KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

INSTITUTE OF DISTANCE LEARNING

THE CONTRIBUTIONS AND CHALLENGES OF CREDIT UNIONS IN GHANA: A CASE STUDY OF SELECTED CREDIT UNIONS IN HO

BY

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(BACHELOR OF COMMERCE)

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CERTIFICATION

I hereby declare that this submission is my own work towards the CEMBA 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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Certified By		
HOD	………………………	…………………..
	Signature	Date

DEDICATION

This work is dedicated with love to the following persons:

My lovely and supportive wife Mrs. Lena Adzo Ahorlu

Our beloved children Enam, Ewoe and Efam

My father, Mr. John Kwawu Ahorlu

My mother, Mrs. Isabella Gladys Mansa Ahorlu of blessed memory

My siblings Dela and Mawutor of blessed memory as well as Kafui and Kwashie.

ABSTRACT

The main objective of this study is to examine the financial challenges facing members of Credit Unions and the efforts being made to improve the quality of life of members. The study examined the financial benefits and facilities available to Credit Union members and assessed the impact the scheme was making on the lives of members. One hundred and twenty questionnaires were administered to selected members of four Credit Unions in the Ho Municipality. An analysis of the data revealed that members of the Credit Unions faced certain financial challenges like school fees, medical expenses, funeral expenses and acquisition of means of transport. It was also found out that Credit Union annual interest rates were a little higher than those charged by the banks. Nevertheless the scheme assisted members significantly in overcoming most of the financial challenges facing them. This helped in improving the quality of life of the members. Management Staff of the Credit Unions were found to lack the needed professional competence and expertise for managing the scheme. The study recommends that interest rates of Credit Unions should be reduced and the competence of management staff of the scheme should be upgraded in risk and investment management to make the scheme more sustainable.

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Justice Yaovi Mawufemor Ahorlu

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ABBREVIATIONS/ACRONYMS

ACCOSCA	-	African Confederation of Co-operative Savings and Credit Association
AIDS	-	Acquired Immune Deficiency Syndrome
APDF	-	African Project Development Facility
CCA	-	Canadian Co-operative Association
CEMBA	-	Commonwealth Executive Masters in Business Administration
CEO	-	Chief Executive Officer
CFF	-	Central Finance Facility
CPP	-	Convention Peoples Party
CUA	-	Credit Union Association
DBS	-	Data Base System
ECG	-	Electricity Company of Ghana
EPUC	-	Evangelical Presbyterian University College
GECCU	-	Global Evangelical Church Co-operative Credit Union
GNAT	-	Ghana National Association of Teachers
GTZ	-	German Technical Co-operation
GWCLECCU	-	Ghana Water Company Limited Employees Co-operative Credit Union
HDTCCU	-	Ho District Teachers Co-operative Credit Union
HIV	-	Human Immuno-deficiency Virus
IIFC	-	Islamic Investment and Finance Co-operatives
KAF	-	Konrad Adenauer Foundation
KNUST	-	Kwame Nkrumah University of Science and Technology
MCI	-	Micro Credit Institution
MDGs	-	Millennium Development Goals

MFIs	-	Micro Finance Institutions
NBFIs	-	Non-Bank Financial Institutions
SACCOs	-	Savings and Credit Co-operative Societies
SMEs	-	Small and Medium Enterprises
SPSS	-	Statistical Package for Social Scientists
SSNIT	-	Social Security and National Insurance Trust
TUC	-	Trade Union Congress
UK	-	United Kingdom
UNDP	-	United Nations Development Programme
UNICEF	-	United Nations Children Emergency Fund
USA	-	United States of America
VEECCU	-	Volta Electricity Company of Ghana Employees Cooperative Credit Union
WID	-	Women in Development
WOCCU	-	World Council of Credit Unions
WWW	-	World Wide Web

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In every economy, both the developed and developing world, various avenues exist for addressing the financial needs or challenges of citizens and households. Banks have been established with specific aims and objectives, but ultimately to satisfy the expectations and aspirations of their clients as well as the general public. However, in view of the risks associated with bank finance, most banks are unable to satisfy the needs of citizens and households in respective countries.

It is for this reason that Non-Banking Financial Institutions (NBFIs) have been established to reach out to the larger population that could not have access to banking facilities due to lack of requisite collateral security as well as other constraints. In spite of the flexible policies operated by NBFIs in an attempt to make funds available to the public with less restrictions, most households and Small and Medium Enterprises (SMEs) in particular, are unable to access funds adequately for exploitation of their full potentials.

The result of this is poverty, unemployment, illiteracy and other social vices. Most governments, especially in the developing world, have either instituted or promoted Micro Credit Institutions (MCIs), as a poverty reduction strategy. The credit union movement has been identified as a potential means of mobilizing funds for personal, as well as, business development.

Over the last decade, several reforms have taken place to enable credit unions to impact their members positively. The aim of this study is to assess the extent to which credit unions have impacted the lives of their member.

1.2 Statement of the Problem

One of the fastest growing sectors of the Ghanaian economy, over the last decade has been the financial sector. As a result, many new banks have entered the market offering very competitive terms of credit retailing.

The Non-Bank Financial Institutions have also adopted very innovative strategies of financial intermediation. Despite the stiff competition, the credit union movement also continues to record a phenomenal growth in both the number of primary societies as well as membership. The study, therefore, seeks to assess the benefits and facilities available to members as well as the impact of credit union scheme on the lives of members.

1.3 Research Objectives

The general objective of the study is to assess the impact of the credit union scheme on the living conditions of members.

Specifically, the study attempt to:

1. Identify the financial challenges of members
2. Assess the adequacy of benefits and/or facilities available to members
3. Ascertain the impact of credit unions on members in the face of competition from Banks and Non-Banking Financial Institutions
4. Make recommendations for sound management of credit unions.

1.4 Research Questions

The study was guided by the following research questions:

1. What are the financial challenges facing members?
2. What financial benefits and/or facilities are available to members?
3. What impact have credit unions made on the lives of their members?
4. What recommendations can be made to improve the management of credit unions?

1.5 Hypothesis of the Study

The study was used to test hypothesis that, "Credit Unions in Ghana and the services they provide have impacted positively and significantly on the lives of their members"

1.6 Significance of the Study

The study was intended to emphasize the view of the researcher that:

- Credit unions have had tremendous impact on the quality of life of members
- Credit unions are capable and dynamic institutions dedicated to the economic well-being of members
- More organizations, communities and churches could have the impetus to establish credit union schemes
- The habit of thrift, savings and investment could be encouraged in the country
- Government and policy makers on micro-credit institutions will find the study very useful

- Knowledge on savings mobilization and wealth creation could be enhanced.

1.7 Limitations of the Study

As in any academic study, the researcher encountered some financial and logistic problems.

Time constraint was another problem encountered by the researcher due to other academic assignments

Other constraints were the difficulties associated with data collection, study design and sampling techniques and size.

1.8 Delimitation

The study was limited to four credit unions also known as primary societies in Ho. The performances of these four societies have been impressive. It is, therefore, of utmost importance to measure the impact on members.

Since collection of data was restricted mainly to the four selected societies, the findings of this study may be generalized to cover only members of the four societies. The generalization of the results of this study to other groups with similar characteristics should be done with caution and extensive analysis and comparison.

1.9 Organization of the Study

The study was organized into six chapters. Chapter one focused on the background to the study, problem statement, objectives, significance of the study, limitations and delimitations. Chapter two is an overview of the credit union movement, whilst chapter three was devoted to systematic review of existing literature with emphasis on the impact of credit unions and microfinance Institutions on the members in Ghana and other parts of the world.

Chapter four dealt with research methodology including population, sampling techniques, methods of data collection and the research instruments employed. Chapter five provided detailed analysis of data collected and presentation of information with the aid of quantitative and statistical models. The sixth chapter covered the summary of the whole project work, findings, conclusions and recommendations.

CHAPTER TWO

OVERVIEW OF THE CREDIT UNION MOVEMENT

2.1 Introduction

According to Turner (2000), the first credit society was started in 1850 in what is now Germany. By 1888, there were 425 credit unions in Germany, and by 1909, there were 735 in Italy. Credit unions are now prospering in all five continents. There are more than 60,000 credit unions operating in 89 countries. Over 71 million people are credit union members with total savings of £115 billion. In the USA, for example, 20 percent of the population are credit union members and many credit unions have higher turnover than the state banks.

In the UK, the history of credit unions has been much more recent and growth has been much slower. Indeed, until 1979 the credit unions had a slightly strange legal status (although credit unions existed prior to that time). The Credit Union Act of 1979 clarified this status and provided the legal and financial framework within which credit unions must operate. Since 1979, the credit union Movement has expanded significantly. In 1974, there were only 24 credit unions in the UK. This had grown to 52 by 1980, 108 by 1987, 275 by 1990 and 448 by 1993.

Most recent figures show credit unions with a membership of 88,007 and total assets of £32.5 million. Thus credit unions form a relatively small, but rapidly growing, component of the financial sector in the UK.

