UNIVERSITY OF CAPE COAST

THE CONTRIBUTION OF CREDIT UNION OPERATIONS TO ITS MEMBERS' DEVELOPMENT: A SURVEY FROM NKORANZA AREA TEACHERS CREDIT UNION

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BY

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DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature .... Date..................................

Name: Paul Sarfo

Supervisors' Declaration

I hereby declare that the preparation and presentation of this thesis were supervised in accordance with the guidelines on supervision of thesis laid down by the University of Cape Coast.

Supervisor's Signature: …………………….. Date: ………………

Name: Mr. Patrick Kwashie Akorsu

ABSTRACT

The role of Credit unions in Ghana cannot be overemphasized. This motivated the researcher to investigate and establish the impact of credit union operations on its members' development. To achieve this, quantitative approach through the use of explanatory design was adopted. Questionnaires with reliability alpha coefficient of .806 were used to collect responses from selected respondents. The data were analysed with the help of the Statistical Package for Social Sciences (SPSS version 23) software. Two hundred (200) teachers were selected through the use of the simple random technique. The findings from the study revealed that among the challenges teachers face includes the poor location of the credit union; delay in given loans, lack of trust in the Credit Union services. Again, it was unravelled that that majority of the teachers are not satisfied with the benefit they derived from the Credit Union. Finally, the study revealed that an improvement in the quality of services rendered by credit union has a positive effect on the development of its members.

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DEDICATION

To my lovely wife, son and daughters.

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CHAPTER ONE

INTRODUCTION

This is the first chapter of the study, and it thus introduces the study to readers. The chapter has the background of the study, the problem statement, the research objectives, research questions, significance of the study, the scope of the study, limitations of the study and the organization of the study. The chapter gives the essence of the study.

Background to the Study

Co-operative associations are dispersed all over the world offering indispensable services which would otherwise be unachievable. In developing countries, cooperatives such as credit unions have been exceedingly effective in aiding person to provide for themselves in areas and communities where private and other corporate assets do not perceive large profitability and success (Gupta, 2006). Parthasarathy (2003) emphatically alluded to the fact that in 90 countries worldwide, over 700 million persons are members of co-operative establishments. Internationally, cooperatives have been able to promote and cement their status as influential economic models. In some countries, they are a considerable force within the national economy (Parthasarathy, 2003).

The goal of credit unions is to build robust social capital and support their customers (who are also members) and the local community in which they are based. In the view of Singh (2006) credit unions are dissimilar to banks in numerous ways. First, he stated that credit unions cannot do business with the general public due to limitations based on serving a membership that is characterized by a mutual connection; which are effectively the social glue which binds credit union members together (Singh, 2006). Secondly, he added that credit unions were often viewed as well positioned to provide financial services to those who were excluded by conventional financial organizations. Thirdly, he was of the view that credit unions in many countries were exempted from tax obligations with this status warranted by their role in providing financial services to those of modest means. The fourth point about credit unions posited by Singh (2006) was that they were not-for-profit establishments and it was not required of them to simultaneously satisfy shareholders, profit expectations and disparate customer needs.

The executives of credit unions were not given gratuities that were connected to shareholder value. Consequently, credit unions were unlikely to engage in risky investment and unsafe lending practices in order to optimize short-term returns (Singh, 2006). In 2013, there were 56,904 credit unions in 103 countries with 207.9 million members and $1,732.9 billion in assets (Singh, 2006). In certain nations, credit unions are minor volunteer-based establishments offering a basic savings account and unsecured personal loans. In other countries, they were managed by experts and delivered a complete variety of financial services.

In Ghana, most credit unions functioned principally in the rural areas where the residents are mostly into farming and others into small or micro scale businesses (Frimpong, 2011). Individuals found in this segment of the economy generally had comparatively little income. The credit unions in such rural areas helped the inhabitants to save and/or via education and forum, inculcated the practice of savings among them (Frimpong, 2011).

Most of the credit unions likewise functioned within the banner of religious bodies thus churches and educational or community institutions. This made the inhabitants in the rural areas enthusiastic to trust the operators with their funds. Other credit unions were also formed and operated at workplaces thus making the staff members of the said unions. An additional benefit that aided the credit unions in their function was the preparedness of its members to save locally and have the ability to obtain credit facilities at conditions that will favour them when the need arose (Frimpong, 2011).

Credit unions afforded their members and/or participants the opportunity to acquire loan facilities at reasonable rates of interest and improved conditions than that offered by banks and other financial institutions coupled with flexible reimbursements. Some credit unions also provided investment counselling to their members, poverty assuagement assistance and also gave training to members on credit management at little or no fees which will not be provided by some other financial institutions (Frimpong, 2011).

Micro-credit came in as an intervention against biting poverty. When banks deny credit to some people, credit unions are seen as tools against financial exclusion (McKillop, Glass, & Ferguson, 2002). The only requirement for accessing credit facility from a credit union is by being a member and having a guarantor who is also a member. In Ghana, after six months, a needy member can apply for a credit facility and the person would be offered a minimum interest rate payable within a period of time. The credit unions in Ghana have assisted members to construct or complete their houses, expand their businesses, educate their children and receive better healthcare services among others (Darko, 2013). It is reported that 14000 credit unions in the U.S. provided loans and deposit services to about 60 million members. Therefore, credit unions are considered as the engine for poverty alleviation (Birchall & Simmons, 2009).

Robinson (2001) argues that small-scale commercial financial services in the form of credit and savings help the poor to improve household and enterprise management, increase productivity, and smooth income flows and consumption costs. This enhances the capacity of the poor to enlarge and diversify their microenterprises and increase their incomes. Credit is considered an essential input to increase agricultural productivity, mainly land and labour. It is believed that credit boosts income levels and increases employment at the household level and thereby alleviates poverty. Credit enables the poor to overcome their liquidity constraints and undertake some investments, especially in improved farming technology and inputs, thereby leading to increased agricultural production (Adugna & Hiedhues, 2000; Nathan et al., 2004).

This notwithstanding, credit unions can be said to have contributed prominently to economic development in terms of extending finance to small-scale businesses, generating the enthusiasm to save amongst rural people and enhancing the economic well-being of the people in especially rural communities. It is therefore in this light that this study seeks to assess how the Nkoranza teachers' credit union has affected the lives of its members.

Statement of the Problem

The economy of Ghana has witnessed an exceptional upsurge of financial ingenuities over the past two decades within the financial sector. In view of this, both Banks and Non-Bank Financial Institutions (NBFIs) are contending and formulating countless means of capturing substantial customers through offering satisfactory competitive terms of credit retailing. Credit unions still employ limited officers to run the management of the union and are also incapable to employ exceedingly competent professionals and skilled personnel to run the affairs of the union (Frimpong, 2011).

There have been numerous delusions and views from people, small and medium business enterprises and corporate business entities that microfinance institutions have outlasted their significance in the twenty first century with the explosion of greater commercial banks (Traditional Banks) that offer a wider variety of financial services due to their sophisticated infrastructure, innovations and technology (Philip, 1993) Nevertheless, there is yet another school of thought that agitates that institutions such as credit unions are still significant in the twenty first century. Though huge commercial banks provide broader dimensions of financial services to their clientele, such services were essentially restricted to larger commercial, industrial and mining towns in Ghana. Thus, their services were not defused in the hinterland (Darko, 2005).

Gyan-Baffour (2008) posited that high interest rates charged by the traditional banks as well as savings and loans companies were killing businesses in the country particularly small and medium scale enterprises (SMEs). In his view, the problem of high interest rates was impairment on the economy since it forced more businesses to close down. In assenting with the views of Gyan-Baffour (2008), Agyemang (1998) postulated that in as much as traditional banks were perceived to provide needed financial services to individuals, small and medium scale enterprises' (SMEs) access to credit facilities there remained a daunting constraint to most businesses in Ghana. Not only availability to credit but where they were made available, their insufficiencies, high cost of borrowing posed a great challenge to many businesses in Ghana due to principal agrarian economic activities that most people engaged in (Agyeman, 1998).

It is against this background coupled with lack of studies within the Nkoranza Municipality that the study seeks to ascertain the various ways in which the operations of credit unions have contributed to the lives of its members with regards to the teachers' credit union at Nkoranza.

Purpose of the Study

The purpose of the study was to examine the impact of credit union operations on its members' financial capabilities.

Research Objectives

More specifically, the study sought to ascertain the following objectives:

1. To identify the financial challenges of members of the credit union.
2. To assess the adequacy of benefits available to members.
3. To examine the effect of credit union operations on the development of its members.
4. To recommend appropriate measures for credit unions to be able to impact upon members' development

Research Questions

To address the objectives of the study, a number of research questions were formulated in order to guide the research towards achieving the stated objectives. These research questions are delineated as follows

1. What are the financial challenges of the members of the credit union?

2. Are the members satisfied with the benefits they receive from the credit union?

3. What are the challenges the teachers encounter when accessing credit facilities?

Significance of the Study

Credit unions play a very vital role in the socio-economic development of every economy since it amasses resources of its members for their own economic benefit. Various studies have concluded that credit unions indeed contribute immensely to the development of its members in diverse ways. It is therefore important to ascertain the magnitude of the contribution of credit unions to their members. This study would therefore provide in depth information to address some of these issues. Secondly, there are insufficient studies about credit unions in Ghana. Most studies have covered only banks and micro-finance companies. This study would therefore serve as a blueprint and an important reference document on happenings in the credit union business in Ghana especially within the Northern part of the country. The findings of this study would also provide vital information for policy makers in the formulation of policies and guidelines to direct and effectively monitor operations of credit unions in Ghana.

Delimitations

Although there are many themes with the financial sector which could have been studies, the investigator opted to focus on credit unions given their perceived importance especially in the hinterlands. Various dimensions of credit unions could also have been studied, but the researcher only concentrated on the impact that credit unions had on their members. In this study the case study was on the Nkoranza Teachers' Credit Union. The study was limited to the members of the credit union who were domiciled within Nkoranza.

