

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

**An Evaluation of Credit Union as Tool for National Development: A Case
Study in the Eastern Region of Ghana**

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by

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DEGREE.**

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DECLARATION

I hereby declare that this submission is my own work towards the Executive Masters of Business Administration and that, to the best to 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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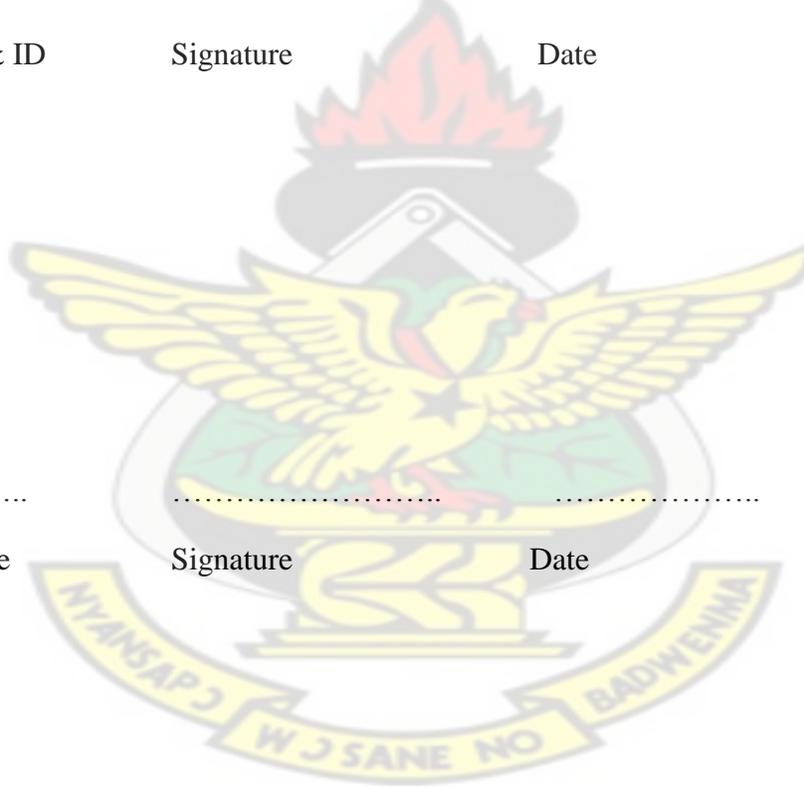
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ABSTRACT

Credit Union activities and their impact on national development in the Eastern Region were investigated. In addition, the study looked at finding effective ways of running Credit Unions.

A survey was used as the design for the study. Structured questionnaires were administered to ninety respondents made up of sixty clients and thirty administrators/managers of Credit Unions scattered across the region. The data gathered from the survey was subjected to analysis using the Statistical Package for Social Sciences (SPSS) Microsoft software in order to respond to the research questions appropriately.

The study revealed that joining a Credit Union impacted positively on the household income and educational status of members, while little impact was seen in the health and social status of clients. The study also established that most Credit Unions have duly constituted boards and management, but most of these administrators were not qualified in their areas of operation. This report also contains several challenges that confront Credit Unions and suggestions to minimise the challenges.

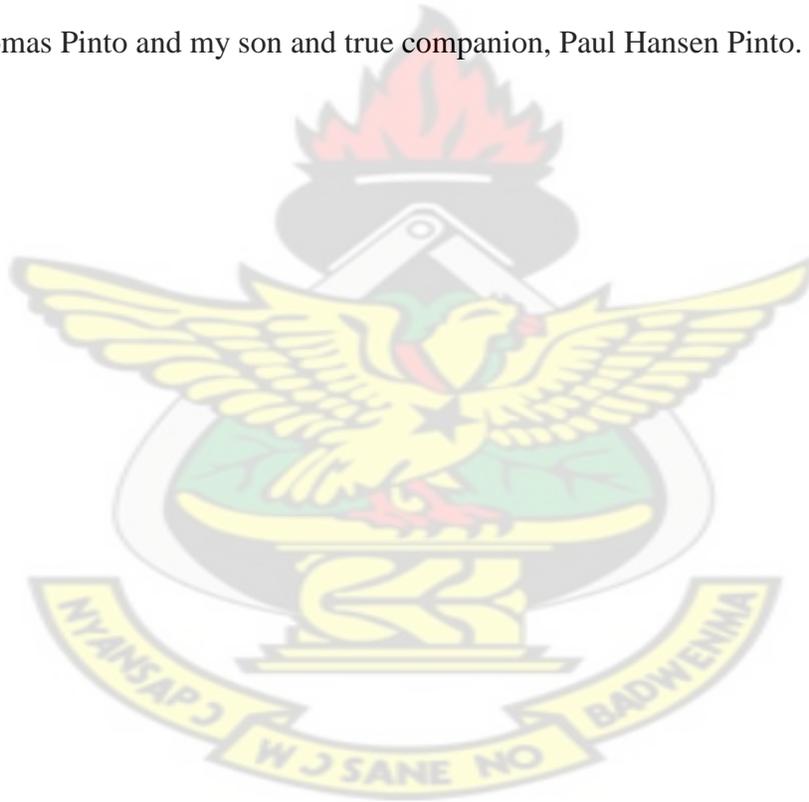
It was concluded that Credit Unions could be used as tools for national development and that qualified and well-trained staff need to be employed, while properly resourcing them to build their capacity. The study recommended that apart from serving the particular communities in which they are, Credit Unions should be set up for profitability to ensure their sustainability, while management need to be properly trained and resourced for effective leadership.

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This work would not have been completed without the patience and support of my husband Mr Thomas Pinto and my son and true companion, Paul Hansen Pinto. I love you.



DEDICATION

To my Mom Madam Salome Adu-Twumwaa whose efforts brought me this far.

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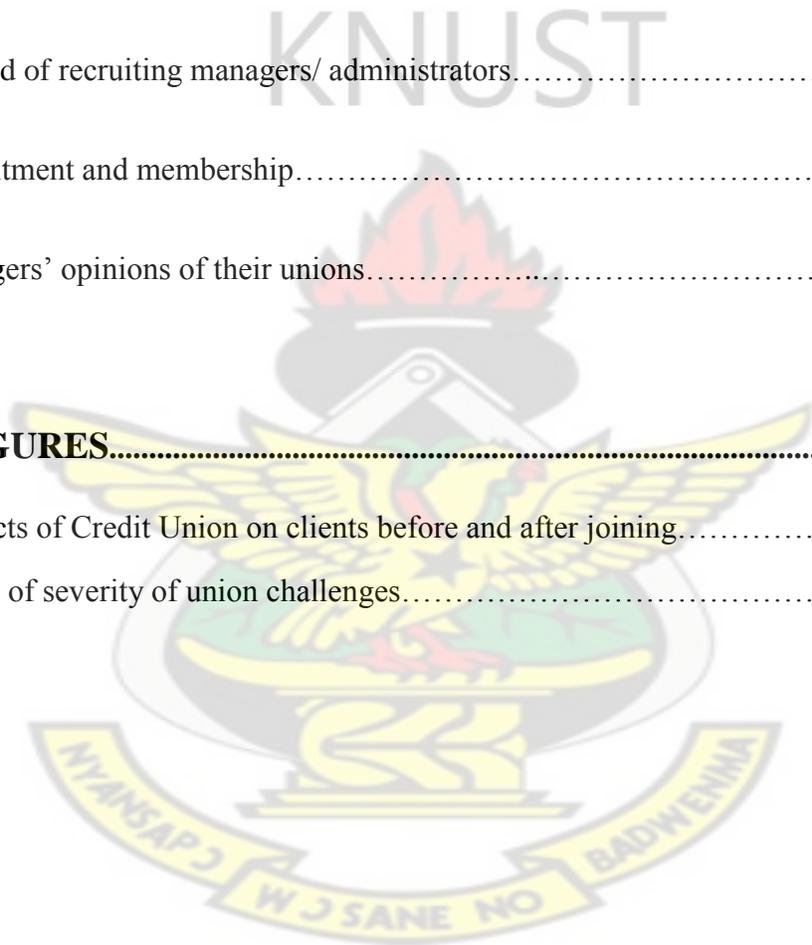
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CHAPTER ONE

INTRODUCTION

1.0 Background to the study

It is an undeniable fact that Ghana's national development agenda has been at a snail pace since independence due to the adverse poverty confronting most of its people especially in the rural areas. Indeed Africa's population are predominantly rural.(United Nations,2001;1991; Stlaual,2001). The rural life is generally characterized by poverty and underdevelopment. These are reflected in the poor and inadequate housing structures, poor nutrition, low levels of life expectancy, water problem, low income levels, poor transport and communication facilities. In terms of agriculture, out of a total agricultural area of 13,628,179 hectares, only 54% of these hectares are under cultivation, making her a net importer of food. (World Bank report, 2010)

Ghana is a net importer of goods and services (Ghana Statistical Service, 2005). Ghana's budget deficit is currently 4.8% of GDP and has been negative for a very long time. Statistics from the Crime Data Services Bureau of the CID show crime rate has been high even though there has been a slight decrease in recent times.

The social, economic and demographic structure of the country has not changed much since independence. The primary sector (agriculture, mining and quarrying, forestry,) continues to dominate the economy alongside the recent discovered oilfield which contains 3 billion barrels of light oil, contributes to output, employment, revenue generation, and foreign exchange earnings. Agriculture is the main economic activity and, currently, accounts for about 37.3 per cent of the Gross Domestic Product, and employs about 54

percent of the labour force. The social structure remains predominantly traditional, rural and informal, with close family links; while the population remains young, with relatively high but declining fertility and low mortality levels (World Bank report, 2011).

The literature is replete with definitions of poverty but most of them focus on income. This kind of restrictive definition tends to becloud the thinking around poverty and following from that affects the efforts at reducing poverty to enhance national development. A more descriptive and solution-oriented definition of poverty will be one that attempts to look at the multi-faceted nature of poverty, giving a vivid view of the various faces of poverty and the intertwined nature of its causes and effects. Ayimpusah and Opoku-Afriyie, (2008) describe this as a catch-22 situation. For instance, good employable skills resulting from good education, *ceteris paribus*, should result in a good job. However, lack of funds can lead to poor education and low employable skills resulting in unemployment or underemployment for the already poor person.

The faces of poverty could be presented as hunger, filth, disease, unemployment, low income, illiteracy, lack of access to social services, vulnerability to crime, low business assets, low access to transportation and low self-esteem. Given the above, national development should then not be seen as a one-off occurrence but rather a systematic approach involving actions that assist the poor eliminate any of the barriers/challenges that impede their progress such as poor education, and thereby improve their living conditions and reduce poverty.

1.1 Statement of the problem

National development has been a major agenda for Ghana since independence and has been given more prominence in recent times (Government of Ghana, 2002). Several attempts have been made with little or no effect. One of the reasons for the low performance has been that Ghana's rural poor, who form the bulk of the population, have had little access to financial services to promote their economic activities. Since the Ghanaian economy is largely informal, financial services should be tailored to the special needs of the poor and marginalised. One common informal institution is the Credit Union.

Credit Unions have been in existence in Ghana for a very long time and have contributed immensely to the informal financial sector. Their major appeal is that they cut across all classes of people; they are contributory and self-owned; and can be found at workplaces, local communities and among religious groups. However beyond their mere presence in the communities where they operate, have they been beneficial to the communities? More importantly, have they been useful in poverty reduction?

Despite the advantages that Credit Unions stand to offer to the development of Ghana not much attention has been paid to the contributions they offer. As a result, this sub-sector has also not been properly developed to cater for the informal sector. The irony is that even though we are going about looking for solutions elsewhere, we have left a very important solution behind. Credit Unions could really serve as a single financial services provider for all the needs of the poor and the rural informal sector but little attention has been paid

to both their operation and development as an alternative to the commercial banks and other operators in the formal financial sector.

Credit Unions are community-based or workplace-based and their management is mostly part-time members' commitment. Whether this affords good reliable management, and if members utilise the facilities for economic improvement becomes the issue to determine.

1.2 Objective of the study

Current thinking seems to suggest that microfinance in general, and Credit Unions in particular could serve as tools for national development. The objective of this project is to find out the contributions that Credit Unions can make towards national development and how the institutions could be strengthened so that their contributions could be more meaningful to national development. Specifically the study seek to achieve the following objectives:

1. To determine the general living conditions of Credit Union member before and after joining the Credit Union-the impact of Credit Unions on
2. To find out the kinds of financial services/activities Credit Unions engage in.
3. To find out whether Credit Union members are satisfied with the services they obtain from their credit unions.
4. To determine how effectively corporate governance is employed in Credit Unions
5. To establish the kinds of constraints that hinder Credit Union development.
6. To make recommendations for improvement of Credit Union involvement in national development.

1.3 Research questions

1. Does Credit Union membership improve the living conditions of the individual?
2. Do Credit Unions offer their members similar financial services as offered by the commercial banks?
3. Are Credit Union members satisfied with the kind of service they obtain from their unions?
4. Do Credit Unions employ the best form of corporate governance needed to operate it as a business?
5. What are the constraints that hinder credit union development?
6. What are the things that can be done to improve operational efficiency in Credit Unions?

