

Co-operative Credit Union and SME Finance in Emmanuel Co-Operative Credit Union Agona Swedru, Ghana.

Ramatu Ussif¹ Kweku Ayedu², and Ussif Abdul-Aziz Sirin³

*Department of Applied Finance and Policy Management, University of Education, Winneba, P.O. Box 25,
Winneba, Ghana ^{(1) (2)}.*

Department of Agricultural Economics and Agribusiness, University of Ghana ⁽³⁾.

Corresponding author: Ramatu Ussif¹

ABSTRACT:- The study investigated how the Emmanuel Cooperative Credit Union benefits its members in Agona Swedru, located in the Agona West Municipality of the Central Region. Data was collected from a sample of 150 credit union members, and information on total loans issued to members from 2014 to 2021 was utilized. The data was analyzed using descriptive statistics with the Statistical Package for Social Sciences (SPSS v26). The findings revealed that the credit union significantly supports its members' businesses by providing a substantial portion of its loans for business purposes. This support has helped members to start and grow their businesses, thanks to the easy access to credit and low interest rates offered by the credit union. However, the study also identified several challenges members face when applying for loans, including issues with collateral or guarantors, lengthy processing times, high loan insurance and processing fees, and insufficient information or education about loans. Recommendations included improving service quality to better meet members' needs, simplifying loan access, and further reducing interest rates on business loans to enable members to obtain more funding for their business ventures.

Keywords: Co-operative Credit Union, Small and Medium Enterprises, Credit, SME Finance, SPSS, Ghana.

I. INTRODUCTION

The rise of large commercial banks, which provide an extensive array of financial services through advanced infrastructure, technology, and innovations, has led some individuals, small and medium-sized businesses, and corporations to believe that Microfinance Institutions, including Credit Unions, are no longer relevant in the 21st century. Conversely, another perspective maintains that Credit Unions and other microfinance organizations continue to hold significant value in today's world.

Even while big commercial banks provide its customers with a wide range and a significant volume of financial services, these services are primarily limited to Ghana's larger commercial, industrial, and mining areas. As a result, their services are not so available in the hinterland (Darko, 2010). Again, despite the perception that traditional banks offer the necessary financial services to individuals, access to credit facilities for small and medium-sized enterprises (SME's) continues to be a significant barrier for the majority of businesses in Ghana (Abor, 2017). Small and medium enterprises in Ghana appreciate the good work of the Microfinance Institutions because, the microfinance sector is the key institution that offers and support them with microcredit without demanding collateral (Ussif and Salifu 2020). Due to the predominance of rural economic activities that the majority of people engage in, many enterprises in Ghana have significant challenges concerning access to credit as well as where it is made accessible, its limitations, and the high cost of borrowing provide a significant issue for many firms (Agyeman, 1998). Access to financial services is becoming a crucial tool for low-income and underprivileged populations to save money, distribute risk, participate in worthwhile projects, and eventually better their lives (Darko, 2001). As a consequence, Credit Unions provide financial services to millions of their members globally. It is yet unclear how much (level of) assistance these credit unions provide in terms of capital for small businesses especially in Ghana.

This paper, therefore focused on Swedru Emmanuel Co-operative Credit Union in an extensive analysis by specifically examining the extent to which credit unions finance the businesses of their members, what drives members to ask a credit union for financial assistance and the difficulties that members encounter while assessing a credit union's credit facility. The Credit Union was established by Emmanuel Methodist Church to support members financially as the church alone could not assist members from its coffers. The Union could not survive and collapsed in 1987 during the harsh economic crisis in the country. A five-member Interim Management Committee (IMC) was appointed to manage the union in the Church. They were the late Mr. D. K. Asiedu (Chairman), Very Reverend Emmanuel Aggrey-Ogoe (Vice Chairman), Mrs. Mabel Amuah (Secretary), the late Mr. J. K. Amuah (Treasurer), and the late Mr. J. A. Williams as a member. The Treasurer, who was then

the manager of Swedru Teachers, Credit Union educated the Committee members in the requisite Credit Union operations. The IMC was confirmed at the first Annual General Meeting (AGM) in 1998. The Union was affiliated with the Apex Body: Ghana Co-operative Credit Union Association (CUA), Accra in 1998. The growth of the union attracted members outside the church. The Union has its Head Office at Swedru with four (4) branches located at Swedru, Bawjiase, Kasoa, and Mankessim with a staff strength of forty-one (41) as of December 2021. The Union has a total asset of Twenty Million, Four Hundred and Forty-Nine Thousand and Nine Ghana Cedis and Forty-Four Pesewas (GH¢ 20,449,009.44) as of 2021.

