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Operation of Credit Union Schemes as a Strategy for Meeting the Financial Expectations of the Marginalised: The Case of Ho Municipality Credit Unions in Ghana

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Abstract
The operation of credit union schemes in developing countries plays a major role in providing financial support for the financially excluded in society. These schemes have become strategies for managing poverty and for meeting the financial expectations of the marginalised. The main objective of this study was to assess the role of credit schemes in meeting the expectations their clients and examine the challenges facing such Credit Unions and the efforts being made to improve the quality of life of members. The study analysed the financial benefits and facilities available to Credit Union members and assessed the impact the scheme was making on the lives of members. One hundred and twenty questionnaires were administered to selected members of four Credit Unions in the Ho Municipality. An analysis of the data revealed that members of the Credit Unions faced certain financial challenges like school fees, medical expenses, funeral expenses and acquisition of means of transport. It was also found out that Credit Union annual interest rates were a little higher than those charged by the banks. Nevertheless the scheme assisted members significantly in overcoming most of the financial challenges facing them. This helped in improving the quality of life of the members. Management Staff of the Credit Unions were found to lack the needed professional competence and expertise for managing the scheme. The study recommends that interest rates of Credit Unions should be reduced and the competence of management staff of the scheme should be upgraded in risk and investment management to make the schemes more sustainable.
Keywords: Credit union schemes, financial challenges, poverty alleviation strategy, professional competence & financially marginalised.

Introduction

In every economy, both the developed and developing world, various avenues exist for addressing the financial needs or challenges of citizens and households. Banks have been established with specific aims and objectives, but ultimately to satisfy the expectations and aspirations of their clients as well as the general public. However, in view of the risks associated with bank finance, most banks are unable to satisfy the needs of citizens and households in respective countries. It is for this reason that Non-Banking Financial Institutions (NBFIs) have been established to reach out to the larger population that could not have access to banking facilities due to lack of requisite collateral security as well as other constraints. In spite of the flexible policies operated by NBFIs in an attempt to make funds available to the public with less restrictions, most households and Small and Medium Enterprises (SMEs) in particular, are unable to access funds adequately for exploitation of their full potentials. The result of this is poverty, unemployment, illiteracy and other social vices. Most governments, especially in the developing world, have either instituted or promoted Micro Credit Institutions (MCIs), as a poverty reduction strategy. The credit union movement has been identified as a potential means of mobilizing funds for personal, as well as, business development. Over the last decade, several reforms have taken place to enable credit unions to impact their members positively. The aim of this study is to assess the extent to which credit unions have impacted the lives of their member.

Statement of the Problem

One of the fastest growing sectors of the Ghanaian economy, over the last decade has been the financial sector. As a result, many new banks have entered the market offering very competitive terms of credit retailing.
The Non-Bank Financial Institutions have also adopted very innovative strategies of financial intermediation. Despite the stiff competition, the credit union movement also continues to record a phenomenal growth in both the number of primary societies as well as membership. The study, therefore, seeks to assess the benefits and facilities available to members as well as the impact of credit union scheme on the lives of members.

Research Objectives

The general objective of the study is to assess the impact of the credit union scheme on the living conditions of

members.
Specifically, the study attempt to:

1. Identify the financial challenges of members
2. Assess the adequacy of benefits and/or facilities available to members
3. Ascertain the impact of credit unions on members in the face of competition from Banks and Non-Banking Financial Institutions
4. Make recommendations for sound management of credit unions.

Research Questions

The study was guided by the following research questions:

1. What are the financial challenges facing members?
2. What financial benefits and/or facilities are available to members?
3. What impact have credit unions made on the lives of their members?
4. What recommendations can be made to improve the management of credit unions?

Significance of the Study

The study was intended to emphasize the view of the researcher that:

- Credit unions have had tremendous impact on the quality of life of members
- Credit unions are capable and dynamic institutions dedicated to the economic well-being of members
- More organizations, communities and churches could have the impetus to establish credit union schemes
- The habit of thrift, savings and investment could be encouraged in the country
- Government and policy makers on micro-credit institutions will find the study very useful
- Knowledge on savings mobilization and wealth creation could be enhanced.

Literature Review

Turner (2000) defined a credit union as, "a financial self-help co-operative which encourages members to save money together and pooled resources are then used to provide low-cost loans to members." He again stated that," credit union operates within a clearly defined area of location and a mutual link must exist between all members. This link is known as the common bond of the credit union. The common bond may be based on all members living in the same locality or all members working for the same employer".

Aims of the Credit Union

According to Turner (2000) the aims of a credit union are multiple and a mixture of financial and social aims. The financial aims can be broadly summarized as to:

- Promote thrift by encouraging members to save regularly.
- Provide loans to members at a reasonable rate of interest.
- Assist members to make more effective use of their financial resources.

Features/Characteristics of Credit Unions

Turner (2000) identified the following about credit unions:

- The credit union does not seek a profit.
- The credit union is equally not a charity. Members have to demonstrate their ability to save regularly before being considered for loan.
- Credit unions aim at providing service to their members.
- Credit unions offer low interest loans with a repayment schedule designed to suit the member's ability to repay.
- Credit unions offer the opportunity to establish a regular savings pattern
- Credit unions operate at times and locations which are convenient to the members, including evenings and week-ends.
- Credit unions seek to make members feel a part of the union or society and treat all members with respect and consideration.
- Although, a credit union is very different from a bank, the two types of organizations are potentially in competition in the areas of savings and loans.

