

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**ASSESSMENT OF THE CONTRIBUTIONS AND CHALLENGES OF CREDIT  
UNION IN GHANA:**

**A CASE STUDY OF TECHIMAN AREA TEACHERS' CREDIT UNION**

**SUBMITTED BY:**

**MENSAH, FRANK ASIRIFI**

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**DECLARATION**

I, **MENSAH** Frank Asirifi hereby declare that this thesis is my own work toward the award of the Masters in Business Administration Degree and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgements has been made in the text.

MENSAH, Frank Asirifi

Signature .....

Students Number: PG9601713

Date .....

Certified by:

P. K. Opong-Boakye

Signature .....

(Supervisor)

Certified by:

Dr. Kingsley Opoku Appiah

Signature .....

Head of Department (Acct. and Finance)

Date .....

## **DEDICATION**

I would like to dedicate this research work to the Almighty God whose presence in my life gives me the hope of glory.

This work is also dedicated with love to the following persons:

My lovely mother Charity Woreyewaa

My mother and Aunt Nana Diffie Dwabena (Branch manager, SSNIT, Wenchi)

May God bless you all for support and motivation throughout this program

My siblings Michael Agyei Mensah, Millicent Agyeman Mensah, Bright Nyantakyi Mensah and Portia Asumadu

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May God richly bless you all.

**FRANK ASIRIFI MENSAH**

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## **ABSTRACT**

The study investigated the contribution and challenges of credit unions in Ghana, using Techiman Area Teachers credit union as a case study. The objectives of the study include; finding out the various products of Techiman Area Teachers credit union. Also finding the trend of contribution of Techiman Area Teachers credit union, again assessing the benefits of the Techiman area teachers credit union to members and finally to identify the challenges facing the members of the credit union. The study was descriptive using both primary and secondary data. Data was collected through questionnaires and analysed using SPSS analysis package. The study identified the following as products of the credit unions; Susu, saving and loans, funeral loans, salary loans among others. The product with the largest patronage was savings and loans. The study found the following as the benefit members received from the credit union; receiving loans for land or building, loans to purchase vehicle, loans as working capital, etc. The study went further to look various challenges members faced in accessing facility from the credit union. These challenges include high rate, bureaucracy, favouratism, duration to qualify for a facility, etc. The finding of the study shows that credit base of Techiman area teachers' credit union has been increasing every year, favouratism and the frequency in getting more funds from the credit union among others are challenges members goes through in accessing facility from the credit union. It recommended that members use the benefits they receive for productive activities and therefore more funds should be given so as to help them pay the principal and interest and also to improve their livelihood in the Techiman municipality.

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## **CHAPTER ONE**

### **GENERAL INTRODUCTION**

#### **1.0 INTRODUCTION**

The ability of a financial institution to mobilise contribution from their customers as well as managing the challenges in their operation is very important for the growth and survival of the financial institution. Credit unions are not exception; the issue of such operational risk is of greater concern the day to day running of the financial institution because of some characteristics of clients and business conditions the financial institution find themselves. Mobilising contribution from clients and ability to manage challenges the credit union would be facing is a structured approach to managing uncertainty through risk assessment, development of strategies to deal and mitigate of the risk using managerial resources. The strategies may include making the financial institution attractive to clients, avoiding or reducing various challenges or reducing the various negative aspects in the operations of the financial institution.

Credit Union has existed in the world for more than hundred and sixty years. It started from Germany in 1846 and later spread to other parts of the world. Currently, there are over eighty-six countries that operate credit unions. Credit union is non-banking financial institution owned and run by their members who bring their saving together. Loans are given to members at a reasonable interest rate. Also credit unions provide other financial services to their members. From the World Council Of credit unions (WOCCU), credit union was operating in the Africa Continent first in Ghana. Currently, credit union is being in about forty countries in Africa. The African confederation of co-operative savings and credit union Association (ACCOSCA) with its headquarters in Nairobi, Kenya oversee the operations of all credit union in Africa. The concept of credit union has been embraced by different countries for various reasons. Firstly, credit unions help members to save on regular basis thereby building a fund or a pool of money for their own benefit and that of their dependants. Credit unions believe that for an individual or group of people to develop well, there must be the need to cultivate the

habit of regular saving. Credit union further teaches members to be more responsible and this will help bring to the fore, prudential financial management that self regulates their spending habit. Secondly, credit union creates a source of credit for the benefit of their members at a fair and reasonable interest rate. When credit union members pull their financial resources together a chunk of savings is mobilized in the shortest possible time which enhances the administration of the credit facilities to members at a lowest rate of interest because the funds are mobilised internally from various contributions of members and as such makes it possible for a lower and competitive interest rate to be charged on credit facilities. Thirdly, most members do not use the credit for its intended purposes. Finally, through credit unions seek the welfare of the community they operate is promoted. Credit unions enhance development to all people in their catchment area. (Ghana co-operative credit union association (CUA, Quarterly Magazine, 2010)

## **1.1 BACKGROUND OF THE STUDY**

The first credit union in Africa was established at Jirapa in the upper West region (formerly North-west), through Rev. Father John McNulty idea. He was an Irish Canadian. Pope John Paul XIII appointed Bishop Dery 1960 as the Bishop of Wa. Bishop Dery encouraged the formation of Credit union in all the Parishes. These Parishes include; Nandom, Kaleo, Ko, Daffiana, Wa, Lawra and Tumu. Bishop Dery gathered courage at that time and met then president, Dr. Francis Kwame Nkrumah to discuss issues concerning credit unions movement in Ghana. Dr. Kwame Nkrumah, the first president of the Republic of Ghana said “You are doing a service to Ghana and I encourage you to continue”. From that time Credit union began develop throughout Ghana. Many people see it as a honour and privilege for which almost everybody wanted to be a member. Credit unions in the North in 1967 were united as chapter because of the white Fathers has been advisors to them all. Credit unions in the south felt the important of joining for training programs and exchange of experience. A meeting was sponsored by CUMA International in Lesotho in January, 1968 the idea of a National Association in Ghana was began. A follow-up conference was held in Tamale in April the same year

giving birth to Ghana National Union and Thrift Association, the forerunner of the Ghana Cooperative Credit Unions Association (CUA) limited. The CUA limited were tasked to promote, organise, educate and support the credit union movement in Ghana and internationally. CUA limited was affiliated to the African confederation of cooperative savings and Credit Association (ACCOSCA). (source: [www.woccu.org](http://www.woccu.org)). Credit union institutions as one of the pillars in the financial institutions has got major challenges it is facing as institution.

In every economy, that is; the developing and developed world, various ways exist for solving financial challenges or need of households and citizens. Commercial banks were been established with specific objectives and aims, ultimately to satisfy their clients as well as the general public expectations and aspirations. In view of this operational risk of bank, most banks are unable to satisfy the needs of the household and the citizens in respective countries. For this reason that non-financial banking financial institutions (NBFIs) have been established to reach out to the bigger population who could not have access to banking facilities due to their inability to provide requisite collateral security and other constraints. Although NBFIs operate flexible policies in their attempt to make funds available to the public with less restrictions, many small and medium Enterprise (SMEs) and households are unable to access funds adequately for exploitation of their full potentials. This is because of unemployment, illiteracy, poverty and other social vices. Governments upon governments especially in the developing world have either instituted Micro Credit Institutions (MCLs) as a strategy of reducing poverty. The Credit Union movement has been as a potential way of mobilising funds for a business development as well as personal development. For a decade and over, many reforms have taken place to help credit unions have positive impacts on its members. This study seeks to analyse vigorously contributions and various challenges of Credit Unions in Ghana, a case of Techiman Area Teachers Credit union.

## **1.2 STATEMENT OF THE PROBLEM**

In Ghanaian economy, one of the fast growing sectors for past decade and over has been the financial sector. As a result, many new banks have entered the market offering well defined conditions of credit retailing. Well-structured strategies as financial intermediation have also been adopted by the various Non- Bank financial Institutions. Upon this competitive atmosphere, credit union movement continues to record a better growth in membership as well as the number of primary societies. The study seeks to assess the various facilities available and the benefits to members of the credit union scheme.

Many misconceptions and options from different individuals, small and medium business enterprises as well as corporate business enterprises business entities that credit union institutions have outlived their relevance in the twenty first century with the proliferation of commercial banks that bring a wide range of financial services because of their sophisticated infrastructure, innovations and technology

(Philip, MM 1993)

Other school of thought believe that microfinance institutions like credit unions are still relevant in the twenty first century. Though commercial banks provide wider and volumes of financial services to their clients but such services are mainly confined to larger companies and industries in Ghana. That is, the services of commercial banks are not defused in the hinterland (Darko, 2005).

( Agyeman, 1998) state that “ not only accessibility to credit but where they are made available, their inadequacies, high cost of borrowing pose a great challenge to many business in Ghana due to predominant agrarian economic activities that most people engage in” .

### **1.3 THE OBJECTIVES OF THE STUDY**

The objectives of the study are;

1. To find out the various products of Techiman area teachers' credit union.
2. To find the trend of contribution of Techiman area teachers' credit union.
3. To assess the benefits of the Techiman area teachers' credit union to members.
4. To identify the challenges facing the members of Techiman area teachers' credit union.

### **1.4 RESEARCH QUESTIONS**

For set objectives of the study to be achieved the following questions were posed;

1. What products are offered by Techiman Area Teachers' credit union to their members?
2. What is the trend of contribution of Techiman Area Teachers' credit union?
3. What are the benefits of Techiman Area Teachers' credit union products on members?
4. What challenges do members face in their attempt to seek financial assistance from Techiman Area Teachers' credit union?

### **1.5 JUSTIFICATION OF THE STUDY**

Credit union plays major role in the development of the nation by making their products available to small and medium scale enterprises who do not qualify for such facilities from the commercial banks due to their high risk nature. However, credit unions are also exposed to various challenges in pursuit of their business objectives and failure to adequately manage these challenges may threaten their business entities. The study looks at credit unions contributions in Ghana especially catchment area of Techiman Area teachers' credit union and significantly on the lives of their members.

## **1.6 THE SCOPE OF THE STUDY**

The study is focused on contributions and challenges of credit union in Ghana in general and Techiman Area Teachers' credit union in particular. It would also look at the various products it offers to members as well as challenges members faced in working credit union.

The study covers the research design, sampling process (population under study, sampling units, sample frame, sample selection and sampling size. Administration of questionnaires which were prepared in closed-ended and open-ended as well as structured interviews was as the source of data collection

## **1.7 LIMITATIONS OF THE STUDY**

During my studies I encounter both financial and logistic problems. Time constraint was another problem I encounter during my study because of other academic assignments. Difficulties in collecting data, study design to used, sampling techniques to be employed and sample size to be use was another problem I encounter during the study. After getting an alternative and in the process of data collection, the respondents were reluctant to answer the questionnaires with the mindset that they are busy, and others wanted to be paid for their services to the researcher since they have the opinion that anyone who is studying an MBA is a rich person and so they also must have their share of the financial cake. Finally, during the data collection, the researcher identified several questionnaires that were not well answered and so had to go back to get them well filled, this affected the period available for the research work.

## **1.8 ORGANISATION OF THE STUDY**

The study is made up of five main chapters. The first chapter covers general introduction which comprises of introduction, background of the study, the problem statement and objectives of the study as well as the research questions. Chapter one again have the justification of the study, the overview of the research methodology, scope of the study, significance of the study and organisation of the Study.

Chapter two is the literature review. The chapter covers areas such as definition of key concepts, discussion of special topical issues and conceptual frame work.

The chapter three focuses on methodology and organisation of the study which comprises of introduction of the chapter, research work definitions, sample size and techniques, method of data collection, method of data analysis and statistical procedure and organisational profile.

Chapter four is on the presentation of findings and analysis of the data obtained from the field. Hence these data may be presented and evaluated in graphical form for better understanding.

Chapter five is the final chapter. The chapter comprises of introduction of the chapter, summary of findings, recommendation and conclusion.

Attachments such as title page, acknowledgement, declaration, dedication, abstract, table of contents, list of tables and figures, references, and appendices are also included in the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 INTRODUCTION**

According to Turner (2000), credit union society started first in 1850 in Germany. By the year 1888, there were about four hundred and twenty-five (425) in Germany. Italy had seven hundred and thirty-five (735) credit union by the year 1909. There are over 60,000 credit unions operating in 89 countries. Credit unions have membership of about 71 million people with a total saving of about £115 billion. For instance, in USA about 20 percent of the population are credit union members and most of the credit unions have higher turnover than the state banks

In the UK, the history of the credit union has been more recent and growth has been much slower. Until 1979 the credit unions had slightly strange legal status although credit union existed before this time. The credit union Act of 1979 clarified this status and provided the legal and financial framework for credit unions to operate with. The credit union movement has expanded significantly since 1979. Only 24 credit unions were found in UK in 1974. The number of credit union moved to 52 by 1980, 108 by 1987, 275 by 1990 and 448 by 1993. Current figures show unions with a membership of 88,007 and total assets of £32.5 million. That is, credit unions form relatively small, but rapidly growing, components of the financial sector in UK.

The chapter covers a conceptual framework on the contributions and challenges of credit union institutions in Ghana. To bring out better and suitable theories on the topic under study, the researcher has reviewed a number of existing literatures that explains some key terms that are relevant to the study.

