

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

KNUST SCHOOL OF BUSINESS

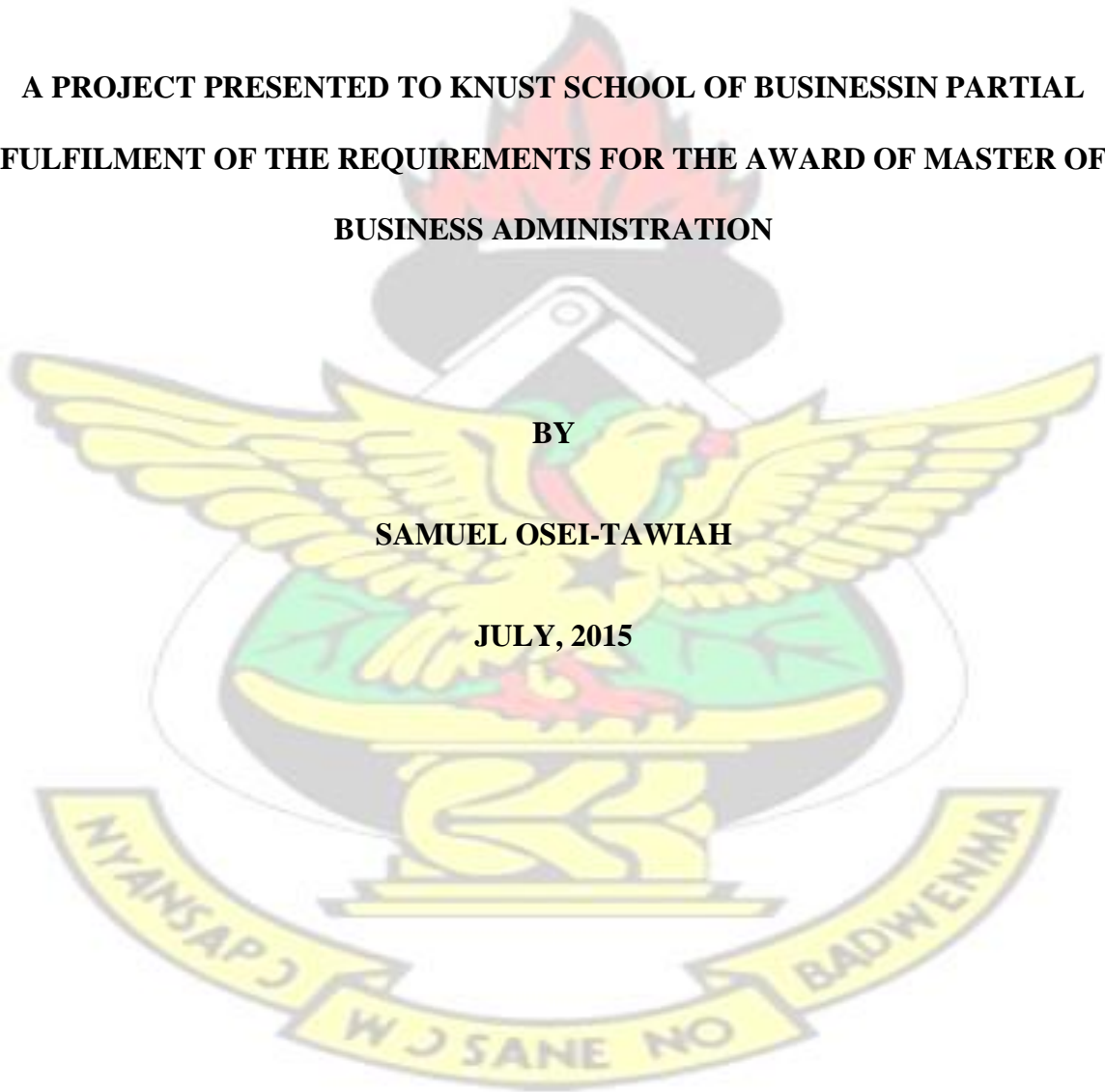
**EVALUATING THE PERFORMANCE OF NSOATRE COOPERATIVE
CREDIT UNION BETWEEN 2010 AND 2014**

**A PROJECT PRESENTED TO KNUST SCHOOL OF BUSINESS IN PARTIAL
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF
BUSINESS ADMINISTRATION**

BY

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KNUST

DECLARATION

Candidate's Declaration

I hereby declare that this submission is my own work towards the Master of Business Administration (Finance Option) and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree in the university, except where due acknowledgement has been made in the text.

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ABSTRACT

This study was conducted to evaluate the performance of the Nsoatre cooperative credit union. The objective of the study was to examine the credit union's operations; assess the loan performance of the credit union; examine the sources of deposits of the union and how the union raises funds and the utilization of their funds mobilized.

The research was purely an exploratory; for the information and operations of credit unions are not widely circulated coupled with little literature especially in print media in the District. The research design adopted for the study includes face- to- face structured interviews and administration of questionnaires. Purposive sampling technique was adopted for the study simply because the 9 sample selected who were also respondents were considered to have in-depth knowledge of the problem studied. Notable among the findings for the study include low disbursement rate. The operations of the union were not the best hence they need more training and support to enhance their effectiveness and competitiveness. The credit union was found to be performing well in mobilizing savings and raising funds for investment, yet the cooperative was beset with high loan loss and weak credit administration though it significantly improved in the 2014 financial year. In conclusion, the study revealed that between 2010 and 2014, the union performed well in mobilizing deposits; the cooperative union invested the funds prudently to ensure maximization of returns and they improved tremendously in rescuing their loan loss rate. The loan recovery rate was good although the loan selection criteria were weak. The disbursement rate was also low because of the union's unwillingness to take much risk. However, this could be an encumbrance to the union in fulfilling its mandate of providing financial support for their members. The union needed to improve their systems and structures to help make the organization effective in the discharge of its mandate.

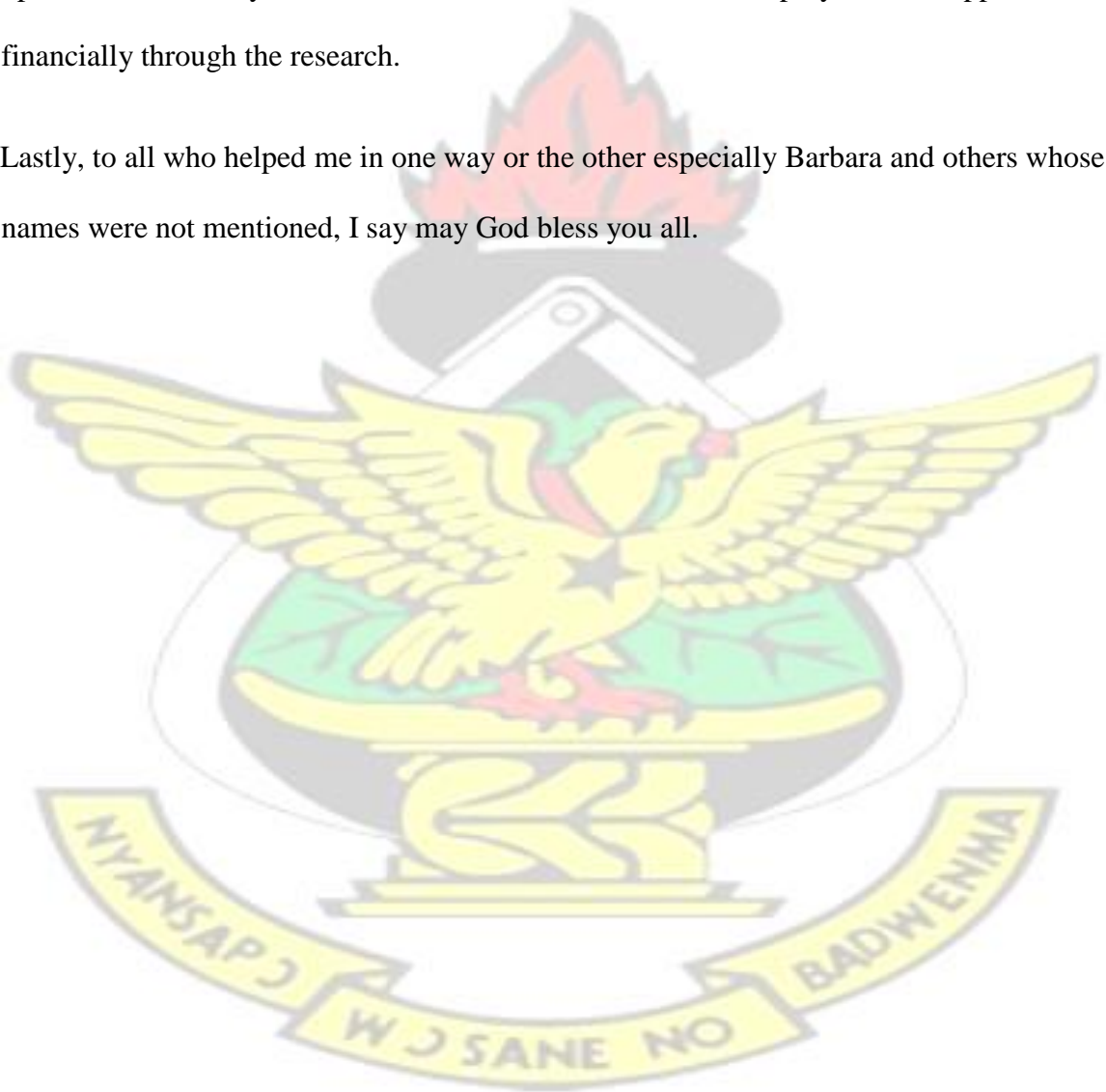
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All glory to the Lord for His grace.

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Special thanks to my mum, and Dad who remembered me in prayers and supported me financially through the research.

Lastly, to all who helped me in one way or the other especially Barbara and others whose names were not mentioned, I say may God bless you all.



DEDICATION

I dedicate this work to my Mum and Dad for their support, encouragement and prayers throughout the period of this programme.

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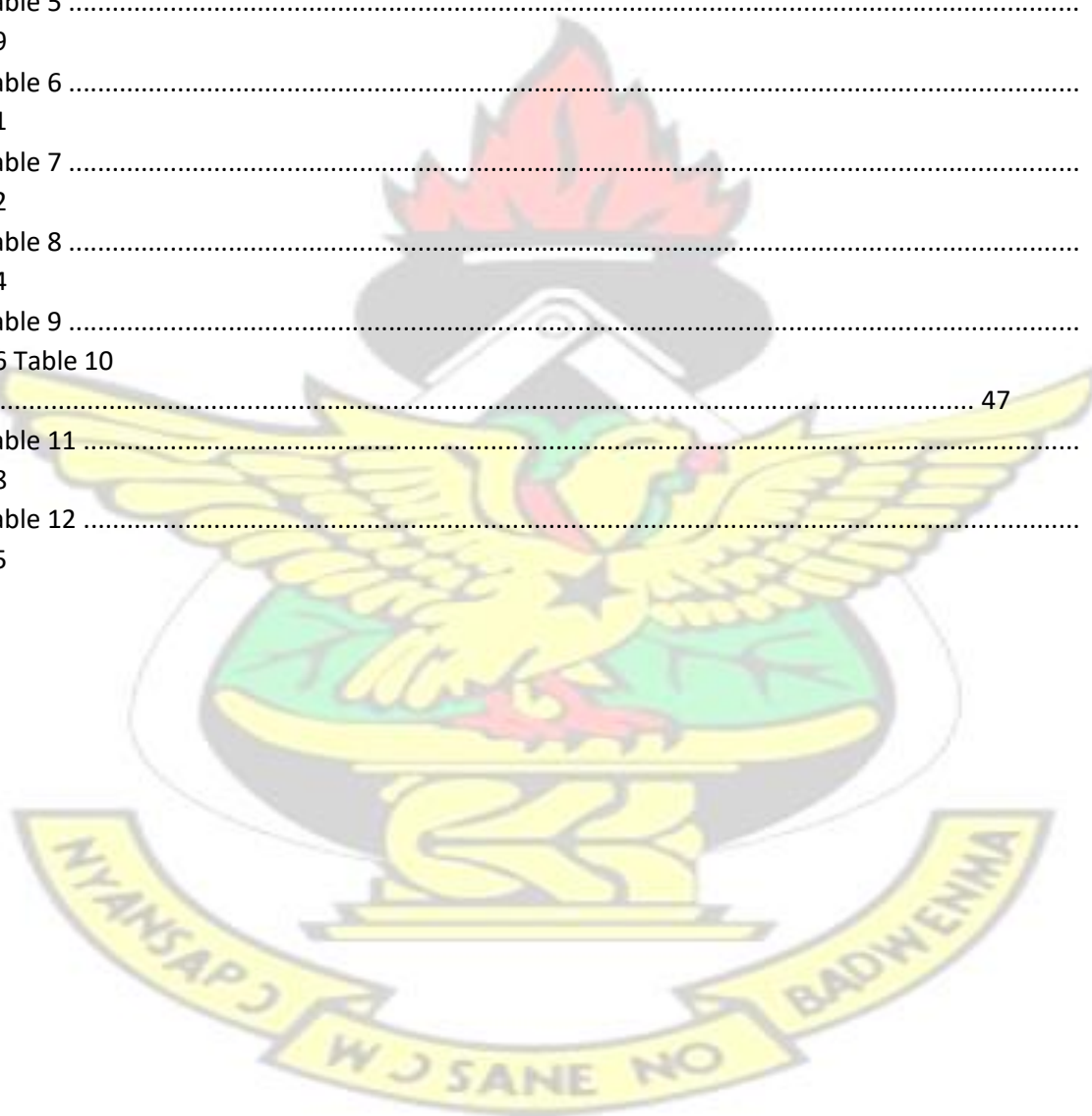
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CHAPTER ONE

INTRODUCTION OF THE STUDY

1.1 Background Information

—Cooperatives are institutions established through the contributions of like-minded individuals with the purpose of supporting and assisting each other.

Kassali & A. O. Adejobi, 2013 said cooperatives have similar interests in the form of exploitation of common resources through group strategy or —professional goals or business interest or the need for —social interaction, or —location and the others.

Although there are more developed credit unions which have similar characteristics of a banking institution, they are basically —non-bank associations formed as well as operated via their members who put together their savings and resources. Usually credit unions advance credit facilities to its members at a reasonable low rate below the market banking prevailing rates. Aside savings and loans, credit unions give other financial services in the interest of their customers. —The World Council of Credit Unions (WOCCU) has indicated that on the continent of Africa this country (Ghana) was the first to have operated these forms of cooperatives. At present, thirty four countries in Africa operate a cooperative financial credit union. The Apex body which supervises financial cooperatives throughout the African continent is —the African Confederation of Co-operative Savings and Credit Associations (ACCOSCA), which is headquartered in Nairobi, Kenya, (Appiah, 2012). It is believed that many individuals have seen transformation in their lives through credit unions. —Ijere, 1978 also defined cooperative as a business entity that seeks to maximize profit to ensure growth of the social enterprise, grow members' business and alleviate poverty of member-shareholders; and unlike an Investor-Owned Firm (IOF) the cooperative society draws its capital base from the contribution of members, donor

agencies or through credit from banks. Cooperatives are characterized by democratic control, equal vote and equal participation to the management of the organization, a low and un-exploitative interest rate assuming conditions for growth and capital accumulation for the benefit of members; doing away with IOF exploitative tendencies. However, cooperatives also have their own performance measurement tools to assess and evaluate them. —The world council of credit unions designed this tool which is based on the U.S. Camel ranking measurement tool. Their measurement tool is called PEARL. —The World Council of Credit Unions, Inc., (WOCCU) attempted adapting —the U.S. CAMEL ranking system for use by the cooperatives however they realized it was necessary to modify it to capture key areas of the performance of the credit unions.

