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The Institutional and Regulatory Framework of Co-operative Societies in Ghana: Implications for Credit Unions

Olivia Anku-Tsede, Albert Amankwaa

University of Ghana

Over the past few decades the activities of co-operative societies in developing countries have gained considerable interest from development theorists and practitioners. The interest in co-operative societies stems from their role as providers of financial support to middle and low income earners. Whilst some have doubted whether as a microfinance unit, co-operative societies can help the poor and still remain sustainable, others argue that such financial institutions are more likely to weather financial storms and effectively serve the poor in unstable economic countries so long as they are properly regulated. This paper therefore examined the regulatory and institutional framework of credit unions and its implication for growth. We adopted a cross-sectional survey design approach by using an interview guide to solicit responses. The results of the study showed that unlike other microfinance institutions, credit unions are regulated by various regulatory agencies, including the Registrar of Co-operative Societies and the Ghana Co-operatives Credit Unions Association (CUA). Though credit unions were found to meet the needs of the poor and low-to-middle income earners, the system will crumble if institutional and regulatory frameworks are not reviewed to ensure efficiency and financial sustainability.

Key Words: Co-operative society, welfare, regulatory framework, credit unions, Ghana

Introduction

Over the past few decades the activities of Co-operative Societies in developing countries have gained considerable interest from development theorists and practitioners (Ofei, 2001). The interest in co-operative societies stems from their role as providers of financial support to middle and low income earners. In Ghana, the Co-operative Societies Act (1968) makes room for the provision of financial services by registered co-operative societies through the receipt of deposits and grants of loans to its members and non-members (Anku-Tsede, 2013).

Co-operative societies are financial institutions that focus on servicing the banking and lending needs of its members. These institutions are designed to service the needs of consumers, not businesses, and are distinguished by their ownership structure and the 'common bond' membership requirements. Co-operative societies promote the welfare of the communities where they operate and this enhances holistic development to all classes of people in a given community (Ghana Co-operative Credit Unions Association Report, 2010). As microfinance units, credit unions operating as co-operative societies have been of much interest to some developing governments, policy makers as well as members of such unions. Whilst some have doubted whether as a microfinance unit, co-operative societies has the ability to help the poor and still remain sustainable; others (e.g. Anku-Tsede, 2014; John, 2008) argue that if properly regulated, co-operative institutions are financially resilient to economic downturns and are more likely to survive financial storms and effectively serve the poor in unstable economic countries.

In Ghana for instance, co-operative societies fall within the semi-regulated sector of the financial sector, where the state does not provide for stringent regulations. Thus, even though they are regulated by most developing countries, the regulatory regime is not as strict as that of the commercial banks. It appears most developing countries have adopted a tiered regulatory approach where the regulatory system recognizes financial units operating beyond the functional scope of government regulations, semi-regulated institutions as well as highly regulated formal institutions. Whilst some countries adopt an all-embracing approach where one regulation deals with

Corresponding author: Olivia Anku-Tsede, PhD, University of Ghana. Email: oankutsede@gmail.com

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all financial sectors of the economy, others designate specific legislation to each financial sector (Anku-Tsede, 2013; Basu, Blavy & Yulek, 2004).

There have been many misconceptions and opinions from individuals, small and medium business enterprises, as well as corporate business entities that co-operative societies like credit unions have outlived their relevance in the twenty first century, having regard to the proliferation of commercial banks that provide wide range of financial services due to their sophisticated infrastructure, technology and innovations (Philip, 1993). Further, the recent surge of savings and loans companies as well as microfinance institutions with their regulation by the Central Bank of Ghana (Bank of Ghana Report, 2011) appear to have given credence to that belief and misconception. However, there are other schools of thought that contend that co-operative societies in the form of credit unions are still relevant in the twenty-first century. They argue that though large commercial banks provide wide and high volumes of financial services to their clientele, such services are mainly confined to larger commercial, industrial and mining towns in Ghana. Thus, their services are not defused in the hinterland (Darko, 2005). Access to finance has been seen as a critical factor in enabling people to transform their production and employment activities and to exit poverty (Aghion & Bolton, 1997; Banerjee, 2001). In spite of its suggested relevance in modern times, it appears the existing regulatory regime on co-operative societies in Ghana makes room for uncertainties regarding the establishment of a credit union as a co-operative society, particularly, because the existing law is silent on whether a co-operative society must become affiliated with any association or organisation as a prerequisite for registration by the Registrar of Co-operatives.