What is a Credit Union?

Berthoud and Hinton (1989) also defined credit unions as being co-operative societies that offer loans to their members out of the pool of savings that are built up by the members themselves. This is a descriptive definition that does not refer to the purpose of credit unions. However, it does describe them as being co-operatives; therefore co-operative principles could be inferred as being the purpose of credit unions. The unique ownership status implicit in this definition (member run, owned and used) led to them being described by Croteau (1963) as being the purest form of co-operative. Not only are trading transactions restricted to members, restrictions are also placed on the membership by requiring that members belong to a common bond. This common bond or interest is usually multiple, associational, occupational or residential. The requirement to belong to a common bond is seen as a cornerstone in the success of these usually high-risk credit co-operatives, as the social pressure that is created by the members knowing each other, lessens the risk of default.

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

Credit unions provide members the opportunity to own their own financial institution and help them create opportunities such as starting small businesses, building family homes and educating their children. In some countries, members encounter their first taste of democratic decision making through their credit unions.

This phenomenon is no exception in Ghana; there are over Three Hundred and Sixty (360) credit unions in the country, scattered over all the regions. Credit unions are safe, convenient places to access affordable financial services. Credit unions offer a full range of financial services, giving members greater flexibility to meet their individual needs. In some countries, credit unions are known by different names to better express those services. In Afghanistan, for example, credit unions are called Islamic Investment and Finance Cooperatives (IIFCs) to comply with Islamic lending practices; in Africa, they are known as Savings and Credit Co-operative Societies (SACCOs) to emphasize savings before credit. Acquisition of houses, cars, land, and payment of medical expenses, funeral expenses and rent advances are a few needs that members of a credit union expect to be satisfied with as and when they arise.

Objectives of Credit Unions

The general objectives of credit unions are to promote the economic interest of its members and in particular: To promote thrift among its members by affording them an opportunity for accumulating savings and paying reasonable interest without risk on such savings. There are various benefits in joining a credit union scheme and some of these are as follows:

i. Credit union is owned and managed by members themselves.
ii. Credit union creates savings habits among even the poor in society.
iii. The credit union receives the smallest amount of money as savings which the bank normally rejects.
iv. People find it convenient and easy to join credit unions.
v. There is democracy in the operation of credit union; one man, one vote.
vi. Members have easy access to loans at very low interest rates.
vii. Members get free financial counseling from finance experts.
viii. Members regularly receive dividends and interests on their shares and savings respectively (Tuner 2000).

Credit Unions and Microfinance

Microfinance, according to Otero (1999:8) is "the provision of financial services to low-income poor and very poor self-employed people". These financial services according to Ledgerwood (1999) generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet (2001:339) define microfinance as "the attempt to improve access to small deposits and small loans for poor households neglected by banks." Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

Asiamah (2007:3) identified three broad types of microfinance institutions operating in Ghana. These include:

- Formal suppliers of microfinance (i.e. rural and community banks, savings and loans companies, commercial banks)
- Semi-formal suppliers of microfinance (i.e. credit unions, financial nongovernmental organizations (FNGOs), and cooperatives;
- Informal suppliers of microfinance (e.g. susu collectors and clubs, rotating and accumulating savings and credit associations, traders, moneylenders and other individuals).

This establishes that microfinance is an umbrella body that credit unions belong to offering micro credit. In the literature therefore, the terms credit unions and micro finance are often used interchangeably.

Interestingly, for those who understand the difference between giving someone money and teaching them how to make it themselves, the concept of Microfinance is nothing new. It is the most sustainable, scaleable and cost-effective poverty alleviation tool.

The idea is simple: individuals are provided with small loans to start or grow small businesses, allowing them to become economically self-sufficient, provide for their families for the long-term and replace dependency on limited donor funds

(http://www.lingeriemiami.org) Indeed, Credit unions employ strategies to deliver financial services to the poor. The credit union approach integrates educational and financial services and targets the entrepreneurial poor who are capable of successfully undertaking micro enterprises. In this approach, there is a strong emphasis on developing savings and group network formation (http://www.adbi.org)

Microfinance and its Impact on Development

Microfinance has a very important role to play in development according to proponents of microfinance. UNCDF (2004) states that studies have shown that microfinance plays three key roles in development. It:

- Helps very poor households meet basic needs and protects against risks,
- Is associated with improvements in household economic welfare,
- Helps to empower women by supporting women's economic participation and so promotes gender equity.

Otero (1999:10) illustrates the various ways in which "microfinance, at its core combats poverty". She states that microfinance creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organisation building, enables people to move out of poverty. By providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society (Otero, 1999).

The aim of microfinance according to Otero (1999) is not just about providing capital to the poor to combat poverty on an individual level, it also has a role at an institutional level. It seeks to create institutions that deliver financial services to the poor, who are continuously ignored by the formal banking sector. Littlefield and Rosenberg (2004) stated that, the poor are generally excluded from the financial services sector of the economy so MFIs have emerged to address this market failure. By addressing this gap in the market in a financially sustainable manner, MFI can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach (Otero, 1999).