1.4 Justification of the study

Microfinance has been known to exist in Ghana for a very long time and it is believed to contribute to national development. Many attempts have been made by governments as well as Non-Governmental Organizations (NGOs) operating in the country to reach out to the poor in society to help them get out of the poverty bracket. The belief is that, microfinance is a panacea for national development. Credit Unions are one form of microfinance often used to assist and support clients to improve upon their livelihoods. However, systematic research information on credit union driven by developmental needs is difficult to find. The findings of this research, therefore, will contribute to the information base of microfinance delivery needed for development, whilst also contributing to existing literature. In

addition, microfinance practitioners and decision/policy-makers will find the research findings useful as a guide to modify the design and implementation of programmes for efficiency.

Besides, Ghana is a developing country and government has a lot to do to support the private sector. Information gathered in this study could thus guide the government of Ghana in designing programmes relating to the microfinance sector and national development programmes.

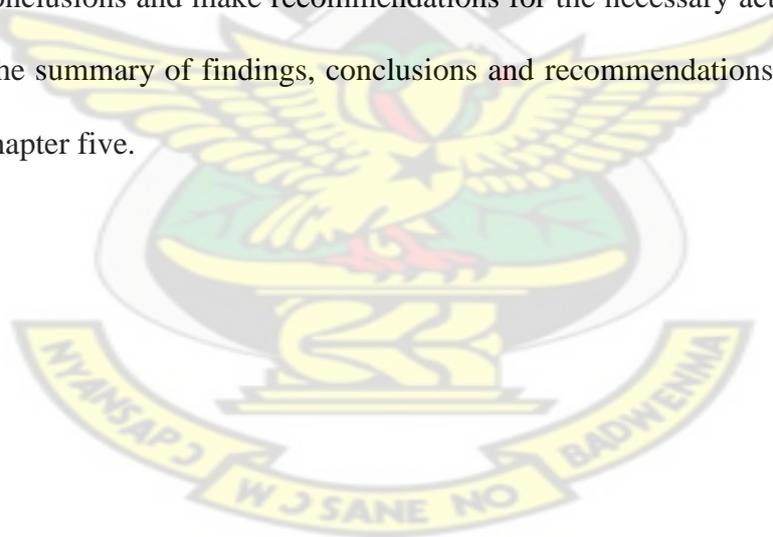
1.5 Limitations of the study

The findings of this research will be based on a limited sample size- only the Eastern Region of Ghana. Therefore its wholesale use might not be effective unless supported by further research evidence from other parts of the country. Furthermore, Credit Unions constitute just one aspect of microfinance. Though several similarities exist among the areas of microfinance, Credit Unions have their own unique conditions. Findings from this study might therefore not be wholly true for other areas of microfinance.

Furthermore, this study will be premised on the assumption that access to tailor-made financial services could help national development. However, finance is just one factor in the equation of national development. It might be difficult to say without the other factors that finance can solely help in national development.

1.6 Organisation of the study

The report is presented in five chapters. Chapter one introduces the report by giving some background information on the subject matter and focus of the study. It also presents the problem statement, objectives and research questions posed for the study. Chapter two presents a review of relevant literature on the topic outlining what other people have done in the sector, and upon which the research seeks to build. Chapter three will presents the outline and detailed description of the methodology used in undertaking the research; data sources, the research instruments and the tools used for the analysis as well as the presentation of the results. The fourth chapter present the findings/results and their explanations which will help draw the relevant conclusions and make recommendations for the necessary actions to be taken. The summary of findings, conclusions and recommendations are presented in chapter five.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Ghana is part of Sub-Saharan Africa, a region classified as developing, and rightly so, with its economic statistics showing that she is still grappling with most of the basic problems the developing world is facing. Africa is richly endowed with natural resources, yet it is faced with the extremes of poverty, and among the world's regions with the lowest of human resource development. She has one of the lowest life expectancies at birth with fewer people having access to safe drinking water. Her population is also made up of a high percentage of rural dwellers who are mainly engaged in subsistence farming, deriving their income from the informal sector. Ghana's GDP is adjudged the best in the West African sub region but yet still it remains one of the lowest in the world. Some citizens of this country still live under \$1 a day. The economy is being classified as an agricultural economy; notwithstanding, it is still a net importer of food; and ironically those food items that its land can support. The statistics of Ghana itself are not too good.

The current population is estimated at 24,658,823 million with a growth rate of 1.822% per annum. On the contrary, the literacy rate still hovers around 64.5%, with primary and secondary school enrolment rates of 77% and 58.28%, respectively. Only 62% of the population have access to improved water source (ministry of works and housing) while improved sanitation stands at 18% in the urban areas. (JMP 2006) Economically, the situation is even more serious. Gross National Product (GDP) stands at 31.31 billion,

growing at 7.47, while inflation still is around 9.1%. Value-added services are at a rate of 41.1% and exports still stand at 39.2%, with a disproportionate import of 63.8%. Besides, in the world of technology Ghana's high-technology exports is just 1.9 %.(World Bank, 2010). Poverty is very endemic in the rural parts of the country, and in more than 13 percent of Accra, the national capital. Statistics show that several factors have contributed to the incidence of poverty in the country, which include:

- Low productivity, poor infrastructure, and inappropriate macroeconomic policies.
- Inadequate health and social services and high illiteracy rates especially in the rural areas and among women.
- Weak institutions-both public and private
- Poor governance, civil conflicts and political instability, and heavy indebtedness and deteriorating terms of trade for Africa's major exports.
- Rising income inequality, in the era of globalization, undermining the prospects of equitable growth and meaningful poverty reduction.
- Generally in Africa, constraints and natural disasters, civil wars and conflicts, poor governance and economic mismanagement have contributed to the general impoverishment of the continent, of which Ghana is a part.

Gulli (1996) sums it up when he says:

The African situation is characterised by mass poverty, food shortage and famines, narrow and weak productive structures with high dependence on imports of a few primary commodities, an extremely weak framework of physical infrastructure and a weak base of human resources in terms of skills necessary to underpin sustainable development efforts.

Africa suffers from social deprivation, hunger, illiteracy, unemployment, and depletion of natural resources, degradation of the environment, inefficient, corrupt governments, and marginalisation from the global economy. Africa suffers from inability to understand the nature of her own underdevelopment, to diagnose the historical and current afflictions and adopt applicable policies, inability to introduce technological change routinely into production processes, lack of skilled manpower, industrial support systems, small domestic markets, poor management, pervasive low productivity and high cost of doing business (Afful, 2006).

2.1 Profile of the Eastern Region

According to the Population and Housing Census by the Ghana Statistical Service, (2010) the Eastern Region has a population of 2,297,565, distributed into 1,138,386 males and 1,159,179 females, and a population density of 79.5, the third highest in the country. It also has a growth rate of 1.9-lower than the national average of 2.7. However, the economically active people (15 years and older) only constitute 58%. The Eastern region covers 19,323 square kilometres. It is divided into seventeen (17) administrative districts.

Overall, Akan-speaking people constitute the largest ethnic group (both male and female) in the region, forming 52.1 per cent of all the ethnic groups in the region. The percentage of Akan female (53.245%) is higher than the male (50.9%). Krobo (18.95%) is the second largest ethnic group in the region, followed by the Ewe (15.9%) and the Guan (7.2%). The largest major ethnic group in 11 of the 15 districts is the Akan. The largest concentration (both men and women) of this group is in Birim South, where more than four in every five Akans reside. Yilo Krobo and Manya Krobo have the largest concentration of the Ga-Dangme, constituting more than 70.0 per cent in both Yilo Krobo (79.7%) and Manya Krobo (71.4%). The Ewe population is the largest ethnic group in the Asuogyaman (39.1%) and Afram Plains (50.8%). The reason for the presence of large concentration of Ewe population in Afram Plains may be due to migration to the lakeside for fishing and farming. The two districts share a common border with the Volta Region, the home of the Ewe. The Guan constitute a third (34.5%) of the population in the Akwapim North, mainly around Larteh, Abiriw, Adukrom and Aseseeso. There are also significant concentrations of the Guan in the Asuogyaman (14.1%) mainly in Anum, Boso and Suhum-Kraboia-Coaltar around Anum-Apapam. The Mole-Dagbon has a small population (9.9%), which is concentrated in the Afram Plains, though not the largest in the district. The variation in ethnic group distribution and composition in the region has socio-cultural implications that need to be taken into account in policy formulation.

2.2 The Economic Conditions of the Eastern Region

The literacy rate for the region is also not that encouraging. Out of the total population 2,106,696, only 46.4% are educated in both English and Ghanaian Language with the level of literacy higher in the males (73.5%) than the female (54.4%).

It is interesting to note that the economic activities carried out by the economically active population in the region are largely informal. Agriculture, Animal Husbandry, Fishing and Hunting are the major occupations of most people in all the districts, representing 54.8 per cent of all occupational activities. Other occupations that are also significant are Sales Work (14.3%), Production and Transport Operators (14%), Professional, Technical and related workers (6.9%) and Services (5.0%). Distribution by gender shows that 56.9 per cent of the male population are in Agriculture, Animal Husbandry, Fishing and Hunting compared with 52.7 per cent of female in similar vocations. On the contrary, a higher percentage of female (21.8%), than male (6.5%) are in Sales Work. The district distribution shows that of the 15 administrative districts, the highest percentage of workers in Agriculture, including Animal Husbandry Fishing and Hunting , is in the Afram Plains(84.0%), followed by the Birim North District (69.4%) with the lowest percentage (14.5%) in the New Juaben Municipality.

Detailed district-based data also show that 85.0 per cent of the male and 83.0 per cent of the female in the Afram Plains District are in Agriculture. The highest percentage of workers in Sales, the second highest occupation in the region, is new Juaben (29.3%) with a preponderance of female (42.6%)

over male (14.9%). The lowest proportions for both male (2.1%) and female (6.9%) are in the Afram Plains. New Juaben has the highest percentage of workers in Production, Transport and Equipment Work (the third largest occupation in the region) (22.2%) followed by the Kwaebibirim District (19.3%). The lowest percentage is recorded in the Afram Plains (5.3%). The highest percentage of males in Production, Transport and Equipment Operators and Labourers is in the New Juaben Municipality (28.6%), followed by the Kwaebibirim District with 23.9 per cent. Females in the same two districts registered 16.3 per cent for New Juaben and 14.3 per cent for Kwaebibirim. (Ghana Statistical Service, 2007).

2.3 Attempts Made So Far at National Development

Ghana has always recognised her under development since independence and several attempts have been made at reversing the trend. Not much has really been achieved in terms of reducing extreme poverty and improving of the poor. For example, even though there has been some level of improvement in terms of the numbers, the depth of poverty has not changed much since 1988 (Ghana Statistical Service,2007). The income gap ratio, the proportion by which the average consumption level of poor households falls below the poverty line, gives an indication of just how poverty has been intense in Ghana. The average consumption among the poor in Ghana is about 34 per cent below the upper poverty line in 2005/2006.

This shows only a slight decline in the depth of poverty compared to the figure of 35 per cent in 1988/89. With respect to the extreme poor, the depth of poverty has remained relatively stable from about 30.0 per cent in

1998/99 to about 31.3 per cent in 2005/06. Thus the average consumption of those living in extreme poverty is about 31 per cent below the poverty line. In short, though the incidence of poverty has been falling in Ghana since 1992, the depth of poverty has remained unchanged. The depth of poverty is about the same for both the standard poverty line and the extreme poverty line.

Comparisons have been made between records from 1998/99 and 2005/06 and have shown that the incidence of poverty has declined in all regions of Ghana with the exception of the Greater Accra and Upper West Regions. Poverty level in the Greater Accra Region was 5.2% in 1998/99, having declined from about 26 per cent in 1991/92. It has however, increased significantly to over 11.8 per cent in 2005/06. The highest poverty incidence occurs in the Upper West Region, where the figure increased from about 84 per cent in 1998/99 to about 88 per cent in 2005/06.

With particular reference to the Eastern Region, it is the region with the second lowest poverty incidence in the country, with about 15 per cent of the population living below the poverty line. It is worthy to note that the Eastern region was considered as one of the regions of Southern Ghana with the highest incidence of poverty in 1998/99.

Besides the geographic pattern, it is also important to relate trends to the economic activities in which households are engaged. For example, a relationship between economic activities of households and incidence of poverty shows that poverty is highest by far among food crop farmers. (Ghana Statistical Services, 2007). Recently, the development community seem to have been prompted to include the eradication of extreme poverty and

promote national development among the Millennium Development Goals (MDGs), (Ayimpusah and Opoku-Afriyie, 2008); the world Bank has also thrown its weight behind the move for national development by declaring “halving poverty by 2015 as bench mark measure of its performance as a development institution, (Essama-Nssah, 2002).

Poverty is multi-dimensional, (microfinance gateway), and could best be understood from the viewpoint of the poor themselves, (Chamber, 1997; Oakley, 1995), therefore the end result of any poverty reduction programme should be seen in access to basic social services such as health care, quality education, potable drinking water, decent housing, security from crime and violence, and the ability to participate in decisions that affect their lives (Ayimpusah & Opoku-Afriyie, 2008).