2.2 Brief History of Credit Union Development in Ghana

In the 1920s, the Department of Co-operatives realizing the need for popular credit and savings facilities in Ghana, introduced Thrift and Loan Societies. They were not properly managed so only few of them survived. A deadly blow came in 1961 when the then government dissolved the Department of Co-operatives along with the Co-operative Bank. When the Department of Co-operatives was re-organised after the 1966 coup, there were not more than five Thrift and Loan Societies in existence.

Parallel to these events, a new type of savings and credit movement was being developed in Northern Ghana. In September 1955, the first credit union in Africa was formed at Jirapa in the North-West now the Upper West Region of Ghana. The idea was introduced by Reverend Father John McNulty, an Irish Canadian.

Earlier in 1953, Reverend Father John McNulty went on trek to Sabuli, a Village 24 kilometres east of Jirapa. At the end of his trek, he was shown some torn (£6) six pound West African currency notes, which had been destroyed by termites. Apparently, the Catechist of the village had buried the notes in a cigarette tin in the ground. Reverend Father McNulty succeeded in getting the torn notes changed for new ones at the Bank of West Africa in Accra.

The only Bank in the North-West now Upper West Region at the time was the Bank of West Africa, now Standard Chartered Bank, based at Wa, which is 41 miles away from Jirapa, 72 miles from Nandom and 84 miles from Hamile and Tumu. Banking services were therefore alien to the people in the North-West at that time. Reverend Father McNulty suspected that money all over Dagaaba-Land was saved in a similar manner, waiting only to be destroyed by termites.

Reverend Father John McNulty came across an article in a pamphlet with information about the existence of the credit union system in the Diocese of Antigonish in Nova Scotia, Canada. He started educating his people on the positive impact the credit union had had in that country. He then started the first credit union in Jirapa. In his correspondence with the credit union members in Nova Scotia, the Knight of Columbus granted a scholarship to the Bishop to send somebody to do Social Studies, manage credit union work and the co-operative system. The Bishop then sent the Reverend Father Derry to study at the Coady International Institute, St. Francis Xavier University, Antigonish. After completing his studies, the Reverend returned home. In the month of November 1959, Bishop Gabriel Champagne appointed him in charge of Social Work, Credit Unions and Co-operative Work in the Diocese. He then re-organized the credit union in Jirapa and reopened the one in Nandom.

In March 1960, when Pope John XXIII, now Blessed Pope John XXIII, ordained Reverend Father Peter Derry as Bishop of Wa, he encouraged the formation of Credit Unions in all the Parishes. Among them were Nandom, Kaleo, Ko, Daffiama, Wa, Lawra and Tumu. A few years later, there was a declaration that all co-operatives at the time had to be folded up for a new system of co-operatism to be organized by the government. The Wa diocese refused to accept the demand and their office was invaded by the Convention People Party (CPP) in order to destroy the credit unions. The Bishop gathered courage and appealed to President Nkrumah to rescind the decision.

Surprisingly, the President explained in these few words: "When I was in the United States, I learned about the existence of credit unions and the marvellous works they do for their people. In spite of the high development of the economy of the United States, they still needed credit unions to develop their illiterate poor. You are doing a good service to Ghana and I encourage you to continue. Do not give the money of the people to those who come to you. If you give it to them you are just throwing the money of the people away and they would go and use it for their individual interest. Do not stop the work, continue. You will not have these same people causing you further nuisance". That was how credit unions began to develop throughout the whole of Ghana. A Membership was considered such an honour and a privilege that almost everybody who heard about the Jirapa Credit Union wanted to join it.

In 1964, a Canadian Credit Union technician, Mr. Churchill, was hired by Bishop Derry (now Archbishop Emeritus) for two years in the Wa Diocese in the Upper West Region. With financial support from Misereor, Germany, seven young men were engaged and trained, notably among them were Mr. Stanislaw Zaato, Mr. Alphonse Azaah, and Ignatius Bebele who worked up to the National Office (CUA) for several years.

He established more credit unions and organised management training programs for the credit unions. This proved so successful that by 1968 the eight largest credit unions that existed at that time had a total membership of 6,300 and a total savings of $400,000.

Meanwhile, the credit union movement was experiencing some growth in the South as compared to those in the North. In 1959, the Railways and Harbour Employees Credit Union at Sekondi was established by one of their leaders who brought the idea from his studies in the United States. By 1967, there were about eight small community credit unions in the South which did not have the advantage of payroll deductions but depended on the common bond. One of such Credit Unions was Agona Swedru Teachers and its Treasurer was Mr. Bartholomew Quainoo of blessed memory, then a teacher who later played a key role in the credit union movement in Ghana and Africa. In Sampa in the Brong Ahafo Region, Our Lady of Fatima Credit Union was one of the eight credit unions in the South.

2.3 Formation of the Credit Union National Association (CUA) Ltd.

By 1967, the credit unions in the North were united in a Chapter because the White Fathers had been advisors to all of them initially and their officials had been trained in Clever House, London and Coady International Institute in Nova Scotia, Canada. Also, the small credit unions in the South felt the need to join together for training programs and exchange of experience.

Following a meeting sponsored by CUMA International in Lesotho in January, 1968 the idea of a National Association in Ghana was conceived. A follow-up conference was held in April at Tamale the same year, giving birth to the Ghana

National Union and Thrift Association, the forerunner of the Ghana Co-operative Credit Unions Association (CUA) Limited.

The duties of CUA limited were to promote, educate, organise and support the credit union movement nationally and internationally. Two Field Officers were initially employed. They were Mr. Charles Donyiri, who was based in Wa for the Northern sector and Mr Bartholomew Quainoo for the Southern sector based in Accra. Financial support was obtained from the Raffeissen Movement in Holland (now Rabobank), Catholic Relief Services and Konrad Adenauer Foundation (KAF) for the credit union development in Ghana.

Between 1970 – 1983, KAF became the major donor to CUA. Through their financial support, Field Officers were hired for the ten regions in Ghana. KAF paid all salaries of the staff including office furniture and equipment such as typewriters, adding machines, duplicating machines, and the running cost of the National Association, including training programmes. The growth of credit unions in the country was so high that Ministers of State including TUC, GNAT and the Department of Co-operatives were all involved in the promotion of Credit Unions in one way or the other. Between 1980 and 1983 there were over 500 credit unions operating in the county.

In 1980, KAF bought the lease of the present CUA House, renovated and furnished it for CUA. In 1983, their partnership with the credit unions in Ghana finally ended and they had to leave the credit union movement to fend for itself. The movement by then had not been prepared for that.

Unfortunately, 1983 was a year of economic recession worldwide which affected Ghana very much. As a result of the exodus of teachers to Nigeria and other African countries between 1980 and 1983, most of the leaders left. This affected the survival of about 60% of the credit unions at that time. The National Association (CUA) also ran into financial problems and could not function effectively. The whole movement was on the verge of collapse.

Late in 1987, the Canadian Co-operative Association (CCA) came into partnership with CUA to introduce Women in Development (WID) Programmes. The purpose of the project was to increase the female membership in Credit Unions, build the capacity of women to accept leadership positions at all levels of the movement and to operate a loan revolving fund to support small scale female business entrepreneurs.

In 1993/94 a study was conducted by the World Council of Credit Unions (WOCCU) and the African Confederation of Co-operative Savings and Credit Association (ACCOSCA) on the credit union system in Ghana. The result of the study indicated that there was a higher potential for credit union development in the country. The result prompted the Canadian Co-operative Association to have interest in the expansion of the WID programme to the development of credit unions in the country.

This same year (1994), the WOCCU and ACCOSCA introduced the African Revitalization Programme at a meeting in Kigali in Rwanda. The idea was to encourage Credit Unions in Africa to change from a social orientation to a more business approach in their operations else credit unions' survival in Africa in future would be doubtful. The challenge was accepted by all the 28 African countries operating credit unions. Ghana was chosen with seven other countries for a pilot programme which was financed and technically supported by the WOCCU.

In 1995, the Ghana Co-operative Credit Union Development Assistance Project (GCUDAP) was initiated. It was a six-year bilateral agreement that was signed between the Canadian Government and the Government of Ghana for the capacity building of credit unions in Ghana. The project was financed by CIDA and was managed by the Canadian Co-operative Association (CCA) in Partnership with the Ghana Co-operative Credit Unions Association (CUA) Limited. The main objective of the project was to build the capacity of CUA and its primary societies towards the viability and future development of credit unions in the country.

In March 2003, the GCUDAP ended and the success and positive achievements made from the implementation of the project became the turning point of credit union development in the country. The following are some of the areas that received positive results:

2.4 Field and Audit Services

CUA operates in all ten regions of Ghana and has maintained regional offices since 1972. The capacity of the field and audit staff was enhanced to cope with the current and future growth of the movement.

2.5 The Central Finance Facility

In 1974, CUA established the Central Finance Facility (CFF), operating as the Credit Union for Credit Unions in Ghana. CFF was started to serve as a pool of surplus funds from the affiliated Credit Unions to provide a source of credit to needy members and to promote CUA's efforts towards self-sustainability. The funds contributed to CFF by the Credit Unions are termed as savings attracting interest and are declared to CFF bi-annually. The CFF, by statutory enactment, also mobilizes members' share subscriptions and the statutory reserve fund of CUA affiliated Credit Unions as a special deposit accounts attracting dividend or interest.