More recently, commentators such as Littlefield, Murduch and Hashemi (2003) and Simanowitz and Brody (2004) have commented on the critical role of microfinance in achieving the Millennium Development Goals (MDG). Simanowitz and Brody (2004:1) state, "Microfinance is a key strategy in reaching the MDGs and in building global financial systems that meet the needs of the poorest people." Littlefield, Murduch and Hashemi (2003) state "microfinance is a critical contextual factor with strong impact on the achievements of the MDGs…microfinance is unique among development interventions: it can deliver social benefits on an ongoing, permanent basis and on a large scale". Referring to various case studies, they show how microfinance has played a role in eradicating poverty, promoting education, improving health and empowering women (2003).

However, not all commentators are as enthusiastic about the role of microfinance in development and it is important to realise that microfinance is not a silver bullet when it comes to fighting poverty. Hulme and Mosley (1996), while acknowledging the role microfinance can have in helping to reduce poverty, concluded from their research on microfinance that "most contemporary schemes are less effective than they might be" (1996:134). They state that microfinance is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse-off by microfinance. Rogaly (1996:109-110) finds five major faults with MFIs. He argues that:

- They encourage a single-sector approach to the allocation of resources to fight poverty,
- Microcredit is irrelevant to the poorest people,
- An over-simplistic notion of poverty is used,
- There is an over-emphasis on scale,
- There is inadequate learning and change taking place.

Wright (2000:6) states that much of the skepticism of MFIs stems from the argument that microfinance projects "fail to reach the poorest, generally have a limited effect on income…drive women into greater dependence on their husbands and fail to provide additional services desperately needed by the poor". In addition, Wright says that many development practitioners not only find microfinance inadequate, but that it actually diverts funding from "more pressing or important interventions" such as health and education (2000:6). As argued by Navajas et

al (2000), there is a danger that microfinance may siphon funds from other projects that might help the poor more. They state that governments and donors should know whether the poor gain more from microfinance, than from more health care or food aid for example. Therefore, there is a need for all involved in microfinance and development to ascertain what exactly has been the impact of microfinance in combating poverty.
Considerable debate remains about the effectiveness of microfinance as a tool for directly reducing poverty, and about the characteristics of the people it benefits (Chowdhury, Mosley and Simanowitz, 2004). Sinha (1998) argues that it is notoriously difficult to measure the impact of microfinance programmes on poverty. This is so she argues, because money is fungible and therefore it is difficult to isolate credit impact, but also because the definition of 'poverty', how it is measured and who constitute the 'poor' "are fiercely contested issues" (1998:3). Poverty is a complex issue and is difficult to define, as there are various dimensions to poverty. For some such as World Bank, poverty relates to income, and poverty measures are based on the percentage of people living below a fixed amount of money, such as US$1 a day (World Bank, 2003).

The Impact of Microfinance on Poverty

Poverty is more than just a lack of income. Wright (1999) highlights the shortcomings of focusing solely on increased income as a measure of the impact of microfinance on poverty. He states that," there is a significant difference between increasing income and reducing poverty". He argues that by increasing the income of the poor, MFIs are not necessarily reducing poverty. It depends on what the poor do with this money, Oftentimes, it is gambled away or spent on alcohol, so focusing solely on increasing incomes is not enough. The focus needs to be on helping the poor to "sustain a specified level of well-being" (Wright, 1999:40) by offering them a variety of financial services tailored to their needs so that their net wealth and income security can be improved.
It is commonly asserted that MFIs are not reaching the poorest in society. However, despite some commentators' scepticism of the impact of microfinance on poverty, studies have shown that microfinance has been successful in many situations. According to Littlefield, Murduch and Hashemi (2003:2) "various studies…document increases in income and assets, and decreases in vulnerability of microfinance clients". They referred to projects in India, Indonesia, Zimbabwe, Bangladesh and Uganda which all shows very positive impacts of microfinance in reducing poverty. For instance, a report on a SHARE project in India showed that three-quarters of clients saw "significant improvements in their economic well-being and that half of the clients graduated out of poverty" (2003:2). Hulme and Mosley (1996:109) in a comprehensive study on the use of microfinance to combat poverty, argue that well-designed programmes can improve the incomes of the poor and can move them out of poverty. They state that "there is clear evidence that the impact of a loan on a borrower's income is related to the level of income" as those with higher incomes have a greater range of investment opportunities and so credit schemes are more likely to benefit the "middle and upper poor" (1996:109-112). However, they also show that when MFIs such as the Grameen Bank and BRAC provided credit to very poor households, those households were able to raise their incomes and their assets (1996:118).
Mayoux (2001:52) states that while microfinance has much potential the main effects on poverty have been:

- credit making a significant contribution to increasing incomes of the better-off poor, including women,
- Microfinance services contributing to the smoothing out of peaks and troughs in income and expenditure thereby enabling the poor to cope with unpredictable shocks and emergencies.

