

CHRISTIAN SERVICE UNIVERSITY COLLEGE



SCHOOL OF BUSINESS

ACCOUNTING AND FINANCE DEPARTMENT

USING CREDIT UNION AS A VEHICLE FOR MOBILISING FUNDS;

CHALLENGES AND PROSPECTS [MEMBERS PERSPECTIVE]:

(A CASE STUDY OF KUMASI METHODIST DIOCESAN

CO-OPERATIVE CREDIT UNION)

TAMBRO ISAAC

EVELYN SENA FREEMAN

DEBORA APPIAH

ADU TAKYI THOMPSON

**A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND
FINANCE, CHRISTIAN SERVICE UNIVERSITY COLLEGE SCHOOL OF
BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
AWARD OF A DEGREE IN BACHELOR
OF BUSINESS ADMINISTRATION**

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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.

NAMES	INDEX	SIGNATURE	DATE
TAMBRO ISAAC	10 14 84 98
EVELYN SENA FREEMAN	10 21 77 10
DEBORA APPIAH	10 14 83 62
THOMPSON ADU TAKYI	10 21 66 57

Supervisor’s Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision laid down by Christian Service University College.

CERTIFIED BY:

SUPERVISOR’S NAME	SIGNATURE	DATE
SOLOMON ARHIN (DR) (HEAD OF DEPARTMENT)
KWAKU AHENKORA (DR.) (DEAN, SCHOOL OF BUSINESS)

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 been 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 God Almighty for His mercies throughout this course, all our families and friends for their immense encouragement, prayers and supports showed to us for the success of this course.

ABSTRACT

This study focuses on using Credit Union as a tool for mobilizing funds; Challenges and prospects from members' perspective. Random sampling technique was used in considering sixty (60) union members selected for the study purpose. The survey arrived at the conclusion that the Credit Union is massively drawing members to accumulate more wealth through savings. In Ghana, ninety-three percent (93%) of the union members are encouraged to make savings prior to the Union activities. For instance Kumasi Methodist Diocesan Co-operative Credit Union devises various means of helping members to attain financial freedom. Most of the members have been able to mobilize fund through the intensive financial education offered by the Union. The Union has helped and increased the standard of living of its members and also increased the working capital. A member collected a loan and able to build two bed room apartments; this is one of the success stories of the Credit Union. However, management of the Credit Union has impacted people's lives attesting with a claim that the Credit Union has improved their life cycles and financial challenges from the respondents. Management of the Credit Union is advised to open up to all members on equity terms and enforce financial information in effort of maintaining the members' loyalty. In furtherance to this, People like Credit Unions for other compelling reasons. This is because the procedure to open an account is simple and flexible and also low interest rate in order to enhance businesses. The researchers recommend that the Management and Board of Directors of the Credit Unions especially Kumasi Methodist Co-operative Credit Union should reconsider customers who have no shares to be given loans to expand their businesses as some customers complain bitterly. It is hereby recommended again that effective and appropriate measures must be employed by all stakeholders to ensure the maintenance of Credit Union in the country in the interest of the people.

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CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.0 Introduction

This chapter is the first of this research and introduces the Credit Union Concept. It also presents background to the study, problem statement, purpose of the study, research questions, significance of the study, limitation of the study, limitation of the study, chapter organization.

1.1 Background to the Study

Over the years, it has become increasingly difficult for Ghanaian workers to mobilize funds for sustenance. This is due to the fact that Ghana falls under the “developing country category” which is characterized by low income, inadequate housing, inequality, poor health, low life expectancies and a general sense of dissatisfaction and hopelessness.

The subsistence in Ghana coupled with its numerous problems like low income, low savings and low investment have made it difficult for individual workers of the various sectors of the economy to save and make investments. These systems have resulted in a vicious cycle of poverty of which the workers of “Kumasi Methodist Diocesan Co-operative Credit Union” are of no exception.

The government’s effort to alleviate the poverty cycle by revamping the financial institutions such as the banks has not yielded the desire results due to the process one has to go through before a loan application is granted. There was therefore the need to explore other schemes, which could provide loans to its members at moderate interest rates. This led to the establishment of various Co-operative Societies out of which the Credit Union (CU) was born. Societies were first developed in Germany as a result of crop failure and a subsequent famine in 1846. A civil servant, Hermann Schulze Delitzch began by organizing a Mill and

Bakery Co-operative (Van Den Dries, 1980). He eventually became convinced of the need for Co-operative Credit Society and set up one in 1850.

The Schulze – Delitzch Credit Union soon became very popular and others that developed along this line came to be known as “People’s Banks”. By 1859, there were 183 people’s banks with 18,000 members in two German provinces (CUA, 1993).

Fredrick Wilhelm Raiffescin, a local mayor in the Rhine Province of Germany also organized and developed Credit Unions for the poor.

A parliamentary reporter in Quebec, Canada called Alphonse Desjardins brought the Credit Union idea to North America. He became interested in Co-operative Credit Union after hearing of exorbitant rate of interest throughout Canada. In December, 1901, he established the “People’s Bank of Levi’s” basing it on European models. Desjardins also organized the first Credit Union in the U.S.A. in 1909 in Manchester. In 1934, representatives from 22 states founded Credit Union Nation Association (CUNA).

The first Credit Union in Africa was set up at Jirapa in Ghana in September, 1955. In 1970 the World Council of Credit Union (WOCCU) was formed. Today, it represents confederations in Africa, Asia, Latin America, Australia, Canada and U.S.A. By the end of 1985, nearly 4,000 Credit Unions with almost 56 million members in 75 countries were affiliated to WACCU and its member organizations.

The first Credit Union in Ghana promoted by fathers of the Catholic Church was started in Jirapa in the Upper West Region in 1955. Notable among the pioneer volunteers was Rev. Fr. John McNulty and Rev. Fr. Peter Dery, former Archbishop of Tamale.

In the Ashanti Region, Credit Union activities started in the late 1960s. At that time, only two Unions existed and these had a total membership of sixty-nine (69) and savings of Two Hundred and Fifty-Six Ghana Cedis, Ninety Pesewas (GH¢ 256.90). Credit Unions activities became more active in 1971 with the inauguration of more Unions in Ashanti Region. The

total number of members rose to Four Hundred and Forty-One (441), with a total Savings of Four Hundred and Ninety Ghana Cedis and Ninety Pesewas Only (GH¢ 490.90).

By 1972 the number of Unions in Ashanti Region had risen to eighteen (18). Some of the first Credit Unions in the Ashanti Region include the Tek Employees Credit Union, of the then U.S.T., St. Peters Credit Union, at Roman Hill, The Chance Brothers Credit Union, at Adum, Crop Research Institute Credit Union and Asawasi Area Teachers Co-operative Credit Union. At the end of 1955, the number of Credit Unions in the region, which belonged to the National Union (Credit Union Association – CUA), was forty-two (42). Since then the Credit Unions have made headway in the mobilization of local savings and have offered credit over the region.

The Kumasi Methodist Diocesan Co-operative Credit Union started in operation on 1stSeptember, 2010 with Fifty (50) members which comprises thirty Four (34) Ministers, Nine (9) individuals and seven (7) group or society respectively. The initial deposit of Twenty Thousand Ghana Cedis (GH¢ 20,000.00) was invested to finance the Union. This amount was raised by the executives of the Union since members contributions were yet to be received. This idea came about when the Bishop of Kumasi Diocese of the Methodist Church Ghana (Rt. Rev. OseiSafo - Kantanka) wants to collaborate with all the Credit Unions in the Kumasi Diocese to foster unity to help the Churches in the Diocese financially.

CUA Magazine defines Credit Union as a financial co-operative society organized to promote thrift, encourage Savings and create a source of credit for its members by pooling their savings to make loans at reasonable interest rates. It is a co-operative among group of people having a common bond of occupation, profession, association, residence, among others.

It is a democratic organization, organized and controlled by its members on the principles of “One Person, One Vote”. The high interest rate on loans, huge minimum deposits and bureaucratic procedures end-up frustrating many people enjoying bank loan facilities. It is

therefore expedient to members of the Credit Union to obtain loans from their own co-operative society to enable them ease some of their financial burdens and assist anyone who wants to enter into a sort of microfinance.

1.2 Statement of the Problem

The average Ghanaian worker is unable to save due to problems associated with a subsistence economy. The need of the average Ghanaian worker is such as that the low income earned is not sufficient to cater for all. Needs such as payment of Wards' school fees, expensive medical bills, clothing, food and shelter cannot be catered for. The inability to own family items such as television, fridge, and household items – from the same source makes the worker insecure. It is also the desire of every individual to see a happy family by acquiring these things for the family for a good standard of living.

The services of the banking institutions although available, are with stringent and unfavorable conditions. The interest rates on the loans also deter clients from borrowing. This makes it difficult, if not impossible for workers in general to meet their pressing financial obligations. Credit Unions are expected to fill the gap the banks are not filling but one cannot say certainly that this purpose has been met without first looking into the activities of Credit Unions. It is in this light that the researchers decided to investigate the activities of the Kumasi Methodist Diocesan Co-operative Credit Union which is established for the same purpose.