By resolution, every Credit Union is required to invest a minimum of 5% of its total assets as of June of every year into the CFF account. Credit unions are also required to lodge their statutory reserve fund which is 25% of the annual net income as a special deposit account attracting interest.

The CFF has registered a rapid growth in recent years due to innovations introduced into its operations. Loans are granted from CFF to member societies for on-lending to their members.

2.6 CUA Risk Management Programme

In 1986, CUA introduced the Risk Management Insurance Programme purposely to insure members' loans and savings against death or disability of a member. In 2002, CUA transferred the insurance scheme to the Unique Insurance Company Limited. The partnership between CUA and the Unique Insurance Company ensures that all credit union members' loans and savings are insured against death or disability of a member. Loans and savings are insured to the value of ¢100,000,000.00 and ¢10,000,000.00 respectively. Beneficiaries also are entitled to some benefits from the savings policy. With the credit union, the borrower dies with his or her loan.

2.7 Pension Scheme

In 2000, the C-operative Credit Union Pension Plan was introduced by CUA for all employees engaged by the credit union system as a supplement to the Social Security and National Insurance Trust (SSNIT) Pension Scheme. This was put in place to increase the amount of employees' confidence in their employers. It also aims to reduce staff turnover and provides them with job security. This Scheme has also been extended to other Co-operative Institutions in the country.

2.8 Computerization

In the year 1998, Credit Unions in Ghana were introduced to software called e-MERGE FIRST, a product which was developed by DBS in South Africa. However, due to some technical problems encountered, the use of the above software was abandoned. Considering the annual growth rate in membership, shares, savings and loans portfolios of the primary societies in the country, it became crucial for all the

Credit Unions to be computerized. In the year 2005, CUA in partnership with the African Project Development Facility (APDF) supported by German Technical Co-operation (GTZ) and United Nations Development Programme (UNDP) developed software that is being piloted in 35 selected credit unions.

2.9 School Savings Clubs

In 1999, CUA, introduced school savings clubs in Ghana. This has been promoted in 21 second cycle schools/institutions as a way of inculcating the savings habit in the youth before they enter into the work field. Another reason is to involve the youth as a way of sustaining the credit union concept in the years ahead.

2.10 Deposit Guarantee Scheme

In the year 2000, CUA developed a process of establishing a National Deposit Guarantee Scheme to protect the credit union system and members' deposits against credit union collapse. CUA has, since 1999, created a stabilization fund, which will eventually guarantee the deposits of credit union members. The Deposit Guarantee Scheme is expected to start full operations in the year 2008. Meanwhile every credit union is required to pay .015% of its accumulated savings as of June of every year to the fund.

2.11 Credit Union Law

In 1999, the need to have a separate Credit Union Law to combine financial expediency and co-operative values and principles was embraced by the leadership of the credit union movement. To this end, a draft Credit Union Law was submitted to the Attorney General's Department. The Finance Minister in his 2005 Budget

Statement hinted that the Credit Union Law and other bills would be presented to Parliament. The credit union movement, with over 160,000 members, has been waiting patiently for this important event to take place.

2.12 The CUA Human Resource Pool

In 1999, CUA introduced the "Human Resource Pool" programme. Under the programme, young but unemployed accounting graduates are engaged and trained to be attached to various credit unions which will lead to their final employment with the selected credit unions. Allowances are paid to these young trainees within a period of two years to prepare them to be permanently engaged by credit unions. This method has assisted to increase credit union employees to over 650.

2.13 HIV/AIDS Awareness Campaign

In 2002, the CUA HIV/AIDS Awareness Programme was initiated. With the financial support from CIDA through the Canadian Co-operative Association, HIV/AIDS Awareness and Sensitisation are now geared towards focusing on behaviour change among youth. These programmes are organized in various communities where credit unions are located, as well as in various other communities, churches, workplaces, institutions, primary and secondary schools.

CHAPTER THREE

LITERATURE REVIEW

3.1 Introduction

This chapter covers a conceptual framework on the impact of credit unions on members in Ghana. In order to provide suitable theories on the topic under investigation, the researcher has reviewed a number of existing literatures that will help explain some key terms, which are relevant to the study.

3.2 Definition of Credit Union

Turner (2000) defined a credit union as, "a financial self-help co-operative which encourages members to save money together and pooled resources are then used to provide low-cost loans to members." He again stated that," credit union operates within a clearly defined area of location and a mutual link must exist between all members. This link is known as the common bond of the credit union. The common bond may be based on all members living in the same locality or all members working for the same employer".

3.3 Aims of the Credit Union

According to Turner (2000) the aims of a credit union are multiple and a mixture of financial and social aims.

The financial aims can be broadly summarized as to:

- Promote thrift by encouraging members to save regularly.
- Provide loans to members at a reasonable rate of interest.
- Assist members to make more effective use of their financial resources.

3.3 Features/Characteristics of Credit Unions

Turner (2000) identified the following about credit unions:

- The credit union does not seek a profit.
- The credit union is equally not a charity. Members have to demonstrate their ability to save regularly before being considered for loan.
- Credit unions aim at providing service to their members.
- Credit unions offer low interest loans with a repayment schedule designed to suit the member's ability to repay.
- Credit unions offer the opportunity to establish a regular savings pattern
- Credit unions operate at times and locations which are convenient to the members, including evenings and week-ends.
- Credit unions seek to make members feel a part of the union or society and treat all members with respect and consideration.
- Although, a credit union is very different from a bank, the two types of organizations are potentially in competition in the areas of savings and loans.

3.4 What is a Credit Union?

Berthoud and Hinton (1989) also defined credit unions as being co-operative societies that offer loans to their members out of the pool of savings that are built up by the members themselves. This is a descriptive definition that does not refer to the purpose of credit unions. However, it does describe them as being co-operatives; therefore co-operative principles could be inferred as being the purpose of credit unions. The unique ownership status implicit in this definition (member run, owned and used) led to them being described by Croteau (1963) as being the purest form of co-operative. Not only are trading transactions restricted to members, restrictions are also placed on the membership by requiring that members belong to a common bond. This common bond or interest is usually multiple, associational, occupational or residential. The requirement to belong to a common bond is seen as a cornerstone in the success of these usually high-risk credit co-operatives, as the social pressure that is created by the members knowing each other, lessens the risk of default.

Again, World Council of Credit Unions (WOCCU) defined credit unions as non-bank financial institutions owned and controlled by members. It is also a democratic, member-owned financial co-operative. Each member, regardless of account size in the credit union, may run for the board and cast a vote in elections. As financial intermediaries, credit unions finance their loan portfolios by mobilizing member savings and shares rather than using outside capital, thus providing opportunities for generations of members. Credit unions exist to serve their members and communities. As not-for-profit cooperative institutions, credit unions use excess earnings to offer members more affordable loans, a higher return on savings, lower fees or new products and services. They serve members from all walks of life, including the poor and disenfranchised (http://www.woccu.org).

Credit unions provide members the opportunity to own their own financial institution and help them create opportunities such as starting small businesses, building family homes and educating their children. In some countries, members encounter their first taste of democratic decision making through their credit unions.

This phenomenon is no exception in Ghana; there are over Three Hundred and Sixty (360) credit unions in the country, scattered over all the regions.

Credit unions are safe, convenient places to access affordable financial services. Credit unions offer a full range of financial services, giving members greater flexibility to meet their individual needs. In some countries, credit unions are known by different names to better express those services. In Afghanistan, for example, credit unions are called Islamic Investment and Finance Cooperatives (IIFCs) to comply with Islamic lending practices; in Africa, they are known as Savings and Credit Co-operative Societies (SACCOs) to emphasize savings before credit. Acquisition of houses, cars, land, and payment of medical expenses, funeral expenses and rent advances are a few needs that members of a credit union expect to be satisfied with as and when they arise.

3.5 Objectives of Credit Unions

The general objectives of credit unions are to promote the economic interest of its members and in particular: To promote thrift among its members by affording them an opportunity for accumulating savings and paying reasonable interest without risk on such savings. There are various benefits in joining a credit union scheme and some of these are as follows:

i. Credit union is owned and managed by members themselves.

ii. Credit union creates savings habits among even the poor in society.

iii. The credit union receives the smallest amount of money as savings which the bank normally rejects.

iv. People find it convenient and easy to join credit unions.

v. There is democracy in the operation of credit union; one man, one vote.

vi. Members have easy access to loans at very low interest rates.

vii. Members get free financial counseling from finance experts.

viii. Members regularly receive dividends and interests on their shares and savings respectively (Tuner 2000).

3.6 Credit Unions and Microfinance

Microfinance, according to Otero (1999:8) is "the provision of financial services to low-income poor and very poor self-employed people". These financial services according to Ledgerwood (1999) generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet (2001:339) define microfinance as "the attempt to improve access to small deposits and small loans for poor households neglected by banks." Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

Asiamah (2007:3) identified three broad types of microfinance institutions operating in Ghana. These include:

- Formal suppliers of microfinance (i.e. rural and community banks, savings and loans companies, commercial banks)
- Semi-formal suppliers of microfinance (i.e. credit unions, financial nongovernmental organizations (FNGOs), and cooperatives;
- Informal suppliers of microfinance (e.g. susu collectors and clubs, rotating and accumulating savings and credit associations, traders, moneylenders and other individuals).