Hulme and Mosley (1996) show that when loans are associated with an increase in assets, when borrowers are encouraged to invest in low-risk income generating activities and when the very poor are encouraged to save; the vulnerability of the very poor is reduced and their poverty situation improves. Johnson and Rogaly (1997:12) also refer to examples whereby savings and credit schemes were able to meet the needs of the very poor. They state that microfinance specialists are beginning to view improvements in economic security, rather than income promotion, as the first step in poverty reduction as this reduces beneficiaries' overall vulnerability.
Therefore, while much debate remains about the impact of microfinance projects on poverty, we have seen that when MFIs understand the needs of the poor and try to meet these needs, projects can have a positive impact on reducing the vulnerability, not just of the poor, but also of the poorest in society.

Debates on the Impact of Microfinance

There is overwhelming evidence to demonstrate that families that participate in microfinance programs enjoy an increase in household income (Murdoch and Haley 2002:5 and Walter (2002:20). They also benefit from consumption smoothing and the ability to sustain gains over time (Khandker 1998 p148; Murdoch and Haley (2002:5); Simanowitz and Walter (2002:23); Wright (2000). Several case studies have been conducted on the effect of microfinance on the incomes of the poor:
Joseph Remenyi and Benjamin Quinones (2000:8), conducting a case study in Asia and the Pacific, concluded that, household income of families with access to credit is significantly higher than for comparable households without access to credit. In Indonesia a 12.9% annual average rise in income from borrowers was observed while

only 3% rise was reported from non-borrowers (control group). In Bangladesh, a 29.3% annual average rise in income was recorded and 22 percent annual average rise in income from no-borrowers. Sri-Lanka indicated a 15.6% rise in income from borrowers and 9% rise from non-borrowers. In the case of India, 46% annual average rise in income was reported among borrowers with 24% increase reported from non-borrowers.

Elizabeth Dunn (1999), in a case study of microfinance clients in Lima, Peru, reports "only 28% of clients live below the poverty line compared to 41% of non clients". She also found the average income of households participating in microfinance to be 50% higher than the income of non participating households (1999). The Save the Children foundation in London also confirms a 50% increase in household income (Marcus, Porter and Harper 1999).

In a case study in Bangladesh, Khandker (2001) finds that "microfinance participants do better than non-participants in both 1991/1992 and 1998/1999 in per capita income, per capita expenditure, and household net worth. The incidence of poverty among participating households is lower in 98/99 than in 91/92 and lower than among non-participating households in both periods". An Indonesian case study conducted by Kathleen Rositan and

Panjaitan-Drioadisuryo (1999:6) reports that the income of microfinance participants increased by 112% and the income of 90% of those families increased enough to lift them above the poverty line. In 1996 the United Nations Children's Fund found evidence from a case study conducted in Vietnam, that 97% of borrowers significantly increased their household income between 1994 and 1996.

Simanowitz and Walter (2003:23), in a research article entitled "Ensuring Impact", site a case study conducted by CRECER, a Bolivian micro credit bank, that reads: "Increased income was reported by 66 percent of clients…Participants most commonly attributed this improvement to the expansion of their income-generating activity, reduced output costs as a result of buying in bulk or with cash, or the new activities of products made possible by access to credit and selling in new markets". Overall, the evidence is overwhelmingly in favour of microfinance as a tool to increase household income, smooth consumption, and enable the poor to sustain gains over time. Microfinance enables many impoverished families to earn enough income to rise above the poverty line and is therefore an effective method of poverty alleviation.

Higher School Attendance

Many poor children and adolescents do not have the chance to obtain an education because their parents cannot afford to send them to school. The costs of transportation and educational materials are too much for some impoverished families. Adolescents in particular are often forced to drop out of school to find a job to supplement the family income. Microfinance, by contributing to an increase in household income and better financial stability, enables poor families to bear the costs of sending children to school. MFIs are known for encouraging families to keep children in school and in some cases school attendance is mandatory in order to participate in the microfinance programme (Murdoch and Haley 2002:113).

Two case studies, one conducted in Bangladesh Khandker (1998:148) and the other in Indonesia, Panjaitan-Drioadisuryo, Rosintan and Kathleen Cloud (1999:8), conclude that microfinance has a significant and positive effect on education, especially in boys.

Wright (2000:33) in *Microfinance Systems: Designing Quality Financial Services for the Poor* makes a comprehensive review of the latest studies on microfinance and education. In particular, his study focuses on Grameen Bank, the largest and most well known microfinance institution. Wright concludes that, when we take the crudest measure—those children over six years who have ever been to school—all of the girls in Grameen families have had at least some schooling, compared to 60% of the girls in the control group. Most of the Grameen boys (81%) have had some schooling, compared to just half (54%) of the control group boys. (NP)…The percentage distribution of children (11-14 years) achieving 'basic education' (pre-determined level of mastery in reading, writing and arithmetic, as well as 'life skills') rose from 12.4% in 1992 (before the BRAC [microfinance] programme began in the area) to 24.0% in 1995 among the children of BRAC members. By comparison, only 14.0% of the children of those who had not joined BRAC achieved 'basic education.

Marcus, Porter, and Harper (1999:46) of Save the Children foundation of London research revealed that, improvements in school attendance or in provision of educational materials are widely reported. Invariably this related to increased household income. In Honduras, participants stated that participation in the credit and savings programme had enabled them to send several children to school at a time, and had reduced drop-out in the higher primary school grades...Where taking credit was enabling people to develop agriculture or other enterprises close to home and reducing the need to migrate for seasonal work, children's chances of attending school were greatly increased.

