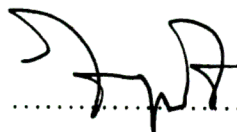
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ABSTRACT

According to the Credit Union Association of Ghana (CUA, 1968 – 1978), a credit union is a financial co-operative, which is owned and controlled by its members. Members of a credit union save in a common fund, as well as being a good saving option with successful credit union paying an annual dividend of up to 8%. The money saved can be used to make low interest loans to other credit union members. They are also the best vehicle for mobilising resources for domestic development. Co-operatives are therefore alternatives for individual and small holders in the mobilisation of resources for the development of the individual and the country as a whole. It is in this light that it would be valuable to take a look at the activities of these co-operatives in developing economies. Further, to investigate the role of credit unions on the lives of the ordinary people in developing economies. The study is basically an exploratory and analytical research. Data was gathered from the study area and analysed based on the objectives of the study. The research was carried out using the multi-method case study approach. This method gives the researcher a rich understanding of the context; it is also a flexible method that allows the use of questionnaires, interviews, observation and documentary analysis. Even though this study focuses on the St Joseph's credit union in Ghana, it would be worthwhile to widen further research to cover other areas to unravel the deficiencies hindering the growth and efficient function of developing credit union in a bid to correcting and adopting new strategies for their growth

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My profound gratitude goes to the Authorities of the Kwame Nkrumah University of Science and Technology, particularly the KNUST School of Business, which offered me admission to make my study up to this level a reality.

DEDICATION

This work is dedicated to my family, my husband Mr Shaibu Mahama and to my lovely daughters Ewurche and Boreche and Kawurche Mahama.

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CHAPTER ONE

1.1 INTRODUCTION

In many developing countries, co-operatives are the best vehicles for mobilising resources for domestic development. The non-existent and/or cumbersome operating methods of the traditional banks make them inaccessible to the majority of people who hold the bulk of the wealth of most states. In most developing economies, traditional banking is virtually absent in the rural communities. These communities however harbour the bulk of the economic resources, which are mostly mining, and Agricultural products.

The credit unions and other co-operatives are therefore able to mobilise such resources for the formal sector. Such resources would have been left idle in the rural area to the detriment of national development. Lack of a safe place for ones money also constitute a risk to the owner as in the case of the local priest in Jirapa whose experience prompted the establishment of the first credit union in Ghana. (St Josephs' Credit Union, 1957).

One important factor for the co-operatives is that they promote democracy among their members. (Aryeetey, 1996). Co-operatives train their members in democratic management of their resources. This has enabled many people to achieve leadership positions. For instance now 30% of CUA Board in Ghana are women. Again, Women are generally marginalized but they have been elected to such a high position. This democracy could also influence the national government and enable people to speak out and contribute to decision-making. (Aryeetey, 1996).

Like any other Organisation, co-operatives are not without problems. These problems, which range from internal to external and include managerial and other externalities, hinder very much their smooth operations. These will be looked at in detail as the discussion progresses.

Since development starts in people's minds, co-operatives education should encourage people to develop the desire and see the possibility of coming out of their social and economic problems and give them the opportunity to take up challenges. This is particularly important because in most developing economies, there is over-dependence on the central government in solving all their social and economic problems. (Aryeetey1996). People would therefore learn to put their destiny into their own hands and thereby preparing themselves to meet the ever-increasing social and economic challenges faced by developing economies.

1.2 BACKGROUND OF THE STUDY

As far as this dissertation was concerned, the African Continent was used when making reference to developing economies in outlining and appraising developing credit unions.

According to a World Bank Report on Financial Sector Review (1994), some indicators of a developing country are as follows:

Over 60% of the population are engaged in subsistent production mostly agriculture

Production and productivity are low and in most cases the people cannot feed themselves adequately. Because what they produce is all they have for their health care, basic social and economic needs and children's education

The majority of the producers suffer from low prices for their produce and high cost of services and goods they need. They have no control over the prices of their produce i.e. goods and their labour. They are exploited .

The majority of people cannot afford social services like health care, children's education, water, electricity, etc.

Basic infrastructure and utility services, such as roads transport communication system, banking, etc., are in most developing countries woefully inadequate. The majority of people are poor and resources are generally underutilized and under exploited.

This has been the situation of most African States. In the 1960's most emerging African States from Colonial rule were sensitive to the plight of these people and wanted to do something about that. During the struggle for independence a lot of promises were made to improve the condition of the people. After independence most went in for the Socialist Economic model. For instance, State control of economic development and services, application of subsidies etc. All these measures were meant to lessen the burden of the ordinary taxpayer and improve their economic and social being (Aryeetey, 1996). Most performed poorly and looked to the Soviet block for support. This is because the Soviet Block was seen, as the provider of an economic model, which did not seem to be meeting the current dispensational needs of these economies. Those that practiced capitalism or a mixture of both socialism and capitalism also had their own problem, which had to do with implementation of the models (Aryeetey, 1996)

By the 1980's most African countries found they had failed their people. Also the support from the Soviet Block was not forthcoming at the end of the Cold War. Most then turned for development support from the International Monetary Fund and the World Bank. (Aryeetey, 1996)

As at now, many of the countries in Africa have tried some form of structural adjustment. The World Bank has advised most states to diversify themselves of direct involvement in social and economic development of their countries and allow for privatisation and liberalisation of the economy (ISSER, 1994). A number of countries have tried the adjustment program with varying degrees of success. Privatisation and globalisation have indeed had significant impact on developing economies. These two are bedfellows and affect structural adjustments in various economies. Here, mention will be made of some of the effects of the adjustment and establish the need for co-operatives as an option for development in developing countries.

1.3 Statement of the Problem

At the time of Ghana's independence, only a few banks were doing business in the major towns in Ghana. Notable among these were, Standard Bank of West Africa, Barclays Bank of West Africa and the Ghana Commercial Bank. (Bank of Ghana, 1996). Post independence Ghana has seen a lot of development in the area of financial intermediation. However this has been very much limited to the urban areas. According to Bank of Ghana, (1996) 7 banks have been licensed to operate in Ghana out of which five (5) are unit banks. All the unit banks are based in the nation's capital. Most of the banks operating branch banking operate in the cities, district capitals or urban areas (see regional distribution of banks in Table 1). In

fact nearly 50% of the nation's banking activity takes place in Accra-Tema, Kumasi and Takoradi. The recently privatised Ghana Commercial Bank Ltd has the highest branch network in Ghana. It has 133 branches representing over 43% of the branch banks in the country. Over 60% of the total money in circulation is outside the formal banking sector in an economy where the informal sector is as large as 75-80%. (Bank of Ghana, 1996). Although the limitation of banking business may not be the only reason for this situation it is certainly a major factor. To deal with this problem the government initiated the concept of rural banking to provide for rural financial intermediation. To date there are 128 rural and community banks throughout the country. These rural banks mobilise savings in the rural area and intend lend to the small-scale farmers and rural entrepreneurs. In addition to these institutions, which operate under the banking law, there are other deposits taking institutions, which operate in the country all in an effort to fill the yawning gap between the formal and informal sector. Some of these institutions are the Susu Collectors Union. These credit unions have had to overcome many challenges in their operations in their desire to meet their stated objectives. These challenges, the extent to which they have been able to surmount these and the benefits these Unions have been able to provide for their members and the community at large are the subject matter of this project work.

1.4 Objectives of the Research Project

Having identified the research country, it will be appropriate to give an outline of the key objectives of the research. Thus to

Discover and analyse the credit union movement in general.

Outline and appraise the development, challenges and outcomes of developing credit unions.

Outline and appraise Ghana Credit Unions - Jirapa

Provide Key conclusions and recommendations

1.5 Research Questions

For this study, the following are the major research questions, which delineate the boundary of the research and give it an overall directional flow:

Have Credit Unions improved savings mobilisation in the informal sectors of developing economies?

Have Credit Unions impacted positively on the lives of their members as opposed to the traditional Banks?

Has the St Joseph's credit Union been able to improve the lives of its members in Jirapa Community?

1.6 SCOPE OF THE STUDY

This dissertation is focused on the activities of St. Joseph's Credit Union. It is located in a small town in Northern Ghana at Jirapa in the Upper West Region.

The role of the credit union is looked at in terms of;

Economic contributions to the community and society.

The involvement of members and their contributions.

Cooperatives formed by the Credit Union and the mobilization of funds for social and economic development of its members.

1.7 JUSTIFICATION OF THE STUDY

The World Bank's call on developing countries for privatisation may improve the national economy in the short term but may worsen the social and economic situation of the poor majority. Such people may become economically enslaved since as individuals or small holders they may not be able to mobilize enough capital to compete favourably with their more resourceful competitors. (Ninsin 1992)

It is against this background that co-operatives can be an alternative for individuals and small holders in the mobilization of resources for the development of the individual and the country as a whole. It is in this light that it will be valuable to take a look at the activities of these co-operatives in developing economies. The research project aims to investigate the role of credit unions, which are part of the co-operative movement, on the lives of the ordinary people in developing economies. It also looked at the problems Credit Unions are faced with and the way forward. It is important to narrow down the research area for a successful completion of this project since there are countless developing economies. It will equally be appropriate and interesting to study a country, which has undergone so much structural adjustment programmes under World Bank

conditionality. The choice of Ghana therefore presents interesting challenges for this research topic.

1.8 Limitations of the Study

This study like any other study is not devoid of limitations.

The first limitation is the fact that the research had to be carried out with limited time. The time horizon did not allow for the use of other data analysis methods such as quantitative analysis approach, which no doubt would have helped enrich this research project. This limitation notwithstanding, the data collection method used was as relevant as those that would have been used under full time.

Furthermore, apart from time constraint, outlining and appraising developing credit unions as a whole is outside the scope of a master's dissertation. For that matter, only a few developing countries were covered in the case studies. Though the results of the research could be generalised for all developing credit unions, however, the results will have to be tested in other contexts before one can confidently claim generalisability.

If these recommendations are implemented it is expected that developing credit unions would be better managed to serve the purposes for which they were instituted and the beneficiaries will be seen to be acting on their own suggestions. It has been accepted that any form of change is managed more effectively when people have had an input into its design and therefore own the change itself.

1.9 ORGANISATION OF THE STUDY

The study is organised into five chapters;

CHAPTER ONE

The first chapter gives the;

Introduction

The background of the study

Statement of the problem

Objectives of the study

Justification

Scope of the study

Limitations

CHAPTER TWO

This chapter deals with the literature review

CHAPTER THREE

This chapter gives an overview of the research methodology, it also outlines the background of Credit Union Movement in Ghana, the distribution of formal banks in Ghana and an appraisal of the St. Josephs' Credit Union.