This establishes that microfinance is an umbrella body that credit unions belong to offering micro credit. In the literature therefore, the terms credit unions and micro finance are often used interchangeably.

Interestingly, for those who understand the difference between giving someone money and teaching them how to make it themselves, the concept of Microfinance is nothing new. It is the most sustainable, scaleable and cost-effective poverty alleviation tool.

The idea is simple: individuals are provided with small loans to start or grow small businesses, allowing them to become economically self-sufficient, provide for their families for the long-term and replace dependency on limited donor funds (http://www.lingeriemiami.org)

Indeed, Credit unions employ strategies to deliver financial services to the poor. The credit union approach integrates educational and financial services and targets the entrepreneurial poor who are capable of successfully undertaking micro enterprises. In this approach, there is a strong emphasis on developing savings and group network formation (http://www.adbi.org)

3.7 Microfinance and its Impact on Development

Microfinance has a very important role to play in development according to proponents of microfinance. UNCDF (2004) states that studies have shown that microfinance plays three key roles in development. It:

- Helps very poor households meet basic needs and protects against risks,
- Is associated with improvements in household economic welfare,
- Helps to empower women by supporting women's economic participation and so promotes gender equity.

Otero (1999:10) illustrates the various ways in which "microfinance, at its core combats poverty". She states that microfinance creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organisation building, enables people to move out of poverty. By providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society (Otero, 1999).

The aim of microfinance according to Otero (1999) is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Littlefield and Rosenberg (2004) stated that, the poor are generally excluded from the financial services sector of the economy so MFIs have emerged to address this market failure. By addressing this gap in the market in a financially sustainable manner, MFI can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach (Otero, 1999).

More recently, commentators such as Littlefield, Murduch and Hashemi (2003) and Simanowitz and Brody (2004) have commented on the critical role of microfinance in achieving the Millennium Development Goals (MDG). Simanowitz and Brody (2004:1) state, “Microfinance is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of the poorest people.” Littlefield, Murduch and Hashemi (2003) state “microfinance is a critical contextual factor with strong impact on the achievements of the MDGs…microfinance is unique among development interventions: it can deliver social benefits on an ongoing, permanent basis and on a large scale”. Referring to various case studies, they show how microfinance has played a role in eradicating poverty, promoting education, improving health and empowering women (2003).

However, not all commentators are as enthusiastic about the role of microfinance in development and it is important to realise that microfinance is not a silver bullet when it comes to fighting poverty. Hulme and Mosley (1996), while acknowledging the role microfinance can have in helping to reduce poverty, concluded from their research on microfinance that “most contemporary schemes are less effective than they might be” (1996:134). They state that microfinance is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse-off by microfinance. Rogaly (1996:109-110) finds five major faults with MFIs. He argues that:

- They encourage a single-sector approach to the allocation of resources to fight poverty,
- Microcredit is irrelevant to the poorest people,
- An over-simplistic notion of poverty is used,

- There is an over-emphasis on scale,
- There is inadequate learning and change taking place.

Wright (2000:6) states that much of the skepticism of MFIs stems from the argument that microfinance projects “fail to reach the poorest, generally have a limited effect on income…drive women into greater dependence on their husbands and fail to provide additional services desperately needed by the poor”. In addition, Wright says that many development practitioners not only find microfinance inadequate, but that it actually diverts funding from “more pressing or important interventions” such as health and education (2000:6). As argued by Navajas et al (2000), there is a danger that microfinance may siphon funds from other projects that might help the poor more. They state that governments and donors should know whether the poor gain more from microfinance, than from more health care or food aid for example. Therefore, there is a need for all involved in microfinance and development to ascertain what exactly has been the impact of microfinance in combating poverty.

Considerable debate remains about the effectiveness of microfinance as a tool for directly reducing poverty, and about the characteristics of the people it benefits (Chowdhury, Mosley and Simanowitz, 2004). Sinha (1998) argues that it is notoriously difficult to measure the impact of microfinance programmes on poverty. This is so she argues, because money is fungible and therefore it is difficult to isolate credit impact, but also because the definition of ‘poverty’, how it is measured and who constitute the ‘poor’ “are fiercely contested issues” (1998:3).

Poverty is a complex issue and is difficult to define, as there are various dimensions to poverty. For some such as World Bank, poverty relates to income, and poverty measures are based on the percentage of people living below a fixed amount of money, such as US$1 a day (World Bank, 2003).

3.8 The Impact of Microfinance on Poverty

Poverty is more than just a lack of income. Wright (1999) highlights the shortcomings of focusing solely on increased income as a measure of the impact of microfinance on poverty. He states that," there is a significant difference between increasing income and reducing poverty". He argues that by increasing the income of the poor, MFIs are not necessarily reducing poverty. It depends on what the poor do with this money, Oftentimes, it is gambled away or spent on alcohol, so focusing solely on increasing incomes is not enough. The focus needs to be on helping the poor to "sustain a specified level of well-being" (Wright, 1999:40) by offering them a variety of financial services tailored to their needs so that their net wealth and income security can be improved.

It is commonly asserted that MFIs are not reaching the poorest in society. However, despite some commentators' scepticism of the impact of microfinance on poverty, studies have shown that microfinance has been successful in many situations. According to Littlefield, Murduch and Hashemi (2003:2) "various studies…document increases in income and assets, and decreases in vulnerability of microfinance clients". They referred to projects in India, Indonesia, Zimbabwe, Bangladesh and Uganda which all shows very positive impacts of microfinance in reducing poverty. For instance, a report on a SHARE project in India showed that three-quarters of clients saw "significant improvements in their economic well-being and that half of the clients graduated out of poverty" (2003:2).

Hulme and Mosley (1996:109) in a comprehensive study on the use of microfinance to combat poverty, argue that well-designed programmes can improve the incomes of the poor and can move them out of poverty. They state that “there is clear evidence that the impact of a loan on a borrower’s income is related to the level of income” as those with higher incomes have a greater range of investment opportunities and so credit schemes are more likely to benefit the “middle and upper poor” (1996:109-112). However, they also show that when MFIs such as the Grameen Bank and BRAC provided credit to very poor households, those households were able to raise their incomes and their assets (1996:118).

Mayoux (2001:52) states that while microfinance has much potential the main effects on poverty have been:

- credit making a significant contribution to increasing incomes of the better-off poor, including women,
- Microfinance services contributing to the smoothing out of peaks and troughs in income and expenditure thereby enabling the poor to cope with unpredictable shocks and emergencies.

Hulme and Mosley (1996) show that when loans are associated with an increase in assets, when borrowers are encouraged to invest in low-risk income generating activities and when the very poor are encouraged to save; the vulnerability of the very poor is reduced and their poverty situation improves. Johnson and Rogaly (1997:12) also refer to examples whereby savings and credit schemes were able to meet the needs of the very poor. They state that microfinance specialists are beginning to view improvements in economic security, rather than income promotion, as the first step in poverty reduction as this reduces beneficiaries' overall vulnerability.

Therefore, while much debate remains about the impact of microfinance projects on poverty, we have seen that when MFIs understand the needs of the poor and try to meet these needs, projects can have a positive impact on reducing the vulnerability, not just of the poor, but also of the poorest in society.

3.9 Debates on the Impact of Microfinance

Increase in Income

There is overwhelming evidence to demonstrate that families that participate in microfinance programs enjoy an increase in household income (Murdoch and Haley 2002:5 and Walter (2002:20). They also benefit from consumption smoothing and the ability to sustain gains over time (Khandker 1998 p148; Murdoch and Haley (2002:5); Simanowitz and Walter (2002:23); Wright (2000). Several case studies have been conducted on the effect of microfinance on the incomes of the poor:

Joseph Remenyi and Benjamin Quinones (2000:8), conducting a case study in Asia and the Pacific, concluded that, household income of families with access to credit is significantly higher than for comparable households without access to credit. In Indonesia a 12.9% annual average rise in income from borrowers was observed while only 3% rise was reported from non-borrowers (control group). In Bangladesh, a 29.3% annual average rise in income was recorded and 22 percent annual average rise in income from no-borrowers. Sri-Lanka indicated a 15.6% rise in income from borrowers and 9% rise from non-borrowers. In the case of India, 46% annual average rise in income was reported among borrowers with 24% increase reported from non-borrowers.

Elizabeth Dunn (1999), in a case study of microfinance clients in Lima, Peru, reports "only 28% of clients live below the poverty line compared to 41% of non clients". She also found the average income of households participating in microfinance to be 50% higher than the income of non participating households (1999). The Save the Children foundation in London also confirms a 50% increase in household income (Marcus, Porter and Harper 1999).

In a case study in Bangladesh, Khandker (2001) finds that "microfinance participants do better than non-participants in both 1991/1992 and 1998/1999 in per capita income, per capita expenditure, and household net worth. The incidence of poverty among participating households is lower in 98/99 than in 91/92 and lower than among non-participating households in both periods".

An Indonesian case study conducted by Kathleen Rositan and Panjaitan-Drioadisuryo (1999:6) reports that the income of microfinance participants increased by 112% and the income of 90% of those families increased enough to lift them above the poverty line.