2.4 Approaches to National Development through Poverty Reduction

Since Ghana’s independence, several attempts have been made at national development, most of which have failed. This failure has been attributed to the fact that most of the solutions have not been based on a clear understanding of the determinants of poverty at both the individual and societal levels (Coudouel et al, 2002; Essama-Nssah, 2002). Two major panaceas have been suggested. The first school of thought is that poverty reduction results from economic growth through the trickle-down theory. This is because economic growth leads to creation of new businesses and expansion of existing ones, resulting in the provision of jobs and increase in tax revenue to help the poor themselves (Nelson, 1995; Gillis, M., Perkins D. H. Roemer, M & Snodgrass D., 1987; Stern, 2003). The problem with this position is that

like its counterpart programmes which put the destiny of the poor in someone else's hands, it does not directly make the poor responsible for their success. Besides, country level experimentations usually do not directly correspond to individual household poverty reduction results (World Bank, 1995; Kakwani N., Son, H. H. & Khandker, S., 2003).

The second position posits that effective poverty reduction programmes require targeting (Sen, 1995; Demery, 1995). Moreover, the degree of targeting ensures that the resources meant for the poor actually reach them, thereby reducing wastage and cost to achieve the desired antipoverty objectives (Sen, 1995).

2.5 Getting Capital to the Poor

For every development process to be successful funding is paramount, as it becomes the oil of growth and indeed the life-blood of the economic system. The financial system is the vessel that carries the life-blood through the economic system (Sowa, 2002); ensuring that funds flow from whatever sources they come from efficiently utilised and the benefits ploughed back into the economic system again. As a developing economy, with a higher percentage of the population falling in the informal category, funding should be tailored to suit the economically active poor to help them generate some income with the trickle-down effect helping to move the nation forward.

Funding in whatever form it takes should not just be in isolation, but must come along with the right technology, training and motivation in order for it to be complete and effective in helping reduce poverty and enhance national development.

2.6 Microfinance Operations in the Informal Sector

A new paradigm that has been embraced by both government and non-governmental organisations interested in development is microfinance. Microfinance is generally an umbrella term that refers to the provision of a broad range of services such as deposits ,loans, payment services ,money transfer, insurance to the poor and low income households and their micro – enterprises(khawari,2004).

More broadly, it refers to a movement that envisions “a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers” (Christen, Rosenberg and Jayadeva, 2004).

Micro finance Institutions (MFIs) consist of agents and organisations that are engaged in relatively small financial transactions using specialised character-based methodologies to serve low-income households, micro-enterprises, small farmers and others who lack access to the banking system. In addition to financial intermediation, many MFIs provide social intermediation services such as group formation, development of self-confidence and training in financial literacy and management capabilities among members of a group. Thus the definition of micro finance often includes both financial and social intermediation.

That is, as a development tool, we are looking at microfinance making funds available to the economically active poor for their economic activities, providing the right education and training needed for the management of the

economic venture as well as providing the means of building up capital for business expansion and any other necessities of life. In other words, the model looks at helping alleviate poverty through helping the poor themselves engage in profitable ventures aimed at improving their income and general economic status, as a result.

Microfinance also helps safeguard poor households against the extreme vulnerability that characterizes their everyday existence.

2.7 Micro-Finance: A Fledgling Industry for the Poor

A more finance-oriented definition for Microfinance is the provision of financial services, usually in the form of small-sized financial transactions, to people who usually fall outside the reach of formal finance. They tend to be the poorest members of all societies.

Commercial banks usually ignore them to avoid high transaction costs of servicing small loans and savings deposits. Moreover, most of the poor do not possess assets normally demanded as collateral, and they are perceived as being too risky to be granted loans.

The microfinance sector has experienced considerable growth during the 1990s. The World Bank reported that 206 institutions surveyed in September 1995 held about US\$7 billion in loans outstanding made to more than 13 million individuals and groups (Paxton, 1996). This was an admittedly incomplete inventory, and the number of microfinance institutions and the volume of lending and savings mobilization have grown since then.

Bangladesh is one of the pioneer microfinance countries. It was estimated that by the end of 2000, more than 1,000 MFIs were operating in the

country. By December 2000, 585 MFIs reported loans outstanding to almost 8 million borrowers with a total amount of over US\$400 million (Credit and Development Forum, 2001). Most of these MFIs serve only rural areas. The growth in their lending has more than offset the fall in traditional agricultural lending of the commercial and agricultural development banks. The MFIs have reached the scale where they may have an important influence on the country's rural poverty (Meyer, 2000).

The microfinance industry consists of nongovernmental organizations (NGOs), village banks, credit unions, specialized banks for the poor, and commercial banks. It is difficult to generalise about such a heterogeneous group, but an important segment of the industry, especially in Latin America, operates on the so-called "win-win" proposition: when the poor can obtain financial services otherwise unavailable to them and benefit from these services, they are willing and able to pay high interest rates and fees that permit the MFIs to be sustainable (Morduch, 2000). Therefore, the MFIs that apply good banking principles are also expected to be those that alleviate the most poverty. Although the industry is beginning to offer broader financial services, it is still dominated by MFIs that specialize in lending. They target the poor but, unlike the traditional small farmer lenders, they do not impose strict restrictions on the use of loan funds. They acknowledge the fungibility of money and recognize that borrowers will use funds to earn the highest economic return or meet their greatest needs, especially emergencies, consumption smoothing and medical expenses.

Therefore, the MFIs educate clients to be prudent and to expect that they will have to repay their loans regardless of how the funds are spent.

Incentives such as interest rebates and automatic access to new larger loans encourage clients to repay on time. Many MFIs use some form of joint-liability, group-lending procedure so that group members screen out those who are less likely to repay and apply peer pressure on those delinquent in payments.

The most successful MFIs recover most loans and experience loss rates of only 1 or 2 percent, a record far superior to most financial institutions under the directed agricultural credit paradigm. One major MFI that has been resilient in the informal financial sector has been the credit union.

2.7.1 Credit Union as a Tool for National Development.

Poverty is very endemic in Ghana, especially in the rural parts. One major strategy for poverty reduction is to fund the economic activities of the poor so that the trickle-down effects of these activities could help reduce poverty for national development. For the poor who is usually cut off from the formal financial system, there is the need for a means of funding which is poor friendly and tailored to their specific circumstances. Credit Unions, which are community based, self-supporting and non-discriminatory become appropriate tools for the financing the poor persons' economic activities for an overall national development.

2.7.2 What is a Credit Union?

In developing country context, credit is an important instrument for improving the welfare of the poor directly (consumption smoothing that reduces their vulnerability to short term income shocks) as well as for enhancing their productive capacity through financing investment in human and physical capital (khandker, 1995)

Credit Unions are financial co-operatives owned and controlled by their members. They offer savings and great value loans and they are local, ethical and know what their members want. Each Credit Union has a "common bond" which determines who can join it. The common bond may be for people living or working in the same area, people working for the same employer or people who belong to the same association, such as a church or trade union. As well as savings and loans, some credit unions also offer other services such as the Credit Union current account where members can use ATM to access their cash.

Members of Credit Unions usually pool resources together and apart from the loans, offer other financial services. Generally, Credit Unions are formed to encourage regular savings, create a source of credit, to promote the welfare of the community as well as to teach sound financial management to members (Credit Unions Association). Credit Unions have actually evolved from just a cooperative to an industry that offers employment to several people and help in economic development apart from the traditional roles they play.

2.7.3 History of Credit Unions

Although the roots of co-operative Credit Unions are obscure it is clear that the breakdown of feudalism freed European farmers from their traditional obligations to feudal overlords and gave them individual ownership of land. However, their entry into what had become an individualistic, capitalist economy placed them in a situation where money and credit were increasingly significant. Similarly, in the towns of Europe, the industrial revolution brought a significant change in the situation of small shopkeepers and skilled artisans, as they lost the protection afforded to them by their guilds and they were faced with growing competition and the need for larger amounts of capital. Co-operation of all types can therefore be seen as an attempt by ‘farmers, craftsmen and other small producers to improve their positions in a non feudal, modern capitalistic society.’ (Irish League of Credit Unions, 1996).

It is also clear that the industrial revolution brought other significant changes in communities as people moved from the countryside to the developing towns to seek work. The old patterns of community were breaking down, so new forms of community co-operation had to be developed - co-operatives – were an attempt to restore a spirit of community both in the towns and in the countryside.

However, in other parts of the world most notably pre-colonial Africa a tradition of ‘Interdependence existed among independent individuals’ co-operativism and mutual support was central to the cultural life of the people, who had already instigated a system of mutual cooperation and support (Khehla, 1990).

Robert Owen is considered to be one of the founding fathers of co-operative ideas. Owen presented his philosophy in four essays that he published between 1813 and 1816 under the collective title of ‘A New View of Society, Essays on the Formation of Character’. These essays became the reference points in the development of his ideas for self-sufficient communities, ideas that he developed in more detail in his 1812 publication ‘Report to the County of Lanark’.

Owens’s ideas of co-operative and self-sustaining communities, in which owners agreed to limit their returns on invested capital, and to use whatever profits were accrued for the benefit of the whole community, were well received in England, Ireland and America - where he, subsequently, went to work for a period of time. However his practical ability in developing self-sustaining projects in these countries was not very successful and all failed. Despite this, the projects left a mark that became part of the bedrock of co-operative organization and culture in the developed world.



2.7.4 Contributions of Credit Unions Towards Poverty Reduction

Having put poverty and poverty reduction in proper context one can then explore the areas where credit unions contribute to poverty reduction. Credit Unions have been seen to make contributions in several ways towards poverty reduction. They include access to capital. Credit Unions have the unique capacity of collecting very small amounts from poor people and making them available to the membership for life-improving activities, from trading to farming to establishing workshops by artisans. For example through micro-lending Women's Trust, a women's microfinance institution makes available loans of between \$55 to \$220 to their members to help them and their children (Women's Trust, 2008). Again, because it is a mutualism organisation, members have access to the loans with fewer restrictions in terms of collateral, time to be with the group before qualification as well as terms of payment. Another very significant role credit unions play in helping poor people get access to credit is the position it occupies as a development organisation. A lot of development aid comes through microfinance NGOs as they are identifiable groups and have specialisation for helping reduce poverty. Being a member of a credit union thus becomes an urge in accessing capital.

It is noteworthy that sometimes due to some of the critical conditions credit unions face and their own self-regulatory mechanisms put in place, either capital cannot get to the members or whatever they have might not be adequate for any meaningful income-generating activity.

Village banking programs in West Africa use some variation of a group lending technology. Groups are formed by people, usually women, who

live in the same village or town. Since it is difficult for members of large groups of 30-60 women to be intimately connected, solidarity groups of six people on average are typically formed within each village bank. These six individuals know one another well and can monitor one another easily.

Group liability is used as a collateral substitute and as a mechanism for contract enforcement. Loan monitoring is, therefore, performed by members of the group, who use peer pressure for loan the case for repayment and who can exclude members who default on their loan from the group, as is the programs visited in Mali and Benin (Ouattara, et al., 1998).

Both the individual and group loan technologies have proven effective in ensuring comparatively high repayment rates of more than 95 percent of amounts due. Some village banks have realized, however, those smaller groups of six people who know each other well are better for monitoring purposes than large groups of 30-60 people. This is an important innovation over the original village banking model, which was applied to individuals within the village bank.

Village banking practitioners like the group lending technology because it allows poorer people with no physical collateral to get a loan. As village bank members develop a relationship with the organization and acquire more assets through a number of loan cycles, however, they may value the opportunity to gain access to individual loans against traditional forms of collateral, as is practiced by the Caisses Villageoises (Ouatarra, et al.,1998). Although this innovation has not been adopted by the village banking programs visited, if it were feasible it may represent an interesting albeit

challenging next step for these organizations. Joint liability may still be a cost-effective mechanism to grant very small loans (Ouattara, et al., 1998).

2.7.5 The Character Traits of Credit Unions

It has been said several times that Africans and for that matter, Ghanaians have a poor savings culture. Several reasons have been attributed to this poor attitude. Most of the people are low income earners and find it difficult to make end meet not to talk of putting any aside. The result is that no money is available for emergencies and would have to rely on very expensive credits during such emergencies. It is however; true that nobody is too poor to save. “The poor already save in ways we may not consider “normal” savings-investing in assets, for example, that can be converted to cash in the future (gold, jewellery, domestic animals, building materials, etc). After all, they face the same series of sudden events we all face: illness, school fees, need to expand the dwelling, burial, weddings.

These informal ways that people use are not without their problems. It is hard to cut off one leg of a goat that represents a favourable mechanism when the sudden need for a small amount of cash arises. Or, if a poor woman has loaned her “saved” funds to a man in order to keep them safe from theft, these may not be available when the woman needs them. The poor need savings that are safe and liquid. They care less about the interest they earned, since they are not used to saving in financial instruments and they place such a high premium on savings readily available to meet emergency needs and accumulate assets. These savings services must be adapted to meet the poor’s particular demands and their cash flow cycles.

Thus to maximise the savings propensity of the poor, institutions must provide the opportunities-both in terms of amounts deposited and the frequency of pay ins and pay out. This kind of service is what most credit unions offer. No matter how poor, families almost always can and want to save, whether in cash or in-kind. (Cattle and jewellery are common non-cash saving mechanisms). Poor households save to manage risk and plan cash flow for future investments. They reduce their vulnerability by saving to cushion against shocks such as natural disasters, crop failures, job loss, illness and death. They “smoothen consumption” by saving enough to support themselves during seasons when their incomes lower, and save up lump sums large enough for family and business investments. Savings facilities will help household risk management the most when they are safe and accessible to the depositors, and when the poor can deposit small amounts on a frequent basis. To allow full access to deposits, the financial institution must be well managed and have sufficient reserves to respond to periods of unusually high demand caused by natural or economic crises (CGAP, 2002).

