

UNIVERSITY OF CAPE-COAST

ACCOUNTING DRIVERS FOR CREDIT AND COMMUNITY
DEVELOPMENT: A STUDY OF GBEOGO CREDIT UNION

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2020

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DEVELOPMENT: A STUDY OF GBEOGO CREDIT UNION

BY

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Dissertation submitted to the Department of Accounting of the School of
Business, College of Humanities and Legal Studies, University of Cape Coast,
in partial fulfilment of the requirements for the award of Master of Business
Administration degree in Accounting

JULY 2020

DECLARATION

Candidate's Declaration

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

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

Name: Dome Yinimi Mathew

Supervisor's Declaration

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

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

Name: Mr. Anim Isaac Kwadwo

ABSTRACT

Every government aims to improve the standard of living of its citizenry. Sectors such as the private and Small and Medium Enterprise (SMEs) are major players in the attainment of better economic, social and political conditions in developing countries. However, these groups have needs which are not being satisfied by the traditional banks resulting in large circulating funds in the economy. It is believed that the credit unions have serviced these groups of the market which remained outside the traditional banking scope and this has contributed immensely to the development of their communities. Data for the study was obtained from both primary and secondary sources. Stratified 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 fifty-three customers (253) and six (6) staffs. The study revealed that Gbeogo 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. This has contributed immeasurably to their standard of living since they are able to fend for the family as well as giving back to the community that they live in. The major challenge of credit unions of which Gbeogo Credit Union is no exception is the credit union law which has not yet gotten approval from the government. This has stifled their growth rate. The study recommends that the government should speed up the process of promulgation credit union laws. Credit unions are very important vehicle in the development of the economy and therefore should be giving the necessary support and make them operate efficiently.

ACKNOWLEDGEMENTS

I would like to express my sincere gratitude to my supervisor: Mr. Anim Isaac Kwadwo of School of Business, University of Cape Coast for his invaluable contributions, suggestions and for providing constructive criticism, support and encouragement in making the writing of this dissertation a reality.

I would like to thank my lovely parents, siblings, wife and son for their love, prayers, support, encouragement and contributions towards the successful completion of this programme. I say thank you for your support.

I wish to acknowledge Gbeogo Credit Union staff and teachers of Talensi District Education Directorate for given me the necessary data requested and also granting me the permission to interview both the teaching and non-teaching staff. I wish to Thank uncle Daniel Armah-Attoh of the Centre for Democratic Developing (CDD-GH) for helping to narrow my research topic not forgetting my sister Dome Mavis also of CDD-GH, Godwin Tobigah and Aweenagoa David for doing most of the proofreading.

I finally wish to acknowledge my colleagues who have helped in diverse ways to make this dissertation a success especially Sagoe Gyasiwa Natasha.

DEDICATION

To my parents, my wife, and son and siblings

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CHAPTER ONE

INTRODUCTION

Financial institution is a company engaged in the business of dealing with financial and monetary transaction, such as deposit, loan, investment and currency exchange. Financial institution encompasses a broad range of business operations with the financial sector, including banks, trust companies, insurance companies, credit union, saving and loans Association. This section thus, presents the overview on the study which includes the background to the study, statement of problem, objectives of the study, significance of the study, limitation and delimitation, and organization of the study.

Background to the Study

Of recent past, development theorists and practitioners have given prominent attention to the activities of credit unions primarily due their role as Micro Finance Institutions (MFIs), serving as intermediaries between micro savers and borrowers (Ofei, 2001). After the introduction of the Economic Recovery and the Financial Sector Liberalization Programs in 1985, studies have reviewed the Ghanaian market environment and the activities of the MFI's. The studies have upheld that, policies that are salient to financial sector with high competition could serve as impetus for increasing mobilization of non-financial domestic savings.

Aryeetey (1996) and Aryeetey *et. al.* (1994) researched the frameworks established by the MFIs in order to offer fund accessibility for on-lending to the needy and the small-to-medium scale enterprises. Although those studies describe the reactions of the MFIs to the new economic situation, they are

limited by their little attention on the unique features of credit unions as co-operative credit organizations. Co-operatives are institutional set-ups whose ownership as well as management are entrusted in the hands of their members who double up as the patrons. In co-operatives, all members hold equal rights at decision making irrespective of their level of skills or contribution to the resources of the organization.

The co-operative theory expects members' empowerment and involvement would lead to their command over the organizational processes. Credit Unions operate in the cooperative traditions which are jointly owned by their members and the people who use their services. They can be structured under umbrellas of consumer-owned, producer-owned, or worker-owned depending on the group of people who joined efforts to form the cooperative business either for-profit or not-for-profit. The strengths of Co-operatives include facilitation of resource pooling, sharing risks and profits, and trade facilitation for members and other clients. The operations of Cooperative businesses are governed by principles of democratic governance, open membership, transparency, returns based on use, continuous education and community service.

Eventually, the unique feature of credit unions as co-operative credit organization differentiates their business from other MFIs, which may function under privately ownership or adhere to other regulations. Due to the nature of credit unions in Ghana, it has become necessary to study the impact of it on community development.

Statement of the Problem

Credit unions are institutions which combine a social development (provision of financial services to the lowest income population possible) with a financial objective that drives the institution to achieve self-sufficiency and thereby accomplish sustained service delivery without dependence on subsidies. (Fried, Lovell & Eeckaut, 2016).

Credit unions trace their root to social and development objective for eliminating poverty among the very deprived and vulnerable in society. One of their goals is to offer credit, as many as possible to those who lack access. Credit unions boast of a remarkable growth in the number of primary societies and membership and are one of the rapid growing sectors of the Ghanaian economy over the years (Bauer, Miles, & Nishikawa, 2019). They serve as financial intermediaries particularly to those whose activities lack access to the traditional banks. Activities of credit unions in terms of customer service, savings mobilization, access to loans and other financial services are not much of a different compared with that of the traditional banks yet people are skeptical about what the credit unions can do and their usefulness to the society (Bauer, Miles, & Nishikawa, 2019).

These credit unions have had to overcome many challenges in their operations in the country all in an attempt to bridge the gap between the formal and informal sector and the quest to meet their stated objectives. Again, in as much as traditional banks are professed to offer needed financial services to individuals, and small-to- medium scale enterprises (SME's), access to credit facilities in such banks is virtually impossible for most business in Ghana. Even in instances where they are made accessible, their insufficiencies and high

borrowing cost pose a great challenge to many businesses in Ghana because they primarily engage in agricultural activities.

These challenges, the extent to which they have been able to be managed and the benefit these credit unions have been able to provide for their members and the community in general is the subject matter of this research work.

Purpose of the Study

The broad-spectrum objective of the research is to probe the accounting factors that drives role of credit unions in the facilitating growth of the communities in which they operate. Specifically, the study seeks

Research Objectives

1. To examine the product and services offered by Gbeogo Credit Union to its clients.
2. To determine the perceptions clients have concerning the Credit Union.
3. To assess the effects of the credit union activities on the standard of living of its members.

Research Questions

1. What are the product and services offered by Gbeogo Credit Union to its clients?
2. What are the perceptions clients have concerning the Credit Union?
3. What are the effects of the credit union activities on the standard of living of its members?

Scope of the Study

This study evaluates credit unions contribution to community development in Ghana. Contextually, the study focused on the financial development of clients of the credit union. Clients in this study refer to those

customers that operate with the union that is both shareholders and non-shareholder.

Significance of the Study

Credit unions are not limited to granting loans but their objectives are to control the use of money, and to improve the moral and physical values of people. They assist members to achieve their financial goals, to develop financial discipline and also provide loan for productive purpose to create self-employment.

The World Bank's call on developing countries for privatization may improve the economies in the short term but that may aggravate the socio-economic situation of the poor majority. Such people may become economically subjugated since they may be incapable of mobilizing enough capital to favorably contend with their highly resourced contenders (Ninsin, 1992).

Consequentially, the credit unions can be a substitute for underprivileged individuals and small business owners in the mobilization of funds for the development of such sector. It is for this reason that it would be appropriated to examine the accomplishments of these credit unions in the communities they operate.

Credit union focuses on the long-term well-being of the members, not just as a client but as owners by providing financial counseling and education. These and many others are what the credit unions contribute and this study would help add to knowledge about the usefulness of credit unions, their reason for existence and to lay bare their hiding contributions to the community developments which are overlooked.

The study would also assist government and policy makers to formulate appropriate strategies to plug the potentials of credit unions and therefore aid in the passing of the credit union law, which is still pending. It will also serve as a citation and assistance material for researchers in future in the related field. Also, the information given by this study would be helpful to the credit unions in bundling their products. Lastly, it would also be useful to the clients and non-clients as this would be an eye opener in terms of services available in credit unions.

Limitations of the Study

The researcher in the first place was limited by time since the study had to be carried out within a short period of time and because of that the data collection and analysis methods which were extensive and very involving were avoided. The study could not include the level of impact of the operations of credit unions on the communities within the study area.

Organization of the Study

The study is organized into five chapters. Chapter one contains the background to the study, statement of the problem, purpose of the study, objectives of the study, research questions/hypotheses, significance of the study, delimitations of the study, limitations of the study, and organization of the study. Chapter two looks at the review of literature on related topics and a theory. Chapter three examines the research methods that will be utilized in this study to enable the researcher to meet the specified aims and objectives of the study. Chapter four captures the discussion and analyses of the findings for the study. Chapter five presents the summary, conclusions, and recommendations as well as suggestions for future research.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter presents the relevant empirical literature and theory relevant on Credit Union. The first section explores the empirical literature of interest to the topic and the second section cover the theory consumer behaviour linking Credit union and socioeconomic welfare issues, while the last section draws conclusions from both the empirical and theoretical literature.