In 1996 the United Nations Children's Fund found evidence from a case study conducted in Vietnam, that 97% of borrowers significantly increased their household income between 1994 and 1996.

Simanowitz and Walter (2003:23), in a research article entitled “Ensuring Impact”, site a case study conducted by CRECER, a Bolivian micro credit bank, that reads: “Increased income was reported by 66 percent of clients…Participants most commonly attributed this improvement to the expansion of their income-generating activity, reduced output costs as a result of buying in bulk or with cash, or the new activities of products made possible by access to credit and selling in new markets”.

Overall, the evidence is overwhelmingly in favour of microfinance as a tool to increase household income, smooth consumption, and enable the poor to sustain gains over time. Microfinance enables many impoverished families to earn enough income to rise above the poverty line and is therefore an effective method of poverty alleviation.

3.10 Higher School Attendance

Many poor children and adolescents do not have the chance to obtain an education because their parents cannot afford to send them to school. The costs of transportation and educational materials are too much for some impoverished families. Adolescents in particular are often forced to drop out of school to find a job to supplement the family income. Microfinance, by contributing to an increase in household income and better financial stability, enables poor families to bear the costs of sending children to school. MFIs are known for encouraging families to keep children in school and in some cases school attendance is mandatory in order to participate in the microfinance programme (Murdoch and Haley 2002:113).

Two case studies, one conducted in Bangladesh Khandker (1998:148) and the other in Indonesia, Panjaitan-Drioadisuryo, Rosintan and Kathleen Cloud (1999:8), conclude that microfinance has a significant and positive effect on education, especially in boys.

Wright (2000:33) in *Microfinance Systems: Designing Quality Financial Services for the Poor* makes a comprehensive review of the latest studies on microfinance and education. In particular, his study focuses on Grameen Bank, the largest and most well known microfinance institution. Wright concludes that, when we take the crudest measure—those children over six years who have ever been to school—all of the girls in Grameen families have had at least some schooling, compared to 60% of the girls in the control group. Most of the Grameen boys (81%) have had some schooling, compared to just half (54%) of the control group boys. (NP)…The percentage distribution of children (11-14 years) achieving 'basic education' (pre-determined level of mastery in reading, writing and arithmetic, as well as 'life skills') rose from 12.4% in 1992 (before the BRAC [microfinance] programme began in the area) to 24.0% in 1995 among the children of BRAC members. By comparison, only 14.0% of the children of those who had not joined BRAC achieved 'basic education.

Marcus, Porter, and Harper (1999:46) of Save the Children foundation of London research revealed that, improvements in school attendance or in provision of educational materials are widely reported. Invariably this related to increased household income. In Honduras, participants stated that participation in the credit and savings programme had enabled them to send several children to school at a time, and had reduced drop-out in the higher primary school grades...Where taking credit was enabling people to develop agriculture or other enterprises close to home and reducing the need to migrate for seasonal work, children's chances of attending school were greatly increased.

In another study by Murdoch and Haley (2002:113) in Vietnam, conducted by United Nations Children Emergency Fund (UNICEF) established that 97% of the daughters of those who participate in microfinance attend school compared with only 73% of the daughters of non-participants. Their conclusion stated that, since 1993, UNICEF has supported a number of micro credit schemes in poorer regions of lower Egypt and in some urban slum areas…The condition for the women's loans is that all the children should go to school. This scheme, in an area with adequate access to basic education, showed that micro credit could reduce child labour and improve school attendance while at the same time improving the income levels of the participating families. It also showed that parents are willing to send their children to school once the economic condition of the family improves.

3.11 Impact of Microfinance in Women's Empowerment

Microfinance can play a critical role in the realization of the third Millennium Goal, to promote gender equality and empower women. Currently, 70% of people in absolute poverty (living on less than $1 a day) are women (Cheston and Kuhn 2002). In order to alleviate extreme poverty, women, who suffer the most, must be empowered to break free from their marginalized status in society. Microfinance can provide the economic opportunities that women need to control their lives. Poverty alleviation strategies that focus on empowering women not only improve the lives of women, but also positively affect entire families and communities. Studies show that when women are given greater autonomy over their lives and the lives of their children, living conditions invariably improve. This is mostly due to the fact that women are most apt to use household income to better the nutrition and educational opportunities of their children (Grasmuck and Espinal (2000:240). According to the World Bank, “societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance, and a lower living standard of their people…overall, evidence is mounting that improved gender equality is a critical component of any development strategy” (Cheston and Kuhn 2002). World leaders are finally beginning to realize that poverty alleviation will only be achieved through the empowerment and economic improvement of women. Thus, microfinance is an integral component to new development strategies because it allows women greater autonomy and control over their economic well-being.

A case study of Sinapi Aba Trust, a microfinance institution in Ghana, was conducted in order to determine whether microfinance has an impact on women’s empowerment. The study shows that “running a successful business not only contributes to women’s improved welfare; it also contributes both directly and indirectly to their empowerment. The increase in working capital is particularly important for women’s empowerment. In almost all cases, the increase in capital has given women more options and greater control over their businesses and their lives” (Cheston and Kuhn 2002).

The Trust Bank program of Sinapi Aba Trust has clearly contributed to the empowerment of women in a number of ways. Access to credit and business training has helped women expand and improve their businesses, leading to increased respect and decision-making power in the home and community. Advice and peer support has helped women manage their triple roles as mothers, wives, and businesswomen. Education and experience in leadership have helped women become more confident and capable leaders (Cheston and Kuhn 2002).

The World Bank Global Learning Conference in Shanghai in 2004 confirmed the impact of microfinance: "Studies have shown that microcredit programs positively affect a woman's decision-making role, her marital stability, and her control over resources and mobility. The analysis establishes that a woman's contribution to her household's income is a significant factor towards her empowerment" (Reducing Poverty 2004:64).

The impact of microfinance on women's empowerment is clear and impressive. Because economic advancement of women is crucial to poverty alleviation, it can be deduced that access to financial services is also an integral component to the eradication of poverty. Women are traditionally treated as inferior to men because of lack of economic opportunity, authority over income generation, or participation in the public sphere. Microfinance enables women to gain access to all of these empowerment tools. Borrowing credit to start a micro enterprise gives women control over household income and entry into the public domain, as well as provides them with economic and educational opportunities. When women have control over household income, children's nutrition, health, and education improve substantially more than when men control the income. It is becoming widely recognized that poverty alleviation occurs most often when women participate in microfinance programmes (Cheston and Kuhn 2002; Simanowitz and Walter 2002:31-32).

3.12 Other Benefits of Credit Union

An article on EzineArticles.com outlined the following benefits of credit unions.

Membership is Easy.

Credit unions are cooperative financial institutions and are governed by its members. It should be noted that these institutions are not opened to everyone, but just those that are affiliated with the group that it serves. For instance, if you are part of a labour union, chances are the union has a credit union that allows all union members and their families to join.

They Offer Plenty of Financial Services

Just like a bank offers savings accounts, checking accounts and ATM cards, so does a credit union. In fact, most are extremely competitive with the list of services that a bank offers. While they obviously offer accounts to save and check with, one of the biggest reasons to join are low cost loans.

Better Loan Rates and Lower Fees

Since the credit union is not for profit and owned and operated by its members, they are usually able to give extremely attractive rates on most loans, such as car loans and even mortgages. They are usually at the low end when it comes to interest rates and many of these institutions don't charge large fees like most banks do. In many situations, the ability for a family to afford a car loan or mortgage is based upon a lower interest rate and a reduced amount of fees.

Credit Unions are Safe Financially

You can receive all the perks of a good bank including lower interest rates and lower fees and still save and grow your money safely. Credit unions are just as safe as banks to save money and have plenty of oversight to ensure that they are solvent. If you are affiliated with a group that has this type of financial facility, definitely look into the many products and services that a credit union can offer you.

Volunteer Board of Directors

The main difference between credit unions and banks is their ownership. Both banks and credit unions are owned by shareholders, but with credit unions, the shareholders are also the members. As such, a credit union has a fiduciary responsibility to its members. Additionally, credit unions are non-profit institutions. Unlike banks, which are for-profit, they do not have to focus on producing returns for shareholders. Instead, they can focus on providing as much value as possible for members. This Board of Directors are unpaid, resulting in lower operation cost compared to the regular banks.

Because credit unions have a limited membership, they are not bound by as much bureaucracy as large national banks. For instance, it's not unusual to renegotiate the terms of a loan with a simple phone call to a credit union while it could take several levels of approval from a national bank.

3.13 Challenges to Credit Unions

Credit unions as microfinance institutions have some peculiar challenges in the changing world due to their nature and current economic trend. Shirley Cate, President and CEO Providence Federal Credit Union stated that an ongoing challenge that credit unions face, during this economy as well as at other times, is consumers did not realize that membership of a credit union is possible for virtually everyone. People still think they have to be in a certain industry or work for a specific employer to have access to a credit union. And with all the news coming out about the banking industry, many consumers feel like they have no place to turn. Credit unions only serve a good percent of the population now but between employer-based credit unions and those with community charters, eligibility is no longer a barrier. Credit unions are actively lending despite the many headlines that tout there is no credit available, she added.