1.3 Research Objective

The Kumasi Methodist Diocesan Co-operative Credit Union is in the bid to serve as a quick means to solving the financial needs of her staff and its potential members. On the basis of this, the writers seek to;

- ❖ Find out the extent to which the Kumasi Methodist Diocesan Co-operative Credit Union has encouraged savings among its members.
- ❖ Find how the Credit Union helps its members to mobilize fund.
- ❖ The loyalty level of Kumasi Methodist Diocesan Co-operative Credit Union towards members.
- ❖ Identify whether management of Kumasi Methodist Diocesan Co-operative Credit Union impacted on the social development of the members of the union.

1.4 Research Questions

- ❖ What methods did the Kumasi Methodist Diocesan Co-operative Credit Union uses to encourage savings?
- ❖ How is the Credit Union helping its members to mobilize funds?
- ❖ What is the level of members' loyalty to Kumasi Methodist Diocesan Co-operative Credit Union?
- ❖ How has the management of Kumasi Methodist Diocesan Co-operative Credit Union impacted on the social development of the members of the union?

1.5 Significance of the Study

The study will supplement existing information with new findings on the operations of Credit Unions. The availability of Credit facility encourages the rapid development of every community.

The researchers ventured into this study for the following reasons;

- ❖ To evaluate the primary objective of Credit Unions.
- ❖ To analyze the capital mobilization and micro financing of the Credit Union.

- ❖ To evaluate members' loyalty to their unions in terms of contributions and loan repayment
- ❖ To evaluate the performance of Credit Union Management and their overall effect on members.

In addition, to find out any related problems that the Credit Union is encountering.

Secondly, it will create awareness of availability of Credit facilities through Credit Unions and help individual members to appreciate the importance of joining the Credit Unions.

Thirdly, it will also help Ghanaian workers to realize the need to regularly put aside portions of their earnings as a basis for capital formation.

Fourthly, it will help eradicate any bad impressions formed about Credit Unions and Create appropriate environment for the sound operation Credit Unions. It is imperative that the study will not only assist the management and members but non-members to create appropriate environment for the sound operation of the Credit Union.

Finally, it will serve as a reference document for students and future researchers.

1.6 Scope and Limitation of the Study

Looking at the Credit Union system from a broader perspective, it would mean that the study must assume nation – wide dimension. However, it was not so. One of the major limitations of the study was financial constraint. Due to limited time and finance resources, most of the Credit Union could not be visited to solicit for information. This was a major setback of the study to the researchers.

Again, administrative secrecy was also another problem encountered by the researchers. The respondents were reluctant to reveal some secret information for the fear of leaking information to their competitors. Customers too were not co-operating as most interviewed were complaining of the limited time.

1.7 Mobilization of Funds

Voluntary savings are fundamental to sustainable economic development. They are the most frequent source of funding for microenterprise startup and expansion. Voluntary savings enable households to smooth consumption in the face of uneven income flows, to accumulate assets for the future, to invest in education, and to better prepare for emergencies. Despite the importance of savings, the large majority of microsavers continue to lack access to safe and sound institutions where they can deposit their savings. What most distinguishes credit unions from other non-bank financial entities offering microfinance services is their ability to mobilize large numbers of small, voluntary savings accounts. Credit Union savings mobilization programs throughout Latin America have demonstrated that low-income and poor people will substantially increase their savings in financial form if they are provided with safe and convenient places to deposit their funds. The World Council of Credit Unions, Inc. (WOCCU) has implemented credit union strengthening and savings mobilization programs in Bolivia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, and Nicaragua. WOCCU experience demonstrates that credit unions that combine sound financial disciplines, saver-friendly product offerings, and aggressive outreach can satisfy member demands for savings services and rapidly generate high levels of liquidity. The liquidity from savings deposits supplies credit unions with the funds to meet local member credit demand and provides the institutions with a stable and long-term source of self-sustaining financing. In other words, the credit unions evolve into true financial intermediaries, raising savings deposits to fund their lending portfolios.

Savings mobilization refers to creating safe and sound institutions where savers can place their deposits with the expectation that they will receive the full value of their funds, plus a real return, upon withdrawal. It means developing appropriate products to satisfy the local

demand for voluntary savings services and marketing those products to savers of varying income levels. Simply put, savings mobilization is capturing voluntary savings deposits, protecting them, managing them, and using them to fund loan portfolios.

To make clear the distinction, forced savings are those contributions to a savings account required to gain access to loans. Many traditional credit union and non-governmental organization (NGO) practices require members or clients to accumulate savings or shares and from which they can leverage loans at two to five times what they had accumulated in forced savings or shares. Others require that as members or clients repay loans, a portion of the payment go into a savings or share account. Compulsory savings are driven by the idea that institutions will;

(1) “Teach” members or clients how to save and

(2) Ensure availability of funds for lending.

Members and clients already know how to save; they need institutions that can provide them with the instruments to enable them to do so in financial form. In credit unions, compulsory savings do not in fact provide sufficient volume to fund loan portfolios. Credit unions must expand their outreach and offer voluntary products that are attractive to members and clients of varying income levels to generate the level of funds required to finance their loan portfolios entirely with savings.

CHAPTER TWO LITERATURE REVIEW

2.0 Introduction

This section makes a review of the existing literatures relevant to the objectives of the research. The areas of considerable concern include the theoretical framework and origin of the credit union, its generic objectives and the diverse social responsibilities of the union-liking to impact the development of its stakeholders.

2.1 Defining the Credit Union

According to Arthur and Sheffrin (2003), a Credit Union is a member-owned financial cooperative, democratically controlled by its members, and operated for the purpose of promoting thrift, providing credit at competitive rates, and providing other financial services to its members. This definition is confirmed by 12 U.S.C. § 1752(1), CUNA Model Credit Union Act § 0.20 (2007). Another source indicates that Credit unions are self-helped cooperative financial organizations geared to attaining economic and social goals of members and wider local communities (McKillop and Wilson, 2010). Wright (2013) defines Credit Unions as a co-operative financial institutions which operate on a not-for-profit basis, the aim being to foster financial health in a community. In a parallel direction, the World Council of Credit Unions affirmed that Credit unions are member-owned, not-for-profit financial cooperatives that provide savings, credit and other financial services to their members.

The term credit union varies in meaning from one author to another and mostly from one region to the other for which the World Council of Credit Unions has indicated. Keenly considering the trend of the stated scholars' definitions, credit unions can be defined as the multi-ownership financial institutes formed with a primary purpose of helping both economic and financial well-being of members/customers other than profiteering.

2.2 Related Studies on Credit Unions

The origins of the modern credit union movement can be traced to cooperative pioneers in Germany. During the 19th century two types of institution emerged, namely, the Schulze-Delitzsch and Raiffeisen credit societies. These societies are recognized as being the antecedent of modern-day credit unions, Hermann Schulze Delitzsch, a politician and judge, founded the first urban credit cooperative in 1850. Friedrich Wilhelm Raiffeisen, a mayor in the western Rhineland area, formed the first rural credit cooperative in 1864. Raiffeisen's first cooperative venture was strikingly similar to that of Schulze-Delitzsch, but where Schulze-Delitzsch worked to aid urban craftsmen and proprietors, Raiffeisen concentrated his efforts on helping the farmers. In essence the Schulze-Delitzsch and the Raiffeisen credit cooperatives were concentrated on those individuals suffering hardship resulting from economic changes in 19th century Germany. Isbister (1994) argues that a principal purpose of these early institutions was to draw outside funds into communities that needed them; not as charitable donations, but as loans to be repaid. German cooperatives were formed in response to perceived failures in formal financial institutions. Proponents argued that these cooperatives could function where banks could not (Morduch, 1999; Cull et al, 2009). This was primarily because the credit cooperative had distinct information advantages over banks for a certain class of borrower. These advantages related to a detailed knowledge of local economic conditions which allowed these credit cooperatives to more efficiently screen potential members, and thus more easily and quickly identify borrowers who might default. Such low-cost information enabled cooperatives to dispense with practices that raised the cost of credit to banks (Guinnane, 1994). Cooperative financial institutions flourished in other European countries due to the diffusion of cooperative ideals from Germany. In Italy, for instance, there was a direct transference of the ideals of Schulze-Delitzsch via Luigi Luzzatti,

an Italian scholar who promoted and formed people's banks on the basis of the developments he had observed in Germany. One fundamental departure from the German models of cooperative institutions was the adoption, by Luzzatti's people's banks of limited liability. Austrians also organized their first Schulze-Delitzsch society in 1858. Much of the inspiration for cooperative ideals in the 19th century can also be traced to important developments in Great Britain such as the experiments of Robert Owen at New Lanark, and the Rochdale Pioneers formation of a cooperative store in 1844. Motivated by humanitarian concern for the poor working conditions created by the Industrial Revolution, Robert Owen established model factories at New Lanark where he set up self-contained and virtually self-sufficient communities. By agreeing to limit their returns on invested capital and to use whatever profits that might accrue for the benefit of the entire community, the owners at New Lanark engaged in a social experiment that helped to propagate cooperative ideology. New Lanark eventually failed, but the influence of this experiment proved to be widespread and enduring (Berger et al, 1993) and also (Berger and Humphrey, 1997). Of even more practical and lasting effect in propagating cooperative ideas was the establishment of the Rochdale Cooperative store in Great Britain in 1844. The group of workers who organized the Rochdale Society of Equitable Pioneers subscribed to shares (payable in small amounts weekly) to raise capital to buy goods at less than retail cost and sell them to their members at a saving. Members were paid five percent interest on their shares and were entitled to a proportionate division of the society's savings or surplus at the end of the year. The Rochdale principles of cooperation include: open, voluntary membership to all; democratic control of the society; a governance structure where each member was entitled to one vote regardless of the number of shares owned; a limited return, (if any) on equity capital; and the return to members of the cooperative's surplus in proportion to their patronage. The success of the Rochdale Pioneers subsequently influenced the cooperative movement in other parts of the