Theoretical Review

This study was based on the Consumer Behaviour theory seeking to identify the impact of credit union on community service: a case of Gbeogo Credit union in the Talensi District of Ghana.

Consumer behaviour theory

The theory of consumer behaviour is the core theory states that consumer act or behaviour is based on their intention to create or receive a particular outcome. In this analysis consumers are rational actors who choose to act in their best interest, according to the theory, specificity is critical in the decision making process or can be said to be the study of person, cluster of people or societies in relation to the various steps they go through to choose products or service to satisfy a particular purpose. This means that this theory tries to understand the process of choice making among consumer and it considered demographic and behavioral factors which is believed to influence the wants of a person (Sabine, 2012)

In this theory, the customer is seen as the buyer, payer and user, then have interest in re-affirming the important of a customer placing a paramount importance on customer retention and customer relationship management (Kahle & close, 2011) the black box model which is a validated model when a black box testing methods ensure that and is based solely on observable elements. With a back-testing input for past events (not use in the “modeling effort”) are entered into the model to see how well the output matches the know result, the black box model also used to depict the communicating of incitements, purchaser feature, choice process and consumer reactions. The marketing incentives are programed by the establishment while the environment stimulations are fixed by culture, social, and economics occurrences of the society. The purchaser’s black box encompasses these features and the conclusion process, which determine the buyer’s responses (responses are as considered to be the outcome of a mindful and coherent choice making procedure). Furthermore, customers evaluate alternatives by comparing various brands and this evaluation is mainly based on the functional and psychological benefits they offer, this implies that an organization needs grasps the benefits customers seeks and also find out other brands customers consider. After evaluating the benefit customers seeks and also find out another brand. After, evaluation is done, the customers are set to make their choices, and it must be not that this decision does not necessarily lead to purchase. Hence, organizations need to use other technique to ensure actual purchase. These include flexible payment plan for the product and service or discount or even ability to enter a competition with the purchase (Khosla, 2010)

Conceptual Review

Historical Background of Credit Union

Credit Unions have been in existence over 150 since they started in Germany in 1846 and later spread around the world due to their benefit to individual and society.

According to Hannan (1994), “the origins of the modern credit union movement can be traced to cooperative pioneers in Germany” He states that during the 19th century, two type of institution emerged, namely, the Schulze-Delitzsch and Raiffeisen credit societies. These societies are “recognized as being the antecedent of modern-day credit unions, Hermann Schulzw-Delitzsch a politician and judge, founded the first urban credit cooperative in 1850. Freidrich Wilhelm “Raiffeisen, a mayor in the western Rhineland area, formed the first rural credit cooperative in 1864. Raiffeisen’s first cooperative venture was similar to that of Schulze-Delitzsch but where Schulze-Delitzsch worked to aid urban craftsmen and proprietors, Raiffiesen concentrated his effort on helping the farmer” (Hannan 1994)

The Historical Development of Credit Union in Ghana

Credit union in Africa started in Ghana. Actually, at Wa the upper West of Ghana. An Irish Canadian Catholic Missionary Rev. Father John McNulty in September, 1955, formed the first Credit Union in Africa at Jirapa in the North West part of Ghana. This formation came as a result of the Catholic Church losing some of it cash to termites; actually this saving of £6 was buried on the ground in a cigarette pack for safe keeping.

The Reverend tried to change the torn notes at the Bank of West African in Accra, during this period the only bank in Wa was the Bank of West African,

which was 41 miles from Jirapa. During those days people were not aware of the importance of banking; therefore, the white Rev selected Bishop Derry to travel aboard to study how credit union operates and brought back the idea of community mobilization of resources back to his community and its environs. Meanwhile, in south other Credit Unions sprang up such Railway and Harbour Employee Credit Union at Sekondi Takoradi, Akim Swedru, our lady of Fatimah Credit Union at the Sampa in the Brong-Ahafo Region.

Credit union in Ghana

In Ghana according to daily graphic publication dated February 1, 2016 on a Monday. As shown in the table 1.

Table 1: Distribution of Credit union in Ghana

Region/Chapter	operating	Understudy	Total
Great Accra	73	47	120
Brong Ahafo	30	14	44
Ashanti	63	36	99
Central	35	10	45
Northern	20	6	26
Upper East	8	5	13
Upper west	8	3	11
Volta	23	7	30

Source: Author's Construct (2020)

The Gbeogo credit Union per the publication qualifies to operate. Also, according to the 18th Educational and Biennial delegate's conference report published in May 2014; the total asset base of credit union stood at GHc

34,021,000.15 with a growth rate of 103.94 using 2011 as the base for calculating again the total asset of 2013.

Gbeogo Credit union profile

Gbeogo Teachers co-operative Credit Union as the name suggest, started at Gbeogo, a suburb of Tongo, especially by the staff of the School for the Deaf, in January, 2009. It started with a membership of sixteen as a study group and from there, grew to forty-one members until 2012 when it was open to the public. As at June 2016, the union can count up to 250 active memberships with total asset base of three hundred and nine thousand Ghana cedis (309,000.00) and still counting. The name Gbeogo Teacher was chosen to name the union just because of the fact that, it was started by teacher at Gbeogo, and so, this neither limits its membership to teacher at the Gbeogo community nor teachers in the Talensi area in general. However, membership is open to teachers all over the country and other professionals in different sectors of the economy. The union is not owned by one individual or a group of people or a particular professional body. However, it is owned by people in Tongo and beyond who subscribes to its membership. All members in good standing have equal opportunity to aspire to be elected executive committee members to serve a mandate of four years in line with all other credit union in Ghana. We strive to be a financial hub, serving as a tool for solving socio-economic problems of members within Tongo and its environs and beyond.

Credit Union Movement in Ghana

In Ghana, credit union history can be traced back to the 1920s when the Department of Co-operatives understood the requirement for well-known credit and funds offices, presented Thrift and Loan Societies. They were ineffectively

overseen so just few of them survived. In 1961, the then government terminated the operations of the Department of Co-operatives alongside the Cooperative Bank. After the 1966 upset, the re-organized Department of Co-operatives proceeded; however, there were not more than five Thrift and Loan Societies in existence. Parallel to these occasions was the development of another kind of funds and credit development in Northern part of Ghana.

In September 1955, the first credit union in Africa was started at Jirapa in the Upper West Region of Ghana. The thought was mooted by Reverend Father John McNulty, an Irish Canadian who after visiting Sabuli a village 24km away from Jirapa realized the mode of money savings (burying it in the ground) among the people was not proper as they were susceptible to termite destruction. The main Bank in the North-West (now Upper West Region) at the time was the Bank of West Africa, now Standard Chartered Bank, based at Wa, which was 41 miles far from Jirapa. The poor accessibility to banking services necessitated the formation of a sort of institution that can provide avenue for these people to keep their money safe (Kirsch and Goricke, 1977).

Reverend Father McNulty had cause to believe that cash all over Dagaaba-Land was kept in a by burying, holding up just to be devastated by termites. Reverend Father John McNulty went over an article in a handout with data about the presence of the credit union framework in the Diocese of Antigonish in Nova Scotia, Canada. He educated his people on the positive effect the credit union and after that began the first credit union in Jirapa. In his correspondence with the credit union individuals in Nova Scotia, the Knight of Columbus conceded a grant to the Bishop to send some person to do Social Studies, oversee credit union 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).

In the wake of finishing his studies, the Father Derry returned home. In the month of November 1959, Bishop Gabriel Champagne designated him responsible for Social Work, Credit Union and Co-operative Work in the Diocese. He then re-composed the credit union in Jirapa and revived one in Nandom. In March 1960, when Pope John XXIII, appointed Reverend Father Peter Derry as Bishop of Wa, he encouraged the formation of credit union in all the Parishes. Among them were Nandom, Kaleo, Ko, Daffiama, Wa, Lawra and Tumu. In 1964, a Canadian credit union professional, Mr. Churchill, was employed by Bishop Derry (now Archbishop Emeritus) for a long time in the Wa Diocese in the Upper West Region. With monetary backing from Misereor, Germany, seven young fellows were locked in and prepared, prominently among them were Mr. Stanislaw Zaato, Mr. Alphonse Azaah, and Ignatius Bebele who worked up to the National Office (CUA) for quite a long while.

He set up more credit unions and sorted out administration preparing projects for the credit union. This demonstrated so fruitful that by 1968 the eight biggest credit unions that existed around then had an aggregate enrollment of 6,300 and an aggregate funds of \$400,000. In the interim, the credit union development was encountering some development in the South when contrasted with those in the North. In 1959, the Railways and Harbor Employees credit union at Sekondi was set up by one of their pioneers who brought his idea from his studies in the United States. By 1967, there were about eight little credit unions in the South which did not have the advantage of payroll deduction but rather relied on upon the basic bond. One of such credit

union was Agona Swedru Teachers and its Treasurer was Mr. Bartholomew Quainoo of blessed memory, then an instructor who later assumed a key part in the credit union development in Ghana and Africa. In Sampa in the BrongAhafo Region, Our Lady of Fatima Credit Union was one of the eight credit unions in the South (Ofei, 2001; Ahorlu, 2009).