Adding, Anderson William R. Anderson President and CEO Mid Oregon Credit Union said, the real bottom line for credit unions is a measure of how well they are serving their members, not how well they are performing for stockholders. However, credit unions must still generate a positive financial bottom line to build capital in order to serve their members in the long run. Some of the challenges getting in the way of positive financial results include shrinking interest margins, health of the over-all economy and the resultant impact on their members' financial health.

Ron Barrick, President and CEO of Adventist credit union noticed that, most credit unions never participated in the types of subprime lending that has created the serious problems faced by our banking system. However, that does not mean that we are insulated from the effects of these issues. With consumers hunkering down and buying less, loan demand is reduced. Lower loan demand and hefty assessments on healthy financial institutions to shore up our banking system creates a drag on income and profitability. In addition, the high unemployment rate creates a need for financial institutions to reserve more for potential loan losses. These difficult market conditions will require credit unions to closely monitor financial performance and continue to act in the best interests of their member-owners, he concluded.

In the view of Ark Zook, President and CEO MaPS Credit Union, credit unions are dealing with the effects of the current economic climate. During these economic times, it is challenging to keep focused on our mission and on long-term relationships. It can be tempting to freeze efforts for developing new and innovative ways to serve members, stop all community contributions, or look for ways to cut employee benefits in an effort to be conservative.

3.14 Conclusion

This chapter reviewed the evolution of credit unions worldwide and specifically how it developed in Ghana. The role of MFIs in development, specifically in relation to alleviating poverty was also examined and the evidence of the impact was established by the various authors.

The impact of microfinance on income levels of the beneficiaries, school attendance rate and women empowerment was also examined. Other benefits and challenges of credit unions were also touched on, revealing why they should be promoted, encouraged and the necessary support given them by governments and other organizations.

CHAPTER FOUR

METHODOLOGY AND SCOPE OF THE STUDY

4.1 Introduction

This chapter deals with the methodology of the study, under the following sub-headings:

Study area, population of study area, sample size, sources of data, material of data collection sampling techniques, analysis of data and description of study area.

4.2 Study Area

The study was conducted among four credit unions, also known as primary societies, in the Ho Municipality, namely;

- Ho District Teachers Co-operative Credit Union (HDTCCU)
- Volta ECG Employees Co-operative Credit Union (VEECCU)
- Ghana Water Company Limited Employee Co-operative Credit Union (GWCLECCU)
- Global Evangelical Church Co-operative Credit union (GECCCU) – Kabhill Branch, Ho

4.3 Population of Study Area

The population of the study area is 1200 members of the four credit unions.

4.4 Sample Size

A sample size of One Hundred and Twenty (120) members and leaders of the four (4) credit unions was selected.

This represented 10% of the population of the Study Area which in the opinion of the researcher is fairly representative of the views of members.

4.5 Sources and Types of Data

Two main types of data were used. Primary data, which consisted of information gathered through interviews with management staff of the scheme, administering of questionnaire to selected members of the credit unions and an examination of the documents of the scheme.

Secondary data for the research were gathered through the use of books, journals newspapers, draft bill of credit unions and other documents on the operations of credit unions in Ghana, as well as the use of information sourced from the internet. These constituted the basis for literature review of the study.

4.6 Methods of Data Collection

The main methods of data collection used for the research are:

- Interviewing of principal informants and members and management of the credit unions
- Administering of questionnaires among 120 members and management staff of four (4) credit unions in Ho
- Observation of the methods of operation of the credit unions to determine their compliance with best financial and accounting principles and practices.

4.7 Sampling Techniques

The researcher employed both probability and non-probability sampling technique.

Non-probability sampling technique (purposive sampling) was used to select the four credit union in the Ho Municipality.

This purposive sampling technique was used because of the need to get vibrant schemes for the study. The purposive sampling technique was used because credit union members needed to be specifically targeted for interviewing and administering of questionnaires. Simple random Sampling (probability sampling) was used to determine respondents within the four selected credit unions to provide each member of a given credit union, equal opportunity of being selected.

4.8 Analysis of Data

Both quantitative and qualitative methods were employed in the analysis of data of the study. For the quantitative aspect, Statistical Package for Social Sciences (SPSS) was used. Frequency distributions, percentages, means and descriptive analysis evaluating the impact of the credit union scheme on members were used to examine the research questions.

4.9 Description of Study Area

The study area comprised four selected credit unions within the Ho Municipality, with 30 members from each stratum. These include:

- Ho District Teachers Co-operative Credit Union (HDTCCU)
- Volta E C G Employees Co-operative Credit Union (VEECCU)

- Ghana Water Company Limited employees Co-operative Credit Union (GWCLECCU)
- Global Evangelical Church Co-operative Credit Union (GECCCU) – Kabhill Branch, Ho

A brief background of the four Credit Unions is given below:

Ho District Teachers Co-operative Credit Union (HDTCCU)

The HDTCCU was established in 1995 and has been in operation for over a decade. It has a total membership of over 2000 all over the Ho Municipality, as at the end of 2008. About 500 of its members reside in the Ho Township.

The office of the Union is located in rented premises adjacent to the Evangelical Presbyterian University College (EPUC) and the Divisional Office of the Ghana Police Service.

The office is managed by full-time manager with staff and directed by the Board of Directors.

Volta ECG Employees Co-operative Credit Union (VEECCU)

The VEECCU was established in 1991 and has operated for almost two decades. It has a total membership of over 500 all over the Volta Region as at the end of 2008. About 200 of the members reside in Ho. The Union has put up an office premises adjacent to the Ministry of Agriculture and Electricity Company of Ghana Limited.

The office is managed by full-time Manager with staff under the direction of its Board of Directors.

Ghana Water Company Limited employees Co-operative Credit Union (GWCLECCU)

The GWCLECCU was established in 2002 and has operated our seven years.

It has a total membership of over 400 in the Volta Region as at the end of 2008.

About 200 of the members reside in Ho. The Union operated from the premises of the Company which is adjacent to the Ghana Highway Authority and the Ghana National Fire Service in Ho. The office is managed by a full-time Manager with staff and directed by the Board of Directors.

Global Evangelical Church Co-operative Credit Union (GECCCU) – Kabhill Branch, Ho

The GECCCU was established in 2002 and has operated over seven years.

It has a total membership of over 300 who are all members of the congregation in Ho. The Union has no full-time manager and staff. It is also without an office but operates from the Church Office by the Board of Directors.

CHAPTER FIVE

DATA PRESENTATION AND ANALYSIS

5.1 Introduction

This chapter contains the results from the survey and interviews. The data collected were edited in order to help identify omissions and to correct errors where necessary. The questionnaires were coded, after which the variables were given sequential numbers and were categorised such that, items and responses measuring the same concept were grouped together.

Frequency counts of each category was done and presented in tabular forms showing frequency and percentage distributions of the trend of responses through the use of Statistical Package for Social Sciences (SPSS). Interpretation and discussion of the data was done per the factors that constituted the framework for the research. Considering the audience and users of the report, the use of frequency tables for the presentation of the survey results was deemed the most appropriate, because, it can be easily interpreted and understood.

5.2 Personal data of respondents

Table 5.1

Sex and Age Distribution of Respondents

Sex	Age					
	20-29	30-39	40-49	50-59	60 +	Total
Male	6	14	25	17	6	68
Female	12	10	14	14	2	52
Total	18	24	39	31	8	120

Source: Field Survey Data, May 2009

Table 5.1 shows the Sex and Age distribution of the respondents. Out of 120 respondents, 68 were males as against 52 females. The majority of the respondents were in the age group of 40 – 49 years.

Table 5.2:

Distribution of Respondents by Religion

Religion	No. of Respondents	Percent
Christianity	112	93.3
Islam	5	4.2
Traditional	3	2.5
Total	120	100.0

Source: Field Survey Data, May 2009

Table 5.2 summarizes the respondents by religion. 93.3% were Christians, 4.2% were Muslims and 2.5% were Traditional believers.

Table 5.3

Distribution of Respondents by Sex and Marital Status

Marital Status	Sex		
	Male	Female	Total
Single	10	13	23
Married	58	34	92
Divorced	0	2	2
Widowed	0	3	3
Total	68	52	120

Source: Field Survey Data, May 2009

Table 4.3 shows the Sex and Marital status of respondents. Out of 23 respondents, 10 males and 13 females were single and out of the 92 married respondents, 58 males and 34 females were married.

Table 5.4

Sex and Highest Educational level of Respondents

Highest Educational	Sex		
	Male	Female	Total
Univ./Polytechnic	32	19	51
Training College	14	19	33
Snr.High/Tec. School	16	10	26
Jnr.High/Middle Sch.	6	4	10
Total	68	52	120

Source: Field Survey Data, May 2009

Table 5.4 shows the distribution of respondents by Sex and Highest Educational Level attained. There were 32 males and19 females having University/Polytechnic education. In the Training College category, we have 14 males as against 19 females. 16 males and 10 females attended school up to Senior High/Technical School level and only 6 males as against 4 females attended up to Junior. High School level, giving a total of 68 males against 52 females.