CHAPTER FOUR

This covers the discussions of the research findings and analysis of data gathered

CHAPTER FIVE

This gives the summary of findings, the conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 An Overview of Credit Unions in General

According to the Credit Union Association of Ghana (CUA, 1968-1978), a credit union is a financial co-operative, which is owned and controlled by its members. Members of a credit union save in a common fund. As well as being a good savings option, with successful credit unions paying an annual dividend of up to 8%, the money saved can be used to make low interest loans to other credit union members. Only people who come within the common bond of the credit union can join it and make use of its services. The credit union is directed and controlled by a volunteer Board of Directors.

All officers of the credit union are members of the credit union, who are elected by the membership at the Annual General Meeting. All members of the credit union have one vote, regardless of how many shares they own. Credit unions are not a local or a new phenomenon. Credit unions are active in over 80 countries, and over 100 million people internationally are members (WOCCU, 1984). Government and many other organisations see credit unions as a valuable tool in their mission to tackle financial exclusion. People who are concerned about the closure of bank branches and the demutualisation of building societies are also advocating the development of credit unions. Credit unions make sense for many reasons and they are tipped to be the next big thing in financial services.

The World Council of Credit Unions (WOCCU) is the international trade association of credit unions (savings and credit cooperatives) and similar cooperative financial institutions. Its members are credit union confederations and

freestanding leagues. It represents more than 100 million members in more than 90 countries worldwide. Its functions are to represent the international credit union movement to international governmental and non-governmental organisations, and to serve as a venue for communication and coordination between different institutions of the movement. The elected leadership of WOCCU has assembled a technical staff and charged it with the responsibility of helping to extend the benefits of credit union membership to men and women in countries and regions where credit unions have not existed to date. In addition, WOCCU's staff in partnership with credit union confederations and federations provides assistance to developing credit unions so that they may benefit from over 100 years cumulative experience of the credit union movement and avoid some of the pitfalls that others have encountered previously. This is particularly important owing to the fact that member contributions are woefully inadequate to meet the many challenges and projects of the unions.

2.2 Credit union operating principles

According to the World Council on Credit Unions (1984), Credit unions have proved on countless occasions that they can be adapted to the special needs of different population groups, to different cultures, languages, and religions, as well as to different legal, political, and economic systems, without compromising basic credit union operating principles, like commitment to democratic structure and functioning, to the achievement of social goals, and especially to service to members.

Credit union services are directed to improve the economic and social well being of all members. A safe place to save and fair remuneration of deposits, the

provision of loans and other financial services, and the equitable distribution of surplus revenues are fundamental services of credit unions. A prime concern of the credit union is to build the financial strength, including adequate reserves and internal controls that will ensure continued service to membership (Credit union operating principles, CUA, 1968-78).

2.3 Member ownership

Credit unions differ from most other financial institutions in that they are not only run by their members, they are also owned by their members. This distinction is an important one. Credit unions have achieved an impressive track record in serving the needs of their members. They have proved that, even in the poorest of countries, there are substantial amounts of savings that can be mobilized and monetarized to the benefit of family, local, and national economies. (CUA, 1984)

Many observers from outside the credit union movement -- governments, international organisations, donors, and NGOs -- assume that credit union success is principally in credit administration and stems solely from the physical and social proximity of the credit union to its members, and from the economies achieved by simple organization, by modest physical infrastructure and materials, and especially by volunteer management. (ACOSCA,1992). While these factors are certainly extremely important to credit unions' success, it is a mistake to relegate member ownership to a secondary position. Members repay their loans not only because of social pressure but also because the money they are repaying is their own and that of their neighbours, not the money of those who are external

to their community. They know that, if they do not repay their loans, in the future there may be no money at the credit union to borrow. Members own the institution's structure and the money that permits it to function. In addition to repaying their loans, if they do not continue to save regularly, the pool of money available for loans will stagnate. They want financial services in order to improve their lives, not just to survive or subsist. Savings must grow in order to achieve this goal. (UNDP, 1997).

2.3.1 Common bonds

Credit unions all have a common bond, which determine who is able to join them. According to WOCCU, 1984) there are 4 main types of common bond, all of which are contained within the Credit Unions Act 1979, or amendments to it.

2.3.2 Community or Residential

A community or residential credit union would allow anyone who lives within its boundary to join it.

This boundary may be determined by a line drawn on a map, or by the use of postcodes or administrative boundaries.

Credit unions will serve their members through local offices. In a rural area, there may be a central office and several satellite collection points.

2.3.3 Live or work

Since the 1996 Deregulation Order, credit unions have been able to use another common bond qualification; residential or employment, more commonly known as 'live or work'.

This common bond qualification enables people who work within an area to join

the credit union as well. Depending on the policies of the individual credit union, this may include people who study within the area, or voluntary workers.

Many more credit unions are registering under this qualification, and many existing credit unions are changing their common bonds to take advantage of the opportunities this gives.

A credit union with a live or work qualification can set up payroll agreements with local employers, and provide a service to local people as well.

2.3.4 Employment or Industrial

Credit unions with this qualification will cover all employees in a company or group of companies. Usually, payroll deduction agreements will be set up, so that all members can save straight out of their wage or salary.

There are many industrial credit unions in England, Scotland and Wales. Credit unions have been established for local government workers, NHS staff, university employees, transport workers, fire fighters, postal workers, the police and many more groups of employees.

2.3.5 Associational

Membership of an associational credit union will be linked to membership of a trade union, trade association of some other group. It could also be based on an active association with a religious group or community association.

A 'non-qualifying member' of a credit union, is someone who joined the credit union when they shared the common bond, but are now no longer part of the common bond; having moved address or left employment. This person can remain a member of the credit union but is referred to as a "non-qualifying member".

2.4 Strategies for growth

Credit Unions are expected to expand both in capital terms and institutional power to serve the interest of its members and the community. Because growth is key to the ability of credit unions and the credit union system to provide services to its members, credit union institutions and their external partners have tried to identify the means for promoting and accelerating growth. Credit union members and potential ones in developing and transitional economies, it was reasoned, should be able to benefit from the cumulative experience of credit unions worldwide. By adopting policies and practices that work and avoiding those that do not, developing credit unions can grow at a faster pace. The credit union system and its partners have collaborated to accomplish this through the provision of technical assistance and institutional support. In doing so, they have often sought to simultaneously increase the capacity of national federations and regional confederations to provide ongoing services to credit unions. (ACOSCA, 1992).

This practice has resulted in considerable achievements. In little more than a century, credit unions have spread from their point of origin in Europe to all the continents of the world. (ACOSCA, 1992). Much of this growth has been concentrated in the last twenty to thirty years. Yet, if this approach has its fundamental strengths and successes, it is not without its limits and weaknesses. Growth has been impressive indeed, when compared to previous indicators. When compared to the need for credit unions and the potential for growth, the achievements are less consistently high from country to country. In some countries, both developed and developing, penetration rates of 25 to 50 per cent have been attained. In many others, the rate is far lower. Although there are a few

notable exceptions, penetration rates for most African credit union movements rarely exceed the 1.5 to 2 per cent level. (ACOSCA, 1992). The end result of credit unions' slow expansion is often that large segments of the populations in developing and transitional economies remain unserved by any formal financial institution at all.

Not the least of the weaknesses plaguing the approach of assisting credit unions by and through reinforcing federations and confederations is the unfortunate tendency for these structures to become large, bureaucratic, and self-perpetuating. These structures can easily become too removed from the credit unions which own them and which they are called upon to serve. The result is they do not make the contributions to growth, safety, and soundness for which they exist, and in the worst case, may even undermine the process. Furthermore, even in the best of scenarios, it is increasingly unlikely that donors and partners can commit funding to long-term development of technical and financial self-sufficiency in these institutions, as has been the case in the past. (World Bank, 1994)

According to the World Council on Credit Unions (1984), Credit union institutions are currently fine-tuning their approach by re-emphasizing direct partnerships with primary societies, which are qualified by previous performance and willing to adopt growth-stimulating policies and practices. While this adjustment is intended and expected to improve results and help to bring credit union participation to greater numbers of men and women, other complementary initiatives will also be required in order to achieve the desired outcomes. Among the approaches, which remain under consideration, is the use of credit unions as conduits for external lines of credit.

2.5 Regulating credit unions in Ghana

Like any other Association, there are rules and regulations that govern the operations of credit Unions in Ghana. The CUA has set out powers to place restrictions on the business of credit unions, if the credit union is deemed to be acting in a manner, which could affect the safety of members' savings. The Act also sets out maximum amounts for share holdings, loans and the number of members who can join a credit union.

The following are amongst the duties placed on credit unions by the Credit Unions Act 1979:

Have their accounts audited annually by a qualified auditor

File annual financial returns with the Registry of Friendly Societies

Have their accounts audited annually by a qualified auditor

2.6 Mixed Record as Development Tool

Cooperation as an economic and social system is not based on a single theory but on a collection of many concepts such as self-help, non-exploitation, mutuality and equitable sharing of gains and losses. In an attempt to codify these concepts, WOCCO, 1984) has set down six principles as guidelines for accepted cooperative behaviour:

- i. Open and voluntary membership
- ii. Democratic control
- iii. Limited interest on shares
- iv. Return of surplus to members
- v. Cooperative education

vi. Cooperation among cooperatives

In following such principles, cooperatives see themselves as an alternative, partway between private businesses and state-owned enterprises in Western countries, while in developing countries they are often instruments for securing local ownership (as opposed to colonial ownership) of industries and as a means of involving people in new economic activities. Cooperatives in developing countries have been mainly active in agricultural marketing and in advancing farm credit and sales of farming inputs. A number of them operate as government-backed monopolies: for instance, cooperatives dominate the marketing of coffee in Kenya and of sugar in India. By WOCCU statistics, there are nearly 48,000 multi-purpose cooperatives, combining several services; and there are countless informal associations, sometimes called "pre-cooperatives."

They may look alike on the surface, but they have evolved from three fundamentally different impulses and they have consequently had very different kinds of impacts on the livelihood and welfare of their members. These are the three major types identified by the ICA:

2.6.1 Large-scale marketing cooperatives.

British colonial officials introduced formally structured cooperatives into India as early as 1904, to provide credit at reasonable interest rates and so break the power of moneylenders. When the idea spread to East Africa, the focus was on marketing and meeting the need to improve transportation and storage. These cooperatives were usually designed to serve the interests of white farmers (e.g. coffee farmers in Kenya) but later were adapted for peasants (e.g. cotton growers in Tanzania). Descendants of these early marketing cooperatives dominate the

processing and/or marketing of commodities in many countries: examples are groundnuts in Senegal, fish in Korea and rice in Indonesia. Being large and closely linked to governments, which control commodity prices, these cooperatives do not directly address the major socio-economic problems in rural areas, such as the marginalisation of small farmers and landless workers. Rather, they fulfil part of the national development needs.