2.8 Household and Business Asset Acquisition

In an occasional paper submitted to the International Fund for Agricultural Development, Gaiha and Thapa (2006), report that Microfinance (Credit Unions) have impact on asset creation such as household goods and house repairs, but have little or no impact on business assets. This seems to be in dissonance with the general belief that Credit Unions can help not only in establishing a business but also to expand existing ones. For instance, income generated from a business activity helps not only the business activity expand

but also contribute to household income and its attendant benefits on food security and children's education, etc (Microfinance Gateway, 2006).

2.9 Quality Education

Higher literacy facilitates poverty reduction because it increases the share of the population that can take advantage of better employment opportunities created by growth, while at the same time providing entrepreneurs with a larger pool of skilled labour. Broad access to credit and a lower regulatory burden can facilitate entrepreneurial investment, which in turn improves tax revenue leading to improved social services.

2.10 Consumption Smoothing and income generation

The economic regeneration of low income and disadvantaged communities is undermined if people continue to have to pay high charges for credit. Consequently, West Midlands credit unions have been active in regeneration zones in the West Midlands, particularly in Birmingham, Coventry, Hereford and South Shropshire and increasingly in Sandwell and North Staffordshire (Jones, 2005).

Jones (2005), explains that project interventions with small, low income credit unions operating in disadvantaged areas has confirmed the importance of developing credit unions, from the outset, as viable financial institutions. If credit unions are to contribute effectively to the economic regeneration of communities, they need investment, sponsorship and a commitment to develop the capabilities to serve low income members effectively.

2.11 Empowerment and Other Social Issues

Having access to financial services is not just finance but has other social and empowerment benefits. For the larger chunk of the world's population there is no access to any formal financial institution whatsoever, and that the only way they can have access to financial services is through credit unions. For them only credit unions provide the only hope financial transactions such as insurance, money transfer, credit, savings etc.

Secondly, even where financial services are available, there are some socially marginalised groups such as ethnic minorities, women, children, low income-earners, artisans and the physically challenged who are unbanked. Such people cannot rely on the formal banking sector for their financial services. NGOs, governments and other development institutions, working through Credit Unions have often helped these groups of people to raise their status by providing services in the form of savings, micro-credit and micro-insurance.

Psychologically, having an account with a Credit Union or any other financial institution raises the morale and self-confidence of the poor, aside the physical support it provides. Communally, continuing the ideals and beliefs of cooperative pioneers, Credit Unions seek to bring about human and social development. Their vision of social justice extends both to the individual members and to the larger community in which they work and reside. The credit union idea is to extend service to all who need and can use it. Every person is either a member or a potential member and appropriately part of the Credit Union.

2.12 Credit Union Governance and Management

For every institution sound management and corporate governance is key, to its performance and sustainability, and Credit Unions are not exempted from it, no matter how small or young it is. The day-to-day management of the credit union is as important as the governance structures that serve to oversee and monitor those activities. Governance, serves to provide vision, direction and control while sound management brings in the financial bottom lines that drive the union and hold it sustainably.

Management is an art of getting things done through and with people in formally organized groups. (Harold Koontoz)

Governance is the system by which Credit Unions are formally controlled and held accountable (Jones, 2005). Both the board and the manager, as a cohesive unit, have important roles to play in ensuring effective Credit Union development. However, the project has highlighted active board involvement as a critical factor in the modernisation of Credit Unions. Boards of directors have complex decisions to take and have significant accountability to members, the regulator, stakeholders and the community at large. As a group, directors need skills and competencies in financial, organisational and strategic management in order to be able to work with the manager to improve decision-making and the taking of effective action (Jones, 2005).

It is true that credit unions are for the poor and marginalised and enjoy certain distinctiveness from the formal financial sector. However to serve the poor better, its management should be approached with a certain sense of seriousness and business-mindedness. In an action research project report

Jones (2005), argued that for Credit Unions to achieve their social goals they must succeed first as businesses. Jones urges that “Credit Unions needed to adopt a more business and professional approach if they were to realise their potential to serve low income communities effectively. It called for Credit Unions to develop business plans, to strengthen board leadership, to employ staff and to move into more professional premises. Despite early misgivings within certain sections of movement, the business argument for credit union development is now accepted by government, by funders and by credit unions themselves. They have recognised that if Credit Unions are to achieve their social goals, they must succeed first as businesses.

Jones (2005) explains further that the introduction into Britain of WOCCU’s new Credit Union development model promoted a more rigorous approach to the commercialisation of credit unions and a radical restructuring of their financial and organisational management. It introduced directors and staff to a new methodology based on enterprise, efficiency, service and the economic strengthening of Credit Unions. Unfortunately, this new model methodology was sometimes misunderstood. It was argued by some that the new model focus on economic reality undermined the distinctiveness of credit unions as socially driven organisations. Most Ghanaian Credit Union members and operators also think along similar lines.

The project has revealed the many challenges that still face West Midlands Credit Unions. Real progress has been made among a number of credit unions but many others lack investment and often the management and organisational competencies to develop as viable quality organisations. It is

clear that business development programmes, and the introduction of such methodologies as PEARLS, need to be strengthened and increased.

Association of British Credit Unions Limited (ABCUL) (2005), in a study report has come out with recommendations that are not only business oriented but also useful and practical in nature and could be adopted by Ghana as a blue-print for Credit Union management and governance.

2.13 Effective leadership

Growth is dependent on leaders who have the energy and entrepreneurial drive to accept the challenge of change. Where the project has seen real success has been when board of directors, together with staff, approach Credit Union development in commercial terms and begin to take action. Effective leaders recognise the urgency of bringing about change. They have the vision and the desire to change but also understand the process and tactics of change. The project has revealed the drivers for change within the credit union movement.

Change often depends on some kind of trigger, a pressure for change which arises from the realisation that current policies, procedures or other aspects of the organisation's structure are no longer appropriate or effective. The PEARLS seminars were designed precisely to provide triggers for change – the statistical evidence of the impact of low loan to asset ratios motivated participants to reform lending policies. The project has also identified some of the blocks to change. These have included a realisation of the enormity of the transformation being proposed, a lack of time and resources and, sometimes, a

failure to manage external subsidies in a way that promotes sustainable growth.

2.14 The Characteristics of Strategic Management

Success in Credit Union development depends on Credit Unions using a formal strategic planning process to position credit unions competitively in the market and having defined strategies for membership and asset growth. It depends on frequently revisiting and redefining strategies and tactics in the light of experience.

Credit Unions that have progressed during the period of the project have learnt to create space for reflection, analysis and strategic thinking. They have realised the importance of using strategic and business plans as management tools to inform board and staff decision-making.

Successful Credit Unions have ensured that short-term wins have featured within their strategic development. These are actions that can be taken immediately and which display benefits that are visible and unambiguous. These have included the modernisation of lending policies, the introduction of new savings accounts, the improvement of premises and the introduction of new information technology systems (ABCUL, 2005).

2.15 Effective Marketing of Credit Unions

According to Jones (2005), marketing is a new area for Credit Unions, the principles of which they are only beginning to understand. The majority of Credit Unions, including the beacons, give very little consideration to developing marketing strategies. Marketing is ad hoc, intermittent and mostly

confined to occasional promotional and publicity events. However, Credit Unions participating in a research project have learnt the importance of market research, market segmentation, product diversification, unique selling propositions and corporate branding. Several Credit Unions have implemented marketing strategies with significant results. At least one beacon credit union has employed a dedicated marketing officer and several have established marketing budgets within their business planning.

It has been a key learning experience for Credit Unions that effective marketing depends on offering quality products and services that meet or exceed members' expectations. Understanding the implications of the link between marketing and the availability of products and services for different segments of the market has been a challenge for project participants.

2.16 Modernising Processes and Procedures

Developing credit unions as effective financial institutions depends on modernising processes and procedures in order that products and services are perceived as high quality within the market place. Jones (2005), reports that West Midlands credit unions have separated lending from saving and that have coupled this to efficiencies in service delivery have noted rapid growth. Lending in some credit unions has increased over 22% in the financial year 2003-2004. In one rural credit union, membership grew by 74% over the same period.

A sensitive area of change in some Credit Unions has been the modernisation of the role of volunteers who act as unpaid staff members. Increasingly credit unions recognise that operational volunteers can have an

important part to play so long as they have the requisite skills, are adaptable to change and perform to acceptable standards. A number of Credit Unions have introduced new guidelines and agreements for volunteers.

2.17 Serving the Financially Excluded

An analysis of member accounts confirms that the majority of credit unions in the West Midlands have a strong social mission to serve low income members, particularly those facing financial exclusion. Credit Unions continue to be attractive to those unserved by mainstream banking and financial institutions. Research has shown that people on low incomes base decisions about borrowing on the accessibility and immediacy of loans, on the flexibility and discipline of cash repayments and on the simplicity and straightforwardness of terms and conditions. The project has shown that larger, modernised Credit Unions are able to develop the capacity and systems to offer such a service effectively to low income groups.

In addition, equally recognised by low income groups as essential to their financial needs, quality Credit Unions can offer a range of savings accounts geared to the needs of the small saver. In Ghana, such unions are non-existent. Recent research has also indicated the importance to low income groups of using financial services that are embedded in the community. Many project credit unions have worked to ensure whether, directly or through other organisations, this local presence is assured.

2.18 Merging Credit Unions

At the start of the project, there were 72 Credit Unions in the West Midlands, currently there are 58. As in other regions of Britain, the credit union movement in the West Midlands is subject to a rapid rationalisation which is destined to continue. Various forms of amalgamations have developed among credit unions in the West Midlands including the Birmingham clusters, the transfers of engagements to larger credit unions in Telford and Walsall and the coming together of credit unions in Worcestershire, Coventry and possibly in Wolverhampton. Reflection on merger processes has generated specific learning outcomes both in relation to Worcestershire and the development of the South East Birmingham Credit Union (SEBCU). The project has highlighted the importance within any merger process of creating and establishing a vision, of ensuring transparency and commitment, of identifying a merger team, of asking the right questions, of business and financial planning, of keeping the focus on deliverables and of monitoring and evaluating progress. Specific research into the development of SEBCU, undertaken by the Birmingham Credit Union Development Agency, stressed the importance of constant communication and of developing effective partnership working.

2.19 Partnerships

Credit Unions have become increasingly aware of the importance of developing strategic alliances and partnerships with public, private and voluntary sector bodies. Partnerships with local authorities have been, in many instances, crucial to Credit Union development.

Not only can local authorities act as effective sponsors, they are ideally placed to bring together key players within a community and to facilitate effective partnership working between Credit Unions and a range of organisations and agencies. Expanding the involvement of the private and voluntary sector is particularly important given the often decreasing availability of publicly funded support for Credit Unions.

Experience of developing partnerships with housing associations, community organisations and private companies has led Credit Unions to recognise the importance of having service level agreements with partner organisations to clarify respective roles and responsibilities.

2.20 Developing Credit Unions in Rural Areas

The experience of Just Credit Union in Shropshire, and of the rural Credit Unions in Warwickshire and Herefordshire, has demonstrated the added organisational complexity of operating a Credit Union throughout a dispersed rural area. Rural credit unions require significant organisational capacity and adequate capital investment to be able to offer quality financial services, particularly to people in isolated areas who face financial exclusion. It has become increasingly clear that Credit Unions need to build the business in selected locations, and with particular employee groups, before advertising a financial service throughout a large rural county. Just Credit Union in Shropshire and Money Box in Herefordshire have both stressed the importance of developing links with partner organisations through whom services can be delivered to members. Just Credit Union's introduction of

electronic payment cards has been particularly successful and 23% of all cash deposits are now made electronically.

KNUST



CHAPTER THREE

METHODOLOGY

3.0 Introduction

This study was conducted to ascertain how Credit Unions could be used to reduce poverty and enhance national development. In that regard it also sought to seek ways by which credit union operations could be improved to serve as a tool for national development.

This chapter outlines the conceptualisation of the project, the sources of data, the design of the study, approaches and tools of analysis used in undertaking the analysis. It seeks to reveal the methods and approaches used, with specific regard to the type of project under discussion.

The project is based on the assumption that when the economically active poor get access to credit it helps them to improve their individual life conditions, businesses, and households, thereby helping to reduce poverty to promote national development in the country. Therefore this project seeks to find out changes that have occurred in the lives of Credit Union clients with respect to household income, educational level, health and social status. It consequently attributes changes in the living conditions of clients as resulting from joining a Credit Union, hence Credit Unions serving as tools for national development.

3.1 Research Design

The study is an investigative survey and has been designed to use quantitative data collected from two sets of respondents: the clients of selected Credit Unions and the managers/administrators of the same Credit Unions in the Eastern region of Ghana. A survey was used as it affords the opportunity to study into the lives of the respondents. A survey helped to collect primary data from the field and thus helped the researcher gain first-hand information from the respondents, making it more reliable than secondary information from other sources.

Relevant demographic characteristics of respondents, their membership status, their asset owning status before and after joining Credit Unions, as well as the effect of their membership on their households' welfare have been investigated. This was meant to help ascertain the level of change in livelihoods of clients as a result of their membership of a Credit Union. Constraints to effective running and operation of credit unions have also been investigated from the perspective of both clients and managers of Credit Unions.

