

UNIVERSITY OF EDUCATION, WINNEBA

**THE IMPACT OF CREDIT UNIONS ON NATIONAL
DEVELOPMENT: THE CASE OF UEW CREDIT UNION**



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UNIVERSITY OF EDUCATION, WINNEBA

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CASE OF UEW CREDIT UNION**



**A thesis in the Department of Accounting, school of business,
submitted to the School of Graduate Studies, in partial fulfillment
of the requirements for award of the degree of
Master of Business Administration
(Accounting option)
In the University of Education, Winneba**

JULY, 2021

DECLARATION

Candidate's Declaration

I, **Agnes Ngnanty Jato** declare that with the exception of quotations and references contained in published works which have all been identified and duly acknowledged, this thesis is entirely my own original work and that it has not been submitted, either in part or whole, for another degree elsewhere.

Student's Signature:.....

Date:.....

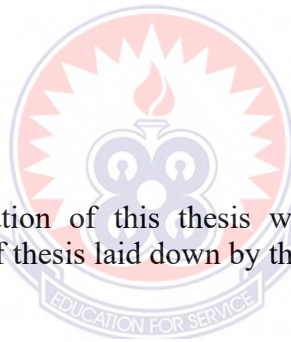
Supervisors' Declaration:

I declare that the preparation of this thesis was supervised in accordance with the guidelines on supervision of thesis laid down by the University of Education, Winneba.

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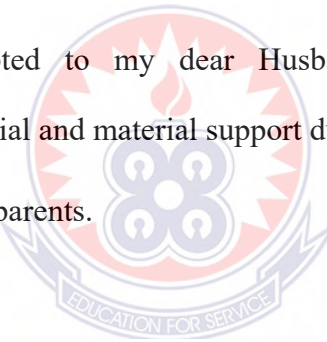


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DEDICATION

This work is dedicated my beloved husband, Joshua-Luther Ndoye Upoalkpajor; and
also to my siblings.



TABLE OF CONTENTS

Content	Page
DECLARATION	iii
ACKNOWLEDGEMENTS	iv
DEDICATION	v
TABLE OF CONTENTS	vi
ABSTRACT	xii
CHAPTER ONE: INTRODUCTION	1
1.1 Background to the Study	1
1.2 Statement of the Problem	4
1.3 Objectives of the Study	5
1.4 Research Questions	5
1.5 Scope of the Study	6
1.6 Significance of the Study	6
1.7 Limitations of the Study	7
1.8 Organisation of the study	7
CHAPTER TWO: REVIEW OF RELATED LITERATURE	8
2.0 Introduction	8
2.1 Conceptualizing Credit Union	9
2.1.1 Definition of Credit Union	9
2.1.2 Evolution of Credit Union	11
2.1.3 Credit Union Movement in Ghana	13
2.2 Credit Union and Development	15
2.2.1 Savings Mobilization	16
2.2.2 Employment	16



2.2.3 Poverty Reduction and Raising Living Standards	16
2.2.4 Corporate Social Responsibility	18
2.3 Other Benefits of Credit Union	19
2.3.1 Ease of Membership	19
2.3.2 Provision of Sufficient Financial Services	19
2.3.3 Offer of Better Loan Rates and Lower Fees	19
2.3.4 Financial Safety	19
2.3.5 Volunteer Board of Directors	20
2.4 Criticisms against MFIs/ Credit Union	20
2.5 Challenges of Credit Union	22
2.6 Conclusion	24
CHAPTER THREE: METHODOLOGY	26
3.0 Introduction	26
3.1 Research Design	26
3.2 Sources of Data Collection	27
3.3 Research Population	27
3.4 Sampling and Sampling Techniques	27
3.5 Instrumentation	28
3.5.1 Questionnaires	28
3.5.2 Interviews	29
3.5.2 Observation	29
3.5.3 Research Approach	29
3.7 Validity and Reliability of Data	30
3.8 Ethical Issues	30



CHAPTER FOUR: DATA PRESENTATION ANALYSIS AND DISCUSSION	31
4.0 Introduction	31
4.1 Personal information of respondents	32
4.1.1 Gender of respondents	32
4.1.2 Age	32
4.1.3 Respondent's religion	31
4.1.4: Marital status of respondents	34
4.1.5 Nationality of respondents	34
4.1.6 Level of Education	35
4.1.7 Occupation of respondents	36
4.2 Perception and Usefulness of Credit Unions	36
4.2.1 Reasons for saving with credit union	37
4.2.2 Problems encountered when transacting business with the Credit Union	38
4.2.3 Alternative accounts with Credit Union members	39
4.2.4 Would Credit Union Members still keep the alternative account?	40
4.3 Impact of Credit Union on Its Members	41
4.3.1 Deposits pattern of respondents	41
4.3.2 Do your deposits entitle you to a loan?	42
4.3.3 Rating the accessibility to loans in credit unions	43
4.3.4 Interest Rate of credit unions	43
4.3.5 Impact of credit union on the standard of living of their members	41
4.3.6 Rating the Performance of credit unions	45
4.4 Analysis of Data from the Staff	46
4.4.1 Client base of UEW Credit Union	46
4.4.2 Savings Products that are largely patronized	46

4.4.3 Methods used to collect deposit	46
4.4.4 Innovative schemes used to attract customers	46
4.4.5 Purpose for giving loan to customers	47
4.4.6 Duration of Credit Union Loans	47
4.4.7 Loan processing period	47
4.5 Operational Challenges of credit unions	48
4.6 Measures put in place for credit union sustainability	48
CHAPTER FIVE: SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSIONS	53
5.1 Introduction	53
5.2 Summary of findings	53
5.2.1 Types of products and services provided by credit union	53
5.3 Conclusion	54
5.4 Recommendation	55
REFERENCES	57



LIST OF TABLES

Table	Page
1: Age bracket of respondents	32
2: Do your deposits entitle you to a loan?	42
3: Interest Rate of credit unions	43



LIST OF FIGURES

Figure	Page
1: Gender of respondents	32
2: Respondent's religion	33
3. Marital Status	34
4: Nationality	34
5: Level of Education of respondents	34
6: Occupation of respondents	36
7: Reasons for saving with credit union	37
8: Problems encountered when transacting business with the Credit Union	38
9: Alternative accounts with credit union members	39
10: Would Credit Union Members still keep the alternative account	40
11: Deposits pattern of respondents	41
12: Rating the accessibility to loans in credit unions	43
13: Impact of Credit Union on the standard of living of their members	44
14: Rating the Performance of credit unions	45

ABSTRACT

The study evaluated the contribution of credit unions contribution to community development in Ghana. Contextually, the study focused on the financial development of clients of a Credit Union. Clients in this study are referred to those customers that are both shareholders and non-shareholders. This study used the case study as the research design. A sample size of two hundred (200) customers was selected out of the population. The study thematically used the customers as well as the staff of UEW Credit Union. The sampling techniques that was used for data collection were purposive and convenience sampling techniques. Purposive sampling was used to select six (6) staff from UEW Credit Union while convenience sampling technique was used in selecting customers as respondents. Findings indicated that most clients deal with other financial institutions apart from UEW Credit Union. It was also found out that, four main reasons people save with the credit unions are easy access to loans, opportunity to realize bulk sum, attractive interest rate and ability to make regular small deposits (susu), and revealed four main reasons why customers borrowed money at the credit unions - for business liquidity support, asset acquisition, education, and for business startups. The study recommends the promulgation of the credit union laws to be able to expand their operations.



CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

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

Aryeetey (1996) and Aryeetey *et. al.* (1994), researched the frameworks established by the MFIs in order to offer fund accessibility for on-lending to the “needy” and the small-to- medium scale enterprises. Although those studies described the reactions of the MFIs to the new economic situation, they are limited by their little attention on the unique features of credit unions as co-operative credit organizations. Co-operatives are institutional set-ups whose ownership as well as management, are entrusted in the hands of their members who double up as the patrons. In co-operatives, all members hold equal rights at decision making irrespective of their level of skills or contribution to the resources of the organization.

The co-operative theory expects members’ empowerment and involvement would lead to their command over the organizational processes. Credit Unions operate in the cooperative traditions which are jointly owned by their members and the people who use their services. According to Aryeetey (1996), they can be structured under umbrellas of consumer-owned, producer-owned, or worker-owned depending on the

group of people who joined efforts to form the cooperative business either for-profit or not-for-profit. The strengths of Co-operatives include facilitation of resource pooling, sharing risks and profits, and trade facilitation for members and other clients. The operations of Cooperative businesses are governed by principles of democratic governance, open membership, transparency, returns based on use, continuous education and community service.

Eventually, the unique feature of credit unions as co-operative credit organization differentiates their business from other MFIs, which may function under privately ownership or adhere to other regulations Aryeetey (1996).

Some of the aims of credit unions are:

- a. to educate people on the prudent use of their money and the optimization of their limited pool of resources.
- b. to cultivate the habit of saving among members.
- c. to create a source of credit with a fair and reasonable rate of interest for the support of members.

Currently,, there are three main types of credit unions operating around the world.

These are:

a. Community Credit Union:

It is a type in which different personalities with different expertise or backgrounds pool their resources together for a common goal. Examples are Dunkwa Traders Credit Union, Assin Fosu Community Credit Union and Swedru Teacher Credit Union.

b. Industrial or workplace credit union:

This is where some or all workers of a particular institution and other nearby institutions who draw salaries from the same source agree to form the union in the region or in the whole country. Examples are the University of Education, Winneba Credit Union, Swedru Teachers Credit Union and University of Cape Coast (UCC).

b. Parish credit union:

This type is where some or all members of a particular church or group of churches agree to form the union within a particular region. Examples are Swedru Methodist Credit Union and Bisease Catholic Parish.

From the various definitions a credit union is an organization meant to unify people who voluntarily want to e to save their money and support one another through low interest rate loans. A credit union exists primarily to serve its members through capacity development but not for- profit reasons.

The credit union movement has been identified as a potential means of mobilizing funds to support personal and business development. The several reforms that have emerged over the last decade have strategically positioned credit unions to impact their members positively.

