

THE ROLE OF CO-OPERATIVE CREDIT UNIONS IN FINANCING MICRO BUSINESSES IN GHANA: A COMPARATIVE STUDY OF THE OGUA TEACHERS' AND THE UCC CREDIT UNIONS

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Abstract

Several studies have been conducted on micro business funding in terms of sources and challenges in Ghana. Indeed, some of the funding sources and their respective challenges have as well been highlighted for stakeholder attention. Somehow, it appears that the crucial role played by credit unions in financing micro businesses (MBs) in Ghana has not yet been clearly distinguished. Using both purposive and convenient sampling techniques, this study looks at the role of credit unions in financing micro businesses by comparing the practices of two of the vibrant credit unions in Ghana – the University of Cape Coast and the Oguaa Teachers' Co-operative Credit Unions. Using a self-administered questionnaire, data was collected on both union member-business owners (50 per union) and union staff (10 per union) with a total sample of 100 member-business owners and 20 credit union staff respectively. The findings reveal that being a member of the credit unions inhibits capital formation and financial growth with the credit unions currently contributing 25% of their operational funds to the financing of MBs in Ghana. Also, with over 50% start-up financial support from credit union loans, majority of the members had established their MBs 3 years after joining the respective union. However, other equally important services in the form of pre-loan financial counseling and provision of financial management skills

to members had lagged, with majority of the members claiming an average financial management skills' acquisition from their unions with their over 3 years' standing as members. The study recommends to both potential and prospective micro business owners to be proactive in their finances by joining the unions. Equally, the operations of the unions are expected to be dynamically responsive to the needs and confidence of the members by shortening the existing loan processing period to a maximum of 10 days. Future research includes the expectation to examine the challenges faced by credit unions in financing micro businesses.

Keywords: University of Cape Coast Co-operative Credit Union (UCCCCU); Oguaa Teachers' Co-operative Credit Union (OTCCU); Micro Businesses; Financial Management; Credit Unions

INTRODUCTION

The model for modern credit unions was developed in Germany in the (mid) 19th century under the first successful credit union leadership of Hermann Schulze-Delitzsch. In Ghana, since the 1950s, co-operative credit unions have been embraced by all categories of income earners. By definition, co-operatives are voluntary organizations, open to all persons who are able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination (International Cooperative Alliance, 1937). They serve several purposes for their members ranging from personal, corporate and in some cases, public finance. Specifically at the household or personal level, credit unions may represent the needs planning and provision source. In his view, Darko (2007) observed that even some corporate institutions have acquired authorization to establish their own credit unions to lend support to their employees for diverse purposes, among which are, payment of school fees, acquisition of land for building projects, home improvement, working capital, purchase of means of transportation, etc. Indeed, the Oguaa Teachers' and that of UCC co-operative credit unions were established in similar fashion and intents.

In addition to these benefits, it is widely alleged that in Ghana, credit unions assist individuals in forming the necessary start-up as well as subsequent capitals for their micro businesses. Precisely, in 2007, the International Finance Corporation (IFC) reported that SMEs comprise 80% of the private sector in Africa and in a similar assertion, the Ghana Statistical Services (GSS, 2005) maintained that the SMEs employ between 75 and 80% of the working populace. Even though the government of Ghana has attempted to use the private sector as the engine of growth and economic transformation with several interventions, the sector continues to struggle in many respects, especially, in terms of adequate funding. Indeed, the aspect of funding

in terms of start-up capital has reached a scenario of 'make or break' for many potential micro business owners. Also, at the micro business level, it is suggestive (from practitioners' insistent complaints) that there are several available non-financial supports than the financial ones. Furthermore, individuals venturing in this business segment (micro businesses) have to first succeed in their personal finances (including those from family and friends), be lucky with all kinds of credit arrangements including loans or totally shelve their business dreams regardless of how innovative and lucrative the outlook may be. Again, even though several forms of funding may be available, owner's equity appears to be the most beneficial or safest source of funding in this endeavour.

The extent to which the credit unions are helping individuals to form the necessary capital and benefit in other funding needs is unknown; same is the proportion of their operational support to the MBs. Comparing the practices of the Oguaa Teachers' and the UCC credit unions, this study attempts to highlight the role they play in financing MBs in Ghana.

Need for the Study

The unemployment situation in Ghana is indeed distressing, especially, with the emergence of an unemployed graduates' association recently. It is worthy of note that the educated populace in Ghana are in the acute minority and the minute proportion of the educated being graduates, makes the situation quite alarming. It is acknowledged that employment, basically, may be in the form of public or private-sector generated. However, in the private sector, both the so-called educated and non-educated populace have equally very fertile grounds to either create employment for themselves or be employed. The necessary pre-conditions for anyone in this attempt, however, are the relevant innovative skills (being industrious) with the associated funding, commitment and the zeal to succeed. Here again, it is widely alleged that several of the relevant skills, passion, commitment and zeal exist but frequently, the necessary associated funding has been a deficiency. In some cases where the few sources of funding have been available, they have either been inadequate or expensive, especially, at the crucial start-up stage. Darko (2007) noted that access to financial services is increasingly becoming an important tool for poor and low-income groups to save their money, spread their risk, invest in productive and social purposes, and ultimately improve their lives. As a result, co-operative savings and credit institutions are providing millions of their members around the world with access to financial services. The level of financial support these credit unions give in terms of micro business funding have not yet been distinguished. This study attempts to highlight the proportion of financial support frequently offered by a comparative study of the operations of the selected institutions to

the MBs. The results are expected to contribute broadly, to the sources of funding in this regard and the specific financial role played by the credit unions.

Objectives of The Study and Research Questions

In order to appreciate the financial contributions of co-operative credit unions to the MBs, it would be important firstly, to explain how the credit unions are established, their nature of operations and how this financially favours their members in both capital formation and other needs of financial assistance. Are there opportunities for capital formation and/or business financial assistance? Secondly, it would be pertinent to identify the various forms of benefits they offer their members and the proportion of which that specifically supports the MBs. Are there clear instances where members seek financial assistance to support their businesses? To what extent does a membership inhibits capital formation and other business financial assistance? Thirdly, it would be relevant to shed light on the nature of MBs in Ghana, how they are established, their business life-cycle stages as well as their funding sources and challenges. Finally, the study explores possible inherent opportunities for the micro businesses' financial management with relevant recommendations in these respects.