## **2.1 DEFINITION OF CREDIT UNION**

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

Credit union is a cooperative society that offers loans to their members out of the pool of savings that are built by the members themselves (Berthoud and Hinton, 1989). This is descriptive definition that does not refer to the purpose of the credit unions. However, it does describe them as being co-operative. Co-operative principles could be inferred as being the purpose of the credit unions. The unique ownership status is member run, owned and used for them as described by Croteau (1963) as being the purest form of co-operative. Not only trading transactions restricted to members, restrictions are also placed on the membership by requiring that members belongs to common. This common bond or interest is usually multiple, associational, occupational or residential. The requirement to belong to a common bond is seen as a cornerstone in the success of these usually high-risk credit co-operatives, as the social pressure that is created by the members knowing each other, lessens the risk of default. Again, Credit union is defined as non- bank financial institution owned and controlled by members according to World Council of Credit unions (WOCCU). Credit union is a democratic, member-owned financial institution co-operative. Each member, regardless of account size in the credit union, may run for the board and cast a vote in elections.

Credit union as financial intermediaries finances loan portfolios by mobilising member savings and shares rather than using outside capital. That is; giving opportunity for the generations of members. Credit union comes to serves their members and the communities it is operating. As non-banking financial institution credit unions use excess earnings to offer members affordable loans, a higher

return on savings, lower fees or new products and services. Credit unions serve members of all walks of life, including the poor and disenfranchised ([www. woccu.org](http://www.woccu.org)).

Credit unions give opportunity to members to own their financial institution and creating opportunities such as starting small businesses, building family homes and educating the children of members. Members of credit unions in some countries encounter their first taste of democratic decision making. The phenomenon is no exception in Ghana. There are more than 360 credit unions all over the country.

Credit union is a safe, convenient place to access affordable financial services. It offers a full range of financial services, giving members more flexibility to meet their individual needs. Credit unions are known by different names to better express those services, for instance in Afghanistan, credit unions are called Islamic Investment and Finance cooperatives (IIFCs) to comply with Islamic lending practices. In African credit unions are known as savings and co-operative societies (SACCOs) to emphasise savings before credit. Acquisition of land, houses, cars and payment of medical expenses, funeral expenses, rent advances among others are needs credit union members expect to be satisfied with as and when they arise

## **2.2 HISTORY OF CREDIT UNION DEVELOPMENT IN GHANA**

The department of co-operatives in 1920 realizing the need for credit and savings facilities in Ghana introduce Thrift and loan societies. Only a few of them were able to survive since they were not properly managed. In 1961, the government of the day dissolved the Department of Co-operatives and the Co-operatives bank. This was a big blow to the credit union institutions. After 1966 coup, the Department of Co-operatives was re-organised. There were not more than five Thrift and Loans Societies in existence. Parallel to these happenings a new type of saving and credit movement started developing in Northern Ghana. The first credit union in Africa was formed at Jirapa in the North-West now Upper West region of Ghana in September 1955. Rev. Father John McNulty, an Irish Canadian introduced the idea. Reverend father John McNulty in early 1953 went to trek to Sabuli, a village 24 kilometres from Jirapa. At the end of his trek, he was shown a torn six pounds West Africa currency

notes, which had been destroyed by termites. The six pounds was buried in a cigarette tin in the ground by the Catechist of the village. Apparently, Reverend Father McNulty changes the torn notes for new ones at the Bank of West Africa in Accra. The only bank in the North-West now Upper West Region at the time was Bank of West Africa now Standard Chartered Bank situated at WA which is about 41 miles from Jirapa. Banking services were therefore alien to the people in the North-West at that time. Father McNulty suspected that money is saved in a similar manner all over Dagaaba land which is waiting to be destroyed by termites. Father John McNulty came across an article in a pamphlet with information about the existence of the credit union system in the Diocese of Antigonish in Nova Scotia, Canada. He started educating his people on the impact the credit union had had in that country. He then started the first credit union in Jirapa. In his correspondence with the credit union members in Nova Scotia, the Knight of Columbus granted a scholarship to the Bishop to send somebody to do Social Studies, manage credit union work and the co-operative system. The Bishop then sent the Reverend Father Derry to study at the Coady International Institute, St. Francis Xavier University, Antigonish. After completing his studies, the Reverend returned home. In the month of November 1959, Bishop Gabriel Champagne appointed him in charge of Social Work, Credit Unions and Co-operative Work in the Diocese. He then re-organized the credit union in Jirapa and reopened the one in Nandom.

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

existence of credit unions and the marvellous works they do for their people. In spite of the high development of the economy of the United States, they still needed credit unions to develop their illiterate poor. You are doing a good service to Ghana and I encourage you to continue. Do not give the money of the people to those who come to you. If you give it to them you are just throwing the money of the people away and they would go and use it for their individual interest. Do not stop the work, continue. You will not have these same people causing you further nuisance". That was how credit unions began to develop throughout the whole of Ghana. A Membership was considered such an honour and a privilege that almost everybody who heard about the Jirapa Credit Union wanted to join it. In 1964, a Canadian Credit Union technician, Mr. Churchill, was hired by Bishop Derry (now Archbishop Emeritus) for two years in the Wa Diocese in the Upper West Region. With financial support from Misereor, Germany, seven young men were engaged and trained, notably among them were Mr. Stanislaw Zaato, Mr. Alphonse Azaah, and Ignatius Bebele who worked up to the National Office (CUA) for several years. He established more credit unions and organised management training programs for the credit unions. This proved so successful that by 1968 the eight largest credit unions that existed at that time had a total membership of 6,300 and a total savings of \$400,000. Meanwhile, the credit union movement was experiencing some growth in the South as compared to those in the North. In 1959, the Railways and Harbour Employees Credit Union at Sekondi was established by one of their leaders who brought the idea from his studies in the United States. By 1967, there were about eight small community credit unions in the South which did not have the advantage of payroll deductions but depended on the common bond. One of such Credit Unions was Agona Swedru Teachers and its Treasurer was Mr. Bartholomew Quainoo of blessed memory, then a teacher who later played a key role in the credit union movement in Ghana and Africa. In Sampa in the Brong Ahafo Region, Our Lady of Fatima Credit Union was one of the eight credit unions in the South.

### **2.3 FORMATION OF THE CREDIT UNION NATIONAL ASSOCIATION (CUA) LTD.**

By 1967, the credit unions in the North were united in a Chapter because the White Fathers had been advisors to all of them initially and their officials had been trained in Clever House, London and Coady International Institute in Nova Scotia, Canada. Also, the small credit unions in the South felt the need to join together for training programs and exchange of experience. Following a meeting sponsored by CUMA International in Lesotho in January, 1968 the idea of a National Association in Ghana was conceived. A follow-up conference was held in April at Tamale the same year, giving birth to the Ghana National Union and Thrift Association, the forerunner of the Ghana Co-operative Credit Unions Association (CUA) Limited. The duties of CUA limited were to promote, educate, organise and support the credit union movement nationally and internationally. Two Field Officers were initially employed. They were Mr. Charles Donyiri, who was based in Wa for the Northern sector and Mr Bartholomew Quainoo for the Southern sector based in Accra. Financial support was obtained from the Raffeissen Movement in Holland (now Rabobank), Catholic Relief Services and Konrad Adenauer Foundation (KAF) for the credit union development in Ghana. Between 1970 – 1983, KAF became the major donor to CUA. Through their financial support, Field Officers were hired for the ten regions in Ghana. KAF paid all salaries of the staff including office furniture and equipment such as typewriters, adding machines, duplicating machines, and the running cost of the National Association, including training programmes. The growth of credit unions in the country was so high that Ministers of State including TUC, GNAT and the Department of Co-operatives were all involved in the promotion of Credit Unions in one way or the other. Between 1980 and 1983 there were over 500 credit unions operating in the county. In 1980, KAF bought the lease of the present CUA House, renovated and furnished it for CUA. In 1983, their partnership with the credit unions in Ghana finally ended and they had to leave the credit union movement to fend for itself. The movement by then had not been prepared for that. Unfortunately, 1983 was a year of economic recession worldwide which affected Ghana very much. As a result of the exodus of teachers to Nigeria and other African countries between 1980 and 1983, most of the leaders left. This affected the

survival of about 60% of the credit unions at that time. The National Association (CUA) also ran into financial problems and could not function effectively. The whole movement was on the verge of collapse. Late in 1987, the Canadian Co-operative Association (CCA) came into partnership with CUA to introduce Women in Development (WID) Programmes. The purpose of the project was to increase the female membership in Credit Unions, build the capacity of women to accept leadership positions at all levels of the movement and to operate a loan revolving fund to support small scale female business entrepreneurs. In 1993/94 a study was conducted by the World Council of Credit Unions (WOCCU) and the African Confederation of Co-operative Savings and Credit Association (ACCOSCA) on the credit union system in Ghana. The result of the study indicated that there was a higher potential for credit union development in the country. The result prompted the Canadian Co-operative Association to have interest in the expansion of the WID programme to the development of credit unions in the country. This same year (1994), the WOCCU and ACCOSCA introduced the African Revitalization Programme at a meeting in Kigali in Rwanda. The idea was to encourage Credit Unions in Africa to change from a social orientation to a more business approach in their operations else credit unions' survival in Africa in future would be doubtful. The challenge was accepted by all the 28 African countries operating credit unions. Ghana was chosen with seven other countries for a pilot programme which was financed and technically supported by the WOCCU. In 1995, the Ghana Co-operative Credit Union Development Assistance Project (GCUDAP) was initiated. It was a six-year bilateral agreement that was signed between the Canadian Government and the Government of Ghana for the capacity building of credit unions in Ghana. The project was financed by CIDA and was managed by the Canadian Co-operative Association (CCA) in Partnership with the Ghana Co-operative Credit Unions Association (CUA) Limited. The main objective of the project was to build the capacity of CUA and its primary societies towards the viability and future development of credit unions in the country. In March 2003, the GCUDAP ended and the success and positive achievements made from the implementation of the project became the turning point of credit union development in the country.

## **2.4 PURPOSE OF THE CREDIT UNION**

Turner (2000) stated the aims or purpose of credit as a multiple and mixture of financial and social the aims of a credit union are multiple and a mixture of financial and social aims which can summarised as to;. The financial aims can be broadly summarized as to:

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

## **2.5 FEATURES OF CREDIT UNIONS**

Turner (2000) identified the following about credit unions:

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

## **2.6 Credit Union Law**

In 1999, the need to have a separate Credit Union Law to combine financial expediency and co-operative values and principles was embraced by the leadership of the credit union movement. To this end, a draft Credit Union Law was submitted to the Attorney General's Department. The Finance Minister in his 2005 Budget Statement hinted that the Credit Union Law and other bills would be presented to Parliament. The credit union movement, with over 160,000 members, has been waiting patiently for this important event to take place.

## **2.7 GENERAL OBJECTIVES OF CREDIT UNIONS**

Credit union institutions have various objectives for which it was established. Some of these objectives are to promote interest that is flexible and can easily be paid by borrowers: To promote thrift among its members cultivating the habits of savings and paying reasonable interest on the saving without any risk on the saving.

Members of credit unions enjoy various benefits in joining the scheme and some of these includes;

- i. Members of credit union is owned and managed by members themselves.
- ii. There is total democracy in the operation of credit union. Each member has one vote when voting.
- iii. Credit union helps members to cultivate the habit of saving especially among the poor in the society.
- iv. Members get free education on their finances from financial experts.
- v. It is easy and convenient for people to join credit union.
- vi. The credit union receives the smallest amount of money as savings which may be rejected commercial banks.
- vii. Members regularly receive dividends and interests on their shares and savings respectively (Tuner 2000).

## **2.8 TRENDS IN THE DEVELOPMENT OF CREDIT UNIONS**

Observation has shown how co-operative development on market conditions has led to changes in the development of household and their communities. Credit Unions, in particular, develop trends and problems. These include:

Credit co-operatives start as local institutions operating in a given community or radius. At this stage the organizational principle is based on the common bond between members. This common bond is based on parish, community, occupation and ethnic membership. Business at this stage is strictly membership trading. At this stage the Credit Union is highly competitive, because members offer voluntary services and are highly motivated.

A further stage in the development of the Credit Unions is the interaction between primary Credit Unions. This is the basis for developing secondary or tertiary Credit Union organizations. Through this a central fund is set up and co-operation with other institutions is further developed.

Another growth pressure is the decision as to the type of business in which to engage. In Canada for instance, the credit co-operatives had to decide to stay as savings and loans institutions with only membership trading and limited services or as financial institutions providing full financial services. This was because of strong competition from other financial institutions (Jordan 1980). McKillop et. al. (1997) has also chronicled a three-stage Credit Union industry development. According to them, Credit Unions move through three industry stages of development "nascent" through "transitional" and finally to a "mature" stage of development. The nascent industry represents a stage of development in which Credit Unions are seen as self-help organizations. Hence, they are not just financial oriented but organizations with a strong social purpose. Key attributes of this stage include small asset size, tight common bond between members and emphasis on voluntarism. Transition Credit Union industries mark the stage in which the seeds of change within Credit Unions are sown. The characteristics of the industry show a relaxation of co-operative philosophy and ideals. This is caused by the need to achieve cost efficiencies and scale economies owing to asset growth and competition in the market.