Relevance of Credit Unions in Ghana

Credit unions aid their members to attain financial permanence. "Not for credit, not for charity, but for service" is the slogan. The credit union offers forms of financial services akin to traditional financial establishments, but for its regulated non-profit nature. Members bring together their money to raise enough capital to loan to one another; and then any mark-up made is repaid as dividends to the members. Below are additional benefits of credit unions.

1. They inspire careful borrowing for major purchases or needs by inculcating a regular savings habit. Members build financial independence for themselves and their families.
2. Credit unions provide technical support, grants and revolving loan funds for the under-served and marginalized communities.
3. Members have complete independent command over the credit unions. They partake in annual and ordinary membership meetings.

1.2 Problem Statement

Credit unions are institutions which combine a social development (provision of financial services to the lowest income population possible) with a financial objective that drives the institution to achieve self-sufficiency and thereby accomplish sustained service delivery without dependence on subsidies. It is estimated that annually, Credit Unions provides financial assistance to client in excess of 200, 000 (Ahmed, 2015).

Credit unions trace their root to social and development objective for eliminating poverty among the very deprived and vulnerable in society. One of their goals is to offer credit financial to as many as possible those who lack access to traditional banking services.

Credit unions boast of a remarkable growth in the number of primary societies and membership and are one of the rapid growing sectors of the Ghanaian economy over the years (Ahmed, 2015). They serve as financial intermediaries particularly to those whose activities lack access to the traditional banks. Activities of credit unions in terms of customer service, savings mobilization, access to loans and other financial services are not much of a different as compared with that of the traditional banks; yet people are skeptical about what the credit unions can do and their usefulness to the society (Ofei, 2001)

These credit unions have had to overcome many challenges in their operations in the country. It is an attempt to bridge the gap between the formal and informal sectors of the Ghanaian economy.

Again, in as much as traditional banks are professed to offer needed financial services to individuals, and small-to- medium scale enterprises (SME's), access to credit facilities in such banks is virtually impossible for most businesses in Ghana. Kirsch (1977), says that even in instances where they are made accessible, their insufficiencies and high borrowing cost pose a great challenge to many businesses in Ghana. This is because they primarily engage in agricultural activities.

These challenges and the degree to which they have been able to be managed and the profit these credit unions have been able to provide for their members and the community at large shall be the bottom line of this research work.

1.3 Objectives of the Study

The objectives of the research shall be to probe the role of credit unions in the enabling growth of the communities in which they operate. The study specifically sought to:

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

1.4 Research Questions

The research questions that guided this study included the following:

1. What are the product and services offered by UEW Credit Union to its clients?

2. What are the perceptions clients have about the Credit Union?
3. How has Credit unions impacted the standard of living of their members?

1.5 Scope of the Study

The study evaluated credit unions' contribution to community development in Ghana. Contextually, the study focused on the UEW Credit Union and its clients.

1.6 Significance of the Study

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

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

Consequently, credit unions are conduit between underprivileged individuals and small business owners in the mobilization of funds for the development. It is for this reason that it would be appropriated to examine the accomplishments of these credit unions in the communities they operate.

Credit union focuses on the long-term well-being of the members, not just as a client, but as owners providing financial counseling and education. These and many others are what credit unions do to contribute to financial development. This study would

help add to knowledge about the usefulness of credit unions, their reason for existence and to lay bare, their contributions to community developments which are overlooked. The study conducted assists government and policy makers to formulate appropriate strategies to plug the potentials of credit unions and therefore aid in the passing of the credit union law, which is still pending. This study serves as a citation and assistance material for researchers in future in the related field. Also, the information given by this study would be helpful to credit unions in bundling their products. Lastly, it is also useful to clients and non-clients as this would be an eye opener in terms of services available in credit unions.

1.7 Limitations of the Study

The researcher was limited by time and space since the study was carried out within a short period of time. Data collection and analytical methods were extensive. The study did not include the level of impact of the operations of credit unions on the communities within the study area.

1.8 Organization of the Study

The study was organised into five chapters. Chapter one outlines the introduction of the study, the study, background, the statement of problem, study objectives, significance, scope and limitations. Chapter Two constituted the review of existing literature savings mobilization, credit delivery and its impact on the communities the credit unions operate. Chapter Three integrates the overall approach to the research and methodology used. It defines the study design, requirement of data and sources, population, sampling and data collection methods and research instruments employed. Also, the chapter relayed the contextual profile of the case- UEW Credit Union. Chapter Four provides a detailed data analysis and the relevant interpretation to give

sense to them. Finally, Chapter Five summarised the whole project work; and states the major findings of study, the conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Credit Unions all over the world have been and continue to be important micro finance institutions for development in developing countries in recent times. “While they have seen many successes and failures during this period, no other institution has brought so many people together for a common cause” than they have done. For instance, “following the Arusha Declaration in Tanzania, credit unions have become the main tool for building a spirit of self-reliance during the Ujamaa period” (Uche, 2015). This capability to bring people of different social ties and status for a common good through the provision of credit and other financial services to small-to-medium scale enterprises have contributed to honing up the image and role of credit union in the development process (Uche, 2015).

Since 1850 when the first Credit Union was established in present day Germany, empirical evidence suggests that, today credit union exists and strive in every region of the world with an estimated 49,330 Credit Unions in operation within 97 countries with a membership totaling 183,916,050 as at the year 2019 (*Statistical Report*, World Council of Credit Union Inc. 2019). This therefore places credit union within a context whose importance cannot be overlooked.

This chapter discusses the institution of credit union in its entirety. The first part of the chapter looks at the concept, definition and emergence of credit union globally and within the Ghanaian context. The second part discusses the role of credit union in development in terms of their core activities. The last pattern presents a brief discussion of the main challenges of credit union in the performance of their core activities and the measures that have been put in place to improve their service and performance delivery.

2.1 Conceptualizing Credit Union

The concept of a credit union is a fairly unpretentious one, remaining similar to that of the earliest organizations of this type. Essentially, the participants of a credit union come together to make a non-profit financial institution. Loans are made available to members who deposit funds for saving. Credit unions tend to be comprised of members with some sort of similarity, such as by profession, as with a teachers' credit union. Each of these characteristics can be drawn back into the history of the culture that created those early European credit unions. The contemporary credit union has lots of history-one of the most captivating aspects is the fact that the vital form and operation of a contemporary credit union, assisted by the modern technologies, has improved remarkably little from those first credit unions that were formed centuries ago.

2.1.1 Definition of Credit Union

The definition of what a credit union has been varied among scholars, practitioners and even across countries within the microfinance environment. Whilst several definitions have been given to describe what a credit union is, taking into consideration how they function across the globe, fundamental to all of them is that

they perform basically the same function but in different capacity. According to Ahorlu (2009), a credit union is defined as “a co-operative society that offers loans to their members out of the pool of savings that are built up by the members themselves”. This descriptive definition although does not refer to the purpose of credit union, it however describe them as being co-operatives. The Credit Union National Association of America states: “Credit unions are financial institutions formed by an organized group of people with a common bond. Members of credit union pool their assets to provide loans and other financial services to each other.

The exceptional ownership status implicit in the above definitions (member run, owned and used) leads to them being termed by Croteau (1963) as being the purest form of co-operative. Not only are the operational transactions restricted to members, restrictions are also placed on the membership by necessitating that members belong to a common bond. Mixed types of members allow them to provide financial services to the poor to a greater extent than specialized microfinance institutions (Cuevas & Fischer, 2006). Credit unions are non-profit cooperative financial organizations. Traditionally, they have been seen as meeting the financial needs of the deprived societies and individuals. With advancement, particularly in countries such as the US, Canada and Australia, credit union have increasingly enticed the elite classes and contended with other retail financial institutions for their clients. In the US, 43 percent of the entire population belongs to a credit union, with 22 percent in Canada and 26 percent in Australia. Thus a credit union may be defined as a not-profit co-operative financial institution, which is owned and managed by its members (who share a common bond such as their occupation, where they live or attend church) and exist to provide a safe, appropriate place for them to save money and obtain loans and other financial services at competitive rates (Write, 2018). Although varied across countries

in terms of service delivery, credit union share the same features and have the same aims that define their operations.

According to Kwasi and Wayo (2014), the aims of a credit union are multiple and far reaching in scope. They encourage thrift by employing members to save regularly, providing loans to members at low interest rates and also assist members to optimize their financial resources.

Characteristically;

- i. Credit union does not look for a benefit.
- ii. Credit union is just as not philanthropy. Individuals need to show their capacity to spare frequently before being considered for credit.
- iii. Credit union aims at giving service to the participants
- iv. Credit union offers lower interest on loans with a refund schedule calculated to suit the individual's capacity to pay.
- v. Credit union offers the chance to establish a consistent savings pattern.
- vi. Credit union seeks to make participants feel a part of the union or society and give all members reverence and consideration.
- vii. Though, a credit union is very not the same as a bank, the two types of organizations are possibly in competition in the expanses of savings and loans.

2.1.2 Evolution of Credit Union

“The evolution of credit union philosophy spans over 150 years. It is a story that begins in the middle of 19th century Europe was evolving from a long history of feudal relations and oppressive rule that created “the miserable economic conditions of the period and the realization that people would have to take action themselves if their lives were to improve.” (Wilburn, 2003)

As indicated by California and Nevada Credit Union Leagues in 1852 and 1864 two individuals, Herman Schulze-Delitzsch and Friedrich Raiffesen, made a move themselves and put Locke and Hobbes equitable standards of shared decision making, liberation, freedom, and equity into practice through the production of finance related cooperatives in Germany. Their thought was straight forward: to make budgetary cooperatives that would permit people to pool their funds and give one another cash as required. By pooling their assets people would have the capacity to amplify their interest as an aggregate of a whole by expanding their access to capital, expanding their individual social and monetary gains and, consequently, utilizing their individual capacity while expanding the capacity of those taking an interest in the financial cooperatives. Raiffesen and Schulze-Delitzsch trusted that human liberation and fairness were likely to be accomplished by engaging people to move in the direction of their basic interest. Their thoughts were based upon a profound good conviction that individuals should have the capacity to take an interest in decision that progress in the direction of their aggregate financial and social interest and that individual should have financial access to the capital markets through low credit (Ahorlu, 2009).