LITERATURE REVIEW

Credit Union has been severally defined. For instance, the Ghana Co-operative Credit Unions Association (CUA) Magazine (1993), defines a Credit Union as a financial co-operative society organized to promote thrift, encourage savings and create a source of credit for its membership by pooling their savings together to obtain loans at reasonable interest rates. According to Darko (2007), it is a group of people with the same interest agreeing to save together to create a financial pool out of which they can give credit among themselves in times of need for productive or provident purposes. Similarly to the Credit Union Newspaper (1997), a credit union is further defined as a financial co-operative owned by members united in a common bond who put their savings into a common pool and funds are lent at reasonable rates of interest out of the pool to members for worthy purposes and could provide other services that are financial in nature. In the view of the CUA Beacon (2010), it is a non-banking financial co-operative formed by interested members or a group of people having a common bond of either occupation, profession, clubs and associations, members of a community, among others, who pool their savings together in order to obtain a loan at fair and reasonable rates of interest for worthy, productive and provident purposes.

Formation of Credit Union Societies

Any group or individuals within a Common Bond of between one hundred and two hundred may form a credit union. This implies that persons living within the same geographical area or setting with a common interest, of a particular profession such as teachers or medical practitioners can form a credit union. The aim of any established credit union is to encourage regular savings among its members, provide loans to its members at reasonable interest rates by educating the members on prudent financial management and efficient use of resources (CUA Newsletter, 2003). Indeed, the first step in forming a credit union is to get some people within the relevant community who are interested in doing something for themselves and to the community they belong. Community equally refers to a church membership, employee group, and such others. At the formative stage of a credit union, the groups may be technically referred to as a study group. The apex body's field managers help to organize credit unions and the following requirements must be met:

- The group must have a minimum membership of one hundred (100) and a potential membership of six hundred (600). A member is required to contribute a minimum share, entrance fees and minimum savings that are to be determined by the credit union;
- Credit unions must employ part-time or full-time employees at offices where they conduct their business operations; and
- The apex body of all credit unions in Ghana, the Ghana Co-operative Credit Unions Association Limited (CUA Ltd) supervises the activities of all the credit unions in the country (CUA Newsletter, 2003).

Organization of Credit Unions

The CUA Ltd, the apex body of all credit unions in Ghana, is duly registered with the Department of Co-operatives under the Co-operative Decree 1968 NLC Decree 252. It is an affiliate of the Ghana Co-operative Council, the African Confederation of Co-operative Savings and Credit Associations (ACCOSCA) and the World Council of Credit Unions (WOCCU) based in Madison, USA. These bodies, working in a collaborative and hierarchical manner, regulate the operations of credit unions in Africa and the world at large. Specifically in Ghana, credit union associations operate in all the ten (10) regions under Chapters with each Chapter manned by a manager and a Chapter Board whose members are elected from the various primary societies. The National Association holds its general meeting of delegates biennially. The general meeting is the highest decision making body with the National Board elected at the biennial general meeting. The Board then appoints a General Manager for the Association. The main objectives of the credit unions association, as contained in its bye-laws, are to assist in the organization and the development of

credit unions, provision of educational (sensitisation) programs, develop products and services and formulate bye-laws as well as standardise book-keeping systems for credit union operations. It again gives legal advice to its affiliates in suits, collects statistical and other relevant data and conducts research into the possibilities for improvement of credit unions. Finally, CUA, as the apex body, represents credit unions in Ghana at the international level (CUA Newsletter, 2003).

Credit union operations – sources and mobilization of funds

There are several aspects of the operations carried out by credit unions. However, for the purposes of this study, a review of the related relevant literature on their sources of mobilizing funds, their loans administration, the nature of operations of the Oguaa Teachers' and the UCC credit unions would be considered. Sources of funds to Credit Unions are normally generated from members' savings, share contributions, donor capitalization, entrance fees and processing charges (CUA Bye-Laws and Articles of Association, 2003).

Mobilization of funds

The demand for liquidity is far more important to most rural citizens than the demand for credit. Savings mobilization is just as important as credit in meeting the financial needs of the rural population (Boomgardet *al*, 1992). What most distinguishes credit unions from other non-bank financial entities offering microfinance services is the ability of the credit unions to mobilize mass numbers of small, voluntary, savings accounts.

These deposits can then be invested in rural production, housing, microenterprise and small business loans. Credit unions provide the low transaction costs required to offer this service to large segments of society. Credit unions offer a variety of types of savings services: voluntary-withdrawal savings accounts, fixed-term deposits based on either the term of the deposit or the size of the deposit, and other diverse savings programs including: savings for educational fees, savings for holidays or vacations, savings for infant delivery expenses, retirement savings, youth savings, etc (Anowie, 2014). The financial systems approach to microenterprises recognizes that savings are as important a service for the poor as credit and that savings are crucial in building self-sufficient financial institution. To date, although many other programs have incorporated savings elements, only the credit union movement and scattered programs have embraced savings as equally important as credit for dealing with poor populations (Otero & Rhyne, 1994). They maintain further that a sound institutional controls and structures need to accompany savings mobilization in order to protect the savings and to manage efficiently the increasing number of small balance accounts. Again, to meet prudential standards, credit unions must instill the financial management disciplines of capital accumulation, loan classification, delinquency

control, loan loss provisions, capitalization, and liquidity management in credit union management procedures and practices.

Loan products offered by credit unions

Credit union loan portfolios are widely diversified. Since credit unions lend for a wide variety of purposes, the portfolio risk of specializing in a single type of activity is reduced (Magill, 1994). Indeed, members' financing needs determine their credit union loan product offerings. Loan purposes often include housing construction, payment of rent advances, housing improvement, home purchase, purchasing of means of transportation(car, motor, or bicycle), small manufacturing, transportation business, commerce, personal service business, debt refinancing, emergency needs, education, agriculture, personal expenses and others. Anowie (2014) noted that the sector specific activity could decide loan term preferences; for example, in agricultural areas, most members borrow with a longer-term repayment structure. Citrus producers borrow fixed, 6-month term loans which they pay at the end of harvest instead of monthly. Cattle producers often require a 2-year period for financing from when they buy the small animals until the animals are old enough to sell. Micro entrepreneurs may require small working capital loans for short periods of 30 days or 16 weeks with weekly repayments.