The AIMS/SEEP Project-impact assessment research methodology has been adopted for this study. The methodology has been adopted because it is comprehensive, and measures impact both at the individual/household, as well as the business/organizational levels. Additionally, it is easy to use and it is cost-effective. Furthermore, there is a component that seeks to provide means of improving any microfinance programme.

This project-impact assessment methodology combines both scientific and practitioner research strategies to undertake any research. It measures evidence of client impact and satisfaction that will help improve the programme.

Narrative reporting, by managers of the unions, through a structured questionnaire was used to gather information on the governance structure and challenges of the unions. The same approach was employed to ascertain clients' perceptions on the operational performance and challenges of the unions.

Household income, educational level and social status are used as measures of living standard of people and it is widely used in many socio-economic researches worldwide. Household income, educational level and social status, before and after an intervention, as measures of change in living standard postulates that an increase in the income level, improvement in education and social recognition of a beneficiary after an intervention is indicative of an improvement in livelihood, hence a positive impact of the intervention. On the other hand, a situation of decrease or absence of change in assets of a beneficiary indicates a negative or no impact of an intervention. This counter-factual approach (before and after) was used in this study to investigate level of improvement or otherwise in the livelihoods of beneficiaries and their households. The living standards of clients before and after Credit Union intervention were the basis used to ascertain the impact of the intervention on their own livelihoods as well those of their households.

3.2 Population

The sample comprised one hundred and twenty credit union members from the eastern region. They included both Credit Union members and managers/administrators of Credit Unions. The respondents were selected randomly from the thirty - five registered Credit Unions in the eastern region.

3.3 Sample and Sampling Procedure

The sample frame for this study was the Eastern Region of Ghana which has thirty - five registered Credit Unions. Using the stratified sampling technique, three districts of the region namely New Juabeng Municipality, East Akim Municipality and Akuapem South Municipality were randomly chosen from a total of twenty one districts. In each district, a list of all union branches was compiled and disaggregated into the three types of Credit Unions: parish, workplace and community. Out of the thirty five credit unions in the region, three unions were chosen from each district, making a total of nine unions in the region. This constituted 25.71 per cent of the sampling frame. four respondents were randomly interviewed in each district; fifteen Credit Union managers/administrators were purposely selected with the reason being that we needed accurate information whiles twenty five clients of Credit Unions were randomly selected. This gave a total sample size of one hundred and twenty respondents in all. The respondents selected cut across: there were women and men, professionals and non- professionals as well as people with high and low education.

3.4 Data Collection Instrument

Two sets of structured questionnaires were used to collect data from clients and managers of Credit Unions selected for the study. Aside the general demographics of the respondents, the interview guides were set up in modules as adopted from the AIMS/SEEP Impact Assessment framework. The guides were drawn as follows:

1. Questionnaires for clients was based on

a) individual (client) level domains of well-being measured were

- social status
- educational level
- household income
- health

2) Questionnaires for union managers/administrators was based on union level domains as follows:

- Management and governance structure
- Human resource base
- Challenges faced
- Ideas for improvement

3.5 Data Collection and Data Analysis Procedure

Quantitative data were collected using two sets of questionnaires as the research instrument: one set for the primary unit of analysis (clients of Credit Unions) and the second for managers/administrators of Credit Unions as the secondary unit of analysis. The questionnaires were administered to one hundred and twenty respondents: forty five Union managers/administrators and seventy five members/clients from three districts: New Juaben Municipality, Akwapim South Municipality and East Akim Municipality of the Eastern Region of Ghana.

A team of four field testers administered the questionnaires in the selected districts from 21st-24th May, 2010.

Data from the field have been analysed using the Statistical Package for Social Sciences (SPSS) Microsoft programme. Both sets of questionnaire were edited and cleaned before the analysis was done. Results were presented in percentages, tables and bar charts.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

This chapter presents the research findings on the demographic characteristics of the respondents, membership of Credit Unions, union activities and governance, as well as the counter-factual (before and after) analysis of the socio-economic status of respondents, which addresses the central issue of the impact of Credit Unions on members' livelihood. Results from both credit union clients and administrators have been presented in this chapter. The former are presented in section one and the latter in section two. Where close comparisons need to be made, such results have been presented in one table.

All findings presented here are from the field survey data and are presented in univariate and bivariate tables, as well as pie charts. The tables indicate frequencies and percentages. This chapter is presented in two sections to reflect the two main themes of the research: the Credit Union impact on clients and management.

4.1 Clients of Credit Unions

Characteristics of respondents

Demographic characteristics do influence the values, standards and decisions people make in life and ultimately their standard of living. Consequently, the research investigated such characteristics of respondents. Table 1 gives the details of both clients and managers of the unions.

Table 4.1: Demographic characteristic of respondents.

Characteristic	Clients of Credit unions	Managers of Credit Unions
	Frequency (Percentage)	Frequency (Percentage)
Sex		
Male	45(60.0)	30 (66.67)
Female	30(40.0)	11(33.33)
Total	75(100)	45(100)
Age range		
18-30years	21 (28.0)	6 (13.33)
31-42	27 (36.0)	14(31.11)
43-55	19 (25.33)	23 (51.11)
56-68	8 (1. 67)	2 (4.44)
Total	75 (100.0)	45 (100)
Occupation		
Public Service.	51 (68.0)	26 (57.78)
Security	7 (9.33)	1 (2.22)
Self-employed	12 (26.67)	18 (40)
Total	75 (100)	45 (100)
Marital Status		
Single	23 (30.67)	13(28.87)
Married	42 (56.0)	27(60.0)
Widowed	10 (13.33)	5(11.11)

Table 4.1 continued

Total	75 (100)	45 (100)
Highest academic attainment		
No formal education	3 (4.0)	0(-)
Basic Level	8(10.67)	4 (8.89)
Secondary	13 (17.33)	10 (22.22)
Post Sec.	17 (22.67)	17 (37.78)
Vocational.	5 (6.67)	8 (17.78)
Tertiary	29 (38.67)	6(13.33)
Total	75 (100)	45 (100.0)
Household status		
Head	66 (88.0)	39 (86.67)
Member	9 (12.0)	6 (13.33)
Total	75 (100)	45(100.0)

Source: Fieldwork, 2012.

The majority of the client respondents are male, and they constitute 60 percent and female make up the remaining 40 per cent of the sample. Similarly, among managers, the majority, 30 (66.67 percent) are males, indicating low female participation in Credit Union activities. This low participation of females in Credit Unions in the region is not a good sign for the people in the region. Majority of the population in the Eastern Region are engaged in Agriculture, Animal Husbandry, Fishing and Hunting and Sales work. These economic activities are dominated by women. This means that Credit Unions in the region do not benefit much from the economic activities

of the population while the people themselves are also denied of the contributions that Credit Unions make in the lives of the people, especially in the area of poverty reduction. This is because by the nature of their economic activities and their financial backgrounds it will be difficult for them to obtain financial services from the formal financial institutions. The only option is the informal financial institutions, the closest being the Credit Unions.

In terms of age of clients, the majority fell within the age group of 31-42 years, as shown in table 1. This is a good sign for the development of Credit Unions as well as the Ghanaian economy. It has been suggested that Ghana's development can only be enhanced when Ghanaians themselves build their own capital and invest it. Therefore if people within the most productive age bracket are conscious of capital formation then it is hoped that the nation could raise its own capital for business and other development activities.

This would be a solution to one of Ghana's major hindrances to development-capital. On the contrary, for the managers, the majority of 23(51.11 percent) are between 43-55 years. This indicates and reflects the importance attached to age when it comes to leadership. Traditionally, wisdom and experience are seen to be products of age, hence leadership roles are often assigned to older people. Again, the most important factor in Credit Union operation is trust. Because most of these unions do not have the capacity to do due diligence in the recruitment and cannot afford to be too much exposed to fraudulent managers, they rely on long service and proven loyalty to the union.

This requires time, hence, the observation of relatively older men managing the unions. For both groups of respondents, those within the age

group 56-68 years are in the minority of 8(10.67 percent) and 2(4.44 percent) respectively. This could be attributed to the observation that few people in the retiring age participate in Credit Union activity possibly due to reduction in their income levels hence they can hardly make their contributions.

The results relating to occupation of clients as shown in table 1, indicate that majority, 51 of them representing 68 percent are in public service; 12 of them constituting 26.67 percent are self-employed and a few, 7(9.33 percent) are employed in security services. A similar trend is observed among the managers, where the majority (57.78%) are public servants followed by 40.0 per cent in commerce. This suggests a massive involvement of active public servants in credit union activity. This might be expected because most of these groups are in the low and medium income brackets and might find it difficult obtaining effective financial services from the formal financial sector. Credit Unions come in handy for people within this income category.

One major problem that plagues Credit Unions, and to a large extent other community based credit schemes is the propensity for loan and contribution delinquency on the part of the membership. This is attributable to the fact that most of the members are not in formal employment and thus do not enjoy a regular, smooth income. Even where they do, they find it difficult to regularly frequent the premises of the Credit Unions to make their contributions and loan repayments. This eventually affects their contribution as well as repayment of loans, resulting in long absenteeism and eventual exit from the union. On the other hand, those in public service have a regular income and their contributions and loan deductions are made from source. It is

therefore possible and more convenient for contributions and loan repayments to be made by those in formal employment than those in the informal (self-employed) sector.

In terms of marital status, the results show that the majority (56.0%) of the clients are married; a similar trend was observed among the managers, with the majority of 27 (60.0%) being married, as can be seen from table 1. The fact that more than half of the clients are married is significant. Married people obviously have greater family responsibility with regards to meeting family needs such as feeding, clothing, housing and educating members of the family. In most households of an average size the income is not large enough to cater for all these needs at one particular point in time. Heads of families therefore find it convenient to have a back-up to fall on in times of need. Joining a Credit Union affords the family the opportunity to make small but significant contributions on a regular basis. This serves not only as savings but also security for future borrowing. Another significant reason for married people to join Credit Unions is that since they operate in particular communities members know and understand themselves. It is therefore easier and faster for families to procure financial assistance during emergencies than doing so with the banks and other financial institutions.

Results on clients' educational attainments indicate that, the majority, (38.67%) attended tertiary institutions as their highest level of education, while an insignificant number (4%) had no formal education. This means that one's educational level influenced a lot of the decisions taken to improve the quality of life, especially when it comes to savings. By this it could be argued that given the same opportunities and resources the formally educated person

could take the right decisions and put their resources to better use than the one with little or no formal education. This inference is not far-fetched as it has been proven through research that in Ghana living standards positively correlate with level of education. The implication is that for poverty reduction to be effective the poor need to be educated about their position and the need to be involved in certain intervention programmes and not just impose the solutions on them.

Among the managers, those who had post secondary education, were in the majority (37.78%) while those who had tertiary education were 6 and constituted 13.3 per cent. All of them had had formal education. On the client level this sounds encouraging as it indicates that the highly literate people are now realising the benefits of Credit Unions and might want to take advantage of it. On the personal level, it means they could save as well as procure loans to augment projects they embark on, be they at the household or enterprise level. Also they could bring their training and experience to bear on the Credit Unions as managers when given the chance. For the managers it could be that the low patronage by the well-educated is stemming from the fact that it is voluntary and lowly remunerated, thus the well-educated prefer to do other things with their time though they still remain members of the Credit Unions. It could also be that their job requirements are so demanding that they cannot afford to work as managers of the Credit Unions in addition to their current roles. It is however, important to note that these well-educated members could take active roles in the unions in the future to use their expertise to help grow the unions.

Household headship influences a lot of financial decisions people make in life. Results, as seen from table 1, indicated that the majority of 66(88.0 %) of the clients were household heads and similarly, 39 (86.67 %) of managers were household heads and both included females as well. Again, the reason that could be attributed to this high level of household head participation is that they make economic decisions for the whole of their families and that they need to seek means of improving the family's income sources hence the joining of a credit union. Furthermore, it is easier and timelier to access financial support from these localised unions by family heads, and given the kind of disappointments clients suffer with banks, household heads will prefer to join Credit Unions to saving at the commercial banks.

4.2 Credit Union Membership and Activities

To obtain valid information concerning the activities of the Credit Unions, the question on membership was administered to only members of Credit Unions. Table 2 gives details of the activities of the Credit Unions.

Table 4.2 Credit Union membership and activities.

Activity/Procedure	Frequency/Percentage
Duration of Membership of union (year)	
0 -5	43 (57.33)
6-10	17(22.67)
11-15	5 (6.67)

16-20	10 (13.33)
Total	75 (100)

Table 2 continued

Mode of entry

By oral arrangement	5(11.11)
Free registration	41 64.44)
Paid registration	29 (24.44)
Total	75 (100.00)

Types of services /products offered

Cash Loans	73
Savings	70
Consumer Credit	26
Shares	35
Advisory Service	10
Total	214

Source: Fieldwork, 2012.

Clients were asked about their membership status in the unions to ascertain their knowledge and involvement. Results indicated that membership duration ranged from less than one year to twenty years. Majority of these members, representing 57.33% have been in the Unions for at least 5 years while 17 (22.67%) have been in the union for between six and ten years.

These figures indicate that until the last five years Credit Union membership had been low. It is therefore good to see the figures appreciate within the last couple of years.