This study sort to evaluate the performance of Nsoatre cooperative credit union based on certain indicators. The United Nations Capital Development Fund credit performance measure was used to assess the credit union loan performance because of its flexible design to accommodate and incorporate the specific information structure of the union.

1.2 Statement of the Problem

According to a World Bank Agriculture and Rural Development Discussion paper 48, before the consequent expansion of other service providers into rural areas, access to institutional credit for farm and nonfarm activities was scarce. The main sources of credit were moneylenders and traders that charged very high interest rates. In many rural communities, secure, safe, and convenient savings and payment facilities hardly existed, (Ajari Nair and Azeb Fissha, 2010).

Over 60% of total money in circulation is outside the formal banking sector in an economy where the informal sector is largely 75-80% of the working population, (Bank of Ghana, 1996).

Realizing the overriding need for finance and savings for the low income group and those who have little access to formal banking, the government of Ghana with the assistance of World Bank initiated the concept of rural banking and financial regulation of other non-banking financial cooperatives to fill this gap. This has been a provision of an escape from the unserious money lenders and difficulty in accessing micro-credit. The establishment of these institutions has ‘missed blessings’ for many people especially the majority low income group.

In an effort to fill this gap, the credit unions have faced a number of challenges and setbacks in their operational activities. Many of them have achieved successes in bridging the gap between the formal and informal sector. Since local enterprises and low income earners are seen to be dependent on micro-financing of which credit union has played a major role in the provision of such services to their members, this research therefore seeks to evaluate the performance of Nsoatre cooperative credit union in filling this gap.

1.3 Objectives of the study

It is a known fact that saving mobilization by the banks over the years has been low. It is suspected that people are either hoarding their idle balances or have alternative means of saving their money. The poor people who make up the majority of rural and urban inhabitants are often viewed as not being able to save because of their poverty. In fact they can and do save, given the avenues and incentives. The poor and rural dwellers have little access to banking services and credit facilities and the only avenue for them to access such services is through micro-credit institutions.

The main objective of this study is to evaluate the performance of Nsoatre cooperative credit union between 2010 and 2014. Furthermore is to find out the extent to which it has acted as a tool for mobilizing local savings to promote economic development among their members and the community at large. The study is concerned with the operations and

management of Nsoatre Co-operative credit union and whether their operations can be improved upon to better serve the purpose of the poor and small scale businesses.

Specific objectives are:

- To examine the activities of Nsoatre cooperative credit union
- To examine the sources of Nsoatre credit union deposits and how the union raises funds
- To assess Nsoatre cooperative credit union's loan performance
- To analyze the utilization of Nsoatre cooperative credit union's funds

1.4 Research Questions

The research is guided by the following question in order to achieve its specified objectives:

- What are the operations and activities of the Nsoatre Credit Union?
- What are the sources of Union's deposits and how it raises funds?
- How has it performed over the years, 2010-2014, in fulfilling its mandate?
- What does the Union use its funds for?

1.5 Justification of the study

This study is of good significance. This is because; it will help to find suggestions and recommendations for the improvement in the management of these financial operations. Suggestions of new and innovative ways can help the growth and enhance the competitiveness of these financial institutions.

It also brings into light the good economic and financial contributions these financial institutions bring to the society and the economy. These organizations play a role in the financial and credit markets. But however, their activities are over shadowed by big

financial institutions and commercial banks. Therefore, this study will help recognize their role and contributions in the credit market.

The suggested solutions to the challenges of the credit union can also be implemented by any credit union facing similar challenges and help the new ones to preempt such occurrences. It can also be a great help in training and development and further studies to curb other operational lapses of credit unions in Ghana.

1.6 Limitations of the study

This research limitation includes scanty literature on this paper because of lack of interest of academicians in this field. Therefore, little empirical evidence has been achieved or made. Also it is limited to only a particular operator and community at Nsoatre. This is because many of the operators lack proper data and records to aid accurate research in this field. Few ones who have correct data are also unwilling to give certain key information that could aid proper assessment of their operations and performance. Also assessing the credit performance of the operators based on the association's standardized performance measure tool is difficult because of different loan policy kept by the financial cooperatives.

1.7 Organization of the Chapters

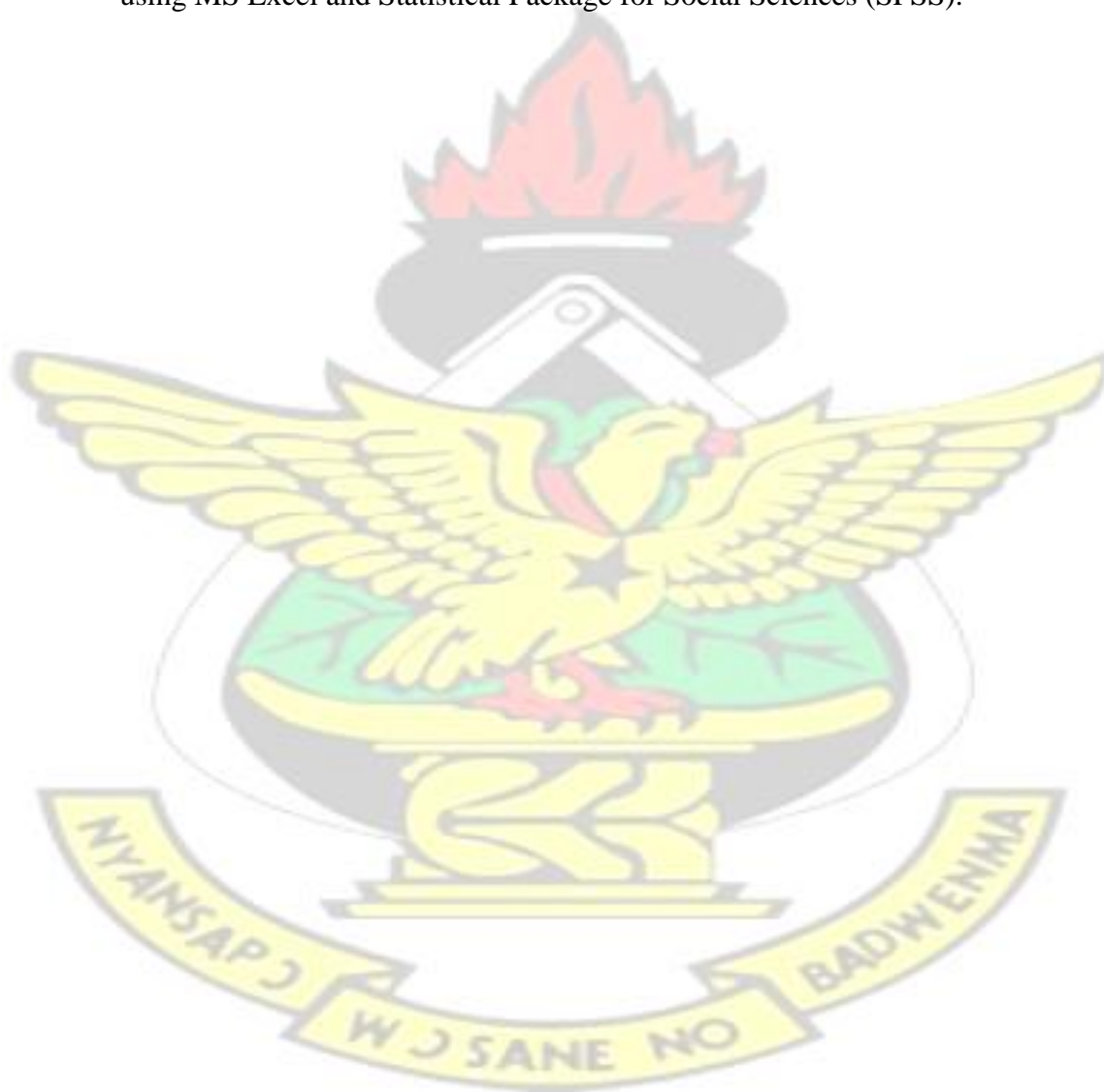
Like all other similar research work, the organization of the study paper would take the following form. The paper comprises four chapters.

Chapter 1- Introduction to the study: This section looks at the background of the study, the statement of the problem, objectives of the study, significance of the study and limitations of the study.

Chapter 2- Literature review: It is concerned with the theoretical frame work which reviews all relevant information concerned with co-operative credit union as well as the empirical evidence of related works in the study area.

Chapter 3- Methodology: Looks at the techniques to be employed in the course of the study, it includes the study type and location, the study population and the sampling procedure and data collection methods.

Chapter 4- Presentation, Analysis of Data and Conclusions: Chapter four is dedicated to the analysis as well as discussion of the field data collected during the study and looks at the summary of findings, conclusion and recommendations. The analyses were done using MS Excel and Statistical Package for Social Sciences (SPSS).



CHAPTER TWO

LITERATURE REVIEW

This research would review various literature on the concept of credit union, the formation of the credit unions the loan system of the credit unions and how to measure the loan performance. Also the sources of funding for credit union will be looked at including the problems and challenges the credit union faces. This chapter also looks at the organization of the credit unions and the historical development of the Credit Unions movement. Finally the literature looks at benefits of the indigenous savings and challenges pertaining to this form of mobilizing funds.

2.2 The Concept of Credit Union

—Ghana Credit Unions Association, 1993, said —financial Co-operative societies are organized to promote thrift, encourage savings and create a source of credit for its membership by pooling their savings together to obtain loans at reasonable interest rates. Darko, 2010 also gave the definition of financial cooperative as a set of individuals which have a common interest of saving to gather financial resources in order to provide soft loans to individual members when the need arises to enhance productivity.

His study found out that Credit Unions are members' needs oriented not for any profit gains. The primary aim of financial cooperatives is to help in the development of the members other than investor owned firms (IOF) which main concern is for profit. He recommended to financial cooperatives to put in place proper and modern standardized —financial systems that can ensure their continuity in serving customers right. Financial co-operatives are —non-banking institutions which are established on a collective interest of obtaining credit facility at a reasonably low rates for productive ventures or personal use by intended group of individuals which shares mutual ties of either job, career, —clubs

and associations, inhabitants of particular area, etc., through consistent contribution of their financial resources, (Ghana Credit Unions Association, 2010).

2.3 Credit Unions' Formation

Credit Union can be formed by a common bond between one hundred and two hundred groups of people which share similar interest of purpose. However this means that cooperative credit union can be formed by people in a particular setting or occupation such as lecturers or pharmacists or in a particular community which share similar interest. Ghana Credit Unions Association, 2003 revealed that all financial cooperatives aim at encouraging their members to save consistently, in order to have the funds for their members to obtain credit at reasonably low interest and to also give —financial management training to their members for proper utilization of their resources.

In forming a Credit Union the first step to take is to identify individuals of a particular setting who are keen on doing something for themselves and the setting in which they are part of. At the first stage of forming the cooperative, the groups are referred to as a —Study Group. According to Appiah, 2012 before one can have a well-established cooperative credit union; there is the need to meet these conditions:

- —The association should possess not less than 100 members which have a likelihood of growing to 600 members. A member is required to contribute a minimum share, entrance fees and minimum savings that are to be determined by the Credit Union.
- —Credit Unions must employ part time or full time employees at offices where they conduct their business operations.

—Ghana Co-operative Credit Unions Association (CUA) Ltd is —apex and supervising institution which governs —financial cooperatives.

2.4 The Loans Administration of the Credit Unions

Technically all the financial cooperative members are qualified to obtain credit from the credit union. However before the credit is approved and granted, certain conditions must be met by the applicant. The loan committee of the cooperative is responsible for assessing individual loans based on certain predetermined criteria. Credit facility is granted and disbursed in line with loan policy of credit unions which governs their loan administration, (CUA Bye-Laws & Policy Manual: 16).

Generally, members qualify to access loans provided they have consistently saved with the cooperative for at least 6 months. These are for members who have a regular and consistent saving pattern and should provide a —collateral security. Some of the —collateral securities are; guarantor who is usually a member of the cooperative; the member character; —Employer's endorsement, —bank standing orders, —treasury certificates, signed —building documents and —title deeds to other properties. (Nsoatre Cooperative Credit Union, 2009)

The loan limit per member is determined by the results of the analysis of the loan using the 5CS as the lending Criteria. **The 5CS are:**

- i. The borrower's character.
- ii. The borrower's capacity to repay the loan.
- iii. The borrower's collateral for the loan
- iv. The conditions at the time of borrowing.
- v. The capital base of the Credit Union.

Loans shall be granted to members only after they have satisfied the borrowing criteria.

First time borrowers shall be granted loan amounts equal to their total savings with the Credit Union only. Second time borrowers who paid up their first loans without any missed

payments shall be granted loan amounts equal to two times their total savings with the Credit Union. Third time borrowers who paid up their second loans without any missed payments shall be granted loan amounts equal to three times their total savings with the Credit Union, but not above GH¢10,000. However, applications above GH¢10,000 could be considered on their own merit. Any borrower who had missed payments when he/she was servicing the previous loan may be required to provide two guarantors before the next loan is granted to him/her, (Ghana Co-operative pharmacists' credit union, 2009)

2.4.1 Measurement of loan performance

Indicators. The international standard for measuring portfolio quality in banking is *Portfolio at Risk (PAR)* beyond a specified number of days:

PAR (x days) = Outstanding principal balance of all loans past due more than x days

Outstanding principal balance of all loans

There is not only one format of days (*x*) used for this measurement. In microfinance, 30 days is commonly used. For repayment schedule other than monthly, then one repayment period (week, fortnight, quarter) could be used as an alternative.

Some young or unsophisticated MFIs does not yet have loan tracking systems strong enough to produce a PAR figure.

(For instance, —the MFI doesn't write off loans,‡ or —the MFI writes off loan amounts that are still outstanding more than 6 months after the final loan payment was originally due.‡)

An alternative measure, the ***Current Recovery Rate (CRR)***, can be used by most MFIs, and gives a good picture of repayment performance.

CRR = cash collected during the period from borrowers / cash falling due for the first time
during the period under the terms of the original loan contract

This ratio can be calculated by using either principal payments only, or principal plus interest.

CRR and variants of it are often misunderstood. Some are tempted, but mistaken, to think of the CRR as a complement of an annual loan loss rate. For example, if the MFI reports a 95% collection rate, it is easy to assume that its annual loan losses are 5% of its portfolio. In fact, if an MFI making 3-month loans with weekly payments has a 95% collection rate, they will lose well over one third of its portfolio every year. *Thus, the CRR indicator should never be erroneously be used without translating it into an **Annual Loan-loss Rate (ALR)**.* Here is a simplified formula:

$$ALR = \frac{1 - CRR}{T} \times 2$$

T

where T is average loan term expressed in years

Variations in late payments and prepayments cause the Current Recovery Rate to fluctuate around over short periods, often registering above 100 percent. Thus, it must be applied to a period long enough to smooth out random or seasonal variations—typically a year.