2.6.2 Multi-purpose cooperatives.

This type began to flourish when colonial territories became independent. They were formed to provide credit to farmers, supply agricultural inputs, process crops, organize storage and marketing facilities, and carry out other functions. Village-level cooperatives were linked, by vertical integration, into national systems in many African and Asian states, e.g. Nigeria and the Philippines. Governments in Algeria and Tanzania saw multi-purpose cooperatives as a way to combat capitalism and contribute to a planned economy. In Egypt and Ethiopia the governments used them to carry out land reform and make other social changes, and anyone wishing these benefits had to join the cooperative. Few, if any, of these cooperatives were inspired or started by the members themselves, but were usually government entities. (ACOSCA, 1992)

2.6.3 Grass-roots cooperatives.

Quite unlike the other two categories, these emphasized the role of cooperatives as self-help organizations at a local level, controlled by their members. Many concentrate on single-sector activities, requiring simple management skills. Some avoid incorporation (and government control) by registering as pre-cooperatives or associations. Mostly, the inspiration comes from local populations, who often-

adept traditions of self-help, such as the savings clubs, which have been a strong base for the growth of cooperatives in West Africa including Ghana. (ACOSCA, 1992)

Women, who are often excluded from agricultural marketing cooperatives because of a legislative requirement that members should own land, dominate other kinds of cooperatives. Women's dairy cooperatives for owners of one or two family animals thrive in India, while three-quarters of the 22,000 members of credit unions in Lesotho are women. Many of these coops help to associate the so-called 'informal sector' with the mainstream economy: some examples are credit unions for Indonesian street peddlers and furniture-making coops for unemployed workers in Benin. (World Bank, 1994)

How well have they performed as tools of development? WOCCU (1984) has it that, there are at least seven kinds of benefits; both to individuals and to national development that should result when cooperatives function well. Three of these are basically economic benefits: greater market competition, economies of scale and expanded returns. Two are more social benefits: the development of skills and schooling in democratic methods. The other two are: meeting the need for new services and providing local services after external assistance has ended. Each category of cooperative seems to achieve a different goal. In broad terms, the large marketing cooperatives have brought economic benefits; the multi-purpose cooperatives have provided new services and extended networks in rural areas; and grass-roots cooperatives have especially succeeded in promoting members' education and in helping disadvantaged groups.

What about their shortcomings? Management incompetence or corruption is more commonly found in the large-scale and multi-purpose enterprises, where both the complexity of the business and the temptations involved are greater. Also, since they were conceived as instruments of national policy, direct government interference in these types is most prevalent. This problem of government intervention is one of the most serious obstacles to successful cooperative development in numerous countries. Two examples are Indian state governments which do well to ensure women are represented on cooperative boards but also appoint government officials as managers, suspend boards of directors and postpone elections; and the Zambian and other governments which have kept the financial returns to cooperatives low in order to provide cities and towns with low-cost food. (ACOSCA, 1992)

By contrast, grass-roots cooperatives have suffered more often from problems associated with small-scale operations: inefficient management, a difficulty in reaching self-sufficiency and excessive dependence on outside supports. Facing these problems, credit unions in Asia have several times refused the offer of large funds from developed countries on the grounds that it would interfere with their careful and gradual approach to institution building at a local level. In Latin America, there has been a conscious search for outside funds for re-lending purposes, and the movement has grown more rapidly.

With such a variety of structures and purposes, there is no easy answer to the question of the effectiveness of cooperatives. One clear conclusion is that not all kinds of cooperatives can be expected to meet the full range of development objectives.

Approaches to people's cooperatives

Focus on grass-roots cooperatives.

For years, non-governmental organizations have favoured this approach. Slowly, a few intergovernmental agencies with a mandate to assist 'the poorest of the poor' are turning in this direction, rather than simply focusing on national systems. An International Labour Organization program specifically deals with "pre-cooperatives, para-cooperatives and local groupings based on self-reliance and joint activities." The Food & Agriculture Organization, in its "people's participation program," provides collateral to cooperatives whose members include the poorest sections of rural populations.

De-officialisation.

This ugly word has been coined to describe the process of gradually transforming government-controlled cooperatives into more autonomous or even independent organisations. While there certainly are success stories among 'official' cooperatives as tools of development, government control is blamed as "the overriding obstacle to successful cooperative development in most Third World countries." Now several governments have made policy decisions to withdraw from direct control over cooperatives and allow the movement to take responsibility for its own growth. This is happening, for instance, in Benin, Kenya, Senegal and the Philippines.

Movement-to-movement assistance.

Cooperative leaders in developed countries are sharing the techniques through which their organizations overcame the many problems of exploitation and poverty they face.

2.7 External lines of credit

A number of bi-lateral donors and international organizations and national governments have made lines of credit available to developing credit unions over the past thirty years (World Bank, 1994). Over time the results of this kind of assistance have generally been unsatisfactory for both the credit unions and the partners involved, primarily for two reasons:

Developing credit unions have not obtained the stimulus to growth that they hoped to obtain. The availability of credit alone has not stimulated savings growth. In fact, savings have often stagnated when credit was made possible by external sources of funds. Loan repayment rates have not improved under these circumstances and are more likely to have deteriorated. Credit unions and their institutions have generally not been strengthened by this approach.

Partners have not often observed the economic growth in general and in targeted sectors of the economy that were intended. After the mass failure of development banks and/or agricultural credit banks, credit unions have rarely been able to take over the administration of annual crop loans on a national scale, obtain high repayment rates, and attain crop production targets as intended by some donors and governments. Channelling targeted lines of credit to promote a particular crop or introduce a new one, to promote small or micro-enterprise, or to benefit women has not necessarily been successful.

2.8 Successful experiences

Developing credit unions and credit union institutions in some countries regularly use external lines of credit as a normal part of doing business, and do so to the benefit of their members. It is not unusual, for instance, for these credit unions to access the credit services of another financial institution for assistance in liquidity management (from overnight to medium-term), in on-lending, and in implementing long-term (e.g. mortgage) or high-risk lending programs. Credit unions in some countries, for example, have access to credit from:

Other credit unions and from secondary and tertiary institutions of the credit union system, such as state/provincial central credit unions, national central credit unions, mortgage corporations, and other specialized companies;

Governmental and quasi-governmental institutions such as credit union central liquidity facilities, banks for cooperatives, and state corporations of the secondary mortgage market; and Commercial banks.

The experience of some developing credit unions in making use of these external sources of credit has generally been positive, and access to them has contributed to strengthening rather than weakening them. Some "community development credit unions" targeting disadvantaged segments of the United States population were started in the 1960s with the assistance of the federal government as part of the "War on Poverty." Of these, some were unable to survive the demise of government assistance. Many more, however, survived and continue to serve their members. (WOCCU, 1984)

Regardless of whatever successes may have been realised, the provision of external lines of credit by governments and donors to credit unions has not made a major contribution to sustainable economic development. It did not accelerate the development of participating credit unions into healthy and sustainable financial institutions better able to serve their member/owners. The slogan, "Credit brings savings", pronounced with such confidence for so long, has nowhere proved to be automatically true. All too often, the contrary has been true.

Credit unionists' opposition to external lines of credit is perfectly understandable, based on their experience in developing nations in recent years, notwithstanding the fact that in certain areas and under certain circumstances, the use of some form of external credit is an accepted and useful tool for credit unions development and sound functioning.

2.9 Need for Credit Unions in developing countries

From the earlier analysis, even though the call by developing countries for privatisation may improve the national economy, in the short term it may worsen the social and economic situation of the poor majority. Such people may become economically enslaved since as individuals or small holders they may not be able to mobilise enough capital to compete favourably with their more resource competitors.

It is against this background that co-operatives can be a way out for individuals and small holders in the mobilization of resources for the development of the individual and the country as a whole.

Many African governments appreciate the role of co-operatives in national development and in some cases have played leading roles in the establishment of co-operatives in their countries. However like the state controlled enterprises such co-operatives never do well. Governments know the potential of co-operative organizations in mobilising people and resources and in some cases feel threatened and therefore are reluctant to let them operate indecently. (World Bank, 1994)

In some developing countries, co-operatives have enabled the ordinary small-scale producers to pool their resources to influence their social and economic positions. The World Council of Credit Unions has it that, in Kenya co-operative societies have in many instances successfully competed in the control of the production and marketing of their produce to a point that they have virtually/practically eliminated the middlemen from the coffee and other commodity markets. Such co-operatives have built up huge capital and created better living conditions for their members. They are able to influence the marketing of their produce to the advantage of their members. (WOCCU, 1984)

Where credit unions have operated successfully, poor members have been able to accumulate capital through regular savings and access to credit to enhance their economic and social status. Some people in Ghana today have been able to establish their own business through credit union support. People have acquired their own houses, paid for their children's education and family health with credit union support. Many farmers and small-scale producers have liberated themselves from perpetual indebtedness to moneylenders by becoming members of co-operatives. In some parts of Africa farmers mortgage their farm produce for money to satisfy their social needs (i.e. bury a dear loved one, perform a

traditional festival, take care of a sick relative etc.). In many cases the family of such a farmer will starve for a whole season until the next harvest. The Credit Unions and producer co-operatives have hope for such members.

2.10.0 CO-OPERATIVES IN GHANA

2.10.1 Background

At the time of Ghana's independence, only a few banks were doing business in the major towns in Ghana. Notable among these were, Standard Bank of West Africa, Barclays Bank of West Africa and the Ghana Commercial Bank. Post independence Ghana has seen a lot of development in the area of financial intermediation. However this has been very much limited to the urban areas. According to Bank of Ghana sources, 7 banks have been licensed to operate in Ghana out of which five (5) are unit banks. All the unit banks are based in the nation's capital. Most of the banks operating branch banking operate in the cities, district capitals or urban areas. In fact nearly 50% of the nation's banking activity takes place in Accra-Tema, Kumasi and Takoradi. The recently privatised Ghana Commercial Bank Ltd has the highest branch network in Ghana. It has 133 branches representing over 43% of the branch banks in the country. Over 60% of the total money in circulation is outside the formal banking sector in an economy where the informal sector is as large as 75-80%. (Bank of Ghana, 1996). Although the limitation of banking business may not be the only reason for this situation it is certainly a major factor. To deal with this problem the government initiated the concept of rural banking to provide for rural financial intermediation. To date there are 128

rural and community banks throughout the country. These rural banks mobilise savings in the rural area for on lending to the small-scale farmers and rural entrepreneurs. In addition to these institutions, which operate under the banking law, there are other deposits taking institutions, which operate in the country all in an effort to fill the yawning gap between the formal and informal sector. Some of these institutions are the Susu Collectors Union. Non Banking Financial Institutions such as Citi-Savings and Loans Company, Women's World Banking Savings and Loans Company, Johnson and Johnson Savings and Loan Company and First Ghana Building Society. There are also the Credit Unions organised under the Ghana Credit Union Association Ltd. The operating methodologies of these institutions are as diverse as the institutions themselves. The Credit Unions are membership organisations which operate under the Ghana Co-operative law: while the Rural Banks are limited liability companies operating under the Companies Code (1963) Act 179 and the Banking Law PNDCL 225. (Bank of Ghana, 1996)