The mature stage brings to an end the development path of Credit Unions. According to McKillop et. al. (1997), the key attributes of this stage indicate a Credit Union with large asset size and a less restrictive interpretation of the common bond requirement for members. There is a trend toward a well-organized central services and diversification of products, professionalism of management instead of voluntarism. Though membership continues to grow, there are fewer Credit Unions due to mergers. There is tendency for Credit Unions to adopt the features of the main stream financial institutions. The discussions above illustrate the dynamics of change within Credit Unions. Key changes in the Credit Unions have basically involved transformation of their ideological and institutional nature. For instance, Credit Unions have become more business oriented and common bond restrictions of members have been relaxed. Furthermore, the voluntary principle has been given up and professionals have been employed to manage the Credit Unions. There has also been a change in their operational strategies. The diversification of products and services as well as the establishment of central services shows this. In their attempts to compete more effectively in their environments, it has become obligatory for Credit Unions to take on the features of mainstream financial institutions. These changes have posed certain problems for Credit Unions. For instance, increases in the size of members means greater financial strength, however, there is a corresponding increase in expenses vis a vis in administrative costs and transaction costs. Growth into other services leads to professionalization of the employees and management. This becomes necessary because financial institutions require the application of scientific methods for decision-making. The development from primary Credit Unions to the formation of tertiary or national associations can also have implications on the democratic character of Credit Unions. For instance, Furstenburg (1983) has pointed out that increases in the size leads to a greater division of labour and role specialization. Furthermore, it brings about structural problems in self-managed and democratic organizations. This is because a greater division of labour will lead to new forms of authority systems and the creation of status differences. This will eventually affect the level of membership participation and democratic management. The observations made above suggest key factors for the study of Credit Unions in Ghana. It is argued that for the Credit

Unions in Ghana to be competitive and continue serving the low-income members, they need to develop operational strategies and adopt structural forms to meet the challenges of their environment. These changes in turn will promote the sustainability of individual Credit Unions.

## **2.9 CREDIT UNIONS AND MICROFINANCE**

According to Otero (1999:8); Microfinance is “the provision of financial services to low-income poor and very poor self-employed people”. These financial services according to Ledgerwood (1999) generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet (2001:339) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector. Asiamah (2007:3) identified three broad types of microfinance institutions operating in Ghana. These include:

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

This establishes that microfinance is an umbrella body that credit unions belong to offering micro credit. In the literature therefore, the terms credit unions and micro finance are often used interchangeably. Interestingly, for those who understand the difference between giving someone money and teaching them how to make it themselves, the concept of Microfinance is nothing new. It is

the most sustainable, saleable and cost-effective poverty alleviation tool. The idea is simple: individuals are provided with small loans to start or grow small businesses, allowing them to become economically self-sufficient, provide for their families for the long-term and replace dependency on limited donor funds (<http://www.lingeriemiami.org>) . Indeed, Credit unions employ strategies to deliver financial services to the poor. The credit union approach integrates educational and financial services and targets the entrepreneurial poor who are capable of successfully undertaking micro enterprises. In this approach, there is a strong emphasis on developing savings and group network formation (<http://www.adbi.org>)

## **2.10 MICROFINANCE AND ITS IMPACT ON DEVELOPMENT**

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

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

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

The aim of microfinance according to Otero (1999) is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Littlefield and Rosenberg (2004) stated that, the poor are generally excluded from the financial services sector of the economy so MFIs have emerged to address this market failure. By addressing this gap in the market in a financially sustainable manner, MFI can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach (Otero,1999). More recently, commentators such as Littlefield, Murdugh and Hashemi (2003) and Simanowitz and Brody (2004) have commented on the critical role of microfinance in achieving the Millennium Development Goals (MDG). Simanowitz and Brody (2004:1) state, “Microfinance is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of the poorest people.” Littlefield, Murdugh and Hashemi (2003) state “microfinance is a critical contextual factor with strong impact on the achievements of the MDGs...microfinance is unique among development interventions: it can deliver social benefits on an on-going, permanent basis and on a large scale”. Referring to various case studies, they show how microfinance has played a role in eradicating poverty, promoting education, improving health and empowering women (2003). However, not all commentators are as enthusiastic about the role of microfinance in development and it is important to realise that microfinance is not a silver bullet when it comes to fighting poverty. Hulme and Mosley (1996), while acknowledging the role microfinance can have in helping to reduce poverty, concluded from their research on microfinance that “most contemporary schemes are less effective than they might be” (1996:134). They state that microfinance is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse-off by microfinance. Rogaly (1996:109-110) finds five major faults with MFIs. He argues that:

- They encourage a single-sector approach to the allocation of resources to fight poverty,

- Microcredit is irrelevant to the poorest people,
- An over-simplistic notion of poverty is used,
- There is an over-emphasis on scale,
- There is inadequate learning and change taking place.

## **2.11 THE IMPACT OF MICROFINANCE ON POVERTY**

Poverty is more than just a lack of income. Wright (1999) highlights the It is commonly asserted that MFIs are not reaching the poorest in society. However, despite some commentators' scepticism of the impact of microfinance on poverty, studies have shown that microfinance has been successful in many situations. According to Littlefield, Murdugh and Hashemi (2003:2) "various studies...document increases in income and assets, and decreases in vulnerability of microfinance clients". They referred to projects in India, Indonesia, Zimbabwe, Bangladesh and Uganda which all shows very positive impacts of microfinance in reducing poverty. For instance, a report on a SHARE project in India showed that three-quarters of clients saw "significant improvements in their economic well-being and that half of the clients graduated out of poverty" (2003:2). Hulme and Mosley (1996:109) in a comprehensive study on the use of microfinance to combat poverty, argue that well-designed programmes can improve the incomes of the poor and can move them out of poverty. They state that "there is clear evidence that the impact of a loan on a borrower's income is related to the level of income" as those with higher incomes have a greater range of investment opportunities and so credit schemes are more likely to benefit the "middle and upper poor" (1996:109-112). However, they also show that when MFIs such as the Grameen Bank and BRAC provided credit to very poor households, those households were able to raise their incomes and their assets (1996:118). Mayoux (2001:52) states that while microfinance has much potential the main effects on poverty have been:

- credit making a significant contribution to increasing incomes of the better-off the poor, especially women
- Microfinance services contributing to the smoothing out of peaks and troughs in income and expenditure thereby enabling the poor to cope with unpredictable shocks and emergencies. Hulme and Mosley (1996) show that when loans are associated with an increase in assets, when borrowers are encouraged to invest in low-risk income generating activities and when the very poor are encouraged to save; the vulnerability of the very poor is reduced and their poverty situation improves. Johnson and Rogaly (1997:12) also refer to examples whereby savings and credit schemes were able to meet the needs of the very poor. They state that microfinance specialists are beginning to view improvements in economic security, rather than income promotion, as the first step in poverty reduction as this reduces beneficiaries' overall vulnerability.

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

### **2.11.1 Impact of Microfinance in Women's Empowerment**

Microfinance can play a critical role in the realization of the third Millennium Goal, to promote gender equality and empower women. Currently, 70% of people in absolute poverty (living on less than \$1 a day) are women (Cheston and Kuhn 2002). In order to alleviate extreme poverty, women, who suffer the most, must be empowered to break free from their marginalized status in society. Microfinance can provide the economic opportunities that women need to control their lives. Poverty alleviation strategies that focus on empowering women not only improve the lives of women, but also positively affect entire families and communities. Studies show that when women are given greater autonomy over their lives and the lives of their children, living conditions invariably improve. This is mostly due

to the fact that women are most apt to use household income to better the nutrition and educational opportunities of their children (Grasmuck and Espinal (2000:240). According to the World Bank, “societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance, and a lower living standard of their people and overall, evidence is mounting that improved gender equality is a critical component of any development strategy” (Cheston and Kuhn 2002). World leaders are beginning to realize that poverty alleviation will only be achieved through the empowerment and economic improvement of women. That is, microfinance is an integral component to new development strategies because it allows women greater autonomy and control over their economic well-being. A case study of Sinapi Aba Trust, a microfinance institution in Ghana, was conducted in order to determine whether microfinance has an impact on women’s empowerment. The study shows that “running a successful business not only contributes to women’s improved welfare; it also contributes both directly and indirectly to their empowerment. The increase in working capital is particularly important for women’s empowerment. In almost all cases, the increase in capital has given women more options and greater control over their businesses and their lives” (Cheston and Kuhn 2002). The Trust Bank program of Sinapi Aba Trust has clearly contributed to the empowerment of women in a number of ways. Access to credit and business training has helped women expand and improve their businesses, leading to increased respect and decision-making power in the home and community. Advice and peer support has helped women manage their triple roles as mothers, wives, and businesswomen. Education and experience in leadership have helped women become more confident and capable leaders (Cheston and Kuhn 2002). The World Bank Global Learning Conference in Shanghai in 2004 confirmed the impact of microfinance: “Studies have shown that microcredit programs positively affect a woman’s decision-making role, her marital stability, and her control over resources and mobility. The analysis establishes that a woman’s contribution to her household’s income is a significant factor towards her empowerment” (Reducing Poverty 2004:64). The impact of microfinance on women’s empowerment is clear and impressive. Because economic advancement of women is crucial to poverty alleviation, it can be deduced that access to financial services is also an integral component to the eradication of poverty. Women are traditionally treated as

inferior to men because of lack of economic opportunity, authority over income generation, or participation in the public sphere. Microfinance enables women to gain access to all of these empowerment tools. Borrowing credit to start a micro enterprise gives women control over household income and entry into the public domain, as well as provides them with economic and educational opportunities. When women have control over household income, children's nutrition, health, and education improve substantially more than when men control the income. It is becoming widely recognized that poverty alleviation occurs most often when women participate in microfinance programmes (Cheston and Kuhn 2002; Simanowitz and Walter 2002:31-32).

## **2.12 BENEFITS OF CREDIT UNION**

An article on EzineArticles.com outlined the following benefits of credit unions. Membership is Easy. Credit unions are cooperative financial institutions and are governed by its members. It should be noted that these institutions are not opened to everyone, but just those that are affiliated with the group that it serves. For instance, if you are part of a labour union, chances are the union has a credit union that allows all union members and their families to join. They Offer Plenty of Financial Services Just like a bank offers savings accounts, checking accounts and ATM cards, so does a credit union. In fact,

most are extremely competitive with the list of services that a bank offers. While they obviously offer accounts to save and check with, one of the biggest reasons to join are low cost loans.

### ***2.12.1 Better Loan Rates and Lower Fees***

Credit union is not for profit and owned and operated by its members, they are usually able to give extremely attractive rates such as car loans and mortgages loans among others. Credit unions are always at the low end when it comes to interest rates and many of these institutions don't charge large

fees like most banks do. In many situations, the ability for a family to afford a car loan or mortgage is based upon a lower interest rate and a reduced amount of fees.

### ***2.12.2 Credit Unions as a Safe Financial Institution***

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

### ***2.12.3 Board of Directors***

Both banks and credit unions are owned by shareholders, but with credit unions, the shareholders are also the members. For a credit union has a responsibility to its members. Additionally, credit unions are non-profit institutions. Unlike banks, which are for-profit, they do not have to focus on producing returns for shareholders. Credit union pays much attention in providing as much value as possible for members. The Board of Directors are unpaid, resulting in lower operation cost as compared to commercial banks. Because credit unions have a limited membership, they are not bound by as much bureaucracy as large national banks. For example, it's not unusual to renegotiate the terms of a loan with a simple phone call to a credit union while commercial banks pass through several level of approval before one benefit or obtain assistance.

### ***2.12.4 Higher school attendance***

Most poor family find it difficult to give a good and better education to their children. The cost of fees and other educational materials are too expensive for such a poor family to bear. Brilliant children from such poor families are made to drop from school to find job to supplement the family income. Contributing to credit union help to increase the household income and thereby giving such families a better financial stability, and also enables poor families to bear the costs of sending their children to school. Credit unions are known for encouraging families to keep children in school and in some cases

school attendance is mandatory in order to participate in the microfinance programme (Murdoch and Haley 2002:113).

Two case studies, one conducted in Bangladesh Khandker (1998:148) and the other in Indonesia, Panjaitan-Drioadisuryo, Rosintan and Kathleen Cloud (1999:8), conclude that microfinance has a significant and positive effect on education, especially in boys. Wright (2000:33) in *Microfinance Systems: Designing Quality Financial Services for the Poor* makes a comprehensive review of the latest studies on microfinance and education. In particular, his study focuses on Grameen Bank, the largest and most well-known microfinance institution. Wright concludes that, when we take the crudest measure—those children over six years who have ever been to school—all of the girls in Grameen families have had at least some schooling, compared to 60% of the girls in the control group. Most of the Grameen boys (81%) have had some schooling, compared to just half (54%) of the control group boys. (NP)...The percentage distribution of children (11-14 years) achieving ‘basic education’ (pre-determined level of mastery in reading, writing and arithmetic, as well as ‘life skills’) rose from 12.4% in 1992 (before the BRAC [microfinance] programme began in the area) to 24.0% in 1995 among the children of BRAC members. By comparison, only 14.0% of the children of those who had not joined BRAC achieved ‘basic education. Marcus, Porter, and Harper (1999:46) of Save the Children foundation of London research revealed that, improvements in school attendance or in provision of educational materials are widely reported. Invariably this related to increased household income. In Honduras, participants stated that participation in the credit and savings programme had enabled them to send several children to school at a time, and had reduced drop-out in the higher primary school grades...Where taking #credit was enabling people to develop agriculture or other enterprises close to home and reducing the need to migrate for seasonal work, children’s chances of attending school were greatly increased. In another study by Murdoch and Haley (2002:113) in Vietnam, conducted by United Nations Children Emergency Fund (UNICEF) established that 97% of the daughters of those who participate in microfinance attend school compared with only 73% of the

daughters of non-participants. Their conclusion stated that, since 1993, UNICEF has supported a number of micro credit schemes in poorer regions of lower Egypt and in some urban slum areas...The condition for the women's loans is that all the children should go to school. This scheme, in an area with adequate access to basic education, showed that micro credit could reduce child labour and improve school attendance while at the same time improving the income levels of the participating families. It also showed that parents are willing to send their children to school once the economic condition of the family improves.