world. The concept of a credit cooperative crossed from Europe to Canada at the start of the 20th century. Alphonse Desjardins, a parliamentary reporter, moved by the victimization of the poor by loan sharks, spent a period learning about credit cooperatives in Europe through corresponding with the movements' leaders. Desjardins established the first *caisse populaire* (people's bank) in his home town of Levi, Quebec in 1900. Desjardins' motivation was a unique blend of Catholic revulsion of usury and the Quebec political and religious philosophy of 'la survivance'. The *caisse populaire* philosophy rested upon the three pillars of the Church, the Soil, and the Hearth (Thompson, 1978). The movement progressed somewhat slowly until the passage of enabling legislation by the Province of Quebec in 1906. The movement has member caisses in the provinces of Quebec, Ontario and New Brunswick. The credit union movement in Canada today is characterized by some institutions designated as *caisse populaire* and others referred to as credit unions. It was from Canada that the credit cooperative ideal entered the US, with Desjardins helping organise a *caisse populaire* in Manchester, New Hampshire for a Franco American parish (Moody and Fite, 1984; Kaushik and Lopez, 1994). During this time Desjardins met with Pierre Jay, the commissioner of Banks in Massachusetts, and Edward Filene, a Boston merchant, and the American credit union movement was created. Overstreet and Rubin (1991) state that Jay is credited with drafting the first general 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. But perhaps the most overlooked individual in the development of the US credit union movement is Bergengren, a Massachusetts lawyer and friend of Desjardins. In 1921, Bergengren, along with Filene, formed the 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. As such, US legislation encapsulated much of his interpretation of what credit unions are, how they should be structured, and how they should operate into law. In 1932, Bergengren wrote the Nova Scotia (Canada) Credit Union Societies Act. This 1932 Act in conjunction with the 1934 US Federal Credit Union Act became the template for the majority of subsequent credit union legislation throughout the credit union world and consolidated and established the credit union structural framework into law the process of diffusion, well tested in the transfer of the credit union ideal from Europe to North America, has operated in reverse since the 1950s. More recently transfer of the credit union ideal and cooperative principles (and indeed technical advice and financial aid) has extended from Canada and the US to recently formed movements in many of the Balkan states, most notably Latvia, Lithuania and Estonia McKillop and Wilson (2010) for which other transitional economies are not exempted.

Credit unions have become a significant global phenomenon. The World Council of Credit Unions Raw Statistical Data (2009) claimed there were 49,330 credit unions operating in 98 countries in the year 2009. The assertion covered both developed and transitional economies. These credit unions had a membership of 184 million which equates to a population penetration of 7.6% and had total assets under their control of approximately \$1,354 billion. The study arrived that the average reserve to asset ratio (a measure of capital strength) was 8.85% across all countries. However, there was a considerable variation by region, ranging from 4.89% for Africa to 13.84% for Latin America. This suggests under- and over-capitalization in Africa and Latin America respectively. Whereas some insights into patterns of credit union development can be uncovered with the aid of organizational life-cycle theory (the Council's indicates), credit unions are seen as following an evolutionary development path partitioned into distinct growth phases. These phases comprise the; Nascent (formative), Transition and Mature.

This classification typology was developed by Ferguson and McKillop (1997, 2000). Credit unions positioned within each of these stages can be characterized by various financial and organizational attributes MacPherson (1998, 1999).

Credit union movements at a nascent stage of development tend to have a small assets size, high levels of structural and conduct regulation, a tight common bond, and a heavy reliance on volunteers, provide basic savings and loans products. According to McKillop and Wilson (2010), transition movements are characterized by large asset size, evolving regulatory and supervisory frameworks, less common bond restrictions, higher levels of product diversification, development of professional trade associations, less reliance on volunteers, development of central services and a greater emphasis on growth and efficiency.

Finally, mature movements have large size of asset, have undergone structural and conduct deregulation accompanied by increased prudential regulation, a loose common bond, diversified product portfolios, professionalization of senior management, centralized services, adoption of electronic technologies and a deposit insurance scheme.

At the present time, nascent industries can be found primarily in the developing countries of Africa, Asia, Latin America and the former Soviet bloc. In these regions, they are often seen as vehicles for reducing poverty within more general microfinance programs. There are of course notable exceptions such as Poland (and perhaps also Latvia and Lithuania) where credit union development has been rapid over the last decade with credit unions in these countries extending financial services to the general population. Historically, US credit unions, currently classified as mature, fitted into the nascent categorization during the 1930s, 1940s and early 1950s. (McKillop and Wilson, 2010)

A recent article of Bruce B. Cahancaptioned” Choosing Relevance: How Credit Unions Can Harness Transparency and Show Impact” cited that a three-year study of 10,000 young adults showed all four of the leading US banks among the 10 least loved by millennials. In

this environment, impacts-aware products and services offer a renaissance moment for credit unions to rethink and rebuild relevance in attracting members from post-baby boomer generations, the 18- to 46-year-olds of today.

According to the article, a range of credit unions, with assets from \$27 million to \$11 billion, were interviewed to better understand the potential credit union roles and services in supplementing the life-cycle challenge, literacy, and financial capability of members and their communities. The study pointed that Credit unions can help members and groups understand and make sustainable choices.

In synopsis, Credit unions will need to play some critical roles to look better to consumers and regulators. According to Cahan (2015), the Union will achieve such a motive if they show:Impacts by helping members navigate life-cycle and other financial challenges, offertransparent services, and remainCompetitiveby investing strategically in user-facing technology.

All the streamlined factors have a unique tire with members' development- both privately and in their businesses linking to impact the society. So from the trend of Cahan (2015) analysis, no one doubts the view that the credit union can diligently impact social development of its members by showing them how to navigate life-cycle and financial challenges in the mist of the current economic crunch; also being transparent and willingly supporting the its services with automations. The latter idea is to ally customers access to the facility regardless of their distance; making the credit union more competitive

According to the 2013-2014 National Member and Nonmember Survey from the Credit Union National Association, 57 percent of credit union members indicate they are extremely likely to recommend their credit union to friends. In contrast, just 40 percent of members who also use banks say they're equally as likely to recommend that institution to friends."

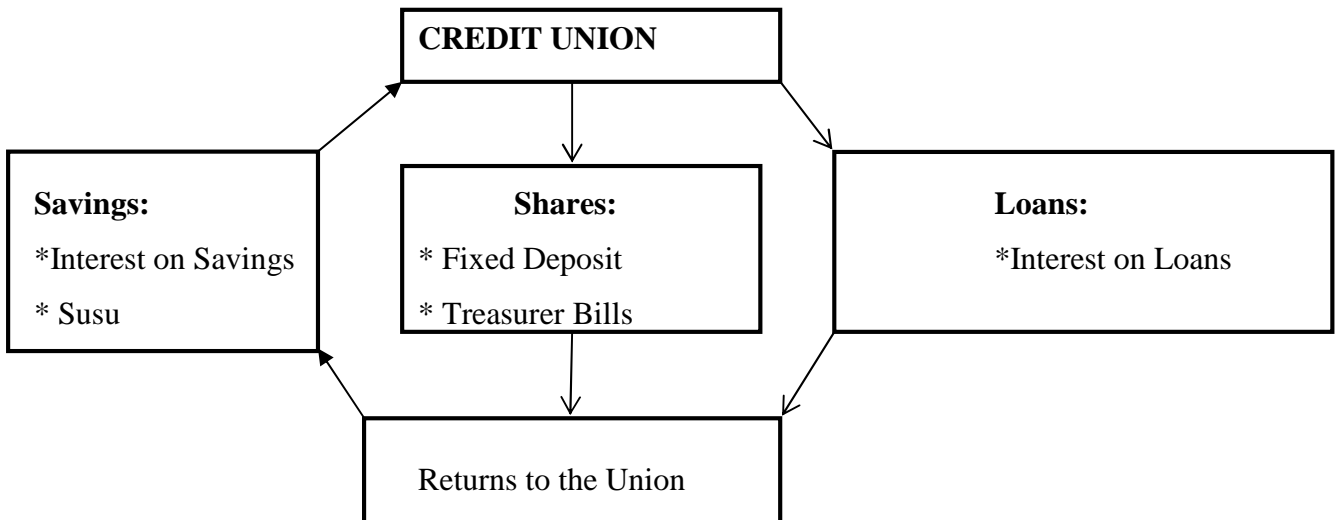
From a recent survey of about 5,000 banking customers, about 11% are ready to switch to another bank. That represents about \$675 billion in assets, according to a March 2012 survey by Javelin Strategy & Research. Javelin key findings arrived at the following reason;33% - Too many fees, 21% - unsatisfactory customer service, 15% - more convenient location, 12% - moved their residence. This is an indicative that credit unions outperform banks when it comes to building customer loyalty.