Credit Union and Development

As already established, credit union through their activities directly or indirectly contribute to development. Empirical evidence from studies conducted over the years suggests that, credit unions have lifted a number of people out of poverty and created employment opportunities for many others. They provide a home for the poor. In Asia and Africa credit unions have more challenging roles to play in advancing the development of the countries within them. The main contribution of credit union to development can be summarized into six broad categories. These are microfinance, savings mobilization, employment, poverty reduction and raising living standards, health and education and corporate social responsibility.

Savings Mobilization

Through its characteristic of member-ownership, credit unions are able to encourage their members to adopt a savings culture. Empirical evidences suggest that, with the establishment of credit union, savings among the financially excluded has shot up by 40 percent. This has therefore enhanced the chances to access loans as most of these credit union tends to offer loans to members of good standing (Weihe, 2004).

Employment

On the contribution of credit union to employment creation, Chowdhury, *et al.* (1991:7) “asserted that women (and men) participating in BRAC sponsored activities have more income (both in terms of amount and source), own more assets and are more often gainfully-employed than non-participants”. Mustafa, *et al.* (1996) also noted an increase in assets of 112% for those who had been members for 48 months or more and increase in household expenditure of 28% for those who have not.

Poverty Reduction and Raising Living Standards

Poverty extends beyond just a lack of income. Wright (2000) highlights the shortcomings of focusing solely on increased income as a yardstick for assessing the impact of microfinance on poverty. He rather prefers a significant difference between increasing income and reducing poverty. He argues that when the income of the poor is increased, it does not necessarily translate into the MFIs reducing poverty. Such conclusions can be made depending on how the deprived handle these funds. Most times, gambling or spending on alcohol that the lion’s share and so focusing solely on increasing incomes is simply not enough. The focus shift needs to be on empowering the poor to “sustain a specified level of well-being”. Thus, well-tailored financial services addressing their need can transform their total wealth and improve their financial independence. There is a popular claim that MFIs do not reach the most deprived in the communities. However, studies have affirmed the permeation of microfinance operations in most of such communities.

Hulme and Mosley (1996:109) in an extensive study on the fight of poverty using the microfinance supports the strategic placement of well-

designed programs in the enlargement of the wealth of the poor and can improve their socio-economic status. They argue that “there is clear indication that the impact of a loan on a borrower’s income is connected to the level of income” as those with higher wealth have a better chance of investment avenues and so funding organizations are prone to favour the “middle and upper poor”. There has been clear confirmation of credit being given to very poor households, and those households grew their incomes and their assets (1996:118). Irrespective of the high potential, Mayoux (2001:52) summarizes the main effects of microfinance on poverty as:

- i. Credit making an important contribution to increasing wealth of the better-off needy, which include women.
- ii. Microfinance services levelling off peaks and troughs in income and expenditure thereby permitting the poor have a stable cash flow.

Hulme and Mosley asserted that the association of loans with an upsurge in wealth facilitates investments into income creating activities with low-risk. Also, the encouragement of the very underprivileged to save drastically reduces the susceptibility of the very needy and improves their status. Other studies also cited instances whereby savings and credit schemes have met the needs of the very poor. It is now well known that microfinance specialists have favorably placed enhancements in economic security, ahead of income promotion, as the first step in poverty reduction as this reduces beneficiaries’ overall vulnerability. Therefore, in as much as there are debates on the impact of microfinance projects on poverty, it has been well demonstrated that when MFIs understand the needs of the poor and attempt to address these needs,

programs can have a positive impact on poverty class of the society. In addition to the strong evidence on reducing vulnerability, the provision of micro-credit has been instrumental in strengthening crisis, coping mechanisms, diversifying income-earning sources, building assets and improving the status of women.

Corporate Social Responsibility

Another area through which credit unions contribute towards the community is the undertaking of various forms of Corporate Social Responsibility. Corporate Social Responsibility is the principle of bearing in mind the interests and welfare of society encompassing beyond direct business operations. As financial co-operatives, owned and managed by their member-clients, credit unions introduce on board new procedures to social responsibilities that relate to individuals and the communities as a whole. Current business operations have organizations including some form of community outreach to their core activities. However, social responsibility and accountability from the very core fiber of the very fundamentals of our daily operations of credit union. Even the trends of globalization and the quest for wider markets, has not dissolved credit unions from their attachment to their local communities. While the average Canadian corporate charitable giving level has regularly hovered near 1 per cent of profits, many Canadian credit union set higher targets which are met or exceeded. According to the Credit Union Central of Canada (CUIC), in 2006 for instance, Canada's credit union donated over \$34.7 million to their operating communities through direct donations, provision of financial support services, sponsorships, scholarships and bursaries (CUIC, 2007).

Other Benefits of Credit Union

Ease of Membership

Credit unions are co-operative financial organization and are administrated by its members. It ought to be noticed that these organizations are not opened to everybody, but rather simply those that are subsidiary with the group it operates with. For example, if one is a member, his or her family can also join (Ofei, 2001) 2.3.2 Provision of Plenty of Financial Services

Much the same as a bank offers savings accounts, checking accounts and ATM cards, so does a credit union. The truth is, most are amazingly competitive with the lists services that a bank offers. While they clearly offer records to spare and check with, one of the main motivations to join are minimal effort advances (Ahorlu, 2009).

Offer of Better Loan Rates and Lower Fees

Since the credit union is not revenue driven and owned and run by its participants, they are typically ready to give greatly low rates on most advances, for example, auto advances and even home loans. They are typically at the low end when it has to do with interest rates and most of these organizations do not charge substantial fees like most banks do. Much of the time, the capacity for a family to bear the cost of an auto loan or home loan is based upon a lower interest rate and a lower amount charged as fees.

Financial Safety

One can receive all the benefits of a good bank including lower interest rates and lesser fees and still save and grow your money without harm. Credit unions are just as harmless as banks to save money and have plenty of oversight to certify that they are solvent. If one is associated with a group that has this type

of financial facility, certainly look into the many products and services that a Credit union can offer.

Volunteer Board of Directors

Credit union differs from banks based on their ownership. Although both organizations are owned by shareholders, the shareholders of credit union double up as members. As such, a credit union owes to its clients a fiduciary responsibility.

In addition, credit unions are not-for-profit organizations; their primary objective is to add value for the members. This is achieved through cutting down the cost of operation, for example, the Board of Directors is unpaid. On the contrary, banks are for-profit organizations that focus on producing returns for shareholders. Also, the limited memberships of credit unions make them evade most of the bureaucracy processes suffered by large national banks. For instance, it's quite easy to renegotiate the terms of a loan with a simple phone call to a credit union while the bureaucracy of the approval levels in a national bank will not permit that to be done.

Criticisms against MFIs/ Credit Union

Despite all these benefits and many others, that access to micro financing gives to people, there are a number of criticisms against microfinance. Critics have argued that, microfinance is not suitable for all people at all times. For loans that will be used for business purposes, microfinance best serves those who have identified an economic opportunity and can capitalize on it if they have access to a small amount of ready cash, however, evidence shows that, most of the people that micro financing are given do not have the skills to turn resources into productive enterprises that can help in their economic

independent. In cases where they do have these skills also, provision of microfinance leads to the proliferation of a particular type of economic activity. When that happens, there is an oversupply of the output of the particular activity, thereby resulting in a glut and ultimately a reduction in its prices. Thus, microfinance may ultimately constitute a new and very powerful institutional barrier to sustainable community development, and thus also to sustainable poverty reduction because it disregards the importance of scale within any sector thereby undermining the development of other more efficient enterprises (Murdoch, 2000).

Again, Ditcher records that; most microcredit is actually used not so much for income-generating projects, but mainly to facilitate consumption spending. While consumption smoothing is a useful survival technique, this transformation represents a quite dramatic break with the original Grameen Bank innovation. Indeed, he argues, microfinance may even constitute a new and very powerful form of “poverty trap” (Bateman and Chang, 2009)

Furthermore, Pollin argues that, there are problems when microfinance is undertaken in reality. Virtually all MFIs including credit union charge very high rates of interest, supposedly to meet costs. In addition, he suspects that many microfinance institutions are set up to make profit and to take advantage of government and donor incentives. Both problems encountered mean that, microfinance is not always used as an effective tool to promote growth and poverty reduction (Pollin, 2007).

There has also been criticism of credit union for exhibiting sufficient support for the working conditions of poor households, particularly when borrowers become quasi-wage labourers, selling crafts or agricultural produce

through an organization controlled by the MFI or credit union. The desire of MFIs to facilitate the diversification of their borrowers and increase their incomes has sparked this type of relationship in several countries, most notably Bangladesh, where notable expansion has been documented. Critics maintain that there are few if any rules or standards in these cases governing working hours, holidays, working conditions, safety or child labour, among others (Farrooque, 2007).

Challenges of Credit Union

Due to their nature and current economic trend, Credit unions as microfinance organization are having some major constraints to battle with. Whilst some of these challenges are slighter in scope and can therefore be address without much stress to the system, others are deep-rooted and affect the very foundation of the credit union system. A major challenge to credit union all over the world relates to the mantra that they are not for profit organizations. The systems of the credit union emanated from the traditional social improvement model that shows several parallelisms all through the world of microfinance (Richardson, 2000; Jones, 2001; 2002).

This model was grounded on accepting credit union as relatively small, volunteer-operated community- based organizations established primarily to provide low cost loans to deprived people who cannot get such support from other financial institutions. High primacy was given to society engrossment, member involvement and empowerment. The overall impression of the social development model has left many credit unions financially feeble, with little organizational capacity and with an endless reliance on external grants and subsidies. Member service has often been inadequate, with many credit unions

operating out of unbecoming premises for just a few operating hours within a week (Jones, 1999).

