

CHRISTIAN SERVICE UNIVERSITY COLLEGE



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ACCOUNTING AND FINANCE DEPARTMENT

**“THE ROLE OF CREDIT UNION IN THE PROVISION OF CREDIT IN KUMASI
OF THE ASHANTI REGION”**

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**A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND
FINANCE, CHRISTIAN SERVICE UNIVERSITY COLLEGE SCHOOL OF
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STATEMENT OF AUTHENTICITY

We have read the university regulations relating to plagiarism and certify that this report is all our own work and do not contain any unacknowledged work from any other source. We also declare that we have been under supervision for this report herein submitted.

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DECLARATION

We hereby declare that this work is our own research towards the award of a degree in bachelor of business administration and contain no material formally published by any other person or any material which has accepted for the award of any other degree of the universities except where suitable acknowledgement has been made in the text.

DEDICATION

We dedicate this work to all our families for their prayers and supports

ABSTRACT

This research focused on the decline of credit unions' duty in the country. Specifically the research takes into consideration the roles of credit unions located in Kumasi in the Ashanti. The main purpose of this research is to review, evaluate and assess the performance of these credit unions in the provision of credits. The research adopted both quantitative and qualitative analysis of the data. These data was obtained by the use of questionnaires. The sampling size consist of 50 selected credit unions in the Kumasi area .Respondents were asked to fill the questionnaire and SPSS version 16.0 was used to analyze the data collected from the respondents. The analysis revealed that credit unions have high levels of flexibility in loan advances and loan recovery. Based on these findings, implication for managerial decision making and recommendation for future researchers are given.

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CHAPTER ONE

1.1 Background to the Study

Credit is an arrangement which enable people to obtain and use resources which they do not own themselves. Scarcity of resources accounts for people not having enough resources to apply to their needs, desires and wants. The existence of credit thus make it possible for people to satisfy more needs, desires or wants than should be the case if they were applying their own limited resources. People therefore avail themselves to credit in order to develop their standard of living either by investing such facilities in various activities such as farming, trading and education or for the acquisition of needs and wants.

The provision of credit became an engagement for institutions and individuals alike who charge interest for providing such credits. The interest was in some instances so high that beneficiaries find it unattractive. People are expected to meet their needs, want and desires from their earning. However, in Ghana where incomes are relatively low and the culture of savings not very enhanced, this position was worsened by the demand for collateral by the lenders from borrowers who have difficulty in providing such collaterals.

Credit unions are not-for-profit financial cooperatives. In the early stages of development of a nation's financial system, unattended and underserved populations must rely on risky and expensive informal financial services from sources like money lenders. Credit unions proved they could meet demand for financial services that banks could not: from professional, middle class and poorer people. Those that served poorer urban and rural communities became an important source of microfinance.

The first working credit union models sprang up in Germany in the 1850s and 1860s (International Co-operative Alliance Statement on the Co-operative Identity Definition), and by the end of the 19th Century had taken root in much of Europe. They drew inspiration from

cooperative successes in other sectors, such as retail and agricultural marketing. Similar institutions were independently developed somewhat earlier in Japan, in the early 19th century, by agrarian reformer and economist Ninomiya Sontoku. In this village union, each person of the village union could borrow fund interest free for 100 days, while the entire membership shared the cost in case of default. (Kouta Kodama, 1984)

The language related to credit unions can be confusing. In spite of the word 'credit' in their name, even the earliest credit unions usually offered both savings and credit services and often payment and insurance services as well. And they were known by (and are still known by) a wide range of names, for example: 'people's banks', 'cooperative banks' and 'credit associations'.

Credit unions are best identified by their adherence to cooperative principles, especially related to membership and control. For example after World War II many organizations were started by and controlled by governments in the developing world, and were described as 'credit unions' or 'cooperatives' by their promoters. However, government control, whether in a capitalist or communist political context, represents a fundamental repudiation of cooperative principles.

From this point on credit union flourished in several other European countries. In Italy, for instance, there was a direct transference of the ideals of Schulze- Delitzsch by Luigi Luzzatti, an Italian scholar who promoted and formed people's bank on the basis of the developments he had observed in Germany (Secton-watson, Christopher, 1961). A close correspondent of Luzzatti was Alphonse Desjardin in Quebec, Canada, who organized the first Canadian credit union (Caisse Populaire) in His hometown of Levis, Quebec in 1901, thus bringing the credit union experience to North America. Desjardins' motivation was a unique blend of Catholic revulsion of usury and the Quebec political and religious philosophy of "La survivance". This philosophy was founded upon three fundamentals; the Church, the Soil and the Hearth. The

caissepopulaire both buttressed and rested upon these same three pillars (Thompson, 1978). Thompson suggested that Desjardians was in contact with Luzzatti, Henry Wolff of Britain and Charles Gide of France. Furthermore that he read of Raiffeise, Schulze-Delitsch and the Rochdale Pioneers. Thompson suggests that Desjardians united all of these elements into that was not only unique to Quebec, but also became the basis for the modern credit union structure and operation.

It was from Canada that the credit co-operative ideal entered the United States, with Desjardians helping to organize a credit union in Manchester, New Hampshire for a Franco-American parish. During this time Desjardians met with Pierre Jay, the commissioner of banks in Massachusetts, and Edward Filene, a Boston merchant, and the American credit union movement was born. Overstreet and Rubin (1990,1991) state that Jay is credited with drafting the first credit union statute in the US, the Massachusetts credit union Act of 1909, while Filene was largely responsible for promoting credit unions in Massachusetts and more generally in the US in 1921, Bergengren, a Massachusetts lawyer and a friend of Desjardians, along with Filene, formed Credit Union National Extension Bureau, which they charged with spearheading credit union legislation in every US state as well as at the federal level. Bergengren was the guiding spirit who was responsible for the drafting of, and lobbying for, credit union legislation in thirty-nine states before writing the 1934 US Federal Credit Union Act. This Act encapsulated much of this interpretation of what credit union are, how they would be structured, and how they would operate, into law. Bergengren also drafted the Canadian 1932 Nova Scotia Credit Union Act.

Finally in September 1955, the first credit union in Africa was formed at Jirapa in the North – West now the Upper West Region of Ghana. The idea was introduced by Rev. Father John McNulty an Irish Canadian.

In 1960, when Pope John XXIII appointed Bishop Dery as the Bishop of Wa he encouraged the formation of Credit Unions in all the Parishes. Among them were Nandom, Kaleo, Ko, Daffiama, Wa, Lawra and Tumu. The Bishop gathered courage at that time and met the President Dr. Francis Kwame Nkrumah to discuss issues relating to the Credit Unions movement in Ghana. The President of the first Republic finally said – You are doing a good service to Ghana and I encourage you to continue and it's from here that Credit Unions began to develop throughout Ghana. Memberships were considered such an honor and privilege that almost everybody wanted to be a member.

In 1967, the Credit Unions in the North were united in a chapter because the White Fathers had been advisors to all of them and Credit Unions in the south also felt a need for joining together for training programs and an exchange of experience.

Following a meeting sponsored by CUMA International in Lesotho in January, 1968 the idea of a National Association in Ghana was conceived. A follow-up conference was held in April in Tamale the same year giving birth to the Ghana National Union and Thrift Association, the forerunner of the Ghana Cooperative Credit Unions Association (CUA) Limited. The duties of CUA limited were to promote, educate, organize and support the Credit Union Movement nationally and internationally. Notable among the pioneer volunteers were Rev. Father MacNulthy (retired) and Cardinal Peter Dery (the late). The Ghana Co-operative Credit Unions Association (CUA) limited in duly registered with Department of Co-operatives under the Co-operative Societies Decree 252 of 1968. Presently, the Ghana Co-operative Credit Union operates throughout the ten regions in Ghana and its membership is opened to all registered Credit Unions organized and doing business in Ghana.

Prior to this bold experiment, there had been in existence since the 1920s Co-operative thrift and Loans Societies founded under the auspices of the then Department of Agriculture and

the Department of Trade and Industries. The ultimate aim was to provide financial security for the members and enhance their total development.

1.2 Statement of problem:

Credit unions were serious stakeholder in the provision of an avenue of savings and credit for its members. In recent times the proliferation of Susu groups and also banks becoming more flexible in their lending flies in the face of the revelation by the Ghana's poverty profile that poverty is still rife in businesses and cocoa growing areas (Baseline Poverty Survey, 2005) require the evaluation of the performance of credit unions in credit provision to its members, evaluate the loanportfolio of credit union in delivery of loans and recovery and how the current composition affecting the role of credit union.

1.3 Objectives of the Study

The objective of the study is to;

1. Access the performance of the credit unions in the provision of credits.
2. Evaluate the loan portfolio of the Credit Union.
3. Assess the general composition of Credit Union.

1.4 Research Questions:

The study wish to provide answers the following questions:

1. What is the expectation of customers towards credit unions
2. What is the capacity of credit union in loans delivery and recovery?
3. Why the current compositions affect the role of credit unions?