In another study by Murdoch and Haley (2002:113) in Vietnam, conducted by United Nations Children Emergency Fund (UNICEF) established that 97% of the daughters of those who participate in microfinance attend school compared with only 73% of the daughters of non-participants. Their conclusion stated that, since 1993, UNICEF has supported a number of micro credit schemes in poorer regions of lower Egypt and in some urban slum areas…The condition for the women's loans is that all the children should go to school. This scheme, in an area with adequate access to basic education, showed that micro credit could reduce child labour and improve school attendance while at the same time improving the income levels of the participating families. It also showed that parents are willing to send their children to school once the economic condition of the family improves.

Impact of Microfinance in Women's Empowerment

Microfinance can play a critical role in the realization of the third Millennium Goal, to promote gender equality and empower women. Currently, 70% of people in absolute poverty (living on less than $1 a day) are women (Cheston and Kuhn 2002). In order to alleviate extreme poverty, women, who suffer the most, must be empowered to break free from their marginalized status in society. Microfinance can provide the economic opportunities that women need to control their lives. Poverty alleviation strategies that focus on empowering women not only improve the lives of women, but also positively affect entire families and communities. Studies show that when women are given greater autonomy over their lives and the lives of their children, living conditions invariably improve. This is mostly due to the fact that women are most apt to use household income to better the nutrition and educational opportunities of their children (Grasmuck and Espinal (2000:240). According to the World Bank, "societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance, and a lower living standard of their people…overall, evidence is mounting that improved gender equality is a critical component of any development strategy" (Cheston and Kuhn 2002). World leaders are finally beginning to realize that poverty alleviation will only be achieved through the empowerment and economic improvement of women. Thus, microfinance is an integral component to new development strategies because it allows women greater autonomy and control over their economic well-being.

A case study of Sinapi Aba Trust, a microfinance institution in Ghana, was conducted in order to determine whether microfinance has an impact on women's empowerment. The study shows that "running a successful business not only contributes to women's improved welfare; it also contributes both directly and indirectly to their empowerment. The increase in working capital is particularly important for women's empowerment. In almost all cases, the increase in capital has given women more options and greater control over their businesses and their lives" (Cheston and Kuhn 2002).

The Trust Bank program of Sinapi Aba Trust has clearly contributed to the empowerment of women in a number of ways. Access to credit and business training has helped women expand and improve their businesses, leading to increased respect and decision-making power in the home and community. Advice and peer support has helped women manage their triple roles as mothers, wives, and businesswomen. Education and experience in leadership have helped women become more confident and capable leaders (Cheston and Kuhn 2002).

The World Bank Global Learning Conference in Shanghai in 2004 confirmed the impact of microfinance: "Studies have shown that microcredit programs positively affect a woman's decision-making role, her marital stability, and her control over resources and mobility. The analysis establishes that a woman's contribution to her household's income is a significant factor towards her empowerment" (Reducing Poverty 2004:64).

The impact of microfinance on women's empowerment is clear and impressive. Because economic advancement of women is crucial to poverty alleviation, it can be deduced that access to financial services is also an integral component to the eradication of poverty. Women are traditionally treated as inferior to men because of lack of economic opportunity, authority over income generation, or participation in the public sphere. Microfinance enables women to gain access to all of these empowerment tools. Borrowing credit to start a micro enterprise gives women control over household income and entry into the public domain, as well as provides them with economic and educational opportunities. When women have control over household income, children's nutrition, health, and education improve substantially more than when men control the income. It is becoming widely recognized that poverty alleviation occurs most often when women participate in microfinance programmes (Cheston and Kuhn 2002; Simanowitz and Walter 2002:31-32).

Challenges to Credit Unions

Credit unions as microfinance institutions have some peculiar challenges in the changing world due to their nature and current economic trend. Shirley Cate, President and CEO Providence Federal Credit Union stated that an ongoing challenge that credit unions face, during this economy as well as at other times, is consumers did not realize that membership of a credit union is possible for virtually everyone. People still think they have to be in a certain industry or work for a specific employer to have access to a credit union. And with all the news coming out about the banking industry, many consumers feel like they have no place to turn. Credit unions only serve a good percent of the population now but between employer-based credit unions and those with community charters, eligibility is no longer a barrier. Credit unions are actively lending despite the many headlines that tout there is no credit available, she added.

Adding, Anderson William R. Anderson President and CEO Mid Oregon Credit Union said, the real bottom line for credit unions is a measure of how well they are serving their members, not how well they are performing for stockholders. However, credit unions must still generate a positive financial bottom line to build capital in order to serve their members in the long run. Some of the challenges getting in the way of positive financial results include shrinking interest margins, health of the over-all economy and the resultant impact on their members' financial health.

Ron Barrick, President and CEO of Adventist credit union noticed that, most credit unions never participated in the types of subprime lending that has created the serious problems faced by our banking system. However, that does not mean that we are insulated from the effects of these issues. With consumers hunkering down and buying less, loan demand is reduced. Lower loan demand and hefty assessments on healthy financial institutions to shore up our banking system creates a drag on income and profitability. In addition, the high unemployment rate creates a need for financial institutions to reserve more for potential loan losses. These difficult market conditions will require credit unions to closely monitor financial performance and continue to act in the best interests of their member-owners, he concluded.