Interpretation. Repayment of an MFI's loans is a crucial indicator of performance. Poor collection of micro-credit is almost always traceable to management and systems weaknesses. The strongest repayment incentive for uncollateralized micro-credit is client's desire to preserve her future access to a loan service she finds very useful to her and her family: this implies that, healthy repayment rates are a strong signal that the loans are of real value to the clients. Finally, high delinquency makes financial sustainability practically impossible. As an established rule when dealing with uncollateralized loans, Portfolio or Loans at Risk (30 days or one payment period) above 10%, or Annual Loan-

Loss Rates above 5%, must be reduced quickly or they will spin out of control, (United Nations Capital Development Fund, 2015).

2.5 Sources of Funding for Credit Unions in Ghana

Credit Unions normally raise funds through deposits from contributors, members' share, —donor capitalization, and other charging —fees (Revised Model Bye-Laws and Articles of Association, CUA Ltd 2003). —Susul is also a major source of funding for Credit Unions in Ghana. —Susul are normally collected at the end of a term period. It includes daily, weekly or monthly. Although —Susul contributed does not earned any interest it helps in saving to mob up cash to enhance the capital of a micro enterprise and also enhance the future endowment of an individual.

2.6 Challenges Credit Unions Face in Ghana

The key challenge the credit unions in Ghana are facing is keen competition. Many perceived the loan administration at the traditional banks often as very cumbersome and prohibitive. According to Agyemang B. and Stanzaat, 1998 the trend has changed due to competition as the formal banking institutions have begun relaxing their loan policies. This has however defeated the popular perception that it is difficult obtaining loan at the formal banking institutions compared to the financial cooperatives.

Innovation and product differentiation is also a key problem financial cooperatives battle with, this affects their competitiveness. Customers and consumers are complex and dynamic with ever changing demands. Therefore to be competitive every firm need to be innovative and provide different variety of products and services which creates perceived superiority or uniqueness among competitors. Many developing countries experienced fierce competition from financial cooperatives with the formal banking institutions. However, the phenomenon differs in Ghana where the cooperative credit union provides primarily savings and loans service. This has however become a setback to many financial

cooperatives in becoming competitive in the financial industry. Darko, 2010 emphasizes the need for these financial cooperatives to incorporate technology into their operations through —E-banking services to enhance their competitiveness.

Finally, loan delinquency is another problem that financial cooperatives face in the country. Like many financial institution loan delinquency affects the firm's profitability and therefore everyone one of them try as much as possible to cut them down. This is even worse among the rural community based cooperatives. The challenge is a result of improper loan appraisal and assessment of loan application by contributors, (Appiah, 2012).

2.7 Organization of Cooperative “Credit Unions”

The Credit Unions Association (CUA Ltd.), which is the governing body of all cooperative credit unions in Ghana, is duly registered with the Department of Cooperatives under the Co-operative Decree 1968 NLC Decree 252. CUA Ltd is affiliated to the Ghana Co-operative Council. The African Confederation of Co-operative Savings and Credit Associations (ACCOSCA) and the World Council of Credit Unions (WOCCU) based in Madison, USA are the bodies that regulate the operations of apex bodies and Credit Unions in Africa and the world at large.

The Credit Unions Association operates in all the ten regions of Ghana under Chapters with each Chapter manned by a Manager and a Chapter Board whose members are elected from the various primary societies. The National Association holds its general meeting of delegates biennially. The general meeting is the highest decision making body with the National Board elected at the biennial general meeting. The Board then appoints a General Manager for the Association. The main objectives of the Credit Unions Association, as contained in its bye-laws, are to assist in the organization and the development of credit unions, provision of educational programmes, develop products and services and

formulate bye-laws as well as standardized book-keeping systems for credit union operations. It again gives legal advice to its affiliates in suits, collects statistical and other relevant data and conducts research into the possibilities for improvement of credit unions. Finally, CUA, as the apex body, represents Credit Unions in Ghana at the International level.

2.8 The Historical Development of the Credit Union Movement

Credit Unions as a non-banking financial institution have been in existence in the world for long and for that matter in Africa. These institutions have survived and existed for over one hundred and fifty four years in Europe, America, and many other parts of the world. In 1847 credit union started in Germany before the concept spread to other parts of the world. Currently, Credit Unions have spread in over 86 countries that operate with a total membership of over (136,000,000) all over the world (WOCCU 2011). Ghana was the first country to operate a Credit Union on the entire African continent (WOCCU 2009). In the need for popular Credit and savings facilities in Ghana, the Department of Co-operative introduced Thrift and Loan Societies in the southern sector among government workers and some Cocoa farmers in the 1920's. They were poorly managed and soon became unpopular and therefore made little impact on the lives of the people.

The organizers of the thrift and loan societies travelled the length and breadth of the country to inaugurate Thrift and Loan Societies. These ushered in a lot of such societies but were short lived because most of them were organized purely for political reasons.

In 1961, the Convention Peoples Party (CPP) government dissolved the Department of Co-operatives including Co-operative Banks. This is because the societies were not sync with the political line of the then ruling party. Just, after the 1966 coup, the Department of Co-operatives was re-organized. By then, there were not more than five Thrift and Loans Societies in existence. According to Stan Zaato 1998, efforts to reorganize them were

seriously hampered by poor staffing and governance problems of the Department of Co-operatives. In 1965, parallel to the events in the southern part of Ghana, a new type of Savings and Credit movement was developed in the northern sector of Ghana which had been in operation for ten years. As a result, in September, 1955, the first Credit Union in Africa was formed at Jirapa in the North West part of Ghana by Rev. Father John McNulty, a Catholic Missionary, and an Irish Canadian. The idea came as a result of his catchiest losing (£6) notes which were destroyed by termites. He buried these notes in the ground in a cigarette tin for safe keeping. An attempt was made by Father McNulty to change the torn notes at the Bank of West Africa in Accra. The only Bank in the North – West (now Upper West Region) was the Bank of West Africa. Wa, is 41 miles away from Jirapa, 72 miles from Nandom and 84 miles from Hamile and Tumu. Banking services was therefore alien to the people. The idea of forming a Credit Union came into the Father's mind to save more pound notes from being destroyed by termites. The Father's initial objectives in establishing the Credit Union in Africa and for that matter Ghana were:

- To mobilize local savings for development,
- To change the traditional methods of saving,
- To help the people in the area and elsewhere to develop themselves economically and to be self sustainable.
- To instill the spirit of co-operation among the people. (CUA News Letter 1998)

Wa Catholic Diocese was created with the elevation of Bishop Derry as the first Bishop to be trained in Coady International Institute of Canada, Nova Scotia between 1958 and 1959. This exposed Bishop Derry to many aspects of Credit Union operations. After, the training in Coady, Bishop Derry encouraged the formation and promotion of Credit Unions in all parishes at various towns including Jirapa, Nandom, Kaleo, Ko, Daffiama, Wa, Lawra,

Tumu among others. According to Zaato, in 1964, a Canadian Credit Union technician by name, Mr. Gary Churchill, from the province of Saskatchewan, was hired by the Catholic Diocese of Wa for two years to assist in the promotion and training of book keepers and leaders for the established Credit Unions in the North – West. Mr. Churchill extended his services to some notable southern Credit Unions that were being organized. Among these were the Railway and Harbor Employees Credit Union at Sekondi Takoradi, Akim Swedru community Credit Union in the Central Region, Our Lady of Fatima Credit Union at Sampa in the Brong Ahafo Region, among others.

By 1967, the total numbers of established Credit Unions were 18 with a total membership of 6,300 and \$400,000 as savings. In the year 1968, the idea of forming a national association was mooted by some members of the then existing Credit Unions following a meeting sponsored by CUNA an International body based in Lesotho that used to assist Credit Unions in Africa. A follow-up conference was held in Tamale that gave birth to the Ghana National Union and Thrift Association (GNACUTA) which became the fore-runner of the Ghana Co-operative Credit Unions Association (CUA) Limited. Raffeissen Movement in Holland, now Rabobank, Catholic Relief Services and Konrad Adenauer Foundation (KAF) were the first organizations to support CUA. By 1970, KAF became the sole donor to CUA. KAF sponsored the appointment of Field Staff in all the regions and even prefinanced the purchase of a leased house that presently houses CUA until 1983. The world economic recession in 1983 had serious impact on Credit Unions operations in Ghana. CUA as an apex body was looking down to societies for financial support whereas primary societies on the other hand were also soliciting help from CUA. In October 1987, the Canadian Cooperative Association (CCA) mission to Ghana selected CUA as a most appropriate apex body and a partner organization for the advancement of the Credit Union movement and had been a

successive donor and partner up to date with the sole aim of helping CUA and its primary societies to attain self sufficiency and viability.

2.9 Benefits of Indigenous savings

In Ghana, only 5-6% of the population is reported to have access to formal banking facilities, (Basu Vinket and Beck Scot, 2004). It has been reported that between 1998 and 1999, thirty nine percent (39%) of Ghanaians borrowed money but only 3% of these people used formal institutions, (Firth Claessens, 2005). Insufficient supply of credit through the formal banking to the MSEs undermines their development to a very large extent. This has serious implications for a country like Ghana where the economy is largely characterized by Micro and Small Scale Enterprises (MSEs). Though it has been suggested that there seem to be no evidence that small enterprises alleviate poverty or decrease income inequality it has also been established that there is a strong association between the importance of small businesses establishment and GDP per capita, implying that credit union the best financing tool for small businesses establishment plays a great role in a nation's developmental process, (Basu Vinket and Beck Scot, 2004).

Various researches have indicated that micro-finance plays three broad roles in development:

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

The literature suggests that micro- finance creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organization building, enables people to move out of

poverty. By providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society, (Bhatta, 2001).

The aim of micro-finance according to Bhatta, 2001 is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Littlefield and Rosenberg (2004) argue that the poor are generally excluded from the financial services sector of the economy so MFIs have emerged to address this market failure. By addressing this gap in the market in a financially sustainable manner, an MFI can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach (Otero, 1999). More recently, commentators such as Littlefield, Murdudh and Hashemi (2003), Simanowitz and Brody (2004) have commented on the critical role of micro-credit in achieving the Millennium Development Goals.

According to Simanowitz and Brody, 2004, micro-credit is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of the poorest people."

Littlefield, Murdudh and Hashemi (2003) state "micro-credit is a critical contextual factor with strong impact on the achievements of the MDGs. Micro-credit is unique among development interventions: it can deliver social benefits on an ongoing, permanent basis and on a large scale".

This notwithstanding, microfinance has emerged globally as a leading and effective strategy for poverty reduction with the potential for far-reaching impact in transforming the lives of poor people. It is argued that microfinance can facilitate the achievement of the Millennium Development Goals (MDGs) as well as National Policies that target

poverty reduction, empowering women, assisting vulnerable groups, and improving standards of living. As pointed out by the former UN Secretary General Kofi Annan during the launch of the International Year of Micro Credit in 2005.

According to him —sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs."

(United Nations Capital Development Fund, 2015).

Although microfinance is not a magic potion for poverty reduction and its related development challenges, when properly harnessed it can make sustainable contributions through financial investment leading to the empowerment of people, which in turn promotes confidence and self-esteem, particularly for women.

According to data bank report (2007), only 17% of Ghanaians save compared to about 30% for emerging South East Asia Markets [Malaysia]. In view of this, realizing that indigenous is a best tool of capturing the informal sector and rural areas into saving net, some Third World charities such as Action Aid, work closely with Susu collectors, using them to efficiently distribute financial information and loans funded by the charity. For example, Barclays Bank of Ghana (BBG) Ltd launched a microbanking scheme in December 2005 which establishes a formal link between modern finance and 'susu' collection in an unconventional mobile initiative across the country. The scheme aims to extend microfinance to some of the least affluent in Ghana, like the small trader at the market or the micro-entrepreneur selling from road-side stalls. Though their individual income is apparently too small for 'high street' banking, collectively it is estimated at about a \$150 million economy thriving below the traditional banking radar. Ghana's 4,000 strong Susu Collectors offer basic banking to the needy. For a small fee they personally gather the income of their clients and return it at the end of each month, providing greater security

for their client's money. In addition, with finance from Barclays the Susu Collectors are able to provide their clients with loans, helping them to establish or develop their business, (Asiama, J. P. & Osei, V, 2007).

According to the Ghana Statistical Service, 2011 Population and Housing Census, 80% of the working populations are found in the private informal sector. This group is characterized by lack of access to credit, which constrains the development and growth of that sector of the economy. Clearly, access to financial services is imperative for the development of the informal sector and also helps to mop up excess liquidity through savings that can be made available as investment capital for national development (Asiama, J. P. and Osei, V, 2007). Unfortunately, in spite of the obvious roles that microfinance institutions have been playing in the economy particularly over the last twenty years, there is lack of data on their operations.

It is known that loans advanced by microfinance institutions are normally for purposes such as housing, petty trade, and as "start up" loans for farmers to buy inputs for farming and this includes rice seeds, fertilizers and other agricultural tools.

For example, trends in loans and advances extended to small businesses, individuals and groups by the Non-Bank Financial Institutions (NBFIs) in Ghana amounted to GH¢50.97 million in 2002 as against GH¢39.64 million in 2001, indicating about 28.6 per cent growth.

The amount of loans extended by NBFIs further increased from GH¢70.63 million in 2003 to GH¢72.85 million in 2004, suggesting 3.1 per cent growth. In 2006 alone, total of GH¢160.47 million was extended to clients, which represents 48.8 per cent higher than the previous year's total loans and advances granted by these microfinance institutions, (Asiama, J. P. and Osei, V, 2007).

A research conducted by Alabi et al, 2007 affirms that, aside being a financial capital, Susu also serves as a strong social capital base which is an incentive to most members. The benefits derived from the networks of people working together as in the most prominent Susu schemes (the ROSCA and Susu Clubs) cannot be compensated for by the formal banking institutions.

Another outcome of their research was that, the welfare aspect of Susu in effect is an additional product for the contributors and therefore gives these operatives a competitive advantage within the target group over the traditional banking institutions. From their findings, ‘susu’ has quite an effective mechanism of —Know Your Customers system, which probably cannot be easily simulated by formal systems. Therefore as a result this reduces the inherent risks and hazards of clean lending because it does not require any collateral.

In support of this, the International Fund for Agricultural Development (IFAD) outlined the importance of ‘susu’ collection in their 2000 report as have a:

- good knowledge of the local economy;
- good outreach to clients (doorstep service);
- intimate knowledge of their clientele and their businesses;
- low transaction costs;
- very little or no bureaucracy and paperwork;
- flexibility to adjust to changed circumstances, as in emergencies; and □

Quick turn-around time.

In Akridge and Hertel (1992) their research indicated that there was no —significant costs advantages‖ enjoyed by the —financial cooperatives‖ over the formal banks‘ dealing in grain and farm supply, using a generalized trans-log cost function. Comparing the financial performance of two types of dairy farms between 1976 and 1987 Lerman and Fulton (1990) concluded that —non-banking financial cooperatives‖ performed significantly better than the formal financial/banking institutions in terms of leverage, liquidity and asset performance.

In Lohlein, D and Wehrheim, P, 2003 research, financial cooperatives help small and medium scale enterprises to access credit facilities by providing financial services to rural communities. Calkins and Ngo (2005) found similar findings in Ghana where members had higher enterprise profitability than nonmembers and the control group.

Before the advent of the cooperatives small and scattered private moneylenders were providing micro-credit to small businesses and individuals at a very high interest rate. However the introduction of cooperatives and rural banking money lenders had to reduce their interest rate on loans from 60% to 24%, (Simkhada, N. R, 2004).