1.5 Significance of the study

The study seeks to identify why credit unions in general are currently not effective in their operations.

1.6 Scope of the study

This study is focused on ten randomly selected credit unions operating within the Kumasi Municipality. Members of these credit unions irrespective of who you are were some of our study variables. The only restriction is the member should be of a sound mind.

1.7 Limitations of the study

The limitation of this study is grouped into finance, respondent attitude and the source of information.

1. Finance; this work is financed by we the researchers from our own small savings with no support from any organization.
2. Respondent's attitude; some unwillingness of respondents to give answers to the questionnaires that were giving them to help the progress of the research.
3. Source of information; some books and materials are limited in their information and sometimes difficult to find for the research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This is about the theoretical concept of credit union around the word. It talks about some definitions given by some renowned persons in the world of credit union. It also talks about some related studies done by different people on credit unions and other concepts identified in the credit unions.

2.2 Definitions of concept

Non-profit [financial institution](#) is owned and operated entirely by its [members](#). Credit [unions](#) provide [financial services](#) for their members, including [savings](#) and [lending](#). Large [organizations](#) and [companies](#) may organize credit unions for their members and [employees](#), respectively. To join a [credit union](#), a [person](#) must ordinarily belong to a participating organization, such as a college alumni [association](#) or [labor union](#). When a person [deposits money](#) in a credit union, he/she becomes a member of the union because the deposit is considered [partial ownership](#) in the credit union.

2.3 Related studies

According to Heenan, for the past twenty years there has been an upsurge of interest in the credit union movement. They claim to play a key role in community development and regeneration. Against a background of increasing financial exclusion and debt, it has been suggested that the community development focus of this movement is a key factor in its success. This article based on a large community based organization suggests that there is a considerable discrepancy between what the organization claims its contribution to the community is and how the members view its role. It is suggested that their contribution to

community development is limited to providing a savings and low cost loans service. Their claims to evoke a community spirit, sense of solidarity and empowerment are largely rhetoric. It is concluded that the credit union movement must re-assess and re-examine its aims as it is in danger of becoming seen simply as another financial institution. (Deirdre Heenan , 2002)

Although there is a considerable literature on the role of market structure in banking markets, no attention has been given to the impact of the competitive discipline provided by credit unions on consumer credit rates offered by banks according to Robert. After presenting a theoretical framework for understanding the impact credit unions should be expected to have, this article analyzes a pooled cross-sectional, time-series sample with roughly 1,000 observations on relatively small United States markets, with the focus on explaining bank rates for two types of consumer loans. Results confirm the previously observed role of market structure and suggest a significant role for credit unions in disciplining the exercise of market power by banks. (Robert M. Feinberg, 2001)

Monika Huppi and GershonFeder came out with the view that lending groups and credit cooperatives have the potential to provide affordable credit to small-scale farmers because they can reduce transaction costs and lower the risk of default. In developing countries these two kinds of lending arrangements have a mixed record, although their difficulties reflect shortcomings in implementation rather than in the lending arrangements themselves. They indicated that successful group lending schemes work well with groups that are homogeneous and jointly liable for defaults. The practice of denying credit to all group members in case of default is the most effective and least costly way of enforcing joint liability. Another way to encourage members to repay is to require mandatory deposits that are reimbursed only when all borrowers repay their loans. They pointed out that credit cooperatives that mobilize savings deposits are less dependent on external sources and increase the borrowers' incentive

to repay. The success of credit cooperatives requires training of members as well as management. Experience suggests that credit cooperatives should not expand their activities beyond financial intermediation until they develop strong institutional and managerial capabilities. (Monika Huppi and Gershon Feder, 1990)

JSTOR also said real bank credit in Eastern European countries after their recent stabilization programs is shown to have fallen sharply, except in the case of Hungary. The meaning of the fall is discussed from the present value and liquidity perspectives. Moreover, it is shown that the hypothesis that the output contraction may partly owe to a credit contraction cannot be ruled out. The hypothesis is tested on a sample of 85 branches of industry in Poland. Also analyzed are the rationale for expecting a connection between credit and output and the policy options available to mitigate the liquidity crunch in post socialist economies. (JSTOR, 2000)

To Harold an empirical exercise was conducted in which he attempt to provide answers to three questions concerning credit union mergers: (i) do members of acquiring credit unions benefit from mergers?; (ii) do members of acquired credit unions benefit from mergers?; and (iii) what are the characteristics of relatively successful, and relatively unsuccessful, mergers? Our empirical exercise is based on annual samples of nearly 6000 credit unions, including nearly 300 merger participants, during the 1988–1995 periods. We find member service provision to have improved in acquired credit unions and to have been unchanged in acquiring credit unions. We also provide three separate analyses, from three different perspectives, of the role of various characteristics of merging credit unions in determining the success of mergers. (Harold O. Fried, 2000)

To Wilson studies, US credit unions, revenue from non-interest sources has increased significantly in the recent years. He investigated the impact of revenue diversification on financial performance for the period 1993–2004. The impact of a change in strategy that

alters the share of non-interest income is decomposed into a direct exposure effect, reflecting the difference between interest and non-interest bearing activities, and an indirect exposure effect which reflects the effect of the institution's own degree of diversification. On both risk-adjusted and unadjusted returns measures, a positive direct exposure effect is outweighed by a negative indirect exposure effect for all but the largest credit unions. This may imply that similar diversification strategies are not appropriate for large and small credit unions. Small credit unions should eschew diversification and continue to operate as simple savings and loan institutions, while large credit unions should be encouraged to exploit new product opportunities around their core expertise. (John O.S. Wilson, 2007)

In Full's write up concerning Great Britain, financial infrastructure withdrawal and community economic decline have focused attention on the capacity of locally "alternative" financial institutions to combat social and financial exclusion. This paper examines one such institution, the residential or "community" credit union, which provides a low-cost source of credit for members drawn from a common bond area usually based upon place of residence and/or work. Although community credit unions have traditionally been seen as providing individuals and communities with the opportunity to access credit and savings facilities in areas where there has been contraction in bank and building society provision (the financial "mainstream"), ongoing attempts exist to move away from the traditional role of community credit unions. This transition has set up three main challenges for the British credit union movement, discussed in this paper as follows: (1) a struggle over the attempt to redefine the "model" credit union within the national credit union movement; (2) the changing regulatory context for credit union development, including attempts to embrace credit unions within New Labor policies on social exclusion; and (3) a "local" challenge, including the incorporation of credit unions into community economic development initiatives. The paper considers how these challenges feed into wider understandings about the social relations,

categorization and autonomy of locally “alternative” financial institutions. We argue that future research on geographies of financial inclusion focusing on “alternative” institutions and their relationship to the financial mainstream needs to pay close critical attention to potential contradictions and tensions operating at different, yet intersecting spatial scales. (Duncan Fulle, 2002)

The unique characteristics of credit unions reduce the information asymmetry that is prevalent in credit making decisions, enabling them to provide loans where other financial institutions cannot. This makes them a potential tool in the fight against financial exclusion. Yet, the UK credit union movement is not regarded as being successful, even though there is evidence of much financial exclusion. This study is cross sectional in form, and evaluates characteristics that may contribute to the success of the UK credit union movement at national and regional level, in 2000. The findings are used to consider the impact of recent regulatory changes on the movement. The key findings are that there is a significant relationship between the success of a credit union, its size and the deprivation of the ward from which it sources its members. More specifically, larger credit unions and those located in more affluent wards, are more successful. Affiliation to the Irish League of Credit Unions and having a common bond of occupation, are also found to be contributing factors to credit union success. These results are taken as providing support for the recent changes implemented by the Financial Services Authority (FSA), which is likely to result in the emergence of larger credit unions (through mergers), run by appropriately qualified persons, serving a more mixed-income membership base. It is, however, noted that the history of the UK movement is one of missed opportunities and only time will tell whether credit unions have the wherewithal to accept current opportunities. (Ann-Marie Ward, 2005)

The aim of this paper is to analyze credit union industries within a development framework. Explicit consideration is given to credit union industries in four countries – Great Britain,