Limitations

Research limitations are those phenomena and parameters that take place in a study which the researcher has no control over. They restrict the scope to which a study can go and occasionally influence the outcomes and conclusions that could be arrived at or drawn. An important limitation with a survey study is that it frequently pushed participants and respondents into peculiar response cohorts thus placing a restriction on the variety of responses contrasting an interview where participants or respondents could pose elaborating and clarifying questions. Additionally, there were inadequate current materials in terms of secondary data within the context of Ghana for the researcher to scientifically examine and explore the research problem sufficiently.

Organization of the Study

The study is captioned in five chapters. Chapter one contains the introduction of the study which encompassed the background of the study, the statement of the problem, objectives of the study and research questions. The other main headings of the chapter were the significance of the study, the scope and limitation of the study and the organization of the study. Chapter two contains a comprehensive review of the literature both theoretical and empirical.

The review provides a foundation for this study. This comprises of previous research in related fields and defining some important terminologies associated with the study. The methodology of the study is the central focus of chapter three. It will describe the research design, population, sample and sampling procedures of the study. Also contained in this chapter are the sources of data, research data collection instrument and procedure and methods of data analysis. The analysis of data, presentation of results and discussion of the findings are captured in chapter four. Last but not least, chapter five tackles the summary of findings, conclusions and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter contains the various discussions of the concept of credit unions by different authorities. Others aspects of credit union considered in this chapter are its evolution, its movement in Ghana, its characteristics and distinctiveness and its objectives among others. Another important aspect of this chapter is the review of related studies carried out by other researchers within this field. The review of literature served as a guide to this study and assisted with the identification of gray areas in the reviewed literature. The review was therefore organized under conceptual, theoretical and empirical review.

Definition of Credit Union

The Credit Union Association (1993) gave a definition of credit union as a voluntary group support association of persons restricted by mutual union who together decide to put aside their money and make loans at a discounted rate of interest for fruitful and prudent purposes. The World Council of Credit Unions (1995) also gave a definition of credit unions as a non-bank financial establishment whose members own and control it. It is also said to be a democratically-run member-owned financial co-operative since every member, irrespective of the size of account in the union, could contest for a position on the board and cast a vote during elections (WOCCU, 1995).

With regards to the financing of loan portfolios, credit unions mobilize savings of members and instead of utilizing external capital share it thus making opportunities available for members. Credit unions are in existence to meet the interest of their members and communities at large (WOCCU, 1995). Being not-profit organizations, credit unions utilize additional inflows to give their members much more reasonable and affordable loans, a greater yield on savings, lesser charges or new services and products. Members from all walks of life are served as well as the disenfranchised and poor (WOCCU, 1995).

Turner (2000) in his definition for a credit union stated that it was a financial self-support association which encouraged members to save money together and the assembled funds are then utilized in the provision of low-cost loans to members. In addition, he stated that credit unions operated within a visibly distinct location and a joint connection needed to exist amongst all its members. This connection is referred to as the union's common bond. This could be based on all members living within the same vicinity or all members working for the same employer (Turner, 2000).

According to Darko (2007) credit unions were in existence simply to serve the interest of their members but not to obtain returns from their needs. They were not expressively structured to accumulate money or make profit but as a means of developing the members. Nevertheless, he indicated that credit unions needed to work on sound financial and prudent business philosophies which should be maintainable to serve its members. In the view of Duah (1998) a credit union is a financial co-operative establishment that offers a variety of services particularly loans and savings (deposits) to only their members. Its membership is limited to persons who share a mutual connection of relationship like workers in a specific workplace, people in a local community or church members.

The goal is typically to borrow small sums of money at realistic rates of interest from one another and also assist one another to save in order to meet these borrowing needs. Their aim is to offer small interest charges in place of what is offered by money lenders and banks. In these contemporary periods, they could be described as microfinance establishments serving the needs of members and their small and medium scale enterprises where essential (Duah, 1998).

Evolution of credit unions

The development of credit union thinking spans over 150 years. It began in the mid-19th century when Europe was evolving from an extended account of medieval associations and oppressive rule that fashioned the depressed economic circumstances of the period and the awareness that persons would have to take action themselves if their lives were to be improved (Wilburn, 2003).

As specified by California and Nevada Credit Union Leagues two individuals, Schulze-Delitzsch (1852) and Raiffesen (1864) made a move themselves and placed Hobbes and Locke equitable principles of shared decision making, freedom, equity and liberation into practice via the production of finance related cooperatives in Germany. The view they held was straight forward thus to make budgetary cooperatives that would allow persons to accumulate their monies and support each other as required. By gathering their resources persons would have the ability to augment their interest as a cumulative of a total by growing their individual monetary and social gains, increasing their access to capital and subsequently employing their individual capability while enhancing the capability of those taking an interest in the financial co-operatives.

Raiffeisen (1864) and Schulze-Delitzsch (1852) believed that human fairness and liberation were probably to be attained by convincing persons to move in the course of their fundamental interest. Their ideas were based on a deep belief that persons should have the capability to take progressive decisions in the direction of their cumulative social and financial interest and those persons should have financial access to the capital markets via lower credit.

Bearing in mind the end objective to ensure the realization of these qualities, they set up a structural mechanism to achieve these aims and today these institutions are known as a credit union, not for profit, but instead to serve persons as credit cooperatives. Deep within the centre of this development are the principles of uprightness, participation, social obligation, character and community (Filene, 1997). The achievement of these values is apparent in that it took a little under 50 years for the diffusion of improvement to convey financial cooperatives to the United States and Canada.

Filene (1997) clutched the considerations and values of the primary development in the direction of monetary cooperatives and commenced setting them up in the U.S. His essential shrewdness was clearly expounded in an address to the Ohio Credit Union League in 1936 where he uttered that human society would be bizarre without credit, without confidence, without faith in human association and dependence upon human obligation. Filene (1997) selected Bergengren to take the expansion across the nation. He was of the conviction that, it was his onus to convey the progress throughout Germany for the improvement of civilization and humanity. Empowerment was a fundamental notion which prompted the development of credit union thinking, a philosophy that remains as imperative today as it did previously (Filene, 1997).

The development of credit union thinking is not a stationary origination but somewhat totally holds a level of uniformity as a result of the principles on which it is established. The proliferation of the principles set out by Schulze-Delitzsch (1852) and Raiffeisen (1864) and conveyed by Filene (1997) and several others are put into practice in an inexhaustible diversity of enormous numbers of institutions that represent credit union development today.

Credit Union Movement in Ghana

In the Ghanaian context, the history of the credit union can be sketched back to the 1920s when the Department of Co-operatives comprehended the requirement for popular credit and funds offices hence the Thrift and Loan Societies. They were unproductively managed so just a limited number of them survived. In 1961, the then government in power closed the operations of the department of Co-operatives together with the Cooperative Bank. After the 1966 unrest, the re-planned and re-organized Department of Co-operatives was revived, though there were not more than five Thrift and Loan Societies in existence (Kirsch & Goricke, 1977). Alongside these occurrences was the growth of another kind of funds and credit development in the Northern part of Ghana. In 1955, the first credit union in Africa was commenced at Jirapa in the Upper West Region of Ghana.

The thinking was suggested by Reverend Father John McNulty, an Irish Canadian who after visiting Sabuli, a village 24km away from Jirapa, appreciated that the style of saving money thus burying it in the ground, amongst the people was not appropriate as they were vulnerable to termite annihilation (Kirsch & Goricke, 1977). The major Bank in the North-West (now Upper West Region) at that time was the Bank of West Africa now Standard Chartered Bank, based at Wa, which was 41 miles from Jirapa. The unavailability of banking services required the establishment of a sort of organization that provided an opportunity for people to keep their funds safely (Kirsch & Goricke, 1977).

Reverend Father McNulty studied an article in a pamphlet with data on the existence of the credit union mechanism or structure in the Diocese of Antigonish in Nova Scotia, Canada. He educated his people on the progressive impact of the credit union and after that started the first credit union in Jirapa. In his communication with the credit union members in Nova Scotia, the Knight of Columbus approved a grant or endowment to the Bishop to send some people to oversee credit union work, study social work and the co-operative framework. The Bishop then sent the Reverend Father Derry to learn at the Coady International Institute, St. Francis Xavier University, Antigonish (CUA, 2005).

After the completion of his studies, Father Derry returned home. In November 1959, Bishop Gabriel Champagne nominated him in charge of the credit union, social work and co-operative work in the Diocese. He then re-constituted the credit union in Jirapa and rejuvenated one in Nandom. In March 1960 when Pope John XXIII, selected Reverend Father Peter Derry as Bishop of Wa, he encouraged the establishment of credit unions in all the Parishes. Amongst them were Kaleo, Nandom, Wa, Tumu, Daffiama and Lawra. In 1964, a Canadian credit union professional, Mr. Churchill was engaged by Bishop

Derry (now Archbishop Emeritus) for a long time in the Wa Diocese in the Upper West Region.

He established many more credit unions and sorted out administration preparing projects for the credit union. This was so productive that by 1968 the eight largest credit unions that existed around then had a cumulative membership of 6,300 and a cumulative fund of $400,000. In the meantime, the credit union expansion was also being experienced in the South. In 1959, the Harbor and Railways Employees credit union at Sekondi was established by one of their innovators who brought the knowledge from his studies in the United States. By 1967, there were about eight small credit unions in the South which did not have the benefit of payroll deduction but instead relied on the fundamental connection. One of such credit unions was Agona Swedru Teachers Union and its Treasurer, Mr. Bartholomew Quainoo of blessed memory, then an instructor, subsequently played a major role in the credit union development in Ghana and Africa. Our Lady of Fatima Credit Union was one of the eight credit unions in the South specifically located at Sampa in the Brong Ahafo Region (Ofei, 2001; Ahorlu, 2009).

According to the Ghana Credit Union Association statistics, as at 2008, there were 371 registered credit unions with membership at 278,236 of which 142 were parish-based (38%), 138 workplace based (37%) and 91community based (25%). It had accumulated and mobilized total assets of GHS145.3 million, mobilized deposit of GH121.6 million and granted loans in the sum of GHS87.1 million.