Keeping in mind the end goal to make these qualities a reality, they set up an organizational instrument to accomplish these targets and today these establishments are known as credit union, interesting store organizations made, not for benefit, but rather to serve individuals as credit cooperatives. Profound inside of the heart of the development are the values of participation, character, uprightness, social obligation, and community. The accomplishment of these standards is obvious in the way that it took a bit under 50 years for the dissemination of advancement to convey financial cooperatives to Canada and United States.

Filene grasped the thoughts and standards of the early development toward monetary cooperatives and started setting up them in the U.S. His fundamental rationality was plainly explained in a discourse to the Ohio Credit union League in 1936 where he expressed that "human society would be outlandish without credit – without confidence, without faith in human association, and dependence upon human obligation". Filene picked Bergengren to take the development across the nation. He felt that it was his obligation "to dispatch the development as across the country social and monetary power for the advancement of humankind." Empowerment was a basic idea to Filene and Bergengren and prompting the advancement of credit union philosophy; a philosophy that remains as vital today as it did at the time of Filene's and Desjardins. (Filene 1997)

The progression of credit union philosophy is not a static origination but rather absolutely holds a level of consistency as result of the values on which it is established. The multiplication of the values and ideals set out by Schulze-Delitzsch and Raiffesen and conveyed forward by the Desjardins, Filene, and numerous others are put into practice in a limitless variety of huge number of establishments that represents credit union development today. Till today, the development depends on people who are willing to participate in co-operative types of social connections to make conditions has foster social capital while in the meantime permitting them to accomplish their economic objectives. The slogan, "Not-for-Profit, Not-for-Charity, But rather for Service" is as genuine today as it was more than 150 years back (Wilburn, 2003)

2.1.3 Credit Union Movement in Ghana

In Ghana, credit union history can be traced back to the 1920s when the Department of Co-operatives understood the requirement for well-known credit and funds offices,

presented Thrift and Loan Societies. They were ineffectively overseen so just few of them survived. In 1961, the then government terminated the operations of the Department of Co-operatives alongside the Cooperative Bank. After the 1966 upset, the re-organized Department of Co-operatives proceeded; however there were not more than five Thrift and Loan Societies in existence. Parallel to these occasions was the development of another kind of funds and credit development in Northern part of Ghana (Aryeetey, 1996).

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

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

Bishop then sent the Reverend Father Derry to learn at the Coady International Institute, St. Francis Xavier University, Antigonish (CUA, 2005).

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

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

development in Ghana and Africa. In Sampa in the Brong Ahafo Region, Our Lady of Fatima Credit Union was one of the eight credit unions in the South (Ofei, 2001; Ahorlu, 2009).

2.2 Credit Union and Development

As already established, credit union through their activities directly or indirectly contribute to development. Empirical evidence from studies conducted over the years suggests that, credit unions have lifted a number of people out of poverty and created employment opportunities for many others. They provide a home for the poor. In Asia and Africa credit unions have more challenging roles to play in advancing the development of the countries within them. The main contribution of credit union to development can be summarized into six broad categories. These are microfinance, savings mobilization, employment, poverty reduction and raising living standards, health and education and corporate social responsibility (Kwakwa, 2009).

2.2.1 Savings Mobilization

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

2.2.2 Employment

On the contribution of credit union to employment creation, Chowdhury, *et al.* (1991) “asserted that women (and men) participating in BRAC sponsored activities have more income (both in terms of amount and source), own more assets and are more often gainfully-employed than non-participants”. Mustafa, *et al.* (1996) also noted an

increase in assets of 112% for those who had been members for 48 months or more and increase in household expenditure of 28% for those who have not.

2.2.3 Poverty Reduction and Raising Living Standards

Poverty extends beyond just a lack of income. Wright (2018) highlights the shortcomings of focusing solely on increased income as a yardstick for assessing the impact of Microfinance on poverty. He rather prefers a significant difference between increasing income and reducing poverty. He argues that when the income of the poor is increased, it does not necessarily translate into the MFIs reducing poverty. Such conclusions can be made depending on how the deprived handle these funds. Most times, gambling or spending on alcohol that the lion's share and so focusing solely on increasing incomes is simply not enough. The focus shift needs to be on empowering the poor to "sustain a specified level of well-being". Thus, well-tailored financial services addressing their need can transform their total wealth and improve their financial independence. There is a popular claim that MFIs do not reach the most deprived in the communities. However, studies have affirmed the permeation of microfinance operations in most of such communities.

Hulme and Mosley (1996) in an extensive study on the fight of poverty using the microfinance supports the strategic placement of well-designed programs in the enlargement of the wealth of the poor and can improve their socio-economic status. They argue that "there is clear indication that the impact of a loan on a borrower's income is connected to the level of income" as those with higher wealth have a better chance of investment avenues and so funding organizations are prone to favour the "middle and upper poor" . There has been clear confirmation of credit being given to very poor households, and those households grew their incomes and their assets.

Irrespective of the high potential, Mayoux (2001) summarizes the main effects of microfinance on poverty as:

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

Hulme and Mosley (1996) asserted that the association of loans with an upsurge in wealth facilitates investments into income creating activities with low-risk. Also, the encouragement of the very underprivileged to save drastically reduces the susceptibility of the very needy and improves their status. Other studies also cited instances whereby savings and credit schemes have met the needs of the very poor. It is now well known that microfinance specialists have favorably placed enhancements in economic security, ahead of income promotion, as the first step in poverty reduction as this reduces beneficiaries' overall vulnerability. Therefore, in as much as there are debates on the impact of microfinance projects on poverty, it has been well demonstrated that when MFIs understand the needs of the poor and attempt to address these needs, programs can have a positive impact on poverty class of the society. In addition to the strong evidence on reducing vulnerability, the provision of micro-credit has been instrumental in strengthening crisis, coping mechanisms, diversifying income-earning sources, building assets and improving the status of women.

2.2.4 Corporate Social Responsibility

Another area through which credit unions contribute towards the community is the undertaking of various forms of Corporate Social Responsibility. Corporate Social Responsibility is the principle of bearing in mind the interests and welfare of society encompassing beyond direct business operations. As financial co-operatives, owned

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

2.3 Other Benefits of Credit Union

2.3.1 Ease of Membership

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

2.3.2 Provision of Sufficient Financial Services

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

2.3.3 Offer of Better Loan Rates and Lower Fees

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

2.3.4 Financial Safety

One can receive all the benefits of a good bank including lower interest rates and lesser fees and still save and grow your money without harm. Credit unions are just as harmless as banks to save money and have plenty of oversight to certify that they are solvent. If one is associated with a group that has this type of financial facility, certainly look into the many products and services that a Credit union can offer Wright (2018).

2.3.5 Volunteer Board of Directors

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

In addition, credit unions are not-for-profit organizations; their primary objective is to add value for the members. This is achieved through cutting down the cost of operation, for example, the Board of Directors is unpaid. On the contrary, banks are for-profit organizations that focus on producing returns for shareholders. Also, the limited memberships of credit unions make them evade most of the bureaucracy processes suffered by large national banks. For instance, it's quite easy to renegotiate

the terms of a loan with a simple phone call to a credit union while the bureaucracy of the approval levels in a national bank will not permit that to be done, Wright (2018).

2.4 Criticisms against MFIs/ Credit Union

Despite all these benefits and many others, that access to micro financing gives to people, there are a number of criticisms against microfinance. Critics have argued that, microfinance is not suitable for all people at all times. For loans that will be used for business purposes, microfinance best serves those who have identified an economic opportunity and can capitalize on it if they have access to a small amount of ready cash, however, evidence shows that, most of the people that micro financing are given do not have the skills to turn resources into productive enterprises that can help in their economic independent. In cases where they do have these skills also, provision of microfinance leads to the proliferation of a particular type of economic activity. When that happens, there is an oversupply of the output of the particular activity, thereby resulting in a glut and ultimately a reduction in its prices. Thus, microfinance may ultimately constitute a new and very powerful institutional barrier to sustainable community development, and thus also to sustainable poverty reduction because it disregards the importance of scale within any sector thereby undermining the development of other more efficient enterprises (Murdoch, 2000).

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

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

There has also been criticism of credit union for exhibiting sufficient support for the working conditions of poor households, particularly when borrowers become quasi-wage labourers, selling crafts or agricultural produce through an organization controlled by the MFI or credit union. The desire of MFIs to facilitate the diversification of their borrowers and increase their incomes has sparked this type of relationship in several countries, most notably Bangladesh, where notable expansion has been documented. Critics maintain that there are few if any rules or standards in these cases governing working hours, holidays, working conditions, safety or child labour, among others (Farrooque, 2007).

2.5 Challenges of Credit Union

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

This model was grounded on accepting credit union as relatively small, volunteer-operated community-based organizations established primarily to provide low cost loans to deprived people who cannot get such support from other financial institutions. High primacy was given to society engrossment, member involvement and empowerment. The overall impression of the social development model has left many credit unions financially feeble, with little organizational capacity and with an endless reliance on external grants and subsidies. Member service has often been inadequate, with many credit unions operating out of unbefitting premises for just a few operating hours within a week (Jones, 1999).

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

In most countries, credit union operated more as networks for external donor funds to the poor rather than self-reliant financial co-operatives. With time, external reliance on donor funds undermined self-reliance, and active performance, and compromised long term maintainable development. Similar organizational dynamics have been accepted as existent within the British credit union movement (McKillop & Wilson,

2003). Richardson and Lennon (2001) have contended that the poor performance of traditional model credit union has brought about many microfinance professionals in developing countries to give up on credit union as feasible and resourceful mechanisms for addressing to the needs of the poor.

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

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

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

Again, the increased unemployment rate demands that financial institutions anticipate more for potential loan losses. These erratic market environments will require credit

unions to closely observe the financial performance and continue to look after the best interests of their members (Ahorlu, 2009).