It can be deduced that more and more people are now becoming aware of the benefits they can derive from Credit Unions and are joining as a result. If this upward trend should continue then people in the region stand the chance of building up capital that could be used to increase their output in their economic activities. Another factor that could have also helped the membership grow in the last few years might be the educational campaign and awareness creation embarked upon by the Credit Union Associations (CUA) of the Analysis of how the respondents became members of the Union indicates that, majority of them (64.44%) became members through free registration whilst the minority. The remaining proportion became members by paid registration. Those who paid were asked of their opinion about the amount of money they paid. Those who said the amount was 'just o.k.' were in the majority; only a few said it was either too low or too high. Membership drive is very important for a credit union, and free registration is one of the most efficient means of increasing recruitment. This is because for now Credit Unions remain informal and are set up for social service interests rather than profit-making considerations, in Ghana. Its major focus now is to get more people to enrol and make the institution as popular as the commercial banks as the case is in other countries like Bangladesh and Indonesia. So, free registration is the best form of recruitment for now.

From table 2, it can be observed that most Credit Unions offer the basic financial services needed by the low income population. All sixty

respondents said their Credit Unions offered cash loans and opportunities for cash deposits (savings). A significant number of respondents also had the option of buying shares in their Credit Unions, but only a handful had the benefit of receiving advisory services from their Credit Unions. Consumer credit services which used to be very popular in the recent past were also not a major feature in the activities of the Credit Unions in the region. The findings above are an indication that the Credit Unions are giving their membership the basic essential services that could have otherwise eluded them if they were to rely on the banks. After all, most people who deal with banks only go there for savings and cash loans. The opportunity to invest through the purchase of shares is also a welcome idea, even if the value lies in it being a token rather than its cash value. The shares members buy are usually confiscatory for as long as one remains a member of the Credit Union and open-ended (could be bought at any time of the year). This helps the members build up an additional capital/savings while strengthening their self-discipline as far as savings is concerned. Additionally it helps the Credit Unions increase their ability to lend larger amounts of money to their members. The result is the ability to finance projects both at the household and enterprise levels at a very low cost, apart from increasing the capacity and popularity of Credit Unions. One important factor that should be lost in this discussion is the very low interest rates charged by Credit Unions. Their ability to lend larger capitals to the low-income earner will, in no doubt, be a big boost for poverty reduction in Ghana.

It is however, not encouraging that only few clients enjoy consumer credit and advisory services. Most credit union members are low and irregular income earners who might find it difficult to acquire certain consumer goods

like televisions, fridges and computers. When Credit Unions offer these services they will help their client acquire these products to improve their living conditions while the unions themselves make additional income. Its low popularity, notwithstanding, may be due to the often low patronage by members of such facilities and more seriously the inability of patrons to pay back the money for recirculation. Advisory services are not popular with the Credit Unions maybe due to the fact that managers consider them as not being part of their core business and that they are there to just receive deposits and give out loans.

This notion if true is erroneous. It has been proven that credit with education/training (advisory services) has the potential to improve economic activities of the poor, especially women thereby helping reduce poverty, than just given credit. This has been the major reason why interventions that have sought to dish out cash to the poor by both governments and non-governmental organisations have failed woefully. The issue is that the people are poor not just because they lack money.

They are poor because they are socially poor, a phenomenon which is evidenced in low self-esteem, lack of confidence poor training in life skills etc. They need something more than just cash. Credit Unions could take this aspect up to make their existence in the communities more effective.

Offering additional services such as share purchases, advisory and consumer credit services makes the union all-round comprehensive and an alternative to the banks. In that sense the poor would have found safe havens

as far as financial services are concerned, going a long way to improve their lot.

Apart from receiving the first and most basic service of savings, clients were also asked whether they had received other benefits from their Credit Unions. As might be expected, majority of clients had received other benefits from their unions. Quite a significant number of clients had not taken loans before from their unions. There is a good number of people who join Credit Unions for the sole objective of saving part of their income and not necessarily to obtain loans. For such people it is not surprising that they have not received such benefits before. This is good for the economy. Financial institutions serve as financial intermediaries, gathering money from the financially surplus entities and giving them to financially deficit entities.

4.3 Clients' Opinion on Level of Satisfaction with their Credit Union

In order to assess the extent to which the unions are satisfying clients' needs and expectations, the clients were asked to express their level of satisfaction with the services they received from their unions. It is gratifying to report that they were all satisfied with the services they received. This means that whatever they look for in the union is given them. This is the single most important asset of the Credit Union movement.

In every service institution, of which Credit Unions are example, client satisfaction is the defining moment for the success or failure of that institution. The fact that all the clients were satisfied means that even the little benefits they enjoy, they are prepared to stick with their unions. What is left then is for the managers to see the institution as a viable alternative to the other financial

institution and develop it such that their full benefit, especially as development tools, could be felt.

4.4 Impact of Credit Unions on Clients/Members

In order to assess the impact of credit unions on clients, a “before and after” counterfactual approach was employed, based on educational pursuit of dependants, health, social status and residential status. The results indicate that, many of the clients were satisfied with the benefits derived from their unions because they had experienced a great deal of positive change in their livelihood. Analyses of their ‘before and after’ situations are presented in Figures 1a and 1b.

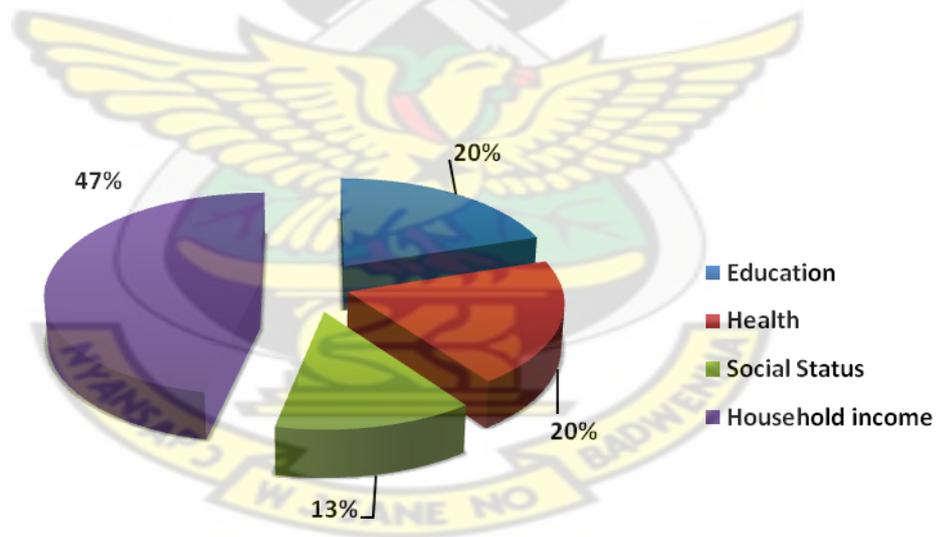


Figure 4.1: Impacts of credit union on clients before joining

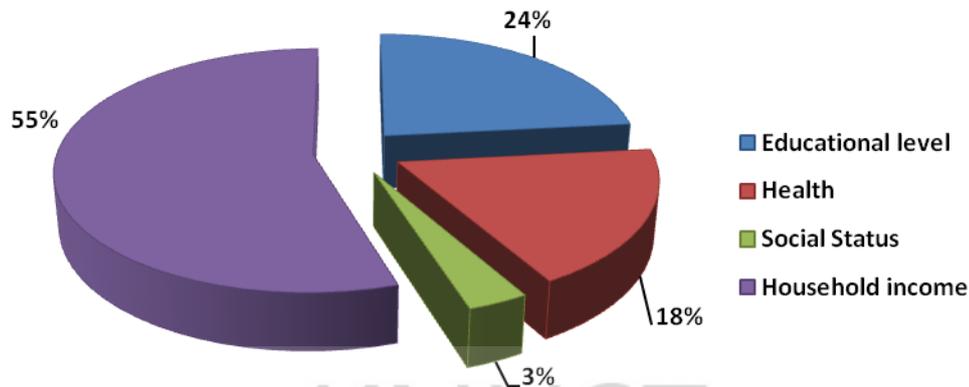


Figure 1b: Impacts of credit union on clients after joining.

Figure 1a shows the existing situations/status of clients before joining the credit unions. The segments indicate the general view of respondents. In the 'after' situation, an increase in size of any segment, compared to the 'before' situation, indicates an improvement in that attribute of more clients, while a decrease indicates a worsening situation.

The results from the survey were quite revealing. Respondents said their educational status and household income improved while their health and social status declined.

The improvement in the educational status of the clients is to be expected. Majority of the clients had tertiary education. It is likely that they joined the credit unions in order to make savings or obtain loans to further their education. Most of the respondents were also drawn from the public service, where there is flexibility in their job schedules and so with the financial support added to the time flexibility they were able to further their education. It is also likely that most of these respondents had their own plans

for upgrading their educational status and that it was just coincidental that they improved their educational status upon joining the credit union. Whatever the case is most of these clients earn low incomes and might have used their savings or obtained loans from their unions to support themselves at one point or the other during the course of their education.

Household income is one of the major determinants of poverty. It is also one of the areas workers are seriously concerned with. Bread-winners will therefore try several means available to improve their household income, which they know can help improve other areas of their lives, say assets and education. Most people joining credit unions must have made some savings or obtained loans to engage in additional economic activities or expanded their existing activities resulting in an improvement in their household income.

Usually, for low income earners to engage in savings or further their education a lot of sacrifices will have to be made. The possibility is that since many Ghanaians consider health as a secondary issue, the respondents saved and expanded their economic activities at the expense of their health. Again, for the low-income earner medical examinations and health checks are a rare phenomenon. It is possible that the low health status might not have resulted from being a member of the union but might be due to an already existing health problem which has intensified as the individual grows.

Furthermore, their relations and neighbours must not have noticed the significant improvements in their education and income hence the low social status accorded them. It could also be that they had invested their benefits

from the Credit Union in other life-changing projects and were not lavishing them on glaring items; hence low social status accorded them.

4.5 Challenges of Credit Unions

Credit Unions have been in existence in Ghana for a very long time. However, it is still not being recognised by many as a viable alternative to the commercial banks. This current situation may be attributed to the fact that not much attention has been paid to their development and operations in the country. They still operate as traditional institutions which lack capacity and resources to develop and operate as viable ventures. Respondents' opinions were solicited on some of the challenges that might have contributed to the low development of Credit Unions in the region and to a large extent, the country. In addition to the challenge the severity was also factored into the response. Figure 2 gives a graphical picture of what the respondents thought.



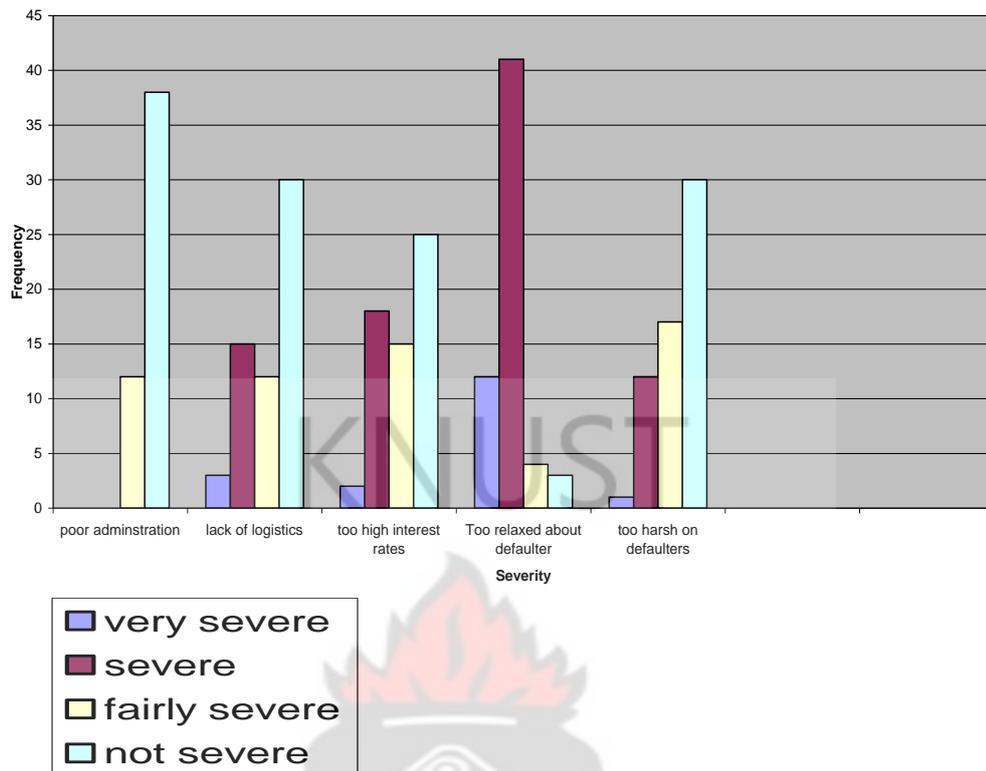


Figure 4.2: Level of severity of Union challenges

Traditionally, many people see banks as being difficult to do business with and that they prefer doing business with those they live closely with and might have certain sympathies for them, since they understand their peculiar needs. As can be seen from the chart, the clients were comfortable with the way the managers dealt with defaulters, since they knew they could be in similar situations. They still saw the Credit Union as belonging to the community just like any other communal facility and that its resources must be used to support whoever is in need, irrespective of its consequences on the union. This in itself is a major challenge to the development of Credit Unions in Ghana. A lot of Credit Unions are stagnating in their growth or are near collapse due to loan

delinquencies as funds no longer re-circulate and serious members are forced out due to frustrations with regards to accessing funds from the union.