With respect to the speed with which a loan can be obtained, flexibility regarding the terms of the loan and relatively cheaper transaction costs, the nonconventional individual-based technology is definitely superior to all kinds of group lending technologies for small and micro entrepreneurs (Schmidt *et al*, 1996).

Credit unions have typically defined their individual lending methodology as strength. Individual lending suits well the needs of the majority of credit union members. Despite this fact, perhaps the most significant impact the microfinance industry has had upon credit unions has been to introduce them to a greater variety of methods and of credit products for low-income entrepreneurs. Credit unions have developed new products which offer micro entrepreneurs products that are flexible, taking into consideration their cash flow and offering increased access with performance. To satisfy the demand for working capital, some credit unions, such as those in Ecuador, offer open-end lines of credit or supplier credit through material suppliers for upscale micro entrepreneurs (Schmidt *et al*, 1996).

The loans system by credit unions in Ghana

Any member of a Credit Union is eligible to take a loan in a credit union lending system. Credit unions have in place a loans committee which often meets more often to either approve or reject loan applications of their members. Loans are strictly administered to members as enshrined in

the loan policy of credit unions (CUA Bye-Laws & Policy Manual, 2003). Loans are granted to members who have operated with the Union for a minimum period of six (6) months. The savings pattern of such members should be regular and the member must have the required minimum shares (shareholder). Members qualify for a maximum of twice their savings balance at the time of contracting the loan facility. This is applicable to normal long-term loan with a maximum of two years repayment period. Special loans may be considered beyond two years and may look beyond twice the savings balance. This loan facility is given to members with a track record of being credit worthy with regards to previous loans contracted. Aside the savings balance which serves as a collateral, the co-guarantor system is also considered. Other forms of collateral securities include employer's endorsement, bank standing orders, treasury certificates, signed building documents and other forms of title deeds (Management Policy - Oguaa Teachers' Credit Union, 2012).

Challenges and responses

There is no one model of credit union operations in the world today; however, WOCCU (1999) has established international performance standards for credit unions. Challenges remain associated with credit unions that WOCCU addresses with focused technical assistance. Four frequent challenges to credit union financial self-sustainability and outreach are in the areas of: governance; delinquency, business orientation and innovation; lack of external supervision or authorizing legislation; and competition and provision of innovative products and services.

The Oguaa Teachers' Co-Operative Credit Union Limited (OTCCU)

Oguaa Teachers' Co-operative Credit Union (OTCCU) started in a small single room office with no computer at all. Its operations were purely manual. All transactions of members in terms of savings withdrawals, deposits, and loan repayments were all done on ledger cards. Over time, management information system was introduced as a form of modernity in the efficient running of the union (Anowie, 2014). The OTCCU is a member-owned financial institution started by teachers in the Cape Coast metropolis on 28th February, 1974 but now has a common bond. In effect it is opened up to all members, both in the formal and informal sectors. Currently, it has a population of about 3500 with about 2500 being in the formal sector and about 1000 on common bond (informal sector). Its mission is to provide effective and efficient financial services to members with the view of enhancing their image and lifestyles. It has a vision of becoming the leading co-operative credit union with a state of the art technology in Ghana. Products and services offered include Savings (regular savings, child education fund and withdrawable

savings), Loans (short term, long term and special loans), shares, as well as the following services: financial counseling; life savings Insurance; and loan protection plan.

Presently, the OTCCU is able to process all transactions through internationally recognized software for credit union operations called CUSOFT. This software gives the opportunity to create customer database for all members. Each member database contains personal data, statement of all account holdings as well as balances of loans contracted. The availability of the customer data and feedback helps to align the business processes according to the needs of the customers. It also helps to perform direct marketing and promotion activities. Besides, the introduction of this system helps in tracking loan delinquencies. Moreover, the union has recently started money transfer business to other sister credit unions in the country (the CUA money transfer) where members can withdraw money, deposit savings and pay loans in any networked credit union nationwide without necessarily being at the main branch where the account was opened. In addition to the money transfer facility is the payment of bills (DSTV, Skyy Digital, Vodafone, iBurst, etc), and top-up of mobile phone credit transacted through the internet via the (www.txtnpay.net/Merchant). Furthermore, the internet connectivity within the offices, i.e. Intranet acts as a communication and planning tool for the company. Staffs are able to transfer information to each other, send annual reports, respond to mails and so on. The union has also started a microfinance project at Duakor in Cape Coast called the DuakorGariProject (DGP) where members of the community are mobilized in groups to access loan facilities to expand their gari business (Oguaa Teachers' Newsletter, 2013). The OTCCU has a total asset base of about GHS2.97 million as at June, 2013 (Oguaa Teachers' Financial Report, 2013).

The University of Cape Coast Co-Operative Credit Union (UCCCCU).

The UCCCCU was initiated and formed by some senior staff members of the Finance Department of the University and has grown over the years after it consequently gained affiliation with the Credit Union Association of Ghana (CUA) in 1982. Among the reasons that informed its establishment was the fact that staff occasionally needed salary advance to see to their emergencies and pressing issues, which was difficult in obtaining. There was also the difficulty of staff accessing loans from the banks due to the consolidation of salaries at the time. Banks were rather issuing loans to the informal sector. The University (UCC) gave their support through the provision of an office accommodation. Also, the finance staffs who initiated the idea were relieved from their official duty at their department to see to the operation of the union but were still being paid by the university. With time, other high office-holders including the vice chancellors, lecturers as well as departmental heads joined the credit union which attracted other junior staff to join. The union can now boast of membership of about 3600 of which 3000 are on payroll with 600 on

common bond. They have an ultra-modern office complex worth GHS2.9billion which is said to form 41% of their total asset size. They are estimated to have about GHS150,000 more to spend to complete the project. Upon completion, part of the office complex will serve as their place of operation and majority will be for rental to other institutions. Part of the returns will be declared as interest and dividends for members since the project was fully funded from members share investment and undistributed profit. Products offered are regular loans payable within a maximum of 24months at an annual interest of 16.25% and short term credit payable within a maximum of 3months at an annual rate of 22.75%. For the regular loan, members qualify for thrice their savings while the short-term credit depends on member's ability to pay based on ones pay slip and other income generating activity, all at a reduced interest compared to the traditional banks. Another product offered is regular savings which is done for the purpose of loan acquisition and education savings strictly for the purpose of paying school fees for the ward(s) of members.