The main purpose of the paper is to investigate how businesses of members benefit financially from credit unions. Specifically, it examines the extent to which credit unions finance the businesses of their members, determine what drives members to ask a credit union for financial assistance and to investigate the difficulties that members encounter while assessing a credit union's credit facility. Microfinance and Credit Unions plays very important role in the Ghanaian economy and other developing countries. The institutions consist of several enterprises, and they help in creating employment, reducing poverty, financing small and medium enterprises, contributing to GDP, increasing savings & investment, and the growth & development of an economy (Ussif and Ertugrul 2020). The outcome of the study will aid in the development of policies for small and medium-sized enterprises in Ghana and other countries. It may also act as a guide for banking and non-banking financial institutions on how to develop strategies that will meet the demands of their customers' companies and other relevant financial services. Any newly formed credit union can put into practice the offered solutions to the difficulties that members or clients face before gaining access to a credit facility. The study may also be helpful in teaching, learning, and research for further addressing some internal flaws and other significant administrative impediments in the functioning of credit unions in Ghana.

The paper is organised as follows: section one is the background that explains the purpose of undertaking the study, the objectives and the research gap which motivated the study. The contribution and justification of the study is also outlined in this section. Review of related literature is the section two. Theories such as Economic Theory of Cooperative, cooperative Business Model and Theory of Community-Based Enterprise were discussed. Again, section three dwells on the research methodology, research design, data source, Population and Sampling, Research Instruments and Data Analysis The researchers present and discuss the research findings in section four. The final section of the paper presents the conclusions and policy recommendations.

II. REVIEW OF RELATED LITERATURE

According to the Credit Unions Association (CUA), the concept of Credit Unions involves a group of individuals with a shared interest who regularly pool their funds. After six months, a member in need can apply for a credit facility and receive it at a low interest rate with a set repayment period. Birchall (2013) notes that the origins of credit unions, which he refers to as cooperative banking, date back to 1798 when the first cooperative bank was established on the Solway Firth in South West Scotland. Similar to its predecessors, each credit union operates under a mutual governance model. This mutualism is realized through the 'member-customers,' who own the union and have the authority to elect senior officers to oversee its management (McKillop et al., 2011). According to the World Council of Credit Unions (WOCCU), 2017 statistical report, there are 481 Credit Unions in Ghana with 577,194 members, with savings and shares of \$156,601,854, a Loan portfolio of \$90,060,125, \$20,495,302 in reserve and asset of \$187,307,016. The definition of a micro business has been consistent across various sources. For example, UNCTAD (2000) defines a micro business as one involving between one and five people, which is typical of a sole trader. Similarly, the United Nations Industrial Development Organisation classifies micro businesses in developing countries as those employing five or fewer workers (UNIDO, 1999). These definitions are in line with those used in Ghana. For instance, the National Board for Small-Scale Industries (NBSSI), a statutory body established by Act 434 of 1981 to promote small-scale industries, defines micro businesses as enterprises with up to five employees and total fixed assets not exceeding USD 10,000 or its equivalent (NBSSI, 2000).