Finally according to Develtere and Pollet (2008), cooperatives societies‘ impact on the standard of living of members and significant role they play in alleviating poverty has not been studied in any systematic way.

Kassali and Adeyemo (2007) study on the other hand revealed that —financial cooperatives‖ cooperatives have made notable progress in bringing about development and alleviating poverty among their members though they operated in a hostile competitive environment.

2.10 Challenges of Indigenous savings

Susu also seems to come with disadvantages from the researches and findings made. IFAD listed a number of them in their 2000 report. IFAD reviewed that __susu‘;

- Susu system losses as a result of inflation, late collection or the lack of interest on savings;
- often high interest rates among moneylenders;
- overdependence on trust, which can be abused;
- no linking of credit and savings;
- low volumes of credit or savings;
- limited financial products;
- no legal recourse to deal with defaulters or, for savers, fraud;
- With ROSCAs, each member has to await his or her turn to receive a loan.

Also Alabi, et al, (2007) concludes their research with the observation that, appropriate laws, rules and regulations be enacted to control the Modus Operandi of the Susu schemes in order to sustain and maximize of its potential in Ghana. They suggested the training and proper monitoring of the collectors to ensure the smooth running of the scheme. This according to them was because of the reported records of these collectors having wanted to take advantage of illiterates traders to swindle them out of their ignorance. Among the suggestions was also the proper financial management and record keeping and also learning both good entrepreneurial and management skills to efficiently manage their operations including others.

Similar to a phenomenon in Ghana, Kassali & A. O. Adejobi, 2013 said in Nigeria, among the problems facing —non-banking financial cooperatives is lack of adequate capital and proper financial management. Adesina (1998) also identified poor patronage, overdue loans, over population and the failure to put cooperative education and uphold cooperative principles as major problems of cooperative management in Nigeria. Like Ghana there was also the problem of financial performance records of cooperatives in Nigeria.

However, some schools of thought remain skeptical about the role of micro-credit in development. For example, while acknowledging the role micro-credit can play in helping to reduce poverty, Hulme and Mosley (1996) concluded from their research that micro-credit is not a cure-all for poverty-alleviation and that in some cases the poorest people have been made worse-off.

From the various theories above, it is widely believed that not only in Ghana or Africa but even in other continents, micro-credit has been the oldest financial associations since its maiden. However, its operations continue till today and its reported and attested benefits can never be overemphasized. Therefore, in this light the formal financial institutions has also started to tailor their new banking packages along this direction so that they will be able to capture the informal sector and capitalize on the successes enjoyed by these micro-credit operators.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The chapter discusses the methods and procedures that would be used in collecting and collating data for analysis. The chapter provides information on the study site, study type,

study design, study variables, population, sample size and sampling techniques, procedures for collecting the data and the analysis of the data and ethical consideration.

3.2 Sample size and Techniques

Osuala, 2001 defines sampling as taking any portion of a population or universe as a representative of that population or universe. The reason for sampling is to expand the representatives of the subjects under study. A number of sampling techniques were employed here to aid for the research findings. The sampling technique of this research was the simple random sampling, quota and purposive sampling. A list of both contributors and beneficiaries will be randomly selected. The quota sampling method was applied to avoid a particular occupation (farmers) from dominating and skewing the data to reflect only their opinions. Purposive sampling was used to capture the relevant information from the key personnel of the organization to achieve the objective of this study. The sample size would include all contributors and beneficiaries of the credit union.

The list of contributors, the cooperative's members, beneficiaries and key personnel of the —financial cooperative obtained from the organization were the sample frame. Sample size of 120 which are active contributors were used for the estimation. Nine others who are staffs and management of the organization were interviewed as well.

3.3 Method of Data Collection

Relevant data from both primary and secondary sources were ascertained and obtained to satisfy the objectives of this research. The primary data sources are the questionnaires and interviews with the respondents. The data were collected from a sample of 120 randomly selected members and contributors of the credit union. Interview using wellstructured questionnaires helped collecting data on: the demographic characteristics, membership status, credit accessibility and defaults, loan delinquency, services to members, sources of funds, investment projects carried out, operational activity, training programme, etc.

Other 9 Staff or executive and non-executive board members were purposively sampled and asked questions with the aid of a guided questionnaire to solicit for key information to help in the discussion and analysis of the data. Some available financial records were obtained from the manager to evaluate the credit union's performance and activities. The field survey took place within the period of May-July 2015 using the questionnaire. A visit was paid to the premises of the credit union and members who accessed the premises during this period were randomly selected and interviewed to respond to the questionnaire. Information were also gathered from available facts or data from the credit union, observations of the lives and economic activities of both the people in the town and the credit union, informal discussions to draw information significant to this study, reports, journals and relevant reading books on the subject were used to guide the discussion of the findings.

3.3.1 Study Type

This research is an exploratory study. Exploratory research explains the behavior of the object being studied. The study seeks to analyze the performance of cooperative credit union in Nsoatre. It describes how credit union can be effective tool in mobilizing funds for investment.

3.3.2 Study Design

The research is designed to sample the opinions of the contributors on the activities and development of the credit union in the community and how it affects or have affected their lives. This study is targeted at the Nsoatre credit union: their operations and development as a financial institution.

3.3.3 Population

Balso and Lewis (2001) define population as the group that one is interested in studying.

The population relevant in this study includes all those whom the activities of the Credit Union affect them. This include contributors like cocoa and plantation farmers, traders, small scale businesses, civil servants, and other beneficiaries of the operation of this institution.

3.4 Method of Data Analysis

Both qualitative and quantitative data analysis techniques were used in the analysis and presentation of the available data. The Statistical software SPSS and Excel were used for the analysis of the data generated.

3.5 Organizational Profile

This section briefly discusses the establishment and growth of the organization; vision; mission; and core values of the human resource; core business and achievements, challenges and characteristics of the study area.

3.5.1 Background of Nsoatre Community Credit Union

The Credit Union was established in 2002 with 15 members. It is registered and regulated by the Ghana Association of Credit Union. Its population has now grown to 6,339 members who are active contributors. It had only one branch but now have two branches which are in Nsoatre the headquarters and Domasua. It started with a capital of GH¢ 1,500 which has now grown to GH¢ 1,278,676.53.

Vision:

To provide financial solution to the businesses and individuals within the community

Mission:

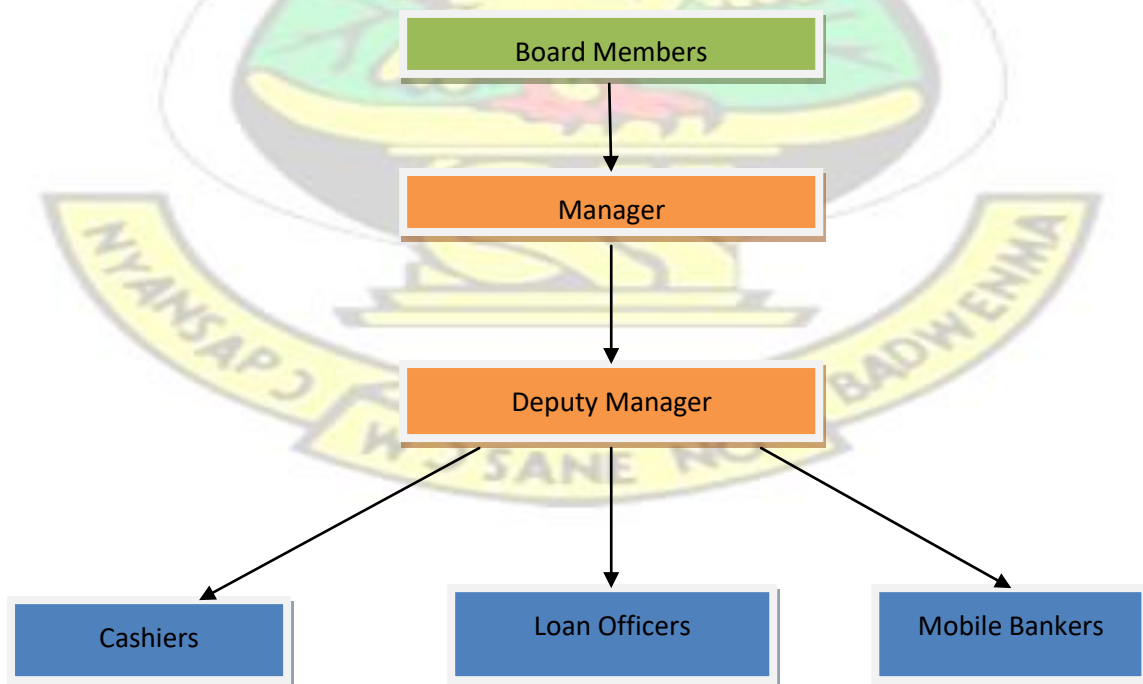
To provide financial service in a timely manner through the integration of technology that will ensure that our client and their businesses become more vibrant **Core Values:**

- Integrity
- Professionalism
- Service
- Timelines
- Trust and Respect

Products and Services:

1. Savings Deposits and —Susull
2. Provision of loans for members and contributors
3. Fixed deposits
4. Funeral loans for contributors
5. Youth Savings plans for 1 month to 15 years old members
6. CUALink money transfer (transfer of money by members from one credit union to another linking all the credit unions in Ghana)
7. MTN mobile money

Organogram:



Achievements:

1. The credit union has made several donations to the Ghana heart foundation worth GH¢ 10,000
2. The credit union is also sponsoring the education of needy children in the community
3. Five motorbikes has also been bought for the mobile bankers for the —Susul collection
4. Land worth GH¢ 14,000 has been acquired for housing projects

Challenges:

1. Energy crises. One major crises faced by the credit union is the current energy crises in Ghana. The organization spends on fuel to power their generators for operations. This has increased the operational cost of the union.
2. Litigation. The Union also incurs cost for loan recovery. Hard core defaulters are taken to court to retrieve the money. This affects the union's profitability because of the cost in recovering them.
3. Competition. The organization also faces competition in the Nsoatre community. The competitors include: Nsoatreman Rural bank and First Liberty Microfinance. This affects the membership strength of the organization.
4. High employee turnover. There is high employee turnover among the mobile bankers. This is because those employed as mobile bankers are normally SSCE

certificate holders. Therefore they resign to continue schooling after they get admission into higher or tertiary education.

Nsoatre Community:

Nsoatre is a small town in the Sunyani West constituency. It is about 8km journey from Sunyani and in the middle of Sunyani-Berekum road in the Brong Ahafo region. It is in the Sunyani West district. It is a fast growing town with population of about 10,000 people.

The town is a farming community with majority of the people also engaged in petty trading and small scale businesses. The town has two financial institutions; the Nsoatreman rural bank and Nsoatre Cooperative Credit Union which form the case study of this paper. Economic activities in this community have increased. It has a three star hotel and other business establishments like filling stations, internet café and others.

Nsoatre is chosen because it has much benefited from the Nsoatre Cooperative Credit Union.

3.5 Ethical Consideration

Ethical consideration is very important in a research study of this nature. Ethical consideration includes the acceptable practices and norms the researcher puts in place to prevent subjectivity of the research study. Data recorded and collected would not be misrepresented by the researcher. The right authorities would be consulted to conduct the study. Respondents would also be highly briefed on the purpose of the study whereas their views and contributions are kept in the strictest confidence to ensure that their interests are protected at all times.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter deals with the presentation and analysis of data which were collected from respondents. The data gathered were analyzed both quantitatively and qualitatively. The data presentation and discussion took into cognizance some descriptive tables, figures and statistical models such as pie charts, bar graphs which were translated into percentages, frequencies, averages, mean among others. Inferences were then drawn based on the analysis. The analysis of the data was by the objectives outlined in this study. The prime objective of this study is to evaluate the Nsoatre Cooperative credit union from the period of 2010 to 2014. To evaluate their performance certain indicators were used. These include; the loan performance in this period, the investment activities, sources of the union's funds and their products and services. 129 respondents were selected from both the credit union and the members of the union (shareholders and contributors). 120 contributors were sampled and 9 others who were either staff or executive members were also sampled to elicit key information on the union's activities and operations.

The 120 contributors sampled were to help examine the impact of the union on member activities in relation to the credit facility received from the union and other benefits they received as well as identify their challenges and proposed solutions.

Socio-demographic characteristics of the respondents were first presented to show the composition of the sample population. The demographic characteristics in a crosstabulation table will be also used to determine how these characteristics affect and

influence individual choice and assist in decision making. Tables, bar charts, and pie charts were used to represent the data.

4.2 Presentation of Findings and Analysis

Demographic Characteristics of the Respondents

Table 1

Demographics	Frequency	Percent
Sex		
Male	70	58.3
Female	50	41.7
Total	120	100.0
Age		
20-30years	29	24.2
31-40years	46	38.3
41-50years	41.0	34.0
Above 51 years	4.0	3.3
Total	120.0	100.0
Occupation		
Farmer	59.0	49.2
Trader	34.0	8.3
Civil Servant	19.0	15.8
Artisan	8.0	6.7
Total	120.0	100.0
Marital Status		
Married	106.0	88.0
Single	12.0	10.0
Divorced	1.0	0.8
Widow	1.0	0.8
Total	120.0	100.0

Source: Fieldwork, 2015

The table1 above shows the demographic characteristics of the respondents. 58.3% of the respondents were males and 47.1% were females. Out of the 120 respondents, 24.2% were

in age between 20-30years. 38.3% were between 31-40years, 34% were between 41-50years and 3.3% were above 51 years. The farmers were the highest population with 49.2%, 15.8% of the respondents were civil servants. 8.3% were traders and 6.7% were Artisans.

88% of the respondents were married, 10 respondents representing 12% were single, 1 (0.8%) person was divorced and 1 respondent was also a widow.

4.2.1 Loan Performance

Table 2

Delinquency Rate between the periods of July 2010- July 2015 financial Year on a Yearly Basis

Financial Year	Loan Granted	Loan Recovered	Delinquency	Current Recovery Rate	Annual Loss Rate: 1-CRR/T (standard: below5%)
July 2010- June 2011	216,277.00	208,797.83	7,479.17	97%	7%
July 2011- June 2012	254,713.00	217,555.10	37,157.90	85%	29%
July 2012- June 2013	401,298.00	251,235.56	150,062.44	63%	75%
July 2013- June 2014	330,913.00	262,247.28	68,665.72	79%	42%
July 2014- June 2015	201,875.00	200,419.00	1,456.00	99%	1%
	1,405,076.00	1,140,254.77	264,821.23		

Source: Data obtained from Nsoatre Cooperative credit union's Manager

The current recovery rate was calculated using the collection performance indicator of United Nations Capital Development Fund (UNCDF) as explained in chapter 2. From the table 2 above, the loan recovery rate is very good though July 2012-June 2013 financial saw slightly low performance of 63% falling from 85% in July 2011-June 2012 financial year. July 2014-June 2015 financial year recorded the highest percentage of 99%.

However, on the other side the annual loss rate showed something different. The standard rate should be below 5%. It was only in July 2014-June 2015 financial year that saw significant progress from 42% in July 2013-June 2014 to 1%. This puts the financial sustainability of the cooperative at risk. According to the World Council of Credit Unions Toolkit, most credit unions are not concerned about loan losses and for that matter do not charge it against their earnings. This leads to inflated value of their assets and if adequate provisions are not made to provide for the loan losses member savings will not be adequately protected, (David C. Richardson, 2002). This implies that the credit union's members savings are at a risk if this trend continues. The improvement in 2014-2015 year is commendable and the best. Therefore the credit union needs to install proper measures to sustain such performance and protect member savings.