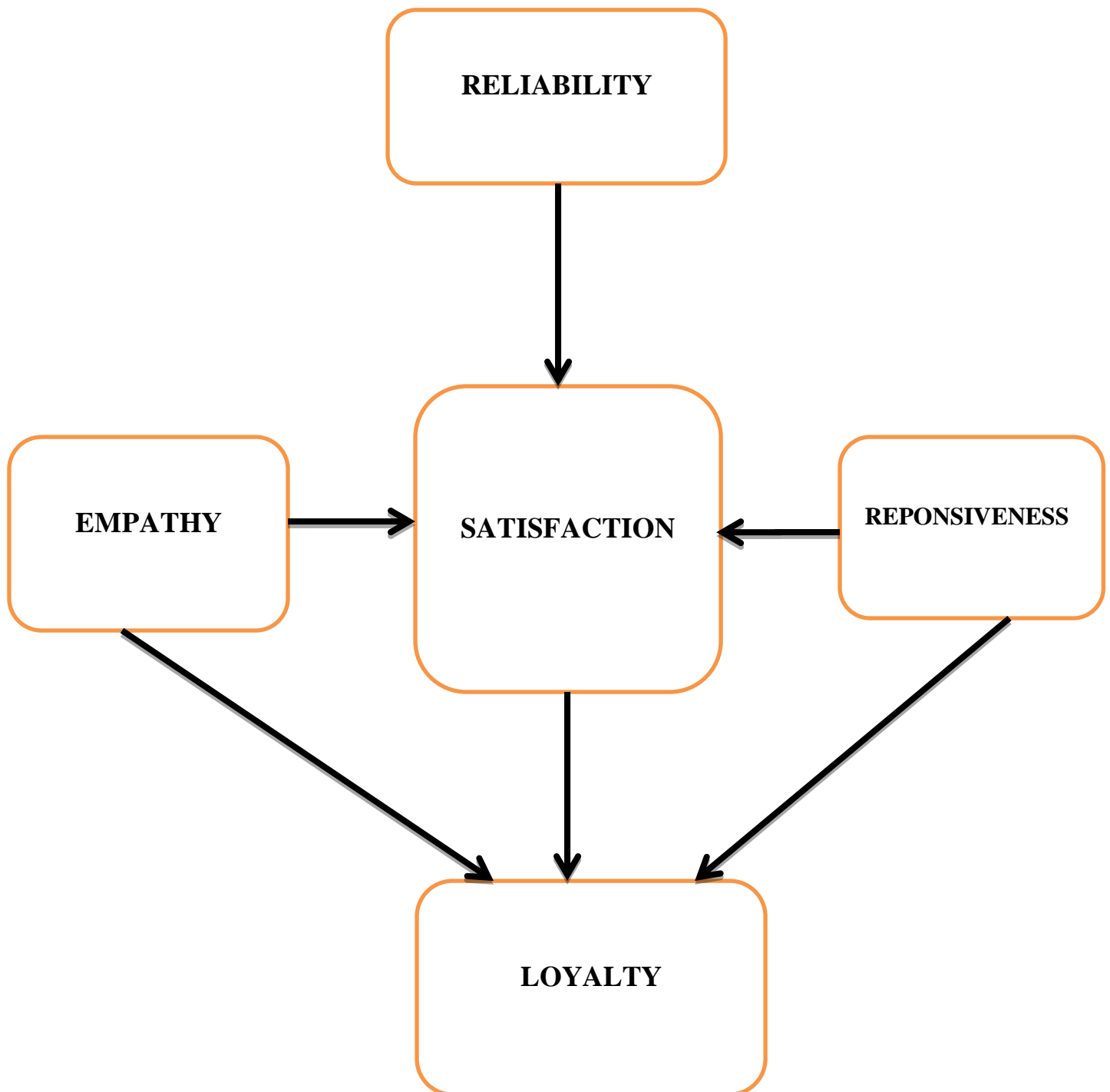
Ireland, New Zealand and the United States. It is argued that in terms of a developmental typology the credit union industry in Great Britain is at a nascent stage of development, the industries in Ireland and New Zealand are at a transition stage while the US credit union industry is mature in nature. In progression between stages the analysis considers the influence of factors such as situational leadership, the complexion of trade associations, professionalization, regulatory and legislative initiatives and technology. The analysis concluded that while there was a substantial commonality of experience, there were also significant differences in the impact of these factors. This consequently encouraged the recognition of the existence of 'a variety of the species' in respect of credit union development. (Alexander Sibbald, 2002)

The British government's desire to tackle financial exclusion is resulting in growing interest in credit unions (community-based financial services cooperatives). This article draws on research undertaken in Scotland to analyze the credit union support network. There are tensions in this: between those who see credit unions as small, area-based poverty-alleviating initiatives and those who feel unions can only survive if they serve larger areas. By making comparisons with other initiatives, an attempt is made to put the current support framework in context. The article concludes by raising a number of issues that should be addressed if more support is to be given to unions: in particular the need to be clear about objectives and to understand the role that credit unions might realistically play in tackling financial exclusion. (Hayton, Keith, 2001)

Today US credit unions operate within a highly competitive financial market place. Set against this competitive operating environment, the present study employs stochastic frontier analysis to evaluate the performance of large credit unions (assets greater than \$50 million) over the period 1993 to 2001. Although credit unions may share a common co-operative

philosophy, differences between credit unions are also apparent across a range of operational, structural and location characteristics (environmental conditions). The impact of these different environmental influences is modeled in two ways. One assumes that environmental factors affect the efficiency with which the production process is operated, while the second assumes that the environment affects the production process itself. Net and gross cost efficiency measures are obtained for both models, with the differences between these measures for a specific credit union being viewed as the impact that environmental variables have on the inefficiency of that credit union. In addition, if it is assumed that the main environmental factors are accounted for in the modeling, then a credit union's net efficiency measure may be interpreted as a measure of managerial performance when operating in equivalent environments. The analysis revealed that different environments (the age of the credit union; the potential for expansion within the existing common bond; whether the credit union has the option of expansion through the addition of select employee groups; whether the credit union is state or federally regulated; whether insurance is provided at state or federal level; as well as regional characteristics such as per capita income and the level of unemployment) account for much of the variability in cost efficiency between credit unions and once credit unions are placed in broadly equivalent operating environments only marginal differences are apparent in their managerial performance.(Colin Glass &Donal G. McKillop, 2007)

2.4 Conceptual Framework



2.5 Definitions of credit unions

There has been various definition of Credit Union by many authors: The Ghana Co-operative Credit Unions Association (CUA) Magazine 1993, defines a Credit Union as a financial Co-

operative society organized to promote thrift, encourage savings and create a source of credit for its membership by pooling their savings together to obtain loans at reasonable interest rates. A Credit Union can also be defined to be a group of people with the same interest agreeing to save together to create a financial pool out of which they can give credit among themselves in times of need for productive or provident purposes. (Darko, 2007)

According to Darko 2001, Credit Unions exist only to serve its members but not to get profit from their needs. It is not purposely organized to accumulate money or make profit but as a way of developing the people. He however stated that Credit Unions must operate on sound financial and prudent business principles which must be sustainable to serve its members.

But credit union newspaper defined it differently from Darko2001 as a financial co-operative owned by members united in a Common Bond who put their savings into a common pool and funds are lent at reasonable rates of interest out of the pool to members for worthy purposes and could provide other services that are financial in nature (Credit Union Newspaper, 1997)

According to the Credit Union Association (CUA) a different view was defined as ‘a voluntary self-help organization of people limited by common bond who agree to save their money together and make loans at a low rate of interest for productive and provident purposes.

From the foregoing, a Credit Union can be defined as a non-banking financial co-operative formed by interested members or a group of people having a common bond of either occupation, profession, clubs and associations, members of a community, among others, who pool their savings together in order to obtain a loan at fair and reasonable rates of interest for worthy, productive and provident purposes (CUA Beacon, 2010).

Again, World Council of Credit Unions (WOCCU), defined credit unions different from the above with some new ideas as non-bank financial institutions owned and controlled by members. It is also a democratic, member-owned financial co-operative. Each member, regardless of account size in the credit union, may run for the board and cast a vote in elections. As financial intermediaries, credit unions finance their loan portfolios by mobilizing member savings and shares rather than using outside capital, thus providing opportunities for generations of members. Credit unions exist to serve their members and communities. As not-for-profit cooperative institutions, credit unions use excess earnings to offer members more affordable loans, a higher return on savings, lower fees or new products and services. They serve members from all walks of life, including the poor and disenfranchised (<http://www.woccu.org>).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Chapter three of the thesis presents a detailed plan of methods for collecting, organizing, analyzing and interpreting the obtained data so that at the end, the set of objectives of the study can be achieved. The Major component of this chapter would take into cognizance, the research design, sampling procedure used in the research, the target population, sampling units, sampling frame, sampling selection and sampling size. Other areas of consideration are sampling techniques, data collection techniques, data analysis and data presentation and discussion techniques that unfolds in chapter four.

3.2 Study Area

We wish to adopt a case study of ten credit unions in Kumasi of the Ashanti Region for the study. The selection was based on non-probability sample technique specifically, purposive sampling bearing in mind access to the organization to be studied.

3.3 Study type

The study is purposely for academic purpose and as a requirement for our study of the bachelor of business administration (BBA).

3.4 Study Design

Data will be collected for both quantitative and qualitative for analysis.

3.5 Source of Data

Two main types of data were used. Primary data, which consisted of information gathered through administering of questionnaires to selected members of the Credit Unions.

Secondary data for the research was gathered through the use of books, journals newsletters, draft bill of credit unions and other documents on the operations of credit unions in Ghana, as well as the use of information sourced from the internet. These constituted the basis for literature review of the study.

3.6 Population Sample Size and Sampling Techniques

The sample frame which is credit unions in Kumasi registered with CUA (Credit Union Association) and its membership. A simple random sampling approach will be adopted to draw the sample size of (50) fifty members from their pool of members. The study employed both probability and non-probability sampling techniques.