Objectives of Credit Unions

The objectives of credit unions as outlined by Duah (1998) and Powell (2002) are to; build a pool of funds through regular savings for the benefit of the members enhance the financial status of the member through the proper management their financial resources. Promote the savings habit and learn to be thrifty. Grant credit at reasonable and affordable rates of interest In addition to these fundamental goals, credit unions are also utilized by governments today as mechanisms of change for the reduction of poverty Some credit unions offer mortgages which are competitive than what members can get elsewhere.

Also, credit unions are to ensure the promotion of thrift amongst its members. According to Davis (2013), credit unions are to ensure the facilitating of the accumulation of savings for its members, the creation of a source of credit for its members at affordable rates of interest and membership promotion through the extension of common bond. They are also to ensure the promotion of co-operative enterprise and provision of full financial services consistent with co-operative principles, appropriate legislation and prudent management.

From Turner (2000), the general objectives of credit unions are to promote the economic interest of its members and in particular: To promote thrift among its members by affording them an opportunity for accumulating savings and paying reasonable interest without risk on such savings. There are various benefits in joining a credit union scheme and some of these as stated by Turner (2000) are as follows:

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

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

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

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

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

Features of a Credit Union

Turner (2000), Rainey and McNamara (2002) acknowledged the following features about credit unions; Credit union aims at providing service to their members, credit union does not seek a profit, credit unions offer low-interest loans with a repayment schedule designed to suit the member's ability to repay, a credit union is equally not a charity. Members have to demonstrate their ability to save regularly before being considered for loan, credit unions seek to make members feel a part of the union or society and treat all members with respect and consideration, credit unions operate at times and locations which are convenient to the members, including evenings and weekends, 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. Credit unions offer the opportunity to establish a regular savings pattern.

Characteristics and Distinctiveness of Credit Unions

Economic democracy

Ordinarily, democracy is said to be the lifeblood of the credit union movement and is in itself a core co-operative principle. The members of Credit unions enjoy equal rights to vote and contribute in taking decisions impacting on the activities of the credit union, without regard to the value of savings or deposits or the volume of business (Davies, 2013). In the view of Davies (2013), the credit union is independent or self-governing, within the mechanism or framework of law and regulation and is a co-operative enterprise serving and controlled by its members with boards of directors who are voluntary in nature and are drawn from the membership. The boards of directors are accountable for governance and ensuring that the credit unions operate in a modus that is in the best interest of the members. Davies (2013) suggested that this democratic framework enabled members to have a direct say in the running of the credit union and how it served the community. He further indicated that a well-functioning credit union fosters economic democracy in that they offered economic liberation or empowerment to the local community and prevented the concentration of economic power that subverted mass economic empowerment (Davies, 2013).

Compelling credit union administration depended profoundly on the preparedness of members to exercise their rights of ownership to express their viewpoints to the board of directors and to hold them answerable for the development of the credit union (Davies, 2013). Effective credit union administration, then again, proved daunting for some credit union movements and in particular those where credit unions that have transformed and developed into professionally managed multiproduct financial establishments (Goth, McKillop & Wilson, 2012).

Not-for-profit but for service

Credit unions are not instituted or established expressly to make profits but rather net income was distributed to their members in the form of higher savings rates, lower loan rates, enhanced service quality or contributions to reserves (Goth, et al., 2012). Taylor (1971) argued that the major goal of credit unions is the optimization of member benefits. He suggested that in an event where neither savers nor borrowers dominated a credit union, member benefits were optimized when the variance between the lending and dividend rate was reduced subject to the limitation of meeting costs. Worthington (2004) noted that practical regulation designed to safeguard a level playing field for financial establishments in Australia had forced credit unions in the path of profit optimization.

Products of Credit Union

Many credit unions offer a variety of services and products to members. The imperative feature is that all credit unions offer a reasonable source of credit to their members. Most credit unions currently charge an interest of 3 percent per month on the reducing balance or 19.5 percent per annum which means that credit unions charge comparatively lower interest and short-term credit are normally one-tenth of what members will pay elsewhere (Wright, 2013). Some credit unions offer mortgages which are competitive than what members can get elsewhere. Now credit unions are able to cut down the high-interest rates for huge and long-term loans (Wright, 2013).

Credit unions deal in a multiplicity of savings accounts including junior or youth savers account and Christmas savings. Members of credit unions can decide to pay directly into their accounts through standing orders or direct debit, through payroll deduction, cash payment at local offices of credit unions and through electronic means such as pay points and pay zones. Recently, however, credit unions have developed current accounts with ATM machine access, direct debits, standing orders and a VISA debit card. The account also avoids the uncertainty of high default charges by charging a small, regular, transparent fee for the account. For instance, the London Mutual Credit Union charges 95p per week (Wright, 2013). Additionally, there is now a credit union prepaid card which incurs no monthly or annual fees and low everyday fees (50 pence to load, free at point-of-sale, 75 pence ATM fee) and is intended to make it easier to manage personal finances (Wright,2013)

In Ghana, the Credit Union Association (CUA) limited indicated that the most common and extremely patronized products of credit unions included savings account for adults and the youth, share account, time deposit account, current account and loan account. According to CUA, all these accounts have a very noteworthy impact on the development of the individual credit unions. This means that the development and prospects of credit unions depended on the type of products the credit union offered to its members.

The Traditional Credit Union Model

The traditional credit union model encouraged borrowings, frowned upon savings and compelled those who saved to subsidize those who borrowed. Members who deposited shares in their credit unions could often not take out their shares until they ended their membership and they received no yield on their shares. The quantity of a loan that could be acquired was dependent on the number of shares which were held in savings. The result of these practices and policies was a prolonged deficiency of loanable funds (Richardson & Rappaport, 1993).

The New Credit Union Model

The foundation of the new credit union model was the steady decline of the traditional dependence on member shares for capital and member deposits. This new market-oriented model represented a drastic retreat from the practices and policies of the past. Generally, the new model required the following alteration in the traditional model (Richardson et al., 1993);

- Shift to market rates on loans
- A shift from deposit savings to share savings
- Shift to repayment-based credit analysis
- Shift to capitalization of earnings
- A shift to improved financial information reporting control and evaluation
- A shift to market-based, results-oriented business planning

In the view of Almeyda and Branch (1998) a number of important guidelines were attached to the new credit union model which included;

- Intensive mobilization of savings
- Competitive pricing for savings and loans
- Application of new lending criteria centred on capacity-to-pay analyses, credit history and available collateral
- Maintenance of adequate liquidity to satisfy unanticipated withdrawals of savings
- Use of marketing programs to improve the public image
- Creation of loan/loss reserves in relation to delinquency
- Reduction of non-productive assets
- Capitalization of all net earnings

In Latin America where this new model was first implemented, credit unions began to pay market rates of interest on deposits. They also increased interest rates on loans to defray the costs of the savings mobilization programs. The credit unions also decided to pay share capital the same as the interest paid on savings deposits (Almeyda & Branch, 1998). In Ghana, the new model mandated credit unions to adopt new financial management discipline, organizational guidelines and credit administration in Ghana. This included the introduction of financial management principles like loan delinquency control, capital accumulation, liquidity management and loan/loss provision (WOCCU, 1995). The role of the credit union association of Ghana (CUA) was to serve as a financial intermediary of affiliated credit unions.

Challenges of Credit Unions

By virtue of their nature and current global economic trend, credit unions are encountering numerous restrictions to battle with. While some of these challenges are little in scope and can be tackled without much strain on the system, others are deep-rooted and affect the very foundation of the credit union system. A major issue that credit unions worldwide relate to is the mantra that they are not-for-profit establishments. The mechanisms of the credit union originated from the customary social enhancement model that showed numerous parallelisms all through the world of the credit union (Richardson, 2000; Jones, 2002).

This framework was grounded on accepting credit union as comparatively small, volunteer-operated community-based organizations established principally to offer lower cost loans to disadvantaged persons who cannot get such assistance from other financial establishments. Extraordinary preeminence was given to member involvement, empowerment and society engrossment. The general idea of the social enhancement framework has left many credit unions financially frail with little institutional capacity and with an unending dependence on external subsidies and grants. Often, member service has been insufficient with many unions functioning out of incongruous premises for just a few functioning hours within a week (Jones, 1999).

Fundamental framework credit unions were not set up for growth. In fact, growth was often seen as a nuisance as it both gave in the community-focused culture of the establishment and its manageability by volunteers. The financial effect of the customary model has caused meagre capability to build institutional capital and a poor reactivity to the provision of market rates of yield on savings and competitive interest rates on larger worth of loans. The consequence of these studies carried out on the effect of the customary improvement model within credit union movements has been that the social development model has been incompetent of building practicable financial establishments and more often than not, has resulted in the instituting of grant dependent, financially feeble credit union incapable of generate savings and engender income (Richardson, 2000; Jones, 2002).

In many nations, credit unions functioned more as systems for external donor funds to the underprivileged instead of self-sufficient financial co-operatives. With time, external dependence on donor funds demoralized autonomy, and active performance, and compromised long-term sustainable development. Parallel institutional dynamics have been accepted as existing within the British credit union movement (McKillop & Wilson, 2003).

Richardson and Lennon (2001) contended that the rather bad performance of customary framework credit union has brought about many microfinance professionals in developing countries to give up on credit union as realistic and resourceful mechanisms for addressing the desires of the underprivileged.

In the Ghanaian context, one of the main difficulties of the credit union movement within the Techiman Municipality is the existing keen competition. Very often, it is assumed that accessing a credit facility from the customary banks was highly cumbersome and prohibitive. Now it has become much easier to access a credit facility at the traditional banks so the belief that it is easier to access a credit facility at the credit union than at the traditional banks does not hold true anymore (Agyemang, 1998).

