

CHRISTIAN SERVICE UNIVERSITY COLLEGE – KUMASI

**DEPARTMENT OF BUSINESS STUDIES
BACHELOR OF BUSINESS ADMINISTRATION**

**PEACE AND LOVE CO-OPERATIVE CREDIT UNION
BUSINESS PLAN**

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DECEMBER, 2011

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PEACE AND LOVE CO-OPERATIVE CREDIT UNION

**A BUSINESS PLAN SUBMITTED TO THE DEPARTMENT OF BUSINESS
STUDIES OF CHRISTIAN SERVICE UNIVERSITY COLLEGE, KUMASI
IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE
COURSE CSAD 443 TEAM BUSINESS PROPOSAL.**

BY:

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STATEMENT OF AUTHENTICITY

We have read the Christian Service University College’s regulations relating to plagiarism and certify that this Business plan is all our work and does not contain any unacknowledged work from any other source. We also declare that, we have been under supervision for this Business Plan herein submitted.

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EXECUTIVE SUMMARY

This business plan intends to outline GH¢ 10,000.00 investment project in Kumasi, Ghana, West Africa. The project is scheduled to commence operation in November 2011. The aim of this financial institution/Credit union is to help members cultivate the habit of savings in Santasi and its environment within Kumasi metropolis. With the coming of the credit union, there will not be much surplus money lying idle under pillows thus our main services include membership savings, withdrawals, loans and credit purchases. The funding of the union is by membership contribution. The board members consist of five and six management team. We're here to give our members loan with low interest rate of 2.8% per month at a reducing balance as compared to other industry players (credit unions) of 3% minimum interest rate per month at the prevailing market rate, (while some banks charges as high as between 25% and 30% fixed interest rate per annum) and collateral free loans unlike, other financial institution's high interest rate, collateral demand and personnel intimidation.

The foundation of the plan is a combination of primary and secondary research, upon which the marketing strategies were built. Discussions and interviews were held with a variety of professionals involved with other micro finance, banks and credit unions, to develop this information review, the market potential and competitive situation.

However various promotions have been adopted to promote our services. These include advertising, direct marketing and 'introducing at least a member policy'.

The union planned to recruit experienced staff for the project. The staff will go through our vetting and screening system in order to ensure the best qualified staff is employed. Our facilities are high-tech equipment with back- up system.

Some of the marketing strategies to improve upon our activities are;

- i. quick delivery waiting period (about 5 minutes)
- ii. loans within 48 hours
- iii. good and quick customer service

Our opportunities outweigh our weakness by way of going to the door steps of members by the sales executives' and giving the lump sum of the loans to the members without deducting the loan processing fee and insurance. The processing fees and the insurance are included in the monthly deductions which others do not.

The project is expected to pay off its initial capital outlay of GH¢ 10,000.00 within four years.

VISION STATEMENT

The vision of the union is “To grow the union from a humble beginning as a co-operative credit union to a nationwide savings and loans with excellence customer service delivery”.

MISSION STATEMENT

- To make the union a household name in every community in which the union operates.
- To make it a first choice credit union for prospective members.
- To offer a comprehensive financial services to members.
- To make member feel part owners and cherished investment.
- To go beyond the borders of Ashanti region as a savings and loans company in the near future.
- To make the local communities feel part of the bigger family by contributing their ideas into building a successful company.
- The motto of the union shall correspond with the universal slogan as “credit union –Happy family”

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1.0 ORGANIZATION

1.1 COMPANY HISTORY

Peace and love Co-Operative Credit Union is a conceptual idea of five fine brains of Ghanaian citizens. We came together as a team comprises of all specialization of the Department of Bachelor of Business Administration, Mr. Ernest Ofori- Agyeman and Winifred Oppong were Accounting Students and Miss Juliana Yinugh was a Marketing Student. The rest are Mr. Gaddiel Eric Dadzie, Banking and Finance Student and Mr. Kakra Oduro Sarpong, a Human Resource management student.

The name of the financial institution is Peace and Love Co-operative Credit union with its registered office in Santasi a suburb of Kumasi Metropolitan Assembly opposite Opoku Ware Senior High School. It is situated on PLT 41 BLK C, with the postal address as P.O Box SN 41 Santasi.

The union was registered with the Ghana Co-Operative Societies Decree number 252 of 1968 under Paragraph 5(1) and affiliated with the Credit Unions Association of Ghana in September 2011 with registration number CU/ASH/0910.