3.7 Data Collection Method

1. The study will adopt the deduction research approach.
2. The researcher wishes to use structured instruments such as questionnaire for the study.
3. The results from the questionnaire will be presented both quantitatively and qualitatively.

3.8 Data Analysis Method

Both quantitative and qualitative methods were employed in the analysis of data of the study. For the quantitative aspect, Statistical Package for Social Sciences (SPSS) was used.

Frequency distributions, percentages, mean and descriptive analysis evaluating the impact of the Credit Union scheme on members was used to examine the research questions.

3.9 Ethical Consideration

Some unwillingness of respondents to give answers to the questionnaires that were giving them to help the progress of the research

CHAPTER FOUR

4.1 Results

Table 4.1 – Accessing the finance

	N	Minimum	Maximum	Mean	Std. Deviation
Members inclusion in decision	50	1.0	5.0	2.960	1.0872
Timely complaints responds	50	1.0	5.0	3.220	1.0554
Relation with members	50	2.0	5.0	3.720	.9485
Problem voice out by members	50	1.0	5.0	3.240	1.0214
Members influence	50	1.0	5.0	3.460	.8855
Easy access to finance	50	1.0	5.0	3.880	.8241
Valid N (listwise)	50				

From the table above, it was realized that the rate of members in accessing finance from credit union is a more indicator for the purpose of the project as compared to the others. This is because it has a higher mean of 3.880 indicating a higher performance with a standard deviation 0.8241. Relation with members is the next higher indicator which has a mean of 3.720 and a standard deviation of 0.9485. The next higher indicator is members influence in decision making which has an average or means of 3.460 and a standard deviation which measures how wide or close the dispersion of variables is 0.8855. Problem voice out by members has a mean of 3.240 and standard deviation as 1.0214 whereby timely complaints responds has a mean of 3.220 with a standard deviation of 1.0554. The least indicator from this table, members inclusion in decision which has a mean of 2.960 and standard deviation of 1.0872, which shows that credit unions are not performing well at this side and is one of the reasons for the decrease in their role of providing credit.

Table 4.2- evaluation of loan portfolio of credit unions

	N	Minimum	Maximum	Mean	Std. Deviation
Loan flexibility recovery	50	1.0	2.0	1.320	.4712
Duration of loan approval	50	1.0	4.0	3.600	.7284
Interest affordability	50	1.0	2.0	1.200	.4041
Approachable	50	1.0	2.0	1.140	.3505
Product offers like banks	50	1.0	5.0	3.680	.9570
Better rate provision	50	2.0	5.0	3.980	.6848
Valid N (leastwise)	50				

With regard to table 2, it is seen that in general all the indicators were helpful but some has a higher mean than others. In a nutshell it tells us that the higher once are the most indicators why credit union are still able to provide credit to their customers even in this current composition and the least mean also tells why credit union are not able to give more credit as they are supposed to do for their customers. With regard to Better rate provision, service offers are like banks, duration of loan approval has a mean of 3.980, 3.680 and 3.600 respectively with this standard deviation of 0.6848, 0.9570 and 0.7284. And from loan flexibility recovery, interest affordability to approachable are in decreasing order which shows why members of the credit unions are not taking credit. Their mean are 1.320, 1.200 and 1.140 and their standard deviation as .4712, 0.4041 and 0.3505 respectively. Looking at the various standard deviations, it can be seen that those with high mean has greater standard deviation. This is because there are other factors within these factors which members also consider as in their emotions and friendship tie just to mention a few. Better rate provision is

performing better looking at the mean which is 3.980 and standard deviation of 0.6848 as compared to the other indicator

Table 4.3 – accessing performance of credit union in the provision credit

	N	Minimum	Maximum	Mean	Std. Deviation
Client communication	50	1.0	2.0	1.600	.4949
Door-to-door service	50	1.0	2.0	1.220	.4185
Number of times borrowed	50	1.0	4.0	2.960	1.0683
Performance rating	50	2.0	4.0	3.840	.4677
Loan capacity	50	1.0	2.0	1.020	.1414
Valid N (list wise)	50				

From this table 3 performance rating has a mean of 3.840 has the highest which indicating a better performance and standard deviation of 0.4677. The middle indicator is client communication with mean of 1.600 and 0.4949 standard deviation. The least indicator is the loan capacity which has a mean of 1.020 and standard deviation of 0.1414.

Table 4. 4- accessing response to enquiry

	N	Minimum	Maximum	Mean	Std. Deviation
Duration of membership	50	1.0	4.0	2.600	.8571
Visits to the union	50	1.0	4.0	2.020	.8919
Lived to expectation	50	1.0	2.0	1.280	.4536
Borrowed before	50	1.0	2.0	1.400	.4949
Responds to enquiries	50	1.0	4.0	3.400	1.0102
Valid N (listwise)	50				

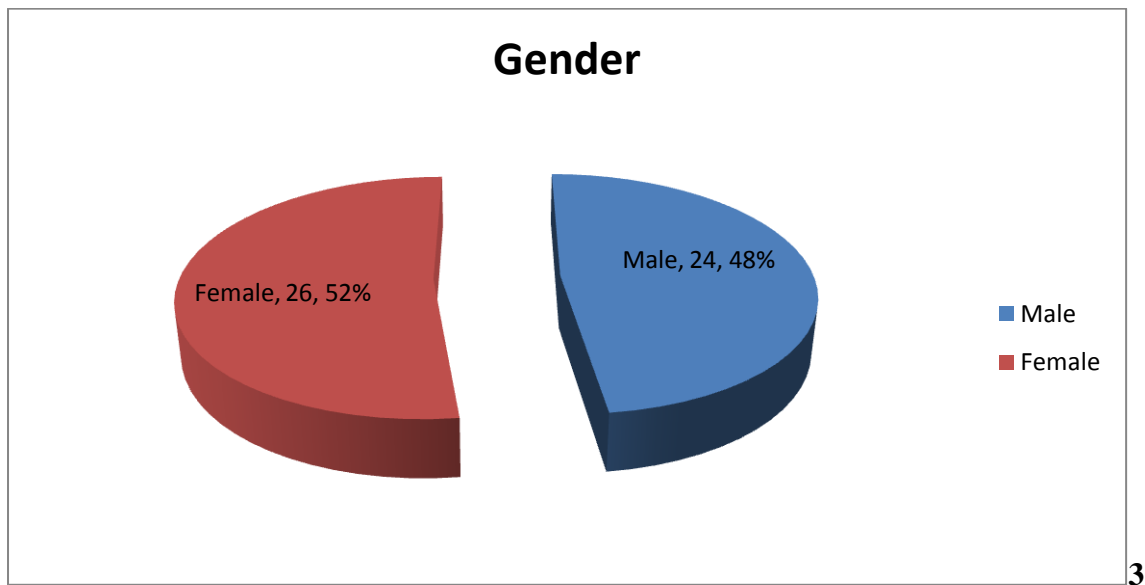
According to table 4, it is realize that the responds to enquiry by credit union is a good indicator for the purpose of the project in answering the questions of the project seek to answer. It has mean of 3.400 indicating a better performance than the rest of the indicators and has a standard deviation of 10.0102

Visit to the union’s office; is the middle significant indicator which has a mean of 2.020 and standard deviation of 0.8919. The credit union living to expectation; is the least one which has a mean of 1.280 and standard deviation of 0.4536

Table 4.5 Frequency table 1 - Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	24	48.0	48.0	48.0
	Female	26	52.0	52.0	100.0
	Total	50	100.0	100.0	

Figure 4.1 Gender

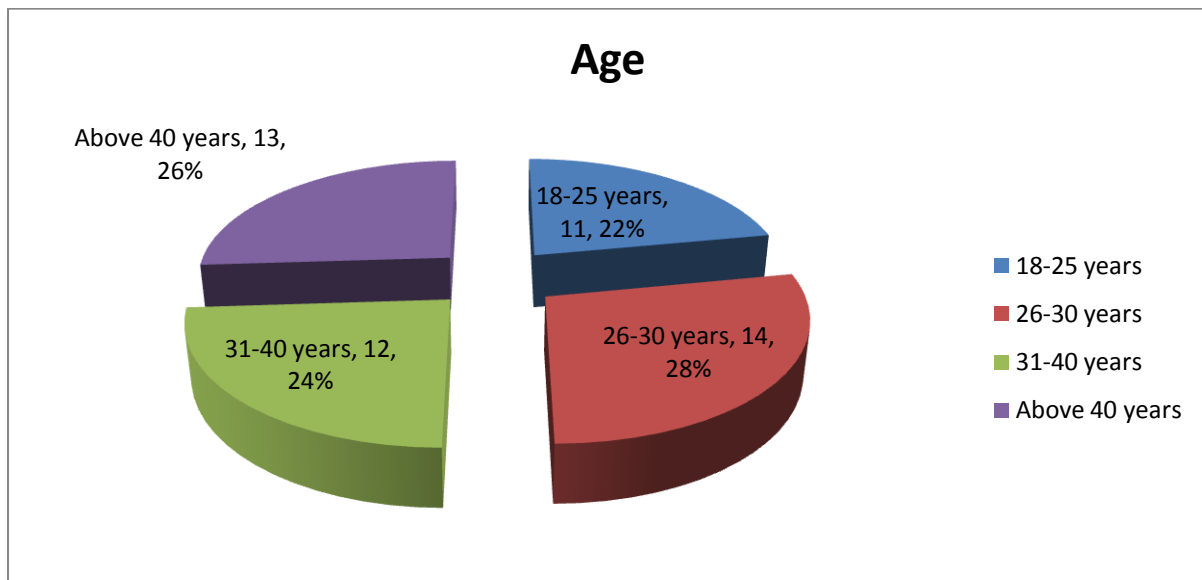


Looking at the gender we realized that females patronize more in the credit union than males with the percentages of 52 and 48 respectively