2.10.2 Prevalence of Micro Finance Institutions in Ghana

2.10.3 Distribution of Formal Banks in Ghana

There are 26 institutions in Ghana to engage in the business of banking. Many of these banks have their general areas of specialisation. For example the Agricultural Development Bank was incorporated to provide funding for the agricultural sector while the Bank for Housing and Construction was formed to take care of the building and construction industry. The National Investment Bank was supposed to provide

development-banking services in the area of manufacturing and industry, while Merchant Bank Ghana Ltd. and CAL Merchant Bank had specialisation in merchant banking. Presently, however, driven by the need to mobilise deposits for their operations and with proliferation of foreign banks especially those coming from Nigeria, all the banks are out in the vast market competing in retail as well as corporate banking. (ISSER, 1995)

2.10.4 Rural Banking in Ghana

Many small borrowers are unable to leverage funds from the formal banking sector. This in the main is because of the lending conditions put in place by the formal banks. These include, but are not limited to, the following: landed property, life and other valuable insurance policies, cash balances at the bank, stable employment (certified by the employer), a personal guarantor who has qualified by the conditions already mentioned above, etc. These conditionality severely affect production especially by the rural dwellers and even more so the poor. To address these problems the government in 1976 introduced the concept of rural banking. The idea was to enable these banks to mobilise deposits in the area of their operations and create a pool of loan funds to on lend in their respective areas of operation. From the premier rural bank at Nyakrom in 1976, there are now 133 rural banks distributed throughout the country providing credit and savings opportunities for people across the country. Rural Banks are community-based banks. They are limited liability companies licensed by the Bank of Ghana to take deposits and provide financial intermediation. They are owned by the people themselves who manage it

themselves through the directors they appoint. Although these banks are operating in the private sector, they are nonetheless public institutions in as much as they have more than 25 shareholders. The Bank of Ghana which has supervisory oversight responsibility for all banks including rural banks require a start up capital of twenty million cedis to start a Community Bank.

2.10.5 Other financial and quasi-financial institutions

In the frustration to get credit on affordable terms, people usually the poor resort to different arrangements to make funds available for their operations. One of such arrangements is Susu. There are various derivatives of Susu. However the two most important Susu systems are the collection by rotation system and the collection at the end of the month or period system.

2.10.6 Susu collection by rotation system

Under the collection by rotation system, a number of people come together and decide on how much each person should contribute on a regular basis. Total collection for each period is given to a different person at the end of each period in rotation. The person to collect first is decided on by the group. The amount being contributed by the parties need not be uniform. The amount each person contributes in each case is the amount he/she gets back when it is his/her turn to collect.

2.10.7 Susu collection at the end of a term period

Another popular method of Susu collection is the collection at the end of a period. By this method members of the Susu club make regular contributions to a Susu collector at regular intervals. At the end of an agreed period, the Susu contributor is paid back all the contributions she/he has made to the Susu collector. The reward the Susu collector receives for this service is usually a commission equal to one instalment payment each month. The Susu contributor on the other hand does not receive any interest on the savings made to the Susu collector. Many small businesses have survived on the Susu mechanism for funding their activities.

Although Susu collectors are very important agents in mopping up excess liquidity in the economy they are still largely unorganised. According to the Bank of Ghana, there are only 335 registered Susu Collectors in the country. There are no registered Susu collectors in the Northern part of the country. There are numerous individuals who do Susu collection but these are largely not registered and often not credible and are risky to the contributor. The Susu collectors association is working very hard to strengthen their union to build bridges between the formal and the informal sector.(Bank of Ghana, 1994).

2.10.8 Services of Susu collectors

Susu Collectors play a very vital role in the mobilisation of funds. Susu collectors mobilise about 200 million cedis daily. These funds are paid into various banks, which go a long way to mop up excess liquidity in the

system. Susu collectors also grant loans to their clients when they run in need. This is often free of interest. The interest free loan granted by Susu collectors is offset by the fact that they also do not allow interest on deposits. This means there is virtually no cost of funds.

Moneylenders still form an important source of credit funds for many poor people. Without access to institutional people, many poor people still rely on the usurious moneylender for credit for both personal expenses and for business. The limitation of the moneylender is that their interest rates are astronomically high ranging from 100% to 360% sometimes without regard to the duration of the loan (Bank of Ghana, 1994)

2.11.0 THE ST. JOSEPH'S CREDIT UNION

2.11.1 Background

According to the Ghana Co-operative Credit Unions Association (CUA), the credit union movement in Ghana started in 1955 in a small town in northern Ghana at Jirapa.

In Africa, the idea of savings and credit co-operatives was first in 1955 in Jirapa, a small town in the Upper West corner of Ghana, then the Gold Coast. The idea was brought by Rev. Father John McNulty, a Roman Catholic priest and a national of Ireland. He had studied in Canada where he learnt about savings and credit cooperatives.

In the villages and small towns, missionaries were looked upon not only as spiritual leaders but also as people who could do everything, even the impossible. On their part, the missionaries tried to do whatever they could to live up to the expectations and to help people improve upon their lives, be it spiritual or corporal.

Like many other villages, Jirapa had many problems. In 1955, Jirapa was a farming village. It was about forty (40) kilometres away from the nearest commercial centre where the villagers could buy and sell their produce. Lorries were scarce. Infact, the main means of travelling, other than by foot, was a bicycle. However, only a few people could afford a bicycle.

Even though the villagers were rich in their produce, they could not sell. Thus, funds were not easily available to buy the daily necessities.

Father McNulty decided to assist the villagers in forming a savings and credit cooperative. The cooperative will have the specific aim of helping the members to address their financial problems, which individually they could not do. Father McNulty had trained about 60 people, mainly catechists and teachers, for about 6 months, the first inaugural (organisational) meeting was held. A committee was elected with Father McNulty serving as the treasurer/Advisor//Organiser. These people were the first savings and cooperative pioneers in the continent of Africa.

From Jirapa, the savings and cooperative idea spread to other parts of Ghana. The idea spread through the assistance of another priest (Ghanaian), father Peter Dery who later became an Archbishop and now a cardinal, returned from studies in

Canada and began the promotion of savings and credit cooperatives in all the catholic missions in the North of Ghana.

2.11.2 The spread of the Jirapa Story

As a result of having a savings and credit cooperative in Jirapa, the members pooled their little funds. The first problem they tackled was the purchasing of a lorry to take their produce to the nearest trading centre. After this purchase, the members opened a store so that people who could not travel to the trading centre would be able buy basic items.

The success of the Jirapa savings and credit cooperative soon spread throughout the country. Thus, with the assistance of Archbishop Dery, other cooperatives were organised throughout the Catholic diocese of Wa, North West part of Ghana. Soon savings and credit cooperatives were being organised in Southern Ghana.

By 1968, the savings and credit cooperatives came together to form a national association, Credit Union Association (CUA, 1968-78) of Ghana. CUA was organised to promote, organise, service and co-ordinate the activities of the savings and credit cooperatives in Ghana.

The Jirapa story has and is being replicated throughout the continent of Africa. The Jirapa savings and credit cooperative has maintained detailed records over the years of its humble beginnings, ability to meet the needs of its ability to bring in new members each year.

2.11.3 Mission of the St. Joseph's Credit Union

The St. Joseph's credit union - Jirapa was successful in empowering very poor subsistent farmers, poorly paid teachers and nurses as well as the underemployed to:

Have a safe place for their little earnings

A source of credit at reasonable rate of interest for their social and economic needs and

Program to educate oneself on the efficient use of money and other resources; soon spread to others part of Ghana. Between 1955 and 1975, many credit unions, were established.

Perhaps the most important reason was the fact that it created an environment in which each member can improve his or her economic and social wellbeing. The following areas as outlined by ACCOSCA (1992) are but some examples:

Teach people to make regular savings however small the amount.

Provide financial counselling to encourage members not only to accumulate savings but also to spend wisely and plan for the future.

Offer loans for any worthwhile purpose and at a reasonable rate of interests.

Enable members to move away from the grip of exploitation of moneylenders and from the cutthroat competition of people with vested financial interests.

Enable members to practice democratic principles of working and sharing equally in decision-making. Members realise that more can be done through group effort

than alone. They realise that cooperation is a source of their strength for individual and group improvement. This sense of togetherness produces solidarity.

Develop the 'spiritual helping' nature of members. Helping one another and in turn the community to alleviate human suffering produces members who practice the 'helping way' in their family and community relationships.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

From the preceding chapters, evidence has been presented which shows that ever since the establishment of the first ever Credit Union in Ghana (St. Josephs' Credit Union), credit union penetration in Ghana and other parts of Africa has been enormous. Consequently, for the purpose of outlining and appraising the outcomes of these credit unions, it was considered particularly interesting to do a case study on a cooperative movement which has had much influence on rural savings and mobilisation.

The next section of the dissertation delineated the research design and the reasons for the implementation of the chosen techniques. We need to be sure that the chosen methods allow the researcher to both 'find the answers to questions and find solutions to the problems' (Denscombe, 1998).

3.2 Research Strategy

However, before we debate the advantages and disadvantages of specific data collection methods, the type of research strategy is discussed first.

3.3 Case Study Approach

This research was carried out using the multi-method case study approach. The most applicable strategy was that of the multi-method case study as it allowed the researcher to gain a 'rich understanding of the context of the research' (Morris and

Woods, 1991). Moreover, it is a flexible method that allows the use of questionnaires, interviews, observation and documentary analysis.

3.4 Critique of the Case Study Approach

Some argue that the method may have an 'unscientific feel', (Saunders, Lewis and Thornhill, 2000) however it should be noted that it can provide a useful way of exploring existing theory. The case study is particularly effective as it 'attempts to be comprehensive' and allows the researcher to analyse the full 'richness and variety' of the topic within the organisation (Jankowicz, 1995).

Although the case study is the most commonly used research design for qualitative research its usage went into decline in the 1960s. The main reason for its decline was the 'prevailing view that it was not possible to generalise the results of the research' (Bryman, 1989). Although this is a significant draw back, it does by no means render the recommendations useless. We should not be overly preoccupied with the problem of generalisation and should focus on the possibility that case studies 'generate new insights that are useful for building theory' (Bryman, 1989).

3.5 Research Design

This study depended on primary data collected from the field by the researcher. This was done through the use of interviews, questionnaire and sometimes observation. The questionnaire was designed in such a way that it did not present any difficulty to respondents. The questionnaire was administered personally to

those respondents so that where necessary further clarification to any question(s) by respondents could be given.

3.6 Population size and Sample

The entire membership of St. Joseph's Credit Union as at the time of this research stood at four hundred and ninety eight (498). One hundred (100) respondents were chosen from the union members and executives of the St. Joseph's Credit Union using the random sampling technique and list of members and executives. The sample was made up of sixty percent (60%) of male and forty percent (40%) female and this was in line with the gender distribution of the Union membership. Again, about fifty percent of the sample population was between the ages of thirty and fifty five (30 and 55) and the greater number of this group were subsistent farmers while the remaining were in the civil service. (St. Joseph's Credit Union Book,2006)

3.7 Data Collection

In order to fulfil the research aims, it was decided that the best way to acquire the required data was by way of analysing both primary and secondary data. This involved observation and analysis of information, both quantitative and qualitative from documentary sources. It also involved gathering information on credit unions in general and credit unions in Ghana in particular through Interviews and the use of questionnaire.