Traditional model credit unions were not established for growth. In fact, growth was often seen as a menace as it both gives in the community-focused culture of the organization and its manageability by volunteers. The financial impact of the traditional model has caused poor capacity to build institutional capital and a poor reactivity to the provision of market rates of return on savings and competitive interest rates on greater value loans. The outcome of these studies conducted on the impact of the traditional development model within credit union movements has been that the social development model has been incapable of building viable financial institutions and, more often than not, has resulted in the instituting of grant dependent, financially weak credit union unable to generate savings and engender income (Richardson, 2000; Jones, 2002).

In most countries, credit union operated more as networks for external donor funds to the poor rather than self-reliant financial co-operatives. With time, external reliance on donor funds undermined self-reliance, and active performance, and compromised long term maintainable development. Similar organizational dynamics have been accepted as existent within the British credit union movement (McKillop and Wilson, 2003). Richardson and Lennon (2001) have contended that the poor performance of traditional model credit union has brought about many microfinance professionals in developing countries to give up on credit union as feasible and resourceful mechanisms for addressing to the needs of the poor.

Shirley Cate, who double as President and CEO Providence Federal Credit Union asserted that the major challenge that credit union face, during this economic meltdown as well as at other times, is that, consumers do not realize that the vastness of a credit union membership. People deduce that a specific industry or employer is required in order to join a credit union.

Consequentially, the insecure news on the banking industry make many consumers feel like they have alternative place to turn. Credit unions only assist a good number of the population now but between employer-based credit union and those with community charters, appropriateness is no longer a barrier. She confirmed that credit unions are actively lending notwithstanding the many captions reporting the contrary (Ahorlu, 2009).

In addition, Anderson William R. Anderson President and CEO Mid Oregon Credit Union alleged the real yardstick for credit union is a measure of how well they are serving their members, but not accomplishment for stockholders. However, credit union must still demonstrate great financial performance in order to build capital in order to assist their members in the long term. Some conspicuous challenges have been decreased interest margins, health of the over-all financial market and the members' microeconomic health.

Again, the increased unemployment rate demands that financial institutions anticipate more for potential loan losses. These erratic market environments will require credit unions to closely observe the financial performance and continue to look after the best interests of their members (Ahorlu, 2009).

Empirical Literature Review

A study from Bangladesh confirms improvements in women's physical mobility, economic security, ability to make own purchases, freedom from family domination and violence, political and legal awareness and public participation, as a result of a more stable integration into microfinance circuits (Schuler & Hashemi 1994). Another study of Grameen Bank suggests that women participants in credit programmes are more conscious of their rights, better able to resolve conflicts, and have more control over decision making at the household and community levels (Chen, 1992). Credit to women has positive effects on the schooling of girls; it increases women's asset holdings (except land) and is a significant determinant of total household expenditure (Pitt & Khandkar 1995). In Sri Lanka, an investigation established that loans contributed to women's independent income, giving them more bargaining power in their relation with male family members (Hulme and Mosley 1996). Enhanced women's empowerment, such as increased self-confidence, and better cooperation with neighbours has also been observed in Thailand (MkNelly & Watetip, 1993). Micro finance schemes are of great importance to the development of nations, especially developing countries, where poverty is relatively intense. Studies have shown that credit schemes operated by micro finance institutions and Credit Unions help poor households in meeting their basic needs against risk, helps in women empowerment and improvement in household economic welfare (Asiama et al 2007, Otero1999, Ansoglenang 2006)

Women have become the focus of many micro-credit institutions and agencies worldwide. The main reason behind this is the observation that loans

to women tend to more often benefit the whole family than loans to men do. It has also been observed that giving women the control and the responsibility of small loans raises their socio-economic status, which is seen as a positive change to many of the current relationships of gender and class National Board for Small Scale Industries (NBSSI 200). Guerin (2006), Khandker (1998), and Derbile (2003) have presented findings from their studies indicating that micro-credit has helped in alleviating households' poverty. They emphasized that when women are allowed to go into gainful self-employment, they become self-reliant. Income from such investments is used for household expenditure and other essential basic services. Ansoglenang (2006) concluded that micro credit schemes run by credit unions have been beneficial to the women in Lawra and other part of the Upper West Region. The women indicated that their activities are profitable and have resulted in improved standard of living. This is because they are able to pay their children's school fees, acquire personal belongings, feed and clothe their children and other household members and are empowered as women.

A report of a study of Impact Assessment documented the second field test of practitioner. This was designed as part of the PVO (Private Voluntary Organization) NGO (Non-Governmental Organization) component of the U.S. Agency for International Development's AIMS (Assessing the Impact of Microenterprises Services) Project. In an effort to develop low-cost, yet effective ways practitioner organizations can collect information and generate credible findings about the impact of their microenterprise programs, the PVO - NGO component of the AIMS project is charged with developing, testing and refining useful tools within the scope of practitioner resources, staff availability

and expertise to implement and analyze their program impact. Basic results of the study showed that at the microenterprise level, a progression of changes for clients over time was evident. Qualitatively, clients were also more directly contributing to the basic needs of their households and felt they could better ensure their families' health. Many other positive impacts are detailed (MkNelly & Lippold 1999). A study was done on the impact of PACT's Women's Empowerment Program (WEP) in rural Nepal due to the seeming success of the program. In just one year, 6500 savings and credit programs (catering for 130,000 women) had been established; this is over twice the expected number for new organizations. Other achievements include recruitment, training, and enlistment of 240 Nepali organizations as WEP partners, spontaneous replication of existing groups without financial aid from WEP, and groups mobilizing over a million dollars for use for credit. Others are increased woman empowerment and literacy. WEP has thus shown that even in impoverished rural Nepal, the poor can save enough to make important investments in their businesses in less than two years and may be able to meet most of their needs for credit in four to six years. The reasons behind this success are investigated, comparing financial models, goals, and strategies to achieve these goals (Baldizon 2007).

A study conducted on the impact of credit with education of mothers and their young children's nutrition, Lower Pra Rural Bank credit with education program in Ghana gave a positive affirmation. The authors concluded that credit with education when provided together to a group of women can increase income and savings, improve health and nutrition, empower women and increase household food security (Mknelly et al 1998). Khandker et al (2003),

noted in his study that there is a significant impact on children's health from women who are on a micro credit scheme.

Goldberg (2005) has also indicated that microfinance programs can increase incomes and lift families out of poverty. Access to microfinance can improve children's nutrition and increase their school enrollment rates. Javed et al (2006) maintained that credit schemes have positive impact on women. The authors assessed the impact of the micro-credit programme of National Rural Support Programme (NRSP) on the socio-economic conditions of female community in district Rawalakot Azad Jamu and Kashmir. The respondents of the study revealed that their income have increased, they could buy better food stuffs, better clothing and their business related to agriculture, livestock or poultry enhanced after receiving credit. The programme therefore led to improved socio-economic conditions of female community. It was also concluded that micro-credit scheme of NRSP served as a better tool for empowering female and up-lifting standard of living female. However, some of the respondents of the study disclosed that they did not experience any change in terms of health and conditions at home.

Chapter Summary

The chapter revised the emergence of credit union globally and explicitly how it has evolved over the years in Ghana. The strategic role of MFIs in development and poverty alleviation was also examined and the confirmation of the impact was well corroborated by studies from different authors. Lastly, the benefits and challenges of credit union were emphasized, revealing the need for their promotion, encouragement and favorable policies from governments and other organizations to support the operations.

CHAPTER THREE

RESEARCH METHODS

Introduction

The chapter looks at the methodology used in the collection of data for the research. It touches on the population of the study, sample size and sample technique, source of data, research instrument, procedure for data collection and method of data analysis

Research Design

Another important aspect of research methodology is the research design. This study used the case study as the research design. Case study gives the researcher the opportunity to collect detailed information using varieties of data collection methods over a sustainable period of time. (Stake, S1995). Case studies describes an approach that is used to address a particular problem at hand (Naele, et al,2006). Case study is based on the premise that a contemporary phenomenon with real life context is under investigation. This phenomenon must have multiple sources of evidence that the researcher has a very little or no control over the kind of responses emerging from the research. This research is an assessment of the credit union's activities in the development of the communities they operate in. The study considered the impact of credit Unions in real life context by investigating into the products and services provided to clients and their contribution to their development in the community. In an effort to make the study convey much descriptive, contemporary and understanding characteristics, the research reviewed literature on the phenomenon under study.

Source of Data

Data were picked from both primary and secondary sources of data source in order to obtain the information necessary to complete this research work. Primary data were collected from the field through the use of questionnaires, interviews as well as from observations.

Study Area

The study is focused on the Talensi District, more precisely teachers in the Talensi District. Talensi District was carved out of the Bolgatanga District with Tongo as its capital. It has a population of about 94650. Bordered to the north by Bolgatanga Municipal; South by the West and East Mamprusi Districts; to the west by the Kassena-Nanakana District to the west and the Bawku West District to the East. The District lies between latitude 10.15° and 10.60° north of the equator and longitude 0.31 and 10.50. Topographically it has gentle slopes ranging from 1% and 5% gradient with some isolated rocks while some upland slopes range around 10% at the Tongo. The district is drained by the Red and White Volta and their tributaries. Geologically the rock falls within the Birimian, Tarkwaian and Voltaic. There is evidence of mineral like gold ore. The vegetation is guinea savannah woodland consisting of short widely spread deciduous trees and a ground flora of grass, which get burnt by fire or sun scorch during the long dry season, the most common economic trees are the shea nuts, dawadawa, baobab and acacia. The district has three gazetted forest reserves covering a total area of 455.21 sq km, Nyokoko (established in 1954) Tankwiddi East and the Red Volta were respectively established in 1956.