1.2 BUSINESS PROFILE

The products offered are the provision of savings or deposits by way of membership contributions, flexible loans upon application and hire purchase option. The union is strategically positioned at Santasi. Santasi is a Kumasi suburb on the Kumasi- Cape Coast High way. The premises is just opposite Opoku Ware Senior High School main gate, house number PLT 41 BLK C. Majority of the inhabitants are traders and local artisans with the population of about five thousand. Peace and love co-operative credit union's target is two thousand members for the beginning.

The competitors in the industry with the catchment area are OWASS Co-operative Credit union and Resurrection Power Credit Union. The rival unions serve only the teachers in Opoku Ware Senior High School and the church members respectively. With the prevailing High effective interest rate charged by other financial institutions especially banks, savings and Loans Company, the union will trade continuously with relatively lower interest rate to meet the members financial needs.

1.3 LEGAL

Peace and love credit union is a registered financial institution and is governed by Ghana Co-operative Union and affiliated to Credit Union Association of Ghana.

Peace and love Co-operative credit union acts in a way which does not go against the laws of the Republic of Ghana and abide by the rules governing all credit unions. To meet compliance, we have appointed a legal practitioner on the board who advices management periodically in orders not to fault legally.

To meet legal authority by laws, all banners and sign -post will be register with the appropriate authorities like Kumasi Metropolitan assembly. Our radio advertisement content will be edited in order not to breach the media practitioner's code of conduct. This is to avoid making statement, defamation of character and insight one religious and tribal groups against one another.

2.0 PRODUCTS AND SERVICES

As a financial institution, Peace and Love Co -operative Credit Union intends to give economic development approach to all in the society especially the low income earners. This refers to the provision of financial services in the form of savings, credit, hire purchase and financial literacy training to its members. By extension, it is to provide social intermediation services such as group formation, development of self confidence, financial literacy and training among members.

The key financial services or products are;

1. Savings/ insurance
2. Credit facility
3. Hire purchase
4. Financial literacy and support.

Savings

As a co-operative union, the members are the owners. By way of membership contribution, they automatically become equity owners. By their contribution, members develop the habit of savings which can be withdrawn at any point in time by the contributing member at a very small fees or charges. The member after making the withdrawal can continue to contribute to make him/her an active member

The contribution can serve as insurance on which the member can lean on in times of financial difficulties. The members are allowed to make gradual savings contribution to the minimum of GH¢ 50.00 as their membership share.

Credit facility

The union will give loans /credit facility to its members. After a member has contributed for at least six (6) months continuously, he/she will be entitled to two times his/her contribution. The loan application will go through vetting and approval.

To forestall default and delinquencies in loan repayment, monitoring and evaluation will be done on clients periodically. The loan products can be in these categories;

- a) Child or personal education loan
- b) Business support loan
- c) Rent and housing loan
- d) Car loan

Members will qualify for loan in support of personal education improvement or children's education. The union will give consideration to members who genuinely apply for loan to pay for wards' school fees. An evidential document may be demanded if doubtful about the purpose of the loan.

Some members may apply for loans to support their business. This may come as a way of venturing into new business or broadening their capital base of an existing business.

Additionally, members may face the challenge of possible evacuation from landlords/landladies. On the other hand, they may also plan raising a housing structure. In any of these, if they apply for financial support by way of a loan, the union will not turn them down.

Members can access car loan from after the third year of successful operation which the union expects to have enough financial strength.

Non members can access loans provided he/she get active members to guarantee their contribution for them (non members) at 5% interest rate per month.

Hire purchase

As part of given financial relief to its members, Peace and Love Co-operative credit union will sell some household and electrical appliances to its members on hire purchase. Financing arrangement will be agreed upon with a key distributor of these products to sell to members through the union on credit basis at an affordable price. The union will gain some profit margin on the sale of these products. The union will administer the repayment of these hired purchased products.