Table 4.6 Frequency table 2 – Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25 years	11	22.0	22.0	22.0
	26-30 years	14	28.0	28.0	50.0
	31-40 years	12	24.0	24.0	74.0
	Above 40 years	13	26.0	26.0	100.0
	Total	50	100.0	100.0	

Figure 4.2 Age

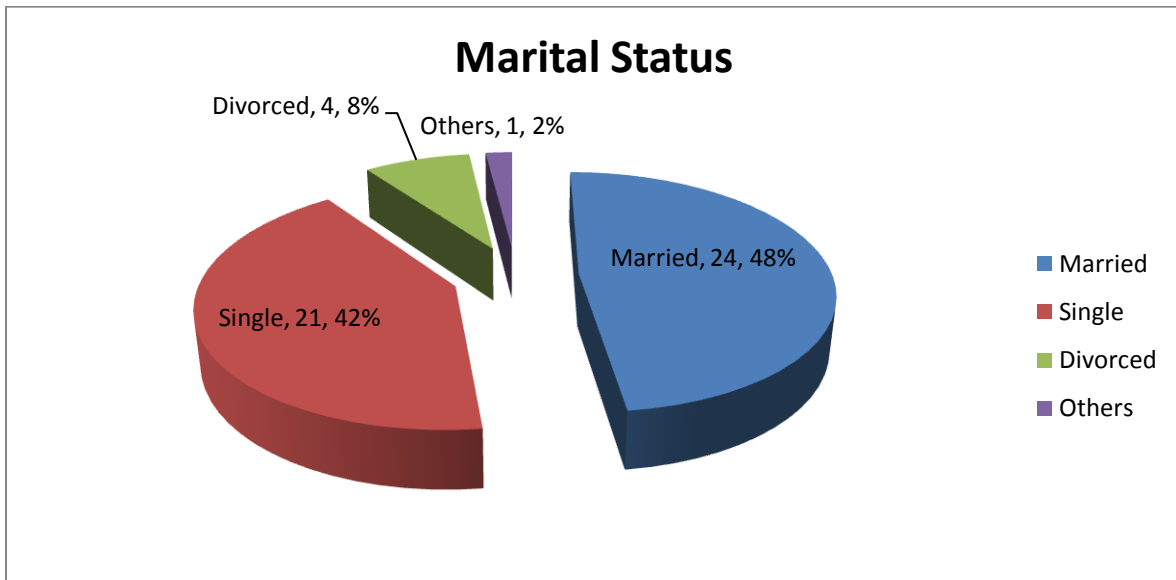


The respondents of members to our questionnaires within the ages of 26-30 years were 28% and followed by those above 40 having 26%. Also 24% of them are between the ages of 31-40 years and 18-25 years having 22%. This shows that those who patronize in the credit union more are found between the ages of 26-30 years. Here most are preparing to marry and others planning their life's so do save a lot with credit union

Table 4.7 Frequency table 3 - Marital status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	24	48.0	48.0	48.0
	Single	21	42.0	42.0	90.0
	Divorced	4	8.0	8.0	98.0
	Others	1	2.0	2.0	100.0
	Total	50	100.0	100.0	

Figure 4.3 Marital Status

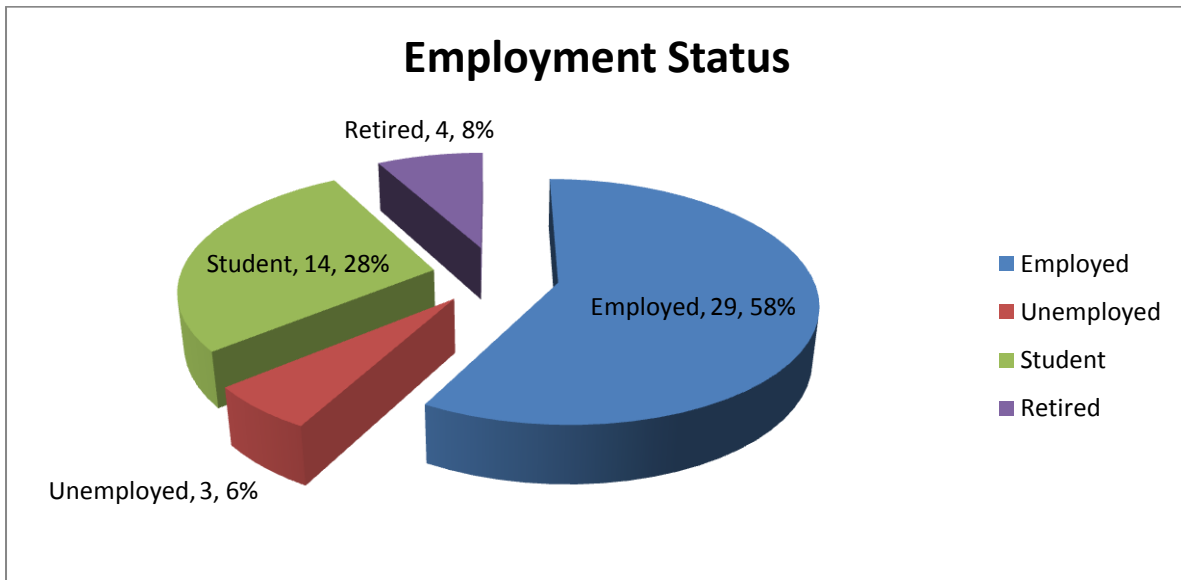


According to the studies, it was realized that the married having 48% are active and patronize in the credit union. 42% of them are single while 8% have divorced. Also 2% of the members are neither married nor divorced but rather widows. This shows that the members increase as people get marriage but reduce as they divorce and become widows.

Table 4.8 Frequency table 4 - Employment Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Employed	29	58.0	58.0	58.0
	Student	14	28.0	28.0	86.0
	Retired	4	8.0	8.0	94.0
	Unemployed	3	6.0	6.0	100.0
	Total	50	100.0	100.0	

Figure 4.4 Employment Status

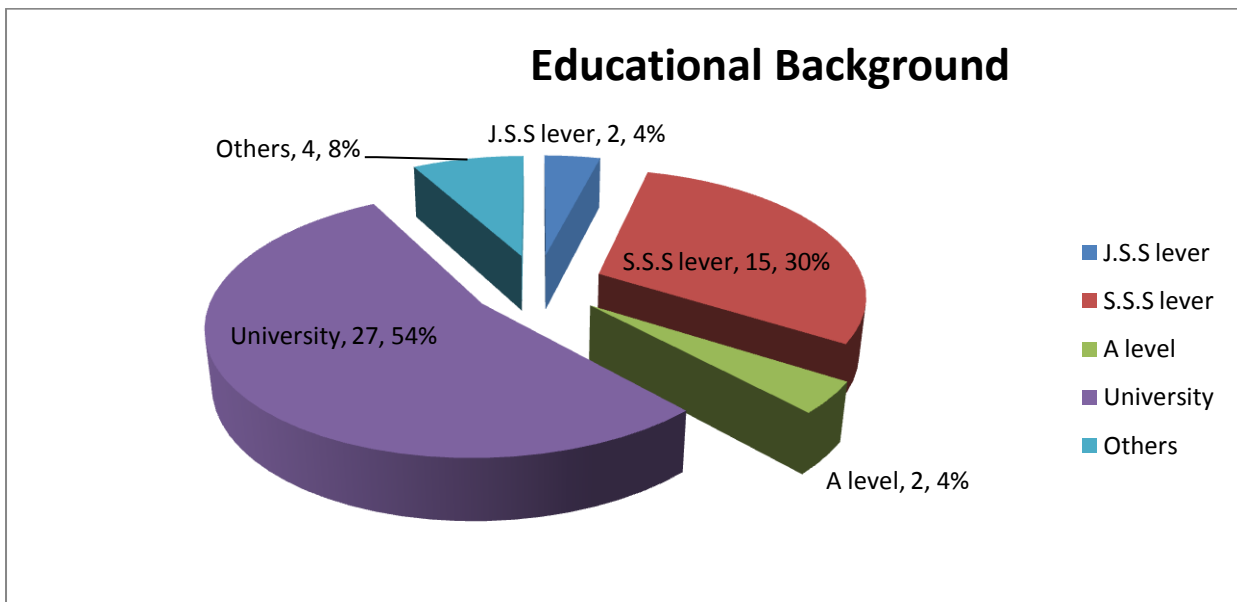


The respondent as according to the research work revealed that 58% of them are employed and working as compared to the unemployed having 6%. Students were 28% while the retired were 8%. This brings to light that most of the members who patronize in credit union are employed.