In the views of Ark Zook, President and CEO MaPS Credit Union, credit unions are operating with the consequences of the current hostile economic climate. Zook stresses the challenges of the economic waves to keep focused on the primary mission and on long-term relationships. It becomes very enticing to stifle hard work for developing strategic and advanced ways to serve members, halt all societal benefits, or explore ways to cut employee welfares in an effort to conserve.

2.6 Conclusion

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



CHAPTER THREE

METHODOLOGY

3.0 Introduction

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

3.1 Research Design

Another important aspect of research methodology is the research design. This study used the case study as the research design. Case study gives the researcher the opportunity to collect detailed information using varieties of data collection methods

over a sustainable period of time. (Stake, 1995). Case studies describes an approach that is used to address a particular problem at hand (Naele, et al,2006). Case study is based on the premise that a contemporary phenomenon with real life context is under investigation. This phenomenon must have multiple sources of evidence that the researcher has a very little or no control over the kind of responses emerging from the research. This research is an assessment of the credit union's activities in the development of the communities they operate in. The study considered the impact of credit Unions in real life context by investigating into the products and services provided to clients and their contribution to their development in the community. In an effort to make the study convey much descriptive, contemporary and understanding characteristics, the research reviewed literature on the phenomenon under study.



3.2 Sources of Data Collection

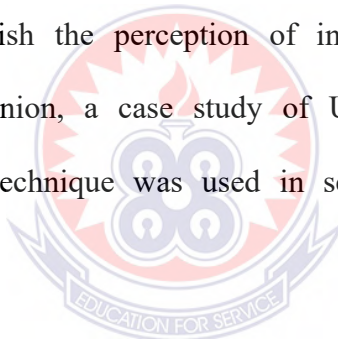
Data were picked from both primary and secondary sources of data source in order to obtain the information necessary for this research work. Primary data were collected from the field through the administration of questionnaires, interviews and field observations.

3.3 Research Population

The population for this study involved the total customer base of UEW Credit Union with a total membership of two thousand four hundred and two (2,402), with active members of one thousand nine hundred and eight (1,908) and four hundred and ninety four (494) dormant customers. Staff membership of eighteen (18) of UEW Credit Union also form part of the population used in the study.

3.4 Sampling and Sampling Techniques

A sample is the number of elements selected out of a population for a study. The research was designed as a case study; therefore, a sample size of two hundred (200) customers was selected out of the population. The study used two main units of enquiries; the customers and the staffs of UEW Credit Union. This formed the sample frame or population for data collection. The sampling techniques that was used for data collection includes purposive sampling technique and convenience sampling technique. Purposive sampling was used to select six (6) staff from UEW Credit Union. The selection is done purely at the discretion of the researcher but much attention was given on the person's in-depth knowledge on the job and understanding of the topic. To establish the perception of individual customers towards the contribution of credit union, a case study of UEW credit union was studied. Convenience sampling technique was used in selecting customers who will be interviewed.



3.5 Instrumentation

This section highlights on the mode of data collection and for this reason more light is thrown on the questionnaires used, interviews and the review of official records. Both types of data were used in the study, qualitative data which is not give numerically and quantitative data that is give numerically

3.5.1 Questionnaires

A questionnaire consists of a set of question presented to a respondent for answers to be given. The respondent may read the question, interprets the expectation and then gives the best response or answers themselves. Questionnaire serves as a data collection tool was developed and tested to make sure questions were fully understood

by the respondents. Questionnaires were administered over a period of twenty five (25) days to customers of UEW Credit Union in three (3) different branches who had come to the office to transact business. Some questionnaires were also administered to customers at their various places of business as not all customers came to the credit union office to transact business within the stipulated period of time.

The questionnaires contain open and closed ended questions. The close-ended questions required the respondents to make a choice between two or more answers while the open-ended ones required the respondents to give their own answers to the questions. Most of the questionnaires were interviewer-administered since most of the customers could not read nor write but some few questionnaires were self-administered because some customers were able to administer the questionnaire themselves. The aim of the questionnaire was to address the research questions posed at the beginning of the study. A questionnaire is useful for exploration as well as affirming some expected responses.

The researcher adopted questionnaires as a data collection tool due to these strengths.

3.5.2 Interviews

This is what is referred to as Interview Schedule when the researcher asks the question (and if necessary, explains them) and record the respondent's response on the interview schedule. The use of interview for data collection is very flexible and yields large amount of data. It offer the researcher the opportunity to explore issues ad probes as the situation arises. According to Dillman (2002) the use of interviews in any study yields highest cooperation and lowest refusal rates, characterized by high quality response and involves multi-method data collection, therefore its adoption in this study.

3.5.3 Observation

In addition to data gathered through questionnaires and interviews, observation was also used to gather additional data. Respondents were critically observed based on the objectives of the research and some questions were asked to satisfy the researcher's curiosity and notes were made on them.

3.6 Research Approach

The researcher used the mixed method which implies that both the qualitative and quantitative approach was used interchangeably. The purpose of using this approach is to cover any deficiencies that may arise from both the qualitative and quantitative approach. In order to provide a good description, explanation and interpretation to the collected data, qualitative research was used. According to Creswell (2014), quantitative research identifies factors that influence the outcome of a situation and understanding the predictions of the outcome. It tries to create a link between the behavior of phenomenon and the influential factors of that phenomenon. In relating this to the research this study sought to bring to bear the impact of credit unions for the development of their communities. It is therefore eminent to include quantitative approach to this research study.

3.7 Validity and Reliability of Data

Validity addresses whether the correct procedures have been applied to find the correct answers to the questions being raised. Reliability refers to the extent to which the quality of a measurement procedure provides repeatability and accuracy. Reliability assessment of a research work helped the researcher to determine inconsistencies that existed in the questions used in the measurement of the results and therefore its adoption any study is very important. To ensure that reliable data was collected for the study, the questionnaires were pretested with a random sample of

five (5) respondents to pretest the questionnaires. This was expected to measure the reliability of the research instruments for the main study.

3.8 Ethical Issues

The researcher sought to consider any ethical concerns that may arise in the conduct of the study and therefore there were not any crucial ethical challenges. The researcher sought the permission of informants before interviews were conducted. During the consenting process, the researcher informed participants about the purpose of the study and emphasized the anonymity of their responses.



CHAPTER FOUR

DATA PRESENTATION ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter consists of data presentation, analysis and discussion of findings. The issues discussed in the chapter included the products and services provided to clients of University of Education Credit Union (UEW Credit) and how it impacted on the development of the operational communities that they live in. The analysis is distributed into two parts. The first part deals with analysis of responses from customers of the Credit Union. The second part also deals with the analysis of responses from the staff of UEW Credit Union.

In an attempt to address the research questions of the study, the data collected was analyzed in line with the major themes of the research questions. UEW Credit Union was used as a test case to collect customer's views about credit union, and the effect it has on standard of living. In all a total of two hundred (200) customers of the credit union were sampled. However, one hundred and ninety five (195) answered the questionnaire. Detailed information of the respondents and their responses are the subsection that follows.

4.1 Personal information of respondents

4.1.1 Gender of respondents

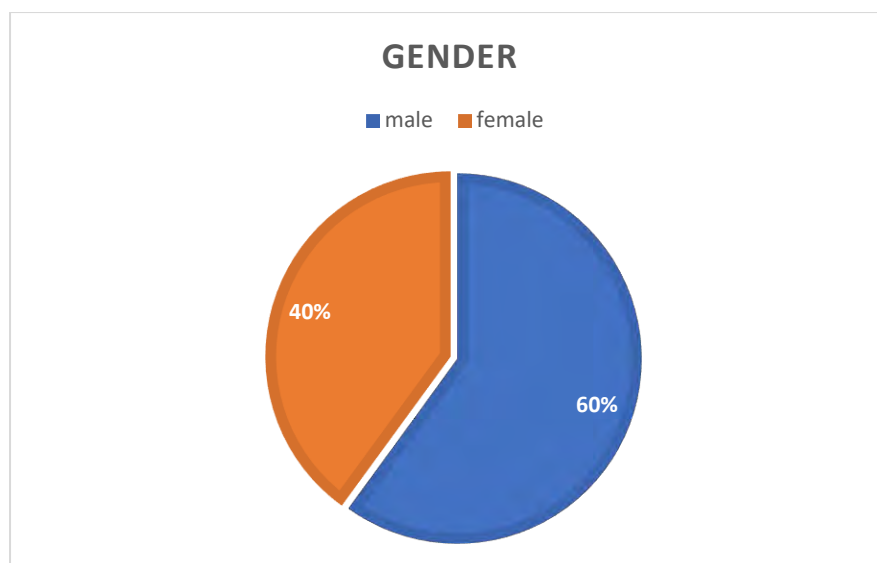


Figure 1: Gender of respondents (Source: Field Report, 2021)

Figure 4.1, is a clear indication that the gender of the credit union is dominated by male customers. Thus, out of the respondents who participated in the study, forty (40) percent were female, while the remaining sixty (60) percent were male.

4.1.2 Age

Table 1: Age bracket of respondents

Response	Number of response	Percentage (%)
10-25	30	15.4
26-50	121	62.1
51-75	34	17.4
76-100	10	5.1
Total	195	100

Source: Field Report, 2021

From Table 1, to know the age bracket of respondents, majority of the respondents were in the age group of 26 -50, followed by the age group of 51 -75, 30 out of the One hundred and ninety five fall within 10 -25 and the remaining 10 were within the age group of 76 – 100. From the analysis, it can be stated that the customer base of the union is youthful.