In the view of Ark Zook, President and CEO MaPS Credit Union, credit unions are dealing with the effects of the current economic climate. During these economic times, it is challenging to keep focused on our mission and on long-term relationships. It can be tempting to freeze efforts for developing new and innovative ways to serve members, stop all community contributions, or look for ways to cut employee benefits in an effort to be conservative.

Methodology and Scope of the Study

The study was conducted among four credit unions, also known as primary societies, in the Ho Municipality, namely;

- Ho District Teachers Co-operative Credit Union (HDTCCU)
- Volta ECG Employees Co-operative Credit Union (VEECCU)
- Ghana Water Company Limited Employee Co-operative Credit Union (GWCLECCU)
- Global Evangelical Church Co-operative Credit union (GECCCU) – Kabhill Branch, Ho

The population of the study area is 1200 members of the four credit unions. A sample size of One Hundred and Twenty (120) members and leaders of the four (4) credit unions was selected.

This represented 10% of the population of the Study Area which in the opinion of the researcher is fairly representative of the views of members. Two main types of data were used. Primary data, which consisted of information gathered through interviews with management staff of the scheme, administering of questionnaire to selected members of the credit unions and an examination of the documents of the scheme. Secondary data for the research were gathered through the use of books, journals newspapers, draft bill of credit unions and other documents on the operations of credit unions in Ghana, as well as the use of information sourced from the internet. These constituted the basis for literature review of the study.

The main methods of data collection used for the research are:

- Interviewing of principal informants and members and management of the credit unions
- Administering of questionnaires among 120 members and management staff of four (4) credit unions in Ho
- Observation of the methods of operation of the credit unions to determine their compliance with best financial and accounting principles and practices.

The researcher employed both probability and non-probability sampling technique.

Non-probability sampling technique (purposive sampling) was used to select four credit unions in the Ho Municipality. This purposive sampling technique was used because of the need to get vibrant schemes for the study. The purposive sampling technique was used because credit union members needed to be specifically targeted for interviewing and administering of questionnaires. Simple random Sampling (probability sampling) was used to determine respondents within the four selected credit unions to provide each member of a given credit union, equal opportunity of being selected. Both quantitative and qualitative methods were employed in the analysis of data of the study. For the quantitative aspect, Statistical Package for Social Sciences (SPSS) was used. Frequency distributions, percentages, means and descriptive analysis evaluating the impact of the credit union scheme on members were used to examine the research questions.

Analysis of Data

The data collected were edited in order to help identify omissions and to correct errors where necessary. The questionnaires were coded, after which the variables were given sequential numbers and were categorised such that, items and responses measuring the same concept were grouped together. Frequency counts of each category was done and presented in tabular forms showing frequency and percentage distributions of the trend of responses through the use of Statistical Package for Social Sciences (SPSS). Interpretation and discussion of the data was done per the factors that constituted the framework for the research. Considering the audience and users of the report, the use of frequency tables for the presentation of the survey results was deemed the most appropriate, because, it can be easily interpreted and understood.

Financial Challenges

Table 1. Welfare Challenges faced by members of the Credit Union

Welfare Challenge	No. of Respondents	Percent
School Fees	99	82.5
Medical Expenses	33	27.5
Rent Advance	50	41.7
Home Improvement	27	22.5
Home Acquisition	42	35.0
Land	48	40.0
Car/Motor Bike/Bicycle	22	18.3
Funeral Expenses	16	13.3

Source: Field Survey Data, May 2012

Table 1 shows that, the most pressing welfare challenge faced as a member of the Credit Union, was School Fees (82.5%) and Funeral Expenses (13.3%) was the less pressing challenge faced as a member of the Credit Union.

Table 2. Business/Investment Challenges faced by members of the Credit Union

Business/Investment Challenge	No. of Respondents	Percent
Land	75	62.5
Vehicles	31	25.8
Building	88	73.3
Equipment/Machinery	19	15.8
Business Inputs	32	26.7
Working capital	59	49.2

Source: Field Survey Data, May 2012

In Table 2, the most pressing Business/Investment challenges faced as a member of the Credit Union was Building (73.3%) whilst Equipment/ Machinery (15.8%) was the less pressing challenge faced as a member of the Credit Union.

Table 3. Loans made available by the Credit Union for meeting personal Welfare and Business/Investment Challenges

Type of Loans	No. of Respondents	Percent
School Fees, Medical Expenses, Funerals etc.	87	72.5
Land, Cars, Home Acquisition or Improvement etc.	62	51.7
Equipment, Machinery, Business Inputs, Working Capital etc.	43	36.8

Source: Field Survey Data, May 2012

Table 3 shows loans available to a member of the Credit Union for meeting Personal Welfare and Business/Investment challenges. Equipment, Machinery, Business Inputs, Working Capital etc. (36.8%) was the least followed by Land, Cars, Home acquisition or Improvement etc. (51.7%) and School Fees, Medical Expenses, Funerals etc. (72.5%) was the highest for personal development.