Table 4.9 Frequency table 5 - Educational Background

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	J.S.S lever	2	4.0	4.0	4.0
	S.S.S lever	15	30.0	30.0	34.0
	A level	2	4.0	4.0	38.0
	University	27	54.0	54.0	92.0
	Others	4	8.0	8.0	100.0
	Total	50	100.0	100.0	

Figure 4.5 Educational Background



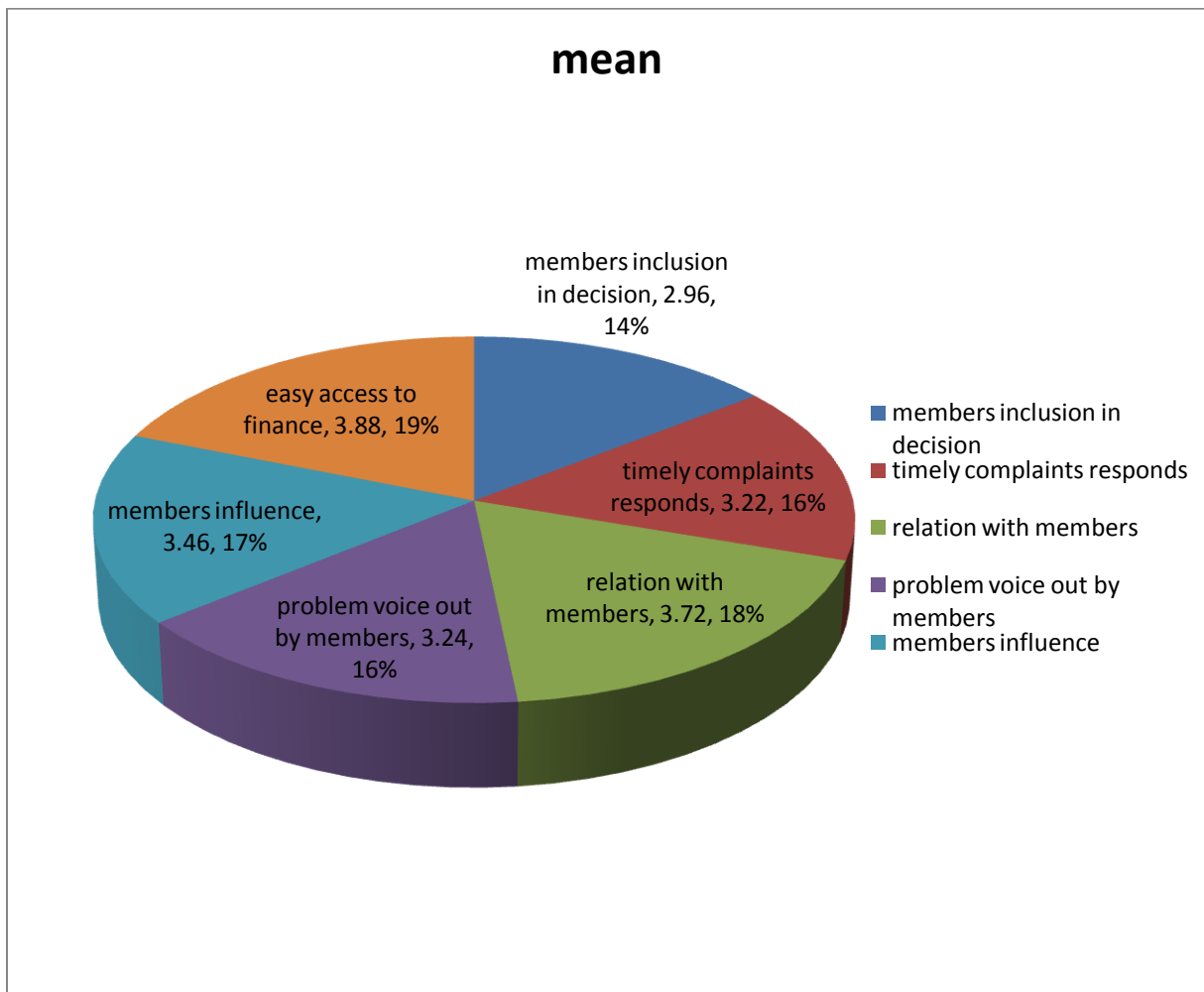
54% of the respondents were university leavers who are members of the credit union. Also 30% were S.S.S (Senior Secondary School) leavers, 8% of the members were other leavers such as Polytechnics, O level etc. Both A level and J.S.S (Junior Secondary School) leavers were 4% each. This shows that the literate are patronizing credit union more than the illiterate.

4.2 Findings & Discussion

4.2.1 Introduction

This chapter deals with the presentation and analysis of data which were collected from respondents. The data was analyzed both quantitatively and qualitatively. The data presentation and discussion took into cognizance some descriptive tables, figures and statistical models like pie chart which were translated into frequencies. Inferences were then drawn based on the analysis. The data was analyzed based on the objectives of the study. The prime objective of this study is to examine the role of credit union in the provision of credit. To ascertain the role of credit unions in providing credit in the Kumasi metropolitan was carried out, 50 respondents were selected from various credit unions.

Figure 4.6 As Per Table 1



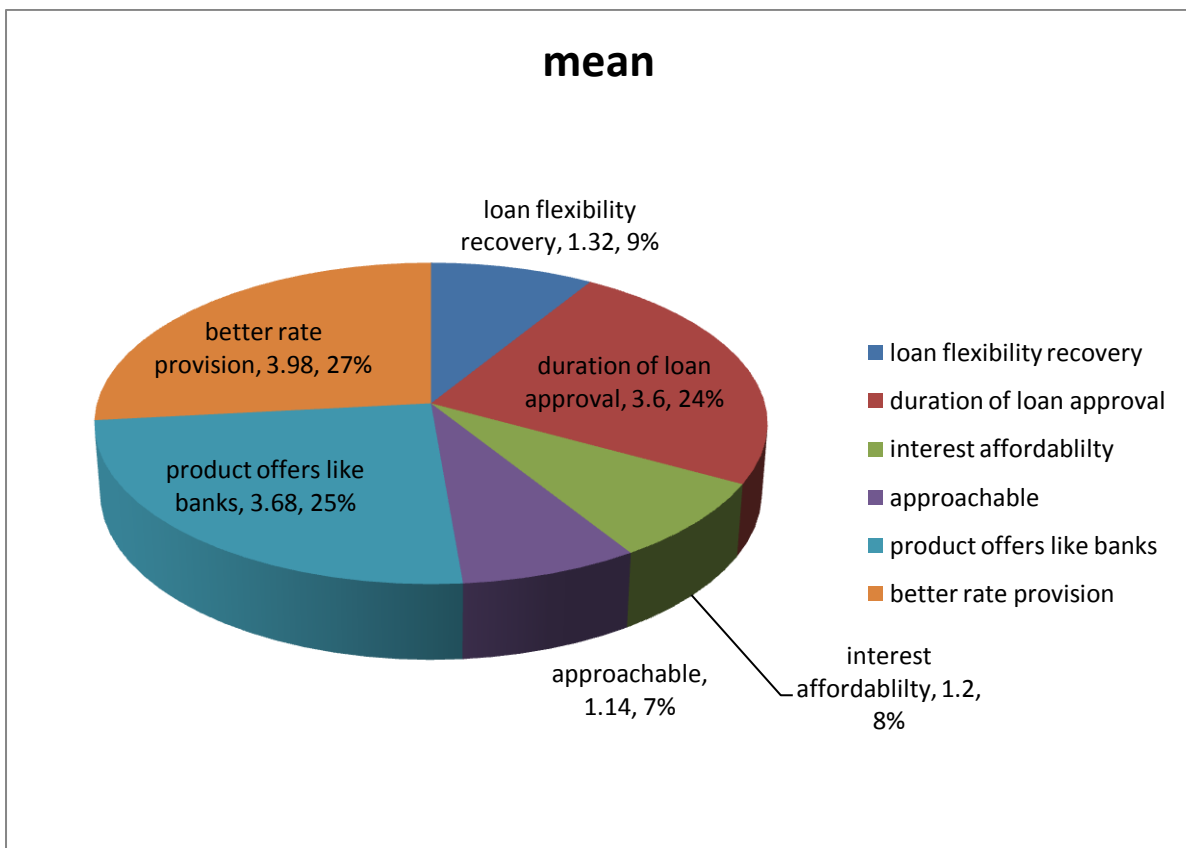
From the SPSS, it was realized that most members of credit unions are able to access finance easily to facilitate their businesses at any time that they are in need and apply for loans or credit. This is from the mean of 3.880 which in percentage is 19% of the other indicators in the table 1.