4.1.3 Respondent's religion

Figure 2: Respondent's religion

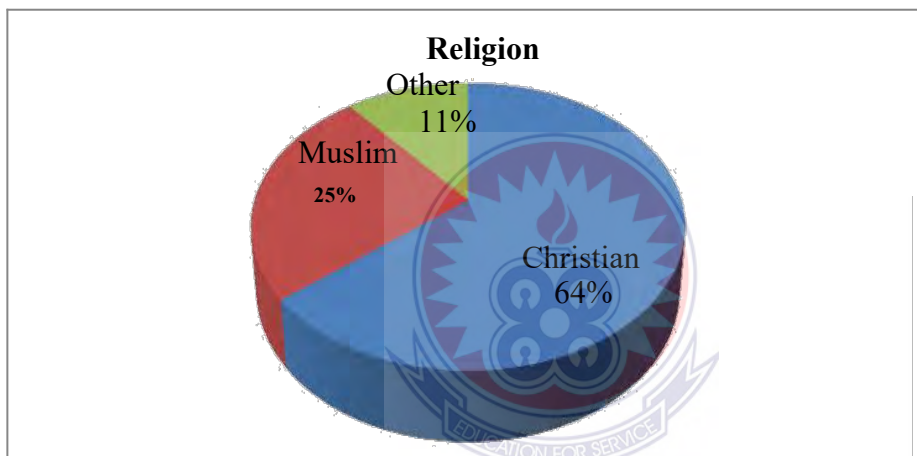


Figure 2: Respondent's religion (Source: Field Report, 2021)

Figure 2 indicates that out of 195 respondents, 64% were Christians, 25% being Muslims and 11% of the respondent had other believes. It is not surprising that Christian dominate UEW credit union since it started as parish based credit union before it bonds to the community.

4.1.4: Marital status of respondents

Figure 3. Marital Status

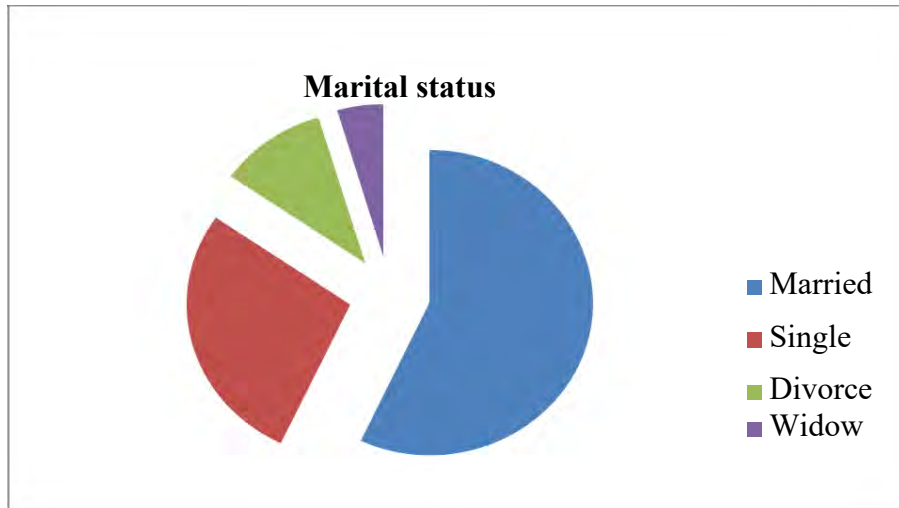


Figure 4. 3: Marital status of respondents (Source: Field Report, 2021)

Figure 4.3 indicates that, one hundred and eleven (111) respondents representing 56.9% were married. Fifty four (54) respondents representing 27.7% were single. Twenty one respondents representing 10.8% were divorced and the remaining nine (9) respondents representing 4.6% were widow.

4.1.5 Nationality of respondents

Figure 4: Nationality

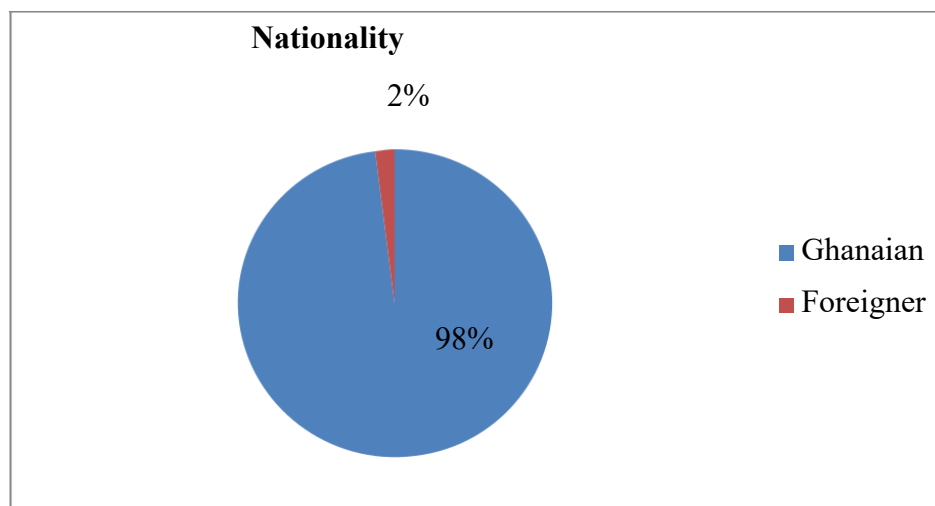


Figure 4. 4: Nationality of respondents (Source: Field Report, 2021)

The results indicate an uneven nationality distribution pattern in favour of Ghanaians at UEW Credit Union. Thus, out of the respondents who participated in the study, ninety eight percent (98%) represents Ghanaians and two percent (2%) represents foreigners. This is because it is community based and there are a lot of Ghanaians nations than others.

4.1.6 Level of Education

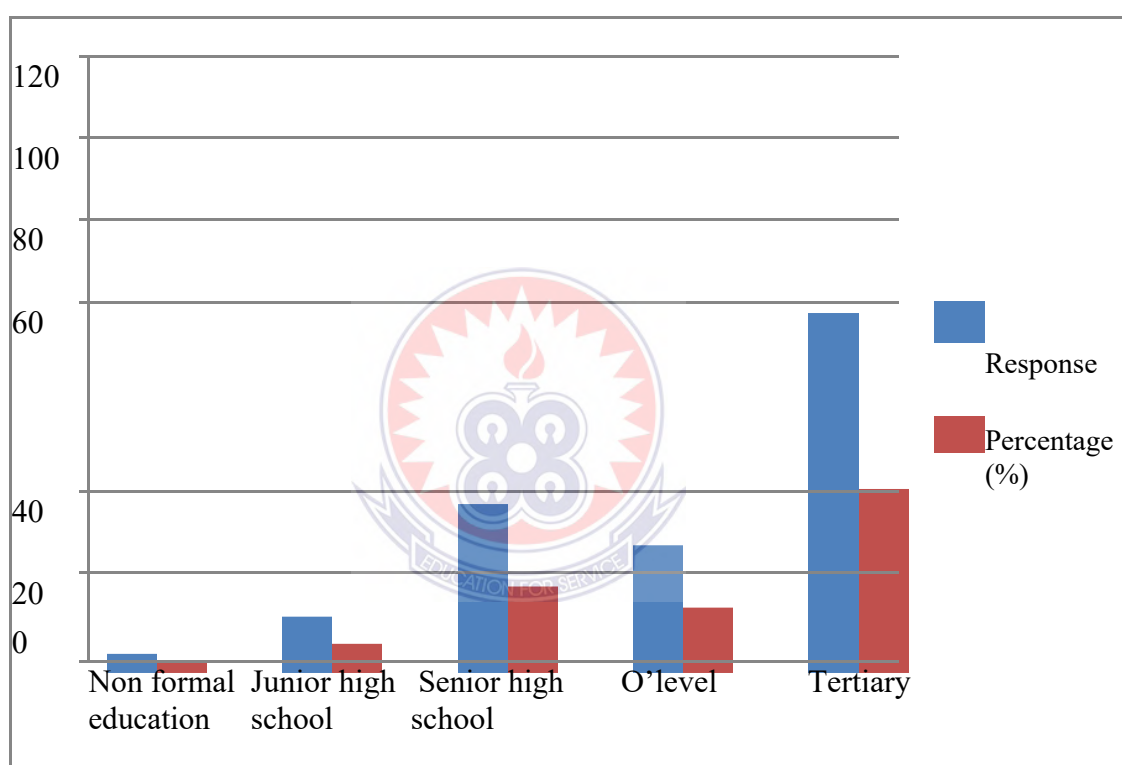


Figure 5: Level of Education of respondents (Source: Field Report, 2021)

Figure 4.5 highlights on the educational levels of the respondents. Forty nine point two(49.2) percent had tertiary education, 23.1% had Senior high school education, 17.4% completed O'level, 7.7% had Junior High School Education and 2.6% had non-formal education. It shocking to know that majority of the respondents had tertiary education and this is good for the future of credit unions where people with higher education take positions of the board and inject new ideas into its operations.

4.1.7 Occupation of respondents

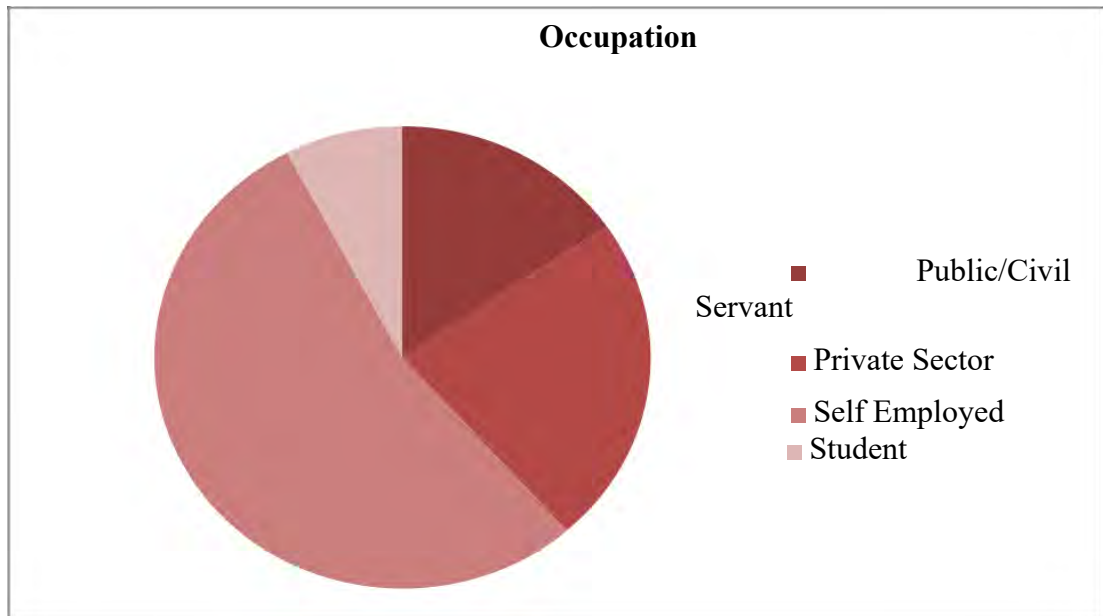


Figure 6: Occupation of respondents (Source: Field Report, 2021)

Figure 4.6 indicates occupational categories of the respondents. Out of 195 respondents, fifteen (15) percent were employed by the public sector, twenty three (23) percent were employed by the private sector, fifty four (54) percent were in their own employment and eight (8) percent were students. This indicates that private sector and self-employed people are the pillars of the credit unions and therefore much attention should be given to them to sustain their interest.