All in all, the respondents saw poor administration, lack of logistics, interest rates and treatment of defaulters as the areas of challenges among the Credit Unions. However they did not think poor administration is a very severe challenge to Credit Unions. They also were not too particular about interest rates. This is a true reflection of the current financial market situation in Ghana. Currently, bank interest rates average 25%, while some microfinance institutions' rates hover around 30% as against Credit Union interest of about 19.5%. Obviously, apart from the problem of access, anybody will opt for the Credit Union.

Another interesting observation is that respondents did not think lack of logistics was a major challenge to the development of Credit Unions. This perception also runs counter to the modern rule of effective management. Perhaps the respondents still thought that credit unions exist just as a pastime and that good structure, furniture and office equipment did not really contribute anything to their success. The truth is that to be able to make the Credit Unions and appeal to people from all walks of life, the premises and tools used must measure up to standard. Besides in this technological age the lot of the Credit Unions could be improved with modern information and communication facilities such as the internet are incorporated in their operations. The fact is that Credit Unions are a multi-billion dollar business sector globally and we in Ghana cannot still afford to see them as was the case in the past.

4.6 Managers of Credit Unions

Besides credit Union clients understanding how Credit Unions can impact their lives and showing full commitment to it, management also has a huge responsibility of ensuring that the right structures are put in place to make the running of the union both effective and efficient. Management here refers to the board of governors and the various committees, as well as those involved in the day-to-day running of the unions.

This section presents findings and discussions on managers of Credit Unions. This gives the perspective of the administrators of the unions on administrative/ governance and impact issues.

4.7 Methods of Recruiting Managers/Administrators of Credit Unions

Table 3 illustrates the methods employed by the various Credit Unions for appointing managers/administrators.

Table 4.3 Methods of Recruiting Managers/Administrators

Method	Frequency (Percentage)
Election	25(55.56)
Long service and commitment	13 (28.89)
Popular acclamation	2 (4.44)
Imposition	0 (-)
Volunteering	6 (13.33)
Total	45 (100.0)

Source: Fieldwork, 2012

Respondents were asked to state the method that was popularly used for picking the administrators of the unions. Obviously, majority sampled managers/administrators representing 55.56% stated that managers are nominated and voted for to occupy the various positions in the organization, while a significant number of them were also selected based on the long service and commitment of the managers. This implies that recruitments done by popular acclamation and volunteering are not rampant among the sampled Credit Unions. Moreover, none of the Union employs imposition as their recruitment procedure according to the study.

It is significant that majority of managers/administrators were selected. It satisfies the spirit of mutualism, which is democracy and trust. It might be the reason why the union members were satisfied with the way their unions were run. It is again important that a lot more managers were appointed based on long service and commitment which signifies trust and confidence in the leadership. This is significant for a community-based organisation like a credit union. With this gesture, members see the union as existing for them and that they are truly part of the management process even though they are not involved in its daily running. Members will be motivated to make their contributions and loan repayments as well as get involved in decision-making to ensure that the right decisions are taken. Another result is that once they are satisfied they would be willing to publicise the union and facilitate the process of recruiting new members. Credit Unions make very little margins in their operations and the only way they can improve is having large numbers. This can only happen when satisfied members are testifying to the benefits the union could bring.

4.8 Recruitment and Membership of Credit Unions

The managers were found to be managing the unions in different capacities as President/ Chairman, Treasurer, Public relations officer and secretary, among others. They were managing unions of different numerical strengths and with members of varying backgrounds-traders, public servants and security workers.

Table 4.4: Recruitment and membership

Attribute	Frequency/Percentage
Membership strength	
20-40	1 (2.22)
41-60	2 (4.44)
61-80	9 (20.0)
81-100	6 (13.33)
101-120	3 (6.67)
Above 120	24 (53.33)
Total	45 (100)
Mode of recruitment	
Advertising	0
Personal contact	13(28.89)

Table 4.4 continued

Approach management	27(60.0)
Networking-relations introduction	4(8.89)
Other	1(2.22)
Total	45 (100)

Whether satisfied with current

Membership strength	
Satisfied	39(86.67)
Dissatisfied	6(13.33)

Source: Fieldwork, 2012.

Table 4 indicates how members are recruited as well as the numerical strength of the unions.

From table 4, it could be observed that majority of the managers of credit unions sampled had memberships of more than 120. This shows that credit union awareness is increasing amongst people in the region. If this trend continues then credit unions could contribute significantly to the economic growth of the region. It has been suggested that one of the major problems of credit unions is low numbers, resulting in inability to run the union for profit and pay staff realistic wages. If membership improves, then economies of scale will apply, resulting in increased profitability. It is noteworthy that majority of managers responded that they were satisfied with the membership. Their satisfaction could be based on the fact that their staff strength is so small that they cannot deal with large numbers effectively. It could also be that they

are weighing their current resources available to them, and are therefore, of the opinion that their membership is a true reflection of the effort put in. It is however not clear whether at the current membership levels their various unions could make enough profit to cater for the expansion of their unions.

Over 60.0% of the recruitment was done by potential members approaching management. This is encouraging. It means that the clients find that the unions are giving the membership something better than what other financial institutions are offering. They are consequently willing to join the union to enjoy those benefits. From the economic perspective, it could be possible that for most communities the Credit Unions are the only available financial institutions available. Furthermore, most of the other financial institutions have very stringent rules requirements with regards to obtaining financial services from them. Most of these potential clients must have had disappointments from other financial institutions and would want to settle on the more flexible Credit Union. This method is, however, not proactive enough and still shows signs of the traditional, communal nature of the credit union, implying that credit unions have not evolved in the Eastern Region. Credit Unions by their nature and set up have a lot of popularity with the communities in which they are placed. Membership could be improved by taking advantage of the popularity to educate the community on need to join the unions through campaigns and advertisements.

Table 4.5: Managers' opinions on their Unions

Attribute	Frequency/Percentage
Whether Union is well-organized	
Yes	39 (86.67)
No	6 (13.33)
Total	45(100.0)
Reason why unions are well-organized	
Leaders are managing the union well	5(11.11)
We have regular meetings	27 (60.0)
Members are well-behaved	13 (28.89)
Total	45 (100.0)
Reasons why unions are not well organised	
Members' apathy toward the union	12(26.67.0)
Lack of logistic support	26(57.78)
Lack of leadership commitment	7 (15.56)
Total	45(100.0)

Source: Fieldwork, 2012

A greater number of managers said their organisations were run well, with the reason that they held regular meetings and the membership was also well-behaved. The few who were not satisfied with the level of management cited members' apathy, lack of logistic support and lack of commitment on the part of the managers.

Another very important aspect of management was the board of governors in place. It was observed that 93% of the managers interviewed had boards in place and they were all brought into office by voting at the AGM. Most community-based organisations collapse as a result of embezzlement of funds and other misconducts from the leadership. Credit Unions are less regulated by the central government and for that matter more risky than other well-regulated financial institutions. To compensate for the weaker governmental control, a duly constituted board with the right qualification and experience due diligence would ensure that managers act with integrity and commitment. Proper management will in turn ensure that patrons' monies are safe and are put to proper use.

However, it was observed that most of the managers were not qualified and that majority of those who qualified had general qualifications rather than finance. This certainly will limit their level of performance and might not help the unions achieve their poverty reduction roles.

The low and inappropriate qualification by managers could be attributed to several factors. Most of these credit Unions start very small, self-supporting groups. They usually have the intention of saving up small contributions and giving some or all to members when the need arises. So, in

that case, selection of managers is most often not based on qualifications but rather commitment and willingness to act in those capacities. Additionally, even where the unions have grown to an appreciable level, management is appointed from amongst the membership, by rule. Another major reason is that in most cases, the membership strength is small with their contributions very small and irregular. Under such circumstances the Credit Union is not financially grounded enough to hire the services of well-qualified staff to manage the affairs of the Credit union. The result is that the union is deprived of expert administration and management, causing it to stagnate or collapse eventually. The low management profile could thus, be viewed as a very serious threat to the organisation of Credit Unions in the Eastern region which could hamper the contributions they stand to offer towards poverty reduction in the region.

4.9 Recommendations to Improve Upon the Running of Credit Unions

A major part of this study is where the respondents were given the opportunity to share their views on how the unions could be improved to ensure that they provide the right kind of tools needed to improve the living conditions of the poor to help reduce poverty in the region.

The responses given on the respondents' suggestions for improving the credit unions were quite revealing.

Out of the total sample of 120 respondents, 75 (62.5%) had no objections as long as the running of the unions was concerned. However, 45 (37.5%) of the respondents expressed their dissatisfaction at certain conducts of their Credit Unions. For instance they were concerned about the size of loans they

obtain, low remuneration of staff, lack of logistics, small interest earned on their savings and shares as well as deliberate default by members on loans. They raised several suggestions that could go a long way to assist the activities of the Credit Unions. Some of them are listed below;

- Credit Unions should be run with the aim of maximizing profit to pay attractive interest rates to members, dividends to Shareholders and to pay for all overheads with surpluses for other purposes. As credit Unions stand now they only offer financial services to the financially excluded have done well to carry out that social responsibility. However, as the world economy and financial sector develops it is expected that the Credit Union as an institution is developed such that it becomes a viable alternative to the other commercial entities as a tool for poverty reduction.
- Credit Unions should aim at client satisfaction. They must also ensure that the Unions are located at the right places. This will call for proper training for staff and other people involved in the day-to-day running of the Credit Unions, especially customer-facing staff.
- Credit Unions should employ active and competent people to run the organization. The short term measure is to train existing staff in their areas of operation while the long-term could be to make the union more profitable so that they can afford the services of competent personnel to manage the unions.
- Training should be frequently organized for Credit Union managers. They should be trained on customer service.

- The interest rates are not competitive enough for profitability. It should be increased from the current 19.5% per annum to 24.0% per annum. Those who take loans and fail to pay in time should be given the appropriate sanctions.
- The credits generated should be invested for other useful purposes.
- Loan terms should be longer to allow for flexibility. The loan terms could be extended if there are enough funds for the running of the unions. The paradox is that what is collected is what is given out in loans and other services. Therefore if the union lacks financial capacity then very little could be done to extend the loan term as since whatever funds available should be circulating all the time.
- There must be frequent in-service training for all the union members. This is another major area that needs to be strengthened. As well as they lack financial capacity, the poor also lack social capacity. Regular education on how to save, what to do with savings and training in life skills will go a long way to build the capacity of the poor. Not only are they going to save, but they are also going to learn the basic social skills needed to lift them out of poverty.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter records in brief what this study is about. In addition, it reports the major conclusions that have been arrived at in the study and following from that the recommendations that have been made to guide policy and practice in the running of Credit Unions.

5.1 Summary of Findings

In all, 120 respondents were sampled: 75 clients and 45 managers/administrators. Two sets of instruments (questionnaires) were designed to seek respondents' opinions on the organisation of Credit Unions in the region. The first set of questions focused on client, which covered their credit Union membership, services rendered by their Credit Unions, their satisfaction level with their unions and the impact the unions had on them. Clients were also given the opportunity to state some of the challenges they faced with their unions. The qualification of managers/administrators, mode of recruitment of both members and administrators, and means of improving Credit Union activities were the major areas covered by the second set of questions which were responded to by the managers/administrators of the Credit Unions sampled.

It was observed from the analysis of the instruments that most of the credit unions had memberships of more than 120 and that they were mostly recruited by the potential members approaching management. The results revealed that members' household income and education status improved as a

result of joining the credit union but declines were recorded in health and social status of members after joining the union.

Responses from managers/administrators showed that most of the unions had properly constituted boards. However, most of the managers were not well-qualified. Managers suggested that things that could be done to make credit unions profitable included training of managers, public education for membership, charging of competitive interest rates, employment of qualified managers and payment of competitive remunerations to staff.

5.2 Conclusions

As the discussions have brought out, Credit Unions offer the basic and essential financial services that otherwise have eluded the poor and financially excluded. It is observed that they are self-sustaining even though they lack capacity. In most cases the membership strength militates against any significant profitability and subsequent expansion. Yet they still remain resilient and continue to serve the poor.

Apart from financial inclusion for the poor, Credit Unions help to improve household income and educational status of members. These are two poverty indicators that credit unions help improve. Credit Union impact on health status is unclear as many respondents find it difficult to differentiate between their health status before and after joining the Credit Union. This is because medical examinations and health issues are usually secondary to the low-income person.

Credit Unions lack capacity due to the fact that it is community based and self-supportive, meanwhile those who own it are mostly resource-poor. They are therefore not able to attract the qualified personnel to manage the affairs of the unions. However they, still support their communities by offering financial services that could contribute to the economic activities of the population.

It could be seen that Credit Unions contribute a lot to national development especially in the areas of income and educational status, apart from the financial intermediation needed to facilitate the economic activities of the population. What is left is the support that should be given to these institutions as part of the general poverty reduction strategies embarked upon by the country. This will help build their capacity so that they will be able to do more than what currently is done towards poverty reduction to enhance national development. For credit unions to serve as tools for national development, they also need to be run professionally as modern businesses and not just like not-for-profit associations which is there to achieve a short-term goal and phase off.