Impact of Credit Union on Members

Table 4. Personal Welfare Facilities available within the Credit Union that could not be accessed prior to joining the Credit union

Personal Welfare Facilities	No. of Respondents	Percent (%)
Loans for Educational Expenses	43	35.8
Loans for Medical Expenses	30	25.0
Home Acquisition/ Improvement	43	35.8
Loans for Land	42	35.0
Loans for Car/Motor Bike/Bicycle	34	28.3

Source: Field Survey Data, May 2012

Table 4 shows that respondents were not able to access the personal welfare facilities before joining the union, loans for educational expenses and home acquisition/improvement were each (35.8%) followed by Loans for Land (35.0%) , Loans for Car/Motor bike/Bicycle (28.3%) and lastly Loans for Medical expenses (25.0%).

Table 5. Business/Investment Facilities available within the Credit Union that could not be accessed prior to joining the Credit Union

Business/Investment Facilities	No. of Respondents	Percent
Loans for Land/Building	43	35.8
Loans Vehicles	30	25.0
Loans for Equipment/Machinery	43	35.8
Loans for Business Inputs	42	35.0
Loans for Working Capital	34	28.3

Source: Field Survey Data, May 2012

Table 5 shows the Business/Investment facilities available within the credit union that you did not access before joining the union. The highest were Loans for Building/Land and for Equipment/Machinery (35.8%) each, followed by Loans for Business Inputs (35.0%), Loans for Working Capital (28.3%) and Loans for Vehicles (25.0%).

Table 6. Personal Welfare Facilities Benefited from since joining the Credit Union

Personal Welfare Facilities	No. of Respondents	Percent
Loans for Educational Expenses	74	61.7
Loans for Medical Expenses	25	20.8
Home Acquisition/ Improvement	23	15.8
Loans for Land	36	30.0
Loans for Car/Motor Bike/Bicycle	14	11.7
Funeral Expenses	110	91.7

Source: Field Survey Data, May 2012

Table 6 shows Personal Welfare facilities benefited from since you join the credit union, Funeral expenses (91.7%) being the highest and Home Acquisition/Improvement (15.8%) has the least responses.

Table 7. Business/Investment Facilities Benefited from since joining the Credit Union

Business/Investment Facilities	No. of Respondents	Percent
Loans for Land/Building	47	39.2
Loans Vehicles	10	8.3
Loans for Equipment/Machinery	5	4.2
Loans for Business Inputs	13	10.8
Loans for Working Capital	1	0.8

Source: Field Survey Data, May 2012

Table 7 shows Business/Investment facilities benefited from since one joined the Credit Union. A loan for Land/Building (39.2%) has the highest responses and Loans for Working Capital (0.8%) has the least responses.

Table 8. Distribution of Respondents as to how long it takes to qualify for personal welfare facilities

Duration	No. of Respondents	Percent
< 1 month	35	29.2
1-3 months	5	4.2
4-6 months	73	60.8
7-9 months	2	1.7
10-12 months	1	0.8
>12months	4	3.3
Total	120	100

Source: Field Survey Data, May 2012

Table 8 shows how long it takes to quality for Personal Welfare facilities/Loans. It took 60.8% of the respondents as long as 4 – 6 months to qualify for Personal Welfare Facilities/Loans and 4 (0.8%) respondents 10 -12 months to qualify for the loan.

Table 9. Length of time it takes to qualify for Business/investment loan facilities

Duration	No. of Respondents	Percent
< 1 month	26	21.7
1-3 months	15	12.5
4-6 months	72	60.0
7-9 months	1	0.8
10-12 months	2	1.7
>12months	4	3.3
Total	120	100

Source: Field Survey Data, May 2012

Table 9 shows that it takes 4 – 6 months (60.0%) for the majority of the respondents to qualify for Business/Investment loans and the longest time of greater than 12 months (3.3 %) to qualify for Business/Investment loans.

Table 10Cost of borrowing within your Credit Union for Personal Welfare Loan

Interest Rate (%)	No. of Respondents	Percent
1-5	65	54.2
6-10	2	1.7
11-15	2	1.7
16-20	49	40.8
21-25	1	0.8
36-40	1	0.8
Total	120	100

Source: Field Survey Data, May 2012

Table 10 shows cost of borrowing within the Credit Union for Personal Welfare Loan. Majority of the respondents (54.2%) borrowed at between 1-5 percent interest rate while about 0.8 % had paid between 21-25 and 36-40 percent interest rate respectively.

Table 11Cost of borrowing for Business/Investment Loans

Interest Rate (%)	No. of Respondents	Percent
1-5	60	50.0
6-10	6	5.0
11-15	4	3.3
16-20	49	40.8
21-25	1	0.8
Total	120	100

Source: Field Survey Data, May 2012

Table 4.11 shows that, it costs 60 respondents 1 – 5 percent interest rate to borrow within your credit union for Business/Investment Loans and 1 (0.8 %) paid 21 – 25 percent interest rate.

Table 12. Repayment period for loans borrowed from the Credit Union for Personal Welfare issues

Duration	No. of Respondents	Percent
< 6 months	9	7.5
6-12 months	61	50.8
12-24 months	25	20.8
24-36 months	25	20.8
Total	120	100

Source: Field Survey Data, May 2012

In Table 12 the popular duration for Personal Welfare Loans within a credit union was 6 – 12 months representing 50.8 percent of the responses with the shortest duration being less than six months.