#### ***2.12.5 Easy Membership***

Credit unions are non-banking financial institution which is owned and governed by its members. Remember that credit unions are not opened to everyone but those who are affiliated with the group which the union belongs. For instance, not until 2006 if you are not a teacher, you were not allowed to join Techiman Area Teachers' credit union.

#### **2.12.6 Products of Credit Union**

Credit unions offer financial services like saving accounts, checking accounts among others. Just like the commercial banks do credit unions offer such services. Commercial banks offers extremely competitive list of services that a higher cost whilst credit union gives such services at cheap and lower cost.

### **2.13 CHALLENGES TO CREDIT UNIONS**

Credit unions have some peculiar challenges in the changing world due to their nature and current economic trend. President and CEO of Providence Federal Credit Union, Shirley Cate stated that an on-going challenge that credit unions face, during this economy as well as at other times, is consumers did not realize that membership of a credit union is possible for virtually everyone. People still think they have to be in a certain industry or work for a specific employer to have access to a credit union. And with all the news coming out about the banking industry, many consumers feel like they have no

place to turn. Credit unions only serve a good percent of the population now but between employer-based credit unions and those with community charters, eligibility is no longer a barrier. Credit unions are actively lending despite the many headlines that tout there is no credit available, she added. President and CEO Mid Oregon Credit Union, Anderson William R. Anderson said: the real bottom line for credit unions is a measure of how well they are serving their members, not how well they are performing for stockholders. However, credit unions must still generate a positive financial bottom line to build capital in order to serve their members in the long run. Some of the challenges getting in the way of positive financial results include shrinking interest margins, health of the over-all economy and the resultant impact on their members' financial health. Ron Barrick, President and CEO of Adventist credit union noticed that, most credit unions never participated in the types of subprime lending that has created the serious problems faced by our banking system. However, that does not mean that we are insulated from the effects of these issues. With consumers hunkering down and buying less, loan demand is reduced. Lower loan demand and hefty assessments on healthy financial institutions to shore up our banking system creates a drag on income and profitability. In addition, the high unemployment rate creates a need for financial institutions to reserve more for potential loan losses. These difficult market conditions will require credit unions to closely monitor financial performance and continue to act in the best interests of their member-owners, he concluded. In the view of Ark Zook, President and CEO MaPS Credit Union, credit unions are dealing with the effects of the current economic climate. During these economic times, it is challenging to keep focused on our mission and on long-term relationships. It can be tempting to freeze efforts for developing new and innovative ways to serve members, stop all community contributions, or look for ways to cut employee benefits in an effort to be conservative.

### ***2.13.1 Challenges in Accessing facilities (Loans)***

Bjornson and Abraha (2005) and Johnson (1993) commented that women play an important role in the development of small business and face greater risk as compared to men. This is because aside the

normal business challenges, they are also face problems related to gender, thus; operating in business environments that are mainly male-dominated. Women are classified among the marginalized and the vulnerable and they face various challenges in accessing credit schemes. According to Asiama et al (2007), the approaches of traditional banking to micro finance delivery often does not work. They explained that the credit methodology requires documentary evidence, long standing bank customer rapport and collateral which most micro and small businesses do not have. This poses a great challenge to women in accessing loans. They further indicated that the existing skills training and funding arrangements for women do not seem to be market-driven. Thus, specific services and products that target women for entrepreneurship development to enable them engage in economic activities and become more self-reliant need to be more coherent.

Women household responsibilities and social norms restrict the type of entrepreneurial activities they embark on. In addition, development literatures have demonstrated that the access of rural women to and control over resources such as land and capital are restricted and therefore constrain them for accessing and embarking on any business activity (Fletschner and Carter 2008). The Management of micro finance institution do not involve the beneficiaries before formulating credit schemes (Martin et al., 2002). Financial institutions rely on already existing groups of identity suitable clients for loans at the neglect of those who are not members of these economic associations (FAO 2002; Ayamga et al 2006). The methods used in collecting loans are harsh and cohesive: the use of police, court, etc., notwithstanding the high interest rate poses a challenge (Business Week 2005; Ablorpprey 2008). A World Bank policy research report (World Bank 2002), has indicated that women continue to have systematically less command over a wide range of productive resources such as land, information, education and financial services. Again a study conducted in the Lawra district on rural women and micro credit schemes revealed that the prerequisite to qualify to get assistance or credit is through group formation. An individual could therefore not obtain credit from Freedom from Hunger Project or Credit Union at the Lawra District Assembly without being a member of a women's group. The women also complained of high interest rate, compulsory savings and short grace period of one week

to begin payment of the loan. In another passage of the same study the author revealed that women in northern Ghana is not able to access credit from banks. The reason being that the banks demand collateral in the form of land or a house before offering the clients the loan. These immovable properties are not available to these women, so it denies them the opportunity of accessing loans. He further indicated that high interest rate has also been a challenge to women in accessing loans from the banks. Also the credit offered them was inadequate and therefore not sufficient to help start any profitable business. There is even a ceiling on an amount a woman can take (Ansoglenang 2006).

Generally, the ratio of banks to rural clients is 1:100 000 in the northern part of the country as compared to the national average of 1:16 000 to 1:26 000. A rural bank can serve an area of over 50 000 km<sup>2</sup>. It cost so much to make one trip to the bank, more especially where the processes involved in bank loans often requires several trips (IFAD 2000).

IFAD (2000) documented that women in Ghana face various challenges in accessing loans from formal and rural banks. Among the challenges they face are the problems of leaving their children and household duties long enough to travel to the bank, male staff intimidating (90% of staff in most institutions are men) and lack of control over resources, such as land and labour, limits their eligibility for loans. Also, illiteracy or semi-literacy creates a further barrier to processing paperwork, and whenever the banks' ability to lend is constrained, it is the women who receive lowest priority.

The research conducted by Asiama et al (2007) on micro finance in Ghana: an overview delves into the evolution of micro finance in Ghana, how it has contributed to development in relation to poverty reduction and the challenges these institutions faces. The study was general and dwell much on micro finance institutions and how the government have been supportive but did not consider the specific impact of the loans given to individuals. On the contrary this study seeks to focus on women and the impacts of the credit schemes run by the Bonzali rural bank. The study specifically will uncover the educational, health, social support and investment impact of rural banking on women in the study area.

According to Addiah (2010) rural banks in Ghana were created to re-enforce the government's commitment to rural credit as part of a national strategy to improve agriculture and the living conditions of rural farms. This scheme was to assist the rural dwellers especially small-scale farmers to find solutions to rural credit problems thereby increasing their output. The study revealed that credit to farmers who are customers of the bank has no direct relationship with their output. This study was general and focused on both men and women. On the contrary the current study seeks to study the impacts of the credit offered by the Bonzali rural bank (BRB) on women in the study area. Addiah assessed the effects in terms of output whereas the current study will assess the impacts on the women in terms of health, education, social support and investment.

In 1996 Ansoglenang conducted a similar study on the women and micro credit schemes: cases from the Lawra district of Ghana. This study observed the multiple sources of credit schemes to women and their effects.. Thus the study considered Non-Governmental organizations, credit unions, rural banks among others in Lawra located in the Upper West region of Ghana. Similarly, this study was conducted in the Upper West region of Ghana, and assessed the impact of credit schemes operated by the Bonzali Rural Bank (BRB). However, this study also assessed the impact of the schemes run by Bonzali rural bank and other sources. The study uncovered the impact of the credit scheme on the psycho social wellbeing of women in the study area. Another empirical study was conducted on the impacts of of Micro-credit Scheme of NRSP on the Socio-economic Conditions of Female Community in Districts of Rawalakot, Azad Jamu and Kashmir, Pakistan by Javed et al. (2006).

The current study in the Tolon – Kumbungu district will help analyst to compare its results to that of female community in district Rawalakot, Azad Jamu and Kashmir, Pakistan. Though the study seems to be the same, the cultural background of the women to be studied differs and therefore expedient to undertake this study. The outcome of the study will further help future researchers and policy makers to make an informed decision.

### ***2.13.2 Appropriate Loan Structuring to Fit Individualized Needs***

Credit unions' offer individualized products to demonstrate value to their members. A fully integrated legal services partner should take the time to understand all the players in each transaction to ensure the best outcomes for their clients. In-house professionals should seek a law firm with experience in risk assessment and mitigation for real property lending, construction loans, asset-based lending, floor plan financing, and other forms of collateral.

### ***2.13.3 Member Retention and Engagement with Incentives and Promotions***

Credit unions operate in a fiercely competitive market and member retention and engagement are crucial elements for their long-term viability. Experiences show that strategic advice with respect to incentives and promotional programs can highlight your unique products and services to new and existing members.

### ***2.13.4 Potential Interest Rate Increases Leading to Borrower Financial Fatigue***

Credit unions are on the front lines for addressing economic downturns in their members' lives. And given today's low interest rate, some borrower members may have become overextended on projects. When the Federal Treasury interest rate increases, it is likely that these borrowers will encounter financial fatigue. Finding unique solutions and workouts is critical in addressing this issue.

### ***2.13.5 Mergers and Acquisitions among Credit Unions***

Increasingly, credit unions are examining possibilities for streamlining operations and taking advantage of economies of scale achieved through partnerships and merger transactions. Our role focuses on guiding clients through the analysis of whether a merger or acquisition is actually the right path and, if so, the mechanics of merging with or acquiring another credit union while minimizing disruption in your daily business operations.

### ***2.13.6 Regulatory Compliance with the Affordable Care Act and other Developments***

Recent developments through the Affordable Care Act (aka Obamacare), the Consumer Financial Protection Bureau, and the Service members Civil Relief Act have led to avoidable missteps in compliance. Because these regulations can be highly complex, it is advisable to consult with legal professionals dedicated to understanding these acts comprehensively. A compliance audit can be all that is needed to help insulate credit unions from falling out of line with federal, state and local requirements.

### ***2.13.7 Creative Solutions for Loss Mitigation***

Though the economy has certainly improved since the economic downturn, non-performing loans are still weighing heavily on the books of many credit unions. Potential solutions might include restructuring, auctions, receivership, asset surrender, or other remedies, but each circumstance is unique in its relationship and financial dynamics. Creativity and a strict focus on your company's level of risk tolerance should be the focus of your legal services partner.

## **2.14 CONCLUSION**

The chapter reviewed the various evolution of credit union in the world and in particular how it developed in Ghana. The role of credit union in development with special attention of alleviating poverty was examined and the evidence of the impact as established by the various authors. The impact of credit union on the income level of beneficiaries and empowerment of women were also taken into consideration. Other benefits and challenges of credit unions were not left out by revealing the important of promoting, encouraged and the needed support given them by other organisations and governments.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 INTRODUCTION**

This chapter presents a detailed plan of methods of data collection; organising, analysing and giving meaning to the data obtained, how the set objectives of the study can be achieved. The main components of the chapter would take into consideration the research design, sampling procedure used, sampling units, the target population, sampling units, sampling size. The chapter also take in consideration are sampling techniques, data collection techniques, data analysis, presentation and discussion techniques which will be unfolds in chapter four.

#### **3.1 STUDY AREA POPULATION**

The target group composed of; the management, staffs and members of the Techiman Area Teachers' credit unions. The Techiman Area Teachers credit union has four thousand seven hundred and six-nine (4,769) members.

#### **3.2 SAMPLING TECHNIQUES AND SAMPLE SIZE**

The study uses descriptive approach. It employs primary and secondary data. The data were collected through questionnaires and analysed using the SPSS analysis package. The manager who is the head of management was selected to represent the management. Interview and questionnaire was used to collect information from the manager. Two hundred members of Techiman Area Teachers' credit union were selected using simple random sampling.to provide each member of the credit union, equal opportunity of being selected and questionnaires were administered to them. This in my opinion is a fairly representation of the views of members.

### **3.3 ANALYSIS OF DATA**

Qualitative and quantitative methods were used in analysing the data for the study. Statistical package for social sciences (SPSS) will be use in the analysis of quantitative data. Frequency distribution tables, percentages, means, and descriptive analysis evaluating contribution and challenges of credit union. Its operation as well as the challenges members face in their attempt to seek assistance from the credit union.

Services both locally and internationally. Currently, Techiman Area Teachers credit union has four thousand seven hundred and six-nine (4,769) members.

### **3.4 THE STUDY AREA – TECHIMAN MUNICIPALITY**

The Techiman Municipal Assembly is one of the eight (8) Municipal Assemblies and twenty-three (23) District Assemblies in the Brong Ahafo Region of Ghana. The Municipal Capital, Techiman, is a major market centre and a nodal town where roads from the three northern regions converge. The Municipality shares common boundaries with four other districts. They include Wenchi District which lies to the North-West, Kintampo South District at the North-east, Nkoranza North and South Districts at the South-East and Offinso North District (in the Ashanti Region) lies to the South. The current Techiman Municipality was formally part of Wenchi District and later added to Nkoranza and Kintampo Districts before it was made an autonomous district assembly in 1989 under Legislative Instrument (L.I. 1472) of 1989 and was upgraded to a Municipality status in 2004 under Legislative Instrument (L.I. 1799) of 2004.