The natural environment is fairly degraded as it faces the threat of severe drought with high temperature and perennial outbreaks of bush fires. It is

evident that high population densities (especially in town) with high demand for land for constructional activities, extensive cultivation, over-grazing, erratic rainfall and the extent of devastation do affect the natural environment thereby exposing it to desertification. Illegal surface mining is major threat to the environment by degrading land and pollution of water bodies. The labour force in the district comprises of agriculture labour, non-agricultural labour family labour claim 60% usually comprising men, women and children, the remaining 40% goes to non-agriculture and casual labour. The demand for labour is at its peak during the raining season.

The district is selected because of the availability of a credit union in district that has the characteristic of those in the country

Target Population

The population or world comprises the entire units with similar characteristic under investigation. In this study the population consist of respondents in the Talensi District who are teachers and non-teaching staff of the Educational Directorate and this was estimate to be at 1158 (Ghana Education service records, Talensi education directorate, November 2018)

Sample frame and sample size

Sampling is a fundamental tool and indispensable as it seeks to obtain accurate result, sampling involves taking a portion of a unit for analysis from which the knowledge gained from the study can be generalized about the entire population. The rationale of sampling is therefore to make maximum use of the limited time available and reduce cost associated in sample the entire population for the purpose of this the sample frame will cover all teachers in the Talensi District that teach in the various school monitored (includes Bolgatanga

SHS) by the Ghana Education Service and the staff working at the Talensi Education Directorate making a total of 1158, it is from this sample frame that the sample will be drawn

The formulae for calculating the sample size of the study will be adopted from Korir, J., Adoyo, P., Naibei, I., Aila, A.O., Mule, R.K., Ogot, A.S., Onchonga, D.M., Okungu, A.E.O., Omoke, J.O & Momanyi, G. (2015) as follows:

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

Where n is sample size; N is sample frame; e is the level of precision or the margin of error (the confidence level that will be used is 95% making the margin of error 0.05)

$$\text{therefore; } n = \frac{1158}{1 + 1158(0.05)^2} = 297$$

Sample size distribution

To get the final sample size for the ten circuits, the Bolgatanga Senior High School and Office Staff, the circuit/unit population is taken over the entire teachers' population in the district; this is multiplied by the sample size of 297 or can be expressed mathematically as

$$\text{Circuit sample size} = \frac{\text{circuit/unit teachers population}}{\text{total district teacher population}} \times \text{total sample size}$$

Therefore:

$$\text{Baare Tongo-Beo} = \frac{81}{1158} \times 297 = 20.7 = 21$$

$$\text{Datuku North} = \frac{74}{1158} \times 297 = 18.97 = 19$$

$$\text{Datuku South} = \frac{52}{1158} \times 297 = 13.33 = 13$$

$$\text{Gbeogo} = \frac{102}{1158} \times 297 = 26.16 = 26$$

$$\text{Pwalugu-Yinduuri} = \frac{99}{1158} \times 297 = 25.39 = 25$$

$$\text{Sheaga East} = \frac{94}{1158} \times 297 = 24.10 = 24$$

$$\text{Sheaga West} = \frac{88}{1158} \times 297 = 22.56 = 23$$

$$\text{Tongo East} = \frac{89}{1158} \times 297 = 22.82 = 23$$

$$\text{Tongo West} = \frac{124}{1158} \times 297 = 31.80 = 32$$

$$\text{Winkogo} = \frac{113}{1158} \times 297 = 28.98 = 29$$

$$\text{Bolga Sen. High} = \frac{190}{1158} \times 297 = 48.73 = 49$$

$$\text{Office Staff} = \frac{52}{1158} \times 297 = 13.33 = 13$$

Table 2: Sample Size Distributions

Segment	Total population	Sample size
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Baare Tongo-Beo Circuit	81	21
Datuku North Circuit	74	19
Datuku South Circuit	52	13
Gbeogo Circuit	102	26
Pwalugu-Yinduuri Circuit	99	25
Sheaga East Circuit	94	24
Sheaga West Circuit	88	23
Tongo East Circuit	89	23
Tongo West Circuit	124	32
Winkogo Circuit	113	29
Bolga Sen. High	190	49
Office Staff	52	13
Total	1158	297

Source: Talensi District Education Statistic Office, data on compensation budget (2018)

Sampling Procedure

The stratified sampling technique and simple random sample methods is used in this research. Stratified sampling technique which involves dividing a population or sample frame into several, non-overlapping strata (subgroups) according to a particular characteristic which reflects the variable of interest. Provided the sampling frame can be easily identified by these characteristics, then strata for each characteristic are identified and with each group.

To use stratification variable or Variables follow the steps below.

- Divide the sampling frame into the discrete strata.
- Number each of the cases within each stratum with a unique number
- Select your sample using either simple random or systematic sampling; however, with the research all the strata are going to be considered.

There are three reasons a researcher would usually choose stratified sample: first, to increase a sample's efficiency. Second, provide adequate data for analysing the various subpopulations or strata and the third, to enable different research methods and procedures to be used in different strata.

The researcher will start with stratified sample due to the nature of the population distribution, which is homogenous yet wide spread, that if it used all members will not stand a chance of been selected and a particular circuit/unit maybe over represented in the sample. At first, the research area had six circuits but now they are ten circuits. All ten circuits will be part of the research and form the bases for the stratum and will include a Bolgatanga Senior High School which is under the Talensi District Education and the last part of the strata will be Staff of the office.

After the ten circuits, Bolgatanga Senior High School and Office staffs have been segmented; the researcher will use the simple random sample at the various circuits/units to determine the actual respondents. The simple random sampling will be used to ensure that each case is given an equal chance to be included in the sample. Simple random sample is a subset of a statistical population in which each member of the subset has an equal opportunity or probability to being chosen. A simple random sample is meant to be unbiased representation of a group

Data Collection Instruments

In an effort to address the research questions; questionnaire and interview were used as data collection instruments. Questionnaire will be the main means of data collection; the questionnaire is designed to allow for self-administering and they are structured questionnaire and have interview guide to

collect data. Structured questionnaires enable the researcher produce quick results and offer less opportunity for bias or error. According to Twumasi (2001) “questionnaire are useful and more appropriate for the collection of statistically quantifiable information from many respondent within a short period of time” the questionnaire is designed to contain both open and close-end questions. Fox (2006) argue that closed-end questions capture direct information from respondents, while the open-end questions provide opportunity for the respondents to discuss issues of interest at length to express opinion. Items of in the research instrument included background of respondents, educational level, circuit and gender, other sections of the research questionnaire will include: customer care, income level, affordability, number of dependents, safe of funds. The rationale for the use of the questionnaire is to cover many respondents within a short period of time and to provide breadth about the topic. The questions will be structured base on the objectives of the study.

The interview were limited to management and staff of the Gbeogo Credit Union to find out more about the Credit Union and to use it also as preliminary information to set up the real research, also interview maybe use after the questionnaire are administered as a mean for clarification or follow up. Twumasi (2001) observed that interview technique creates a congenial learning environment both the researcher and the respondents to engage in a purposeful decision. In that way, the researcher learns a lot from the participants. In order to enrich the data, face-to-face semi structure interview is conducted with management on their perception about their performance,

structure of the credit union, growth, history of their credit union, number of numbers, interest rate etc.

Data Collection Procedure

To extract the maximum attention and involvement of the respondents in the study, data were collected by administering the interview guide and questionnaires to the participants at their place of work (school). The procedure involves the steps below. First a letter of consent was dispatched to seek the approval of the study. The participants were not only briefed on the purpose of the study with no use of deception but also informed on the academic purpose of the study, hence, encouraged to provide their candid information on the questions. A period of about two weeks will be set for the collection of the data from the stakeholders in order to gain information regarding the topic of interest.

Types and source of data

The study will rely on both primary and secondary data. In terms of the secondary data, relevant information and data will be extracted from various documentary sources in the country and electronic resources. These sources include: the review of official journals, relevant articles and literature concerning the topic as well as published and unpublished books, dissertations, journals, magazines and newspapers all based on the subject matter. The internet also provided an important source of gathering useful information for the writing of this dissertation

Primary sources of data cannot be ignored as they form valuable sources information and also exhibit a high degree of accuracy for addressing the problem at stake. The primary data sources which form the core of this study is

obtained through field interview. Twumasi (2001) state that the use of multiple method in data collection has become a prominent feature in research. He however emphasized that the discretion and the use of a particular method depend on the ingenuity of the researcher and the research problem in question. He further contends that multiple data collection technique allow the researcher to cross check data form various sources and inconsistencies in the responses. This means the researcher must bear in mind the literacy level of respondents and choose various tools to suit individuals' level of understanding; otherwise the possibility of obtaining poor quality result cannot be ruled out.

Data Processing and Analysis

Both descriptive and inferential statistical tools were considered in the data analysis. Descriptive statistics such as frequency distribution was used to present the demographic profile of the respondents. Also, measures such as mean and standard deviation were used.

Also, inferential statistics such as correlation and regression method were used to influence patronage of Gbeogo credit union; the inhibitors and drivers. Data analysis was done using the Statistical Product for Service Solutions (SPSS, Version 22).