Each source has its unique strengths and weaknesses so combining the two would cancel out the 'method effect' leading to a greater confidence being placed in the researcher's conclusion (Saunders et al, 1997: 99).

3.8.0.Data Collection Modes – Primary Data

3.8.1 Questionnaire

Both closed and open-ended questions were used. The closed questions required the respondent to make a choice between two or more answers while the open-ended ones required respondents to give their own answers to the questions. Here, mention should be made of the fact that, the questionnaires were personally administered to over fifty percent (50%) of the respondents because they lacked formal education.

The aim of the questionnaire was to address the research questions posed at the beginning of the project

3.8.2 Interviews

Interviews were conducted in the form of conversation with beneficiaries and officers of the St. Joseph's Credit Union. The aim of these interviews is to tease respondents in line with the research topic under study.

3.8.3 Data Analysis

To derive meaningful outcomes for this research work, data gathered from the various sources had to be analysed. The analysis stage consists of categorising similar but useful data together so as to give the research a good flow. It also took into account simplicity and easy grasping of the facts as a results tables and charts were adopted through the use of Microsoft excels in the analysis of the information given.

CHAPTER FOUR

4.0 RESULT OF THE STUDY

4.1 DISCUSSION OF THE STUDY AND DATA ANALYSIS

4.2 St. Joseph's Credit Union

Credit unions were recognised as the people's banks and most people wished to be member. By the end of the 1970's however the credit union movement in Ghana including that of Jirapa, began to experience a number of problems.

4.3 Characteristics of the sample

The population sample studied was made up of the members of the St. Josephs' Credit Union, including the executives as well as some beneficiaries of their loan schemes. As noted earlier, the background of the respondents was categorised into sex, educational background and age distribution. The sex ratio was between 60% and 40% for the male and female respectively. This is contrary to the population structure of the country. This gender imbalance could be explained from a cultural point of view where, for a long time, male have dominated all facets of social and economic live while female have always been relegated to the background mostly household duties.

Again, over sixty percent of the membership of the Union was between the ages of thirty and fifty five (30 and 55) while above 60 and below 20 year groups are

twenty percent (20%) respectively. This development could stem from the fact that most people above 60 years would rather prefer not save while the middle age ones would want to save for the future. The below 30 year group are understandably are just warming up into the savings culture

With regards to educational qualification, 50% of the membership have no formal education, 30% have education to primary and secondary level while 20% have tertiary education. The 50% of membership who had no formal education were basically subsistent farmers who saw the need to make some savings for the purchase of basic farm implements and also for servicing of School fees for their children. Generally, it was realised that people with formal education have euphoria for savings and that explains the 20% membership of this category.

The second aspect of this analysis is on the personal data of respondents.

With the length of time members have been with the Union, 75% of members have been with the Union for over four years. The remaining 25% is spread between 2 to 3 years. The history of the Union explains this. Being the first of its kind in the country, membership could date back to history. The 25% was explained as an improvement in the joining rate of new members which was very encouraging.

The third aspect of this analysis is on products offered by the union.

It was realised that three main products were offered by the Union bearing in mind the immediate needs of members. These products, the research revealed are

Loans, consumer goods and farming equipment. The table below shows the breakdown of the utilisation of the various products.

Table 1 – Products offered

Products	Beneficiaries (%)	Non Beneficiaries (%)
Loans	100	0
Consumer goods	70	30
Farm equipment	85	15

Out of the three products offered, loans dominated, with farming equipment and consumer goods following respectively. It is no wonder that loans dominated the rest because one of the main purpose for which the Union was established was to better the lot of peasant farmers who form a bulk of the membership. Consumer goods such as home appliances and food items are sold out to members a little less than normal retail price prevailing in the market. From the analysis, seventy percent (70%) said they have at least enjoyed this facility while thirty percent responded in the negative.

The study also revealed that 85% of the respondents have received farming equipment such as tools and implements to enhance members' crop output. All these products are granted at reasonable interest rates and flexible payment terms. Only thirty (30%) and fifteen percent (15%) for Consumer goods and farm equipment respectively have not benefited, the reasons range from voluntarily not

applying for it to quantities not being sufficient to reach them. From the results of the interviews conducted so far, the researcher realized that 20% of the 30% who didn't benefit from the consumer goods not interest in those consumer goods as at the time this research was conducted. The remaining 10% said that those consumer goods got finished before they reached the counter with their application form for the goods.

Even though farm equipments are important to the primary stakeholders of the St. Joseph's credit union, yet 15% did not benefit from them. Upon the thorough structured interviews conducted so far, the researcher realized that 12% of the 15% were not into farming but rather petty traders and the remaining 3% of the 15% were seriously concentrated on their house projects. When the researcher confronted some of them, they said "where do you want us to stay to farm?" some also said that they want to be called landlords.

Below are responses as to whether or not the Union improved members' economic well-being;

Table 2 –Contribution of the credit union to members

Details	NO of Respondents	Percentages
Improved	85	85
Not-Improved	<u>15</u>	<u>15</u>
Total	<u>100</u>	<u>100</u>

The above table shows that the Union has greatly improved their lot. Only a hand full of the members (15%) said they did not benefit much from the Union in terms of improved economic wellbeing.

The reason was that most of them did not make good use of the credit facility available to them as of the time of this research. Some misapplied the facilities granted them. The study revealed that a great deal of achievements have been chalked by the Union towards the economic well - being of its members and other non-member beneficiaries. The main areas where loans have been granted are farming and housing projects.

On how well has been the Union's ability to imbibe the culture of savings in its members, the following responses were gathered:

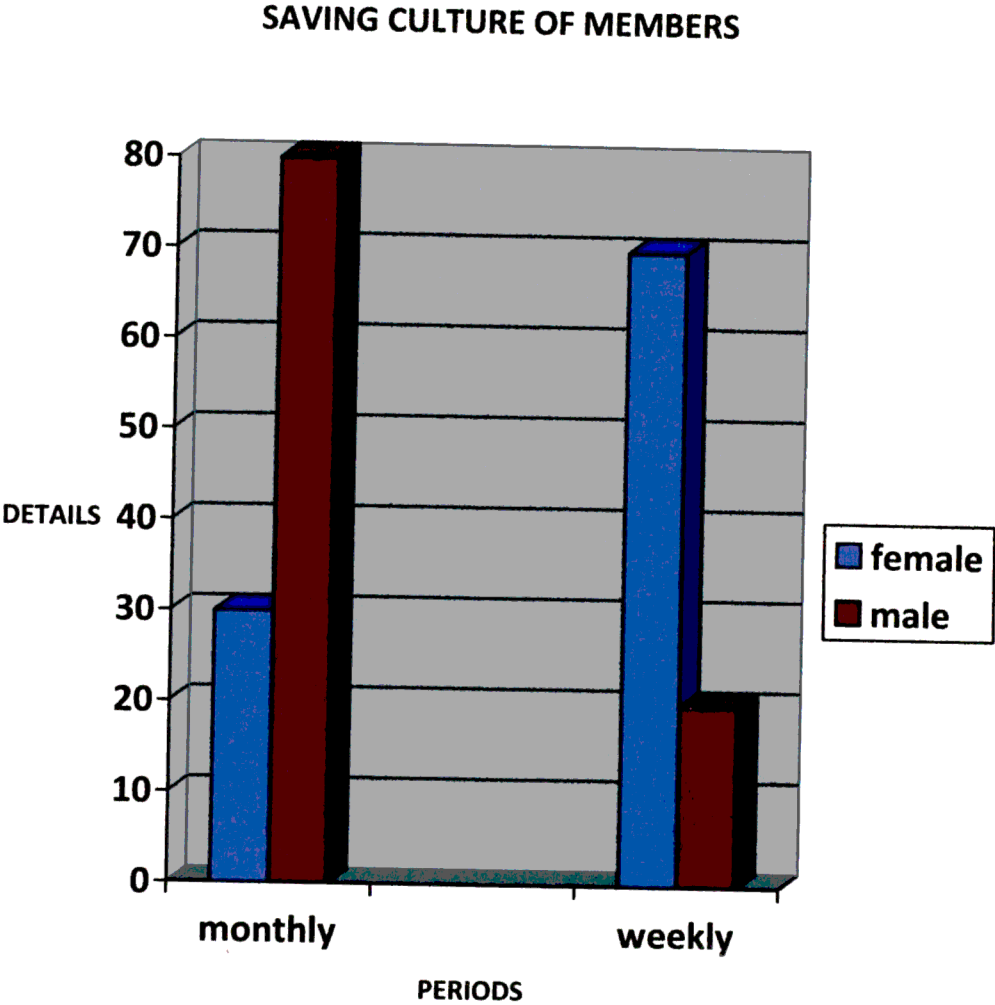
Table 3 –Saving culture of members.

Details	monthly	weekly	Total (%)
Female	30	70	100
Male	80	20	100

Table 3 shows seventy percent (70%) of female farmers save weekly while thirty percent (30%) make monthly contribution. However their male counterparts could be seen with the reverse. Twenty percent contribute weekly while eighty percent make monthly contribution.

The prime reason for this pattern is to determine the period(s) which is/are suitable or convenient for the members to save or contribute. This is illustrated in the chart below;

Figure 1



From the chart above, one could see that 30% of the female preferred to save or contribute monthly and 70% preferred saving weekly. The researcher advised the union executives that they should concentrate much on weekly savings of female than the male counterparts.

One could also see that while 80% of the male preferred to save monthly, 20% preferred to save weekly. The researcher advised the union executives that they should concentrate much on the monthly savings or contribution of male than female.