Co-operative societies in the form of credit unions are not new or emerging non-banking financial institutions in the world and for that matter in Africa and Ghana, in particular. Co-operative societies have survived and existed for over one hundred and fifty four years in Europe, America, and many other parts of the world. Ghana was the first country to operate a credit union a co-operative society on the entire African continent (WOCCU, 2009) and until recently there was no requirement, legal or otherwise, for such a society to join or become affiliated with any association, before being registered as a society or credit union by the Register of Co-operatives. The purpose of this paper was therefore to examine the regulatory and institutional framework of credit unions and its implication for growth.

Objectives

-To examine the activities of credit unions in Ghana.

-To examine the relevance of credit unions in modern times.

-To assess the trend in the performance of credit unions in Ghana.

-To obtain the difficulties co-operative societies operating as credit unions encounter.

-To examine the regulatory framework of co-operative societies operating as credit unions.

-To examine the implications of the legal framework for the unions.

Literature Review

Generally, co-operative societies are organisations made up of individuals with collective responsibilities and goals for the development of the needy, especially the underprivileged. Accordingly, such societies have as their objects, the promotion of the economic interest of their members which shall be in accordance with co-operative principles (Co-operative Societies Act, 1968). It is thus only such societies with objects in accordance with co-operative principles that may be registered under the laws of Ghana (Co-operative Societies Act, 1968).

There are several reasons why people form or join group financial schemes such as co-operative societies. Some may be looking for an easily accessible, quick and cheap credit facilities, others join mainly to have a convenient and cheap means of saving towards a future goal (Anku-Tsede, 2013). Co-operative societies, like other group savings and credit associations, have many benefits. For instance, co-operative societies help in the development of agriculture, banking, credit, agro-processing, storage, marketing, fishing and housing; with its network covering about 85 per cent of rural households. It occupies a key position in agricultural development with support in resource and input use, harvesting of water resources, marketing channels, storage facilities, distribution channels, value addition, market information and a regular monitoring network system. Co-operative societies are also engaged in economic activities like disbursement of credit and distribution of agricultural inputs (such as seeds, fertilizers, and agrochemicals). Co-operative societies are part of Microfinance institutions which provide a broader umbrella for low holding financial institutions. Microfinance institutions institute many programmes that benefit rural people in most cases, even though they are in existence in the towns and cities too.

Due to the lack of formal financial providers in rural areas, semi-formal and informal financial providers such as co-operatives, rotational savings associations, self-help groups, and money lenders are major providers of financial services in rural areas

(Oluyombo, 2012). The informal financial sectors are those financial providers that cannot be classified as legal entities, since they operate outside any governmental regulatory framework and are neither controlled nor regulated by the government. Even though co-operative societies are among the oldest and most popular saving schemes in developing nations, co-operative societies are regulated in Ghana, whilst the operation of rotational savings associations remain unregulated, making it risky and inflexible as each saver in the association collects a lump sum made up of other members' savings at rotational interval (Gugerty, 2007; Oluyombo, 2010; Oluyombo, 2013; Anku-Tsede, 2013a).

Generally, the survival of co-operative societies in any country depends largely on the overall political and economic environment of that country mostly because these societies exist within the wider economy of that particular country. The practice of co-operatives operating as credit unions, either as formal or informal institutions, has grown globally over the years. The regulation of financial co-operatives seems to play a key role in the sustainability of such unions. It is thus crucial that such regulations are clear and not ambiguous to create any doubt as to the regulatory framework and its applicability. In fact, the importance of a clear regulatory framework cannot be overemphasized, particularly, for co-operatives with track records of prudent management and cohesive membership, which play major role in the development of rural financial markets (Oluyombo, 2010).