Ethical Considerations

The study assured the respondents that whatever they would say by way of information would remain confidential. The researcher explained the purpose of the study to the respondents. This was done to avoid deception. Not only that, the researcher was also sought consent of the appropriate authorities before collecting the data. As a result, the respondents gave out information voluntarily for the study. The goal of ethics in research is to ensure that no one is

harmful or suffered adverse consequences from participating in research activities.

Chapter Summary

Chapter three mainly dealt with the appropriateness of the research methods and research design. It also dealt with the population for the study, the sampling and the method used for the sampling, the data collection method used, as well as how data were collected. It again discusses ethical considerations as well as how data will be analysed. The next chapter, which is chapter four dealt with the data analysis and the results of the study.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents and discusses the results obtained from the study. The data collected from the research field from the questionnaire and personal observation was processed using the Statistical Package for Social Sciences (SPSS) version 21 software and data analyses was done using both descriptive and inferential statistics such as regression. The results were presented in the form of tables for easy understanding and better appreciation.

The chapter begins by looking at the demographic characteristics of respondents included in the study. It continues with facts that influence Patronage of Gbeogo Credit Union's products. This chapter is however guided by the objectives of the study. It should be noted that out of the sample size of 297, the researcher had 253 respondents returning their questionnaire. Therefore, making the response rate of 85.1%

Demographic Characteristics of the Respondents

This section of the study presents the results of the socio demographic characteristics of respondents and a profile of respondents of teachers that took part in the survey in the Talensi District. The main profile of the respondents discussed were the gender, age, marital status, number of dependents, educational level of respondents and work experience. The results of the profile of the respondents are presented in Table 3.

Table 3: Socio- Demographic Characteristics

Variables	Frequency	Percent
Gender		
Male	136	53.8
Female	117	46.2
Age category (years)		
Below 20 years	13	5.1
21-30 years	103	40.7
31-40 years	53	20.9
41-50 years	56	22.1
Above 51 years	28	11.1
Marital Status		
Single	72	28.5
Married	165	65.2
Separated	7	2.8
Divorced	8	3.2
Window/Widower	1	0.4
Number of Dependents		
None	62	24.5
1	88	34.8
2	73	28.9
3	19	7.5
4 and above	11	4.3
Educational Level		
Advance Certificate	30	11.9
Diploma	84	33.2
Degree	98	38.7
Master and above	41	16.2

Source: Field Survey, Dome (2019)

The results in Table 3, show that majority of teachers sampled respondents from the Talensi District Educational Directorate were male representing 136 (53.8%) whiles the 117 (46.2%) represent females. While age

had the following statistics 13 (5.1%), 103 (40.7%), 53 (20.9%), 56 (22.1%) and 28 (11.1%) were aged below 20 years, 21 – 30 years, 31 – 40 years, 41 – 50 years and above 51 years respectively, indicating that most of the respondents were in age range of 21 to 30 years giving a percentage of sample population and the least being that of ages below 20 years. Regarding marital, it can also be seen that majority of the respondents were married representing 165 (65.2%), followed by 72 (28.5%) who were single. The results also indicated that 58 (22.9%) had a working experience of 5 years or less while 47 (18.6%) had a working experience of 16 years and above. 108 (42.7%) respondents had a working experience of 6 years to 10 years, 40 (15.8%) had a working experience between 11 years to 15 years. This result indicated that majority of the respondents had worked for 6 to 10 years. The number of dependents, 62 (24.5%), 88 (34.8%), 73 (28.9%), 19 (7.5%) and 11 (4.3%) of the respondents had number of dependents, 1, 2, 3 and 4 & above dependents respectively, indicating that, most of the respondent had 2 dependents making 34.8% while the least was 4 and above making 4.3%.

Perception and Usefulness of Credit Unions

People have their own reasons for dealing with credit unions and others perceived credit unions in the way that seems beneficial to them. This session looks at the reasons why people save with the credit unions, their alternative to credit unions and the benefits they derive for being a member of a credit union.

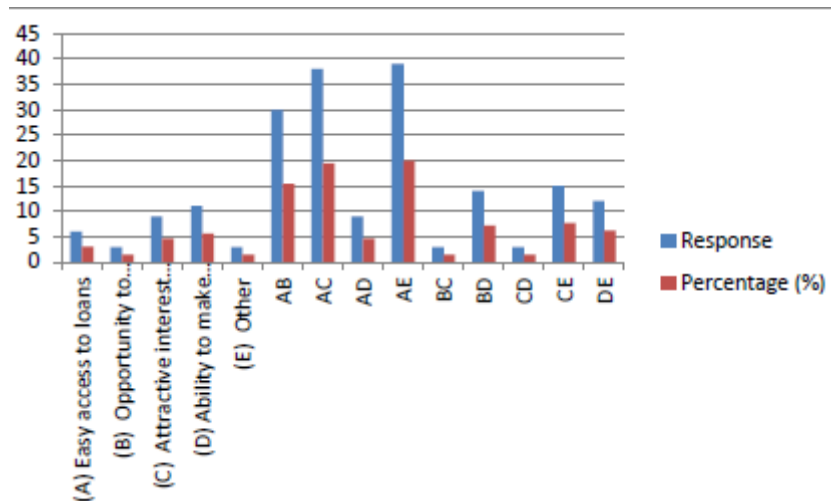


Figure 1: Reasons for saving with credit union

Source Field Survey (2019)

Figure 1 above brings out reasons why people save with the credit union and there are a number of reasons but four of the most prominent reasons which top the list with about 54.9% of the total respondents were:

- Easy access to loans
- Opportunity to access bulk sum
- Attractive interest rate
- Ability to make regular small deposits (susu).

These people believe that by saving with the credit union they are able to access loans which do not involve cumbersome procedures. The credit union as well gives them a system where they can save the little that they have at regular intervals but which service they cannot get from the Traditional banking, and above all, they believe credit unions give them good returns for their money by paying attractive interest rate on their savings.

Problems encountered when transacting business with the credit union.

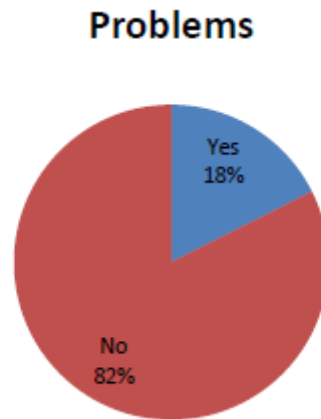


Figure 2: Problems encountered when transacting business with the credit union

Source (Field Survey, 2019)

Figure 2 clearly shows that majority of the customers do not encounter much problems in transacting business with the credit union which was eighty two percent (82%). Eighteen percent (18%) shows that had some problems in their transactions. This indicates that the credit unions should keep it up in their operations in order to meets all customer needs.

Impact of Credit Union on Its Members

This looks at the savings pattern of members, reasons for borrowing and also assesses the members' knowledge on how the credit unions impact their lives and the economy as a whole.

Deposits Pattern of respondents

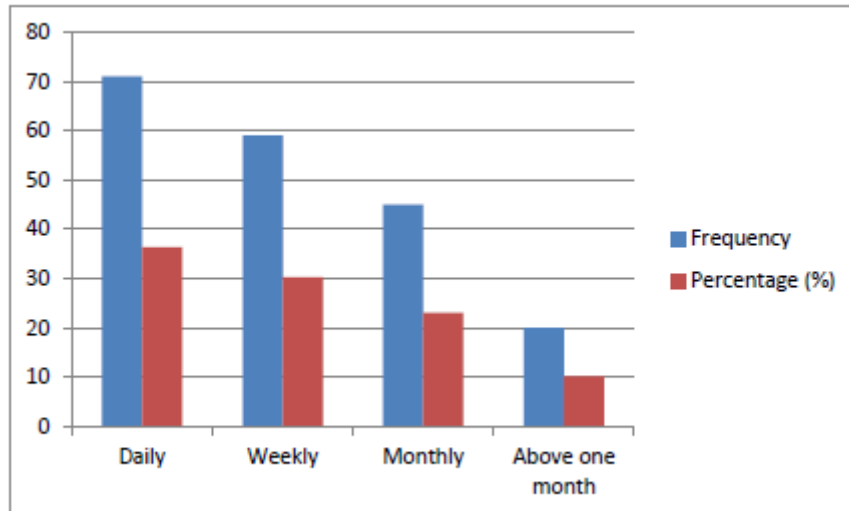


Figure 3: Deposits Pattern of respondents

Source: Field Survey (2019)

Table 3 shows that 36.4% deposits daily, 30% deposits weekly, 23.1% deposits monthly. The remaining were those who deposits above one month which is 10.2%. This clearly shows that majority of the people save daily this is because a lot of customers have come into terms with the susu especially the traders. Even though micro saving (susu) was not part of credit union products, its popularity has made it possible for it to be infused into the credit union.