4.2 Perception and Usefulness of Credit Unions

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

4.2.1 Reasons for saving with credit union

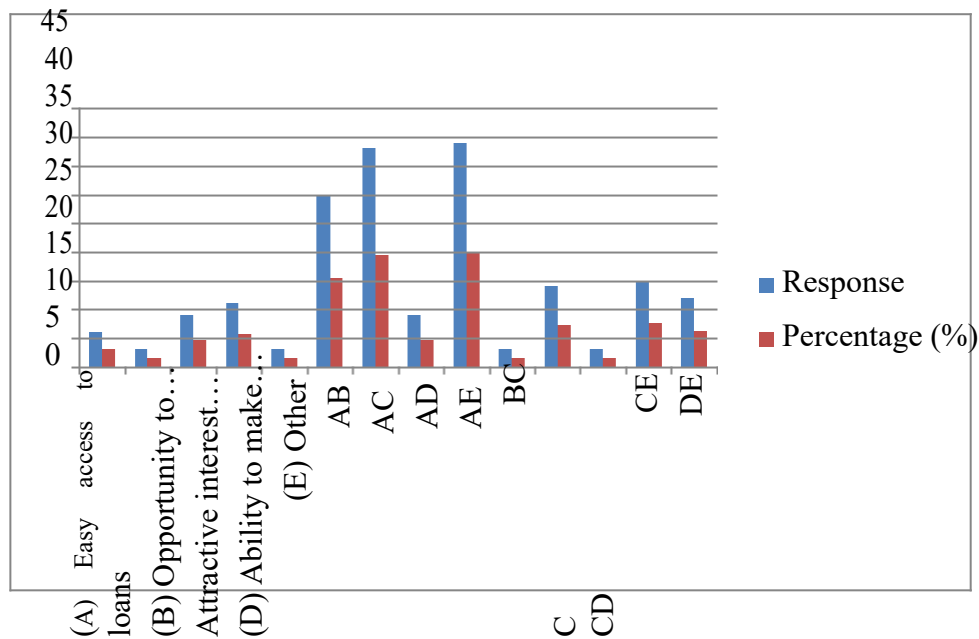


Figure 7: Reasons for saving with credit union (Source: Field Report, 2021)

Figure 4.7 above brings out reasons why people save with the credit union and there are a number of reasons but four of the most prominent reasons which top the list with about 54.9% of the total respondents were:

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

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

4.2.2 Problems encountered when transacting business with the credit union

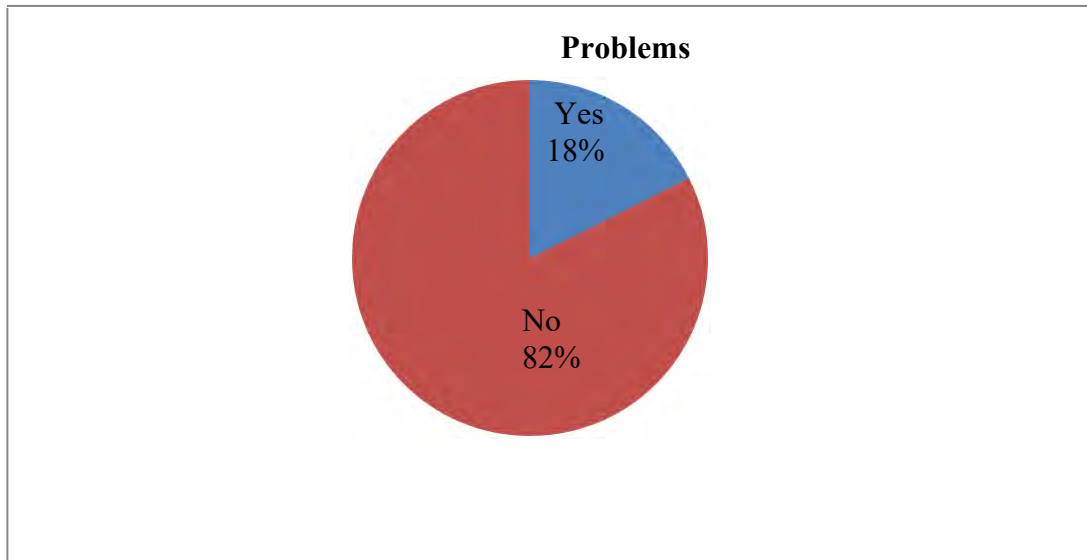


Figure 8: Problems encountered when transacting business with the credit union
(Source: Field Report, 2021)

Figure 4.8 clearly shows that majority of the customers do not encounter much problems in transacting business with the credit union which was eighty two percent (82%). Eighteen percent (18%) shows that had some problems in their transactions. This indicates that the credit unions should keep it up in their operations in order to meets all customer needs.

4.2.3 Alternative accounts with credit union members

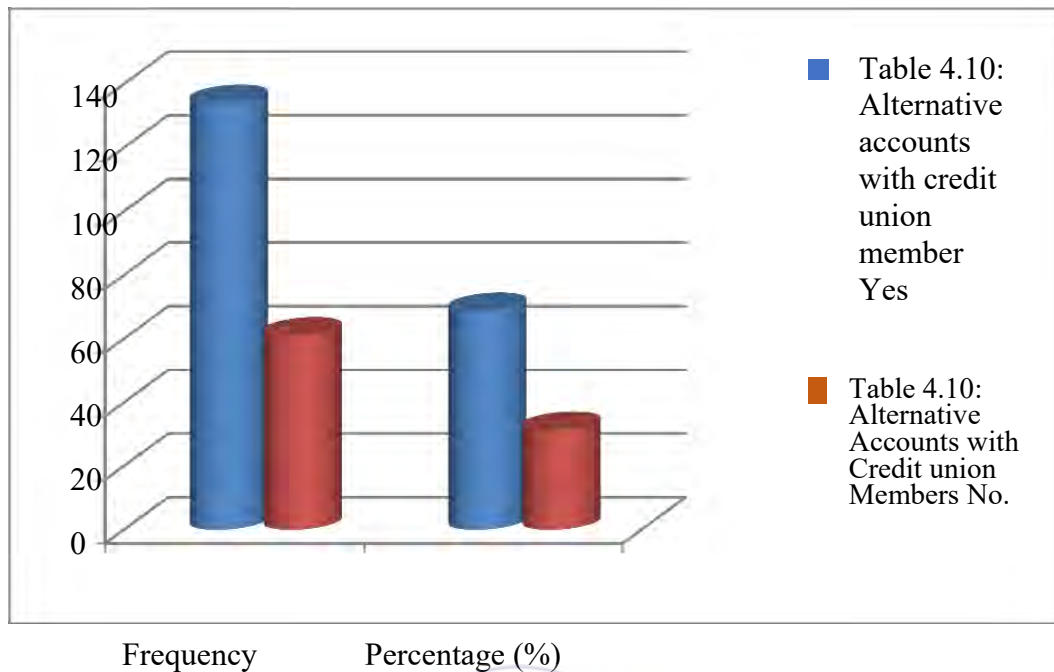


Figure 9: Alternative accounts with credit union members

(Source: Field Report, 2021)

Figure 4.9 indicates that out of the 195 respondents, 68.7% of them maintain another account apart from saving with the credit union. Thirty one point three (31.3) percent depended solely on credit union for their financial transactions. Out of the 68.7% that had other alternative accounts, 65.6% were with the traditional banks and the remaining of credit unions were not savings and loans companies. This means that the major competitors of credit unions were not savings and loans companies but the traditional banks. To find out their reasons for maintaining these alternatives accounts, the major reasons is to obtain the services like ATM, cheque clearing, internet banking and other services which are unavailable at the credit unions.

The researcher therefore went further to ask, “should credit union provide the ATM, cheque clearing, internet banking and other services which are unavailable at the credit unions, would you still keep the alternative accounts and why? “ The able below summarizes the responds to this question.