2.3 Conceptual Framework of CreditUnions

Credit unions are cooperative financial organizations geared to attaining economic and social goals of members and wider local communities(McKillop and Wilson, 2010 *ibid*).Each credit union is governed by its members. The membership elects (from within that membership) unpaid volunteer officers and directors who establish the policies under which the credit union operates.

Members of a credit union are both owners and customers of the organization.In simplicity, one cannot assume that the members seek to maximize profit generated through their transactions with the credit union irrespective of the price and quantities' of those transactions. The model of a financial firm based or profit maximization cannot be directly translated to a credit union environments. Membership in a credit union provides both demands for supply of loanable funds. The CUthen intermediates between its member-savers and member borrowers. The activities of the union can be illustrated as indicated beneath;

CONCEPTUAL FRAMEWORK OF CREDIT UNION



In Ghana, Credit Unions deposit a portion of their liquid raised through customer deposits at the bank after the day. At the end of the month, the bank credits certain percentage as interest to the account. Susu activities also generate other forms of returns to the members. By mandatory every member to the CU is expected to buy shares. The Union then invests these shares into Fixed Deposit and Treasurer Bills. The Union receives interest from the investment at the end of every quarter or accounting period. It then gives loans to members to increase their working capital or enlarge their businesses, at a considerable rate of interest. This virtually enables the Union members mobilize enough funds for living. However, if a member does not have shares that member does not qualify to have a loan since the shareholders are the owners of the Union.

2.4 Success Stories of Credit Union

Before joining the CU, I was a petty trader. My main intention was to use (Shama Co-operative Credit Union) SHACCU to obtain credit to increase the amount of wares I could buy. Within three months of accessing my first credit facility, I had grown my business to the extent that I could now go to Aflao (Togo) and buy my wares at a cheaper price. Today, by

regularly relying on loans from SHACCU, I now shuttle between Ghana and China. Mainly due to the help from the manager and staff at SHACCU, I have been able to grow my business from just a stall to a large enterprise. My advice for members is that belonging to a CU is indeed a good thing. It is a family in the sense that when you go to the office with your problem, the manager and staff listen to you and advice accordingly. On some occasions, I've heard people complain about the interest rate. As far as I know, you pay more interest only when you are not smart. What I do is I wait till I'm ready to leave then go for my loan; add it to my capital and travel to China. On my return, I distribute my goods and within a month what I collect will be enough to clear the loan I took. I then pay back the loan with very little interest. I'll therefore advice that members go for loans only when they are ready to put it to a productive use. If you are a trader, anytime you sell, make sure you go to the bank to pay part of the loan instead of keeping the money with you. This way, you pay off the loan without even realizing that you've paid. Also you do not feel the brunt of the interest. As far as I'm concerned, the advent of the CU in our community has created a facility for the poor to move out of poverty.

When the Credit Union came to Shama I wasn't very interested but due to the persuasions of one of my relatives I joined. As you can see I'm quite old and not working so what I did was anytime I had some little money, I go and deposit it. This continued for a while but because my deposits were not significant I was not thinking about my balance. One day, my grandson came home in tears saying he has been sacked from school for non-payment of fees and that he will not be allowed to write his exam. I became worried as I did not have any money to help. I however assured him that I will get the money which was about GH¢ 300.00. With this I went to the CU manager, narrated my problem and pleaded for a loan. The manager called for my card and after a few minutes told me I can have the money and that I donot

have to take a loan since my balance was more than the loan I wanted to take. I couldnot believe that I had that much since the highest deposit I remember making was GH¢ 10.00. I took the money, thanked the manager and went home. You can imagine how surprised my grandson was when I gave him the money for fees. He asked how I got it, knowing that I donot have much. My answer was the Credit Union.I will therefore advise those who have not joined to do so at the earliest opportunity since it is really a good source of help.

I bought a piece of land before joining the Credit Union and started saving. My main intention of joining the union was to get credit facility for my building project. Two years later I have been able to save enough in my account. I collected a loan from Kumasi Methodist Diocesan Co-operative Credit Union for my building project. Within two years, I have been able to build two bed room apartments. I want to encourage all and sundry to join the Credit Union since it is a gateway of financial freedom.

2.5 Why Do People Choose A Credit Union Over A Bank?

It is not just a matter of one's profession or union encouraging the choice – though that certainly plays a vital role. People like credit unions for other compelling reasons. This is because the procedure to open an account is simple and flexible and also low interest rate. About 60% members of the union lives have been changed positively when joining the Credit Union. Their living standard has increased as well as working capital.

2.6 A Fundamental (And Philosophical) Difference.

Credit Unions are not-for-profit organizations owned by their members; retail and business banks are for-profit private enterprises. A bank seeks to maximize earnings as it serves its customers. The more income it can derive from you, the better for its future. Banks have to answer to shareholders. Credit unions must ultimately answer to members. Credit Unions

commonly use profits to fund reserves. Excess earnings may be indirectly returned to members – they can translate into reduced loan rates, higher interest rates on savings accounts (which are called share accounts), and lower fees. Some CUs have even sent members bonus checks.

2.7 Definition of terms:

CUNA	===	Credit Union National Association
U.S.C.	===	United States Code
US	===	United State
C.U.	===	Credit Union
WOCCU	===	World Council of Credit Union

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter deals with how information was sought for this research report. It offers information on how the study was designed, the methods and instruments employed, and procedures used in the analysis of data collected. For this study, information is gathered from both primary and secondary sources.

3.1 Background to the Study Area

This chapter describes the methods and procedures adopted in collecting and analyzing data. It covers the following sub topics: research design, sources of data, population, sample and sample procedures, and review of data collection method, data analysis method and ethical consideration.

3.2 Research/Study Design

The design used in this study describes the state of affairs in much detail. Considering the purpose of the study it was clear that the descriptive survey is the appropriate design that could lead to a sound analysis and the drawing of meaningful conclusions in this study. The design was used to find the role of the Credit Union.

The procedures of data collection and analysis are also explained. Moreover, the presentation and analysis of the data gathered from the survey conducted. Finally, it was devoted to the summary, conclusion and recommendation of the research.

3.3 Source of Data

The primary sources include interviews and questionnaires. The interview was based on carefully prepared questionnaire which was conducted on categories of customers or members of Kumasi Methodist Diocesan Co-operative Credit Union.

The secondary source included the general information gathered from text books, CUA Magazine, Internet and Bank of Ghana publications.

Primary fact finding is one of the goals of the present day research work. The objective is also that of assembling and utilizing available fact in the interest of critical analysis. The writers make use of different methods of investigating the problem. The procedures applied for the effective collection and studying of the problem posed vary since different approaches are used for each respondent or institution for the information.

3.4 Population

This refers to the total number of members or elements in the target group which is to be investigated by the researchers. With regard to this research, the population is made up of all the members and non-members of the Credit Union qualified to be respondent. The staff comprised various groupings as Clergy, Stewards, Accountant, Administrative staff, and supporting staff. The Kumasi Methodist Diocese has numerous workforces in the Ashanti Region. Considering the objectives advance earlier on in the study, the entire church members, members of the Credit Union, non-members of the Credit Union qualified to be respondent.

3.5 Sample and Sampling Technique

Since the population is very large, a sample was taken by random to represent the population. A large random sample was chosen to meet reliability requirements but not as too large as

would require enormous resource input. As a result, a sample size of 10.84% was taken from a population of Five Hundred and Four (554), giving Sixty (60). This number was selected using simple random sampling. The data collection techniques used for the collecting of information was questionnaires and interviews. The sample size included Management of the Credit Union, Members of the Credit Union and Non-Members of the Credit Union.

3.6 Data Collection Method / Instruments.

The selection of suitable research method is pre-requisite of effective research work. It was therefore necessary to consider the following;

- ❖ Questionnaire
- ❖ Interview
- ❖ Observation
- ❖ Documentary Source

3.7 Questionnaire

Questionnaire, which are written statements, are to be answered in order to collect information on the topic. The questions asked helped the researchers to ascertain facts taking into account the basis to most of the problems hindering adequate savings among the Credit Union membership. The questionnaires were designed to demand response of the respondents. The questionnaires were targeted for the Union members and management of the Union, and the other set for non-members of the union who are staff of the church. This strategy was adopted to find out the view of members as well as non-members about the operation and activities of the Credit Union.

The members' questionnaires were structured in such a way as to find out whether they were deriving the needed desirable maximum benefits from their contribution in joining the union. The questionnaires were given to the respondents who were given a maximum period of two weeks to have completed their responses for collection. Sample of the questionnaires is found at the appendix.