Table 3

Respondents who have taken loan from the credit union before

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	69	57.5	57.5	57.5
Valid No	51	42.5	42.5	100.0
Total	120	100.0	100.0	

Source: Fieldwork, 2015

The above table 3 shows that 57.5% of the respondent took loans from the credit union and 42.5% did not take loan from the credit union. Out of 120 respondents 51 (76%) males has obtained loan from the cooperative union as shown on the table in the Appendix 1. Out of the same number only 18 (26%) females were able to assess credit facility. Out of the

total number of 70 males, only 27% has not obtained loan from the cooperative credit union and 64% of the 50 female respondents has not obtained loan.

This shows that the male contributors obtained more loans than the females, implying that the male contributors benefit more in terms of access to credit facilities than females. This means males are patronizing more the services of the union because they have the greater need for credit facility.

71% of those who obtained loans up to Gh¢ 2000 were males, 29% were females. 80% males obtained loans between Gh¢ 2000-5000 while 20% females obtained similar amount. 83% of males obtained loans between Gh¢ 5000-7000 and 17% who obtained similar amount were females. Those who obtained loans above Gh¢ 7000 were all females. This shows that in all loan categories except those above Gh¢ 7000 males dominated. However, in the highest category above Gh¢ 7000 no male received loan. This implies females received high amount of loan than males indicating that although the male population patronized more the services of the credit union than the females, the females had the highest amount of deposits compared to the male or were consistent in loan repayment. Therefore the credit union should strategize to encourage more females to save to ensure the safety of the deposits and growth of the credit union.

Table 4

Annual Disbursement rate of Nsoatre Cooperative Credit Union

Contributors	2010	2011	2012	2013	2014
Civil Servants	172,319.60	145,758.00	186,083.17	214,958.00	197,281.00
Petty Traders	231,556.60	129,122.36	132,935.00	223,359.90	222,148.35
Farmers	508,787.88	222,849.82	205,244.03	262,381.44	478,139.27
Artisans	14,340.20	80,551.69	89,457.00	94,550.00	98,950.00

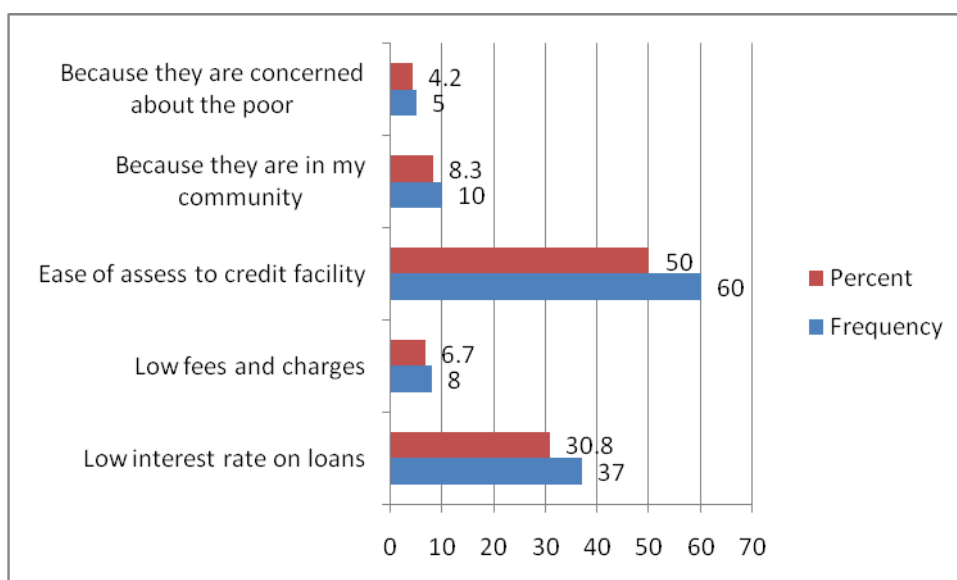
Youth Savings	1,212.12	2,741.82	4,904.17	9,575.10	14,210.83
Total	928,216.40	581,023.69	618,623.37	804,824.44	1,010,729.45
Disbursement	216,277.00	254,713.00	401,298.00	330,913.00	201,875.00
Disbursement Rate	23%	44%	65%	41%	20%

Source: Data obtained from Nsoatre Cooperative credit union's Manager

The table 4 above indicates the annual disbursement rate of cooperative. It is shown that farmers are the major contributors. According to the manager, it is because the community is predominately cocoa farmers. The manager indicated that they are motivated to save in order to get loan to finance their activities. The union was also established targeting the rural poor. From the table, looking at the disbursement in relation to the total contribution, 2012 was the highest with the rate of 65% followed by 44% in 2011. The other periods experienced rates below 50% of the total contributions or deposits. This shows that the credit union is unwilling to take risk to invest in loans. According to the World Council of Credit Unions Toolkit, the loan portfolio is the most profitable asset of financial cooperatives. They said if the loan portfolio grows in pace with the total assets there could be a sustainability of the profitability of the organization. Otherwise a fall in the loan portfolio indicates that less profitable areas are growing quickly which is not healthy, (David C. Richardson, 2002). Therefore in order for the Nsoatre cooperative credit union to sustain their profitability they should focus on increasing their loan portfolio. This is even confirmed in figure 1 below where the majority of 60% said they save with the credit union because of ease of access to credit facility.

Figure 1

Reasons why Respondent saves at Nsoatre Cooperative credit union



Source: Fieldwork, 2015

Figure 1 reveals the reason why people save with the cooperative credit union. The majority of 50% (60) said they save there because of ease of access to credit. 30.8% (37) also said because of the low interest rate on loans from the union. 8.3% (10) said they save there because the credit union is in their community. 4.2% (5) also save at the Nsoatre cooperative credit union because the union is concerned about the poor and 6.7% (8) said it was because of the low fees and charges. This shows that people save at the credit union because of the ease of access to credit.

Traders were the highest of 59% who said they save with the cooperative because of low interest rate on their loans. Out of the total 8 respondents who said they save at the credit union because of low fees and charges the highest number of 50% were traders. 67% out of the total 60 respondent who said they save with the credit union because of ease of access to credit were farmers. 90% of respondents who save with the credit union because they are in the community were farmers with only 10% as artisans. All the 5 respondents who said they save with the credit union because they are concerned about the poor traders. Therefore when the credit union strategizes to increase deposits and customer base they

should consider the above mentioned factors and how they can use to attract customers and deposits.

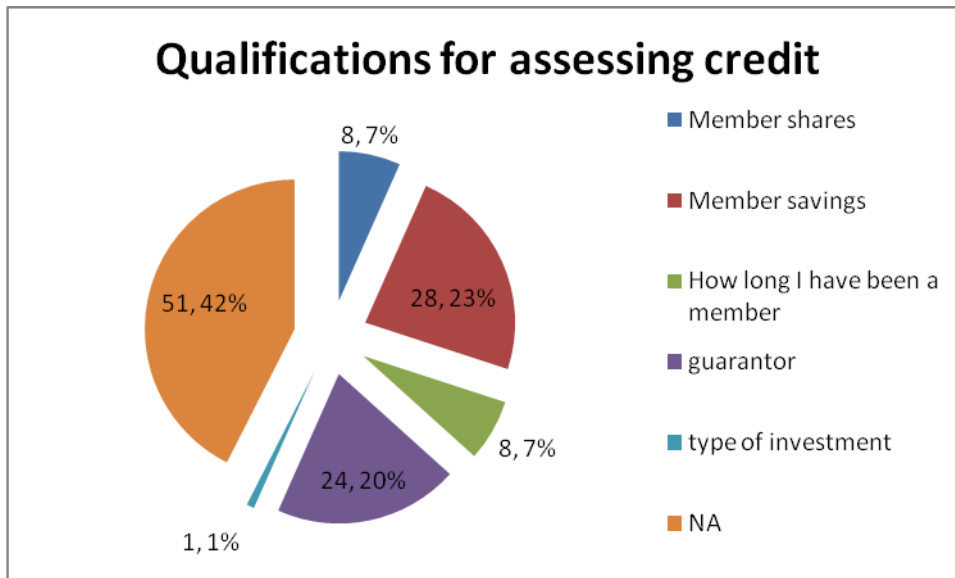
Table 5

Occupation of Respondent * Were you able to keep to the loan Schedule? Crosstabulation							
Count							
		Were you able to keep to the loan Schedule?			Total	Rate of Repayment	Rate of Default
		Yes	No	NA			
Occupation of Respondent	Farmer	30	13	16	59	70%	30%
	Trader	6	0	28	34	100%	0%
	Civil	11	6	2	19	65%	35%
	Servant						
	Artisan	3	0	5	8	100%	0%
Total		50	19	51	120	72%	28%

Source: Fieldwork, 2015

On table 5 above, 70% out of the total 33 farmers who received loan kept to the repayment schedule. All traders who received loan were able to keep to the repayment schedule. Similarly all artisans who received loans kept to the repayment schedule. 65% of civil servants who received loans kept to their repayment schedule. The highest defaults rates were the civil servants with a rate of 35% followed by farmers with a rate of 30%. This shows it is more risky in giving loan to civil servants than the other groups. Therefore a high number of civil servants and farmers in a loan portfolio is not healthy. The credit union should restructure their loan portfolio to reduce delinquency or monitor those loans strictly to drastically reduce defaults.

Figure 2



Source: Fieldwork, 2015

On figure 2 above, 20% said the type of investment was taken into consideration before loan application was granted. 7% said they were assessed by how long they have been a member of the cooperative. 23% said they were assessed based on their savings, another 7% said their loan application was considered based on the guarantor who guaranteed.

It shows that the cooperative union predominately grants loan application based on member savings. This was confirmed by the manager who said their loan policy only considers loans application to members who have saved with the union consistently for 6 months. She added that the amount of credit approved as loan is based on one's deposit he has with the union.

Table 6

What amount did you receive as loan * Were you able to keep to the loan Schedule?

Crosstabulation

Count

		Were you able to keep to the loan Schedule?			Total
		Yes	No	NA	
What amount did you receive as loan	Below Gh¢ 2000	16	1	0	17
	Between Gh¢ 2000- 5000	22	3	0	25
	Between Gh¢ 5000- 7000	10	13	0	23
	Gh¢ 7000+	2	2	0	4
	NA	0	0	51	51
Total		50	19	51	120

Source: Fieldwork, 2015

Table 6 above reveals that 3 out of 25 respondents representing 12% who received loans between Gh¢ 2000- 5000 defaulted. 1 out of 17 representing 5% who received loans below Gh¢ 2000 defaulted. 13 respondents representing 56.5% who received loans between Gh¢ 5000- 7000 defaulted and 50% (2) of the respondents who received loans above Gh¢ 7000 defaulted. This implies the risk of default is higher for those in categories of Gh¢ 5000 and above so a loan portfolio with high amount of Gh¢ 5000 and above categories have a high risk of non performing. Therefore the credit union should reduce such loan category in their loan portfolio to protect members' deposits. Otherwise proper assessment and monitoring need to be done by the credit union for loan category above Gh¢ 5000.

Among the reasons given for loan default 6.7% attributed the loan default to crop failure, 5% said it was due to natural disaster such as bushfires, 8.3% said their income was low that accounted for their loan default, 80% neither took loan nor defaulted.

4.2.2 Utilization of the funds

Table 7

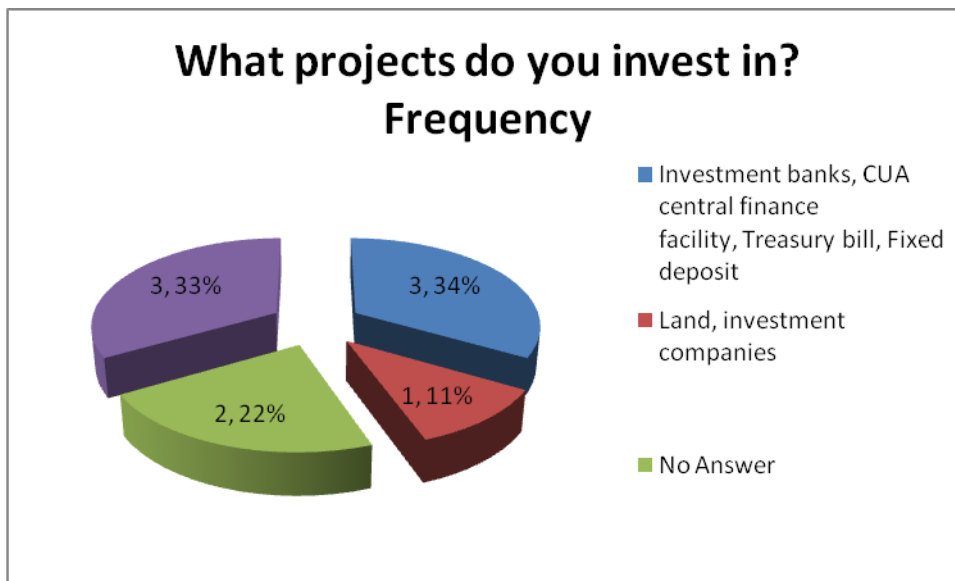
Annual Rate of Investment of Nsoatre Cooperative Credit Union

Year	Investment (Ghc)	Total Contributions/Deposits (Ghc)	Loan Granted(Ghc)	Percentage of Contribution in Low Risk Investment
2010	613,949.40	928,216.40	216,277.00	66%
2011	300,321.69	581,023.69	254,713.00	52%
2012	190,058.00	618,623.37	401,298.00	31%
2013	638,019.33	804,824.44	330,913.00	79%
2014	742,983.29	1,010,729.45	201,875.00	74%

Source: Data obtained from Nsoatre Cooperative credit union's Manager

The above table 7 indicates the investment pattern of the credit union. It was only 2012 which had a low percentage of investment of 31% with the highest in 2013 of 79%. This shows that the cooperative primarily invest in low risk investments to cut down risk and guard the safety of the deposits. However, this undermines their aim of providing credit to the rural poor to boost economic development. Though it is safe it also indicates that the credit union is less profitable and uncompetitive.

Figure 3



Source: Fieldwork, 2015

On figure 3 above, respondents which comprises of the staff and some executive members of the union revealed what investment activity the cooperative engage in. Among them 2 respondents representing 22% did not answer and 33% (3) were not applicable since they did not know. 11% (1) said the cooperative credit union invests in land and investment companies while 34% (3) indicated that the cooperative invest in investment banks, CUA central finance facility, Treasury bill and fixed deposits. According to the manager and some of the executive members, the highest yielding investments are those in investment banks (fixed deposits, treasury bills, databank securities) and CUA central finance facility. Information gathered from the interview with management these investments pay higher than their loan portfolio. Interestingly the risk of these investments is negligible. Therefore it makes sense to cut down on loans to invest and create value. However credit facility plays a key role in customer retention and growth of the credit union. Therefore proper loan assessment should be done to reduce loan defaults and losses to enable the cooperative grant more loans.