Table 13. Repayment period for Business/Investment Loans within the Credit Union

Duration	No. of Respondents	Percent
< 6 months	8	6.7
6-12 months	58	48.3
12-24 months	12	10.0
24-36 months	39	32.5
> 36 months	3	2.5
Total	120	100

Source: Field Survey Data, May 2012

Table 13 shows Duration Business/Investment Loans within your Credit Union. The highest response was 48.3% which corresponds to 6 -12 months and the least responses was 2.5% of 36 months or more.

Table 14. Quality of performance of the Credit Unions over the past five years, 2004 - 2008

Performance Rating	No. of Respondents	Percent
Excellent	10	8.3
Very Good	53	44.2
Good	46	38.3
Average	9	7.5
Poor	2	1.7
Total	120	100

Source: Field Survey Data, May 2012

Table 14 shows Performance of your Credit Union over the past five years. On the whole 38.3% said good and 44.2% said Very Good meaning most of the respondents were of the opinion that the Credit Union over the years did well.

Table 15. Impact of Credit unions on the standard of living of members

Duration	No. of Respondents	Percent
Strongly Agree	35	29.2
Agree	81	67.5
Disagree	1	0.8
Strongly Disagree	1	0.8
Do Not Know	2	1.6
Total	120	100

Source: Field Survey Data, May 2012

Table 15 shows significant impact on the Standard of Living of the Union members. From the table, 29.2% strongly agreed and 67.5% agreed that the union has made a significant impact on the standard of living of the Union members.

Improvement of the operations of the Credit Union

The operations of the credit union can be improved as follows:-

- Increase membership through media publication and education
- Timely repayment of loans and interest by members
- Savings should be paid regularly
- The union should undertake investment ventures
- Loan defaulters should be prosecuted
- Prompt and efficient service to the members
- Create good customer relation between management, members and the public
- Controller and Accountant General should promptly release the union's remittances on time
- Loans should be increased and sufficient money be made available always to be given out as loan
- Loan processing time should be shortened
- Ban on partial withdrawal of savings should be lifted
- Unnecessary expenses by management should be avoided
- Problems of loan deduction should be resolved
- Reduce interest rate on loan
- Lending money to members over and above what they can afford to pay should be stopped
- Increase monthly contribution
- Members should pay 75% of their previous loan before taking another loan
- Periodic auditing of the union should be instituted.

Summary of findings

The main objective of this study was to assess the impact of the credit union scheme on the living condition of members.

The study sought to find answers to issues like the financial challenges facing members, the benefit and facilities available and the impact the credit unions have made on the standard of living of members. The study revealed two main categories of financial challenges faced by members, namely: Welfare challenges and business or investment challenges. Of the welfare financial challenges, school fees, funeral cost were discovered to have dominated requests made by members of the scheme. With respect to the business or investment challenges faced by members, acquisition of land, building and working capital were formed to have typed the demand made by members on the scheme. The researcher also found out that the credit Union had certain facilities for the benefit of members.

These facilities were identified as: Loans for School fees, Medical expenses, funeral cost and the acquisition land, cars and houses. Other facilities available members of the credit unions were: loans for equipment, machinery and working capital.

With respect to qualification for loans, the study revealed that 60.8% of the respondents qualified for personal welfare loans within 4-6 months of joining the scheme. It was found out that, the credit union annual interest rates ranged between 36% charged by the traditional banks.

The study also disclosed that the scheme had a significant impact on the standard of living of members. This is attested to by the fact that members readily had access to loans for meeting their welfare and business or investment financial challenges, which they would not have had from the traditional banks without collateral security.

Conclusion

The study revealed that, members of the credit unions faced certain financial challenges like school fees, medical expenses, funeral expenses, land, cars, home acquisition or improvement. Most of these challenges were met by the credit unions, with educational expenses being the highest and the lowest was loans for means of transport. It was found out that the credit union annual interest rates were between 36% and 60% as against 30% to 35% charged by the banks.

Recommendations

In view of the fact that credit unions, as microfinance institutions are in keen competition with the banks as well as Non-bank financial institutions, there is the need to build capacity for their management staff, especially in areas like risk and investment management. The study therefore recommends capacity building for the management of teams of the credit unions in risk and investment management to enable them leave up to the challenge of creditably managing the affairs of the credit unions under their care.

Credit unions have played very useful roles in improving the quality of life of the marginalised and excluded in society. These people have had very little or no access to funding from the traditional banks. The only remedy for reducing poverty levels among them is through membership of credit unions. If the credit unions are to be more viable and more beneficial to members, their interest rates should be reduced in order to make the credit unions capable of attracting and retaining members.

It was found out that members of the credit union had to wait for four to six months to qualify for loans. This condition is not favourable to the most vulnerable members who might need the loans for urgent welfare cases like medical and funeral expenses.

It is therefore recommended that the credit unions should be flexible in handling such cases.

From the findings of the study the credit unions were unable to readily meet the financial needs of their members. As a result of which most of the members have had to wait for four to six months before getting assistance. The study recommends that the credit unions should use their funds as collateral to secure loans from the traditional banks in order to increase their capacity to meet the financial demands of their members.

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