Also 18% of the indicators in this table also came up that the relationships that exist between customers and their credit union also influence the role of credit union in the provision of credit. This percentage was as a result of the mean of 3.72.

Again according to our mean of 3.24 which represent 16% saw that the ability of credit union allowing them to voice their problems is a good indicator for a good credit union to still

remain in operation even in this current composition where there has been an increase in various credit facilitators. However, 16% according to the mean of 3.22 of members reported that the timely responds to complaint by the credit union also influence members to remain in the union. If more attention is geared towards timely responds to complaint it can improve their membership number. Lastly, looking at the inclusion of members in the credit unions decision, it is seen that the credit unions are not doing well as to the mean of 2.96 which is 14%.

Figure 4.7 As Per Table 2



In this diagram it is seen that credit union are doing very well in the rate they give as compared to the other indicators. It has a 27% of better rate provision in respect to the other related indicators, which means that the members see them to have good and even better rate which will entice them to seek for credit from them anytime they are in need.

In addition to this, members has come to realized that credit unions services offered are one way or the other similar in terms of their tradition roles and some secondary roles as well. Due to this, 25% of the members in relation to the other indicators see it more reasonable to remain in the credit union.

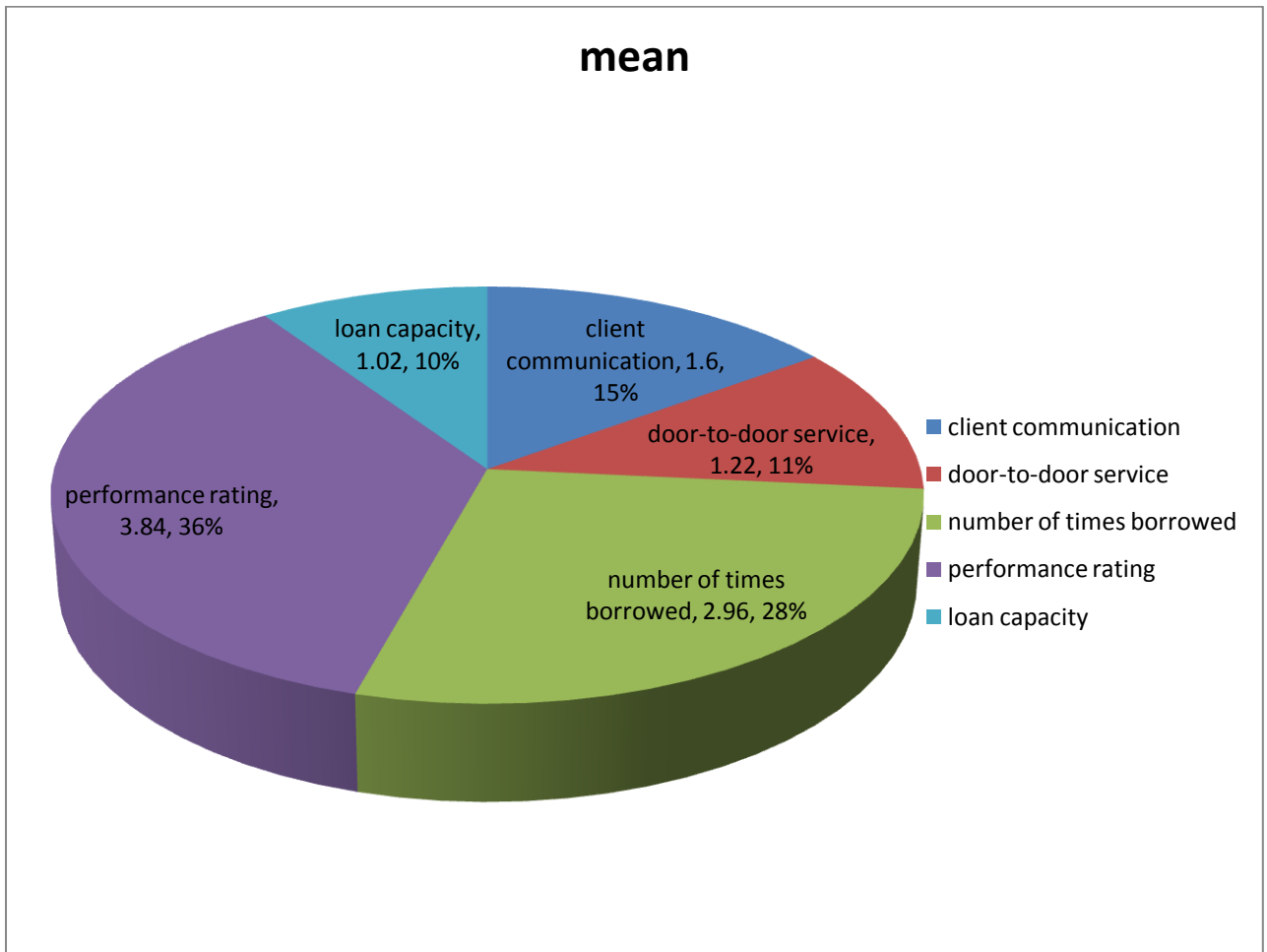
Also 24% members are of the view that, duration of the loan approval by credit union is very short and fast as compared to the other financial institutions. In this wise the credit union are able to sustainin credit given ata faster rate, this will influence most people to join and will improve their membership rate.

Moreover 9% of the members see that there is least flexibility in their loan recovery rate which is not encouraging. So if credit unions are able to work this out and make their recovery rate become flexible to members, it will encourage more people to join.

Again and again the members saw that there is no interest affordability in the given loan, just a few of 8% saw their interest to be affordable. In order to improve their number of membership, there should be a good and affordable interest working which in comparison to other financial sectors which will be a source of attraction to people.

Lastly 7% also saw credit union to be approachable in times of needs which is really bad. This is bad because it will discourage people to approach them in their difficulties. This could be as a result of complex questions and procedures they go through.

Figure 4.8 As Per Table 3



In this graph, it is observed that credit union is performing very well in general, as indicated by the members who represent 36% as related to the other variables.

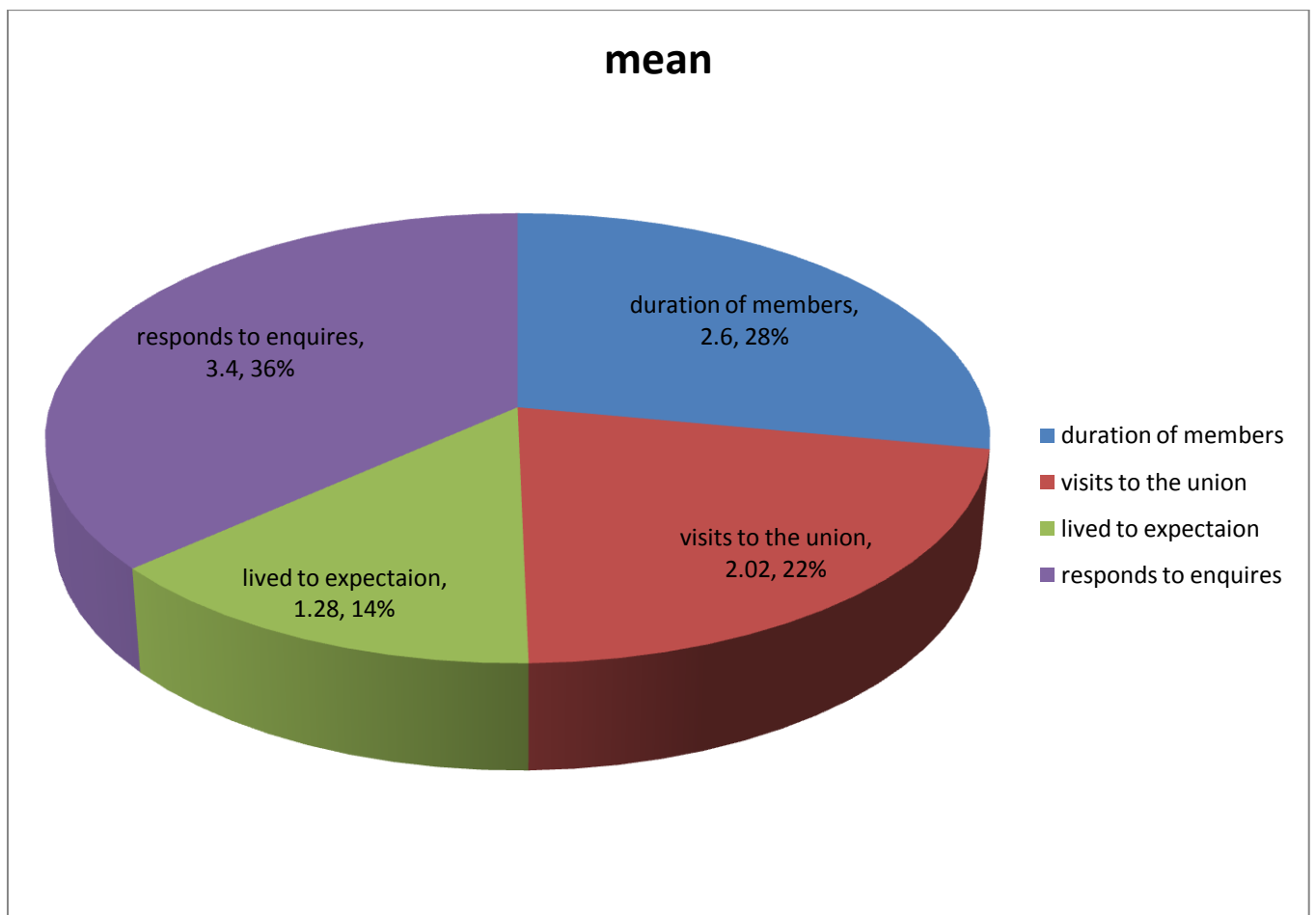
Also 28% of the members as per the graph were seen as those who usually borrow from the credit union and is a sign of their satisfaction to the service provided by the credit union in this current composition.