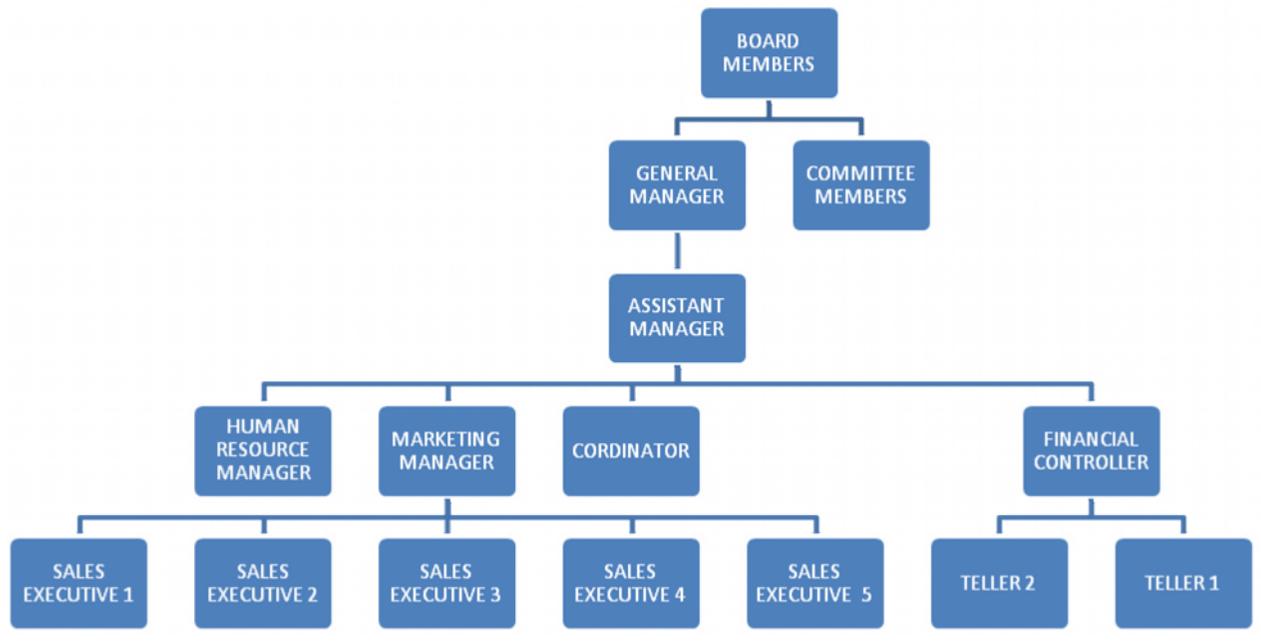
Training on financial literacy

One challenge many small scale enterprises face are the lack of proper book keeping of financial transactions. The union will from time to time organize financial reporting training to members. This will help them monitor their financial transactions and also plan their financial needs.

The training arrangement will keep them alert on financial management and its subsequent planning for loan repayment schedule. The training will benefit the participating member to have the competitive edge over those who do not have financial reporting.

3.0

ORGANOGRAM



BOARD MEMBERS

ANTHONY FOSU

BOARD CHAIRMAN

KWABENA DANKWA DWAMENA

LEGAL PRACTITIONER

ERNEST OFORI AGYEMAN

GENERAL MANAGER

NANA KOFI AGYEMAN IV

TRADITIONAL RULER

WINNIFRED OPPONG

SECRETARY

MR. ANTHONY FOSU 52 YEARS –BOARD CHAIRMAN

Mr. Anthony Fosus is the Ghanaian business magnet. He graduated from university of Cape Coast first class distinction in Business commerce. He holds MBA in finance from KNUST. He worked with Barclays bank as a branch manager from 1987 to 1994. From Barclays; he joined Sinapi Aba Trust from 1994 to date. He is currently the managing director of Sinapi Aba Trust.

He is financial consultant for other companies including new generation mutual Investment fund, Board chairman pinnacle productions, Board member Cedi Trust.

NANA KOFI AGYEMANG IV 65 YEARS - BOARD MEMBER

Nana Kofi Agyeman IV is known in the private life as Mr. Frederick Owusu Ansah. He is a retired banker and financial consultant. He is the traditional ruler of Santasi.

He worked with Akoafo Adamfo cocoa purchasing company for ten years as a district purchasing officer. After Akoafo Adamfo, he joined Nestle Ghana Company Ltd (Food processing Division) as an assistant Financial Controller for fifteen years. He was enstooled as a traditional ruler of Santasi in 1989. Due to the additional responsibilities as a chief, he quit Nestle Ghana and joined A. K Baffoe Consultant in Kumasi as an associate member. While working on part time with A.K Baffoe, he was a credit control manager of Asafo branch of Ghana Commercial Bank. He went on voluntary retirement in 2010.

MR. OFORI AGYEMAN ERNEST 42 YEARS –GENERAL MANAGER

Mr Ofori-Agyeman is a forty-two year old business executive. He holds professional certificate in ACCA, ICA Ghana. Mr. Ofori has much work experience across the business sector of finance. He was the operations manager at latex foam, assistant manager MGI investment, and consultant to Ejuraman educational fund.

DUTIES:

He is the head of the union. He is also a signatory to the unions cheque and the assistant manager reports to him directly.

MISS WINNIFRED OPPONG 26YEARS –BOARD SECRETARY

Winifred Oppong is a twenty six young woman who holds a certificate in management studies (UK). She has worked with institutions like nativity financial services, Ebenezer credit union as secretary. She is also a teacher by profession.

ASSISTANT MANAGER

DUTIES:

He reports directly to the manager and see to the day to day activities of the union.