Another difficulty faced by credit unions is how to come out with services and products that will be demanded by its members. For an establishment to continue to provide services to its devoted members, it must be able to adopt a hands-on approach that can recognize the needs and aspirations of its members. In as much as credit unions in developing countries are neck-to-neck with traditional banks in a diversity of services they provide to their clients and members, it is rather sad to know that in most of the African countries with specific reference to Ghana, only savings and loans are the outstanding services that are offered. Therefore, one of the challenges of credit unions is how to design products and services that can meet and even exceed the expectation of their valued members.

Credit Unions should have been in a position to provide products such as lines of personal loans, master cards, investment option loans and other services such as local and international money transfer, automated money transfer schemes (ATM), swift transfers and other related services (Darko, 2010). To crown it all, loan delinquency was identified as one of the serious challenges that confront the operations of credit unions in Ghana, especially with the community type credit unions. This emanates from improper loan appraisal and assessment of members.

Credit Unions and Development of Members

By virtue of their activities, credit unions have directly or indirectly contributed to development. Experiential confirmation from studies carried out over the years suggested that credit unions have elevated numerous people out of deficiency and generated employment avenues for many others. In Africa and Asia, credit unions have had more stimulating roles to play in enhancing the growth and development of the countries within them. The major influence of credit unions on development can be summarized into six general classifications. These are employment, microfinance, poverty reduction and raising living standards, corporate social responsibility, savings mobilization and, health and education.

Savings Mobilization

With its feature of member-ownership, credit unions were able to reassure their members to promote a culture of savings. Experiential proof suggested that with the formation of the credit union, savings amongst the monetarily excluded had shot up by 40 per cent. This has consequently improved the odds to access loans as many of these credit unions incline to give loans to members of good standing (Weihe, 2004). Microfinance organizations are of pronounced significance to the development of nations, particularly developing countries where deficiency is comparatively strong. Research has revealed that credit organizations functioned by microfinance establishments and credit unions supported underprivileged families in meeting their fundamental needs against risk, assisted in women enablement and development in family economic well-being (Asiama, 2007; Ansoglenang, 2006).

Poverty Reduction and Raising Living Standards

Guerin (2006), Khandker (1998) and Derbile (2003) presented findings from their studies signifying that micro-credit had facilitated in assuaging family deficiency. They emphasized that when women were allowed to enter into profitable self-employment they became self-reliant. Income from such investments was utilized for family expenditures and other essential fundamental services. Ansoglenang (2006) concluded that micro-credit organizations run by credit unions had been helpful to the women in Lawra and other part of the Upper West Region. The women noted that their undertakings were gainful and have brought about the enhanced standard of living. This is so since they have the capacity to pay their children's school fees, acquire personal goods, feed and clothe their children and other family members and are endowed as women (Ansoglenang, 2006).

Hulme and Mosley (1996) in a widespread study on the fight against deficiency or poverty using the microfinance support system found that the tactical engagement of well-made programs resulted in the increment of wealth for the underprivileged and enhanced their socio-economic position. They contended that there was a strong signal that the effect of a loan on a borrower's income was associated with the level of income as those with greater wealth had an enhanced chance of investment opportunities and so funding establishments were disposed to favour the upper and middle poor.

There has been a clear endorsement of credit being given to very underprivileged families and those homes grew their incomes and their assets (Hulme & Mosley, 1996). Regardless of the great prospect, Mayoux (2001) summarized the foremost effects of microfinance on poverty as microfinance services levelling off peaks and troughs in income and expenditure thereby permitting the poor have a stable cash flow and credit making was an important contribution to increasing wealth of the better-off needy which includes women.

Hulme and Mosley (1996) emphasized that the connection of loans with an increase in wealth facilitated investments into income generating activities with low-risk. Also, the encouragement of the very disadvantaged to save significantly reduced the vulnerability of the very destitute and improved their prestige. Other studies also mentioned occurrences whereby credit and savings organizations had met the desires of the very deprived. It was now well known that microfinance experts had constructively positioned augmentations in economic security, ahead of income promotion, as the first step in poverty reduction as this reduced recipients' general susceptibility (Hulme & Mosley, 1996).

Hence so far as there are disputes on the effect of microfinance projects on poverty, it has been well established that when microfinance institutions understood the desires of the underprivileged and attempted to address these needs, programs could have an optimistic effect on deficiency class of the society. Additionally, with the solid confirmation on plummeting susceptibility, the delivery of micro-credit has been influential in consolidating crisis, coping frameworks, differentiating income-earning sources, building assets and enhancing the status of women (Hulme & Mosley, 1996).

Employment

Regarding the influence of credit unions to employment generation or creation, (Chowdhury et al., 1991) emphasized that women (and men) taking part in sponsored activities had much more income both in terms of source and amount, owed much more assets and were more often gainfully-employed than non-participants. (Mustafa et al., 1996) also indicated that there was a rise in assets of 112% for those who had been members for 48 months or more and an upsurge in family expenses of 28% for those who had not.

Corporate Social Responsibility

Another area through which credit unions contributed towards its members and the community at large was the activity of performing various forms of projects in the name of Corporate Social Responsibility. This is the conscious effort of taking cognizance of the interests and well-being of society encircling beyond direct business operations. As financial cooperatives, owned and managed by their member-clients, credit unions introduced new techniques to social responsibilities that related to individuals and the communities as a whole. Current business operations have establishments including some form of community outreach to their core functions. Nonetheless, social responsibility and accountability form the very central fibre of the essentials of the daily operations of credit unions. The tendencies of globalization and the pursuit for broader markets have not dissolved credit unions from their connection to their local communities (Hulme & Mosley, 1996).

Theoretical Review

Sustainable Livelihood theory

A sustainable livelihood approach focuses on the diverse ways that people attain their livelihoods. This is particularly relevant in poor and rural communities where people attain livelihoods through multiple activities rather than one formal job (Tao & Wall, 2009). A sustainable livelihood approach to development generally focuses on the existing capital of local people in five capital-based assets: natural, financial, physical, human, and social (Development for International Development (DFID) 1999; Helmore & Singh, 2001; Scoones, 1998). The approach is people-centred, dynamic, and bridge gaps between micro and macro-development activities (Simpson, 2009). Integration and assessment of sustainable livelihoods from the host community's perspective can help result in more successful project implementation and management. An assessment of host communities' livelihood needs and wants aids in this process.

Chambers and Conway (1992) define sustainable livelihoods as a livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks, maintain or enhance its capabilities and assets, while not undermining the natural resource base.

Similarly, the goal of sustainable access is to provide livelihood benefits to local populations and protect local cultures and environments while developing economically viable industries (Simpson, 2009). The sustainable livelihoods approach to development links the global to the local while focusing on participation, sustainability, legitimacy, democratic processes, empowerment, strives to consider the diverse systems, networks, and daily activities that exist in a particular community for a development scheme (Helmore & Singh, 2001). In addition to the economic, social, and environmental aspects of traditional understandings of sustainability, sustainable livelihoods include a focus on resilience and the assets people already have rather than what they might need as perceived by donors of development projects. As an alternative to the largely macro-level based sustainable development approach, "the concept of sustainable livelihoods may merit exploration as a useful, more tangible, organizing framework, particularly for work with impoverished or marginalized communities" (Wall, 2007, p. 16). A sustainable livelihood framework provides the structure for integration of household and community-level data for collection and analysis of economic, cultural and environmental assets (Simpson, 2009).

The term livelihood expresses the capability of building satisfactory living resulted in available resources (Ellis & Freeman, 2005). Livelihood enlightens how available resources are commanded to make a living in a particular setting. It has been argued that the term livelihood denotes a "means of gaining a living" (Chambers & Conway 1992, p. 6). According to Ellis and Freeman (2005), basic livelihoods framework comprises three major parts; the first part components are assets, activities and outcomes. The second part embraces the vulnerability context. The components in the third part are policy and institutional contexts (Ellis & Freeman, 2005).

The Sustainable Livelihoods (SL) approach centres on ways of understanding the practical realities and priorities of poor men and women – what they actually do to make a living, the assets that they are able to draw on and the problems that they face in doing this. The rationale is that the better this is understood, the better it will aid those designing policies and programmes.

Livelihoods, in the SL approach, refer to more than income, encompassing: '… the capabilities, assets (stores, resources, claims and access) and activities required for a means of living: a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels and in the long and short-term' (Chambers & Conway, 1992). The various components such as asset, activities, livelihood strategies and outcomes of the livelihood theory are elaborated subsequently.

Assets or capital in the livelihoods approach refers to available resources which assist in production. Thus, they are the resources on which people draw in order to carry out their livelihood strategies. Ellis and Freeman (2005) categorize five distinct types of assets/capital namely; natural capital, human capital, physical capital, financial capital and social capital.

Natural assets are "natural resource base that yields products utilized by human populations for survival" (Ellis, 2000, p. 8). It is usually based on things obtained from the natural environment. Natural capital includes land, water, agriculture, soil, livestock, renewable/nonrenewable resource, a genetic resource to mention the few.

Human capital includes labour, education, skills, education, health, sex and so on available to the households (Ellis, 2000). According to Rakodi (2002), human capital has both quantitative and qualitative dimensions. For instance, the quantitative dimension a person 's human capital can be the number of members and the time available for them to engage in income-earning activities in a household. The qualitative dimension, on the other hand, refers to the levels of education, skills and health status of people that are used to generate income. Its importance is accentuated in African poor and rural areas where people's own labour is often their prime asset and chief resource

Physical assets refer to "assets brought into existence by economic production processes" (Ellis 2000, p. 8). According to Rakodi (2002), physical asset includes affordable shelter, transportation, clean and affordable energy, access to information, investment goods, tools and equipment for productive functioning, and adequate water, technologies and others.

Next is the financial capital, it refers to the amount of money possessed by the households which include cash, savings, loans/grants/credit access, livestock, remittances, social security and so on (Ellis, 2000).