Table 5.5

Distribution of Respondents by Occupation and Educational Level

Highest Educational Level	Occupation			
	Public/Civil Servant	Private Sector	Self-Employed	Total
Univ./Polytechnic	44	5	2	51
Training College	29	1	3	33
Snr.High/Tec. School	22	1	3	26
Jnr.High/Middle Sch.	8	0	2	10
Total	103	7	10	120

Source: Field Survey Data, May 2009

Table 5.5 shows that, 103 respondents were working in the Public/Civil service, 7 were in the Private sector and 10 were self employed.

5.3 Financial Challenges

Table 5.6

Welfare Challenges faced by members of the Credit Union

Welfare Challenge	No. of Respondents	Percent
School Fees	99	82.5
Medical Expenses	33	27.5
Rent Advance	50	41.7
Home Improvement	27	22.5
Home Acquisition	42	35.0
Land	48	40.0
Car/Motor Bike/Bicycle	22	18.3
Funeral Expenses	16	13.3

Source: Field Survey Data, May 2009

Table 5.6 shows that, the most pressing welfare challenge faced as a member of the Credit Union, was School Fees (82.5%) and Funeral Expenses (13.3%) was the less pressing challenge faced as a member of the Credit Union.

Table 5.7

Business/Investment Challenges faced by members of the Credit Union

Business/Investment Challenge	No. of Respondents	Percent
Land	75	62.5
Vehicles	31	25.8
Building	88	73.3
Equipment/Machinery	19	15.8
Business Inputs	32	26.7
Working capital	59	49.2

Source: Field Survey Data, May 2009

In Table 5.7, the most pressing Business/Investment challenges faced as a member of the Credit Union was Building (73.3%) whilst Equipment/ Machinery (15.8%) was the less pressing challenge faced as a member of the Credit Union.

Table 5.8

Loans made available by the Credit Union for meeting personal Welfare and Business/Investment Challenges

Type of Loans	No. of Respondents	Percent
School Fees, Medical Expenses, Funerals etc.	87	72.5
Land, Cars, Home Acquisition or Improvement etc.	62	51.7
Equipment, Machinery, Business Inputs, Working Capital etc.	43	36.8

Source: Field Survey Data, May 2009

Table 5.8 shows loans available to a member of the Credit Union for meeting Personal Welfare and Business/Investment challenges. Equipment, Machinery, Business Inputs, Working Capital etc. (36.8%) was the least followed by Land, Cars, Home acquisition or Improvement etc. (51.7%) and School Fees, Medical Expenses, Funerals etc. (72.5%) was the highest for personal development.

5.4 Impact of Credit Union on Members

Table 5.9

Personal Welfare Facilities available within the Credit Union that could not be accessed prior to joining the Credit union.

Personal Welfare Facilities	No. of Respondents	Percent (%)
Loans for Educational Expenses	43	35.8
Loans for Medical Expenses	30	25.0
Home Acquisition/ Improvement	43	35.8
Loans for Land	42	35.0
Loans for Car/Motor Bike/Bicycle	34	28.3

Source: Field Survey Data, May 2009

Table 5.9 shows that respondents were not able to access the personal welfare facilities before joining the union, loans for educational expenses and home acquisition/improvement were each (35.8%) followed by Loans for Land (35.0%) , Loans for Car/Motor bike/Bicycle (28.3%) and lastly Loans for Medical expenses (25.0%).

Table 5.10

Business/Investment Facilities available within the Credit Union that could not be accessed prior to joining the Credit Union

Business/Investment Facilities	No. of Respondents	Percent
Loans for Land/Building	43	35.8
Loans Vehicles	30	25.0
Loans for Equipment/Machinery	43	35.8
Loans for Business Inputs	42	35.0
Loans for Working Capital	34	28.3

Source: Field Survey Data, May 2009

Table 5.10 shows the Business/Investment facilities available within the credit union that you did not access before joining the union. The highest were Loans for Building/Land and for Equipment/Machinery (35.8%) each, followed by Loans for Business Inputs (35.0%), Loans for Working Capital (28.3%) and Loans for Vehicles (25.0%).

Table 5.11

Personal Welfare Facilities Benefited from since joining the Credit Union

Personal Welfare Facilities	No. of Respondents	Percent
Loans for Educational Expenses	74	61.7
Loans for Medical Expenses	25	20.8
Home Acquisition/ Improvement	23	15.8
Loans for Land	36	30.0
Loans for Car/Motor Bike/Bicycle	14	11.7
Funeral Expenses	110	91.7

Source: Field Survey Data, May 2009

Table 5.11 shows Personal Welfare facilities benefited from since you join the credit union, Funeral expenses (91.7%) being the highest and Home Acquisition/Improvement (15.8%) has the least responses.

Table 5.12

Business/Investment Facilities Benefited from since joining the Credit Union

Business/Investment Facilities	No. of Respondents	Percent
Loans for Land/Building	47	39.2
Loans Vehicles	10	8.3
Loans for Equipment/Machinery	5	4.2
Loans for Business Inputs	13	10.8
Loans for Working Capital	1	0.8

Source: Field Survey Data, May 2009

Table 5.12 shows Business/Investment facilities benefited from since one joined the Credit Union. A loan for Land/Building (39.2%) has the highest responses and Loans for Working Capital (0.8%) has the least responses.

Table 5.13

Distribution of Respondents as to how long it takes to qualify for personal welfare facilities

Duration	No. of Respondents	Percent
< 1 month	35	29.2
1-3 months	5	4.2
4-6 months	73	60.8
7-9 months	2	1.7
10-12 months	1	0.8
>12months	4	3.3
Total	120	100

Source: Field Survey Data, May 2009

Table 5.13 shows how long it takes to quality for Personal Welfare facilities/Loans. It took 60.8% of the respondents as long as 4 – 6 months to qualify for Personal Welfare Facilities/Loans and 4 (0.8%) respondents 10 - 12 months to qualify for the loan.

Table 5.14

Length of time it takes to qualify for Business/investment loan facilities

Duration	No. of Respondents	Percent
< 1 month	26	21.7
1-3 months	15	12.5
4-6 months	72	60.0
7-9 months	1	0.8
10-12 months	2	1.7
>12months	4	3.3
Total	120	100

Source: Field Survey Data, May 2009

Table 5.14 shows that it takes 4 – 6 months (60.0%) for the majority of the respondents to qualify for Business/Investment loans and the longest time of greater than 12 months (3.3 %) to qualify for Business/Investment loans.

Table 5.15

Cost of borrowing within your Credit Union for Personal Welfare Loan

Interest Rate (%)	No. of Respondents	Percent
1-5	65	54.2
6-10	2	1.7
11-15	2	1.7
16-20	49	40.8
21-25	1	0.8
36-40	1	0.8
Total	120	100

Source: Field Survey Data, May 2009

Table 5.15 shows cost of borrowing within the Credit Union for Personal Welfare Loan. Majority of the respondents (54.2%) borrowed at between 1-5 percent interest rate while about 0.8 % had paid between 21-25 and 36-40 percent interest rate respectively.

Table 5.16 Cost of borrowing for Business/Investment Loans

Interest Rate (%)	No. of Respondents	Percent
1-5	60	50.0
6-10	6	5.0
11-15	4	3.3
16-20	49	40.8
21-25	1	0.8
Total	120	100

Source: Field Survey Data, May 2009

Table 4.16 shows that, it costs 60 respondents 1 – 5 percent interest rate to borrow within your credit union for Business/Investment Loans and 1 (0.8 %) paid 21 – 25 percent interest rate.

Table 5.17

Repayment period for loans borrowed from the Credit Union for Personal Welfare issues

Duration	No. of Respondents	Percent
< 6 months	9	7.5
6-12 months	61	50.8
12-24 months	25	20.8
24-36 months	25	20.8
Total	120	100

Source: Field Survey Data, May 2009

In Table 4.17 the popular duration for Personal Welfare Loans within a credit union was 6 – 12 months representing 50.8 percent of the responses with the shortest duration being less than six months.

Table 5.18

Repayment period for Business/Investment Loans within the Credit Union

Duration	No. of Respondents	Percent
< 6 months	8	6.7
6-12 months	58	48.3
12-24 months	12	10.0
24-36 months	39	32.5
> 36 months	3	2.5
Total	120	100

Source: Field Survey Data, May 2009

Table 5.18 shows Duration Business/Investment Loans within your Credit Union. The highest response was 48.3% which corresponds to 6 -12 months and the least responses was 2.5% of 36 months or more.

Table 5.19

Quality of performance of the Credit Unions over the past five years, 2004 - 2008

Performance Rating	No. of Respondents	Percent
Excellent	10	8.3
Very Good	53	44.2
Good	46	38.3
Average	9	7.5
Poor	2	1.7
Total	120	100

Source: Field Survey Data, May 2009

Table 5.19 shows Performance of your Credit Union over the past five years. On the whole 38.3% said good and 44.2% said Very Good meaning most of the respondents were of the opinion that the Credit Union over the years did well.

Table 5.20

Impact of Credit unions on the standard of living of members

Duration	No. of Respondents	Percent
Strongly Agree	35	29.2
Agree	81	67.5
Disagree	1	0.8
Strongly Disagree	1	0.8
Do Not Know	2	1.6
Total	120	100

Source: Field Survey Data, May 2009

Table 5.20 shows significant impact on the Standard of Living of the Union members. From the table, 29.2% strongly agreed and 67.5% agreed that the union has made a significant impact on the standard of living of the Union members.