MR.GADDIEL ERIC DADZIE 37 YEARS -FINANCIAL CONTROLLER

Gaddiel Eric Dadzie is a graduate of HND in accounting and BBA in banking and finance from Christian service University College. He also has a part completed certificate from ACCA. He has five years working experience with Amponsah Effah pharmaceuticals Ltd in Kumasi as assistant accounts manager. Before joining Peace and Love Co-operative Credit union, he was the assistant financial controller at Bomso Clinic in Kumasi for six years. Presently he is secretary to Asokwa Methodist church Finance and Development committee and treasurer to the church Mens' Fellowship.

DUTIES:

He is in charge of the financial management of the union.

MR. KAKRA ODURO SARPONG 30 YEARS– HUMAN RESOURCE MANAGER

Kakra Oduro Sarpong is young dynamic person who was born some thirty years. He holds HND in purchasing and supply and first degree in human resource management from the Christian service university college. He has work experience with Songhor salt project as assistant purchasing officer. Before joining peace and love credit union, he has rich experience with Barclays bank, where he was a retail support staff at Asafo direct sales department, customer advisor at Kejetia branch.

DUTIES:

He reports directly to the manager and sees to the human resource needs of the organization.

OPERATIONS MANAGER /CORDINATOR

The sales executives report to him directly and also see to the daily activities of the sales executives.

JULIANA YINUGH 28 YEARS – MARKETING MANAGRESS

She is a Ghanaian of much experience in marketing. She had five years working experience with Multi Choice Ghana as a sales executive supervisor. She is now the operations executive at Merchant Bank Ghana at Asafo – Kumasi branch.

DUTIES:

She is in charge of advertising and sales of our products and identifies the needs of the customers.

3.1 RECRUITMENT

Peace and love recruited through advertising in the dailies and qualified applicant were selected for interviewed and the best candidates were employed.

3.1.1 Job Description

Manager: As the head of the union he sees to the day to day activities of the union. He is a signatory to the union's bank account.

Operations Manager: See to the day to day activities and also sees to our objectives to be achievable. There should be a dual control system to check fraud.

3.1.2 Recruitment Process

Advertising: we recruited through by advertising in the dailies

Selection was made for applicants to attend interviewed and the best was employed

Selection: the point of entry is based on qualification. SSS graduate upwards depending on the position

- Susu /sales executive SSSCE
- Teller DBS
- Functional managers HND
- Manager DEGREE/PROFESSIONAL CERTIFICATE

3.1.3 Compensation

We will provide management and staff with fixed basic salary and variables which will comprise of staff annual bonus, medicals expenses. Annual Bonus payment will be based on performance peace and love gives medicals to all (employees) and it covers immediate family. Two hospitals have

been negotiated for the medicals; Trust Care and Bomso Clinic. These hospitals has specialist in terms of health delivery.

Performance improvement plan is a system instituted to help staff improved on their performance so that they will be outstanding on their work of duty.

Annual Leave Entitlement

Sales Executives are entitled to 15 working days annual leave with pay. They will enjoy pay on public holidays.

Leave to Management

Manager shall be entitle to	30 days
Assistant Manager	28 days
Other Managers	26 days

3.1.4 Staff Training

Periodic training will be organized for all staff in know your customer, Anti money laundering, Customer service, Cashiering.

Peace and Love Co-operative credit union will outsource its sales executive and teller personnel from a notable human resource management agency. This will help the union to concentrate on few employee base to manage. This is expected to reduce the risk associated with employee fraud.

4.0 MARKETING ANALYSIS

4.1 COMPETITOR ANALYSIS

SUB METRO	NHYIAESO	KWADASO	ASAWASE	OFORIKROM	TAFO PANKRONO	SUAME	ASOKWA	BANTAMA	SUBIN	MANHYIA	TOTAL
CREDIT UNIONS	2	3	4	4	1	2	6	4	15	4	45

* The number of credit unions in the Kumasi Metropolitan Assembly in good standing with CUA.