Co-operatives are viewed as important tools for improving the living and working conditions of both women and men. They make decisions that balance the need for profitability with the welfare of their members and the community. As co-operatives foster economies of scope and scale, they increase the bargaining power of their members, providing them among other benefits, higher income and social protection. Hence, co-operatives accord members opportunity, protection and empowerment, which are essential elements in uplifting them from degradation and poverty (Somavia, 2002). As governments around the world cut services and withdraw from regulating markets, co-operatives are being considered useful mechanisms to manage risk for members and keep markets efficient (Henehan, 1997).

Co-operatives the world over are in a state of flux. In almost all parts of the world, co-operatives face crisis of ideology, capital, credibility or management (Taimni, 1997). Similarly, Cheney (1995) identified cultural transformation, competition and expansion, wage solidarity, centralization and reorganization, as well as the sustainability of programmes to increase productivity and participation as challenges of co-operative societies. Some researchers on the other hand, posit that one of the major problems of co-operatives is how to keep balance in the two parts of co-operative business, efficiency and democracy. The author contends that those who are charged with the operation of a co-operative must serve two masters: the imperatives of good business practice and the social purpose of a community of people. Hence, to maintain their special character, co-operatives must be two things in one: a business organisation and a social movement. This is what makes co-operative a business enterprise with a human face and so, very difficult to manage. In striving for efficiency, cooperatives often tend to imitate other businesses, but in pursuing a social purpose they bring out the features which make them different (Laidlaw, 1974).

Research Methodology

This paper adopted a cross-sectional survey design. Primary data was collected from the office of the Registrar of Co-operative Societies, Ghana Co-operatives Credit Unions Association (CUA) and Co-operative Unions of the Ghana Standards Board, Ghana Revenue Authority, the Church of Pentecost Lion of Judah- English Assembly, and the University of Ghana. A simple random sampling technique was used to select the co-operatives within the Accra Metropolis. The Accra Metropolis was purposively selected as the headquarters of most co-operatives and with the requisite resources to provide relevant and in-depth information on the objectives of this paper. A purposive sampling technique was used to choose the heads of the unions at the various institutions, the researcher.

An open-ended interview guide aimed at getting information on how these co-operatives were operating as credit unions, challenges, benefits, members' drive, success stories and the trend of their operations was developed and administered. Primarily, questions were asked on the respective objectives of this paper. For instance, respondents were asked about how credit unions are registered as co-operatives and the challenges in practice. Responses were gathered under the thematic areas of the objectives of this paper and analyzed in line with the position of the Co-operative Societies Act and some decided cases of the courts.

Results and Examination of Objectives

The results of the study showed that unlike other microfinance institutions, co-operative societies operating as credit unions are regulated by various regulatory agencies, including the office of the Registrar of Co-operative Societies and the Ghana Co-operatives Credit Unions Association (CUA). Further, it was revealed that credit unions aim at being self-sustainable to be able to facilitate an enabling environment. For instance, credit unions mobilize and collect savings from their members, grant loans and advances to their members, provide insurance for the deposits and help their members to cultivate the habit of saving. However, the requirements that one must satisfy to be a member of a co-operative society like a credit union limits the activities and size of the union. Also, the average savings culture of co-operatives in Ghana was found to be about 12% as compared to about 25% in the sub-Saharan African region. Interest rates amongst credit unions were also found to be higher than that of commercial banks. This may be due to the risk in financing non-secured projects of persons with little or no regular source of income. Credit unions in spite of their high interest rates achieved a high rate of repayment and were found to be attractive not only to middle income earners but also formal sector workers.