5.5 Improvement of the operations of the Credit Union

The operations of the credit union can be improved as follows:-

- Increase membership through media publication and education
- Timely repayment of loans and interest by members

- Savings should be paid regularly
- The union should undertake investment ventures
- Loan defaulters should be prosecuted
- Prompt and efficient service to the members
- Create good customer relation between management, members and the public
- Controller and Accountant General should promptly release the union's remittances on time
- Loans should be increased and sufficient money be made available always to be given out as loan
- Loan processing time should be shortened
- Ban on partial withdrawal of savings should be lifted
- Unnecessary expenses by management should be avoided
- Problems of loan deduction should be resolved
- Reduce interest rate on loan
- Lending money to members over and above what they can afford to pay should be stopped
- Increase monthly contribution
- Members should pay 75% of their previous loan before taking another loan
- Periodic auditing of the union should be instituted.

CHAPTER SIX

SUMMARY OF FINDINGS CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter is devoted to the summary, conclusion and recommendations offered on the credit union scheme and the living conditions of members, with regard to their financial challenges, adequacy of benefits and facilities available to them.

6.2 Summary of findings

The main objective of this study was to assess the impact of the credit union scheme on the living condition of members.

The study sought to find answers to issues like the financial challenges facing members, the benefit and facilities available and the impact the credit unions have made on the standard of living of members.

The study revealed two main categories of financial challenges faced by members, namely: Welfare challenges and business or investment challenges. Of the welfare financial challenges, school fees, funeral cost were discovered to have dominated requests made by members of the scheme.

With respect to the business or investment challenges faced by members, acquisition of land, building and working capital were formed to have typed the demand made by members on the scheme. The researcher also found out that the credit Union had certain facilities for the benefit of members.

These facilities were identified as: Loans for School fees, Medical expenses, funeral cost and the acquisition land, cars and houses. Other facilities available members of the credit unions were: loans for equipment, machinery and working capital.

With respect to qualification for loans, the study revealed that 60.8% of the respondents qualified for personal welfare loans within 4-6 months of joining the scheme. It was found out that, the credit union annual interest rates ranged between 36% charged by the traditional banks.

The study also disclosed that the scheme had a significant impact on the standard of living of members. This is attested to by the fact that members readily had access to loans for meeting their welfare and business or investment financial challenges, which they would not have had from the traditional banks without collateral security.

6.3 Conclusion

The study revealed that, members of the credit unions faced certain financial challenges like school fees, medical expenses, funeral expenses, land, cars, home acquisition or improvement. Most of these challenges were met by the credit unions, with educational expenses being the highest and the lowest was loans for means of transport. It was found out that the credit union annual interest rates were between 36% and 60% as against 30% to 35% charged by the banks.

6.4 Recommendations

In view of the fact that credit unions, as microfinance institutions are in keen competition with the banks as well as Non-bank financial institutions, there is the need to build capacity for their management staff, especially in areas like risk and investment management. The study therefore recommends capacity building for the management of teams of the credit unions in risk and investment management to enable them leave up to the challenge of creditably managing the affairs of the credit unions under their care.

Credit unions have played very useful roles in improving the quality of life of the marginalised and excluded in society. These people have had very little or no access to funding from the traditional banks. The only remedy for reducing poverty levels among them is through membership of credit unions. If the credit unions are to be more viable and more beneficial to members, their interest rates should be reduced in order to make the credit unions capable of attracting and retaining members.

It was found out that members of the credit union had to wait for four to six months to qualify for loans. This condition is not favourable to the most vulnerable members who might need the loans for urgent welfare cases like medical and funeral expenses. It is therefore recommended that the credit unions should be flexible in handling such cases.

From the findings of the study the credit unions were unable to readily meet the financial needs of their members. As a result of which most of the members have had to wait for four to six months before getting assistance. The study recommends that the credit unions should use their funds as collateral to secure loans from the traditional banks in order to increase their capacity to meet the financial demands of their members.

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APPENDIX A
KWAME NKRUMAH UNIVERSITY
OF SCIENCE AND TECHNOLOGY (KNUST)

INSTITUTE OF DISTANCE LEARNING

COMMONWEALTH EXECUTIVE MASTERS IN BUSINESS ADMINISTRATION (CEMBA)

A QUESTIONNAIRE DESIGNED FOR MEMEBRS OF SELECTED CREDIT UNIONS IN HO

ON THE TOPIC:

THE CONTRIBUTIONS AND CHALLENGES OF CREDIT UNIONS IN GHANA - A CASE STUDY OF SELECTED CREDIT UNOINS IN HO

ANSWERS TO THESE QUESTIONS WILL BE USED FOR ACADEMIC PURPOSE ONLY

PLEASE TICK [√] WHERE APPLICABLE

Questionnaire for members of Selected Credit Unions in Ho

SECTION A: PERSONAL DATA

1. Gender: Male [ ] Female [ ]

2. Age: Below 20 [ ]

20 - 39 [ ]

30 - 39 [ ]

40 – 49 [ ]

50 – 59 [ ]

60 and above [ ]

3. Religion: Christianity [ ]

[ ]

Islam

Traditional

Others (Specify) -------------------------------------

4. Marital Status: Single

Married

Divorced

Widowed

Others (Specify) ---------------------------------------

5. Nationality: Ghanaian

Foreigner (Please state the Country) -----------------------

6. Education:

Indicate the highest educational level attained

University/Polytechnic

Senior High/Technical School

Junior High/Middle School

Primary School

Others (Specify) --

7. Occupation:

State the category of employment applicable to you

Public/Civil Servant

Private Sector

Self-Employed

Unemployed

Others (Specify) ---

8. Name of Credit Union ---------------------------------------

----

SECTION B

FINANCIAL CHALLENGES

9. Indicate, in order of need, three (3) of the most pressing welfare challenges you face as a member of the Credit Union.

a) School fees ☐

b) Medical Expenses ☐

c) Rent Advance ☐

d) Home improvement ☐

e) Home acquisition ☐

f) Land ☐

g) Car/Motor bike/bicycle ☐

h) Funeral Expenses ☐

10. Indicate, in order of need, three (3) of the most pressing business/investment challenges you face as a member of the Credit Union

a) Land ☐

b) Vehicles ☐

c) Building ☐

d) Equipment/Machinery ☐

e) Business Inputs ☐

f) Working Capital

11. Which of the following facilities are available to you as a member of the Credit Union for meeting your personal welfare and business/investment challenges?

    a) Loans for Personal Development [School fees, Medical Expenses, Funerals etc]

    b) Loans for Personal Development [land, Cars, Home acquisition or improvement, etc]

    c) Loans for business/investment [Equipment, Machinery, Business inputs, working Capital, etc]

SECTION C

IMPACT OF CREDIT UNIONS ON MEMBERS

12. Please indicate, from the list of personal welfare facilities available within the credit union that you did not access before joining the union.

    a) Loans for Educational Expenses

    b) Loans for Medical Expenses

    c) Loans Cars/Motor bikes/bicycles

    d) Loans for Land

    e) Loans for Home acquisition/improvement

    f) Others (Specify) ---

    ----

13. Please indicate, from the list of business/investment facilities within the credit union that you did not access before joining the union.

a) Loans for Land/Buildings

b) Loans for Vehicles

c) Loans for Equipment/Machinery

d) Loans for Business Inputs

e) Loans for Working Capital

f) Others (Specify) ---
----

14. Please indicate which of the following personal welfare facilities you have benefited from as an individual since you joined the Credit Union.

a) Loans for Educational Expenses

b) Loans for Medical Expenses

c) Loans Cars/Motor bikes/bicycles

d) Loans for Land

e) Loans for Home acquisition/improvement

f) Others (Specify) ---
----

15. Please indicate which of the following business/investment facilities you have benefited from since you joined the Credit Union.

a) Loans for Land/Buildings

b) Loans for Vehicles

c) Loans for Equipment/Machinery ☐

d) Loans for Business Inputs ☐

e) Loans for Working Capital ☐

f) Others (Specify) --
----

16. How long did it take you to qualify for the personal welfare facilities/loans, if you have benefited from them?

----

17. How long did it take you to qualify for the business/investment facilities/loans, if you have benefited from them?

----

18. What is the cost of borrowing within your Credit Union for personal welfare loans? Please state the interest rate in percentages (%).

----

19. What is the cost of borrowing within your Credit Union for business/investment loans? Please state the interest rate in percentages (%).

----

20. What is the duration for Personal Welfare loans within your Credit Union?

----

21. What is the duration for business/investment loans within your Credit Union?

----

22. How will you rate the performance of your Credit Union over the past five (5) years?

a) Excellent ☐

b) Very Good ☐

c) Good ☐

d) Average ☐

e) Poor ☐

23. “Credit Unions have a significant impact on the standard of living of their members”.

a) I strongly agree ☐

b) I agree ☐

c) I disagree ☐

d) I strongly disagree ☐

e) I do not know ☐

24. How can the operations of your Credit Union be improved upon to make it more sustainable?