Source: bulletin from 2010 international credit union day celebration (Ashanti Region chapter)

SERVICES	Peace and Love	OWASS	Resurrection Power
Membership savings	√	√	√
General Loan	√	√	√
Car Loan	√	x	X
Hire purchase	√	x	X
Members withdrawal	√	√	√
Door to door collection	√	x	X
Literacy training	√	x	X
Working hours	8am – 5pm	8am-3.30pm	8.30am -4pm
Loan Interest rate	2.8%	3.0%	3.0%
General population	2000 members	490 members	800 members
Target population	Community base	Teacher base	Church member base

Keys: yes -----√ no-----x

4.1 SWOT ANALYSIS

Strength

- I. We have resource to acquire household products to our members or customers for them to pay on hire purchase.
- II. We will also give loans to non-members by asking them to bring in their bank statements from other financial institution.
- III. Our interest rate is brought down to 2.8% per month as compared to other credit unions minimum rate of 3 % per month.
- IV. Quick loan delivery service is within 2 days as compared to our competitor's one week.
- V. Our organization's unique selling preposition is bringing banking to members doorsteps. Management will also pay surprise visit to our customers in addition to regular phone calls.
- VI. Span of control will be effective since supervisors will be controlling a small number of staff within the same banking space.
- VII. Financially, we have experienced and skillful management to handle the credit union.

Weakness

Because we are a new entrant in the industry, most potential customers have already established loyalty with other banks and is difficult to make them switch for our products.

Opportunities

Most credit unions do not go to the door steps of customers, but we will do that.

- I. The lump sum of the loan will be granted to customers. The processing and insurance fee would be added to the interest.
- II. Customers do not need collateral to secure a loan.
- III. Santasi and its environs are increasing in market population.

Threats

- I. There are already established credit unions like OWASS credit union and Resurrection power credit union that we will be competing with.
- II. Our competitors give loans to customers to travel abroad but we do not.
- III. Changing technology will threaten our position as a credit union. Example is e-commerce.

4.2 MARKET SEGMENTATION

The union wants to expand its services to all the adjoining communities around Santasi. Some of these communities are Fankyenbra, Atasemanso, Apire, Enyinam and Danyame. This is because, apart from OWASS and Resurrection Power, there is no other credit union within the Nhyiaeso Sub-Metro of Kumasi.

4.3 TARGET MARKET

The prospective (target) market is the local artisans like metal welders; sign post writers, barbers and hair doers, taxi cab operators, petty traders etc and farmers-including crops farmers, pig farmers, poultry farmers etc. Some members of other professions will be sought after like teachers, public and civil servants.

4.4 MARKETING STRATEGY

The key function of the institution organization is to

- a. Mediate flow of resources (finance)
- b. Mediate between net savers and net borrowers

- c. Ensure that, financial resource remain in the communities from which the resources are mobilized.

As a requirement to promote the union, applicant for loans will be grouped into sections/team of at least ten. This will serve as a group guarantee and enable members to sell the union's objectives to more prospective members.

5.0 RISK MANAGEMENT AND ASSUMPTIONS

Risk is an integral part of financial services. Failure to manage risk is costly and so is managing risk costly. As a financial institution, the core business is to intermediate between surplus lenders and the net borrowers. There is risk attached to loan default and collection of deposit withdrawals. When poorly managed, risk begins to result in financial losses; as investors, lenders, borrowers and savers tend to lose confidence in the organization and funds begin to dry up and subsequent collapse of business. The early the potential losses are identified and managed; the less costly it is in fixing the problems as solving the problem requires more management time and other resources.

In micro finance institution like Peace and Love co-operative Credit Union, three Key categories of risks are identified as;

1. Financial Risk
2. Operational Risk
3. Strategic risk

5.1. Financial Risk:

Under financial risk, three potential areas are credit risk, Liquidity risk and market risk.

- I. To mitigate the risk associated with credit, a well designed borrower screening techniques and careful loan disbursement structuring, with close monitoring and clear collection procedures will be implemented.
- II. Portfolio risk diversification will be administered to avoid concentration in a particular business sector, sorting out maximum loan size with each sector to lessen the default rate to maintain sufficient cash reserves on a hand to meet client withdrawals and other cash outflows.
- III. A monthly estimation of projected cash inflows and outflows to manage liquidity problem.
- IV. To maintain investment in other financial institutions that can easily be converted into cash.

- V. A study of seasonal variations in deposit and withdrawals to avoid cash trapped situations.
- VI. A carefully thought - through percentage of deposit will be reserved for unforeseen natural disaster which will have effect on the cash flows (that is increase cash outflow and reduce cash inflows).

Interest rate risk arises from the possibility of a change in the value of assets and liabilities in response to changes in providing market interest rates in the face of this competitive interest. Rate will be offered borrowers while seeking a low risk, high interest investments. Borrowers will access loans on interest rate which will be determined as margin addition to Government of Ghana Treasury bill rate.