Impact of Credit Union on the Standard of Living of their Members

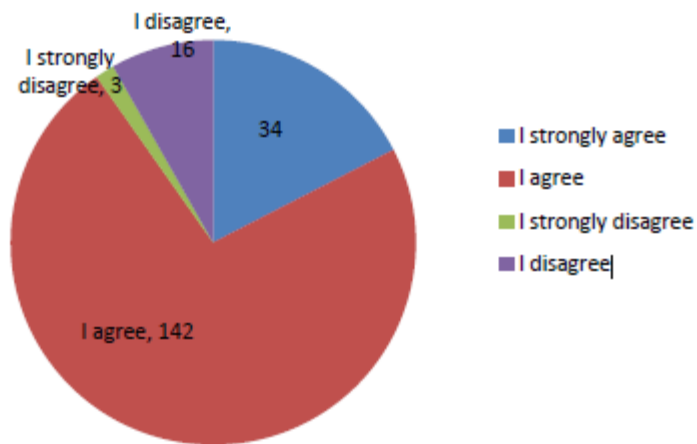


Figure 4: Credit union on Standard of Living of their Members.

Source: Field Survey (2019)

Figure 4 above shows that 72.8% of the respondents agreed with the statement. This is because they can now afford food for their family, provide for the health needs of their family and above all able to give back to the society that they live in. (17.4%) of the respondents strongly agreed with the statement, (8.2%) of respondents disagreed with the statement. Only 1.5% strongly disagrees to these facts. These are those that did not benefit from the services provided by the union especially loans because of moral hazard. The credit unions have significant impact on their members and this can be seen in terms of savings culture in them and accessibility of loan to improve their lives.

Client base of Gbeogo Credit Union

Majority of the staff interviewed were of the view that the client base of the union was mostly in the private sector whilst about 30% of the clients were in the public sector. This indicates that private sector which is known to be the

engine of economic growth is also exemplified in the clientele base of **Gbeogo** credit union.

Savings Products that a largely patronized

The savings products largely patronized by the clients according to the staff interviewed was the Micro savings popularly known as susu, it was followed by Normal savings that is regular savings. Other forms of savings such as kiddy save, guarantee savings to mention a few also were the third product patronizes by clients. Fixed deposit was the least patronized product.

Methods used to collect deposit

The respondents interviewed indicated the various methods that are used by customers when they want to save with the union. Mobile banking method was the dominant among the various methods used. This is where mobile bankers are sent to the door step of customers to collect their monies. A lot of customers are interested in this mode because they have the flexibility to work on their various trades. Customers who walk in to deposit are on the low as compared to mobile banking,

Innovative schemes use to attract customers

Staffs who were interviewed asserted to the fact that they put some schemes in place to attract customers so as to improve customer loyalty. The union does those schemes to be more competitive in their operations. Access to credit and money deposited were their competitive advantage and that are used to attracted customers. This was the mostly used scheme to attract customers. Contrary to the belief that access to credit and money deposited forms the major factors of the innovative schemes, few were influenced by high interest rates and taking financial services to their doorsteps.

Purpose for giving loan to customers

Staffs views were sort to know what the loan obtained from the union was used for. Majority of them asserted to it that most clients obtained loans for their business liquidity support. Others also gave the purpose for loans to be acquisition of assets either car or land. Also, clients took loans for their ward's education and also for business startups. Gbeogo Credit Union was there to provide financial support for their clients in order to help them develop in businesses and their life as a whole the staffs asserted.

Duration of Credit Union Loans

The respondents indicated that loan duration is the period given to creditors to pay back their loans. It may be a period less than a year that is short term or a period more than a year, which is long term. Most of the loans given by the union was short term mostly maximum of a year was granted for repayment of loans.

Loan processing period

Loan processing period is a major factor that determines the demand for banking services by customers of RCCU. Majority of the respondents stated that the loans where been processed less than one week. Contrary to that, other stated that their loans were processed over one week. Reasons given for longer processing periods were given that the clients may have not met the loan processing requirements and those that are beyond the branch management are quickly processed for approval by higher authorities at the Head Office level.

Operational Challenges of credit unions

Credit unions in performing their roles also faced operational challenges and few of them are outlined below. (Source: www.cuagh.com)

- i. The main heddle of CUA is that as at now there is no clear regulatory law governing the activities of credit unions since the society has grown passed the current cooperative law and therefore need a separate law that will regulate its activities and even though they are pushing for it, approval has not been given yet.
- ii. Primary societies sometimes do not cooperate with CUA directives and as at now the numbers they expect to enroll in the Loan Protection plan (LPP), Credit Union Employees Pension Plan (CCUP), Deposit Guarantee scheme (DGS), credit unions software and others are still below expectations.
- iii. There is still perception that credit unions are for the poor and therefore the recognition given to it is still not the best.
- iv. Loan delinquency is another challenge to credit unions. Credit unions are willing to expand their loan portfolio but beneficiaries are not meeting them at that level and therefore default risk is on the increase in the primary societies.
- v. There is tough competition for credit unions considering the fact that they have to internally generate all funds to finance their activities unlike rural banks that sometimes receive subsidies from the government.

Measures put in place for credit union sustainability

The following are some of the activities CUA have put in place for the effective running, monitoring and sustainability of credit unions in the country. This session therefore covers Central Finance Facility (CFF), Deposit

Guarantee Scheme (DGS), CUA Risk Management Program, and Employees' Pension Plan (CUA-CCUPP).

i. Central Finance Facility (CFF)

The Central Finance Facility (CFF) is a department that manages the liquidity system of the credit unions movement in Ghana. The facility mobilizes deposits from the CUA affiliated credit unions in various forms of funds such as Shares, Savings, Statutory Reserve and Time Deposits and re-investment them to yield appreciable returns for the credit unions. The Shares offer the credit unions membership rights of participation in the facility and the minimum initial deposit at present stands at GH¢100.00 per credit union. Moreover, the Savings is a special account meant for the credit unions in order to assist them with the savings tendency as well as creating the security in times of CUA support to them. It is expected that regular deposits be made especially monthly by the credit unions such that they can maintain their savings at a level not less than 5% of their Total Assets at any point in time as agreed by the 11th Biennial Conference in the year 2000 at Ho. Credit unions are also required by law to uphold 25% of their annual surplus to the Statutory Reserve Fund, which should consequently be invested with the CUA. CFF Time Deposit is a special investment portfolio meant to augment the returns that credit unions can generate on their funds not immediately needed for their day to day transactions. Competitive Interests and Dividend are paid on all deposits at varying rates, which are much higher than what prevails in some of the Financial Houses.

The CFF is gradually proving itself as the financial back bone for the movement at both the credit unions and CUA levels and requires the fullest participation to enable it to provide the needed services at all times.

ii. The Deposit Guarantee Scheme (DGS)

In 1998 there was a decision for CUA to have a Deposit Guarantee Scheme (DGS) to safeguard the deposits of CUA affiliated credit union members, the Stabilization Fund contribution by credit unions was agreed at the 2000 Conference (Higher decision body of CUA). The contribution by the credit unions was accepted as 0.15% of the outstanding savings of members at the end of every June (end of credit union financial year). This was to create a pool of funds to manage the DGS and to provide support to the credit unions to sustain viability or for a smooth liquidation when the need arises.

Gradually CUA is putting structures in place to make the Deposit Guarantee Scheme fully functional. Personnel have been assigned to coordinate the affairs of the credit unions and to determine the "early warning signals" that impede on the affairs of the societies

iii. CUA Risk Management Programme

The Programme was introduced during the biennium, 2008 and 2009. The CUA Risk Management Programme has 2 insurance products: The Loan Protection Plan (LPP) and Life Savings Plan (LSP). The LPP is a contract designed to pay an insurance benefit comprising the loan and interest of a borrower in the event of the death or disability of the borrower. This contract allows "the debt to die with the debtor".

The LPP protects the borrower's family from inheriting his/her debt or having savings or other collateral of the borrower repossessed. It protects the credit union from delinquencies and defaults that occur when borrowers die or incur disabilities. It saves all the parties' time and from worry. The loan cover limit is GH¢50,000.00. The borrower pays the premium.

The LSP insures the savings of members. The cover limit is GH¢5,000.00. It is a contract designed to encourage regular savings because the insurance benefit is based on the savings of the member. Premiums for this cover are paid monthly by the credit union. There is no direct charge to the member, which means it is an added benefit of membership not offered by other financial institutions. For the member it is an incentive to save regularly. For the credit union, it provides a way to attract new members and deposits and to maintain members' savings accounts. Within this period, credit union participation in the LPP rose from 138 to 169. There was a net addition of 31 credit unions, a growth of about 22.5%. Credit unions involvement in the Plan is about 54%. The Programme needs the participation of every credit union as the credit unions need the programme. As at 2009 Forty-Five (45) credit unions were participating in the LSP. CUA projection was to increase participation in 2010 and 2011 by another Forty-Five (45) credit unions. The CUA Risk Management Programme is like an umbrella. If it rains it can be opened and used immediately. But if it does not rain it is also ready to protect you whenever you need it.

iv. Employees' Pension Plan (CUA-CCUPP)

The CUA-CCUPP is a retirement income or a pension plan. Staffs of CUA Ltd were the first to join the CUA-CCUPP. Following immediately are staff of Ghana Cooperative Pharmacists' Credit Union, KAMCCU Co-op. Credit Union, Controller and Accountant General Co-op. Credit Union and Swedru Teachers' Co-op. Credit Union. The last to join is staff of Bole Catholic Workers' Co-op. Credit Union in July, 2009. Today, ninety-seven (97) Credit Unions are participating in the Pension Plan which is about 30% of the total number of credit unions.

There is a new National Pensions Act, Act 766. It was gazette on December 12th, 2009. Its aim is to ensure retirement income security for Ghanaian workers. The National Pensions Act has introduced a Three-Tier Pension Scheme comprising:

- First Tier - A mandatory Basic Social Security Scheme to be managed by SSNIT.
- Second Tier - A mandatory fully-funded and privately managed occupational scheme.
- Third Tier - A voluntary fully-funded and privately managed provident fund and personal pension Scheme.