Registration of Credit Unions as Co-operative Societies

According to the Registrar of Co-operative Societies, upon the submission of an application to register as a co-operative society, an applicant is required to register with the Ghana Co-operative Credit Unions Association (CUA) Limited, before a certificate of registration could be issued to that applicant as a co-operative society. It should be noted that CUA is a co-operative association of credit unions and not a regulatory agency of the state. It is also worth noting that CUA appears to have been registered as a limited liability company, thus has the character of a profit making entity. Nevertheless, other private entities in Ghana with similar objects are being compelled to become members of CUA before being issued with the requisite licenses to carry on their business. A respondent at CUA confirmed this and indicated that the Registrar of the Co-operative Society of Ghana, a regulatory agency responsible for regulating the activities of co-operative societies, including those operating as credit unions, would not register any credit union unless that union or society is registered as a member of CUA, explaining that this position is sanctioned by the admission rules of CUA, which empowers CUA to conduct economic survey on such societies before recommending them to the Registrar of Co-operatives for registration. This would ensure that such unions are financially ready and can remain sustainable to support their members.

Constitutional Framework and Case Law

Much as the reason given for the practice of registering with CUA is reasonable, it is worth noting that the requirement to become affiliated with CUA is not required by the Co-operative Societies Act or any other law applicable to co-operative societies operating as credit unions or otherwise. Under the applicable laws, an application for registration shall be submitted to the Registrar of Cooperatives, by at least ten persons who shall be qualified for membership. The application shall be accompanied by three copies of the by-laws of the society, and the persons by whom or on whose behalf the application is made shall furnish the information in regard to the society that the Registrar requires. The Registrar is under the law mandated to register the society, where he is satisfied that the society has complied with Act 252 and that its by-laws are not contrary to the objects of the Co-operative Societies Act (1968).

In fact, the said practice is also contrary to some fundamental human rights contained in the provisions of the 1992 Constitution of Ghana. Specifically, Articles 21(e), 24(3) and 37(2) (a) of the 1992 Constitution guarantees the freedom of association without state interference. Thus any person or group of persons is/are free to join or not to join any association. This freedom should be enjoyed without any coercion or interference by any state agency or other association. Consequently, the requirement to join or be affiliated with CUA as a prerequisite for registering a credit union is contrary to the 1992 Constitution of Ghana.

This position was made clear in the Supreme Court case of Mensima and Others v. Attorney-General and Others [1997-98], where the court observed that a restriction on a person's right to undertake any economic activity, until that person joins an association is unconstitutional and thus null and void. In the above mentioned case, the first and second plaintiffs and others withdrew their membership of the Egyaa Co- operative Distillers Retailers Society, a registered co-operative society and formed the Egyaaman Distillers Limited. While the company was engaged in the distillation of '*akpeteshie'*, a local liquor, the second and third defendants, agents of the co-operative society, with the assistance of the police started harassing the plaintiffs by impounding their *akpeteshie* on the ground for reason that the plaintiffs were not members of a registered distillers' co-operative society and that they could not under the law on Manufacture and Sale of Spirits distil and sell *akpeteshie*. The plaintiffs therefore commenced an action in the Supreme Court arguing that the regulations governing their activity and restricting their right to manufacture *akpeteshie* unless they became

members of a co-operative society, and compelled them to sell their products only to specified persons or bodies, were inconsistent with the exercise of their freedom of association guaranteed under article 21 (1) (e) of the 1992 Constitution of Ghana.. They further argued that the said regulations were also inconsistent with the letter and spirit of the 1992 Constitution, particularly, articles 21 (1) (e), 36(1) (a) and (b) and (6) and 37(1) (a) and 2(a) and sought a declaration that those regulations should be declared null and void by the Supreme Court. The defendants, however, denied the plaintiffs' claims and contended that the said regulations were necessary to cater for the security, safety and public health of the consumers of *akpeteshie* as provided under article 24(4) of the Constitution, and were permissive under articles 17(4) (a), 21(4) (c) and 24(4) of the Constitution, to regulate economic activities in the overall interest of the nation. In determining the issues raised by the parties to the suit, the Supreme Court held that the restriction of the individual's or an association's right to distil *akpeteshie* by refusing them licence until they become members of a co-operative society was contrary to article 37(2)(a) of the Constitution.
Similarly, the Supreme Court in the New Patriotic Party v. Attorney-General [1997-98] 1 GLR 378, arrived at an analogous conclusion when the Plaintiff invoked the original jurisdiction of the Supreme Court under article 2(1) and 130 of the Constitution, for a declaration that the Council of Indigenous Business Associations (CIBA) Law, 1993 (PNDCL 312), which required certain entities to join CIBA, was inconsistent with and in contravention of articles 21(1) (e), 35(1) and 37(2)(a) and (3) of the Constitution, and consequently void. The Supreme Court held that freedom of association meant freedom of people to voluntarily come together to form an association for the protection of their interests free from state interference. However, that freedom was effectively taken away by compelling the said organisations to join CIBA. Since coercion imply some negation of choice and voluntariness, PNDCL 312 offended against article 21(e) and 37(2) (a) of the Constitution. Furthermore, since the freedom to associate imply the right to dissociate, the failure to provide the manner of leaving CIBA by the registered associations, took away the freedom of the concerned members to freely associate with others in violation of article 21 (e) of the Constitution.