Last but not least, is Social capital; the most contentious but important when working with marginalized groups of people. It refers to the social resources on which people draw in pursuit of their livelihood objectives (Carney, 1998; Rakodi, 2002). It is reciprocal within communities and it is based on the degree of trust, communal values and norms on a particular social setting (Ellis, 2000; Moser, 1998). Moser (1998) argues that social capital "increase reliance on informal credit arrangements" (Moser, 1998, p. 8). The motion signifies the degree of inclusiveness within the society that is based on trust. Social capital associates networks and associations which include religion, gender, caste status, roles, ethnicity and others. Social capital changes across the time (Ellis, 2000; Moser, 1998).

Ellis and Freeman (2005) argue that livelihoods constructions are not a straightforward issue. Rather, it involves many social and political complexities and sometimes not all activities (assets and activities) fit within the sustainable livelihoods approach. The categories assist to locate courses of action or alternatives. Assets status shape an individual or household capabilities and motivations in a myriad of ways. Asset status draws attention to individuals or groups to undertake livelihood options which are open or accessible to them. Given a particular context, individuals and households can determine what sort of possessed/owned assets can produce an outcome with (Ellis & Freeman, 2005; Scoones, 1998).

Activities

These are the planned activities or options that men and women undertake to build their livelihoods or generate income levels suitable for survival. They usually include a range of activities designed to build asset bases and access to goods and services for consumption. They combine, substitute or diversify assets to assist individuals or households to achieve (or not) an outcome. Activities include land cultivation, grazing animals, remittances, migration, fishing, hunting, employment with stable enumeration among others (Chambers & Conway 1992; Ellis, 2000; Ellis & Freeman, 2005).

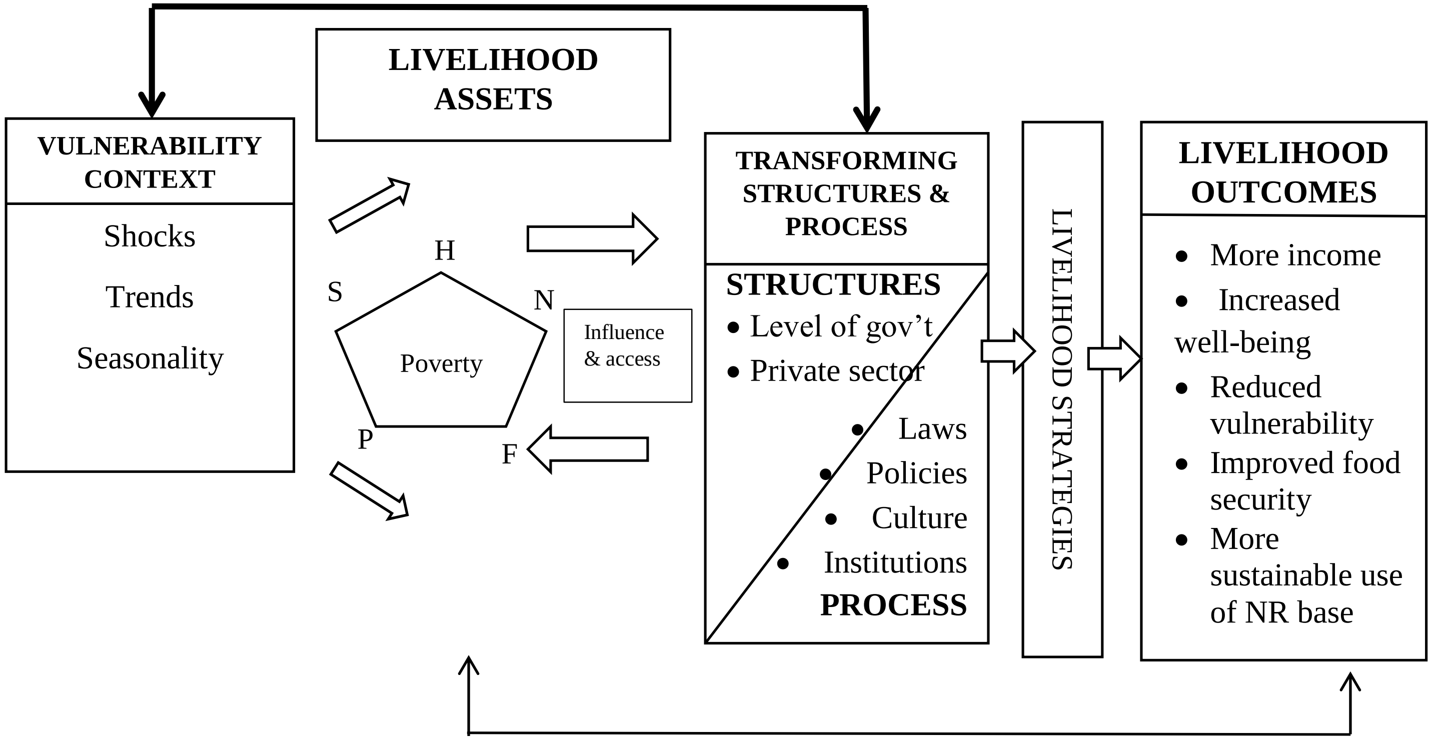

Figure 1: Theory of Sustainable Livelihood

Source: Department for International Development (DFID) (1999)

Livelihood Strategies

Livelihood strategies include coping strategies designed to respond to shocks in the short term, and adaptive strategies designed to improve circumstances in the long term. Livelihood strategies are determined by the assets and opportunities available to men and women (which are in turn affected by Policies, Institutions and Processes (PIPs) and changes in the vulnerability context) as well as by the choices and preferences of men and women.

Outcomes

Outcomes are the domino effect of the activities performed by individuals or households. These are the results of women and men's livelihood strategies and feedback into the vulnerability context and asset bases, with successful strategies allowing them to build asset bases as a buffer against shocks and stresses, as opposed to poor livelihood outcomes which deplete asset bases, thereby increasing vulnerability. Examples of outcomes include earnings obtained from on-farm, off-farm or nonfarm activities. Outcomes can be signified by weighing them with certain standards developed to asses various levels of outcomes. Outcomes provide feedback whether constraints or opportunities to the assets and vulnerability context, and that may lead into either virtuous or vicious cycles.

Vulnerability Context

Vulnerability is defined as "a high degree of exposure to risk, shocks and stress; and proneness to food insecurity" (Ellis, 2000, p. 62). The term vulnerability reflects the relationship between the risk of the adverse catastrophic and the ability to manage risk and cope with such catastrophic events. Moser (1998) argues that adverse changes which jeopardize livelihood can be ecological (climate change, droughts, floods and so on), political (civil wars, international/regional conflicts and so on), social (chronic diseases, death and others) or economic (market) characterized by either sudden shocks, seasonal cycles or trends (Moser, 1998). High vulnerability occurs when individual, household or community is unable to cope with the shocks initiated by a high risk of adverse events. Therefore, the extent of vulnerability relates both to the level of external threats to a household's, individual's or community's welfare and to their resilience resisting and recovering from these external threats (UNDP, 1997).

According to Moser (1998) and Ellis (2000), resilience and sensitivity are elements that refine vulnerability and they are linked with agro-ecology and natural resource management literature. "Resilience refers to the ability of an ecological or livelihood system to bounce back from stress or shock …. Sensitivity refers to the magnitude of a system's response to an external event" (Ellis, 2000, p. 62). High resilience with low sensitivity in a particular household or community signifies a robust livelihood structure and vice versa. Response to shocks in order to avoid unanticipated livelihood failures individuals, households and communities are pressed to coping or adaptation livelihood strategies.

Policy, Process and Institutions

Policies, Institutions and Processes (PIPs) cover a broad range of social, political, economic and environmental factors that determine peoples' choices and so help to shape livelihoods. Institutions are referred to as "regularized practices (or patterns of behaviour) structured by rules and norms of society which has persistent and widespread use" (Scoones 1998, p. 12). Institutions have the power to mediate the complex diversity processes of achieving a sustainable livelihood. Scoones (1998) points out that institutions are the rules of the game and the organization are the players. The organization simply refers to individuals bounded to pursue intended objectives. Both formal and informal institutions exist in the social structures.

Institutions are not static, often changing slowly and incrementally, continuous to be shaped and reshaped as part of social interaction process (Ellis, 2000). The role of institutions is to reduce uncertainty by establishing a stable structure to cater for human interaction (Ellis, 2000). They are keys in determining *access* to the various types of capital asset that women and men use in pursuing their livelihood strategies either through acting as conduits to make assets available to them or as barriers to their access. Ellis (2000) points out the examples of institutions and organizations; institutions examples include laws, land tenure arrangements, customs, the market in practice and others. Examples of organizations are government agencies such as police force, ministries, external services and administrative bodies. Others examples are Non-Governmental Organizations (NGO's), associations and private companies (Ellis, 2000).

Empirical Review

In a study by Appiah (2012), he posited to examine the impact of credit unions on member businesses; a comparative studies of credit unions and traditional banks in the Techiman Municipality. The main objectives of the study were to examine the benefit of credit unions to member businesses and to find out procedures customers go through before accessing a credit facility from either a credit union or a traditional bank. The research was purely an exploratory with face-to-face structured interviews and administration of questionnaires. Convenience sampling technique was. The study identified delay in granting loans to clients, rigid collateral guarantee requirements, the high interest rate on credit facilities and its hidden charges by traditional banks. Credit unions were found to contribute to the existence of member businesses, yet some were beset with high loan delinquency and liquidity challenges.

In another study Konadu (2015) evaluated the impact of credit unions on community development using Ramseyer Credit Union as a case study. Data for the study was obtained from both primary and secondary sources. Convenience sampling was used in selecting the customers to be interviewed and purposive sampling was also used for selecting the staffs who were interviewed. The data was collected from one hundred and ninety-five customers (195) and six (6) staffs. The study revealed that Ramseyer Credit Union provides clients with products for savings mobilization, credit accessibility and Business advice. The study further revealed that reasons, why people save with the union, were because of the ease with which they access loans and also the lower interest rate that is charged on the loans. He added that the major challenge of credit unions of which Ramseyer Credit Union is no exception is the credit union law which has not yet gotten approval from the government. The study recommends that the government should speed up the process of promulgation of credit union laws.