Table 4-Loans facility Utilisation

Products/Year	2004	2005	2006	(%)
Small Scale farming	50	60	70	100
Building Projects	10	20	20	100
Petty Trading	<u>40</u>	<u>20</u>	<u>10</u>	100
Total	<u>100</u>	<u>100</u>	<u>100</u>	

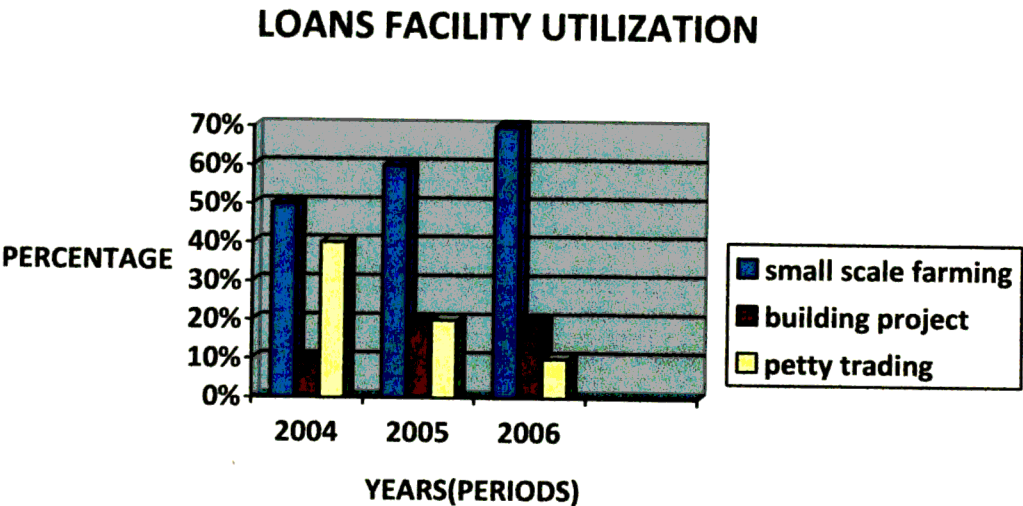
Closely related to the products offered is the use to which those products have been patronised. During the period under review, there was full utilisation of loan facilities with the ratios as follows:

In 2006, seventy percent (70%) of the members used their loans for small-scale farming, twenty percent (20%) for building projects and ten percent (10) for petty trading.

In 2005, sixty percent (60%) used their loans for Small-scale farming, twenty percent (20%) for Buildings Projects and another twenty percent (20%) for Petty trading.

In the year 2004, fifty percent (50%) of members used their loans for small-scale farming, ten percent (10%) for Building projects and forty percent (40%) for petty trading.

Figure 2



From the graph above, one could see that from the year 2004 to the year 2006, most of the members used their loans on small scale farming than any of the projects.

In the year 2004, the next majority members used their loans on petty trading and the last group of members used their loans on building projects.

In conclusion, one could see that in the year 2004, apart from small scale farming, most of the members were interested in petty trading than building projects. This means that they wanted to accumulate more funds before entering into the building project.

In the year 2005, apart from small scale farming, while $\frac{1}{2}$ of the remaining members were using their loans on petty trading, $\frac{1}{2}$ too were using their loans on building project.

In the year 2006, apart from small scale farming, most of the members used their loans on building projects followed by petty trading. This means that, in this year, members were interesting in building projects than accumulating or expanding their business.

Category two of the Data analysis concerns problems faced by the St. Josephs' Credit Union.

Below are some findings regarding problems faced by the credit union.

Table 5

Problems	No of Respondents (%)
Inadequate Membership	
Contribution	20
Other Financial institutions	21
Lack of education	4
Utilisation of liquid funds	7
Loan delinquency	23
Irregular savings	23
Loans Bureaucracy	<u>2</u>
Total	<u>100</u>

From the above table, twenty percent (20%) of respondents agreed that membership contribution is inadequate to sustain the Union's drive towards a bigger capital mobilisation while twenty one percent (21%) of the respondents talk about competition from other financial institutions such as the Jirapa Community Rural Banks as a hindrance to the Union's smooth operation.

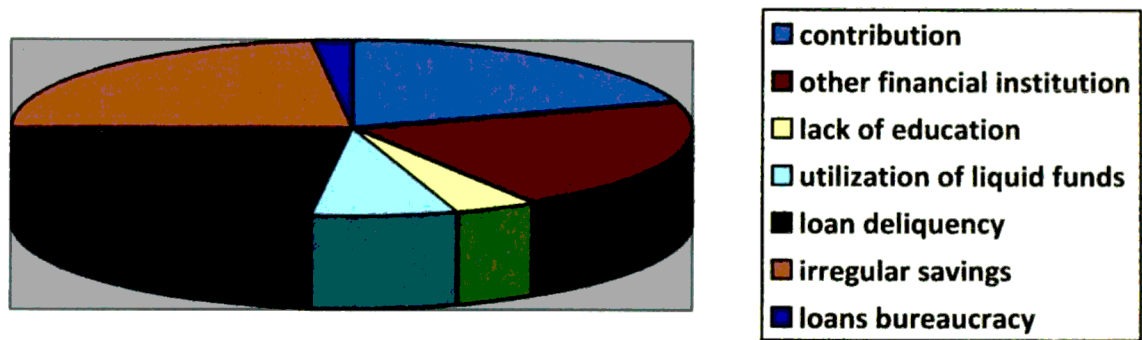
Again (4%) of the respondents representing also mentioned lack of education to union members as another problem. Also, seven percent (7%) of the respondents

also saw the utilization of liquid funds as a problem. Whilst twenty percent (20%) of the respondents admitted loan delinquency, twenty-three percent (23%) were for irregular savings and five percent (5%) delay in granting loans as some of the problems that militate against the smooth running of the union.

With regards to the (7%) problems faced by members, concern was raised to the effect that there are some bureaucratic bottlenecks in the approval and release of loans for their intended projects. This is particularly worrying when the farming season is about to progress. This is illustrated in the pie chart below;

Figure 3

REPRESENTATION OF PROBLEMS FACED BY THE UNION



From the chart above, one could see that the credit union was having serious problems with loan delinquency and irregular saving followed by other financial institutions then contribution followed by utilization of liquid funds then lack of education and loans bureaucracy.

The third component of the Data analysis has to do with the way forward and the table below gives a breakdown on the findings;

Table 6 –Remedies to problems identified.

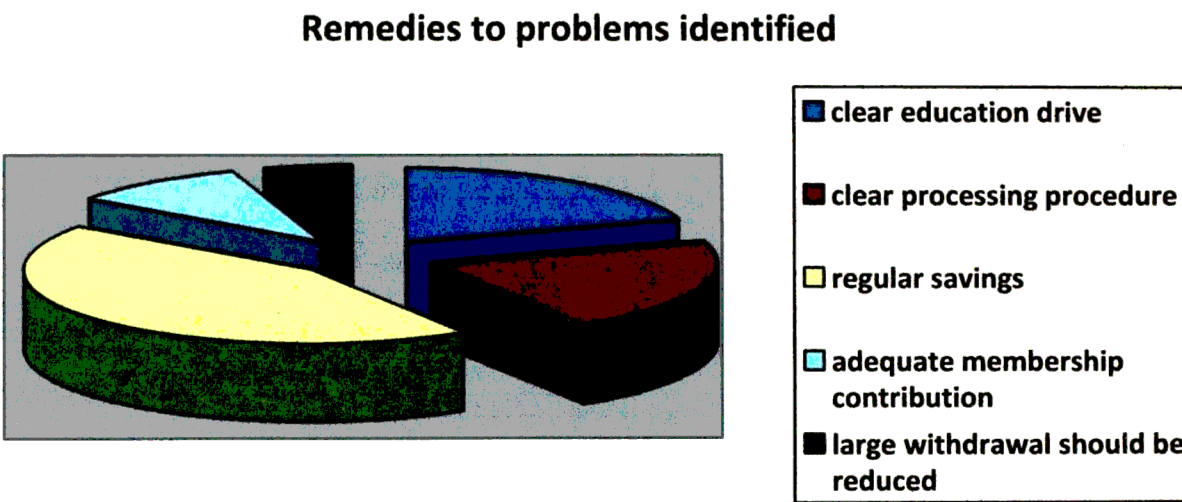
RESPONSES	NUMBER OF RESPONDENTS IN %
Clear education drive	20
Clear processing procedure	21
Regular savings	44
Adequate membership contribution	10
Large withdrawal should be reduced	<u>5</u>
Total	<u>100</u>

The above table shows responses from respondents on how to remedy the problem discussed earlier. From the table twenty percent (20%) were of the view that effective education should be given to the members to keep them abreast with the activities of the Union.

Twenty one percent (21%) of the respondents were for early submission of application forms and forty-four percent (44%) for regular savings. Ten percent (10%) think that there should be increase in membership contribution whilst five percent (5%) of the respondents are of the view that there should be a reduction in large withdrawals from the Union's coffers.

This could be done by the union officers either organizing seminars or workshops to educate the members on the activities of the union. This can be done quarterly or even monthly. This can be illustrated in the chart below;

Figure 4



From the chart above, one could see that member have to understand the importance of regular savings and so that they can have clear conscience and willing to save and save regularly. This stands out as the biggest portion of the chart which is 44% of the entire respondents or populate.

Clear processing procedure follows the regular saving serving as one of the remedies of the problems identified. It represents the bigger portion of the chart which represents 21% of the 56% of the remaining respondents or populate. This means that the vague and cumbersome processing procedure should be made clear, transparent and understandable to the members and even all the officials of the union.

Clear education drive follows the clear processing procedure serving as one of the five listed or identified remedies to the problems identified. This remedy represents the big portion of the chart which represents 20% of the remaining 35% respondents. This means that members as well as the public should be educated on the merits and the privileges' that one would get for been a member of a credit especially, the St. Joseph's credit union- Jirapa.

Adequate membership contribution follows the clear education drive as one of the five listed or identified combatants of the problems facing the st. Joseph's credit union- Jirapa. This said combatant represents 10% of the remaining 15% of the respondents. This means that the stakeholders of the St. Joseph's credit union- Jirapa should be advised to contribute enough to the union for its smooth running.

The last but not the least is that large withdrawals should be reduced. Only 5% of the respondents responded that the stakeholders should be advised to minimized the amount of money they withdrawal.

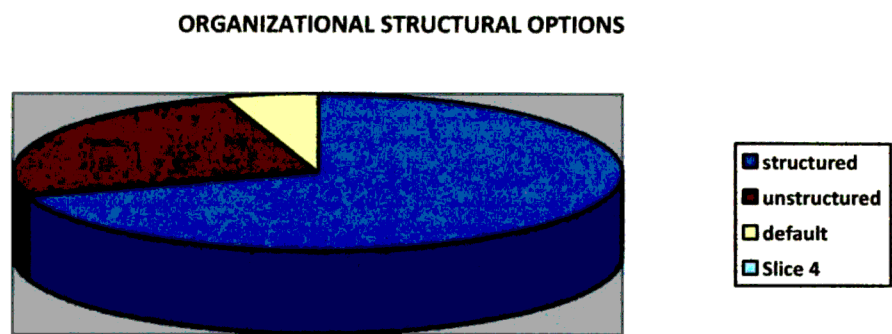
In conclusion, if the following remedies should be taking into consideration, the problems that the st. Joseph's credit union is facing would be minimal or even resolved.

4.4 ORGANIZATIONAL STRUCTURAL LEVEL

Based on the information gathered so far, 70% of the respondents responded that the organization is well structured. 25% of the respondents responded that the organization was not well structured and 5% of the respondents were indifferent.

Out of the 70% respondents who responded that the organization is well structured, 65% responded that the organization is centralized and 5% responded that the organization is decentralized. This is illustrated in the chart below;

Figure 5



□

4.5 BASES FOR GRANTING LOANS

From the information gathered so far, 75% responded that before one could be granted a loan, he/she should provide a prominent guarantor. 15% responded that it is personally based and 10% responded that it is based on collateral security. According to the information gathered so far, 85% of the respondent who responded to the questionnaire agreed that the union officers used to meet monthly. 10% responded that the union officers used to meet weekly and 5% responded that the union officers used to meet daily after their daily activities to deliberate on issues.