Consequently, this paper argues that the requirement to become a member of CUA before the Registrar of Cooperatives would register any credit union as a co-operative society is contrary to both the letter and spirit of the 1992 Constitution of Ghana.

Activities of Credit Unions in Ghana

The Ghana Co-operative Credit Unions Association (CUA) Limited is a financial co-operative organisation with the aim to be self-sustainable to be able to facilitate an enabling environment for credit unions and their membership. As a credit union leader, CUA has the responsibility of promoting, educating, and training at all levels of the movement. In order to ensure the viability and sustainability of credit unions, CUA offers both technical and financial services to its members (credit unions). The association seeks to become a leading co-operative financial institution in Ghana, providing financial and technical products and services to members, and building strong and committed staff to create an enviable image in the country. Significantly, it was observed that most Ghanaian credit unions are members of CUA and are engaged in activities such as the mobilization and collection of savings from their members as well as granting of loans and making of advances to them. They also provide insurance cover for the deposits and loans of members with the view to reducing their exposure to the risk of loss or non-payment.

Relevance of Credit Unions

The results of the study revealed that co-operative societies operating as credit unions provide a range of essential services to the society, even in modern times. This relevance could be seen in the benefits of the services provided by such unions to their members and the consequent effects of such services on individual households. Members are able to easily access low cost loans with no collateral and processing fees and in some cases, members access salary advances. Credit Unions, were also found to provide insurance cover for members' loans and deposits at a cheaper cost. Insuring these loans and savings served as security for both the unions and their members. It was generally observed that credit unions help their members cultivate the habit of savings. The success story of co-operative societies was told by some of the members interviewed during the data collection process. For instance, Maame Eduafoa, a Petty Trader at Shama said: *When the Credit Union came to Shama, I wasn't very interested but due to the persuasion of one of my relatives I joined. As you can see I'm quite old and not working so what I did anytime I had some little money was to go and deposit. This continued for a while but because my deposits were not significant I was not thinking about my balance. One day, my grandson came home in tears saying he has been sacked from school for non-payment of fees and that he will not be allowed to write his exam. I became worried as I did not have any money to help. I however assured him that I will get the money which was about GHC 300.00. I went to the* *credit union manager, narrated my problem and pleaded for a loan. The manager called for my card and after a few minutes, he told me I can have the money and that I don't have to take a loan since my balance was more than the loan I wanted to take. I couldn't believe that I had that much since the highest deposit I remember making was GHC 10.00.*

This confirmed the supposition that while some members of the unions had used their savings or loans to acquire landed properties as their homes, others used them to improve their businesses and living conditions, as well as payment of school fees of their wards and other family members. Most of the beneficiaries of the loans were women, who were mostly bread winners of their families.

Practical Trend of Activities

In spite of the benefits indicated, the study revealed that prospective loan applicants had to go through certain processes to be eligible for financial support and this often poses difficulties in accessing credit facilities with the unions. For instance, members have to meet certain minimum requirement, including contributing or saving consistently for a certain period of time. Such periods differed from union to union but ranged between 6 and 24 months. Whilst some unions insisted on saving for a certain period of time, others placed more importance on the quantum of savings and the purpose for which the loan was being sought.