5.3 Recommendations

The following recommendations are further made to help improve Credit Unions:

1. Apart from serving the particular community in which the credit union is, Credit Unions should be set up primarily for profitability to ensure its sustainability.
2. Managers of credit unions should be properly trained and regular in-service run for them to bring them up to scratch as far as modern business management is concerned.
3. Non- governmental organisations and development institutions should join forces with credit unions so that the social and business aspects of Credit Unions could combine effectively to help national development.
4. This work mainly measured education level, household income, social status and health status. Other determinants of national development such as housing, asset acquisition, food, access to social services and influence on decision-making should be investigated for the full impact of credit unions on the nation to be well established.

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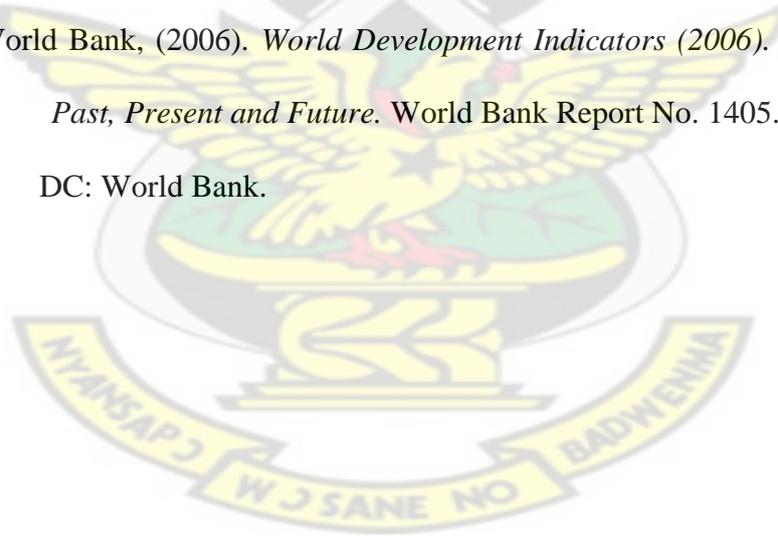
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APPENDIX

INSTITUTE OF DISTANCE LEARNING

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

QUESTIONNAIRE FOR CLIENTS OF CREDIT UNIONS

INTRODUCTION AND CONSENT

I am a final year student of the Central University College pursuing an MBA Degree programme. I am conducting a research on Credit Unions in the Eastern Region of Ghana, the topic “An Evaluation of Credit Unions as Tools for Poverty Reduction”

The following questions have been designed to enable me carry out the research and come out with findings which will be useful for improving the operations of credit unions in Ghana as a whole.

You have been selected as one of the respondents and I shall be very grateful if you would please spare me a little of your time to complete this questionnaire. I promise that all responses here given will be treated with absolute confidentiality.

If you agree, I would like to proceed with the questions.

Thank you

- a) No School []
- b) Basic (Primary, Middle/ JSS) []
- c) Second Cycle []
- d) Post Secondary (Teacher, Nurse) []
- e) Vocational []
- f) Tertiary (Polytechnic, University) []

PART II

CREDIT UNION ACTIVITIES

- May I confirm whether you are a member a of Credit? Yes []
No []
- For how long have you been in a credit union? (Take first union to answer the rest of the questions).
 - 0- 5 years []
 - 6- 10 “ []
 - 16- 20 “ []
 - 21- 25 “ []
 - 26- 30 “ []
 - Above 30 years. []

- How did you become a member?
 - a) By oral arrangement []
 - b) By free registration []
 - c) By pay registration []
 - d) Other (state)..... []

- If by paid registration, what do you think about the registration fee?
 - a) Too low [] b) Too high [] c) Justice []

- What type of service does your union offer to members?
 - a) Cash Loans [] b) Savings [] c) Consumer Credit []
 - d) Shares [] e) Advisory Service []

- Have you ever benefited from your union? Yes [] No []

- How many times?
 - a) Once [] b) two time [] c) three times []
 - d) four times [] e) other (specify) []

- How easy is it to access service form your union?
 - a) Very easy [] b) just ok [] c) not easy []

- Is your union
 - i. Active Yes [] No []
 - ii. Efficient Yes [] No []
 - iii. Satisfying your needs and aspirations?
 - iv. Easily accessible Yes [] No []

v. How will you rate satisfaction level

1. Excellent [] 2. Very good [] 3. Good []

4. Fair [] 5. Poor (please tick) []

Use the scale below to assess and rank the services listed below by the attributes stated

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ATTRIBUTES

Service	Prompt Delivery	Popularity	Availability	Usefulness
1. Loans				
2. Consumer products				
3. Saving				
4. Shares				
5. Advisory services				

Scale

1. Excellent
2. Very Good
3. Good
4. Fair
5. Poor

Impact of Credit Unions on Clients

- Standard of living before and after joining Credit Union

A. Before Joining Credit Union

Education

1. What was your educational level before joining the Credit Union?

JHS []

SHS []

Tertiary []

Other (Specify) []

1. How many dependants were in school?

One [] two [] three [] four [] more than 4 []

2. How did you finance this education?

Personal savings [] support from relatives [] personal loan []

3. In your opinion, what effect did non membership of a credit union have on you and your family's education?

Extremely severe [] severe [] less severe [] no effect []

Health

What was your general health condition before joining you regarded by the credit union?

Excellent [] good [] average [] not so good [] very poor []

Were you able to afford medical treatments? Yes [] No []

Social status

How were you regarded by your family?

Very high [] high [] moderately [] low []

How were you regarded by your neighbours?

Very high [] high [] moderately [] low []

How were you regarded by your co-workers?

Very high [] high [] moderately [] low []

How were you regarded in society, generally?

Very high [] high [] moderately [] low []

Household

What was your total income in a month?

GH C 50 [] 100 [] 150 [] 200and above []

What was the status of your residence?

Own house [] rented room [] rented room [] living with family []
squattling with friends.

How would you describe the residence?

Well furnished [] relatively furnished []

sparsely furnished [] not furnished []

Were you able to afford three square meals a day? Yes [] No []

How will you generally describe your household meal?

Very nutritious [] Nutritious []

somehow nutritious [] less nutritious []

B. After joining Credit Union

Education

1. Have you improved your educational level after joining the Credit Union?

Yes [] no []

2. If yes, up to which level?

JHS []

SHS []

Tertiary []

Other (Specify)

3. How many dependants are in school?

4. a. Have they changed schools? Yes [] No []

b. if yes, for which standard of school?

High [] average [] low []

5. How are you financing this education?

Personal savings [] support from relatives []

personal loan [] support from my credit union []

6. In your opinion, what effect did your membership of a credit union have on you and your family's education?

Very good [] good [] little effect [] no effect []

Health

1. What is your general health condition after joining the credit union?

Excellent [] good [] average [] not so good [] very poor []

2a. Are you able to afford medical treatments? Yes [] no []

2b. If yes, from which class of medical facilities?

State of the art [] standard facilities [] average [] low cost []

Social status

How are you regarded by your family?

Very high [] high [] moderately [] low []

How are you regarded by your neighbours?

Very high [] high [] moderately [] low []

How are you regarded by your co-workers?

Very high [] high [] moderately [] low []

How are you regarded in society, generally?

Very high [] high [] moderately [] low []

Household

What is your total income in a month?

GH C 50 [] 100 [] 150 [] 200 and above

a. What is the status of your residence?

Own house [] rented room [] rented room [] living with relative []
squattling with friends [] family house []

b. If own how did you receive any support from your credit union?

Yes [] No []

c. If you received support from your credit union state which kind

Loan [] savings [] interest on savings and shares [] consumer credit []

How would you describe your current residence?

Well-furnished [] relatively furnished []

sparsely furnished [] not furnished []

Are you able to afford three square meals a day? Yes [] No []

How will you generally describe your household meal?

Very nutritious [] Nutritious [] somehow nutritious [] less nutritious []

A. Would you describe your living standard after joining the credit union as having improved? Yes [] No []

B. If yes, to what extent? Tremendously improved []

much improved [] improved [] no improvement []

Generally, would you say you expect your credit union to perform better?

Yes [] No []

If yes, why do you think it is not performing to your expectation?

Use the following scale to rank the severity of challenges facing your union

(Enter figure only)

Scoring scale:

1. extremely severe
2. very severe
3. severe
4. fairly severe
5. not severe

Challenge/ problem	Score
<p>I. ineffective administration/ management</p> <p>ii. lack of logistics</p> <p>iii. poor relation with union managers</p> <p>iv. in availability of funds no request</p> <p>v. Too much bureaucracy /paper work before accessing services.</p> <p>vi inappropriate services/ products</p> <p>vii. Too high interest rate</p> <p>viii. Too severe sanctions on defaulters</p> <p>ix. Too relaxed about defaulters</p> <p>x. Services/ products too few</p> <p>xi. Managements tenure of office has expired.</p> <ul style="list-style-type: none"> • Constitutional provision sidelined • Too many defaulters 	

INSTITUTE OF DISTANCE DISTANCE LEARNING

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND
TECHNOLOGY**

QUESTIONNAIRE FOR CREDIT UNION

MANAGERS/ADMINISTRATORS

INTRODUCTION AND CONSENT

I am a final year student of the Central University College pursuing an MBA Degree programme. I am conducting a research on Credit Unions in the Eastern Region of Ghana with the title “An Evaluation of Credit Unions as Tools for Poverty Reduction”

The following questions have been designed to enable me carry out the research and come out with findings which will be useful for improving the operations of credit unions in Ghana as a whole.

You have been selected as one of the respondents and I shall be very grateful if you would please spare me a little of your time to complete this questionnaire. I promise that all responses here given will be treated with absolute confidentiality.

If you agree, I would like to proceed with the questions.

Thank you

d) Posts Secondary (Teacher, Nurse) []

e) Vocational []

f) Tertiary (Polytechnic, University) []

g) Other (specify)

.....

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Part II

General questions

1. Which union do you manage?

.....

2. How old is the union?

State.....

3. Which position do you hold?

1. President /chairman []

2. P.R.O []

3. Treasurer []

4. Financial secretary []

5. Secretary []

6. Other (state)

.....
.....

4. What is your Union's membership strength?

1. 20- 40 []

2. 41- 60 []

3. 61- 80 []

4. 81- 100 []

5. 100-120 []

6. Above 120 []

5. How are your members recruited?

1. By advertising /membership drive []

2. By personal contact []

3. By approaching management []

4. By networking []

5. Other (specify) []

6. Are you satisfied with your union's membership strength?

A. Satisfied [] B. Not Satisfied []

7. If not, why?

1. We are too many []

2. We are too few []

8. If Yes, why

1. The number is just ok []

2. We are able to function properly []

3. We have no problem []

9. Do you think your union is well organized? 1. Yes [] 2. No []

10. How active is your union?

1. Very active [] 2. Active []

3. Fairly Active [] 4. Not active []

11. What accounts for your answer?

1. The leaders are managing the union well []

2. We meet often []

3. Members apathy []

4. Lack of logistic support for leaders []

5. Lack of leadership commitment. []

6. Other (specify) []

12. How are your leaders selected?

1. By nomination and voting []

2. By long service commitment []

3. By popular acclamation []

4. By imposition []

5. By volunteering []

6. Other (specify) []

13. Are you satisfied with this mode of selection?

1. I am very satisfied [] 2. I am satisfied []

3. I am fairly satisfied [] 4. I am not satisfied []

14. What service/ product does your unions offer its members /clients.

a. Loan []

b. Insurance []

c. Advisory services []

d. Consumer goods []

e. Savings []

GOVERNANCE STRUCTURE OF THE CREDIT UNION

Board

Is there a board in place? Yes [] No []

Who constitute the board?

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

Are they elected or appointed? Appointed [] Elected []

Who does the election or appointment?

1. Members at AGM []
2. Office staff []
3. Existing Board Members []
4. Government Appointment []
5. CUA appointment

What is the length of term of office?

1. 1year []
2. 2years []
3. 4 years []
4. More than 4 years []

How are they removed?

1. By vote at AGM []
2. By board resolution []

3. By office staff

4. By CUA heads/ government authority

Who are they accountable to?

1. Members

2. Office staff

3. CUA leadership

4. Government agency

How regularly do they account?

1. Very often

2. Often

3. Occasionally

4. Not at all

Are there any regulatory mechanisms to check their activities?

Yes No

Do you consider the structures good enough for proper accountability?

Yes No

MANAGEMENT AND STAFF

1. Who constitute the management?

.....
.....

2. Do you consider their appointment professional enough? Yes No

3. Is their condition of service competitive? Yes No

4. Who are they accountable to? 1. The board 2. Members CUA head
 other

5. How regularly are they audited? 1. Very regularly regularly
occasionally

Not at all

Do you consider them well qualified to hold their positions? Yes No

Is their qualification general or related to finance? General finance-related

Are there any systems in place for their professional development? Yes No

How would you rate their performance? Excellent good just OK
poor

Are staffs well motivated in your opinion? Yes No

In your view do you think your credit union is run on professional grounds?

Please state in your own words how you think credit unions should be run for
both profitability and client satisfaction.

.....

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