4.2.3 Sources of Deposit

Table 8

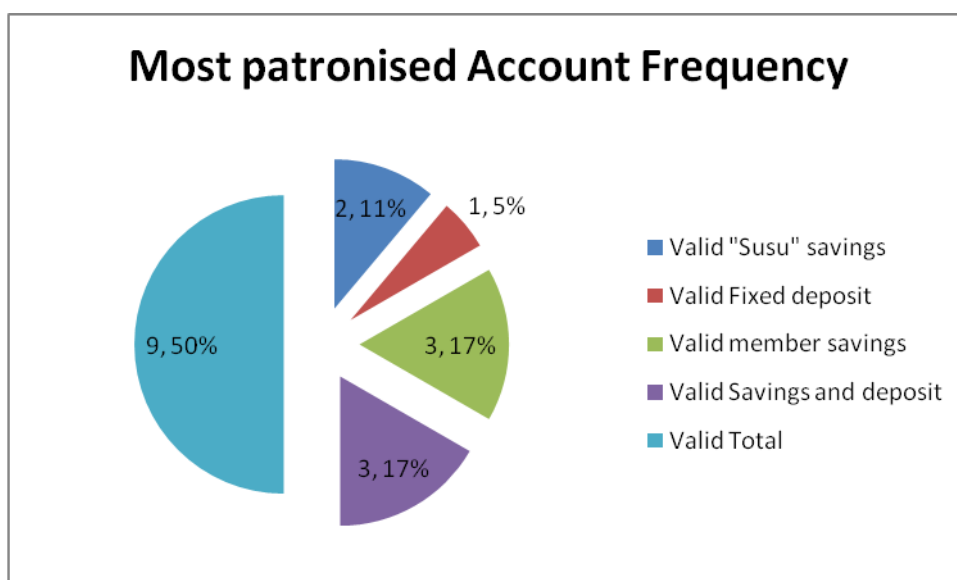
Funds Generated from the Various Type of Accounts from the period, 2010- 2015

Type of Account	2010	2011	2012	2013	2014	Mean	Standard deviation
Fixed Deposit	841,510.00	10,262.20	24,078.20	36,082.00	63,699.00	195,126.28	361,874.39
Savings	75,156.48	526,732.44	526,420.09	669,382.16	802,125.48	519,963.33	273,807.46
Current Account	2,446.80	3,805.58	9,115.26	4,013.65	665.83	4,009.42	3,151.69
Youth Savings	1,212.12	2,741.82	4,904.17	9,575.10	14,210.83	6,528.81	5,327.79
Mobile banking	7,891.00	37,481.65	54,105.65	85,771.53	130,028.31	63,055.63	46,847.14
Total	928,216.40	581,023.69	618,623.37	804,824.44	1,010,729.45		

Source: Data obtained from Nsoatre Cooperative credit union's Manager

Table 8 shows the various types of accounts and how much is mobilized from each account from 2010-2015. Savings account has the highest average of Gh¢ 519,963.33. The fixed deposit account generated Gh¢ 841,510.00 in 2010 but fell significantly over the years. This is because other micro-credit organizations which later collapsed opened branches in the community and entered into competition with the credit union, according to interview with the manager. Fixed deposits account has the highest standard deviation of 361,874.39 which shows inconsistency in the revenue it generated in the periods under study. However, the savings account showed a consistency in growth between 2010- 2015. The current account has the least mean and standard deviation of 3,151.69. This implies that current account is the least volatile and does not pose any liquidity challenge to the cooperative credit union. Therefore, the cooperative is well cushioned to absorb shocks and have more available funds to loan their members.

Figure 4



Source: Fieldwork, 2015

Figure 4 shows 9 sampled respondents who are either staff or executive members of the credit union responses on the most patronized account. 17% (3) said member savings; another 17% (3) also said savings and deposits. 11% (2) also said —susul or mobile banking account and 5% (1) added that it was fixed deposit. This indicates that the savings and deposits account and the member savings were the most popular. According to the World Council of Credit Unions Toolkit, savings are the new instrument for growth in the financial cooperative system. They added that —the growth in total assets is dependent on the growth of savingsl. Therefore savings deposits growth affects other key areas. Looking at Nsoatre cooperative credit union performance, the consistent growth or patronage in savings deposits reveals that there is growth in the total assets of the organization.

Table 9

Annual Rate of Contributions by Groups of Occupation

Contributors	2010	2011	2012	2013	2014
Civil Servants	172,319.60	145,758.00	186,083.17	214,958.00	197,281.00
%	19%	25%	30%	27%	20%
Petty Traders	231,556.60	129,122.36	132,935.00	223,359.90	222,148.35
%	25%	22%	21%	28%	22%
Farmers	508,787.88	222,849.82	205,244.03	262,381.44	478,139.27
%	55%	38%	33%	33%	47%
Artisans	14,340.20	80,551.69	89,457.00	94,550.00	98,950.00
%	2%	14%	14%	12%	10%
Youth Savings	1,212.12	2,741.82	4,904.17	9,575.10	14,210.83
%	0.13%	0.47%	1%	1%	1%
Total	928,216.40	581,023.69	618,623.37	804,824.44	1,010,729.45

Source: Data obtained from Nsoatre Cooperative credit union's Manager

On table 9 above, in 2010 farmers were the highest contributors with contribution rate of 55% representing Gh¢ 508,787.88 out of the total of Gh¢ 928,216.40. In 2011, farmers also recorded the highest contribution rate of 38%. From 2012 to 2014 farmers still top the group with 33% in both years and a 47% in the last year. However, the farmers' contribution was high in 2010 and the rate fell though it was still the highest contributor. In 2014 it rose from 33% to 47%. According to the manager, what accounted for the reduction in their contributions were crop failures as result of bush fires, pestilence and low rainfall.

On the other hand, there were fluctuations in the total contributions or deposits between 2010 and 2014. This can however be accounted for by the fluctuations in the deposits of farmers. Calculating the correlation(r) between the deposits made by the farmers and the

total deposits over the years, $r = 0.91313661$. This implies that there is a high positive correlation between the contributions made by the farmers and the total deposits.

Table 10

How much percentage of your income do you save with the credit union responses

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	up to 5%	28	23.3	23.3	23.3
	between 6-10%	21	17.5	17.5	40.8
	between 11-15%	18	15.0	15.0	55.8
	between 16-20%	14	11.7	11.7	67.5
	between 21-30%	21	17.5	17.5	85.0
	between 31-40%	9	7.5	7.5	92.5
	Above 40%	9	7.5	7.5	100.0
	Total	120	100.0	100.0	

Source: Fieldwork, 2015

Table 10 above indicates the percentage of income respondent save monthly at the credit union. 23.3% save up to 5% of their income monthly. 17.5% save between 6-10%. 15% save between 11-15%, 11.7% save between 16-20%, another 17.5% saves between 21-30%, 7.5% saves between 31-40% and another 7.5% saves above 40%. This implies that the simple majority saves below 5% of their income monthly. Therefore though the cooperative is experiencing growth in saving deposits, the amount of net savings by members are low so the cooperative credit union needs to do more to encourage savings.

Table 11

How much percentage of your income do you save with the credit union responses * Age of Respondent Crosstabulation

Count

	Age of Respondent	Total

		20-30years	31-40years	41-50years	Above 51 years	
How much percentage of your income do you save with the credit union responses	up to 5%	4	9	13	2	28
	between 6-10%	7	6	7	1	21
	between 11-15%	5	9	3	1	18
	between 16-20%	3	6	5	0	14
	between 21-30%	4	8	9	0	21
	between 31-40%	3	4	2	0	9
	Above 40%	3	4	2	0	9
Total		29	46	41	4	120

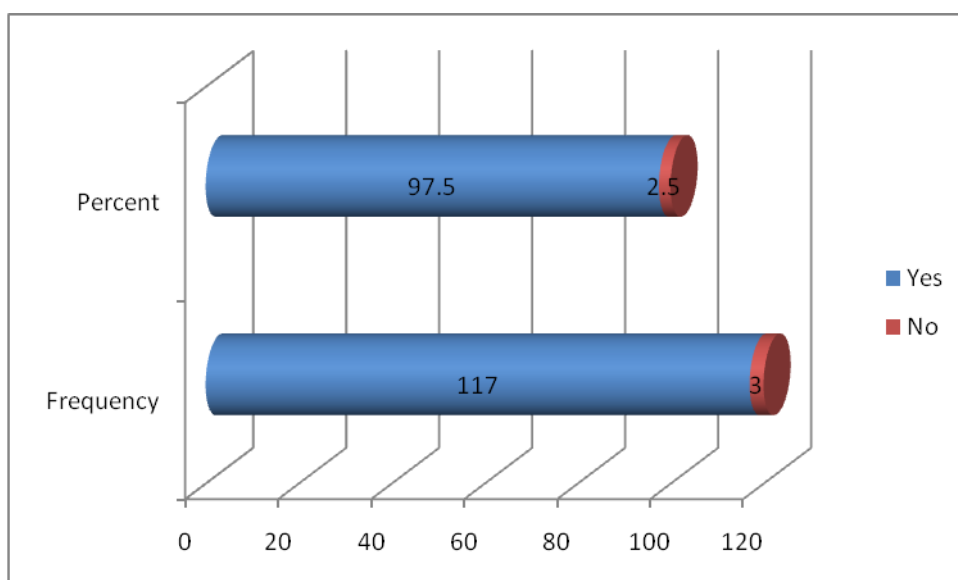
Source: Fieldwork, 2015

It shown on table 11 above that, 13 (46%) respondents out of total of 28 who save below 5% are between the ages of 41-50years. Only 1 (4.8%) out of 21 respondents who save between 6-10% are above 51 years. 9 (50%) out of 18 respondents who save between 11-15% are between the ages of 31-40years. 6 (42.9%) out of 14 respondents who save between 16-20% are between the ages 31-40years. Those who save above 40% of their income monthly are 9 and out of that total the highest number that is 4 (44%) are between 31-40years. Out of the total 120 contributors interviewed, 46 (38.3%) were between the ages of 31-40years. This implies that the contributors are youth dominated. Therefore, the youth are benefiting more from the operations and services of the credit union which is a good sign for local economic development.

4.2.4 Activities of the credit union

Figure 5

Has your membership with the credit union benefited you responses

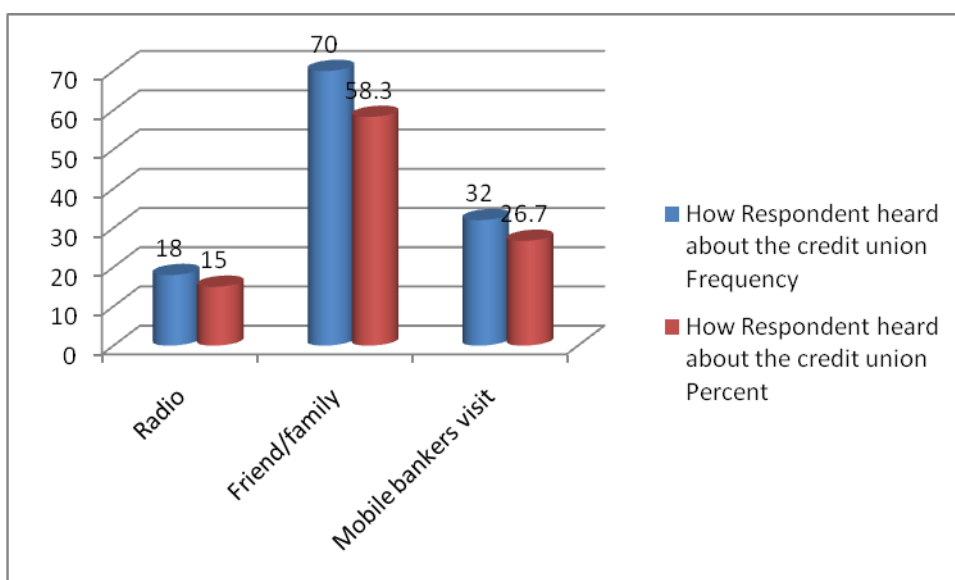


Source: Fieldwork, 2015

It is shown on the figure 5 above that 97.5% who are members of the credit union said their membership with the organization has benefited them. 2.5% said it has not benefited them. Out of those who said the cooperative has benefited them 10.8% said their membership with the cooperative has helped increase their capital. 15% said they have received financial advice from the union which has helped them. 38.3% said the cooperative union has helped them save. 33.3% said the union has helped improve their income. This shows that cooperative credit union is a good tool to mobilize savings for development.

Figure 6

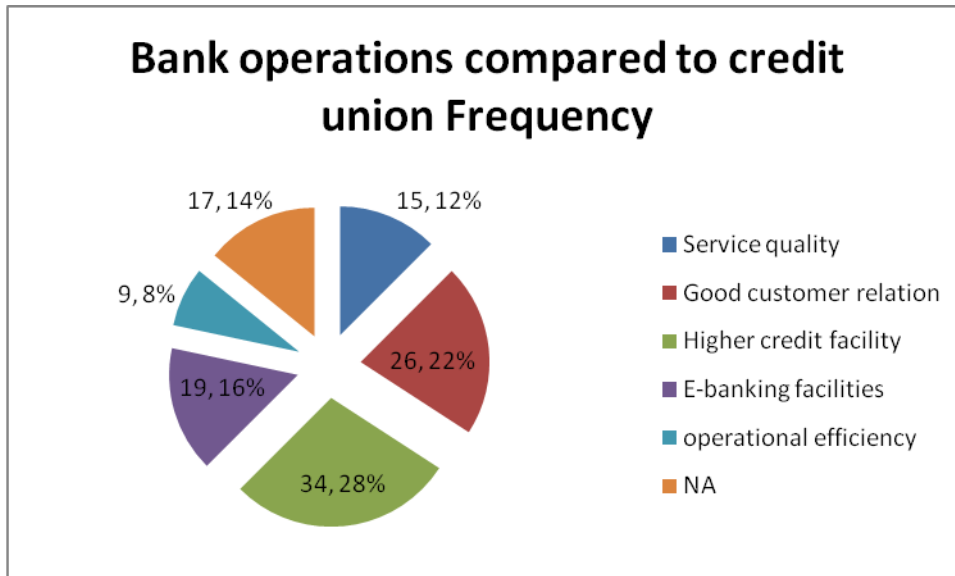
How Respondent heard about the credit union



Source: Fieldwork, 2015

As indicated on the chart above on figure 6, 58.3% said they heard about the credit union from family and friends, 26.7% said they heard about it through the cooperative union mobile bankers and 15% said they heard about the cooperative on the radio. This indicates that their radio adverts are yielding less result. Therefore, management could cut down on the radio advert and introduce referral commissions to capitalize on the friends and family word of mouth adverts.

Figure 7



Source: Fieldwork, 2015

The figure 7 above depict the perceive difference of banks operations to the credit union by respondent. When respondents were asked if they see any difference of banking operations to the credit union 85.8% said there was a difference, 14.2% said there was no difference. When those who indicated that there was difference in the operations of a bank compared to the credit union were asked to show the difference, 12% said the bank's service quality is better than the credit union. 22% said the banks had a good customer relation compared to the credit union. 28% said there was a higher credit facility at the bank compared to the credit union. 16% also said the banks had e-banking facilities which the cooperative union did not have and 14% said the operational quality is better on the side of the commercial banks. However, they suggested some improvements that could be undertaken by the credit union to enhance their efficiency and effectiveness. Among them include; continuous training for credit union's staff; adopt and apply good human resource system; investment in infrastructure and logistics; and the union should improve on their credit management system.