The Municipality covers a total land area of 669.7 km<sup>2</sup> representing approximately 1.69% of the surface area of the Brong Ahafo Region. It is the smallest district in the region and is well located in terms of major road accessibility. Trunk roads from Sunyani, Kumasi, and Yeji all converge at Techiman, which makes it a bustling food crop market and commercial centre. Techiman is one of the

fastest growing towns in Ghana and has the largest Agricultural and foodstuff market in the West Africa Sub-Region. (Philip M.M. 1993)

### **3.4.1 LOCATION AND SIZE**

Techiman is one of the fastest growing towns in Ghana and has the largest Agricultural and foodstuff market in the West Africa Sub-Region (Philip M.M. 1993). Techiman Municipality is situated in the Northern part of Brong Ahafo Region and lies between longitude 10 490 East and 20 300 West and Latitude 80 000 North and 70 350 South. Techiman Municipality share boundaries with four other districts. The districts include; Wenchi District which lies to the North-West, Kintampo South District at the North-east, Nkoranza North and South Districts at the South-East and Offinso North District (in the Ashanti Region) lies to the South. The Techiman Municipality covers a total land area of 669.7 km<sup>2</sup> representing approximately 1.69% of the surface area of the Brong Ahafo Region. It is the smallest district in the region and is well located in terms of major road accessibility. The Municipal Capital, Techiman, is a major market centre and a nodal town where roads from the three northern regions converge. Trunk roads from Sunyani, Kumasi, and Yeji all converge at Techiman, thus, making it a bustling food crop market and commercial centre.

### **3.4.2 RELIEF AND DRAINAGE**

The topography of the Municipality is generally low and gently undulating. The main relief features are highlands and low lands with the central part of the Municipality reaching a height of 579m above sea level. The lowest part is 3. The Tano River that takes its source from the south, Subin and Kar Rivers to the North are the major rivers that drain the surface area of the Municipality. Other minor rivers include Brewa, Traifi Kyini, Fia, Aponkosu, and Atweredaa. The Tano River is dammed at Tanoso, in the South of the municipality to supply pipe-borne water to the residents of Techiman and its environs.

### **3.4.3 GEOLOGY AND MINERALS**

The Municipality is underlain by Voltanian and Belt Granite rock formations. The Voltanian formation covers about 80% of the total land area and is rich in sandstones, shales, mudstones and limestones which can be harnessed for the ever expanding constructional and infrastructural development in the municipality. The Belt granite formation is found at Nsuta, Agosa, Mangoase and Mmaampe Hia at the South Western part of the municipality. Although there is a small scale manual quarry industry at Nsuta, there is the need to explore the quarry potential to meet the anticipated demand for general infrastructural development.

### **3.4.4 CLIMATE AND VEGETATION**

The Techiman Municipality experiences both semi-equatorial and tropical conventional or savannah climates, marked by moderate to heavy rainfall. Major rains start from April to July and the minor from September to mid-November with a mean annual rainfall ranging between 1650mm and 1250mm. The only dry season, which is highly pronounced in the Savannah zone, starts in November and lasts until March. The average highest monthly temperature is about 30°C (80°F) and occurs mostly between March and April and the lowest of about 20°C occurs in August. Relative humidity is generally high throughout the year. The municipality has three main vegetation zones; namely, the guinea-savannah woodland, located in the North West, the semi-deciduous zone in the south and the transitional zone, which stretches from the south-east and west up to the north of the Municipality. The semi-deciduous forest type, like the other vegetation zones, has largely been disturbed by man's activities depriving the Municipality of its valuable tree species and other forest products. There is, however a large area under forest reserve (teak). The Asubingya reserve, located at the southeast, covers an area of 32.5km of the Municipality's total land area. This important resource serves as a protective cover to some of the major rivers that drain the land.

### **3.4.5 ENVIRONMENTAL SITUATION OF THE TECHIMAN MUNICIPALITY**

Concerns over the impact of the environment on socio-economic development have become crucial in the Techiman Municipality as nature continues to be exploited to enhance human development. The effects of environmental degradation are manifest in many aspects of daily life in the Municipality. The Municipality is endowed with natural forest. An area of about 32.4km<sup>2</sup> (5% of total land area has been set aside as forest reserve. Available information indicates that the rate of re-forestation falls below the rate of exploitation. The situation is further compounded by human activities such as indiscriminate bush fires, fire wood extraction and rapid lumbering without replanting as well as uncontrolled livestock grazing. The net effect of these activities has been a significant reduction in the vegetation cover that also has adverse effect on the climate.

### **3.5 PROFILE OF TECHIMAN AREA TEACHERS CO-OPERATIVE CREDIT UNION**

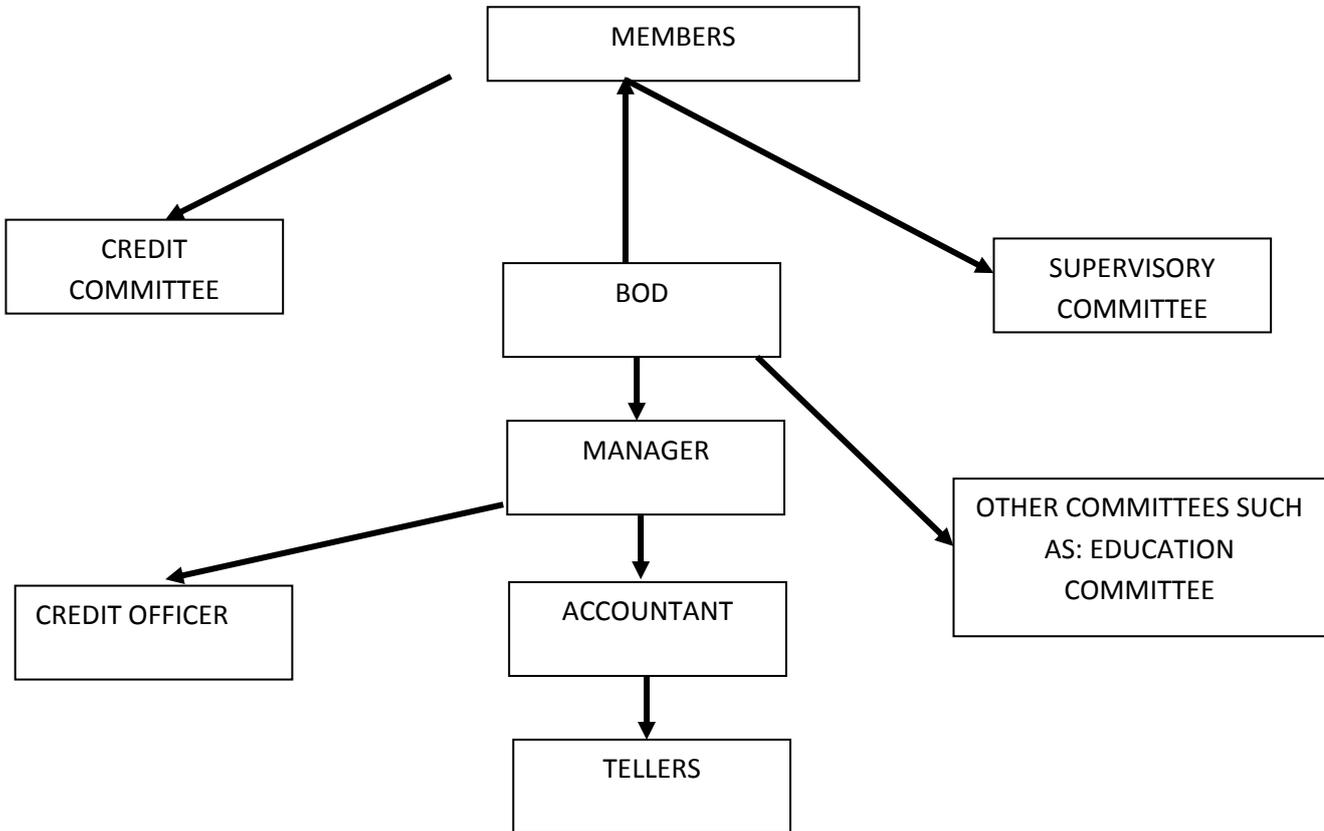
Techiman Area Teachers Credit Union was started in September 1997. It was strictly a teacher based Credit Union which deducts members Savings and Shares from Controller and Accountant Generals Department. In 2006, it opened up its common bond to embrace non-teachers as members of the union. The Unions mission is to seek to provide Savings and credit facilities to its members within the Techiman Municipality. Currently apart from providing savings and credit facilities, the union has acquired the mandate to pay salaries of government salaries; it is also providing money remittances

### **3.6 ORGANISATION STRUCTURE OF TECHIMAN AREA TEACHERS' CREDIT UNION**

The organisational structure of Techiman Area teachers' credit union is made up the members who are shareholders of the credit union. The next level of the structure is the credit committee, the board of directors and supervisory committee which come directly under the shareholder (members) of the credit union. The manager and other committees such as Education committee also report to the board of directors.

The credit officer, accountant and tellers also report to the manager of the credit union. The diagram below shows the organisation structure of Techiman Area Teachers' credit union;

**ORGANISATIONAL STRUCTURE**



## **CHAPTER FOUR**

### **ANALYSIS AND DISCUSSION OF FINDINGS**

#### **4.0 INTRODUCTION**

The chapter presents the findings of the study. The data analysis was done using descriptive tools presented using frequency tables, bar charts, correlation to draw inferences. For clarity and easy reading the analysis was done in such a way to achieve the objectives of the study. In this view; the chapter has been divided into four sub-headings: the demographic characteristics of respondents, the trend of the credit union of the study area, the various benefits members of the credit union received and the various challenges members of the union faces. Two hundred respondents were sampled for the study in the Techiman Municipality in the Brong-Ahafo Region.

#### **4.1 DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS**

The section presents biographic statistics like gender, age groups, educational level and marital status of the respondents.

The table below shows the gender positions of the survey. Out two hundred respondents, (52%) were male whilst (48%) were female. The researcher was also not bias because the age distribution is almost evenly distributed. Therefore the outcome will truly reflects the entire population

## GENDER OF RESPONDENTS

**Table 4.1 Gender of respondents**

Gender	Frequency	Percent (%)	Cumulative Percent
male	104	52.0	52.0
female	96	48.0	100.0
Total	200	100.0	

**SOURCE: (Field survey, 2015)**

## AGE GROUP OF RESPONDENTS

**TABLE 4.2: Age group of respondents**

Age group	Frequency	Percent	Cumulative Percent
16-25	24	12.0	12.0
26-35	44	22.0	34.0
36-45	80	40.0	74.0
46-55	14	7.0	81.0
56-65	25	12.5	93.5
65+	13	6.5	100.0
Total	200	100.0	

**SOURCE: (Field survey, 2015)**

The table above shows that most of the respondents were in the age group of 36-45 representing 40% of the total respondents. Ages 26-35 representing 22% of the two hundred respondents. 56- 65 represent 12.5%, 16-25 representing 12%, 46-55 representing 7% and 6.5% of the total respondents were within the ages of 65 and above. This gives an indication that majority of the members are in the working class. These age groups give an indication that most of the members are within the Techiman municipality are youth and are also in the working class

## EDUCATIONAL LEVEL OF RESPONDENTS

**Table 4.3 Educational level of Respondents**

Educational level	Frequency	Valid Percent	Cumulative Percent
Secondary	33	16.5	16.5
Tertiary	167	83.5	100.0
Total	200	100.0	

SOURCE: (Field survey, 2015)

From the respondents, members who have completed tertiary accounted for (83.5%) as depicted by figure below whilst those with secondary education had (16.5%) in the Techiman municipality. This gives an indication that majority of the members in the municipality has completed tertiary which also help in terms of the quality of education in the study area.

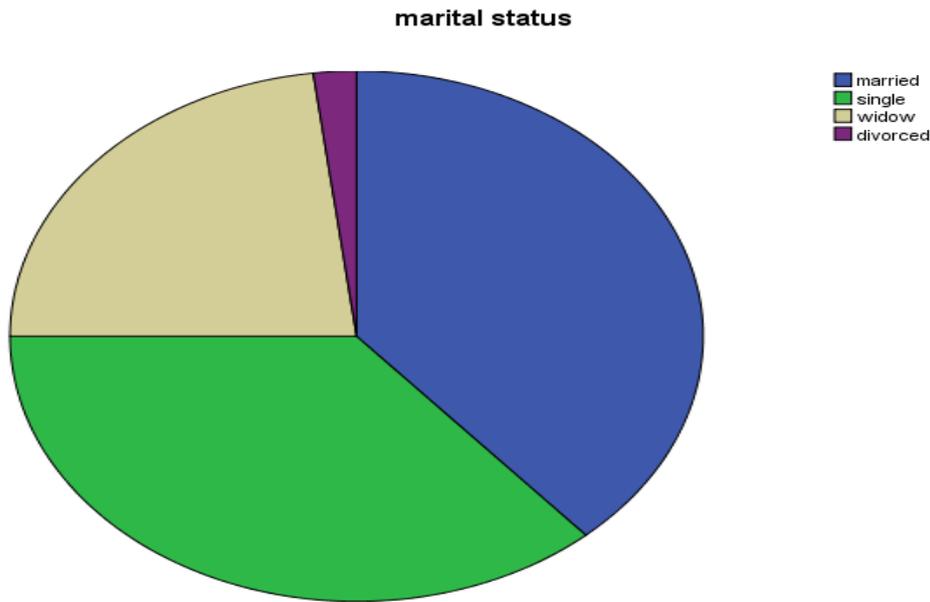
**Table 4.4 marital status of respondents**

Marital status	Frequency	Percent (%)	Cumulative Percent
married	77	38.5	38.5
single	73	36.5	75.0
widow	46	23.0	98.0
divorced	4	2.0	100.0
Total	200	100.0	

Source: (Field survey, 2015)

Finally in terms of the benefits received for the credit union can be influence by the marital status of these respondents. Form the diagram below, almost (40%) of the members is married which indicates that their benefits from the union will be higher. About (35%) of them are single whilst widow and divorced accounted for (23%) and (2%) respectively.