Services offered include risk management programs like financial counseling, insurance on savings and loan protection plan. The UCCCCU has also had an immense impact on its members. In terms of education, it had enabled some members to acquire loans to further their children's education to the tertiary level which would have been very difficult considering their monthly salary levels. Members who also wished to upgrade themselves have also done so with the help of credit union. Furthermore, some members have also utilized the opportunity of the institution to acquire loan facilities for the construction of private hostels for students (investment) at the UCC campus. Also, health issues of members are also catered for especially in emergency cases as well as funerals (UCC Credit Union Journal, 2013).

The nature of micro businesses in Ghana

A micro business has been defined severally but similarly. For instance, the UNCTAD (2000) defines a micro business as: *"a business involving one to five persons (typical of a sole trader). Its character would be such that its activities are simple enough to be managed directly on a person-to-person basis and the scale of the operations means it is unlikely to need or be able to afford to devote significant staff time to accounting. Its operations are likely to concern a single product, service or type of operations. Only basic accounting is needed to record turnover, control expenses and profitability and if necessary, compute profits for tax purposes. It is unlikely to have extensive credit transactions"*.

On its part, the United Nations Industrial Development Organisation defines firms in developing countries based on the number of workers. Consequently, it defines a micro business as employing less or equal to 5 workers (UNIDO, 1999). These definitions do not differ from those in Ghana. For instance, a statutory body for small scale businesses in Ghana is the National

Board for Small Scale Industries (NBSSI). It is an apex body established by Act of Parliament (Act 434 of 1981) with the tasks of promoting small scale industries. In its categories of business units, it considers “enterprises as employing up to 5 persons with a total fixed assets of not more than USD10,000 or equivalent as micro businesses” (NBSSI, 2000). Accordingly, Mbroh (2011), noted that: *“...the nature of small businesses in Ghana is that they are often simply registered with the District, Municipal or Metropolitan Assembly, the Ghana Revenue Authority for income tax compliance and where applicable, the VAT. In addition, the well-established ones are registered with the registrar General’s Department. The owner/manager who often doubles as the financial manager is charged with the day-to-day management of cash. This function includes the handling of cash receipts in the manner of safe-keeping, depositing at the bank and control over disbursements. Others include investing idle cash and necessary planning to maintain safe cash levels at all times”*.

It is worthy of note that this definition equally relates to the nature of micro businesses in Ghana. It is encouraging that several studies have in one way or another, documented the issue funding in the SME sector(see Eyiah, 2001; Binks *et al*, 1992; Boots & Thakor, 1994; Mbroh, 2011; Logli, 1981; Bosa, 1969; Keasey & Watson, 1994; IFC, 2000; Mbroh & Quartey, 2015). Gradually, all the major sources of funding in this regard are getting highlighted and the Credit Unions appear to represent indispensable source for these businesses. In effect this study examines the specific role of the credit unions in the provision of finance to micro businesses.

METHODOLOGY

The study was conducted on both the OTCCU and UCCCCUs regarding their specific roles in financing micro businesses. The membership of these unions total 7,600. A combination of purposive and convenient sampling techniques was used in selecting the respondents. The purposive sampling technique was used because of the need to get vibrant unions among the credit unions in the country for the study. Again, the members needed to be specifically targeted for the purposes of obtaining relevant responses in an attempt to answer the research questions. In effect, the convenient sampling technique was employed. This was due to the fact that one category of the respondents (clients) were not positioned at one place and had to be targeted at the union premises as and when they come in to transact business with their respective credit unions. On average, it took 21 working days to administer questionnaires per credit union. A total of 120 respondents were used, made up of 50 members each from the two credit unions in addition to 10 staff-management respondents from each union. The selected member-respondents were micro business owners. Again, due to the standardized nature of policies and

practices within the credit union fraternity, the selection of respondents was adequately reliable for the relevant findings.

Two main data sources were used. Primary data, which consisted of information gathered through administered questionnaire to both selected members (only owners of micro businesses) and administrators of the credit unions. Secondary data sources used included the use of final accounts (end-of-year reports) of the selected Credit Unions, books, journals and related newsletters, draft-bill on credit unions, model bye-laws of credit unions and other documents on the operations of Credit Unions in Ghana, as well as relevant related on-line information sources. Two standard sets of questionnaires were designed for members and staff-management respectively for both unions. Questions for members focused on their gender, occupation and years' of being members. Others sought answers regarding their nature of membership in terms of financial commitments, savings contributions, benefits and the extent to which their financial situation (business and/or personal) had improved or otherwise, after joining the respective union. The staff-management respondents of the two Credit Unions were also asked the same questions. This involved their academic backgrounds, relevant industry experience, nature of business operation, schedule of duties, products and services offered and as well as governing modalities and their compliance or otherwise.

A self-administered questionnaire was handed out to the respondents, who completed it in their own time but three research assistants were always available to assist if any problems arose to give the necessary assistance. Perhaps this method enabled the study obtain full responses per the sample (see Osuala, 2001). Descriptive statistical tools were used in analyzing the obtained data

ANALYSIS AND FINDINGS

Perhaps, based upon the method of data collection (see Osuala, 2001) the study had a 100% response rate, with member-respondents evenly spread (50% each) by the selected credit unions.

Demographics of respondents

Overall majority (59%) of the member-respondents were females. More than three-quarters (76%) of the respondents were within the age bracket of 20-49 years whereas 23% were in the age range of 50above 60 years. Sixty-four percent (64%) of the respondents were married whilst 34% were single. Educationally, 52% of the respondents held tertiary level of educational certificate whereas 15% had senior/technical school level of education. A majority (72%) of the respondents were public/civil servants who doubled as owners of micro businesses, whilst 28% were running their micro businesses (self-employed) on full-time basis. The results are evident that majority of

the member-respondents are in their youthful age, perhaps, with high expectations about the future. The 72% of the member-respondents being civil or public servants stems from the fact that every credit union worldwide starts with an identifiable group within a specified area with a common bond. Indeed the selected credit unions were respectively started by institutional employees who found it necessary to pull resources together to enhance their welfare. As reviewed earlier, the OTCCU was started by teachers within the cape coast metropolis whilst the UCCCCU started with staff of the university community. However, in line with the Rochdale model, with time, they opened-up the bond, hence, the 28% of membership coming from the informal sector. Majority of members from both unions had been members over 3 years.