In the study of Brett (2006) it was revealed that having borrowed money from a credit union to start a small business, many women in El Alto, Bolivia are unable to generate sufficient income to repay their loans and so must draw upon household resources. Working from the women's experiences and words, his article explores the range of factors that condition and constrain their success as entrepreneurs. The central theme is that while providing the poor access to credit is currently very popular in development circles, the social and structural context within which some women operate so strongly constrains their productive activity that they realize a net income loss at the household level instead of the promised benefits of entrepreneurship. His paper explored the social and structural realities in which financial institutions seek out and accept debt beyond their capacity to repay from the proceeds of their business enterprise. By examining some of the hidden costs of microfinance participation, the paper argued for a shift from evaluation on outcomes at the institutional level to outcomes at the household level to identify the forces and factors that condition success as micro-entrepreneurs.

Servon (2006) U.S. microenterprise provides business training, small amounts of credit or both to businesses with five or fewer employees. As the programme nears end of its second decade in the United States, it is been agreed that the field is in a difficult place as there appears to be relatively widespread agreement on the nature of the problems, which include a lack of standardized data, decreasing funding from some key sectors, increased competition, and difficulty in reaching the target market. The author argues that if the microenterprise field does not make some significant changes, it will neither sustain itself nor approach its potential. Strategies to address these challenges fall into three broad categories including restructuring, innovation, and accreditation and standardization.

The research paper of Menon (2006) studied the benefits of participation in micro-finance programmes, where benefits are measured in terms of the ability to smooth the effect of seasonal shocks that cause consumption fluctuations. It is shown that although membership in these programmes is an effective instrument in combating inter-seasonal consumption differences, there is a threshold level of the length of participation beyond which benefits begin to diminish. Returns from membership are modelled using a Euler equation approach. Fixed effects on non-linear least squares estimation of parameters using data from 24 villages of the Grameen Bank suggests that returns to participation, as measured by the ability to smooth seasonal shocks, begin to decline after approximately two years of membership. This implies that membership alone no longer has a mitigating marginal effect on seasonal shocks to per capita consumption after four years of participation. Such patterns suggest that the ability to smooth consumption as a function of the length of membership need not accrue indefinitely in a linear function.

Schreiner (2003) sees that reports of the success of the Grameen Bank of Bangladesh have led to rapid growth in funding for credit unions. He, however, asks if the Grameen Bank been cost-effective. His paper compared the output with a subsidy for the bank in a present-value framework. For the timeframe 1983-1997, subsidy per person-year of membership in Grameen was about $20.00, and subsidy per dollar-year borrowed was about $0.22. Although the article does not measure consumer surplus for Grameen users, the evidence in the literature he suggests that surplus probably exceeds subsidy. The Grameen Bank - if not necessarily other microlenders - was probably a worthwhile social investment.

Chapter Summary

This chapter reviewed relevant literature on the contribution of credit union operation to its members' development. The concept of the credit union was defined, the evolution of credit union was traced from the time and activities of Hermann Schulze-Delitzsch and Friedrich Wilhelm Raiffeisen till date. Also, the credit union movement in Ghana was highlighted. Moreover, the objectives, features, products and challenges of credit unions were elaborated. Furthermore, the contribution of credit unions to poverty reduction and raising living standards as well as its' corporate social responsibilities. Lastly, the sustainable livelihood theory, as well as some empirical studies, were discussed. The sustainable livelihood theory explained how credit to teachers can boost their purchasing power and make them resilient against any economic hardship or shocks from seasonality issues such as delayed in payment of salary among others.

CHAPTER THREE

RESEARCH METHODS

Introduction

In this chapter, the investigator or researcher explained precisely how the study was executed. It comprised of the research design, population, sample and sampling procedure and data collection and analysis processes. Thus, at large, the methodology provided the work plan of the study being executed.

Research Design

Research designs are considered as the blueprint of any research dealing with at least four problems: which questions to study, relevant data, what data to collect, and how to analyse the results (Hair, Bush & Ortinau, 2000). Research design according to Churchill and Iacobucci (2005) is the structure used in research to collect and analyse field data. This study employs a quantitative approach which emphasizes objective measurements and the statistical, mathematical, or numerical analysis of data is collected through polls, questionnaires, and surveys. Quantitative research focuses on gathering numerical data and generalizing it across groups of people or to explain a particular phenomenon. Quantitative research deals in numbers, logic, and an objective stance. Quantitative research focuses on numeric and unchanging data and detailed, convergent reasoning rather than divergent reasoning (Creswell, 2005).

The goal in conducting a quantitative research study is to determine the relationnship between one thing (an independent variable) and another (a dependent or outcome variable) within a population. Quantitative research designs are either descriptive (subjects usually measured once) or experimental (subjects measured before and after a treatment) (Babbie, 2010).

Population

A target population can be viewed as a group with things in common which distinguishes them from other groups. In the view of Neumann (2006), a target population is made of a group of cases from which a researcher studies a sample and then generalizations are made from the results of the sample. Also, according to Diamantopoulos (2004), a population is a group of items that a sample will be drawn from. The population for the study is the total number of teachers who were members of the Nkoranza Teacher’s Credit Union who the number is 5,980. This was due to the fact that they were among the group people that are neglected when it comes to assessing the contribution for credit unions on the livelihood or development of people.

Sampling Procedure

The simple random technique was used to draw a sample of 204 teachers from the population of teachers belonging to the Nkoranza Area Teachers’ credit union. The simple random technique was employed in order to give respondents an equal chance of being selected and it helped to avoid biases in selecting the respondents. This is to help improve the representativeness of the sample by reducing the sampling error (Saunders, Lewis & Thornhill, 2007). Since the units within the population, however, were homogenous, it was expected that the sample results could be used as a generalization for the entire population. The sample size was calculated with the aid of Yamene (1967) formula:

$$n = \frac{N}{1+N\,(e)2}$$

Where:

n= sample size

N = Population size

e= error of margin

$$n = \frac{5980}{1+5980(0.07)2} = 204$$

Therefore, two hundred and four (204) was used as the sample size for the study.

Sources of Data

Only primary source of data was employed. The primary data was obtained from the responses and information from the questionnaires administered to the teachers who were clients of Nkoranza Area Teachers' Credit Union. The other sources of the information included books, internet search, articles, and journals among others. The secondary data was used to support or compensate the primary data for credibility and reliability of the data.

Data Collection Instrument

A closed-ended structured research questionnaire was used to collect data from the respondents. The questions contained in the questionnaire were framed in a way to obtain responses that will address the research objectives of the study. The main reason for using the questionnaire was that it was very easy to use and fast to fill especially since the questions were framed with maximum clarity. Each questionnaire contained 30 questions apportioned into five parts geared towards obtaining responses to achieve the objectives of the study. The options of the questionnaire were ranked or set on a Likert scale for clarity. The options ranged from 1 – 5 where 1 indicated strongly agree, 2 – agree, 3 – neutral, 4 – disagree and 5 – strongly disagree. The research questionnaire was hand-delivered to the respondents.

Data Collection Procedure

Primary data was employed as the sole data source. The primary data was gathered from the responses provided by the 200 members of the Nkoranza Area Teachers' Credit Union. The researcher employed the services of assistants to support the questionnaire administration process. The assistants were initially taken through the questionnaire to ensure clarity and eliminate any form of bias or ambiguity. To ensure a significant per cent return rate of the questionnaires and hence make the study highly successful, the researcher decided to engage the teachers directly instead of contacting them via post, emails and other mediums. To further quicken the process, the researcher informed the various schools where the teachers taught. This was done so that the schools could inform the teachers prior to the exercise. The direct engagement of the teachers was very fruitful and the presence of the research assistants hastened the process. The researcher and his team estimated to use 7 working days for the exercise but due to the work done prior to the exercise, the team used only 4 days thus from January 23 – 27, 2017.

Pre-Testing of Instrument

Validity and Reliability of Research Instrument

Validity and reliability of the study or research instrument or tool firstly influenced the degree that one could gain knowledge from the parameters or phenomena of the study. Secondly, the likelihood that one could achieve arithmetical or statistical significance in data analysis and thirdly, the degree to which one could present important findings and interpretations from the data gathered.

Internal validity

Leedy and Ormrod (2005) explained validity as the capability of an instrument or tool employed to make a measurement of exactly what it was intended to appraise or measure. Furthermore they clarified two fundamental questions - does the study have adequate and ample control to warrant that the findings and conclusions the investigator or researcher drew were actually defensible and justified by the data and secondly, could the investigator or researcher employ what he had monitored and detected in the study or research situation to generalize to the target population further than that unambiguous situation?. In a research internal validity refers to the degree to which its design and the data it yields permits the investigator or researcher to make accurate and precise findings and conclusions concerning the associations in the data. Internal validity was guaranteed or assured as the effect that was studied or investigated was credited or attributed to the empirical variable rather than other issues. The Cronbach's Coefficient Alpha measure of internal consistency was then used to determine the reliability of the tried-out instrument. The study registered a Cronbach Coefficient Alpha of 0.86.

External Validity

External validity is concerned with the degree to which the findings and conclusions from one study could be used in other comparable circumstances. Conversely, it refers to the ability to draw conclusions to make generalizations to other similar perspectives (Leedy & Ormrod, 2005). In the view of Leedy and Ormrod (2005), there are three strategies which provide perspectives which are - a representative sample, a real-life setting and duplication in diverse circumstances. External validity of the study was assured and guaranteed as the results were generalized to the whole population.

Reliability of Instrument

Leedy and Ormrod (2005) posited that the dependability or reliability of a measuring instrument was the degree to which it produced reliable and steady outcomes or results when the attribute under measurement has not been altered or transformed. To warrant and guarantee the dependability or reliability of the measuring instrument or tool, the investigator or researcher harmonized the tool or instrument from one person or condition to the other. In addition, the investigator or researcher considered the study to be consistent hence reliable as the research respondents or participants were chosen on the basis of their varied attributes.