Further analysis revealed that most of the unions have increased in membership over the last 4 to 5 years. This may be attributed to the various benefits the unions give to its members. As a result of this growth in membership size, most credit unions have increased in their capital reserves with an attendant capacity to increase their credit ceiling. This offers the unions the flexibility of giving out more credit facilities to members. For instance, as shown in Table 2, the University of Ghana Co-operative Credit Union Limited experienced an increase of about 40% in the amount of loans given out to members over the past 4 years.

Table 2. Trends of membership and loans from the University of Ghana Credit Union Association as at 2013

Activity/Year	2012	2011	2010	2009
	GHS	GHS	GHS	GHS
Loans to Active members	9,575,507.37	6,539,834.25	4,692,559.52	4,442,674.51
Loans to Dormant members	277,520.18	263,999.88	272,833.92	227,268.79
Staff Loans	31,019	12,883	5,401	10,392

University of Ghana Credit Union Report, 2013

Challenges and Implications for Growth

Credit unions in Ghana are plagued with certain challenges which have negatively affected their growth. Some of the challenges identified by the study were of a regulatory and institutional nature. For instance, it was observed that the need to become members of CUA before being registered as a co-operative society delays the registration process and frustrates the founding members. This also increases the initial cost of incorporating the union as monies had to be expended on conducting feasibility studies and meeting other financial obligations before being admitted into membership of CUA. Additionally, the cost of obtaining a membership status with CUA and maintaining membership pose financial drain on credit unions, particularly, those with small membership. Also, some of the credit unions were observed to have no efficient record keeping system, thus making keeping both financial and non-financial data of members difficult. Whereas some mostly keep paper records in files, a few others have complete computerized systems with paper files as back-ups. In furtherance, majority of the unions have no proper management systems and most of their management staff do not have the requisite qualification and expertise in managing savings and loan portfolios. For instance, it was observed that most of the credit officers who were also part of management had Higher National Diplomas and First Degrees, with no expertise or experience in any relevant field. These findings seem to be consistent with the works of Taimni (1997) who contends that co-operatives face one or more crises, including the crisis of ideology, capital, credibility and management.

Common Bond Requirement

The paper revealed that prospective members had to meet certain entry requirements before being admitted into membership. Such requirements included being a member of a certain group or class within a particular community, contributing a certain amount of money periodically or being of a particular character or belief. In addition to the entry requirement, a member must also maintain a certain minimum balance, amongst others, to be entitled to members' benefits. These entry and membership requirements appear to limit the activities and size of credit unions. For example, for work-based credit unions, all members must be in the defining profession such as teaching or farming. These strict bond requirements do not auger well for the growth of credit unions. The involvement of more people potentially increases the reserves of credit unions giving them the capacity to affect more lives with flexible financial and technical assistance, which is one of the bedrocks on which the concept is founded.

Low Savings Culture

Even though majority of the unions had as part of their objects, the promotion and inculcation of savings among their members by providing a means of savings to their members, it appears most members were reluctant to seize this opportunity to save up to the optimal savings amount in any given month. This paper found that majority members contributed the minimum savings amount per month. This low savings culture of the members of the unions appears contrary to the objects of such credit unions and could defeat the purpose of credit unions. This low savings culture and the reluctance of members to contribute the maximum savings amounts could be attributed to absence of trust and confidence in the entire credit scheme as most respondents expressed concerns with some members who either simply fail to pay their loans or refuse to pay within agreed period. The restrictive common bond requirements and low savings culture of members, may negatively affect the sustainability of the unions as the unions may not raise enough funds to offer loans to members.

Competition

Credit unions continually face increased competition from commercial banks and other micro finance institutions (MFIs), rural banks and 'susu' (small money) collectors. Additionally, with the introduction of mobile banking from traditional banks and mobile telecommunication operators, credit unions are faced with the issue of withdrawals of savings to bank with these institutions. Most of the respondents confirmed that they had reduced their periodic savings with their unions to enable them save with rural banks and susu collectors. Others indicated that they had stopped saving with their unions even though they maintained their last account balance with their unions. A respondent stated that: *I reduced my monthly savings so I could also save with the rural bank in my hometown. This is to enable me minimize risk and maximize profit. Besides I am not putting all my eggs in one basket. This will reduce my exposure to armed robbery because I need not carry money on me when travelling to my hometown.*

Generally, current trends in the Ghanaian financial sector indicate an increasing number of micro finance companies. Additionally, traditional banks are offering mobile banking and self-served financial services which are encouraging people to save more easily with them. This trend has seen membership in some credit unions fall considerably.