Table 1: Demographics of respondents

Sex	Frequency	Percentage		
Male	41	41		
Female	59	59		
Age (in years)				
below 20	1	1		
20-29	26	26		
30-39	22	22		
40-49	28	28		
50-59	20	20		
60-above	3	3		
Marital status				
Single	34	34		
Married	64	64		
Divorced	1	1		
Widowed	1	1		
Educational Level				
Tertiary	52	52		
Senior/ Technical School	15	15		
Junior High/ Middle School	27	27		
Primary School	6	6		
Occupation				
Public/Civil Servant	72	72		
Self-Employed	28	28		
Name of Credit Union				
Oguaa Credit	50	50		
UCC	50	50		
Duration of membership	UCC Credit Union		Oguaa Credit Union	
	f	%	f	%
1 year	21	42	23	46
1 - 2 years	33	66	36	72
2 – 3 years	35	70	34	68
Over 3 years	42	84	43	86

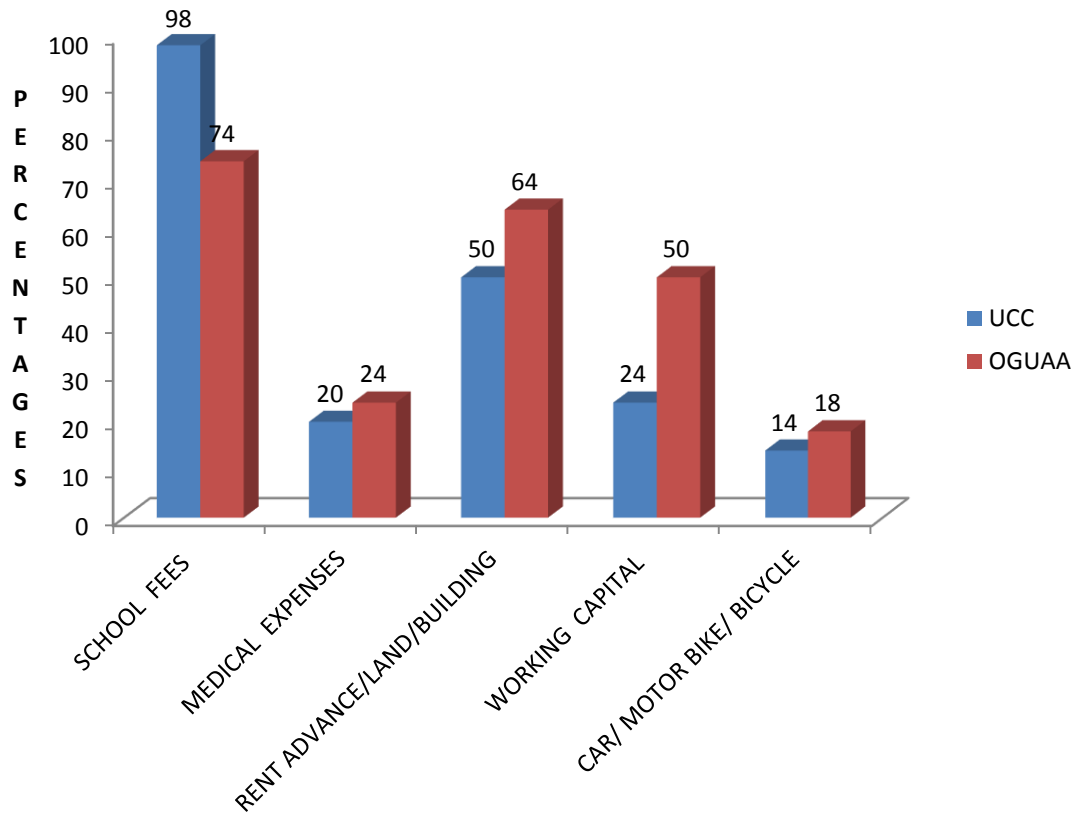
Members' frequent financial challenges and requests

It is worthy of note that credit unions are formed in a co-operative collaborative manner, primarily for members' welfare. As such the mutual aim of both members and the unions is to basically address members' needs per the unions' regulations and guidelines. Again, by the nature and options of anyone becoming a member, individuals may either join in their personal or business identities. In addition, the respective financial challenge and request may be for personal or business needs, whether or not a member joined in personal or business capacity. Indeed, there are clearly laid-down guidelines, procedures and responsibilities expected of each party to the union – members and corporate union alike. As such, these dynamics notwithstanding, all parties can easily categorise the nature of financial challenge in this respect at all times. To this end, the study sought from members, the frequent financial challenges and requests they faced and forwarded respectively to their credit unions. This was to help ascertain the spread in this regard and to specifically identify to an extent, the proportion of these that financially assist micro business endeavours.

Consequently, in order of members' utmost priority, the results (Figure1)revealed that majority of the respective union respondents (UCCCCU and OTCCU) stated that payment of school fees was the greatest financial challenge they face. Supporting these needs of members are crucial in credit union operations (see also Magill, 1994; Darko, 2007; and CUA Beacon, 2010). It is important to emphasize that education remains relatively expensive to most Ghanaians, especially, depending on an individual's conditions of service and consequently, the salary scale which also determines one's disposable earnings. Equally relevant to this, is the large family sizes frequently kept by Ghanaians coupled with indiscriminate school fees at all levels in the country's educational system.

Next in an order of priority, again, both unions' respective respondents complained of rent advance, land acquisition and/or building project as another financial challenge they encounter. Regarding business financial support, 24% of the respondents of UCCCCU noted that working capital was the financial problem they faced and in contrast, half (50%) of the respondents from the OTCCU stated working capital as a challenge they face. Perhaps these responses, in order of priority, follow the order of basic necessities of life or general expectations of members. What remains unclear at this point is the respondents' specific reactions to business financial support and needs assessment with the credit unions. Finally, medical expenses and acquisition of means of transport followed respectively as their main financial problems.