**Figure 4.1: Marital status of the Respondents**



#### **4.2 Various products offered by Techiman Area Teachers credit union**

The various products of the Techiman Area Teachers' credit union include Susu account, savings and loans accounts, funeral loans, salary accounts and fixed deposit. Out of a total of 4769 members of Techiman Area Teachers' credit union, 1962 members representing 41.14% of the total members of the credit union operate savings and loans accounts, 1605 of the members representing 33.65% operate Susu account, 845 members operate salary accounts with credit union representing 17.71%, 245 members of the credit union operates fixed deposit representing 5.15% of the members of the credit and 112 members of the credit operates funeral loans with the credit union representing 2.35% of the total members of the credit union.

Techiman Area Teachers credit union also have others products such as salary loans and overdraft which they gave to the members of the credit union. Below is a table showing product of the credit union and members under each product as well as percentage of members under each product.

**Table 4.5: Members and products they have with Techiman Area Teachers Credit Union**

Product	Members	Percentage
Saving and loans account	1962	41.14
Susu account	1605	33.65
Salary account	845	17.71
Fixed deposit	245	5.15
Funeral loans	112	2.35
Total	4769	100

**SOURCE: (Field survey, 2015)**

Majority of the members operates saving and loans accounts. This is so because members such account for a period of six months in order to qualify them obtain loans from the credit union. These loans will help them in order to expand their business.

#### **4.3 The trend of contribution of Techiman Area Teachers credit union**

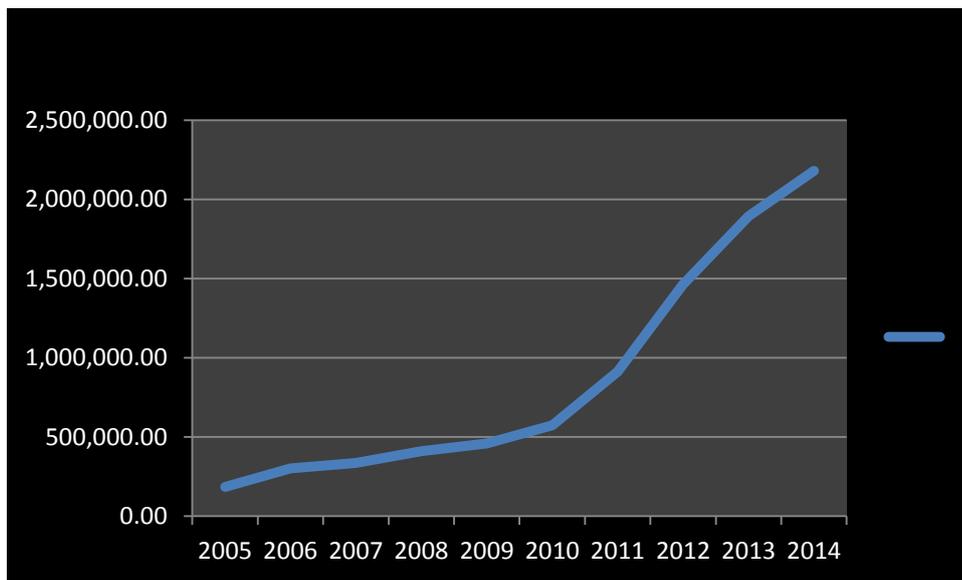
**Table 4.6: Trends of contribution, increase amount and percentage increase of the Techiman Area Teachers' credit union**

<b>YEARS</b>	<b>CONTRIBUTION (GH¢)</b>	<b>INCREASE AMOUNT (GH¢)</b>	<b>PERCENTAGE INCREASE (%)</b>
<b>2005</b>	<b>185,268.65</b>	<b>-</b>	<b>-</b>
<b>2006</b>	<b>301,210.81</b>	<b>115,942.16</b>	<b>38.49</b>
<b>2007</b>	<b>336,511.27</b>	<b>353,00.46</b>	<b>10.49</b>
<b>2008</b>	<b>410,237.62</b>	<b>737,26.35</b>	<b>17.97</b>
<b>2009</b>	<b>459,102.70</b>	<b>488,65.08</b>	<b>10.64</b>
<b>2010</b>	<b>574,234.30</b>	<b>115,131.60</b>	<b>20.05</b>
<b>2011</b>	<b>912,221.74</b>	<b>337,987.44</b>	<b>37.05</b>
<b>2012</b>	<b>1,462,696.45</b>	<b>550,474.71</b>	<b>37.63</b>
<b>2013</b>	<b>1,894,668.44</b>	<b>431,971.99</b>	<b>22.80</b>
<b>2014</b>	<b>2,197,697.18</b>	<b>303,028.74</b>	<b>13.79</b>

**SOURCE: (Field survey, 2015)**

From table 4.5, the contribution of Techiman Area Teachers credit union rise from GH¢ 185,268.65 in 2005 and GH¢301,210.85 in 2006 which represent about 38.49%. This sudden increase was due to an increase due in the enrolment of teachers in the municipality and also the credit union policy of opened up its common bond to embrace non-teachers as members in 2006. The credit union contribution has been increasing year although the increase is not constant.

**Figure 4.2: To find out the trends of contribution of the credit union**



**SOURCE: (Field survey, 2015)**

The trends of the contributions of the members in the credit union indicate an upwards slopping. Although the amount paid by each teacher to the union has remained unchanged, the contributions of the credit union have been increasing yearly. This was due to fact that during the same period enrolment of teachers was also increasing which causes the trend of the amount of the credit union to be increasing annually and also the credit union policy of opened up its common bond to embrace non-teachers as members in 2006.

#### 4.4 Assessing the benefits of the credit union to members

To assess the benefits members received from the credit union, the study took into consideration the various products of the two hundred respondents. This is shown in the table below;

**Table 4.7: members and products they operate with Techiman Area Teachers Credit**

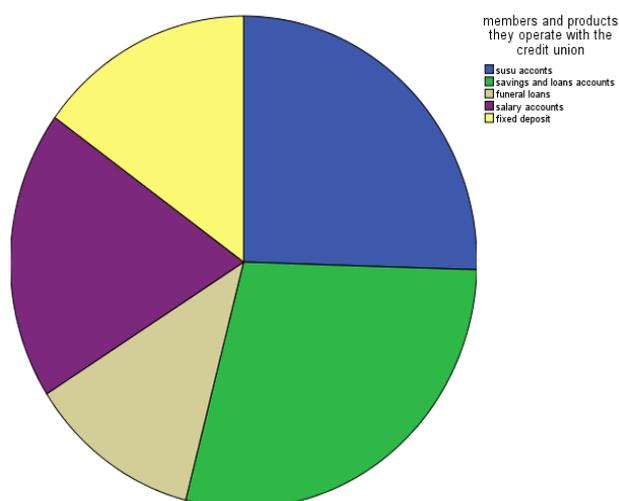
**Union**

Products	Frequency	Percent (%)	Cumulative Percent
susu accounts	51	25.5	25.5
savings and loans accounts	57	28.5	54.0
funeral loans	25	12.5	66.5
salary accounts	38	19.0	85.5
fixed deposit	29	14.5	100.0
Total	200	100.0	

**SOURCE: (Field survey, 2015)**

Out of the two hundred respondents, 28.5% operates saving and loans with the credit union, 25.5% of the respondent operates Susu accounts with Techiman Area Teachers credit union. Whilst 19.5%, 14.5% and 12.5% operate salary account, fixed deposit and funeral loans account with Techiman Area Teachers' Credit union. This is shown in the figure 4.6 below

**Figure 4.3: Members and the product they operate with Techiman Area Teachers' Credit Union**



**SOURCE: (Field survey, 2015)**

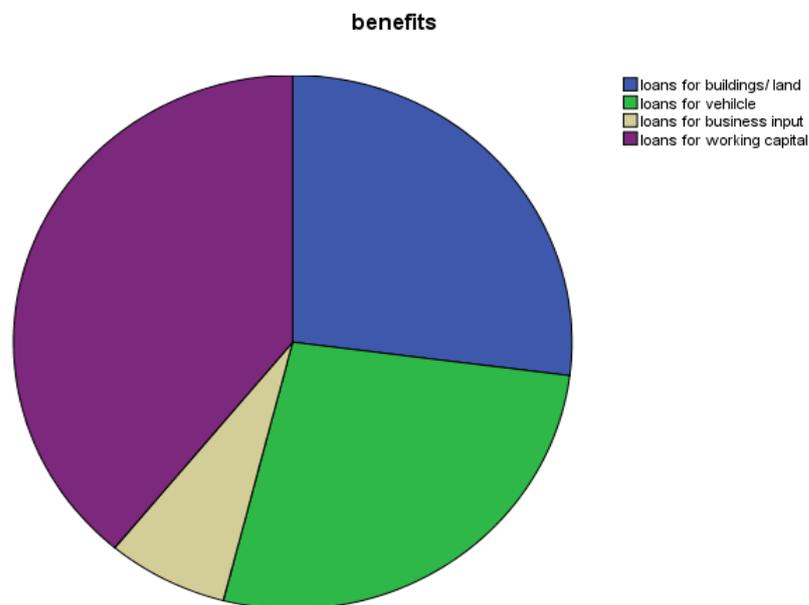
Respondents were asked about the kind of benefits they receive from the credit union. From the diagram below, majority of the teachers agree that they have received working capital loans from the union and depicted by the diagram below.

Table 4.8: Benefits members receive from the credit union

Benefits	Frequency	Percent (%)	Cumulative Percent
loans for buildings/ land	54	27.0	27.0
loans for vehicles	54	27.0	54.0
loans for business input	14	7.0	61.0
loans for working capital	78	39.0	100.0
Total	200	100.0	

Source: (Field survey, 2015)

Figure 4.4: Benefits Members receive from the credit union



SOURCE: (Field survey, 2015)

This implies that the loans they receive from the credit union are used for productive activities. Loans for building and vehicle also follow in that order. Lastly, about (7%) of the members as showed by figure 4.4 also receive loans for business input. In all these, members receive some benefits from their credit union.

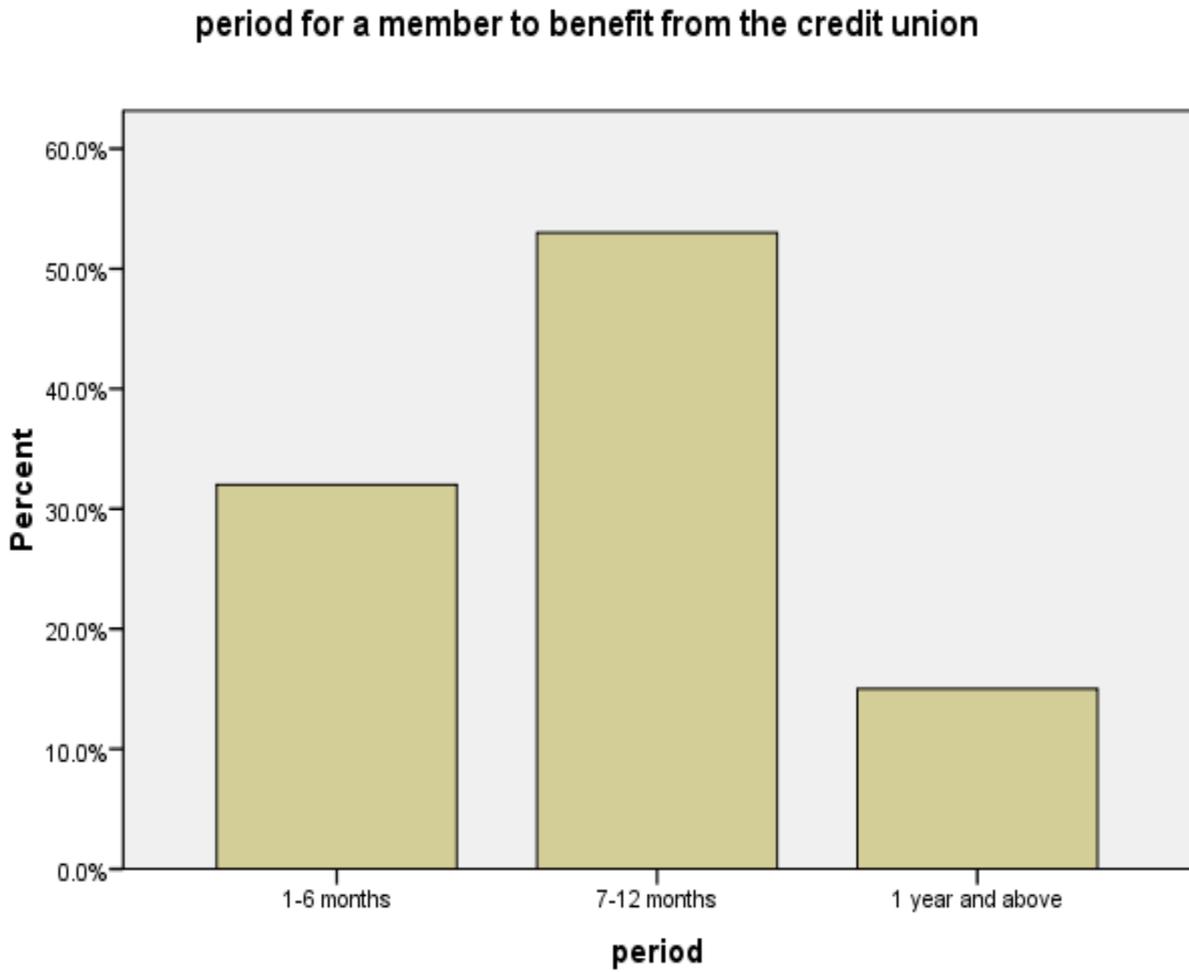
**Table 4.9: Period for a member to receive benefits from the credit union**

period	Frequency	Percent	Valid Percent	Cumulative Percent
1-6 months	63	31.5	31.5	31.5
7-12 months	106	53.0	53.0	84.5
1 year and above	31	15.5	15.5	100.0
Total	200	100.0	100.0	