4.2.4 Would Credit Union Members still keep the alternative account?

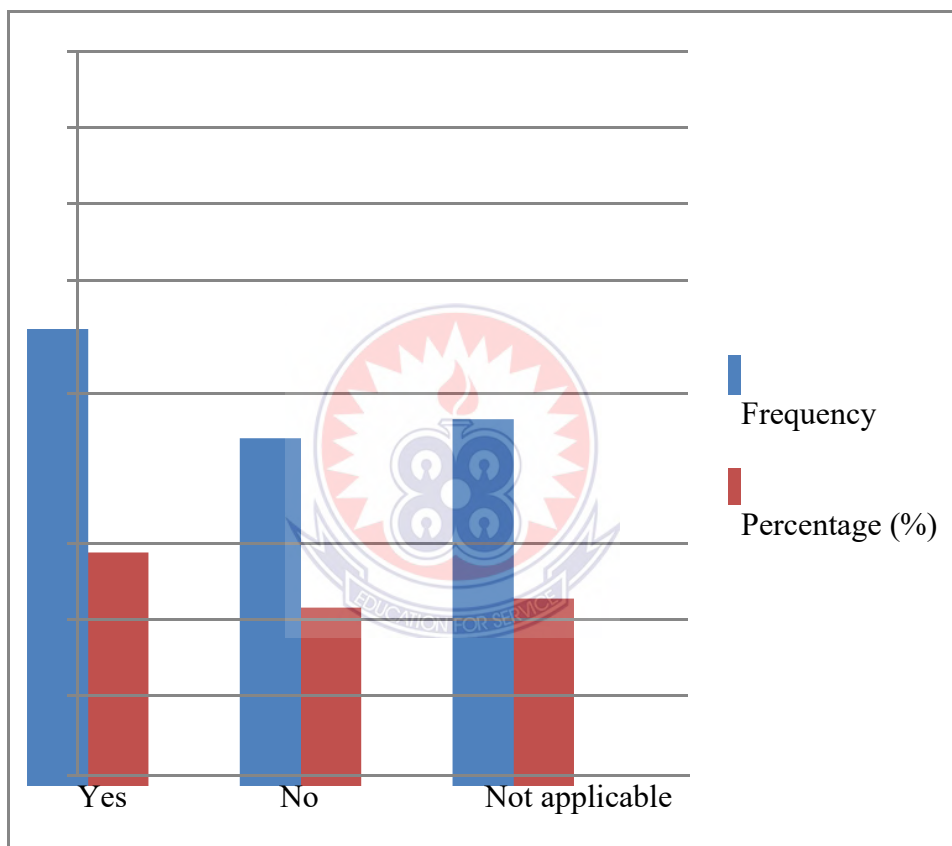


Figure 10: Would Credit Union Members still keep the alternative account

(Source: Field Report, 2021)

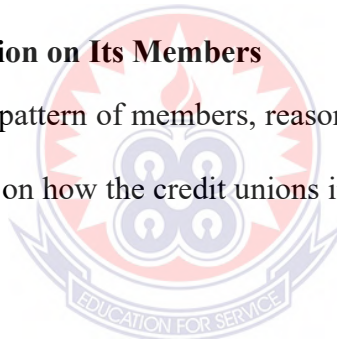
From the Figure 4.10, out of the 68.7% who maintain account apart from that of credit union, 29.7% said if credit unions were able to provide these added services mentioned above, they will switch and deal solely with the credit unions and the remaining 39% says no matter what the credit union does they will still keep account beside that of the credit union and the main reasons were that they wanted to diversify

their portfolio by not putting all their eggs in one basket and for the others, were being controlled by the perception that credit union is an institution for certain class of people and even though they save with them they do not want their names to be tagged with them.

This therefore suggest that credit unions need to concentrate on bridging the gap between the services they provide and that of the bank in order to win these 29.7% to add up to their core customers of 31.3%. In an effort to bridge the gap between the banks and the credit unions, UEW Credit Union has introduced cheque system which is cleared through GCB Bank Ltd. This is also a threat for the banks if credit unions should maintain 61% of the market share in the years to come.

4.3 Impact of Credit Union on Its Members

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



4.3.1 Deposits pattern of respondents

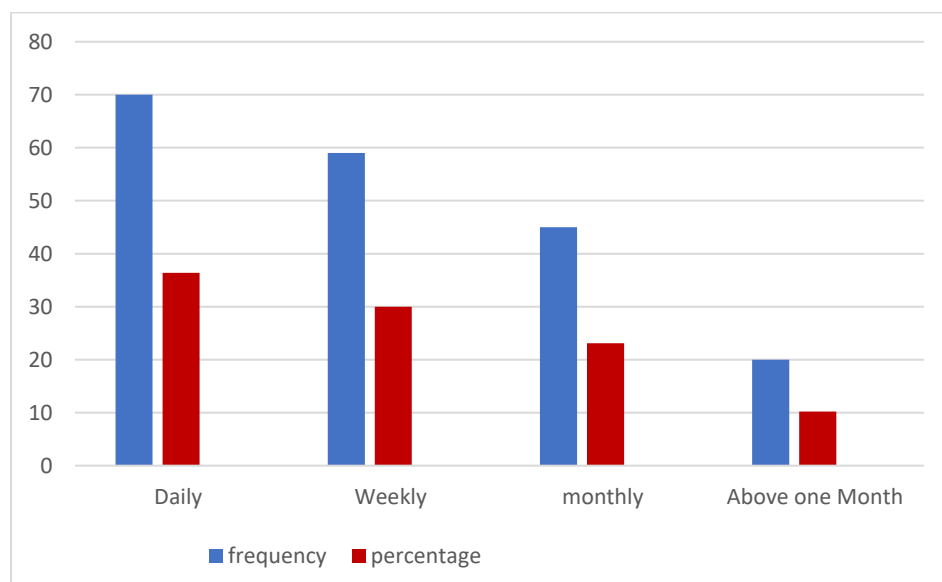


Figure 11: Deposits pattern of respondents (Source: Field Report, 2021)

Table 4.12.1 shows that 36.4% deposits daily, 30% deposits weekly, 23.1% deposits monthly. The remaining were those who deposits above one month which is 10.2%. This clearly shows that majority of the people save daily this is because a lot of customers have come into terms with the susu especially the traders. Even though micro saving (susu) was not part of credit union products, its popularity has made it possible for it to be infused into the credit union.

4.3.2 Do your deposits entitle you to a loan?

Table 2: Do your deposits entitle you to a loan?

	Frequency	Percentage (%)
Yes	164	84.1
No	31	15.9
Total	195	100

(Source: Field Report, 2021)

Table 4.2 indicates that 84.1% of the total respondents' savings qualifies them for loan and 15.9% saving do not qualify them for a loan. Those who do not access a loan from the credit union might be because they do not have a need for the loan. Others do not qualify for a loan cause of their inability to provide security for the loan. The higher percentage from the respondent confirms the reason why people save with the credit union because of accessibility for loans.

4.3.3 Rating the accessibility to loans in credit unions

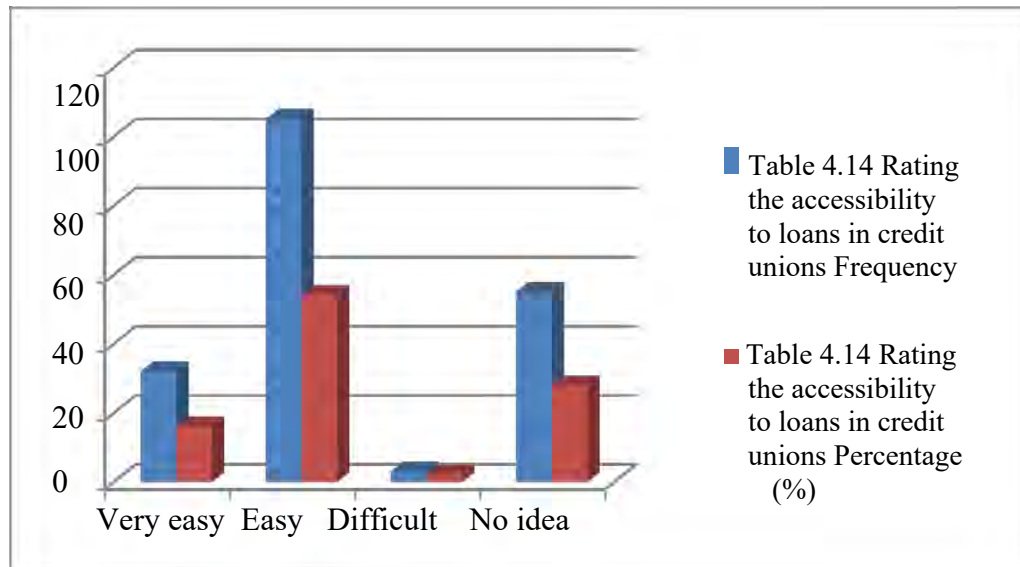


Figure 12: Rating the accessibility to loans in credit unions

(Source: Field Report, 2021)

Respondents were asked to rate the accessibility for loan and table 4.14 shows their response. Sixteen point four(16.4) percent say is very easy and these have established the credit worthiness with the union, 53.8% rated is easy cause the processes to acquire a loan is not cumbersome, 1.5% sees it to be difficult and 28.2% had no idea about it since they have not experience it themselves.

4.3.4 Interest Rate of credit unions

Table 3: Interest Rate of credit unions

	Frequency	Percentage (%)
High	15	7.7
Low	118	60.5
Very low	21	10.8
No idea	41	21
Total	195	100

Source: Field Report, 2021

Interest rate to customers or members is very crucial in accessing a loan facility.

The researcher therefore sought to find out whether the rates of the credit unions were favorable to them. Table 4.3 clearly shows that out of the 100% respondents, 7.7% rated credit union interest to be high, 60.5% rated it low, 10.8% rated it very low and 21% had no idea. As at the time of the study, the interest rate for their normal loan stood at 19.5% per annum. This shows that the interest rate of the credit union is low comparing it with other lending institutions.

4.3.5 Impact of credit union on the standard of living of their members

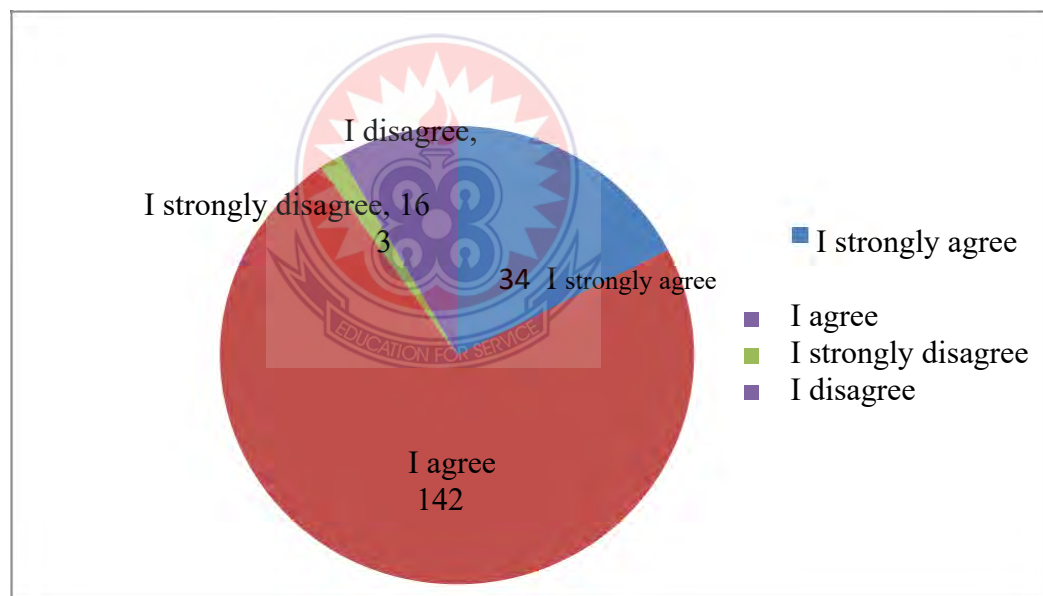


Figure 13: Impact of credit union on the standard of living of their members

Source: Field Report, 2021

4.13 above shows that 72.8% of the respondents agreed with the statement. This is because they can now afford food for their family, provide for the health needs of their family and above all able to give back to the society that they live in. (17.4%) of the respondents strongly agreed with the statement, (8.2%) of respondents disagreed with the statement. Only 1.5% strongly disagrees to these

facts. These are those that did not benefit from the services provided by the union especially loans because of moral hazard. The credit unions have significant impact on their members and this can be seen in terms of savings culture in them and accessibility of loan to improve their lives.