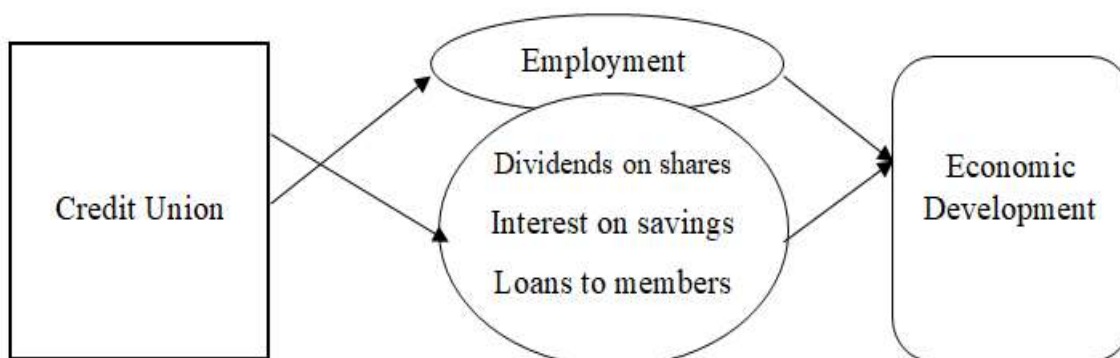
Economic Theory of Cooperative: According to Taylor (1971), the most distinctive feature of a cooperative, setting it apart from a typical business firm, is its "subsidiary" nature. This means that a cooperative does not operate with a profit motive but exists to achieve the economic and social objectives of its members. The economic activities of a cooperative are seen as an extension of the members' economic activities rather than as independent actions. The primary aim of a cooperative is to conduct economic activities in a way that benefits its members the most. Traditionally, cooperatives adhere to certain organizational and operational rules, known as the Rochdale Principles. These principles, established by the Rochdale pioneers—a group of 28 weavers who founded the first cooperative in Rochdale, England, in 1844—include open membership, one person one vote, distribution of surplus based on patronage, limited interest payments on capital, political and religious neutrality, cash transactions, and the promotion of education. These principles embody the cooperative's commitment to egalitarian social and economic objectives.

Co-operative Business Model: Holmlund and Tornroos (1997) propose that the effectiveness of a strategic alliance hinges on the interaction of four key factors. The first factor is 'mutuality,' which refers to the extent to which independent firms benefit from forming collaborative relationships with each other. In the case of cooperatives, this mutuality often arises because all members are individually weak and depend on each other, or they achieve complementary results through collaboration. The second factor is the 'long-term nature' of the partnership, which requires a relationship founded on trust, empathy, and understanding. The third factor is the 'process nature' of the relationship, which concerns how the firms interact and how dynamic these interactions are. The fourth factor is 'context dependence,' which includes the economic, social, cultural, technological, and political environments affecting the firms.

Theory of Community-Based Enterprise: Peredo and Chrisman (2006) propose that the "theory of community-based enterprise" asserts that the formation of a community enterprise requires a strong foundation of social capital. For a community to successfully establish such an enterprise, three essential conditions must be met. Firstly, there needs to be a base of community skills that can support the development of the business. This might include expertise in areas such as dairy production, cheese making, furniture crafting, and wine making. Again, there needs to be a 'multiplicity of goals that include not only economic self-interest but also social, cultural, and potentially environmental aims that can draw together the wider community to the enterprise. Finally, there needs to be a willingness and ability for the community to participate in the enterprise. Only if the community is prepared to take the time and effort to make the enterprise work can there be any success.

Empirical Review: A study by Appiah (2012) examined the benefit of credit unions to member businesses and to find out the procedure customers go through before accessing a credit facility from either a credit union or a traditional bank using exploratory with face-to-face structured interviews, questionnaires and convenience sampling technique. Credit unions were found to contribute to the existence of member businesses, yet some were beset with high loan delinquency and liquidity challenges. In another study conducted by Konadu (2015), the impact of credit unions on community development were evaluated using Ramseyer Credit Union as a case study. With data from both primary and secondary sources, and Convenience and Purposive sampling adopted to select the 195 customers and 6 staff respectively, the results revealed that Ramseyer Credit Union provides clients with products for savings mobilization, credit accessibility, and Business advice. The study further revealed that reasons why people save with the union were because of the ease with which they access loans and also the lower interest rate that is charged on the loans. In addition, the major challenge faced by Ramseyer Credit Union is lack of union law to regulate their activity. Brett (2006) found that many women in El Alto, Bolivia were unable to generate sufficient funds to repay the borrowed funds from credit unions to start small business. Working from the women's experiences and words, his article explores the range of factors that condition and constrain their success as entrepreneurs. The paper explored the social and structural realities in which financial institutions seek out and accept debt beyond their capacity to repay from the proceeds of their business enterprise. By examining some of the hidden costs of microfinance participation, the paper argued for a shift from the evaluation of outcomes at the institutional level to outcomes at the household level to identify the forces and factors that condition success as micro-entrepreneurs. Menon (2006) studied the benefits of participation in micro-finance programmes, where benefits are measured in terms of the ability to smooth the effect of seasonal shocks that cause consumption fluctuations. It is shown that although membership in these programmes is an effective instrument in combating inter-seasonal consumption differences, there is a threshold level of the length of participation beyond which benefits begin to diminish. Returns from membership are modelled using a Euler equation approach.