Client communication has a 15% according to their mean of 1.6. This shows that credit unions are not performing well in this side and for that reason new members might not be encourage continuing participating in them. Credit union should develop some communication links in order to communicate with all members to know their needs and help them out.

11% of the members are of the view that credit union offer better door-to-door service which is good to them but most turned down to this service. This is very poor of credit union because the percentage is very low as compared to the indicators. There should be a look out at this side by credit union so they can improve.

Concerning the capacity of credit union in loans given rated 10% because they are not able to give huge loans required by most customers. This is very poor of them because those huge loans will be gotten by customers from other financial source and it will influence them to stop their operation with the credit unions

Figure4.9 As Per Table 4



Responds to enquires; was seen as good indicator looking at how members rated it as 36%.

This shows that members are happy to how enquires are been responded by credit union and

has been one of the tools that has made most of them to join, due to how well they were convinced.

Duration of members; was rated 28% and is a plus to the credit union. This is because credit unions are able to sustain the few remaining customers left in their various books or records.

Visits to the union; were also ranked 22% by the members as compared to the other variables in this part. This shows that the members are active and always visit their union. Due to this they are always updated to information giving by the credit union. The credit union should improve on this so that their customers would be satisfied with much information, and there would not be delay in any information.

Lived to expectation; was rated 14% which was the least rating seen in this part. This means that the expectation of customers from credit union is not good. For that matter credit union are supposed to meet the requirement of their customers if not all at least half of their customers' need. But on average they should be able to meet all expectations in order to bring in more members into the union and also wake up the various credit unions from their sleep in their core functions.

CHAPTER FIVE

Summary of Findings, Conclusion and Recommendations

5.1 Introduction

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

5.2 Summary of Findings

From the SPSS table 1, it was realized that most members of credit unions are able to access finance easily to facilitate their businesses at any time that they are in need. This is from the mean of 3.880 which in percentage of 19% of the other indicators.

From table 2, 27% of the members responded that credit unions has better rate provision in respect to the other related institution, which means that the members see them to have good and even better rate which will entice them to seek for credit from them anytime they are in need.

In table 3, it is observed that credit union is performing very well in general, as indicated by the members who represent 36% as related to the other variables.

Responds to enquires was seen as good indicator looking at how members rated it as 36% from table 4. This shows that members are happy to how enquires are been responded by credit union and has been one of the tools that has made most of them to join, due to how well they were convinced.

5.3 Conclusion

On the expectation of members towards credit union, it was established through the credit unions ability to give out loans to it cherished customers. This has increase members' business capital and also valuables have now increased which in effect has improved; food, security, social support and quality of education to their wards and members themselves. For this reason the participating rate of members has been in their increasing rate due to the credit unions ability to give loans faster and has always been there for it members without any collateral and any high interest charge. But one thing that was realized was that, these loans given are not that huge as compared to other institutions like banks, therefore members who are looking for huge loans just gets a little from the credit unions and looks elsewhere for other funds.

Also the credit unions as compared to first now responds to enquires faster than ever so has now made them be able to solve issues of customers at the early stage before they become worse off. Due to this their few members are now treated with care and passion in any request their members make, and has made their decisions become opened to customers to err their views as well. This has made communication link between the credit union and it members very good and has giving them an equal chance to voice out any problem and challenges of any of the parties.

Furthermore credit unions also delivery of door to door service has also been a help and a greater expectation of customers who were busy schedules at work and those who are unable to go there usually are now able to do their services at their various homes, offices and other places without necessarily going to the credit unions offices. This is helpful but if they are able to widen it up it will serve very well more than it is doing now.

Lastly there is no flexibility in the loan terms and recovery so their loan patronage has been at it lowest rate and has even discourage both old members and new members not to join.

5.4 Recommendations

Credit unions should provide more convenient environment and good image that can instill confidence in their members to keep enough of their reserved funds to build a chunk of net worth that can enhance proper credit administration. This can help them have enough credit to give to their members looking for huge loans.

Also credit unions should also place some adverts on various media so many people will know them and can join them in their various places which can help them have a large of number of members. Also the traditional roles of credit unions in helping it communities in some social amenities if it is been revisited by them, it can give be even a source of advertising to them.

Again since the world is now increasing in technology in all angles of life if such is also look at in terms of the services of credit union will help them to be able to get more customers and also provide more credit to it members as well. Some services such as the use of the ATMS, debit and credit cards. Also the SMS alert to guarantee that monies has been debited or credited into ones accounts. This will make them be able to compete at all sides for customers.

Credit union should do well to include their members when making decision.

Compliant are some of the critical things if not looked at it carefully might ruin any business down so credit union should pay much attention there especially when voiced out.

The credit union in order to get more members should do as much as possible to be flexible in their loan recovery.

The credit unions should also develop a loan structure which will have some interest affordability so will influence many people in joining. By so doing they will be more approachable as compared to other financial sources.

Also there should be a well-defined communication link between credit union and its members.

Door to door service should be strategies in a way that it would be able meet standard required by customers.

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APPENDICES
CHRISTIAN SERVICE UNIVERSITY COLLEGE
DEPARTMENT OF BUSINESS STUDIES

RESPONDENT’S QUESTIONNAIRE

This study is centered on determining the role of credit union in the provision of credit. By this survey the researchers seeks to determine the

1. The need for credit unions
2. The capacity of credit union in loans delivery and recovery in this current composition
3. The composition and its effects on credit unions role

The researchers however assure respondents of their security as possible such that their anonymity shall be maintained and all the information provided will be kept confidential.

RESPONDENT’S CONSENT NOTE

I understand that by returning this questionnaire, I am giving my informed consent as a participating volunteer in this study. I understand the basic nature of the study and agree that any information given is beneficial. I am aware that the information is being sought in a specific manner so that no identifiers are needed and so that confidentiality is guaranteed. I realized that I have the right to refuse to participate and that my right to withdraw from participation at that time during the study will be respected with no coercion or prejudice.

In providing your response, please tick (✓) in the appropriate brackets where options are provided, supply your own response at the appropriate space where there are no options or where the options provided are not applicable and choose any option from 1-5 to answer the last set of questions.

PART 1 Social-Demographic Characteristics of Respondents

1. Gender

Male / Female

2. Age

- a. 18-25 years () c. 31-40 years ()
b. 26-30 years () d. Above 40 years ()

3. Marital status.

- a. Married () b. Single () c. Divorced () d. others (specify)

4. Employment status

- a. Employed () c. Retired ()
b. Student () d. Unemployed ()

Employment type

5. Highest Educational level

- a. J.S.S lever () c. S.S.S lever () e. university ()
b. O level () d. A level () f. Others(specify) ()

PART 2 The expectation of customers towards credit unions

1. How long have you been a member of the credit union?

- a. 1 year or Less () c. Between 1-5 years ()
b. Between 6 -10 years () d. Above 10 years ()

2. How often do you visit the credit union office?

- a. Once a week () c. Twice a month ()
b. Once a month () d. Specify ()

3. Has the credit union lived up to your expectation?

Yes / No

4. Is the interest charge affordable as compared to other financial sources?

Yes / No

5. Do you think credit union is more approachable than other financial institutions in terms of loan?

Yes / No

PART 4 The composition and its effects on credit unions role

(TICK AN OPTION TO A QUESTION USING 1-5)

Composition of credit union	Very poor 1	Poor 2	Not sure 3	Good 4	Very good 5
1. Offer members everything that other financial institution does					
2. Provide better rates					
3. Provide easy access to financing for member					
4. Offer opportunity for members to influence the way things are done					
5. Opportunity to voice out problems in the credit union					
6. Establish friendly relations with members					
7. Timely response to members' complaints					
8. Timely response to members' complaints Includes members in decision making					