Source: (field survey, 2015)

From table 4.9 above, 63 respondents representing 31.5% of the total respondents mentioned that they receive benefits from the credit union within a period of 1 to 6 months. Again, 106 of respondents representing 53% of the respondents receive benefit from the credit union between the period 7 to 12 months and finally 15.5% of the respondents also mentioned that they receive benefits from the credit union after a year and above. From the above, it can deduce that the credit union take a quiet a short period in giving out benefits to its members which is a good practice and give the members confident in working with the credit union. This is represented in the figure below

**Figure 4.5: Period for a member to receive benefits from the credit union**



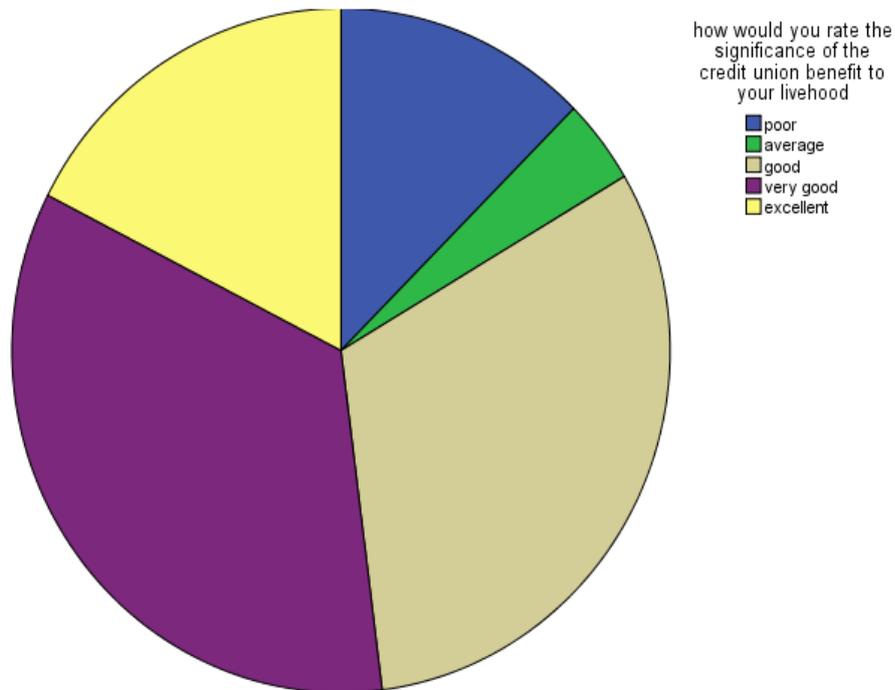
**Table 4.10 The significance of the credit union benefit to the livelihood its members**

Rating	Frequency	Percent (%)	Cumulative Percent
poor	25	12.5	12.5
average	8	4.0	16.5
good	63	31.5	48.0
very good	69	34.5	82.5
excellent	35	17.5	100.0
Total	200	100.0	

Source: (Field survey, 2015)

From table 4.10, out of 200 respondents 34.5% believe that Techiman Area Teachers' credit union has impact on their livelihood that is they related the significance on their livelihood as very good. 31.5% of the respondents rate the impact on their livelihood as good, 17.5% of the respondents rate the impact as excellent, 4% of the respondents rate impact of the benefit on their livelihood as average while 12.5% of the respondents rate the significance of the credit union on their livelihood as poor. They believe the credit union has not imparted on their lives as members. This is represented in the figure 4.6 below

**Figure 4.6 significance of the credit union on the livelihood of its members**



Significance of the benefits of the credit on the livelihood of members

**SOURCE: (Field survey, 2015)**

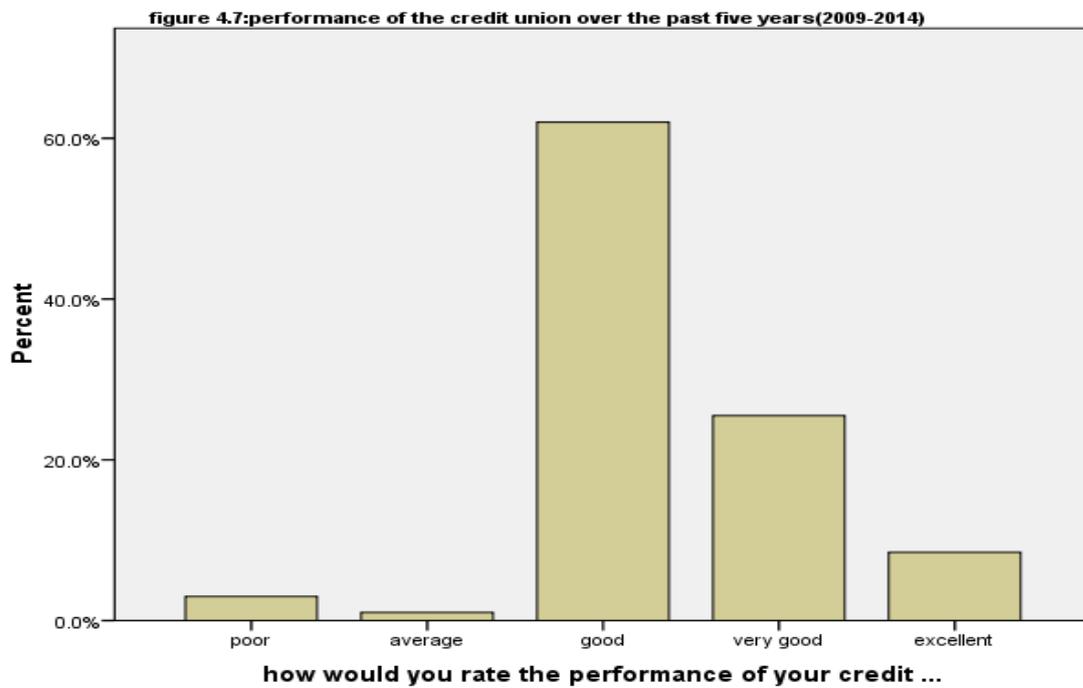
From the above analysis, majority of the respondents believe that Techiman Area Teachers Credit union has really impacted positively on the livelihood of its members but there is still more room for improvement.

**Table 4.11: The performance of your credit union over the past five years(2009 to 2014)**

performance	Frequency	Percent (%)	Cumulative Percent
Poor	6	3.0	3.0
Average	2	1.0	4.0
Good	124	62.0	66.0
Very good	51	25.5	91.5
Excellent	17	8.5	100.0
Total	200	100.0	

Source: (Field survey, 2015)

From table 4.11, out of 200 respondents, 62% rate the performance of the credit union as good. 25% rate the performance of the credit union as very good, 8.5% rate the performance as excellent, 3% rate the performance of the credit union as poor while 1% rates the performance of the credit union as average. From this analysis; it gives an indication that members of the credit union have confident on the management of union as depicted by the diagram below;



### Reliability test using Cronbach's Alpha

Reliability test was conducted on the operation of Techiman Area Teachers credit union. In conducting reliability test, alpha coefficient is used. Reliability coefficient of 0.70 or higher is considered "acceptable" in most social science research situations. This test is carried out to see whether those items have relatively higher internal consistency

Table 4.12 Reliability Test Results

### Reliability Statistics

Cronbach's Alpha	N of Items
.583	5

The bench mark in assessing high internal consistency of the operations of the credit union is (0.70). From table above, (0.583) is less than the bench mark indicating a low internal consistency in the operations of the credit union

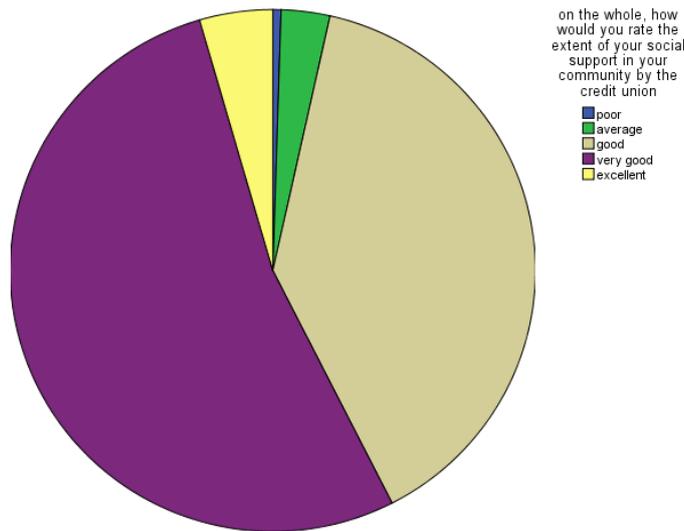
Table 4.13 Social support in your community by the credit union

Rating	Frequency	Valid Percent	Cumulative Percent
poor	1	.5	.5
average	6	3.0	3.5
good	78	39.0	42.5
very good	106	53.0	95.5
excellent	9	4.5	100.0
Total	200	100.0	

Source: (Field survey 2015)

Techiman area teachers' credit union has contributed meaning in the development of its catchment area, the Techiman municipality. Out of 200 respondents, about 53% believe that credit union has performed very well (very good), 39% believe the credit union performance is good. 6%, 4.5% and 0.5% believe the credit union performance average, excellent and poor respectively in aspect of providing social amenities to the community. Some of social amenities mentioned by respondents including providing bore hole for Techiman township, giving of scholarship to brilliant children of schooling age who parent cannot afford, etc. Below is a pie chart showing respondents view on how the credit union has performed in terms of development. Respondents well as to rate it as poor, average, good very and excellent.

Figure 4.8: respondent view on the credit union contribution towards community development



**SOURCE: (Field survey, 2015)**

#### **4.5 Challenges members face in working with Techiman Area Teachers credit union**

Members of Techiman Area Teachers credit union face various challenges in dealing with their credit union. From the two hundred respondents some of the challenges they face include; high interest rate which make payment of the principal and interest difficult for some members, others include; bureaucracy, insufficient funds, improper deductions, duration it takes to qualify, favouratism, among others. This is show in the table below;

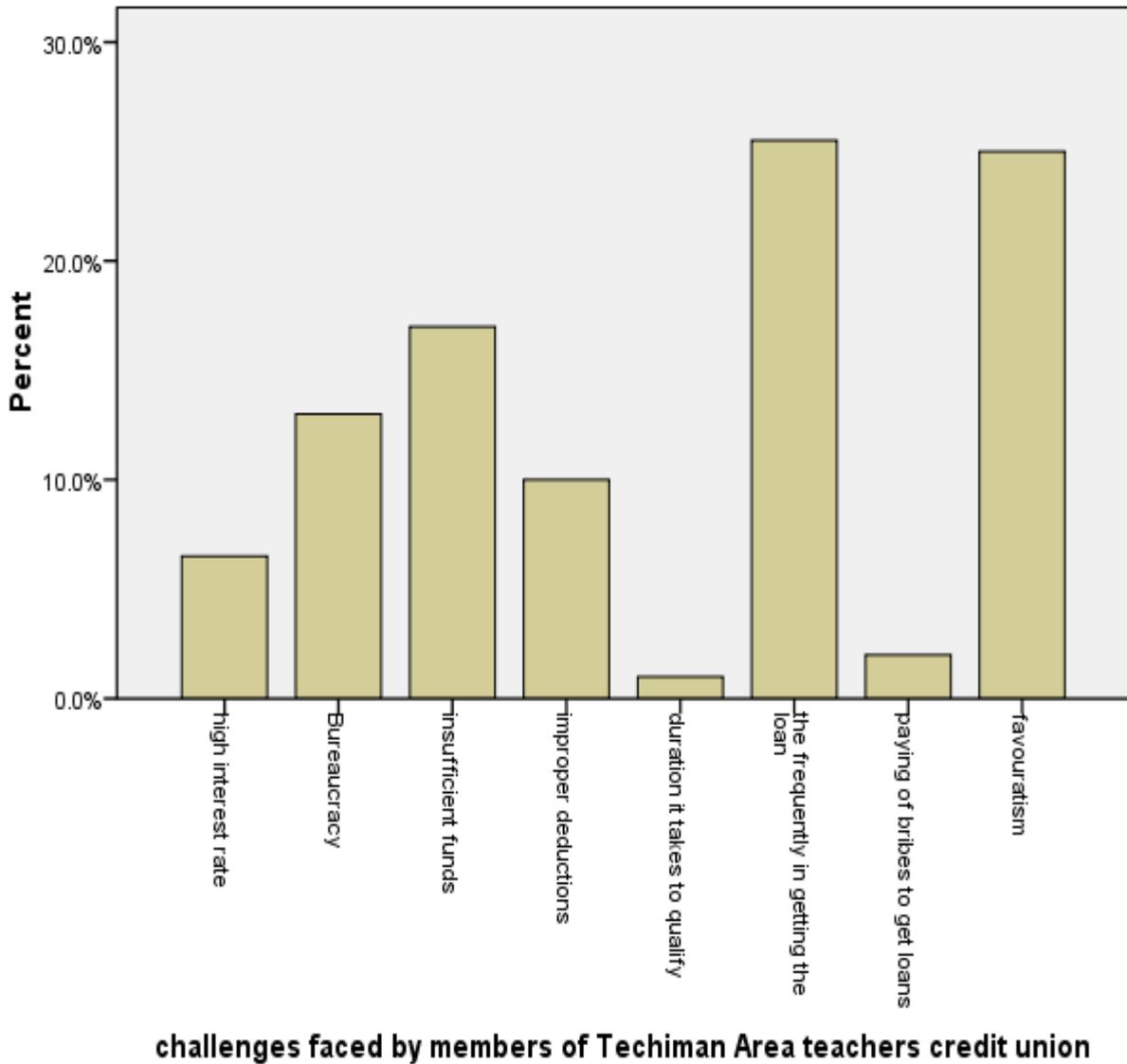
**Table 4.13: Challenges members face from the Techiman Area Teachers credit union**