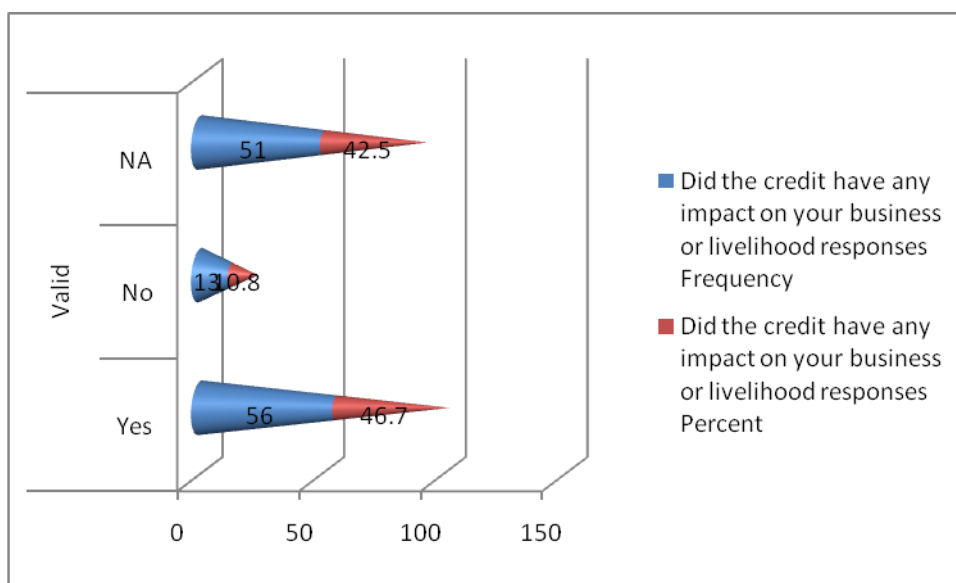
This implies that there is great difference in the operations of the credit union compared to a formal bank with 85.8% confirming that.

KNUST



Figure 8

Did the credit have any impact on your business or livelihood? Responses



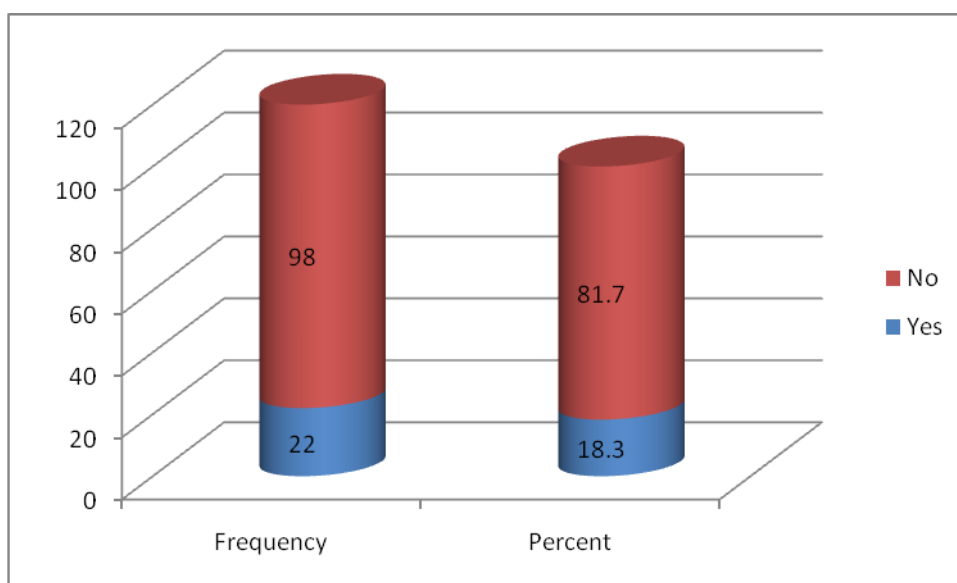
Source: Fieldwork, 2015

On the figure 8, 46.7% said the loan they received impacted on their lives and businesses. 10.8% said it did not have any impact. 42.5% did not receive any loan. 66% of those who said the credit facility have impacted their livelihood and businesses were farmers, 3.6% were traders, 26.8% were civil servants and 3.6% were artisans. Out of the total of 13 who said the credit facility did not benefit them, the highest frequency were traders leading with 46%. This implies the credit facility granted farmers benefited them more than the other contributors. The traders benefited little from the credit facility. Interview with the traders revealed that the reason for this is because sales are down and slow so expanding their business did not make any difference.

On the other hand, out of the total number of those who said the credit facility benefited them, 21.7% said it helped to improve their income, 4.2% said it improved their capital, 6.7% said the loan helped them expand their businesses, 11.7% said it helped them to acquire assets and properties, 3.3% said it helped them paid for school fees and personal expenses.

Figure 9

Have you received financial management training from the cooperative union? Responses



Source: Fieldwork, 2015

On the figure 9 above 81.7% said they did not receive any financial management training from the credit union with 18.3% saying they received financial management training from the credit union. Out of the 22 respondents who confirmed receiving financial management training, 20 (90.9%) said the training benefited them. 2 (9.1%) said the training did not benefit them. This implies only 18.3% confirmed receiving financial management training, however almost all of them of 90.9% said it benefited them. Therefore, more of such should be organized to cut down on loan defaults; improve on the livelihood of individual contributors and also to enhance the growth of contributor's businesses activities.

Table 12

Reasons why respondents did not receive any training on financial management

	Frequency	Percent	Valid Percent	Cumulative Percent
Did not know there was one	44	36.7	36.7	36.7
I was not available	25	20.8	20.8	57.5
I was not interested	3	2.5	2.5	60.0

Valid				
The union did not	26	21.7	21.7	81.7
organize one	22	18.3	18.3	100.0
NA	120	100.0	100.0	
Total				

Source: Fieldwork, 2015

It is indicated on table 12 that 36.7% of those who claimed they did not receive training said the reason why they did not receive financial management training is because they did not know there was one, 20.8% said they were not available, 2.5% said they were not interested, 21.7% said the union did not organize one and 18.3% received training. The highest number said they did not know there was financial management training organized by the cooperative union. Therefore, the union should often organize such trainings and properly communicate it to the beneficiaries.

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

5.0 Introduction

This chapter contains the summary of the findings, conclusion and recommendations based on the research questions and objectives for the study. In an attempt to answer the research questions to achieve the set research objectives that seeks to address the research problem, both qualitative and quantitative data analysis techniques were employed and the findings below were obtained.

5.1 Summary of Findings

The study sought to evaluate the performance of Nsoatre cooperative credit union. This study was guided by certain specific objectives. The objectives were to examine the activities of the Nsoatre cooperative credit union; examine the sources of deposits of the credit union and how the union raises funds; to assess the loan performance of the credit

union; and analyze the utilization of the funds of the credit union. In all, 129 questionnaires were administered to staff, executive members and contributors of the credit union to solicit for information to complete and fulfil the objectives of the study. Simple random sampling technique was adopted by the researcher to select the contributors of the credit union whilst purposive sampling technique was used to select key staff and management of the Nsoatre cooperative credit union.

Indicators used to assess the loan performance showed that the recovery rate of loans of the credit union on the average was good. However, the loss rate was too high but it improved significantly in the last period. This implies that the credit union's members savings are at a risk if that trend continuous. Therefore the union needed to do more to maintain 2014 performance to ensure the security of member savings because having a high loss rate is a threat to member savings, (David C. Richardson, 2002).

The study also revealed that females received high amount of loan than males indicating that although more males patronized the services of the credit union than the females, the females had the highest amount of deposits compared to the male or were consistent in loan repayment. The credit union deposits therefore were at a risk having male dominated membership. Additionally, farmers also received more loans than other contributors. However, in relations to the impact of credit on members' livelihood and businesses, there was much impact in the lives of the farmers. Traders experienced the least impact because the loans did not translate into corresponding sales for them. Hence the loans did not have any significant impact on their businesses. Those who benefited from the loan facility said it helped to improve their income, others also said it improved their capital; expand their businesses; acquire assets and properties, and it helped them paid for school fees and personal expenses. Therefore credit union loan facility helps members to improve upon their livelihood.

Looking at the disbursement in relation to the total contribution, 2012 was the highest with the rate of 65% followed by 44% in 2011. The other periods experienced rates below 50% of the total contributions or deposits. This shows that the credit union was unwilling to take risk to invest in loans. According to the World Council of Credit

Unions Toolkit, the loan portfolio is the most profitable asset of financial cooperatives. They said if the loan portfolio grows in pace with the total assets there could be a sustainability of the profitability of the organization. Otherwise a fall in the loan portfolio indicates that less profitable areas are growing quickly which is not healthy,

(David C. Richardson, 2002). Therefore the research revealed that the profitability of the cooperative was not sustainable. This was even confirmed by the majority of 60% which said they save with the credit union because of ease of access to credit facility.

The study also showed that the highest defaults rates were among the civil servants with a rate of 35% followed by farmers with a rate of 30%. This shows it is more risky in giving loans to civil servants than the other groups. Therefore a high number of civil servants and farmers in a loan portfolio is not healthy. The credit union needed to restructure their loan portfolio to reduce delinquency or monitor those loans strictly to drastically reduce defaults. However, all traders who received loans were able to keep to the repayment schedule. Similarly all artisans who received loans kept to the repayment schedule. In effect, it is safer granting loans to traders and artisans implying a loan portfolio having high number of traders and artisans have a high tendency of performing and being profitable. The study also found that the criteria for assessing loan application at the credit union was by whether the applicant was a shareholder; or had regular savings; the type of investment the credit will be used for; guarantor and or the monthly income of the applicant. Loan applications of non-members were not considered. However the criteria needed improvements to cut down on the loan losses to enhance the profitability and credit

grading of the organization since the criteria was not helping much to reduce the loan losses.

It was also found that the risk of default was higher for loans in categories of Gh¢ 5000 and above indicating that loan portfolio with high amount of Gh¢ 5000 and above categories have a high risk of non performing. Therefore the credit union needed to reduce such loan category in their loan portfolio to protect members' deposits. Otherwise the high loan losses will erode their profits and affect shareholders capital.

Furthermore the study revealed that the savings account showed a consistency in growth between 2010 and 2014. The current account had the least mean and standard deviation which implied that current account was the least volatile and does not pose any liquidity challenge to the cooperative credit union. This indicates that the cooperative was well cushioned to absorb shocks and had more available funds to loan their members.

The findings again revealed that, savings and deposits account and the member savings were the most patronized account. According to the World Council of Credit Unions Toolkit, savings are the new instrument for growth in the financial cooperative system.

They added that —the growth in total assets is dependent on the growth of savings. Therefore savings deposits growth affects other key areas, (David C. Richardson, 2002).

The research found out that the cooperative credit union was growing since many people patronized the member deposits accounts. This was also seen in the consistent growth in the total deposits of this type of account which reveals growth in the total assets of the organization. Among the reason giving by people why they save with the credit union was because of ease of access to credit; low interest rate on loans from the union; because the credit union is in their community; because the union is concerned about the poor and because of the low fees and charges. But majority of them said because of ease of access

to credit which implied easy access to loans has positive influence on credit union's total deposits and growth in total assets.

It was also found that majority saves below 5% of their income monthly. Therefore though the cooperative is experiencing growth in saving deposits, the amounts of net savings by members were low. 38.3% confirmed that the cooperative union has helped them save. 33.3% said the union has helped improve their income. This was a good indication that the cooperative credit union is a good tool for mobilizing savings for development.

Again the research found out that farmers were the highest contributors to deposits at the credit union. There was a high positive correlation between the deposits made by farmers and the total deposits of the cooperative. This was due to the ease of access to credit facilities that motivated 42 respondents out of 65 of the farmers interviewed to join the Nsoatre cooperative credit union. Furthermore, the youth were also benefiting more from the operations and services of the credit union than any other age group which was a good sign for local economic development.

The marketing strategy of the credit union was yielding less result because majority of the members heard about the credit union from their family and acquaintances by word of mouth. It shows that the activities of credit union spread primarily through family and acquaintances word of mouth.

The research also showed that majority of the members did not receive any financial management training from the credit union. However among the members who received such trainings from the cooperative over 90% said that the training benefited them. Therefore the credit union training is effective in member's credit management.

85.8% believed that there were differences in the operations of commercial banks compared to the credit union. In relation to service quality, good customer relations, higher

credit facility, e-banking services and operational efficiency the credit union performed poorly compared to the commercial banks. Respondents suggested that the credit union should organize regular training for their staffs, adopt and apply a good human resources management system, invest in infrastructure and logistics and improve upon their credit management system to make them more effective.

The challenges the respondents were facing were low demand for their goods; low prices for their produce; inflation; low credit facility granted loan applicants; low salary or income; chieftaincy conflicts which has slowed down the development of the community; and unfavorable loan policies. They suggested that sound macroeconomic management; flexible loan policy by the cooperative union; farmers forming association to control the prices of their produce; capital to divert into other ventures; and the quick resolution of the chieftaincy conflicts will help solve these challenges.

Field interview revealed that annual general meetings are organized for shareholders and contributors of the cooperative union. The purpose is to inform, make decisions, educate and encourage socialization among members. Profits are shared as dividends to shareholders at the meeting to encourage more contributions and member savings at the union.

5.2 Recommendations

The cooperative should reorganize their activities and operations to better serve their customers. Proper structures must be established to enhance their effectiveness in delivering their mandate. With technology and improved systems to meet modern standardized credit institution the cooperative can become more competitive. The concept of cooperative credit union is a good option in encouraging savings and alleviating poverty. Therefore, if these institutions are given much support they can become the best alternative in alleviating poverty.

Credit union is seen as a charitable organization, therefore the dominant incentive for saving with the credit union is access to loan facility. Some borrow from the union without the intention of paying back. Therefore, the credit union needs to do a proper selection of loan applicants and orientation to reduce loan loss.

Since granting loans both to farmers and loan application above Gh¢ 5,000 are risky, the credit union should adopt a different model in assessing and granting such loans. The union should also monitor these types of loan portfolio to avoid it from going bad.

Proper periodic education and training should be given to the customers of the cooperative. The high illiteracy among customers poses a challenge to the union. Therefore, both the customers and staff should be trained periodically to improve upon the operations of the organization.

CUA the apex body should do more in supervising these institutions and provide support for the credit union to facilitate the growth of the organization.

Technology, modern financial and credit management software, e-banking facilities can have a good impact on the service delivery and competitiveness of the credit union. Therefore the credit union should invest in ICT to enhance their operations. Though it comes with a cost the benefits are more rewarding and the customers can be served far better.