Figure 1: Members' frequent financial challenges and requests



Reasons stated for loan applications and proportion of loans to businesses

Different reasons account for members' requests for loans from their credit unions. Categorizing the reasons, majority of the respective staff-respondents from the selected unions were in agreement that school fees' payment led the reasons assigned for loan applications (Table 2). Similarly, this was followed by the reason that the loans were needed to either start-up or add to business working capital. However, these staff responses are in orderly contrast with similar ones forwarded by the respective customer-respondents. However, from the view point of the credit union staff, their responses were based on verifiable official documentation at their disposal. Furthermore, overall, these officers were in majority (averaging 85%) agreement that 25% of all loans they granted went into supporting their members' micro businesses. However, the UCCCU officers place their proportional support in this respect above 30%.

Table 2: Main reason(s) stated on loan applications and proportion of loans to businesses

Assigned reason	UCC Credit Union		Oguaa Credit Union	
	f	%	f	%
School fees	8	80	8	80
Medical bills	2	20	2	20
Means of transport	5	50	5	50
Rent advance/land/building	6	60	7	70
Micro business/ working capital	7	70	8	80
Proportion of all loans to businesses	f	%	f	%
10% of loans granted	2	20	-	-
15% of loans granted	4	40	5	50
20% of loans granted	4	40	4	40
25% of loans granted	8	80	9	90
30% of loans granted	7	70	6	60
Above 30% of loans granted	9	90	5	50

The financial facilities offered by the unions (financial benefits to members)

Credit unions offer several forms of financial assistance in the form of loans. In his view, Magill (1994) noted that the loan purposes often include housing construction, payment of rent advances, housing improvement, home purchase, purchasing of means of transportation(car, motor, or bicycle), small manufacturing, transportation business, commerce, personal service business, debt refinancing, emergency needs, education, agriculture, personal expenses and others. In support, Schmidt, *et al* (1996) noted that respective loan facility's terms and quantum depends on the specific nature, purpose or industry of its utilization. Unlike the commercial banks, credit unions offer flexible and tailor-made loans to its clients. Asked about their knowledge or benefits of the main financial assistance offered by their respective credit unions (see Table 3), 70% of the UCCCU members stated that they have access to regular savings whereas 64% of the respondents from OTCCU agreed to it. Following in order, 48% and 74% of the UCCCU and OTCCU members respectively agreed to have enjoyed long-term loans (LTLs). Short-term loans (STLs), child education savings and instant loans followed in that order.

The application of these loans was in line with the respective union's guidelines and regulations. For instance, the study found that at the UCCCU, STLs seem to have patronage over long-term loans and the reverse holds for the OTCCU. Indeed, unlike OTCCU where the maximum a member could access as STL was GHS100 (\$27), at UCCCU, the maximum was based on member's ability to pay within a period of three months given a thorough scrutiny of the pay-slip to be deducted at source. Hence, one's ability to can repay differentiates the two unions. In comparison, the maximum amount a member could qualify for the LTL was thrice the savings payable within 24months. This posits that at UCCCU, STLs seem more attractive than regular

LTL (see Table 3). In contrast, LTL is granted as twice the savings of a member payable within 24months and 36months on peculiar cases where the quantum involved was huge at the OTCCU. In addition, OTCCU has a facility that offers instant loans occasionally and this is not available at all at UCCCCU. The study found that members in the respective unions were fully aware of the facilities available and how they could access them.

Table 3: Financial facilities (loans) offered by the Credit Unions

Facility	UCC Credit Union		Oguaa Credit Union	
	f	%	f	%
Long Term Loans	25	50	37	74
Short Term Loan	30	60	12	24
Regular Savings	35	70	32	64
Child Education Fund/ Saving	12	24	25	50
Instant Loan	-	-	9	18

Financial assistance limits, qualification and associated loan-repayment periods

Finance assistance is often provided by a financial institution through its established financial system. In his view, Marfo-Yiadom (2009) noted that the fundamental goal of a financial system is to help transform savings of individuals, firms or governments into investment by others. Purposefully, financial systems are established in institutions to function in order to create the necessary financial assistance. Indeed, this function is activated in a transactionary manner and often carried out by the suppliers and demanders of funds (Attom & Mbroh, 2012). On their part, the suppliers of funds (financial institutions) make the crucial financial assistance decision by considering the timing, amounts or quantum involved, recipient's financial capacity to repay and of course, bearing in mind other associated risks and so on. The situation is just like that of banks. Quite recently, Mbroh and Quartey (2015) observed,... *"fact is that the amount and frequency of financial credit offered by these banks, depends to a greater extent, on the terms and application of the respective credit policies practiced by a bank on one hand, and the reception and responsiveness to the credit policies by the clients on the other hand. This situation calls for a relationship based on extreme mutual understanding and benefits. The commercial banks hold the much needed funds by their clients but upon certain conditions (prudential measures) been met, whilst the clients, as valued customers, need the funds from the banks but only upon satisfying laid-down conditions. These necessary conditions are the credit policies"*.

Similarly, the credit unions as expected to have clearly spelt-out policy on their terms and conditions in this regard. These are needed to specify maximum financial assistance that members may qualify to take loans, the qualifying period as a member, the interest rate charge on the loan and the repayment terms. Indeed, if these terms and conditions are properly understood

and operated by both parties, they are likely to build trust in each other, obtain long-term relationships and mutual growth as well as interdependence. Table 4 shows the results in these respects. Majority of respondents from both unions indicated the maximum financial assistance a member could obtain was twice their respective savings. Again, majority of their respective membership agree that the maximum period for a member to qualify for financial assistance is 6months. Regarding associated interest charges, the two sets of customers differed.

Majority (74%) of the UCCCCU-respondents stated that they were offered 2.5% as interest charge on their loan facilities. In contrast, majority of the OTCCU-respondents indicated they were charged 3.5% interest on their loans. This was explained by the fact that the OTCCU incurs a percentage charge (now 3% but formally 1%) on members' savings or contributions, which by practice, are deducted through the Controller and Accountant General's Department.