Challenges	Frequency	Valid Percent	Cumulative Percent
high interest rate	13	6.5	6.5
Bureaucracy	26	13.0	19.5
insufficient funds	34	17.0	36.5
improper deductions	20	10.0	46.5
duration it takes to qualify	2	1.0	47.5
the frequently in getting the loan	51	25.5	73.0
paying of bribes to get loans	4	2.0	75.0
Favouritism	50	25.0	100.0
Total	200	100.0	

**Source: (Field survey, 2015)**

The respondents were asked about some of the challenges they face in their attempt to seek financial assistance from the credit union. Majority of the respondents agree that favouritism and the frequently in getting more funds affect their attempt to seek financial assistance from the credit union. Others also attribute to the fact that the funds they receive from the credit union were inadequate in solving their financial deficits. Bureaucracy, high interest rate and paying of bribes before members can get access to funds from the credit union also follow that order as depicted by the figure below.

**Figure 4.9: Challenges members face from the Techiman Area Teachers credit union**



Lastly reliability test was also conducted on the contribution of the credit union in improving the livelihood of its members. Again this was conducted to check the internal consistency of the various questions that were asked on the livelihood of members of the credit union

***Cronbach's Alpha to test Reliability on livelihood of members***

Reliability test was conducted on how Techiman Area Teachers credit union has improved the livelihood of members. In conducting reliability test, alpha coefficient is used. Reliability

Coefficient of 0.70 or higher is considered "acceptable" in most social science research situations. This test is carried out to see whether these items have relatively high internal consistency

**Table 4.14: Reliability Test**

**Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.671	.636	4

Cronbach's Alpha of (0.671) is almost the same as the standard bench mark. This means that because internally consistency is high, the credit union has help in improving the livelihood of the members in the municipality

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter entails a recap of the research findings and the methods used in obtaining the data for the study. It further provides conclusions and recommendations relating to the study objectives. This is very essential as it gives the contribution and challenges face by teachers as they seek funds from their credit unions.

#### **5.1 Summary of findings**

The findings show that credit base of Techiman area teachers credit union has been increasing due the fact that enrolment of teachers in the municipality has also been increasing in the same period and also the credit union policy of opened up its common bond to embrace non-teachers as members in 2006. In 2005 the credit base of the union was around GHS 185,000.00 and this figure has been increasing yearly with 2014 credit base as around GHS 2,100,000.00.

The analysis revealed that majority of the members took these credits as a working capital which is a good practice. This is because the working capital in this new business can also help them to repay the loans. Others also took the funds for building, buying of vehicle and business inputs. Overall because majority was using it for new business, it helped them to repay the principal and the interest on it. Reliability test also show that the operations of the credit union was internally inconsistent which has a negative effects on the profitability of the credit union in the municipality.

The findings also show that favouratism and the frequency in getting more funds affect their attempt to seek financial assistance from the credit union. Others also attribute to the fact that the funds they

receive from the credit union were inadequate in solving their financial deficits. Bureaucracy, high interest rate and paying of bribes before members can get access to funds from the credit union were also some of the challenges members face. Reliability test was also conducted on the contribution of the credit union in improving the livelihood of its members. Again this was conducted to check the internal consistency of the various questions that were asked on the livelihood of members of the credit union. This shows that because internally consistency is high, the credit union has help in improving the livelihood of the members in the municipality.

## **5.2 Conclusion**

The findings summarized above give rise to some conclusions that could be drawn from the analysis. It is evident from the findings that the increment of the credit base from 2005 to 2014 was due to increase in enrolments of teachers within the municipality and also the credit union policy of opened up its common bond to embrace non-teachers as members in 2006 but not an increase in the amount been paid by the members.

Majority of the members have confident in the activities of Techiman area teachers credit union in the municipality. The management of Techiman area teachers credit union should try to maintain such trust and improve upon it.

Considering the fact that majority of the members use the funds they received for productive activities also helped them in terms of repayment of the principal and the interest. It was also revealed that the operations of the credit union were not efficient due to internal inconsistency in their activities which also affected their profitability.

The findings again revealed that members face some challenges in assessing funds from their credits union. Among the major once were favouratism, the frequency in getting more funds to enhance their

activities, inadequate funds from the union, bureaucracy, high interest rate and paying of bribes were but to mention. Lastly the findings show that the livelihood of the members has improved.

This came about from the reliability test show that internally consistency is high; the credit union has help in improving the livelihood of the members in the municipality.

### **5.3 Recommendations**

On the basis of the findings of the research, the study would like to make a few suggestions, which could be considered by similar credit institutions, researchers and policy makers.

Because the operations of the credit union were not efficient due to internal inconsistency in their activities, efforts should be made by the management to improve their activities so as to improve the profitability base.

Members face challenges such as favouratism, the frequency in getting more funds to enhance their activities, inadequate funds from the union, bureaucracy, high interest rate and paying of bribes. Therefore efforts should be made by the management of the credit union to rectify these challenges.

Because the credit union has been able to improve the livelihood of members in the municipality, efforts should be done to increase these assistance been given to members of the union.

Majority of the members used the funds for productive activities which help them to repay the principal and the interest, therefore more of such funds should be given to members because the repayment ability is high.

Board of director, Management and staff of Techiman area teachers credit union should maintain the trust the members has impose in them and also to improve on its performance in order to be more profitable to members than it is now.

Time did not permit the researcher to compare with other municipality; therefore future research into this area should consider making comparism with different credit union.

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**APPENDIX A**

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY - (KNUST)**

**SCHOOL OF BUSINESS STUDIES (KSB)**

**TOPIC: ASSESSMENT OF CONTRIBUTIONS AND CHALLENGES OF CREDIT UNIONS IN GHANA - A CASE STUDY OF TECHIMAN AREA TEACHERS CREDIT UNION**

These questions are to help study the contributions and challenges of credit unions in Ghana- A case of Techiman Area Teachers Credit Union in the Techiman Municipality. 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 OF TECHIMAN AREA TEACHERS CREDIT UNIONS**

**PRODUCTS AND CHALLENGES OF THE CREDIT UNION**

1. Please indicate by ticking (“√”) the various products that are offered by the credit union?

<b>Products</b>	<b>tick (“√”) here</b>
Loans for Educational Expenses	
Loans for Medical Expenses	
Loans Cars/Motor bikes/bicycles	
Loans for Land	
Loans for Home acquisition/improvement	
Saving Account	
Current account	

b. Others (Specify) -----

2. Please indicate by ticking (“√”) category of members your credit union have?

<b>Category of members</b>	<b>tick (“√”) here</b>
Teachers	
Market women	
Traders	
Others	

b. If others (specify)? .....

.....

3. What procedure do you used in selecting members who benefit from various products.

.....

.....

4. What is the total deposit of the credit union from 2009 to 2014?

.....  
.....

5. Please indicate by ticking (“√”) the credit union’s current interest rate on deposits?

<b>Interest rate (%)</b>	<b>tick (“√”) here</b>
5-10	
11-20	
21-30	
30 and above	

6. How much loans has the credit union given out from 2009 to 2014?

.....  
.....

7. What percentage does this loans represented?

.....

8. What is the current composition (that is, in percentage terms which areas have the loans gone to)?

- a.
- b.
- c.

9. What is current interest on loans per annum? .....

10. What is the credit union’s default rate between from 2009 to 2014?

.....  
.....

11. Outline some of the challenges your Credit Union faces in its operations.

- a. ....
- b. ....
- c. ....
- d. ....
- e. ....

***Thank you for participating in this research***

**APPENDIX B**

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY - (KNUST)**

**SCHOOL OF BUSINESS STUDIES (KSB)**

**MASTER OF BUSINESS ADMINISTRATION (MBA)**

**TOPIC: ASSESSMENT OF CONTRIBUTIONS AND CHALLENGES OF CREDIT UNIONS IN GHANA - A CASE STUDY OF TECHIMAN AREA TEACHERS CREDIT UNION**

These questions are to help study the contributions and challenges of credit unions in Ghana. A case of Techiman Area Teachers' Credit Union in the Techiman Municipality. 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.

**MEMBERS OF TECHIMAN AREA TEACHERS CREDIT UNIONS**

**SECTION A: PERSONAL INFORMATION**

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: Secondary ( ) Tertiary ( ) others, (specify).....
5. Religious affiliation: Christian ( ) Traditional ( ) Moslem ( ) others, specify.....

**B. BENEFIT AND CHALLENGES MEMBERS FACE**

1. How long have you work with the credit union: 0-10years ( ) 11-20 years ( ) 21 years & above ( )
2. Please indicate by ticking (“√”) which of the following personal welfare facilities you have benefited from as an individual since you joined the Credit Union.

<b>Personal welfare facilities</b>	<b>tick (“√”) here</b>
Loans for Educational Expenses	
Loans for Medical Expenses	
Loans Cars/Motor bikes/bicycles	
Loans for Home acquisition/improvement	

Others (Specify) -----

3. Please indicate by ticking (“√”) which of the following business/investment facilities you have benefited from since you joined the Credit Union.

<b>Benefits</b>	<b>tick (“√”) here</b>
Loans for Land/Buildings	
Loans for Vehicles	
Loans for Equipment/Machinery	
Loans for Business Inputs	
Loans for Working Capital	

Others (Specify) -----

4. Please indicate by ticking (“√”) how long does it take to benefit from the credit union as a member?

<b>Period</b>	<b>tick (“√”) here</b>
1- 6 months	
7- 12 months	
1 year and above	

**Instructions: Kindly give your response to the following statements by circling (where appropriate) in the block that most accurately represents your opinion concerning your experience at work using the following scale:**

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>poor</b>	<b>Average</b>	<b>Good</b>	<b>Very good</b>	<b>Excellent</b>

5. How would you rate the significance of the credit union benefit to your livelihood	1	2	3	4	5
6. How would you rate the performance of your credit union over past five year	1	2	3	4	5
7. How would you rate your benefits from the credit on your business capital	1	2	3	4	5
8. How do you rate the operations of your Credit Union	1	2	3	4	5
9. On the whole, how would you rate the extent of your social support in your community by the credit union	1	2	3	4	5
10. How will you rate the performance of your Credit Union over the past five (5) years?	1	2	3	4	5

11. Indicate, in order of need by ticking (“√”) three (3) challenges a member face in assessing a facility from the credit union

<b>Challenges</b>	<b>tick (“√”) here</b>
High interest rate	
Bureaucracy	
Insufficient funds	
Improper deductions	
Duration it takes to qualify	
The frequently in getting the loans	
Paying of bribes	
favouratism	

12. Indicate, in order of need by ticking (“√”) three (3) of the most pressing business/investment challenges you face as a member of the Credit Union

<b>Challenges</b>	<b>tick (“√”) here</b>
Working Capital	
Land	
Vehicles	
Building	
Equipment/Machinery	
Business Inputs	

13. Please indicate by ticking (“√”) the contribution of the credit union to the livelihood of its members?

<b>Contribution (%)</b>	<b>tick (“√”) here</b>
1- 10	
11- 20	
21-30	
31-50	
51 and above	

**Instructions: Kindly give your response to the following statements by circling (where appropriate) in the block that most accurately represents your opinion concerning your experience at work using the following scale:**

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>I strongly agree</b>	<b>I agree</b>	<b>I disagree</b>	<b>I strongly disagree</b>	<b>I do not know</b>

14. Credit union have a significant impact on the standard of living of their members	1	2	3	4	5
15. The Credit Union has performance well over the past five (5) years	1	2	3	4	5
16. The period for repayment of loans has help to improve my business	1	2	3	4	5

***Thank you for participating in this research***