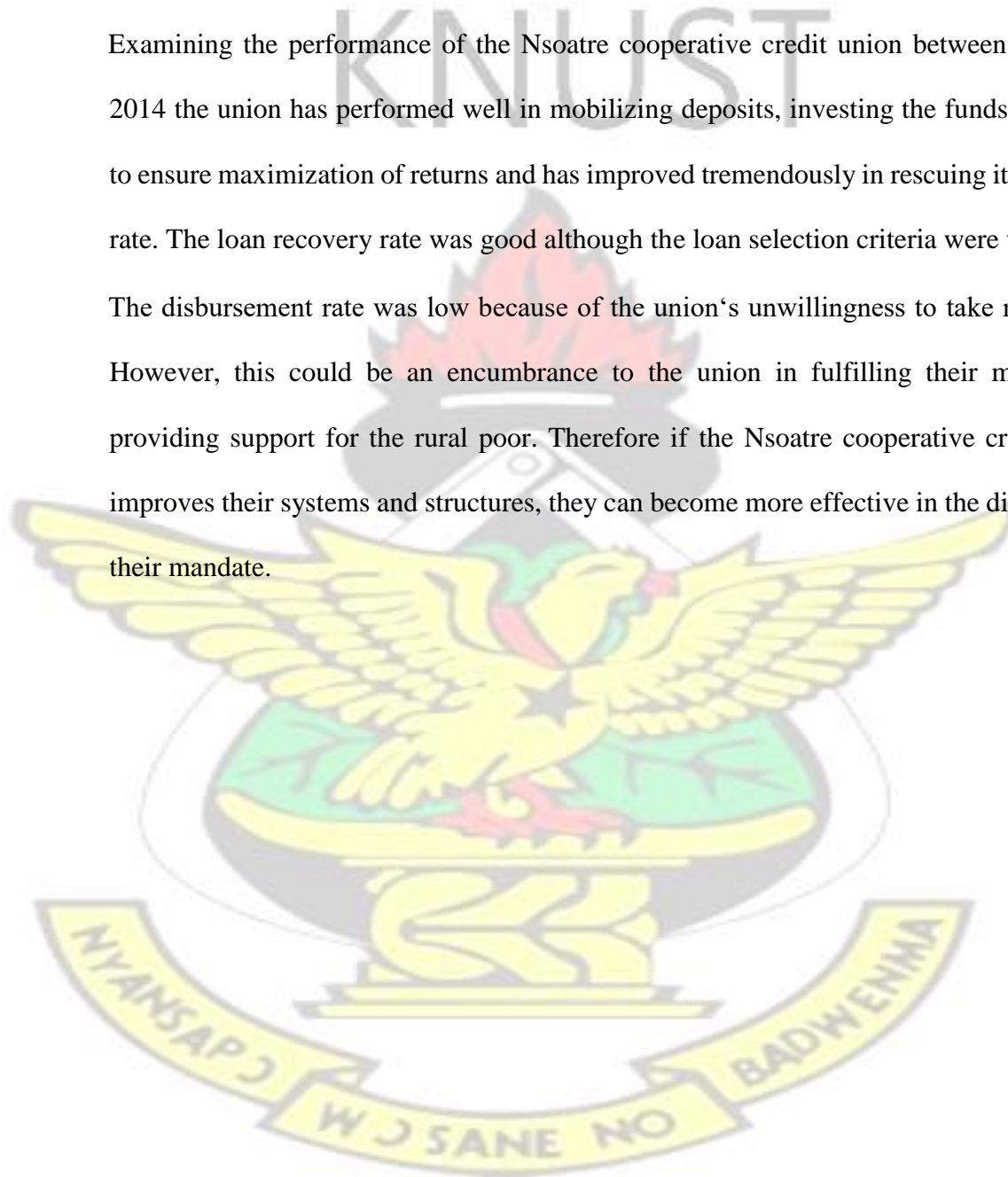
5.3 Conclusions

Adegeye and Dittoh, 1985 indicated that a good cooperative system could be very useful and instrumental to the development and progress of any society. They added that the simplest and most basic benefit of cooperative societies is the creation of an avenue for members to borrow money and obtain loans with minimal interest to meet their business and social needs and serves as an avenue for savings. To them, circulation and diffusion

of various forms of innovation are also made easier through cooperative to stimulate economic growth. According to Mellor (1980) and Stevens and Jabara (1998), cooperatives have aided producers in many countries of the world to improve their livelihood of which Nsoatre cooperative credit union is not an exception.

Examining the performance of the Nsoatre cooperative credit union between 2010 and 2014 the union has performed well in mobilizing deposits, investing the funds prudently to ensure maximization of returns and has improved tremendously in rescuing its loan loss rate. The loan recovery rate was good although the loan selection criteria were weak.

The disbursement rate was low because of the union's unwillingness to take much risk. However, this could be an encumbrance to the union in fulfilling their mandate of providing support for the rural poor. Therefore if the Nsoatre cooperative credit union improves their systems and structures, they can become more effective in the discharge of their mandate.



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APPENDIX I

What amount did you receive as loan * Sex of Respondent Crosstabulation				
Count				
		Sex of Respondent		Total
		Male	Female	
What amount did you receive as loan	Below Gh¢ 2000	12	5	17
	Between Gh¢ 2000- 5000	20	5	25
	Between Gh¢ 5000- 7000	19	4	23
	Gh¢ 7000+	0	4	4
	NA	19	32	51
Total		70	50	120

Source: Fieldwork, 2015

Sex of Respondent * Respondents who have taken loan from the credit union before Crosstabulation				
Count				
		Respondents who have taken loan from the credit union before		Total
		Yes	No	
Sex of Respondent	Male	51	19	70
	Female	18	32	50
Total		69	51	120

Source: Fieldwork, 2015

Why Respondent was not able to meet the loan repayment schedule				
	Frequency	Percent	Valid Percent	Cumulative Percent
Crop failure	8	6.7	6.7	6.7
Natural disaster	6	5.0	5.0	11.7
Low income	10	8.3	8.3	20.0
NA	96	80.0	80.0	100.0
Total				
Valid	120	100.0	100.0	

Reason why Respondent Save with the Credit Union * Occupation of Respondent Crosstabulation

Count

		Occupation of Respondent				Total
		Farmer	Trader	Civil Servant	Artisan	
Reason why Respondent Save with the Credit Union	Low interest rate on loans	6	22	5	4	37
	Low fees and charges	4	1	2	1	8
	Ease of assess to credit facility	40	6	12	2	60
	Because they are in my community	9	0	0	1	10
	Because they are concerned about the poor					

	0	5	0	0	5
Total	59	34	19	8	120

Source: Fieldwork, 2015

How the membership with the credit union has benefited the respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
help increase my capital	13	10.8	10.8	10.8
Received financial advice and training	18	15.0	15.0	25.8
Helped me to save	46	38.3	38.3	64.2
Improved my income	40	33.3	33.3	97.5
NA	3	2.5	2.5	100.0
Valid Total	120	100.0	100.0	

Source: Fieldwork, 2015

Occupation of Respondent * Did the credit have any impact on your business or livelihood responses

Crosstabulation

Count

	Did the credit have any impact on your business or livelihood responses			Total
	Yes	No	NA	
Farmer	37	4	16	59
Trader	2	6	28	34
Civil Servant	15	2	2	19
Artisan	2	1	5	8
Total	56	13	51	120

How did the credit have impact on your business or livelihood responses

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	26		21.7	21.7

improvement on my	5	21.7	4.2	25.8
income improvement in		4.2		
capital expanded my	8	6.7	6.7	32.5
business acquired assets				
and properties paid school	14	11.7	11.7	44.2
fees and personal				
expenses	4	3.3	3.3	47.5
NA	63	52.5	52.5	100.0
Total	120	100.0	100.0	

Source: Fieldwork, 2015

Responses on whether the training did benefit the beneficiaries

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	20	16.7	16.7	16.7
No	2	1.7	1.7	18.3
NA	98	81.7	81.7	100.0
Valid Total	120	100.0	100.0	

Source: Fieldwork, 2015

Respondents challenges

	Frequency	Percent	Valid Percent	Cumulative Percent
	31	25.8	25.8	25.8
	29	24.2	24.2	50.0
Low demand for	13	10.8	10.8	60.8
products Low prices for	14	11.7	11.7	72.5
my goods inflation low	11	9.2	9.2	81.7
credit facility low				
salary/income				
Chieftancy issues has slowed	13	10.8	10.8	92.5
the town economic growth	9	7.5	7.5	100.0
unfavourable loan policies				
Valid Total	120	100.0	100.0	

Source: Fieldwork, 2015

Respondents suggested solution to the problems

	Frequency	Percent	Valid Percent	Cumulative Percent
good macroeconomic management	18	15.0	15.0	15.0
the credit union should make loan policies flexible	26	21.7	21.7	36.7
farmers should association to control prices of goods	25	20.8	20.8	57.5
capital to diverst into other business ventures resolve chieftancy issues to boost development	32	26.7	26.7	84.2
	19	15.8	15.8	100.0
Valid Total	120	100.0	100.0	

Source: Fieldwork, 2015



APPENDIX II

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY – MASTERS IN BUSINESS ADMINISTRATION

These questions are to help study the economic significance to indigenous savings, as a case study of credit unions in Nsoatre community. The study serves only academic purposes. Any information given would be treated as strictly confidential. Honesty in your response is very essential. Please answer all the questions below carefully.

MANAGEMENT/STAFF (CREDIT UNION)

SECTION A: PERSONAL INFORMATION

I am a.....: of the credit union

Staff ☐ Member ☐ 1.

Sex

Male ☐ Female ☐

2. Age groups

16-25 ☐ 26-35 ☐ 36-45 ☐ 46-55 ☐ 56-65 ☐ 65+ ☐

3. Marital status:

Married ☐ single ☐ widow ☐ divorced ☐

4. Educational level:

Basic ☐ Secondary ☐ Teacher/ Vocational Training ☐ Tertiary ☐

others, (specify).....

5. Religious affiliation:

Christian () Traditional () Moslem () others, specify.....

SECTION B: Criteria and processes of accessing credit facility at the credit union

6. What criteria are used in the selection of clients for assistance?

(I).....

(II).....

(III).....

(IV).....

(V).....

7. Do you usually give preference to a type of Income Generating Activities (IGA)?

Yes () No ()

8. How do you reach out to your clients/members?

(a) Personal contact [] (b) Local media [] (c) Letters [] (d)

Others.....

9a. Do they need to have guarantors or collateral security before they are granted credit? Yes () No ()

9b. If yes, what type of guarantors do you need?.....

10a. How long does it take them to start paying back the loans?.....

10b. What is the rate of interest?.....

11a. Do you organize training for the clients about how to manage the credit?

Yes () No ()

11b. If yes, when?

Before () or after () the credit has been received or given

11c. What is the purpose of the training

scheme?.....

.....

11d. Do the clients view the training beneficial? Yes () No ()

12. What are the problems confronting the clients?.....

.....

.....

13. Do you experience loan defaults? Yes () No ()

13a. If yes, state the reasons why?

.....

.....

.....

.....

.....

15. Do you have bad debts? Yes () No ()

16a. Do the bad debts affect your profitability? Yes () No () 16b. If yes,

how does it affect your profitability?

.....

.....

.....

17a. Do you think the credit is able to boost your activities? Yes () No ()

17b If yes, state how?.....

.....

SECTION C: Sources of Funds

18. How do you mobilize funds?

Contributors () Savings and Deposits () —Susul ()

Investment Activities () Others, specify.....

19a. Who are the major contributors?

Petty Traders () Farmers () Civil Servants () Medium Enterprises ()

Artisans ()

19b. Provide in Gh¢ total contributions made by the following contributors from 2010-2014

	Date				
Contributors	2010 (GH¢)	2011 (GH¢)	2012 (GH¢)	2013 (GH¢)	2014 (GH¢)
Civil Servants					
Petty Traders					
Farmers					
Artisans					
Medium Enterprises					

20. Comparison of Traditional Banks and Credit Union on type of services, Tick as appropriate in each of the financial institution that best fall within the descriptions given

Type Service	Traditional Bank	Credit Union
Higher interest rates on savings		
Safety		
Lower service charges on transaction		
Common bound are inaccessible to many people		
Easiest access to credit facility		
Highest interest rates on loan facilities		
Length of time to approve of loans or credit facility		
Management of relatively smaller loan portfolios		
Charge highest loan processing and commitment fees		
Liquidity challenges in meeting customers savings withdrawal and loan demands		

Requires much collateral		
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SECTION D: INVESTMENT ACTIVITIES

21a. Do you invest in any projects?

Yes () No ()

21b. If yes what do you invest in?

i.

ii.

iii.

iv.

21c. Among them which has been the highest yielding investments

.....

SECTION E: PRODUCTS AND SERVICES

22a. What are your products or services?

.....

.....

22b. Among the products or services listed above which is one is most patronized?

.....

22c. What do you think account for its popularity?

.....
.....
23a. Do you provide any E-banking services? Yes [] No [] 23b. If

yes, which E-banking services provide?
.....
.....

23c. If No, state your reasons why?
.....
.....

24a. In your view do you think E-bank services can yield any impact on the operations of
the Union? Yes [] No [] 24b. Why?
.....
.....
.....

SECTION F: PROBLEMS

25a. Do you encounter problems in your activities? Yes () No ()

25b. If yes, what type of problems do you encounter? Outline some of the problems or
challenges your Bank or your Credit Union faces.

i ii

.....

iii.....

KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

MASTERS IN BUSINESS ADMINISTRATION

These questions are to help study the economic significance to indigenous savings, as a case study of credit unions in Nsoatre community. The study serves only academic purposes. Any information given would be treated as strictly confidential. Honesty in your response is very essential. Please answer all the questions below carefully.

**QUESTIONNAIRE FOR CONTRIBUTORS AND MEMBERS OF NSOATRE
COOPERATIVE CREDIT UNION**

I am.....of the Nsoatre Community CooperativeCredit Union

A member [] Not a member []

A. PERSONAL INFORMATION

1. Sex: Male () Female ()
2. Age groups
20-30 () 31-40() 41-50() 50+ ()
3. Marital status:
Married () single () widow () divorced ()
4. Occupation:
Farmer () Trader () Civil servant () Artisan () others,
(specify).....
5. How did you hear about the credit

Radio () Friend/family () mobile banker () Others,
(specify).....

6. Why do you save with the Nsoatre cooperative credit union?

.....
.....

7. What percentage of your income do you save monthly with the credit union

Up to 5% () Between 6-10% () Between 11-15% () Between 16-20% ()
Between 21-30% () Between 31-40% () Above 40% ()

8. Has your membership with the credit union benefited you?

Yes () No ()

9. If —yes‘ how has your membership with the credit union benefited you?

It has helped me to save () I receive financial advice and training () Helped
increase my capital () Helped improve my income () others,
specify.....

10. Do you see any difference in the operations of commercial banks to the credit
union? Yes () No ()

11. If —yes|| what are the differences.....

.....

12. What do you think can help improve the operations of the credit union?

.....
.....

13. Have you taken loan from the credit union before? Yes () No ()

14. If —yes|| how did you qualify for the loan?

.....

.....
15. What amount did you receive as loan?

Below Gh¢ 2000 () Between Gh¢ 2000-5000 Between Gh¢ 5000-7000
Above Gh¢ 7000

16. What was the purpose for the loan?

To invest in farming () To expand business ()
Personal/household expenses () Finance a physical property ()

17. Were you able to keep to the loan schedule?

Yes () No ()

18. If —No! why

.....
.....

19. Did the loan have any impact on your business activity or livelihood?

Yes () No ()

20. What impact did the loan facility make on your business activity or livelihood?

Improvement in my income () improvement in my capital ()
Helped me expand my business () helped me acquire assets/properties ()
paid school fees/personal expenses ()

21. Have you received any financial management training from the union since you became a member? Yes () No ()

22. If —No! why?

Did not know there was one () I was not available ()
I was not interested () The credit union did not organize one ()

23. If —yes! did the training benefit you?

Yes () No ()

24. What are the problems facing you in your daily activities?.....

.....

.....

25. What do you think can be the most practical solutions to the problems mentioned above?.....

.....

.....

.....