5.2. Operational Risk

The institution will have to deal with the risk associated with transaction, fraud and integrity and legal and compliance risk. Operational risk arises from human or computer error within daily product delivery and services. The potential inadequate technology, information systems, legal challenges, operational problems, insufficient human resources or breach of integrity (fraud) will result in unexpected losses. These risks are a function of internal controls, information systems, employee integrity and operational processes. To curtail the above mention risk areas:

- I. Highly motivated and trained professionals will be employed with very high level of background checks of staff especially the loan vetting section.
- II. Diligences award scheme will be implemented to minimize data input errors.
- III. To forestall legal battle and constitutional, customary and social disputes, legal and professional experts will be on board to address act proactively on any unforeseen problem.
- IV. To minimize theft, employees will be asked to nominate a justified guarantor to make good the loss (theft) if necessary.

- V. Religious and moral discipline will be instilled in members to avoid misleading financial statements, bribes kickbacks and phantom loans.

Operational Risk:

The union will have to deal with the risk associated with transactions, fraud, integrity, legal and compliance risk. Operational risk arises from human or computer error within daily product delivery and services.

In the nutshell, comprehensive internal control measures will be put in place such as risk transfer by way of purchasing insurance.

5.3. Environment Risk

This area of risk deals with governance reputation and external environment risks.

- I. To handle poor governance, the right mix of individuals will be appointed on key technical and personal skills and backgrounds needed by the institution.
- II. Peace and love Co-operative Credit Union will put premium on staffs who are themselves a member of the union.
- III. The union will cultivate good reputations carefully with specific audiences, such as customers (its market) financiers and regulators or officials through its products and services.
- IV. The union will promptly react to changes in the external business environment to take advantage of opportunities, response to competition and still maintain a good public reputation.
- V. It will also seek compliance and conform to laws, rules and regulations, prescribe practices and ethical standards within the legal frame to avoid shut down or bad reputation.

RISK INSURANCE

Measures have been put in place to reduce loan loss. They are:

- I. To insure all loans
- II. To make provision for loan loss
- III. Give free financial and investment advice to members from time to time.
- IV. Do follow up to members by visiting them personally and giving them telephone calls.
- V. A member of the union with enough savings will have to guarantee a loan and ensure that he/she pays it.

5.4 DEBT DELINQUENCIES RISK MANAGEMENT

We will take insurance for all our loans as well as contributions of members.

We will also make provision for loan default or bad debt as they age as follows:

- 1- 30 days - 1%
- 1 -3 months - 10%
- 3-6 months - 30%
- 7-9 months - 60%
- 9-12months-100%,
- and over 12 months 100%

5.5 FINANCIAL PROJECTIONS

Income projections for the first year

Year one projection	¢5	¢10	¢20	¢50	¢100	Total
Number of People	10	25	35	25	10	
% Increase / decrease	20%	40%	20%	35%	30%	
1 st Month	50	250	700	1,250	1,000	3,250
2 nd Month	60	350	840	1,700	1,300	4,250
3 rd Month	70	490	1,020	2,300	1,700	5,580
4 th Month	85	690	1,200	3,100	2,200	7,275
5 th Month	100	970	1,440	4,200	2,900	9,610
6 th Month	120	1,360	1,720	5,650	3,800	12,650
7 th Month	145	1,900	2,060	7,600	4,900	16,605
8 th Month	175	2,660	2,480	10,250	6,400	21,965
9 th Month	210	3,720	2,980	13,800	8,300	29,010
10 th Month	250	5,210	3,580	18,650	10,800	38,490
11 th Month	300	7,300	4,300	25,150	14,000	51,050
12 th Month	360	10,220	5,160	33,950	18,200	<u>67,890</u>
TOTAL						<u>267,625</u>

Key Assumptions

1. From the 7th month onwards, individual contributors can access loans of maximum two times their contribution.
2. The contribution from month one till the seventh month will be invested in high yielding portfolio. This is after considering the administrative expenses and charges.
3. The contribution from members varies from GH¢5.00 a month to GH¢100.00 on the average.
4. The number of contributors in each contribution category are expected to increase by net of 20%, 40%, 20%, 35% and 30% for GH¢5, 10, 20, 50, 100 respectively.
5. After year 1, the annual contributions are expected to increase by 20% on the previous year as a base

6. Interest income from members loan for year one is expected to be GH¢35,824. This represent 13.4% of the gross contribution from members in year one.

7. After year1, it is expected that more members will subscribe for loan. Due to the increase, 35% is expected as interest income on each year's contribution.

8. Projected contributions	Year 1	Year 2	Year 3	Year 4	Year 5
	267,625	321,150	385,380	462,456	554,947

9. Commission and fees of 15% will be charged on each member's voluntary withdrawal from contribution and loan processing. This is expected to be 5% on each year's total contribution.

10. The union will give members household appliances on hire- purchase. Due to this extra income will be generated. This is projected as 1% of each year's interest income.

11. Operating expenses will consist of the cost of capital on the open market, cost of securing the funds and charges against capital. This is expected to be 8% of member's contribution for each year.