4.6 PROBATION PERIOD FOR GRANTING LOAN

From the information gathered 90% of the respondents said, there is a probation period for the granting of loans to members and 10% responded that they were not sure whether there is probation period for the granting of loans to members or not. 65% of the 90% respondents who responded that there is a probation period, responded that the probation period was 6 months, 20% responded that the probation period is 3 months and 5% responded that the probation period is a year. This gives the indication that members were not up to date on rules governing the granting of loans and this may work to the disadvantage of some members.

4.7 LIMITATION OF AMOUNT TO BE GRANTED AS LOAN

From the information gathered so far, 95% responded that there is a limitation of the amount to be granted as loan to members and 5% responded that there is no limitation to the amount that should be granted a loan to members. This is illustrated in the chart below:

70% responded that, the limitation of the amount to be granted to members as loans is up to twice their personal contribution. 25% responded that up to personal contribution and 5% responded that any amount requested.

Figure 6

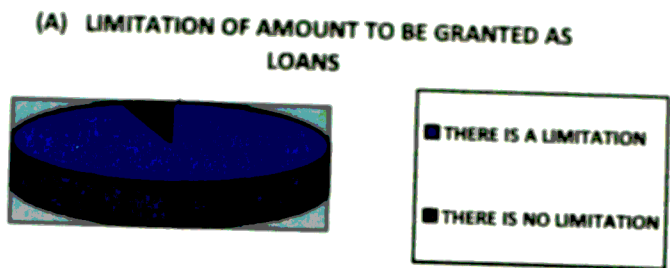


Figure 7

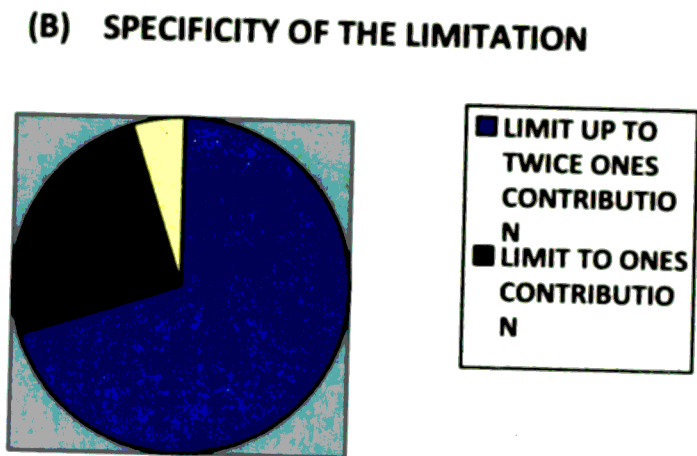


Chart (A) illustrates the limitation of amount to be granted as loans to stakeholders and chart (B) also illustrates the specificity of the amount to be granted as loans to stakeholders.

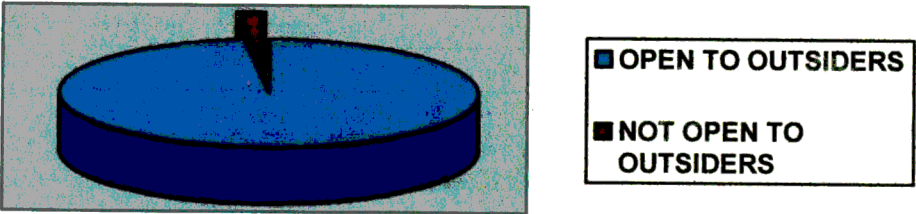
From chart (A), 95% representing the biggest portion of the chart responded that there is limitation of the amount to be granted as loan to stakeholders and the remaining 5% responded that there is no limitation to the amount to be granted as loan to stakeholders.

From chart (B), 70% of the 95% who responded that there is a limitation of the amount to be granted as loan to members responded that the limitation of the amount to be granted as loan to members is up to the twice of their personal contribution. 15% responded that it is up to personal contribution and 5% responded to any amount requested. From the above discussion it is quite clear that the education level on the rules among the members is low resulting in the inconsistencies in their responses.

4.8 MEMBERSHIP

From the information gathered so far, 98% responded that the credit union is opened to outsiders and the remaining 2% responded that the union is not opened to outsiders. Those who said that membership is not opened to outsiders said that if you do not know anybody in the union, you may not be admitted. This is illustrated in the chart below;

Figure 8

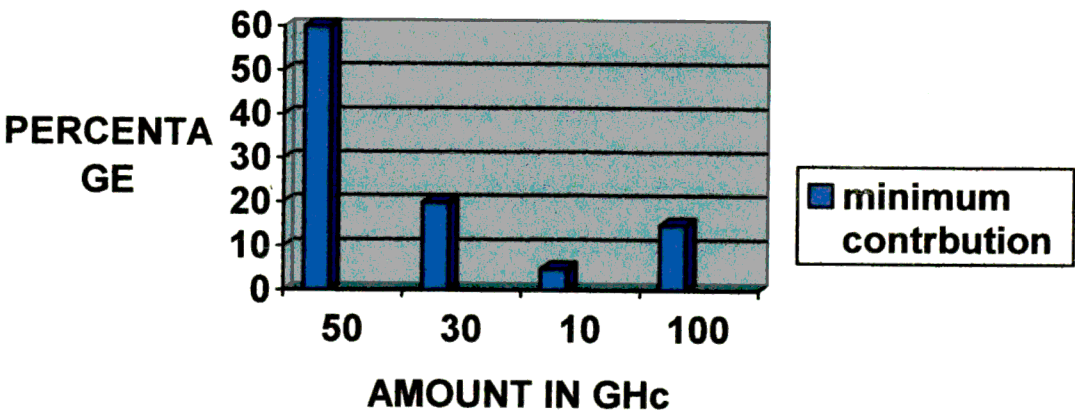


SPECIFIC AMOUNT THAT A MEMBER CAN CONTRIBUTE

From the information gathered so far, the minimum contribution per member per month is GH¢5. However, from the data analyzed, 60% of the respondents contribute a minimum of GH¢ 50 per month. 20% responded that GH¢30 is the minimum contribution that they make per month. 5% responded that GH¢10 is the minimum contribution that they make per month and 15% responded that GH100 is the minimum contribution they make per month. The indication is that almost all the respondents were contributing above the minimum amount set by management. The reason for this trend is that the higher contribution enhances the chances of being granted loan facilities and also getting a higher total amount for expansion of their various activities. This is illustrated in the chart below;

Figure 9

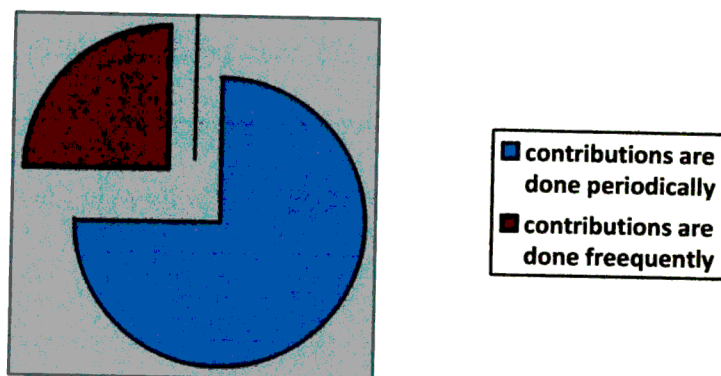
ILLUSTRATION OF THE MINIMUM CONTRIBUTION OF MEMBERS



4.8.1 PERIODS IN WHICH CONTRIBUTIONS ARE MADE

From the information gathered so far, 75% of the respondents responded that contributions are done periodically and 25% responded that contributions are done but not periodically. This is illustrated in the chart below;

Figure 10



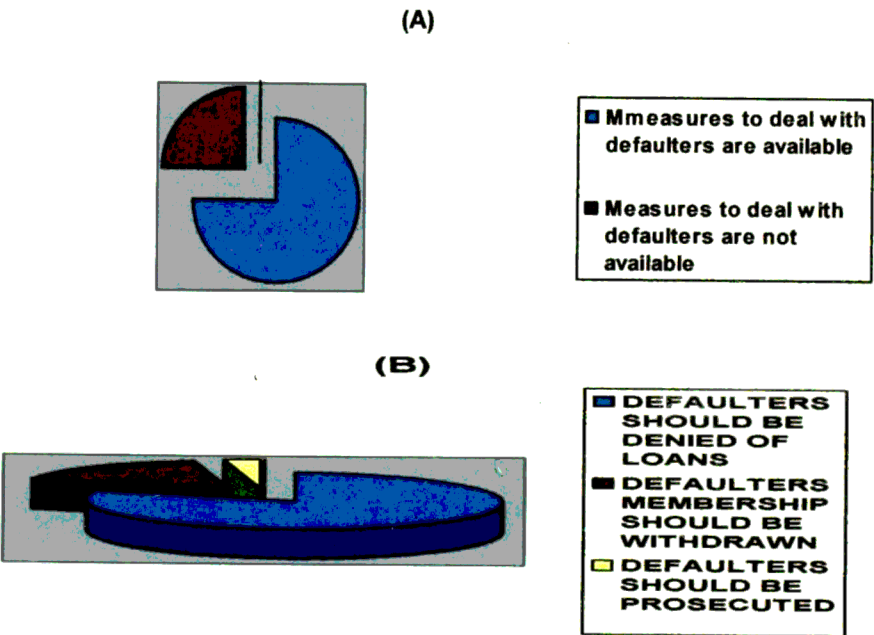
Out of the 75% who responded that contributions are done periodically, 68% responded that it is done monthly and 7% responded that it is done weekly. The specific period one chooses depends on the business of the respondent and mostly petty traders prefer weekly contribution. The contributions are paid by members at the union's offices

4.8.2 DEALING WITH DEFAULTERS

From the information accumulated so far, 75% of the respondents responded that the union has some measures in place to deal with defaulters and 25% responded that the union do not have any measures to deal with defaulters. Those who responded that the union has no measures, explained that since they joined the union there has never been a meeting where union leader discussed how defaulters are being dealt with.

Out of the 75% who responded that the union has some measures to deal with defaulter, 60% responded that defaulters are denied subsequent loans. 13% responded that defaulters are withdrawn of their membership and 2% stated that they are aware of court action against defaulters. These are illustrated in the charts below;

Figure 11



4.8.3 LOAN BENEFICIARIES

When the researcher asked the stakeholders whether they have taken a loan from the union before as at the time of the research, 89% of the respondents responded in the affirmative and the remaining 11% responded that they have not taken any loan yet. All the 80% who have benefited from loans indicated that, they benefited from their first application and 20% said they have since received loans more than five times. However, 40% out of the 80% said the amount they received for the first time was not sufficient for their purpose but they did attribute this to their own contribution not been bigger enough.