3.8 Interviews

As mentioned under sampling, random sampling was used to get information from the various members of staff interviewed namely; members of the Credit Union and their executive and other staff members who were not members of the scheme. The researchers conducted a one on one interview with the respondents. The questions were directed at exposing if any, limitations to the schemes growth. They enabled us to obtain other necessary information which was captured by the questionnaires as well as to cater for illiterate respondents.

The investigators used both probing and leading questions to extract information from respondents. The people interviewed included the officials of the Credit Union especially the general manager and members or customers of the Credit Union. This method was relatively complicated since some of the members felt reluctant to disclose vital information which is quite crucial to the study. They deemed it secret and confidential and hence, would not divulge it to any other person other than the member of the Board.

3.9 Observation

For the interest of the members, researchers mostly observed the staff of the Credit Union and how they control or keep the records of the members. It enabled the researchers to conceive accurate ideas as to the perception of the customers about the Credit Union, considering their

reactions to situations at the Union's premises. A lot of problems were encountered as some of the customer contacted declined to respond positively.

3.10 Journals and Publications

Aside the primary sources, the following were also sourced. Records from periodicals also proved very useful in making comparisons. The secondary data was gathered from published Credit Union Association (CUA) Magazines. Information was collected from publications, textbooks and the internet.

3.11 Documentary Source

This is the data collected from books. Some of the data for the research work was obtained from the financial statements of the Credit Union for the years ending 31st December, 2010 to 2014 respectively. The loan ledger kept by the treasurer also proved very useful to the researchers, as most of the data relating to loans and repayments were found in it.

3.12 Data Analysis Method / Procedures

The data collected were analyzed to find the relevant answers to the questions advanced earlier on in the study. The data collected from the respondents was put into qualitative and quantitative analysis. Statistical tools such as percentages (%), diagrams and tables will be employed. The data collected was first edited to ensure consistency. They were then coded and analyzed by using tables the data was electronically processed for convenience and to save time. Conclusions were drawn solely from the data so obtained.

3.13 Ethical Consideration

An accumulation of values and principles that address questions of what is good or bad in human affairs. Ethics searches for reasons for acting or refraining from acting; for approving or not approving conduct; for believing or denying something about virtuous or vicious conduct or good or evil rules. Kumasi Methodist Diocesan Co-operative Credit Union has opened its services to the general public. In view of this, there are no ethical barriers or gender inequality, irrespective of your tribe, religion or gender you have the opportunity to join the union with flexible procedure.

CHAPTER FOUR
FINDINGS, PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter presents significant finding of the data collected for the study and analysis. Extracted results are shown in tables, percentages, frequencies and bar or pie chart as deemed appropriate. All charts and tables were generated using the said Statistical Package for Social Sciences (version 22) with MS Excel support as the prior chapter indicates.

4.1 Demographic Information:

4.1.1 Age and Gender Distribution of Respondents: Table 1-fig 1

Most of the sampled respondents were females with normally distributed age classes. Considerably low respondents were seen males in the survey (see statistics under table 1)

Table 1: Age and Gender Distribution of Respondents:

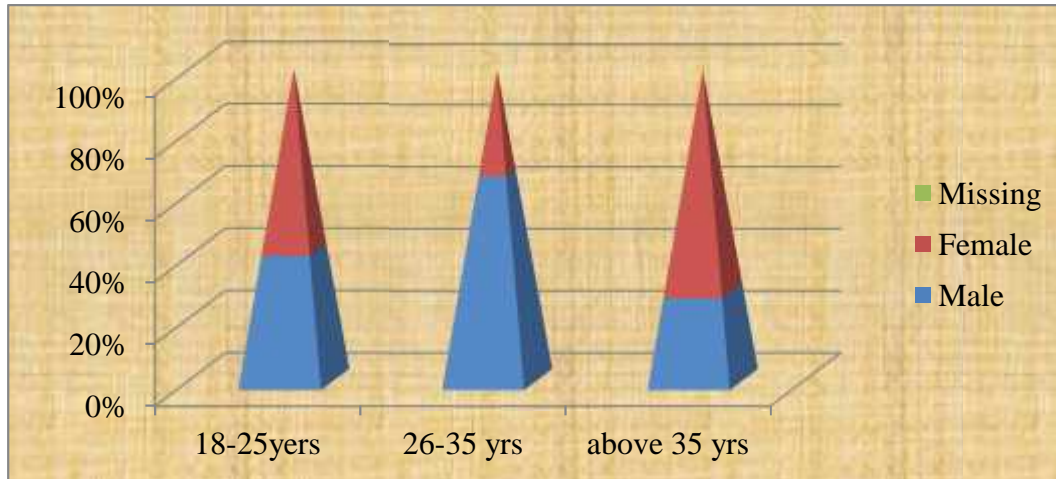
		Age Distribution			
Gender	Total %	18-25yrs	26-35 yrs	Above 35 yrs	Total Respondents
Male	45	5	16	6	27
Female	50	7	8	15	30
Missing	5	-	-	-	3
Total	100	12	24	21	60

Source: Authors' Field Work

Forty-five percent of the respondents were males. Amongst them were 5 representing 8% falling at the age range of 18-25; 16 corresponding to 27% fell at the range of 26-35 as 6 (10%) were above 35 years. Half of the respondents (50%) were females . they were spread

across the various age groups like the former. 18-25 years were 7 (12%) , 8 (13%) for range 26-35 and 15(25%) caught above 35 years, from the valid responses.

Table 1: Age and Gender Distribution of Respondents:



4.1.2 Marital status of respondents against their Membership to Methodist Church

The survey saw a good number of the Union members married and also worship at the Methodist church. Relatively very few were singles though most of such worship at the church. (See details below)

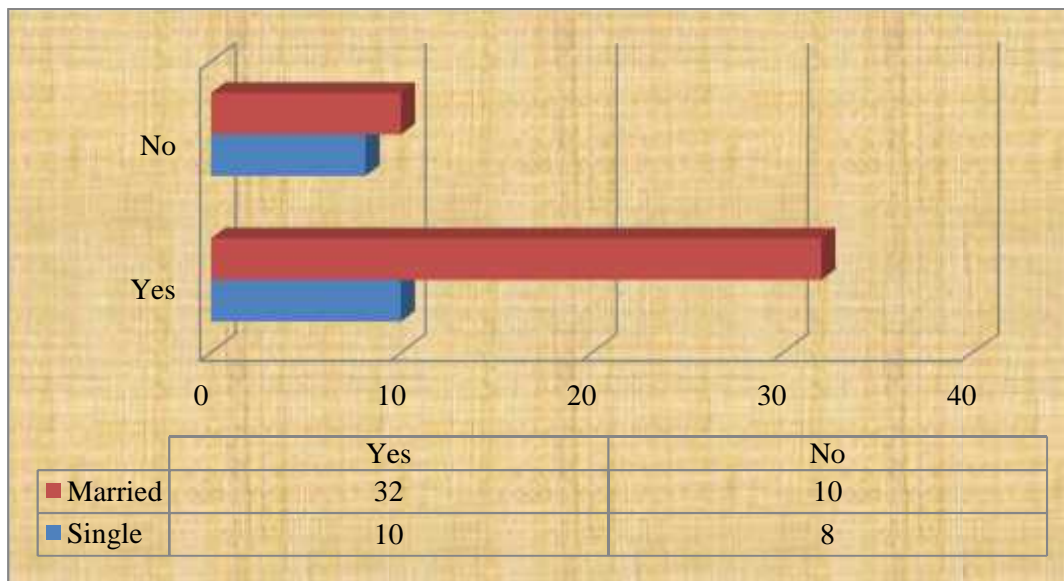
Table 2: Marital status of respondents against Membership to Methodist

	Response	Total %	Membership to Methodist		Total Respondents
			Yes	No	
Marital status of respondents	Single	30	10	8	18
	Married	70	32	10	42
Total		100	42	18	60

Source: Authors' Field Work

Thirty percent of the respondents were singles. Ten (17%) of such persons were Methodist church members, 8 (13%) were not. Seventy percent were married among the sampled respondents comprising of 32 (53%) members and 10 (17%) non-congregants.

Fig 2: Marital status of respondents against Membership to Methodist



4.2 Do Services of the Credit Union Encourage Savings?

Most of respondents are encouraged to make savings prior to the credit union activities. Very few members doubted the view.

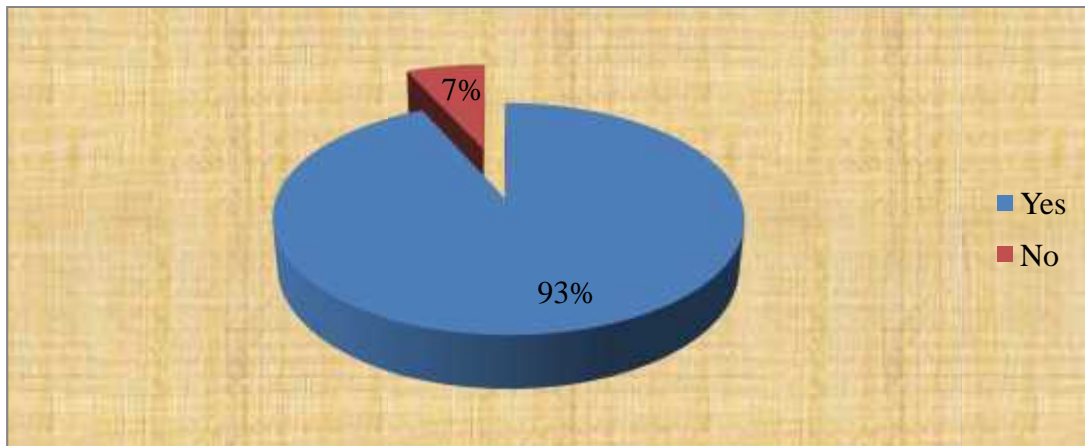
Table 3: Do services of the credit union encourage savings?