Table 4: Maximum financial assistance, qualifying period and interest charge

	UCC credit union		Oguaa credit union	
	f	%	F	%
Maximum financial limit				
Twice the Savings	41	82	46	92
Thrice the Savings	7	14	2	4
Loan within Savings	2	4	2	4
Period to qualify for loan				
Three Months	1	2	2	4
Four Months	1	2	-	-
Six Months	48	96	48	96
Interest rate charge on loan facilities				
2.5%	37	74	10	20
3%	10	20	7	14
3.5%	1	2	31	62
4%	2	4	2	4

Members' (customers') views on financial facilities processing time and procedure(s)

Members form the credit unions with shareholdings, however, immediately after forming the union, it becomes a body corporate (a limited entity) which rules, regulations and guidelines are used to measure every member's relationship and needs. In fact, immediately after incorporation, members relate practically as customers though with some element of governance responsibilities. Joining a credit union is a voluntary decision by an individual, though often guided by one's future plans, needs and solution(s). Fact is that individuals join and commit to credit unions as a means of dealing with both foreseeable (planned) and unforeseeable (unplanned) future financial circumstances. Indeed, having joined, whether or not the prevailing need was planned would require a befitting response from the respective union to realize the dream of becoming a member. Indeed, a good response in this regard, would serve as a marketing tool for

the union. On the other hand, if the union's response in moments of need and expectation was not as promised or told, then the situation would give cause for concern and the crucial role (behaviour) of members, who in this case also represent customers, may affect the survival and/or growth of the union to an extent. The credit unions, like other businesses, solely exist for their clients (see Mbroh, 2011; and Drucker, 1974). Majority of the selected unions' members agreed in response that it took 3 weeks to process and receive loans from their unions. Indeed, it is only under exceptional cases that the period extends beyond 3 weeks. Some processes could be completed in a week or two (and even in two days specifically at the OTCCU). Regarding the loan application procedure(s), majority of UCCCU member-respondents felt, the existing process was difficult and worrying. In contrast, a majority of the OTCCU member-respondents stated that the application process was normal and acceptable. However, from both unions' respondents, minority agrees that the application process was complex devoid of their needs (see Table 5).

Table 5: Financial facilities processing time and views on the process by members

Processing duration	UCC Credit Union		Oguaa Credit Union	
	f	%	f	%
Max of 2 days	-	-	25	50
Upto 1 week	28	56	27	54
2 weeks	35	70	34	68
Upto 3 weeks	42	84	40	80
Over 3 weeks	4	8	3	6
Members' views on loan processing	UCC Credit Union		Oguaa Credit Union	
	f	%	f	%
Normal or acceptable process	23	46	37	74
Difficult and worrying process	28	56	26	52
Complex devoid of our needs	20	40	18	36

Members' years' in micro businesses; start-up period; and proportion of financial support from the unions

Customer-respondents' were selected from both unions on the basis that they owned micro business. This presupposes that some union members double as civil or public servants (formal sector) and might have joined their respective unions in their personal (not business) identities. Indeed, regardless of one's existing identity with the unions, the rules and other operational guidelines allow for members' relevant personal or business reasons for the loan applications. Results in table 6 show the respective customer-respondents' years' in operating their micro businesses, whether or not they joined the union before setting them up and the proportion of

financial assistance received in this regard from their credit union association. Overall, majority of the respondents from both unions had operated their micro businesses over 2 years. Again, very significant majority, similarly, were only able to establish their businesses 2 years after becoming members of the respective unions and mobilizing the relevant capitals. Quite specifically, from the UCCCCU member-respondents, it took majority of them over 3 years to mobilize the necessary funds for their businesses and these were mostly in the form of students' hostel business. Similarly, majority of the OTCCU respondents spent over 3 years with the credit union to mobilize the needed funds to start their various businesses. Funding their micro businesses was generally possible with over 50% financial assistance provided by their respective unions. Specifically with the OTCCU respondents, majority had established their businesses with 100% financial support from the union.

Table 6: Members' micro businesses –business years, when started and funding proportion

Business life	UCC Credit Union		Oguaa Credit Union	
	f	%	f	%
Above 6months	3	6	2	4
1 year	23	46	22	44
1 - 2 years	31	62	33	66
2 - 3 years	36	72	38	76
Over 3 years	35	70	40	80
Membership and start-up	UCC Credit Union		Oguaa Credit Union	
	f	%	f	%
Before becoming a member	11	22	5	10
6 months after membership	13	26	6	12
1 year after membership	18	36	11	22
1year, 6months after	27	54	21	42
2 years after membership	31	62	40	80
3 years & above as member	43	86	41	82
Business funding proportion	UCC Credit Union		Oguaa Credit Union	
	f	%	f	%
100% Equity or other sources(EOS)	17	34	15	30
80-20 EOS / CU loans	23	46	16	32
50-50 EOS / CU loans	34	68	27	54
30-70 EOS / CU loans	38	76	31	62
20-80 EOS / CU loans	33	66	36	72
100% CU loans	16	32	39	78

Basis for subsequent financial assistance and related challenges of members with their unions

Every business worth its sort must aim to constantly attract and win the trust of its customers in order to retain them for its going-concern dreams. Similarly, the credit unions exist with going-

concern concepts. However, to attain this objective, they constantly have to operate in a dynamic manner so as to be responsive to the needs of members (customers). They have to consistently enhance, redevelop and/or develop responsive products and services as a way of offering their members (customers) variety in order to attract and retain them. In his view, Drucker (1974), noted that in today's marketing orientation era, meeting customer needs is the foundation of any successful business and that the customer comes first, second and third. In support, Hannagan (1998) cautioned among others, that customers have, of course, always been important; what has changed is the priority given to them and the urgency with which their needs are considered. The caution is that customer service is now the factor which distinguishes one business from another within an industry since customers now have become demanding with more choice. Table 7 shows results of conditions upon which the unions grant subsequent financial assistance to micro businesses and related challenges that members face with their unions. As credit unions, the fundamental basis to grant loans is a member's savings or contributions and equally, this dominates as the basis known by majority of members in both unions for subsequent business loans. Using the individual's savings always as the collateral and/or basis, unlike commercial banks, credit unions do not entertain any other form of collateral (properties) with or without savings (see results in Table 7). Directly related to a member's savings records is related information on his or her loan repayment as well as a possible assessment (due diligence test) of the related micro business. Regarding the challenges members face in this respect, rigid loan limits based on a member's savings, beyond which limit a union is helpless even with a collateral were their major challenges but not the associated bureaucracy in itself.