The CUA-CCUPP falls under the Third Tier. The Third Tier is voluntary; however, the Ghana Co-operative Credit Unions Association (CUA) Ltd. has made it compulsory for its affiliates for the benefit of credit union staff. The basic contribution is 5% of the staff salary by the credit union and another 5%

by the employee. Some credit unions in the Plan are paying for their staff more than the 5% due.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the general findings of the research in the context of the central ideas underpinning the objectives of this research. The perspective of this chapter does not only recommend solution but also presents the findings in relationship to how practice is related as well as the way of translating policy into practice to help credit unions develop communities, they operate in. The chapter comprises of the summary of findings, recommendations and conclusion.

Summary

Gbeogo Credit Union provided different kinds of services or products to its clients in the communities it operates. These include normal savings, mobile savings business advice and loans. The study indicated that out of the products being offered by the union, clients enjoyed the credit facility that was granted to them. This is because of the ease with which credit is being accessed and also the lower competitive interest rate that is charged on the loans.

Findings indicated that most clients deal with other financial institutions apart from Gbeogo Credit Union. This was because most of them want to diversify their portfolio and also enjoy those services that were not provided by the credit unions. Gbeogo Credit Union in an attempt to bridge up the gap between credit unions and other banks by the introduction of cheque system where cheques can be issued and cleared through GT Bank.

It was also found out that, four main reasons why people save with the credit unions are easy access to loans, opportunity to realize bulk sum, attractive

interest rate and ability to make regular small deposits (susu). These are what Gbeogo Credit Union sort to do in order to satisfy its clients.

The study also revealed that, the four main reasons why customers borrowed money at the credit unions were for business liquidity support, asset acquisition and education and for business startups. Gbeogo Credit Union is committed to providing these services by making credit readily accessible and less costly so that members may benefit to develop themselves. Clients are better off looking at the development chalked by them since they joined the union. They can now provide for their family needs, offered better education for their wards and also give back to the society that they live in.

Despite the overwhelming contribution of financial support to its clients, Gbeogo Credit Unions is faced with some challenges. These include management capacity, the occurrences of default of loans and monitoring and activities of the government bodies.

Recommendations

Among reasons given by respondents who maintained accounts with credit unions while maintaining accounts with traditional banks was the need to avail themselves of services unavailable at the credit union. From the study 58% of these people are willing to switch if credit unions are able to provide them with these services and therefore credit unions should concentrate on bridging the gap between the services they provide and that of the bank in order to win and maintained customers.

SMEs which form majority of the membership or client base should be considered and provide them with loans so as to expand their business, acquire more tools and equipment and use them as collateral to secure for more loan

from the unions, An initial stage, credit unions should not use physical assets as collateral for SMEs and more especially the startups. Collateral such as guarantors could be used in order to grant them the needed capital for their business. Most of the time the amount they only access is low and the repayment period is short mostly six months. This in the long run not is beneficial to the micro savers.

Credit unions seems to have better services in terms of interest on loans and savings but information about their services are very scanty and in order to compete well in the country they need to embark on nationwide advertisement to make their presence felt and this may reduce the wrong perception about what the credit unions can do and also expose the general public to the activities of the credit union.

Credit unions are very important vehicle in the development of the economy and therefore should be given the necessary support to make them operate efficiently. The government should speed up the processes of getting the credit union law promulgated since their current activities can not fit well in the now cooperative law and they need a regulation that will allow them to explore their full potentials.

The Credit Union Association (CUA) should continue to set workable standards that will guide the activities of these credit unions, they should work extra hard to enroll all credit unions on their software in order to make information easily available and this will increase their competitive advantage.

Conclusion

The development and sustainability of Ghanaian economy dwells more on the financial institution in Ghana of which Credit Unions are no exception.

These institutions contribute to their development through financing and this cannot be ruled out from the successes chalked by clients of Gbeogo Credit Union. Gbeogo Credit Union provides different kinds of product and services such as to its clients. These products and services are mainly savings, business advice and loans (credit).

However, trends in these contributions indicate their great potential in enhancing overall deposit mobilization and credit availability. Credit unions also provide an alternative avenue for savings and access to credit for small savers and borrowers for whom the procedures and requirements of the traditional banks are too burdensome and discriminatory. These deposit mobilizations and credit availability has help improved the standard of living for clients, expansion of businesses and also contribution towards the community as a whole. The study also recommends the promulgation of the credit union laws to be able to expand their operations.

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APPENDIX A

UNIVERSITY OF CAPE-COAST



QUESTIONNAIRE SCHEDULE

I am a final year Master of Business Administration in Accounting student of the University of Cape-Coast. I am conducting a study on “**Patronizing Gbeogo Credit Union: the Inhibitors and Drivers**”

I would be very grateful if you could please provide answers to the questions below. I wish to emphasize that the result of this study would be used for academic purposes only and would be kept as confidential. Thank you.

A. Demographic characteristics

1. Please indicate your age
 - a) Below 20 years
 - b) 21 -30 years
 - c) 31-40 years
 - d) 41-50 years
 - e) Above 51 years
2. Gender of the respondent
 - a) Male
 - b) Female
3. Please indicate your marital status?
 - a) Single
 - b) Married
 - c) Separated
 - d) Married
 - e) Divorced
 - f) Window/Widower
4. How many dependents do you have?
 - a) None
 - b) 1
 - c) 2
 - d) 3
 - e) 4 and above

5. What is your educational level a) Advance certificate []
b) Diploma [] c) Degree [] d) Masters and above []
6. How many years have you been teaching a) 0-5 year [] b) 6-10 years [] c) 11-15 years [] d) 16 & above []
7. What is your monthly salary range in Ghana cedis a) below 500 []
b) 500 to 1000 [] c) 1001 to 1500 [] d) 1501 to 2000 [] e) above 2000 []
8. Which range do your salary affordability (one-half or quota of your salary that is allowed to be deducted to be used for loans or other financial transaction) fall within in Ghana cedis a) Below to 100 []
b) 101 to 200 [] c) 201- 300 [] d) Above 300 []
9. If you had an additional affordability that you wish to invest or save, which of the following financial institution will you select
a) Bank [] b) Teachers mutual fund [] c) Credit union []
d) Insurance company []
10. In terms of safety of your funds which of these financial institution will you select to invest or save in a) Bank [] b) Teachers mutual fund []
c) Credit union [] d) Insurance company []
11. a) Do you have any other work that provides you income?
a) Yes [] b) No []
12. What is your religion a) Christian [] b) Muslim [] c) African traditional []
c) Other religion []
13. Does your religion affect your decision to invest and save? a) Yes []
b) No []

14. Is religion a factor that affects your decision to selecting a financial institution to invest with? a) Yes [] b) No []

15. Is your religion against you investing in Gbeogo Credit Union
a) Yes [] b) No []

B. Factors that influence the selection of products/ service of the Gbeogo Credit Union

16. How much investment do you make monthly in the Gbeogo credit Union in Ghana cedis? a) 0 [] b) 1=100 [] c) 101 -200 [] d) Above 200 []

17. Will you increase you investment if circumstance allowed? a) Yes []
b) No []

Instructions: Please indicate the extent to which you agree or disagree with following statement. Where; SD= strongly disagree; D= Disagree; N = neutral; A= agree and SA= strongly agree

Statement	SD	D	N	A	SA
18. Confidence in Gbeogo Credit Union affects my decision on whether to invest there					
19. Good customer services is important in my selection to do transaction with the Gbeogo Credit					
20. The time I need to wait at Gbeogo Credit Union affects my decision in selection their service or product					
21. The manner in which complains are handled when made, makes me want to invest with the Gbeogo Credit Union					

22. The proximity of the Gbeogo Credit Union to my place of work or home affects my selection it					
23. The interest on loan of Gbeogo Credit Union affects my decision to invest and pick loan there					
24. The complementary service (such as advice on how to invest, best return etc) offered by a Gbeogo Credit Union makes me want to transact there					
25. The aesthetic (beautiful) nature of the Gbeogo Credit Union hall and staff makes me want to transact with them					
26. The bureaucratic nature of access service at Gbeogo Credit Union helps in my selection of it					
27. The charges placed on the product/ service of Gbeogo Credit Union determines my selection.					
28. The way other talk about Gbeogo Credit Union and the products/service offered there affects my selection					
29. The way a Gbeogo Credit Union package, advertise and sell it products influence me					
30. The safety of my investment is a determinant factor as to whether I should invest in Gbeogo Credit Union					
31. The number of dependent affect the amount you can invest with Gbeogo Credit Union					
32. My friend recommendation affects my decision to invest in Gbeogo Credit Union					

B. Impact of Gbeogo Credit union

33. Do you personally have an investment with the Gbeogo Credit Union?

Yes [] No []

34. Do you have close friends that own investment with the Gbeogo Credit Union? Yes [] No []

35. What kind of impact has the Gbeogo Credit Union had on you or your close relative? a) Positive [] b) Negative [] c) None []

36. Have you taken a loan as member of Gbeogo Credit Union? Yes [] No []

37. What did you use the loan facility to do? a) Building [] b) School Feed [] c) Invest in other projects [] d) Others []

38. What advice would give to a friend about the Gbeogo Credit Union?
.....
.....

39. What do you think Gbeogo Credit Union should do to increase their market share (customer based)?

.....

.....

Remarks

THANK YOU