Response	Frequency	Percent
Yes	56	93.3
No	4	6.7
Total	60	100

Source: Authors' Field Work

Approximately 93% of the respondents said the Methodist credit union has enable them make enough savings. Seven percent (approx.) regarded this claim a fallacy.

Table 3: Do services of the credit union encourage savings?



4.3 Whether members are able to mobilize fund through the union and how

Performance of the Methodist credit union isn't bad in helping members to mobilize funds. From the response collected, greater number of the members has or mobilizes funds associating themselves with the credit union. The members correlate their success to the intensive financial education offered by the union, buttressing it with less promotional perks on savings. According to Table 4, even the minority not mobilizing enough today are receiving some sort of financial training and saving benefits, - all on the move to enable them mobilize appreciable financial resource. [See statistics under table 4]

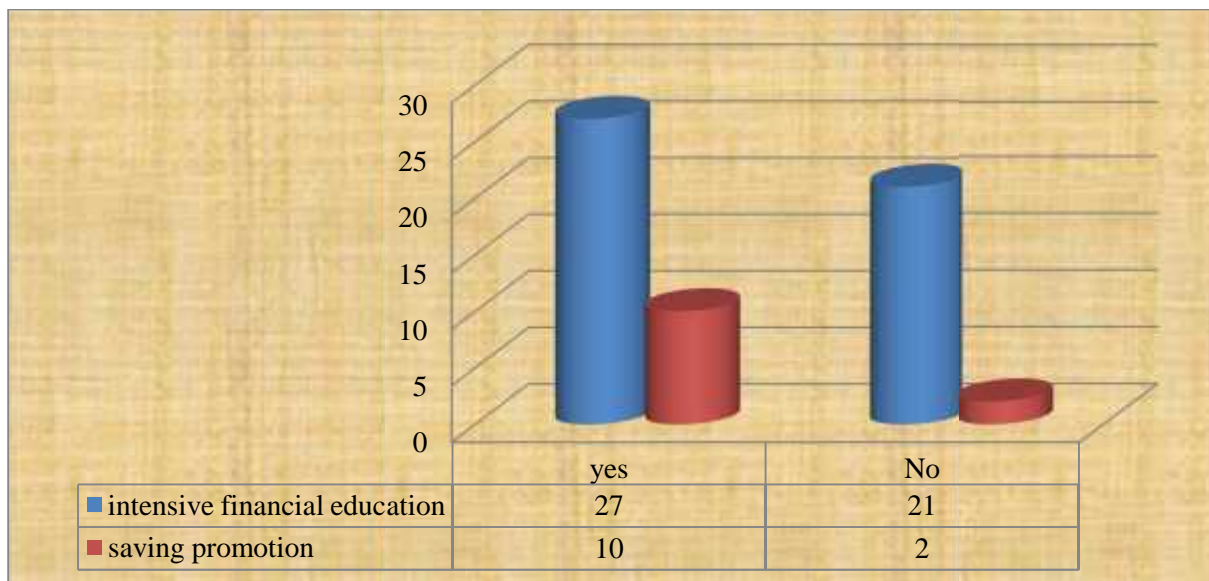
Table 4: Whether members are able to mobilize fund through the union and How

	Response	Total %	How		Total Respondents
			intensive financial education	saving promotion	
Able to mobilize fund through the union!	yes	61.67	27	10	37
	No	38.33	21	2	23
Total		100	48	12	60

Source: Authors' Field Work

According to table 4, roughly 62% of the union members interviewed said the facility has helped them to mobilize enough fund. Among the claimers, 45% response from 27 people were directed that the credit union offers intensive financial education as an answer to” how” the members were able to mobilize the fund. As 10 (17%) respondents suggested the union helped them do the fund mobilization through savings promotions, 38% generally argued the fact that the credit unionization has impact their ability to mobilize fund in a positive note. Out of the latter percentage responses were 21 (35%) respondents still under intensive financial education as 2 (3%) keeps enjoying saving promotional packages from the Methodist credit union.

Fig 4: Whether members are able to mobilize fund through the union and How



4.4Members loyalty level at Kumasi Methodist credit union (CU): [point4.4.1 - 4.4.4]

Most of the Union members’ do not have access to the CU product packages so are demotivated to make substantial saving contributions. There is therefore a greater likelihood to see most customers turning off from the union very soon. Eighty-two percent declared

their intention to leave the corporate someday. They heavily correlate their decision to the fact that they are moving to other residential locations. However, Fifty-seven percent (57%) of the members reported the union activities are less transparent (Table 8), pointing in parallel to the former claim. In simple put, customer loyalty ranges at the Kumasi Methodist Diocesan credit union at a degree of 82%, and is 57% precurse by high level of non-transparency at the CU. Year 2013-2014 National Member and Nonmember Survey from the Credit Union National Association stated that 57 percent of credit union members indicate they are extremely likely to recommend their credit union to friends according to the prior literature. In the light of this study, same percentage questions transparency level of the Kumasi Methodist Diocesan Co-operative Credit Union as 82% even want to leave. Merely 18% of the existing customers recommend the union to their friends [Ref: 4.4.4] for that yardstick.

4.4.1 Members Access to all Product Packages of the Union and Frequency of Savings

Table 5-fig 5

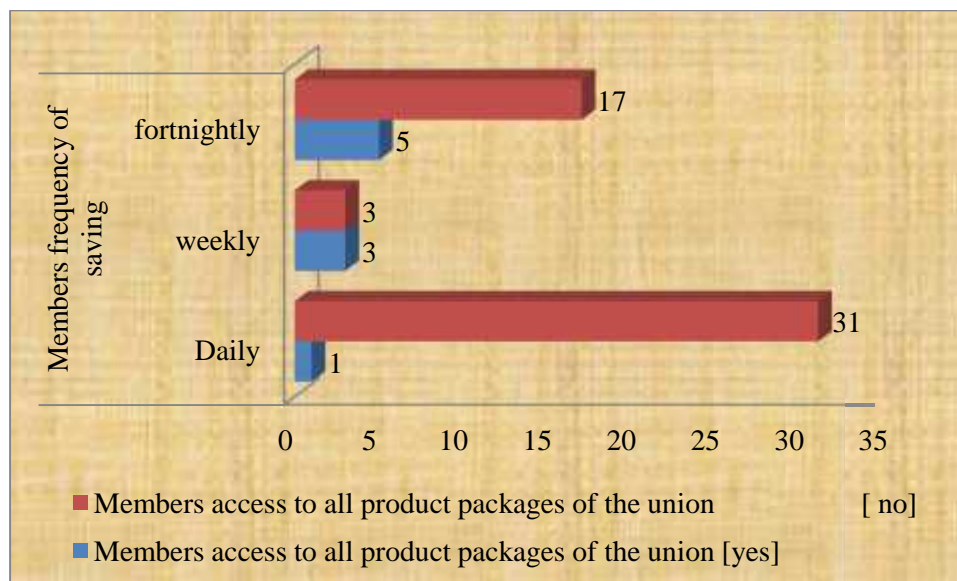
It appears majority of the respondents do not have access to the credit union product packages and has adversely affected their savings contributions on periodic basis to the union. Very few customers attested their accessibility to the credit union product packs, as they emerge. [See table 6 for details]

Table 5	Response	Total %	Members frequency of saving			Total
			Daily	weekly	fortnightly	
Members access to all product packages of the union	yes	85	1	3	5	9
	no	85	31	3	17	51
Total		100	32	6	22	60

Source: Authors' Field Work

Table 5 identified on a high note that most members are made ignorant as the union decides on new products offers which is a minus to the firm. Eighty five percent (85%) of the respondents are victims to the phenomenon. Amongst the said percentage were 31 (52%) respondents- making savings on daily basis; three do savings weekly as 17 (28%) members decide fortnightly. To 15% of the interviewees, all product package of the Methodist credit union are made explicit, so far as they are concern. Only 1 (2%) member from the said percentage saves daily with the union. Three (5%) make deposits weekly whiles 8% (5 respondents) saves fortnightly.