Additionally, a pre-test was conducted to determine the reliability of the instrument. The pre-test was conducted with five headteachers within the study area. The pre-test was intended to examine the correctness and completeness of the questionnaire. It was also intended to have an overview of how the participants would react to the questions during the interview. Through the pre-test, the questions were improved and corrections made. The Alpha value obtained was .806 (n of items = 30), therefore the instrument was judged to be reliable and acceptable for collecting useful data for the study.

Data Processing and Analysis

In the view of Emory and Cooper (2003), raw data acquired from a study is worthless and ineffectual except it is converted for the reason of prudent business decision-making. Data analysis typically entails shrinking the rare data into a handy and convenient size, making summarizations and ensuring the application of numerical or statistical inferences. Descriptive and inferential statistics such as frequencies, percentages, means and standard deviations as well as linear regression were utilized to examine and analyze the data and, SPSS and Microsoft Excel (MS Excel) programs were used as the diagnostic and analytical packages. The questionnaires were given serial numbers to prevent double or multiple entries. The responses or answers provided by the participants or respondents were then keyed into the spreadsheet analysis template and run afterwards. The MS Excel was also employed to generate tables for easy understanding and clarity. It was also used to generate horizontal and vertical bar charts, and pie charts diagrammatically or pictorially present findings to boost the analysis and ensure better and clearer comprehension.

Chapter Summary

This section presented on the appropriate methods employed in examining the effects of credit unions on its members' development. To achieve this, quantitative approach through the use of descriptive design was adopted. Questionnaires were used to elicit responses from selected teachers. The data were analysed with the help of the Statistical Package for Social Sciences (SPSS version 23) software to produce inferential statistics (independent sample t-test and regression) and descriptive statistics (means and standard deviations). In all, 204 teachers were selected through the use of the simple random technique.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents the analysis and interpretation of the findings of the study. The purpose of the study was to investigate and establish the impact of credit union operations on its members' development. The analysis and interpretation of data were carried out based on the research questions set for the study. The analysis was based on the 98% (200) return rate data obtained from 204 teachers selected for the study. The data were analysed using descriptive statistics (means and standard deviations) and inferential such as linear regression. The first part of this chapter describes the demographic characteristics of the teachers. In the second part, the research findings are presented based on the research questions formulated for the study.

Demographic Characteristics of the Teachers

This aspect of the questionnaire was designed to elicit the personal information of the teachers. These demographic data include the teachers' gender, age (in years) and years of saving with the credit union. Graphs (pie and bar) were used to present the analysis.

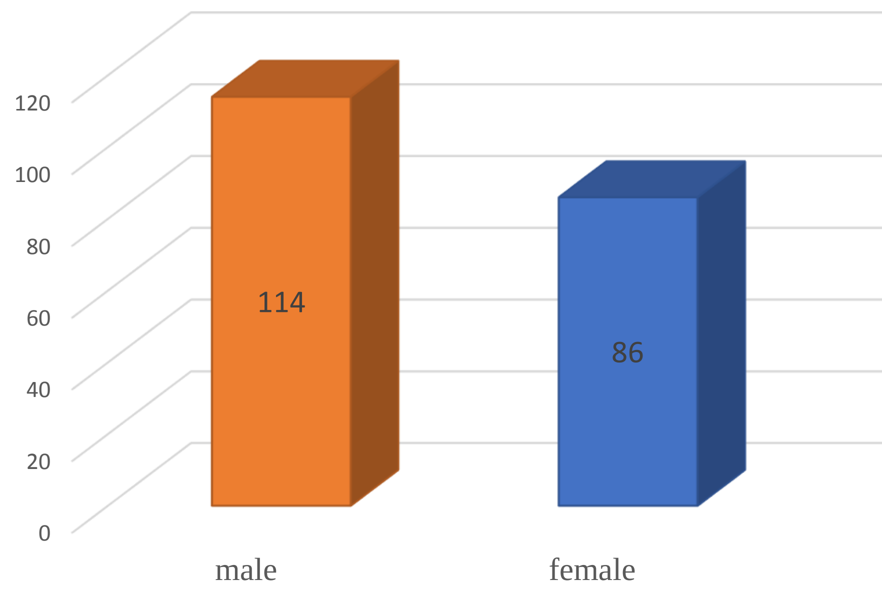

Figure 1: **A bar chart showing the gender of the respondents**

Source: Field Survey, Sarfo (2018)

Figure 1 presents the gender of the respondents. From the Figure, majority of them were males (n=114, 57%) and the males were least represented (n= 86, 43%). This, therefore, suggests that male teachers were involved in the credit union activities than the females.

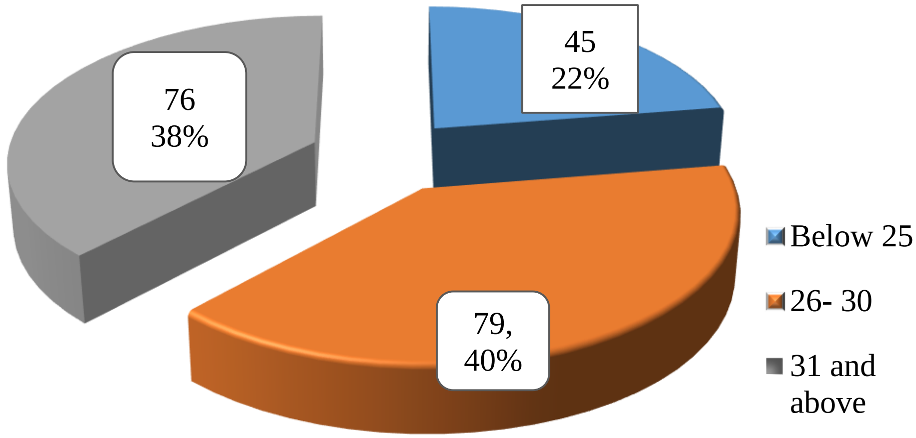

Figure 2: **A pie chart showing the ages of the Teachers**

Source: Field Survey, Sarfo (2018)

Figure 2 gives the graphical representation of the ages of the teachers belonging to the Nkoranza Area Teachers' Credit Union. From Figure 2, majority of the respondents (n=79, 40%) were between the ages of 26- 30 years. Those between the ages of 31 and above were followed (n=76, 38%). The least (n=45, 22%) were between the ages of 25 and below.

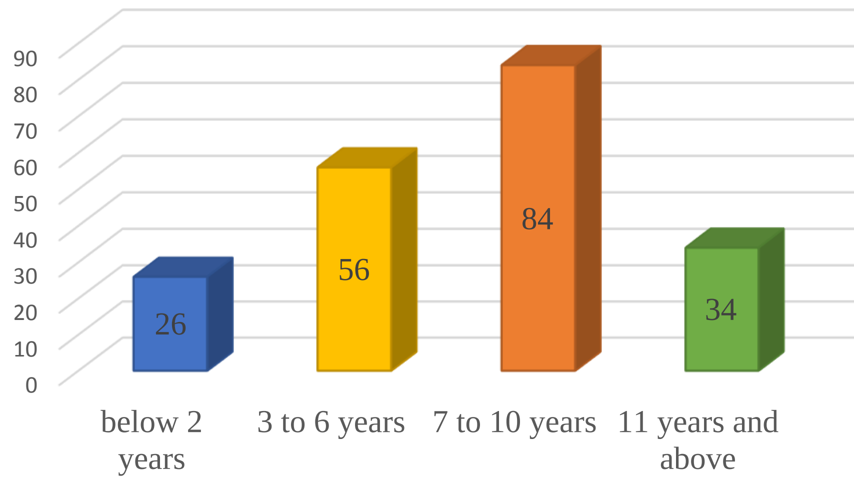

Figure 3: **A bar chart showing the years the teachers have been saving with the union**

Source: Field Survey, Sarfo (2018)

The figure gives clear evidence that majority of the teachers (n=84, 42%) had saved with the Credit Union for 7 to 10 years. Those who had saved for 3 to 6 years followed (n=56, 28%). Again, teachers who had saved for 11 and above were (n=34, 17%) and lastly those who had saved for below 2 years were the least (n=26, 13%). The above analysis, therefore, implies that majority of the teachers had had a number of years of saving experience with the credit union.

Main Results

The analysis of the main data is organised in line with the research questions set to guide the study. The data were analysed using descriptive statistics (means and standard deviations) was deemed appropriate for the analyses. Means provide the summary of the responses from teachers and the standard deviation indicates whether teachers' responses were clustered to the mean score or dispersed. Standard deviation ranges from 0 to 1. Where the standard deviation is relatively small (within 0), the teachers' responses were believed to be homogeneous (similar responses). On the other hand, where the standard deviation is relatively large (within 1), the teachers responses were believed to be heterogeneous (dissimilar responses). A mean of 2.50 and above indicates teachers' positive responses of the variables under study while a mean of 2.49 and below indicates negative responses. The results are presented below.

Financial challenges of the teachers

One of the objectives of the study was to examine the financial challenges of the teachers. To achieve this, means and standard deviations were used for the analysis. The results are presented in Table 1.

Table 1: Challenge of the Teachers at the Credit Union

Challenges of the Teacher	Mean	SD
	Test Value=2.50	
Challenges in accessing loan at the credit union	3.60	.863
Low income earning of the teachers	3.21	.832
Challenges in competitive pricing of services of the credit union	3.78	.784
Challenges in shift to market rates on loans	3.67	.682
Challenges in interest earning (low interest rate)	3.56	.982
Challenges in demand for higher equilateral	3.53	.736
Overall Means/SD	3.83	.738

Source: Field Survey, Sarfo (2018) N=200

Table 1 present the financial challenges of the teacher at the Credit Union. The result in the Table gives ample evidence that generally, teachers are challenged with financial issues at the Credit Union. The overall mean and standard deviation of (M=3.83, SD=.738) which is greater than the test values of 2.50 confirms that fact. When dwelling on the individual responses, the results revealed that majority of the teachers (M=3.60, SD=.863) are having challenges in accessing loan at the credit union. Also, most of the teachers (M=3.78, SD=.784) confirmed that they were challenged with competitive pricing of services of the credit union. Thus, service charges of the credit union are high which cause dissatisfaction of the customers or clients (teachers) from accessing credit to improve upon their livelihood activities.