- It is assumed that, GH¢500.00 will be paid as rent monthly. This sums up to GH¢ 6,000 per annum and is expected to be the same for the five years period.
- Electricity charges is expected to be GH¢1,200 for the first year. After the first year, it is expected to go up by 15% yearly using the previous year as a base.
- Due to the product launch and it associated cost, more printing and stationary will be purchased at a cost of GH¢ 2000 for the first year but will remain GH¢1,000 for the following four years. Aside this, advertising will be carried out in the first year only at GH¢2,500.00 for flyers, banners and radio jingles.
- We assume GH¢500.00 to be paid yearly as insurance against fire, theft and flood or earthquake and its associate.

- GH¢200 is projected as repairs and maintenance for the first year. After the 1st year, it is expected to be GH¢500 for the second year and increase by GH¢100 each year for the next three years.
- T & T is expected to reduce from GH¢1,000 for the first year to 800 for the next four years.
- Wages and salaries are expected to be paid. It is projected that 15% increment will be implemented each year as per appendix.

12. Administrative expenses are schedule as:

Details	Year 1	Year 2	Year 3	Year 4	Year 5
Rental charges	6,000	6,000	6,000	6,000	6,000
Electricity charges	1,200	1,320	1,452	1,597	1,757
Printing and stationary	2,000	1,000	1,000	1,000	1,000
Advertising	2,500	—	—	—	—
Insurance	500	500	500	500	500
Repairs and maintenance	200	500	600	700	800
T & T	1,000	800	800	800	800
*Wages and Salaries	<u>55,332</u>	<u>63,632</u>	<u>73,177</u>	<u>84,153</u>	<u>96,776</u>
Total	<u>68,732</u>	<u>73,752</u>	<u>83,529</u>	<u>94,750</u>	<u>107,633</u>

* The wages and salaries includes the fees charged by the out-sourced agency for the tellers and sales executives.

13. Depreciation of fixed asset is detailed below on straight line method.

Computer and Accessories 20% per annum

Furniture and equipment 10% per annum

14. Bad and doubtful debt is projected as 1% of gross loan outstanding.

15. Membership of 2213 with minimum share of GH¢ 50.00 will constitute the members equity.

16. The union has Barclays Bank Ghana- (KPST Adum-Kumasi) and Atwima Kwanwoma Rural Bank-Santasi. These are our bankers; an overdraft arrangement is in place for the bankers to give credit float to the union when it is in need. That is to say they are our debt financiers

PEACE AND LOVE CO-OPERATIVE CREDIT UNION

PROJECTED PROFIT AND LOSS ACCOUNT FOR THE YEARS 2012 TO 2016

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Operating income	38,824	112,403	134,883	161,860	194,231
Commission and Fees	13,347	15,348	17,650	20,298	23,343
Other Operating income	<u>88</u>	<u>920</u>	<u>1059</u>	<u>1,218</u>	<u>1,400</u>
Total income	52,259	128,671	153,592	183,376	218,974
Less: Operating Expenses	(21,384)	(24,558)	(28,242)	(32,477)	(37,349)
Administrative Expenses	(68,732)	(77,752)	(83,529)	(94,700)	(107,633)
Doubtful debt	-	(300)	(400)	(400)	(500)
Charges for Depreciation	<u>(500)</u>	<u>(500)</u>	<u>(600)</u>	<u>(800)</u>	<u>(1,000)</u>
Total Expenditures	<u>(90,536)</u>	<u>(103,110)</u>	<u>(10,771)</u>	<u>(125,427)</u>	<u>(146,482)</u>
Net profit (loss)	<u>(38,328)</u>	<u>25,561</u>	<u>40,821</u>	<u>54,949</u>	<u>72,492</u>

PEACE AND LOVE CO-OPERATIVE CREDIT UNION

PROJECTED BALANCE SHEET FOR THE YEAR 2012 TO 2016

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Cash	11,700	23,500	65,200	88,900	91,300
Gross loans & Advances	50,000	80,000	100,000	120,000	150,000
Add other C/A	<u>178,900</u>	<u>386,319</u>	<u>473,214</u>	<u>640,223</u>	<u>766,143</u>
Total C/A	240,600	489,819	638,414	849,123	1,007,443
Fixed Assets	<u>40,000</u>	<u>54,000</u>	<u>72,000</u>	<u>80,000</u>	<u>100,000</u>
TOTAL ASSETS	<u>280,600</u>	<u>543,819</u>	<u>710,414</u>	<u>929,123</u>	<u>1,107,443</u>
Short term liabilities	2,000	3,000	3,500	3,000	3,000
EQUITY:					
Equity	110,650	110,650	110,650	110,650	110,650
Accumulated Fund	<u>167,950</u>	<u>430,169</u>	<u>596,264</u>	<u>815,473</u>	<u>993,793</u>
	<u>280,600</u>	<u>543,819</u>	<u>710,414</u>	<u>929,123</u>	<u>1,107,443</u>