**Table 5: Members access to all product packages of the union and
Frequency of savings**



4.4.2 Who Thought of leaving the Credit Union (CU) and why leaving

Table 6-fig 6

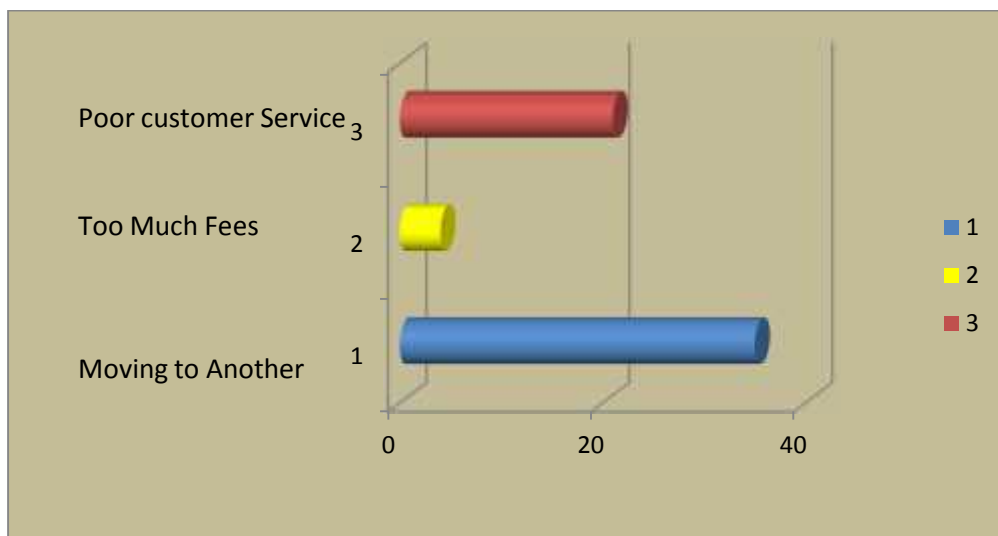
Very soon most customers to the credit union may turn off. From the trend of responses cited on table 7, majority are looking forward to leave the union for a thought of moving to other residential locations. Barely few union members declared their intension of staying to transact with the union although they underscored the customer service of the Methodist Diocesan union.

Table 6	Response	Total % Response	Why leaving			Total Respondents
			Moving to another location	Too much fees	poor customer service	
Thought of leaving the CU	yes	81.67	33	3	13	49
	No	18.33	2	1	8	11
Total		100	35	4	21	60

Source: Authors' Field Work

Generically, 82% (approx.) of the union members have the intention of leaving the union for key reasons including residential reallocations. As 33 respondents suggest the stated conception, 3 (5%) are being deterred from the union for excessive service fee charges with 13 (22%) raising criticisms on the customer service offered of the union. Eighteen percent (18%) of the sampled respondent believed in long services. two of such persons are even thinking of moving to another location yet have no sense of stopping business with the Methodist credit Union. One (2%) and 8 (13%) customers respectively point question marks on the service fee charges and customer services standard of the union.

Table 6: Who Thought of leaving the Credit Union (CU) and Why leaving



4.4.3 Transparency level of the union activities and Members leaving intention

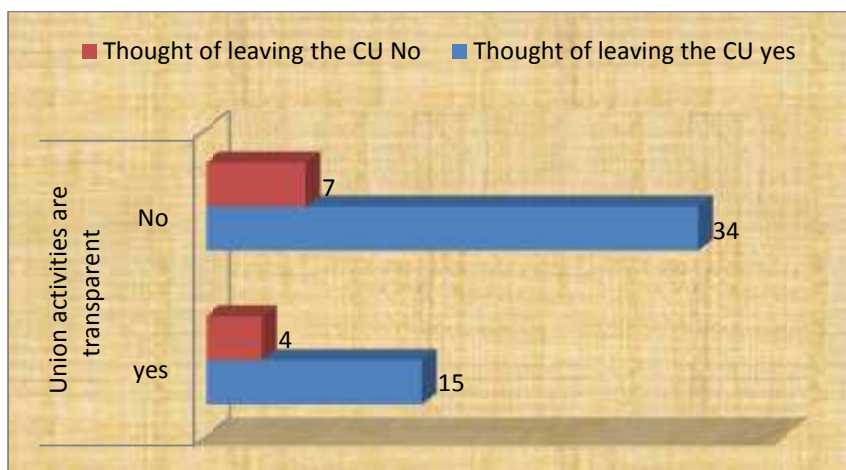
Greater section of the respondents said transparency doesn't prevail in the credit union activities. They then have a true intention of quitting business with the Methodist union someday. Fewer sums of the members argued to the contrary. In all the degree of transparency of the CU proves so low in the sight of its members. Close to 57% of the members are dissatisfied in the front of transparency at the Kumasi Methodist credit union. Only 7% (approx.) are enthused with the trajectory of transparency at the CU.

Thought of leaving the CU	Responses	Total %	Union activities are transparent		Total
			yes	No	
Thought of leaving the CU	yes	81.67	15	34	49
	No	18.33	4	7	11
Total		100	19	41	60

Source: Authors' Field Work

Among the union members, approximate 82% thinks of leaving on transparency front. As 25% corresponding to 15 respondents said the union activities are transparent yet thought of leaving, close to 57% fairly argued their leaving to the shaky level of transparency of the union. Eighteen percent (18%) of the respondents thought of leaving the CU and entails 7% (4 respondents) who believes that the union activities are transparent. Almost 12% representing 7 interviewees held contra views.

Fig 7: Union activities are transparency and Members leaving intention



4.4.4 How come Customers Choose the CU?

As the table indicates, the members scarcely network their peers to the CU. Mostly customers coming to the Methodist union are through private decisions perhaps they have empathic feel to join, for the name “Methodist” sake or other intuitive reasons (Ref: beneath table 9)

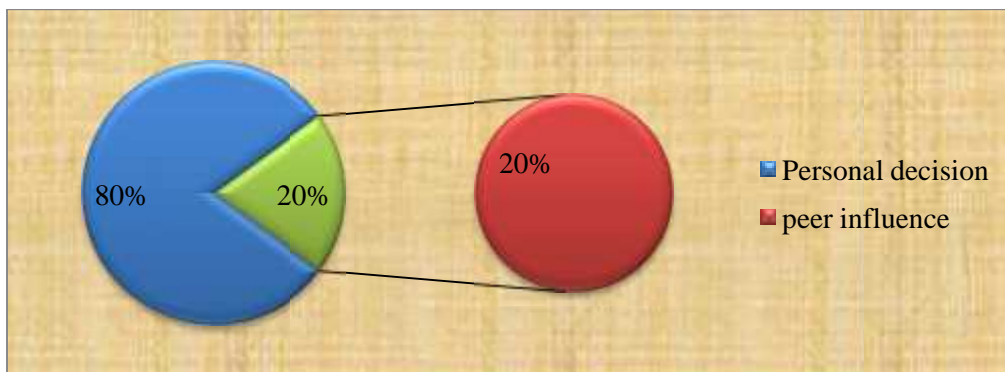
Table 8: How come Customers Choose the CU?

Responses	Frequency	Percent
Personal decision	49	81.67
peer influence	11	18.33
Total	60	100

Source: Authors’ Field Work

For 80% of the respondents, choosing the Kumasi Methodist credit union was their prerogative decision. Only 20% of the members were linked by their friends.

Table 8: How come Customers Choose the CU?



4.5 How Management of the CU Impact Members Social Development

A good section of the union members agreed that management of the CU has really impacted their lives. Meager percentage doubted the majority’s assertion, at the other extreme. The former claim was highly made feasible when most of the respondents realized how the credit union has contributed to navigate their life cycles and surmount their financial challenges

lessly buttressing it with the transparent and competitiveness service of the CU. This finding is in line with Cahan (2015) assertion when he said the credit Union will look better to customers and impact their social development if its shows “impact, proves competitive and transparent,” from the review chapter. (See statistics under table 9)

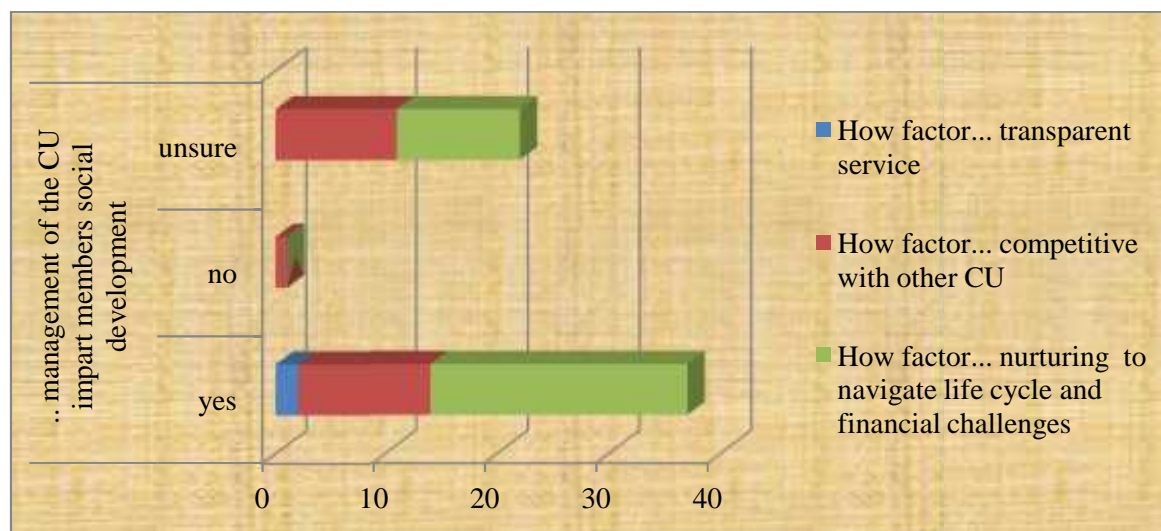
Table 9	Responses	Total %	The How factor			Total Respondents
			transparent service	competitive with other CU	nurturing to navigate life cycle and financial challenges	
Management of the CU impact members social development	yes	61.67	2	12	23	37
	no	1.66	-	1	-	1
	unsure	36.67	-	11	11	22
Total		100	2	24	34	60