On the issue of whether the teachers were challenged in the shift to market rates on loans, the results show that most of the teachers (M=3.67, SD=.682) indicated that they are challenged in the shift to market rates on loans. With respect to the interest on loans, most of the teachers (M=3.56, SD=.982) indicated that they are challenged with the interest-earning (low-interest rate) at the Credit Union. Though teachers save for future use, but with the low interest rate on savings or deposit, it discourages teachers to save. Finally, on the demand for higher equilateral, the mean and standard of (M=3.53, SD=.736) show that most teachers are challenged in getting equilateral to demanding for a loan. This is almost a general problem for all the people who wish to access credit from most of the financial institutions such as credit unions. This discourages teachers from accessing credit which makes them vulnerable and affects their livelihood activities negatively. The findings are in line with the work of Davies (2013) who suggested that most members of credits unions have financial constraints in the running of the credit union and how it served the community.

Satisfaction of teachers with the benefit of Credit Union

As a way of achieving the purpose of the study, the researcher was motivated to find out the satisfaction level of the teachers with saving with the credit union. To accomplish this objective, independent sample t-test was used for the analysis. The results are presented in Table 2.

Table 2: Satisfaction of the Benefits Teachers with saving with the Credit Union

Satisfaction Level	Mean	SD	t-value	Df	Sig-Value
Satisfied	4.249	.329	7.148*	198	.007
Not Satisfied	14.88	.867			

Source: Field Survey, Sarfo (2018)

* Significant at p=0.05 (2-tailed)   N=200

Table 2 offers the difference between the satisfaction and not satisfaction the Teachers benefits they derived from the Credit Union. The analysis in Table 2 showed that not satisfied recorded the highest mean and standard (M=14.88, SD=.867) than the satisfaction (M=4.249, SD=.329) of the teachers. Again, when assessing the t-test and the sig. value, the results show that there was the statistical significant difference between satisfied and not satisfied with the teacher's benefits they derived from the credit union. This was evident after the t-test results of (t (198) = 7.148, n=200, p = .007). This implies that majority of the teachers are not satisfied with the benefit they derived from the Credit Union.

The findings are not in line with the work of Frimpong (2011) who postulated that credit unions afforded their members and/or participants the opportunity to acquire loan facilities at reasonable rates of interest and improved conditions than that offered by banks and other financial institutions coupled with flexible reimbursements. Some credit unions also provided investment counselling to their members, poverty assuagement assistance and also gave training to members on credit management at little or no fees which will not be provided by some other financial institutions.

Effect of Credit Union on the Development of its members

The research question also sought to determine the effect of the contribution (prediction) of Credit Union on the development of its members. To accomplish this, the data were analysed using simple linear regression. The result is presented in Table 3.

Table 3: Effects of Credit Union on the Development of its members

Variables	Unstandardized Coefficients		Standardize Coefficients (β)	t-value	p-value
	B	Std.			
(constant)	0.551	0.627		8.78	0.000
Members' development	0.053	0.010	0.238	5.29	0.000

a. Predictors: (constant), Credit union

b. Dependent variable: Members' development

c. Source: Field Survey, Sarfo (2018) * Significant at p=0.05 (2-tailed) N=200

Table 3 indicates the result of the simple linear regression analysis between independent variables (Credit Union and Members' development). From the results, it is clear that the independent variable produced a significant result ($p<0.001$) indicating that Credit Union does affect the Development of its members. Members' development gave significant results ($t=5.298^*$, $n=200$, $p>0.05$, Sig.= 0.001) indicating that Credit Union influence the development of its members. It can also be revealed that there was a positive correlation between Credit Union and members' development. Thus, as the credit given to them increase, the development of the members too is expected to increase at an increasing rate. This shows that the operation of the Credit Union and their effects on the development of members and the community as a whole cannot be overlooked.

The findings agree with the work of Hulme and Mosley (1996) who emphasized that the connection of loans with an increase in wealth facilitated investments into income generating activities with low-risk and in effects, it has influence on its members. Also, the encouragement of the very disadvantaged to save significantly reduced the vulnerability of the very destitute and improved their prestige. Other studies also mentioned occurrences whereby credit and savings organizations had met the desires of the very deprived.

Chapter Summary

It has emerged from the study that the teachers were challenged with financial issue s at the Credit Union. Also, it was revealed that majority of the teachers were not satisfied with the benefit they derived from the Credit Union. Finally, the results showed that credit union does affect the development of its members. This means that the development of members is dependent on the quality and effective operation of Credit Union.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Overview

This chapter presents a summary of the findings of the study as well as the conclusions, recommendations and directions for further research. Thus, the chapter focuses on the implications of the findings from the study for policy formulation and further research. The recommendations are made based on the key findings and major conclusions arising from the study.

Summary of the Study

The present study investigates and establishes the impact of credit union operations on its members' development. Specifically, the study sought to identify the financial challenges of members, assess the adequacy of benefits available to members and finally, examine the challenges that members encounter when accessing credit facilities. To achieve this, quantitative approach through the use of descriptive design was adopted. Questionnaires were used to elicit responses from selected teachers. The data were analysed with the help of the Statistical Package for Social Sciences (SPSS version 23) software to produce inferential statistics (independent sample t-test linear and regression) and descriptive statistics (means and standard deviations). In all, 200 teachers were selected through the use of the simple random technique.

Major Findings

It has emerged from the study that the teachers were challenged with financial issue s at the Credit Union. Some of these identified challenges include Challenges in accessing loan from the credit union, challenges in competitive pricing of services of the credit union, Challenges in demand for higher equilateral from the credit union, challenges in interest earning (low-interest rate).

The results from the analysis again revealed that majority of the teachers are not satisfied with the benefit they derived from the Credit Union. The result shows that there was a statistically significant difference between significant differences between satisfied and not satisfied with the teachers' benefits they derived from the credit union. The t-test results of (t (198) = 1.748, n=200, p = 0.007) confirmed that evidence.

Finally, the results (t=5.298*, n=200, p>0.05, Sig.= 0.001) showed that the credit union does affect the development of its members. This means that the development of members is dependent on the quality and effective operation of Credit Union.

Conclusions

According to Singh (2006), the goal of credit unions is to build robust social capital and enabling their customers (who are also members) and the local community in which they are based. However, the findings from the present study give evidence to conclude that teachers at Nkoranza Area Teachers' Credit Union do not have the optimal level of satisfaction benefit from the Credit Union. This means that the goal credit union as indicated by Singh has not been fulfilled. One could attribute these lapses of the credit union to the fact that the members are challenged by numerous factors. Also, the theory of sustainable livelihood proposed that when credit union make credit available to teachers, it will make them resilient against shocks and seasonality concerning their working conditions in order to improve upon their livelihood activities.

Recommendations

Based on the findings and the conclusions of the study, the following recommendations are hereby made:

1. The researcher recommended that Credit Union should improve upon their service quality in order to satisfy its customers.
2. Again, the researcher recommended that accessibility of loans should be made easy for the customers. This will help to motivate and encourage teachers to save more.

Suggestions for Future Research

Aside from the general recommendations which have been clearly stated in this research report, it is suggested that other academic research exercises could be conducted around the present topic to give widespread findings. The following are some suggested areas that can be considered for further studies.

1. The researcher suggests that similar studies should be conducted in other credit unions aside the Nkoranza Teacher's Credit Union in Ghana. This will help make concrete and generalized findings.
2. The present study employed the quantitative methods through the use of questionnaires and as such this could have limited the findings. Therefore, I suggest that in further research, qualitative data through the use of interview should be employed. This will help reveal more evidence.

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APPENDICES

APPPENDIX A

UNIVERSITY OF CAPE COAST

SURVEY QUESTIONNAIRES

Dear Respondent,

The purpose of this study ***to investigate and establish the impact of credit union operations on its members' development***. Please respond to the statements as truthfully and honestly as you can. Be assured that information that will be supplied by you will be treated as confidential.

Thank you for your co-operation.

DIRECTIONS:

Please tick **[**√**]** where appropriate in the spaces provided.

Section A: Demographic Data of Respondents

1. Gender: Male [ ] Female [ ]

2. Age: below 25 [ ] 26-30 [ ] 31 and above [ ]

3. Years of saving with the Credit Union below 2 years [ ] 3-6 years [ ] 7- 10 years [ ] 11 and above

Section B: Financial Challenges of the Teachers at the Credit Union

Please respond to the following statements on financial challenges of the teachers at the credit union. Indicate the extent to which you strongly Agree-SA, Agree-A, Disagree-D and Strongly Disagree-SD to the statements below

Sn	Statements	SA	A	D	SD
1	Challenges in accessing loan at the credit union				
2.	Low income earning of the teachers				
3	Challenges in competitive pricing of services of the credit union				
4	Challenges in shift to market rates on loans				
5	Challenges in interest earning (low interest rate)				
6	Challenges in demand for higher equilateral				

Section B: Challenges the Teachers Encounter when Accessing Credit Facilities at the Union

Please respond to the following statements challenges the teachers encounter when accessing credit facilities at the union. Indicate the extent to which you strongly Agree-SA, Agree-A, Disagree-D and Strongly Disagree-SD to the statements below

Sn	**Statements**	**SA**	**A**	**D**	**SD**
1	Long queuing at the credit union				
2.	Poor location of the credit union				
3	Delay of given loans				
4	Delay of paying interest rate				
5	Lack of strong commitment of the credit union services				
6	Lack of trust of the credit union services				
7	Lack of frequent communication of the credit union				
8	Lack of good personal relationship and experience with customers'				

APPENDIX B

RELIABILITY TEST RESULTS

Case Processing Summary

		N	%
Cases	Valid	30	100.0
	Excluded[a]	0	.0
	Total	21	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.806	21