4.3.6 Rating the Performance of credit unions

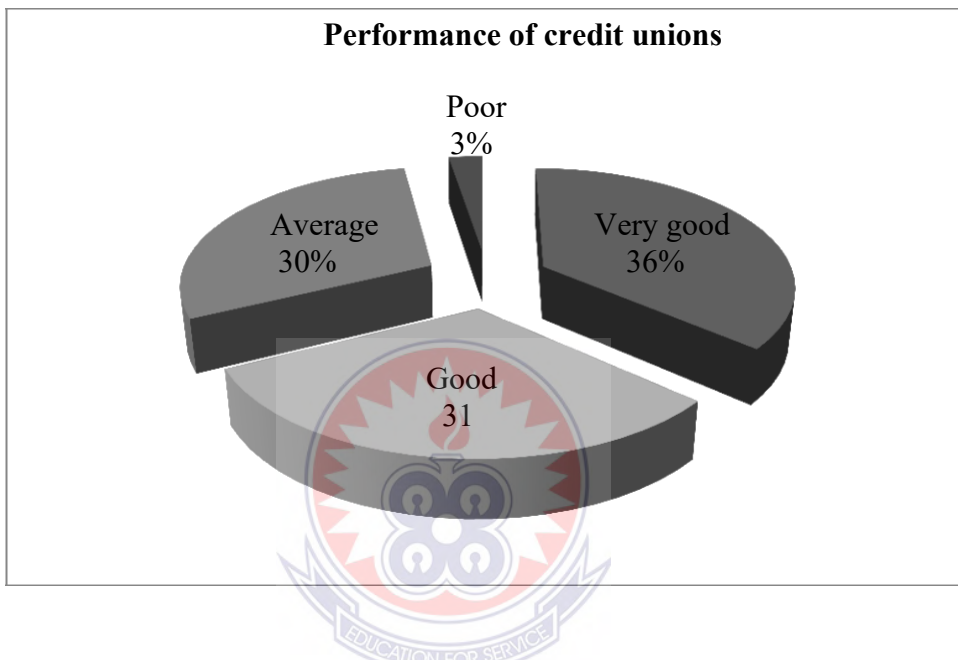


Figure 14: Rating the Performance of credit unions

Source: Field Report, 2021

The modal class of the survey shows that the rating performance of credit unions is good. On the basis of the survey data, it was concluded that the rating performance of credit unions was good. Nevertheless, insignificant proportions of the respondents were dissatisfied with the performance of credit unions because of the collateral that is needed to secure a loan. This should be treated as a matter of concern and not to be overlooked as one dissatisfied customer often tells 9 – 10 other people about his/her experience (African Project Development Foundation Seminar notes).

4.4 Analysis of Data from the Staff

4.4.1 Client base of UEW Credit Union

Majority of the staff interviewed were of the view that the client base of the union were mostly in the private sector whilst about 30% of the clients were in the public sector. This indicates that private sector which is known to be the engine of economic growth is also exemplified in the clientele base of UEW credit union.

4.4.2 Savings Products that are largely patronized

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

4.4.3 Methods used to collect deposit

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

4.4.4 Innovative schemes used to attract customers

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

4.4.5 Purpose for giving loan to customers

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

4.4.6 Duration of Credit Union Loans

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

4.4.7 Loan processing period

Loan processing period is a major factor that determines the demand for banking services by customers of UEWCCU. Majority of the respondents stated that the

loans were been processed less than one week. Contrary to that, other stated that their loans were processed over one week. Reasons given for longer processing periods were given that the clients may have not met the loan processing requirements and those that are beyond the branch management are quickly processed for approval by higher authorities at the Head Office level.

4.5 Operational Challenges of credit unions

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

The main heddle of CUA is that as at now there is no clear regulatory law governing the activities of credit unions since the society has grown passed the current cooperative law and therefore need a separate law that will regulate its activities and even though they are pushing for it, approval has not been given yet.

Primary societies sometimes do not cooperate with CUA directives and as at now the numbers they expect to enroll in the Loan Protection plan (LPP), Credit Union Employees Pension Plan (CCUP), Deposit Guarantee scheme (DGS), credit unions software and others are still below expectations.

There is still perception that credit unions are for the poor and therefore the recognition given to it is still not the best.

Loan delinquency is another challenge to credit unions. Credit unions are willing to expand their loan portfolio but beneficiaries are not meeting them at that level and therefore default risk is on the increase in the primary societies.

There is tough competition for credit unions considering the fact that they have to internally generate all funds to finance their activities unlike rural banks that sometimes receive subsidies from the government.

4.6 Measures put in place for credit union sustainability

The following are some of the activities CUA have put in place for the effective running, monitoring and sustainability of credit unions in the country. This session therefore covers Central Finance Facility (CFF), Deposit Guarantee Scheme (DGS), CUA Risk Management Program, and Employees' Pension Plan (CUA-CCUPP) (Source: www.cuagh.com)

i. Central Finance Facility (CFF)

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

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

ii. The Deposit Guarantee Scheme (DGS)

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

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

iii. CUA Risk Management Programme

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

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

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

i. Employees' Pension Plan (CUA-CCUPP)

The CUA-CCUPP is a retirement income or a pension plan. Staffs of CUA Ltd were the first to join the CUA-CCUPP. Following immediately are staff of Ghana Cooperative Pharmacists' Credit Union, UEWCCU Co-op. Credit Union,

Controller and Accountant General Co-op. Credit Union and Swedru Teachers' Co-op. Credit Union. The last to join is staff of Bole Catholic Workers' Co-op. Credit Union in July, 2009. Today, Ninety-Seven (97) Credit Unions are participating in the Pension Plan which is about 30% of the total number of credit unions.

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

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

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

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

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

5.2 Summary of findings

5.2.1 Types of products and services provided by UEW Credit Union

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

1. Findings indicated that most clients deal with other financial institutions apart from UEW Credit Union. This was because, most of them want to diversify their portfolio and also enjoy those services that were not provided by the credit unions. . UEW Credit Union in an attempt to bridge up the gap between credit unions and other traditional banks the introduction of cheque system where cheques can be issued and cleared through Guarantee Bank.
2. It was also found out that, four main reasons people save with the credit unions are easy access to loans, opportunity to realize bulk sum, attractive interest rates and ability to make regular small deposits (susu). This is what UEW Credit Union sort to do in order to satisfy its clients.
3. The study also revealed that, the four main reasons that motivated customers to borrow money at the credit unions were for business liquidity support, asset acquisition, education and for business startups. UEW Credit Union is committed to providing these services by making credit readily accessible and less costly so that members may benefit to develop themselves. Clients are better off in terms of benefits accrued to them since they become members. They can now provide for family needs, offered better education for their wards, and also give back to the society that they live.
4. Despite the overwhelming contribution of financial support to its clients, UEW Credit Unions is faced with some challenges. These include Management capacity, the occurrences of default loans, monitoring and activities of government regulatory bodies.

5.3 Conclusion

Various reasons given by respondents who operate accounts with credit unions while maintaining accounts with traditional banks was the need to avail themselves of services unavailable at the credit union. From the study, 58% of these people are

willing to switch if credit unions are able to provide them with these services. Therefore credit unions should concentrate on bridging the gap between the services they provide and that of the bank in order to win and maintained customers.

SMEs which form majority of the membership or client base should be considered and providing them with competitive loans so as to expand their business, acquire more tools and equipment and use them as collateral to secure more loans from the UEW credit Union, At the initial stage, credit unions should not use physical assets as collateral for SMEs and more especially, the startups. Collateral such as guarantors could be used in order to grant them the needed capital for business expansion and sustainability. Most of the time the amount they only access is low and the repayment period is mostly six months. This, in the long run, not so beneficial to the micro savers.

Credit unions seem to have better services in terms of interest on loans and savings. In order to compete with the traditional banks, UEW Credit Union needs to embark on intensive advertisement to make their presence felt within their operational communities, and this may reduce the wrong perception about what UEW credit union can do and also expose the general public to its activities.

- i. UEW Credit Union is very important vehicle in the development of is operational communities, and therefore, should be given the necessary support to operate efficiently. The government should speed up the processes of getting the credit union law promulgated since the current activities of UEW Credit Union cannot fit well in the cooperative law and they need a regulation that will allow them to explore their full potentials.
- ii. The UEW Credit Union should continue to set workable standards that will guide their activities. They should work extra hard to enroll all its members on

their software in order to make information easily available and this will increase their competitive advantage.

5.4 Recommendation

The development and sustainability of Ghanaian economy dwells more on the financial institution in Ghana of which Credit Unions are no exception. These institutions contribute to their development through financing and this cannot be ruled out from the successes chalked by clients of UEW Credit Union. UEW Credit Union provides different kinds of product and services to its clients. These products and services are mainly savings, business advice and loans (credit).

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



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