Again when the researcher asked most of the members of the union whether their applications were received with the needed attention, 91% of the respondents responded that their applications were received with the needed attention and the remaining 9% responded that their application were not received with the needed attention because they did not received any feedback from the credit officers of the union for a longer period than expected.

4.8.4 RATE OF INTEREST ON LOANS

From the information gathered on the rate of interest on loans so far, 77% of the respondents responded that the interest rate on their loans were moderate. 8% did not know whether the rates were moderate or not due to fact that they have no idea as to what is been charged elsewhere. The remaining 15% of the respondents responded that the rates were not moderate at all.

Out of the 15% respondents who responded that the interest rates were not moderate, they said that the union's interest rate is higher than most of the banks.

4.8.5 MAJOR ACHIEVEMENTS OF THE UNION IN SCHOOLS

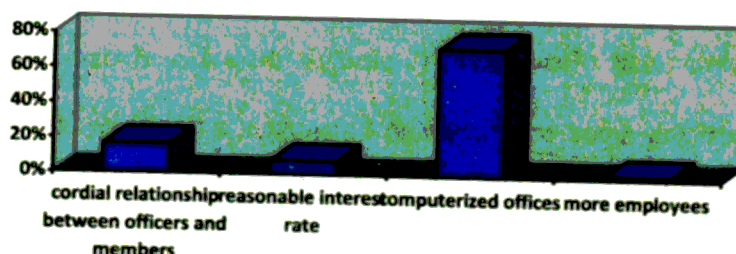
When the researcher asked most of the stakeholders to list the various achievements of the union in their schools, 95% listed the following achievements; furniture, library books, chalk and some stationery and the remaining 5% wrote teacher's bungalows.

4.9 OTHER COMMENTS TO HELP AMELIORATE THE SMOOTH RUNNING OF THE ST. JOSEPH'S CREDIT UNION – JIRAPA

When the researcher asked the stakeholders to state their comments to help ameliorate the smooth running of the union, 17% of the respondents stated that the executives/officers should relate to the members of the union cordially. 8% stated that the interest rate of the union should be reasonable. 73% of the respondents stated that the offices of the union should be computerized and the remaining 2% stated that the union should employ more workers to ensure division of labour.

This is illustrated in the chart below;

Figure 12



4.9.1 HINDRANCES TO THE SMOOTH OPERATION OF THE UNION

When the researcher asked officials the question as to whether there are some problems that militate against the smooth operation of the union, 90% of the respondents responded that there is no any particular problem that militates against the smooth operation of the union and the remaining 10% also responded that there were some problems that militate against the smooth operation of the union.

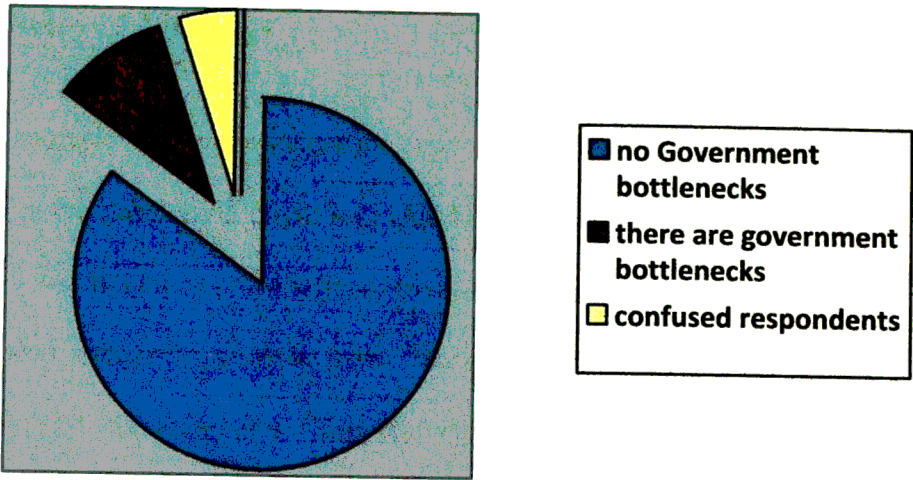
This means that the operation of the union was free from any serious problems(s).

Out of the 10% who responded that there are some problems that militate against the smooth operation of the union, 3% responded that the problem was irregular contribution. 2% said that it was the mode of granting loan. 2% underlined organizational problem, 2% responded to the avenue for complaints and the remaining 1% responded poor relationship between the officers and some members due to previous actions taking against them to recover loans.

4.9.2 GOVERNMENT AND THE SMOOTH OPERATION OF THE UNION

The information gathered by the researcher from officials show that 85% of the respondents responded that there are no government bottlenecks hampering the smooth operation of the union. 10% responded that there are some government bottlenecks hampering the smooth operations of the union and 5% were not sure as to whether government bottlenecks were hampering the smooth operation of the union or not. This is illustrated in the chart below

Figure 13



Out of the 15% who responded that there were some government bottlenecks hampering the smooth operation of the union, 12% of the respondents' suggested that the government should not interfere with the operation of the union and the remaining 3% suggested that the government should be moderate with her tax rate on the union's existence.

CHAPTER FIVE

5.0 Summary of Findings, Conclusions and Recommendations

5.1 Summary of Findings

From the analysis of the questionnaire above, it is clear that the need for co-operatives in the developing countries cannot be over emphasized. Co-operatives are the sure way to empower the citizens to master their own destiny since most of the borrowed economic models from the western and eastern blocks have woefully failed these economies. Co-operatives will give them dignity to promote their own social and economic development and thereby contribute to national development effort.

A lot has been achieved through co-operatives in Africa but the co-operatives are still faced with many challenges. Many co-operators, governments and donor/partners are constantly worried about how to maintain the gains made by co-operatives in the developing countries and how to enhance co-operative development to become self-sufficient and sustainable. This is because many seemingly viable co-operatives in developing countries suddenly find themselves defunct and out of business. A number of factors may contribute to such a situation.

5.2 Conclusions

The success story of the St. Joseph's credit Union as well as other co-operatives in Ghana in the area of savings mobilisation could only be the beginning of better things to happen in the largely informal sector of the economy of Ghana.

The co-operative has helped close the gap between developing and a developed country in terms of exchange of expertise and technical advice from both countries. Better managerial practices have been learnt from the experiences of both countries and these have been utilised for the growth and smooth operation of both unions but more to the benefit of developing credit unions. As the credit unions grow they form the basis for other forms of co-operatives to develop. Canadian Co-operative Association (CCA), whilst continuing to support Credit Union Association (CUA) should exploit ways and means of supporting other co-operative needs of the Country. This will improve the earning of many more people to enable them not only be better members of the credit unions but also the economy. The co-operation between CCA and CUA forms a very good example of development co-operation and should be maintained and replicated in other developing countries to assist their development.

5.3 Recommendations

Ghana and indeed African co-operatives should reorganise their operations to be more business- like other than look at co-operatives as charity organisations. They should modernise their operations and take advantage of the development in communications and equipment technology available. This will help them to be more professional and even though they are not profit oriented, but as this study has revealed, they should somewhat be more serious about their loan recovery effort which has often made people brand them as charity.

The government of Ghana should create an enabling environment for co-operative development, e.g. provide good legislation, peace and stability, etc. They should keep out of the direct administrative activities of co-operatives.

Donor support should continue to assist in the building of capacity of the African co-operatives to be able to modernise their skills, and equipment for effective and efficient management of the co-ops. This should be done on partnership basis and with a plan for sustainability.

Even though this study focused on the St. Josephs' Credit Union in Ghana, It would be worthwhile to widen further research to cover other areas to unravel the deficiencies hindering the growth and efficient functioning of developing credit Union in a bid to correcting and adopting new strategies for their growth.

Credit Unions are very important vehicles in the development of developing countries. They should be given the necessary support and made to operate efficiently. This needs the support of all stakeholders; co-operatives, governments and donor/partners in development.

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APPENDIX

SAMPLE OF QUESTIONNAIRE FOR THE UNION MEMBER

PREAMBLE:

The questionnaire below is for research purpose in relation to the award of a master of Business Administration (MBA) Degree by the Kwame Nkrumah University of Science and Technology (KNUST) Kumasi.

INSTRUCTION

Please write down your answers to each question below. You may tick where applicable

SEX: Male ()
 Female ()

Age
20 to 30 Years
31 to 55 Years
Above 60 years

Education qualification

Primary
Secondary
Tertiary
Other (Formal and Non-Formal)

Number of Years with the Union
2 years
3 years
4 years and above

A Questionnaire on research question one-organisation of credit union

How is the structure of the credit union organized?

.....
.....
.....

Is there an organizational structure? Yes/No

Are the activities centralized or decentralizes underline your choice?



How frequent do officers meet to look at the activities of the organisation (a) Daily (b) Weekly (c) Monthly

What are the bases of granting loans?

Personal

Collateral security

Guarantors

Is there any probation period? (a) Yes (b) No

If yes state the period (a) 3months (b) 6 months (c) one year

Is there any limit as to how much a member can take as a loan? (a) Yes (b) No

If yes, then could the limit be one of the following?

Up to personal Contribution

Any amount requested

Others specify.

Is the credit union open to outsiders? (a) Yes (b) No

What is the minimum contribution that a member can make in month?

GH5

GH10

GH 30

GH50

GH100

12 Are contributions done periodically? (a) Yes (b) No

13 If yes please circle the appropriate one

(a) Daily (b) Weekly (c) Fortnightly (d) Monthly

How are contributions made to the union?.....

Do you have some measures to deal with defaulter? (a) Yes (b) No

If the answer to 15 is yes, please circle one of the following

Persistent warnings

Denial of loans

Withdrawal of membership

Others (Specify)

17 Are there approved legal channels to reprimand defaulters? (a) Yes (b) No

18 If the answer to Q17 is yes, please circle to the answer below
(a) Delegation (b) Written Notice (c) Others (specify)

Are there any particular problems that militate against the smooth operation of the Union? (a) Yes (b) No

If the answer to Q19 is yes, please circle the answer below?

Irregular Contribution

Mode of granting loan

Organisational problems

Avenue for complaints

Others specify

Are there governmental bottlenecks hampering the smooth operation of the Union? (a) Yes (b) No

Suggest any possible solutions as regards the above problems.

.....
.....
.....
.....
.....

Other general questionnaire

Please list the benefits have you derived from the union

.....
.....
.....

Have you taken a loan from the union before (a) Yes (b) No

If the answer to Q23 is yes, Please circle below the purpose for Loan

Petty Trading

Building Project

Farming activities

25 Was your application received with the needed attention? (a) Yes (b) No

26 Was your loan re-paid promptly? (a) Yes (b) No

If the answer to Q26 is no, please state reasons for the delay

.....
.....

28 Is the rate of interest reasonable? (a) Yes (b) No

Give reasons for your answers.

.....
.....
.....
.....

What do you think are the major achievements of the credit union in your school?
State them

.....
.....

State other comments to help ameliorate smooth running of credit union.

.....