Source: Authors’ Field Work

It can be deduced from the table that almost 62% agree that the management of the CU has impacted their lives. This was seen from three fold angles as the table shows. Only 2 respondents representing 3% directed the impact to transparent service of the union. With all confidence, transparency level of the union does very barely little so far as the customer respondents are concerned. This is an affirmative to the 57% non-transparent level created as explaining the members 82% disloyalty level to the union from point 4.4. Twenty percent (12) said the firm is gradually becoming competitive as 38% (23 respondents) suggested that the firm nurtures them to navigate their life cycle and financial challenges. Two percent of the respondents (1person) claimed the firm is becoming competitive although he thinks the CU has made zero impact to his life. Thirty-six percent (22) of the customers were vaguely positioned in the debate. Eleven (18%) equally suggested the firm is becoming competitive

and also nurtures customers to navigate life and financial challenges which is a plus to the Methodist credit union.

Fig 9. How Management of the CU impact members social development



4.6 Membership Growth

Table 10 Membership Growth

PARTICULARS	FEMALE	MALE	GROUP	TOTAL
Total number of members as at the beginning of 1 st July, 2013	55	94	69	218
Additions during the year	205	123	52	380
Sub-Total	260	217	121	598
Withdrawals	4	5	1	10
Total number of members as at the end of 30 th June, 2014	256	212	120	588
Increase (+) / Decrease (-)	201	118	51	370
Increase (+) / Decrease (-)	365.5%	125.5%	73.9%	169.7%
Dormant Members	156	109	8	273
Active Members	100	103	112	315
Active Members	39.1%	48.6%	93.3%	53.6%

Source: 2014 Auditor's Report

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

Credit unions have become a significant global phenomenon. The World Council of Credit Unions Raw Statistical Data (2009 *ibid*) claimed the year 2009 recorded 49,330 credit unions operating in 98 countries, both developed and transitional economies. Credit unions are self-help cooperative financial organizations geared to attaining economic and social goals of members and wider local communities according to McKillop and Wilson (2010 *ibid*). This study assessed the challenges and prospects in using credit union as a vehicle for mobilizing funds. Focusing on all credit unions in Ghana, the study assumed Kumasi Methodist Diocesan Credit Union as the center of focus. This chapter presents the summary, conclusion and recommendations on the findings there after.

5.1 Summary of Findings

Four specific questions were set for scrutiny under this study. These were as follows:

- ❖ Has the Kumasi Methodist Diocesan Co-operative Credit Union encouraged savings?
- ❖ How is the Credit Union helping its members to mobilize funds?
- ❖ What is the level of members' loyalty to Kumasi Methodist Co-operative Credit Union?
- ❖ How has the management of Kumasi Methodist Diocesan Co-operative Credit Union impacted on the social development of the members of the union?

The following summaries are presented on the bases of the prior chapter.

The survey arrived that the credit union is massively drawing its members to accumulate more wealth through savings. Ninety-three percent (93%) of the union members are encouraged to make savings prior to the union activities. [Source: 4.2]

The Methodist credit union devises various means of helping members to attain financial freedom. Most of the members have been able to mobilize fund through the intensive financial education offered by the union buttressing it with less promotional perks on savings. Even the few not mobilizing enough today is enjoying some sort of financial training and saving benefits, - all on the move to enable them generate appreciable financial resource for life. [Source: 4.3]

But Customer loyalty ranges at a degree of 82%, and is 57% precurse by high level of non-transparency at the CU. Merely 18% of the existing customers recommend the union to their friends. The in-depth examination unveiled that among the union members, 82 percent have the intention of leaving the firm someday. This conception heavily correlates to their moving to other residential locations. However, this was seen as a gimmick, proving it with the percussive factor identified [Source: 4.4]

Yet Over 50% of the members' posited great enthusiasm to say that management of the CU has really impacted their respective lives. The how factor to this claim was highly made explicit when most of the members stated the credit union has mentored them to navigate their life cycles and financial challenges. Besides, peripheral mechanism devised by the union incorporating service transparency and competitive traits also had some infinitesimal impact on the claiming social development of the union members. [Source 4.5]

5.2 Conclusion

Mobilizing funds for sustenance has never been easy for Ghanaian workers. Coupling the phenomenon with high cost of living and overburdened bank lending conditions, people's desire for Credit Union affinities in order to gather enough if not massive funds for living. At the Kumasi Methodist Credit Union, 93 percent of the union members are encouraged to make savings prior to the union activities. The CU devises various means to help members to attain financial freedom. Most of the members have been able to mobilize funds through intensive financial education offered by the union, buttressing it with less promotional perks on savings. This connotes to the dramatic prospect the union enjoys over the years. But the challenge is, customer loyalty ranges at a degree of 82%, and is 57% pre-empted by high level of non-transparency of the CU at the moment. Merely 18% of the existing customers recommend the union to their friends. Eighty-two percent have the intention of leaving the firm someday. This conception heavily correlates to their moving to other residential locations and appeared a gimmick, proving it with the percussive factor identified. Vis-à-vis impactation to members' social development, over 50% of the members cited that management of the CU has really impacted their respective lives, and it is mostly through nurturing to navigate members' life cycles and financial challenges, under the spectrum of this survey.

5. 3. Recommendation

To surmount shortcomings and augment prospects, the following recommendations are made necessary to the Kumasi Methodist credit union by the researchers, in effort of campaigning for excess fund mobilization;

- ❖ The union members (customers) testifies to the prolific financial returns derived through the intensive financial education and savings promotional strategies of the firm; it worth recommending that the CU should push the two strategies aggressively especially the periodic financial education. This will enable the customers become more disciplined financially and save massively with the credit union besides equipping them to smoothly navigate their life cycle and financial challenges leading to their social development.
- ❖ Management of the institution is advised to open up to all members on equity terms, hear their concerns, and offer the needed support and assistance they required. This will obviously cushion disgruntled members to be retained and feasibly recommend the union to their fellows to booster members fund accumulation.
- ❖ The researchers recommend that the Management and Board of Directors of the Credit Unions should reconsider customers who have no shares to be given loans to expand their businesses as some customers complain bitterly.
- ❖ It is hereby recommended again that effective and appropriate measures must be employed by all stakeholders to ensure the maintenance of Credit Union in the country in the interest of the people.

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APPENDIX

CHRISTIAN SERVICE UNIVERSITY COLLEGE – KUMASI

QUESTIONNAIRE ON KUMASI METHODIST DIOCESAN CO-OPERATIVE CREDIT UNION MEMBERS

This questionnaire will help furnish data for the above topic which is required in partial fulfillment of Bachelor of Business Administration Degree. The information provided will solely be used for this purpose and therefore confidentiality of the matter is guaranteed.

Demographics: (Section A)

1. Gender==== Male [] Female []
2. Age === 18-25 [] 26-35 [] above 35yrs []
3. Marital Status [] Single [] Married []
4. Are you a member of Methodist Church? Yes [] No []

Section B

5. Are you sure that the Union has achieved its objective by encouraging savings?
Yes [] No []
6. Do you believe that the Union has helped its members to mobilize funds?
Yes [] No []
7. Are members loyal to the Union by paying the loans they collected? Yes [] No []
8. Are the Union's activities or services very transparent? Yes [] No [] unsure []
9. Do you have access to all the products of the Kumasi Methodist Diocesan Co-operative Credit Union? Yes [] No []
10. How frequently do you save with the scheme?

- (a) Daily []
- (b) Weekly []
- (c) Fortnightly []
- (d) Monthly []

11. Have you ever sought a loan from the Credit Union? Yes [] No []

12. Have you after joining the Kumasi Methodist Diocesan Co-operative Credit Union sought financial assistance from any source other than the Credit Union?
Yes [] No []

13. Is it easy to obtain loans from the Credit Union? Yes [] No []

14. Do you think the Kumasi Methodist Diocesan Co-operative Credit Union funds are being well managed? Yes [] No [] unsure []

15. Have you regretted joining the Kumasi Methodist Diocesan Co-operative Credit Union? Yes [] Not at all [] somehow []

16. Has your expectation been met since you joined the Credit Union?
Yes [] No [] somehow []

17. Do you think that the Union is doing their best in terms of services they rendered as compare to other Credit Union? Yes [] No [] Neutral []

18. Do the management and the staff offer business advising to its members?
Yes [] No [] unsure []

19. Do you think that the management of Kumasi Methodist Diocesan Co-operative Credit Union has impacted on the social development of the members of the union?
Yes [] No [] Unsure []

20. Do the Union offer promotions to its members? Yes [] No [] Unsure []