Tenure of Credit Union Management Team

A unique challenge identified at one of the credit unions was the tenure of the management team. According to an officer of the union, the management team are appointed and elected into office for a 2 year tenure, within which they must profitably manage the union. This does not favour effective implementation of long term business strategies. According to him, each set of officers often appoint new fund managers who always come up with new investment plans and strategies and are usually unable to achieve any good results within the 2 years. This challenge seems to limit the growth of returns on investments and this has the tendency to reduce the growth and size of the unions as their members leave for institutions that give higher returns on savings and stability.

Loan Delinquency

The credit union business appears to be plagued with loan delinquency which limits its capability to grant more loans to members and be self-sustainable. This may be due to the absence of collateral to secure advances to members. Consequently, some unions have great difficulties recovering unpaid loans from defaulting members as some members have either resigned from their employment (for job based unions), moved from their communities or gone bankrupt or into hiding to avoid paying the loan. To reduce the rate of loan delinquency, some unions have adopted new strategies where members could only be granted loans equal to their savings. Other unions also insist on obtaining personal guarantees from third parties, who guarantee to pay off any such loans should the member fail or refuse to pay up. These new strategies adopted by some unions seem unattractive to some members and could be one of the reasons for the low savings and withdrawal or closure of membership accounts by some members. Loan delinquency seem to have affected the amount and frequency of loans given to members.

Conclusion and Recommendations

The preference of members for accessing loans from their unions appears to be as a result of ease, convenience and flexible terms of payment. Further, there seem to be less bureaucracy in accessing loans from credit unions than the commercial banks. Most union members who apply for and obtain loans from their unions observe that the unions understand their needs better and often appreciate their predicaments. Most people explain that they are able to access loans without providing any collateral, either of equal or higher value, to secure the loans, even though their loan requirements are often higher than their accumulated savings. In spite of the regulatory and institutional challenges facing credit unions in Ghana and the sub region, the concept of credit unions is laudable and must be encouraged worldwide. Even though the services provided by credit unions appear, cheaper, convenient, efficient and easily accessible in spite of the difficulties encountered by some members, the running cost of the unions seem to be rising and becoming more expensive to maintain. This may be due to the cost of remaining legitimate by complying with regulatory requirements as well as remaining in business in the face of loan delinquencies and low member savings. This notwithstanding, the relevance of credit unions cannot be over emphasized as they meet the needs of a certain niche market ignored by several commercial banks. Credit unions must however take proactive steps in order to withstand the pressure of competition from the traditional banks and the telecom industry through the mobile banking system. Additionally, members must be guaranteed attractive premiums for saving with their unions as this is more likely to reduce the chances of their membership leaving for other attractive risk free savings instruments. Finally, credit unions need to match up to the regulatory and institutional difficulties they face in the acquisition of relevant operational licenses as well as the delivery of services to their clients. An urgent need to review both the institutional and regulatory framework to ensure efficiency and financial sustainability of credit unions cannot be overemphasized.

Practical Implications

This paper outlined the benefits members derive as members of credit unions operating as co-operative societies. It also spelt out the challenges associated with the running of credit unions, particularly those emanating from the regulatory regime and the institutional framework of such co-operative societies. This should create awareness of the role credit unions play in the lives of its members as well as their contribution to the economic growth of the country as a whole. By this, it should help strengthen the institutional framework of credit unions. The management of credit unions would also be made aware of the challenges militating against the successes of the union. This would help credit unions institute appropriate measures to deal with such challenges. An expansion and financial literacy by credit unions is recommended in order to help instill the culture of savings in individuals.

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