Cash Flow Statement

	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Profit	(38,328)	25,561	40,821	54,949	72,492
Add. Depreciation	500	500	600	800	1,000
Add: increase in contribution	-	40,039	46,046	52,952	60,895
Increase in Loan Port.	—	(30,000)	(20,000)	(20,000)	(30,000)
Increase in Creditors	—	1,000	500	(500)	—
Net Cash Flow	(37,828)	37,100	67,667	88,201	104,387

NPV without Discount

Year	Cash flow (¢)	NPV
0	(10,000)	(10,000)
1	(38,328)	(48,328)
2	25,561	(22,767)
3	40,821	18,054
4	54,949	73,003
5	72,492	145,495

NPV with Discounted Cash flow factor of 10%

Year	Cash flow (¢)	Factor	NPV
0	(10,000)	1.00	(10,000)
1	(38,328)	1.10	(42,161)
2	25,561	0.826	21,113
3	40,821	0.751	30,657
4	54,949	0.683	37,530
5	72,492	0.621	<u>45,018</u>

82,157

5.7 FINANCIAL ANALYSIS

A well planned financial projections are in place -being income statement, balance sheet (financial position), cash flow statement and ratios.

The Revenue for the first year is expected to be GH¢ 52,259 and will increase to GH¢188,145 in the fifth year showing a growth of 260% loss and intends to attract a profit of 38,328 in the first year and a profit of 20,597 in the second year. The increasing trend in profit will continue to the fifth year of which a net profit of 41,663 would be realized.

THE UNION EXPECT TO MAKE PROFIT

The project will break-even its initial capital investment of GH¢ 10,000.00 within 4 years after operation.

RATIO ANALYSIS

		Year 1	Year 2	Year 3	Year 4	Year 5
Return on equity	$\frac{\text{Net profit}}{\text{Equity}}$	-	3.81%	4.17%	3.80%	3.77%
Operational Sustainability	$\frac{\text{Operation Profit}}{\text{OE+PLL}}$		82.86%	102.97%	107%	110.08%
Operating Exp. Ratio	$\frac{\text{Operating Exp}}{\text{Gross Loan}}$	42.7%	30.7%	28.24	27.06%	24.90%
Profit Margin:	$\frac{\text{Net Operating income}}{\text{Operating Revenue}}$		65%	20.73%	21.50%	22.14%
Profit Yield	$\frac{\text{Gross Interest}}{\text{Total Loan Portfolio}}$	104.52%	154.63%	142.26%	136.34%	125.43%
Loan to Assists:	$\frac{\text{Gross Loan}}{\text{Current Liability}}$	17.82%	14.71%	14.08%	12.92%	13.54%
Current Ratio	$\frac{\text{Current Asset}}{\text{Current Liability}}$	120.3 times	163.27 times	182.4 times	283.04 times	335 times

APPENDIX 1

<u>LIST OF ASSETS</u>	<u>QTY</u>	<u>UNIT COST (GH¢)</u>	<u>GH¢</u>
1. Computers	5	1,000	5,000
2. Printer	1	1,000	1,000
3. Software and networking			1,500
4. Air condition	3	1,500	4,500
5. Desk Table	10	100	1,000
6. Chair	25	50	1,250
7. Customers chairs	4	300	1,200
8. Money Counting Machine	3	200	600
9. Curtains	6	100	600
10. Steel safe for file	2	1,500	3,000
11. Burglar Proof many safe	1	500	500
12. Shelves	1	300	300
13. Cannon photocopier	1	1,000	1,000

APPENDIX 2

STAFF SALARY/ COMPENSATION	GH¢ (monthly)
General Manager	552.00
Assistant Manager	524.00
Human Resource Manager	486.00
Marketing Manager	486.00
Financial Controller/ Manager	486.00
Coordinator	358.00
Cashier 1	294.00
Cashier 2	294.00
Sales executive 1	229.00
Sales executive 2	229.00
Sales executive 3	229.00
Sales executive 4	229.00
Sales executive 5	229.00
COMMITTEE MEMBERS	
3 member Loan Committee	20.00 each
3 member internal audit/ supervisors	20.00 each
3 member education committee	20.00 each
4 member board of directors – Chairman	40.00
-legal advisor	20.00
-secretary	20.00
-treasurer	20.00
Total	<u>36,900.00</u>