Table 7: Subsequent business financial help and some challenges with the unions

Basis of subsequent fin. help	UCC Credit Union		Oguaa Credit Union	
	F	%	f	%
Based on collateral	-	-	-	-
Based on savings made	44	88	42	84
Previous repayment trend	36	72	38	76
Assessment of business	30	60	40	80
Based on others' guarantee	7	14	12	24
Challenges faced with unions	UCC Credit Union		Oguaa Credit Union	
	F	%	f	%
Processing bureaucracy	29	58	27	54
Rigidity of policy	36	72	36	72
Rigid financial limits	43	86	34	68
The crucial evidence of savings	44	88	39	78
Helpless beyond policy limits	34	68	40	80
Irrelevance of collateral (extra loan)	39	78	38	76

Additional (inherent) benefits for joining a credit union

A financial institution offers several products and services. Literally, the financial products refer to monetary offers in the form of loans, advances, overdrafts and so on whereas the financial services refer to the delivery of professional knowledge-related acts of safe-keeping, wealth enhancing, financial counseling, advice, orientation, presentation, training, seminars and so on. Both the products and services are crucial to the existence of a financial institution worth its sort. Indeed, a contemporary credit union fits well into the concept of financial institutions. As such, over a period, members of credit unions are expected to have certain knowledge (inherent) benefits relating to their financial management skills and behaviours in order for them to grow financially. If properly carried out, management will be able to reduce the respective delinquency rate significantly. Results in Tables 8, 9 and 10 show the extent of financial services provided to equip members' financial management skills, behaviours and consequently their financial growth. Majority (62%) of the customer-respondents from both credit unions stated that they were never given any financial counseling before their loans were granted to them. On the financial management skills acquisition, the respective majorities of the UCCCCU and OTCCU respondents answered in the affirmative and negative respectively. Finally, on members' ratings on their acquired financial management skills and inherent benefits, even though 34% of the UCCCCU respondents (totalled 33) had rated their skills acquisition as very low and 20% of the OTCCU respondents (totalled 19) rated their acquired skills as average, overall, the 'mean' results indicates that member-respondents (customers) had had average financial management skills acquisition.

Table 8: Financial counseling before granted the loan
Never=1, Occasionally=2, Always=3. Source: Field survey, Nov., 2014.

Question	Credit union	Never		Always		Occasionally		mean	Std.
		F	%	f	%	f	%		
Are you normally given any financial counseling before granted the loan?	Oguaa	31	62	5	10	14	28	1.66	0.894
	UCC	31	62	8	16	11	22	1.61	0.853

Table 9: Acquisition of skills by respondents from the credit unions

Question	Credit union	Yes		No	
		F	%	F	%
Have you acquired any new skills since you started benefiting from the union?	Oguaa	19	38	31	62
	UCC	30	60	20	40

Table 10: Rating the skills acquired by respondents
 Very low=1, low=2, Average=3, High=4, Very high=5

Question	Credit union	Very Low		Low		Average		High		Very High		Mean	Std.
		f	%	f	%	f	%	f	%	f	%		
On the whole, how would you rate your skill acquisition in addition to the loan acquired?	Oguaa	2	4	2	4	10	20	4	8	1	2	2.70	1.0
	UCC	17	34	1	2	5	10	7	14	3	6	2.58	1.38

CONCLUSION AND RECOMMENDATIONS

The study concludes that the credit union operations significantly favour micro businesses' capital formations and subsequent financial assistance. In effect, credit unions financially contributed 25% to the funding of micro businesses in Ghana, with majority of their members only able to establish their businesses 3 years after joining their respective unions. However, members were only able to get subsequent business financial support from their unions, rigidly guided by the respective union policies (specifically based on members' savings) and in some few instances, upon due diligence assessment of the respective micro business' financial outlook. Again, upon joining these credit unions, majority of the members agree that they had average financial management skills' acquisition to enhance their opportunities for capital formation and general financial growth. It is also concluded that both financial products and services are offered by the credit unions to their members in the form of loans and pre-loan financial counseling respectively. However, majority (62%) of the respondents (members) were not financially counseled before granted their loans coupled with contrasting majorities of the UCCCCU (60%) and OTCCU (62%) agreeing and disagreeing respectively to acquiring new financial management skills since joining their respective credit unions. The results are conclusive (though by minority respondents overall) that credit union membership inhibits both capital formation and other financial management skills' acquisition necessary for financial growth. By the nature of micro businesses in Ghana, especially, in the aspect of business management know-how, it is concluded that fashioning the business operation and life stages on the credit unions in terms of their financial management appears fruitful.

It is recommended that significant attention is paid to the credit unions by both potential and prospective micro business owners. Specifically, for potential business owners (who are already employed in the formal sector) especially those with non-business backgrounds, credit unions possess the key to unlocking their dreams. They offer comparatively cheaper and faster cost and start-up capital respectively as well as inhibit consistent business savings and wealth

maximisation. With the attractive opportunities offered by credit unions, existing micro businesses are expected to take both their business (inherent) and financial management chances. They should put their destinies into their own hands by being proactive in their financial management practices using the widely accessible credit unions. It is further recommended that they table their existing peculiar challenges with the unions in appropriate details and follow through for possible reforms in addressing them. On their part, the credit unions, having taken the first reform step of allowing for a common bond (membership) may have to remain dynamic and reform further to widen their membership targets and offer tailor-made products and services to the respective membership differences and needs. It is also recommended that they offer open-door administration (for example, using the suggestion box system, open forum, after-service interviews and questionnaires, specific operational surveys, etc) to gather relevant information on poorly offered products and delivered services in order to adapt and always stay in the confidence of members. Specifically, it is expected that in this era of technological advancement, changes and competition, the credit unions, still maintaining their relevant prudential measures and co-operative spirit, urgently review their loan processing formalities in order to shorten all loans processing periods to a maximum of ten working days. This is expected to meet the members' half-way in their financial emergencies. Future research is expected to focus on the comparison of credit unions and other financial institutional funding of micro businesses in Ghana. Challenges faced by credit unions in financing micro businesses may also be worth investigating.

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