III. CONCEPTUAL FRAMEWORK



Source: Field Survey, (2023)

Figure 1 above shows that credit unions provide employment, pay dividends to shareholders, pay interest on members' savings and give loans to members which they use for funding their education, creating jobs, purchasing vehicles, and also use in agriculture production. All these activities as shown in figure 1 leads to economic development. Despite the benefits studies have attributed to Credit Unions to the development of Ghana, not much attention has been paid to the contributions they offer to their members. As a result, this sub-sector has also not been properly developed to cater to the informal sector. The irony is that even though we are going about looking for solutions elsewhere, we have left a very important solution behind. Credit Unions could serve as a single financial services provider for all the needs of the poor and the rural informal sector but little attention has been paid. In light of the above, the study was conducted to find out the role that credit unions play for their members in Ghana using Emmanuel Co-operative Credit Union as a case study.

IV. METHODOLOGY

Study Area: Agona Swedru is a town and the capital of Agona West Municipal in the Central Region of Ghana. The Agona West Municipal is one of the 261 Metropolitan, Municipal, and District Assemblies in Ghana and forms part of the 22 MMDAs in the Central Region. It has a total land area of 540-sq. km. and a population of 136,882 with 65,502 males and 71,380 females. (Ghana Statistical Service, 2021). It has its capital as Swedru and has a population of about 40,000.

Research Design: The study design adopted is a survey design. Survey design as defined by Glass and Hopkins (1984), is primarily concerned with finding “what is” or “how” which might be used in investigating a programme, organisation, and many more. This study is associated with these characteristics and hence the choice of this design. The researchers also used the descriptive survey type of research design to conduct the study. The descriptive survey was used because it aims at primarily describing, observing, and documenting situations as they naturally occur rather than explaining them. The descriptive survey presents the difficulty of ensuring that the questions answered are clear and not misleading since survey results can vary significantly because of the exact wording of the questions. The design may also produce unreliable results because they poke into private matters and some individuals may not be willing to divulge (Adams & Nsoh, 2007). The researchers adopted an instrument that protected the identity of the respondents to encourage them to give accurate and reliable information.

Population and Sampling: The target and accessible population involved are members of Emmanuel Co-operative Credit Union in Agona Swedru. The Credit Union membership was 4152 which consist of 2003 females, 1995 males, and 154 corporate groups. Samples of 150 members were selected using a simple random sampling technique. The use of simple random sampling technique ensures that all respondents have an equal chance of being included in the sample (MacDonald & Headlam, 2009). The technique also makes it possible for the findings of the study to be generalized about the entire members of the credit union. A list of members of the credit union who owned small and medium enterprises was received from the management of the union. Some members were contacted at the credit union office as and when they visited the office to transact business while others were contacted at their various business centers. This process is repeated until the required sample size for the credit union is obtained. Also, secondary data was collected from the Credit Union on disbursed loans to members between 2014 and 2021 to determine the percentage of loans disbursed to members for various purposes and categories.

Research Instruments and Data Analysis: The research instrument that was used to obtain both quantitative and qualitative data from the respondents was a questionnaire. A set of questionnaires was used to collect data from the respondents with three sections. Section A contained the personal data of respondents and there were four items. Section B had five items while Section C had two items. The items were made up of open and close-ended questions. The close-ended items had alternative responses but the open-ended items sought to ask for more divergent responses. The data collected was edited, coded, and analysed. Numbers were assigned to the various responses of respondents. The data was then analysed using a Statistical Package for Social Sciences (SPSS v26). To measure the direction of the various responses, frequencies and percentages were used.

V. DISCUSSION

Demography of Respondents

Table 1: Gender of Respondents

Gender	Frequency	Percentage
Male	83	55.3
Female	67	44.7
Total	150	100

Source: Field Survey, (2023)

Table 1 indicates that the gender of members were 83 (55.3%) males and 67 (44.7%) females. This shows that members' respondents are dominated by men and as such, it reflects the gender gap that exists in the country in terms of employment and engagement in economic activities.

Table 2: Age of Respondents

Age bracket	Frequency	Percentage
Below 30	17	11.3
31 – 40	74	49.3
41 – 50	53	35.3
Above 50	6	4.1
Total	150	100

Source: Field Survey, (2023)

Table 2 indicates the ages of credit union members. From the table, 74 (49.3%) of the respondents are between the ages of 31 to 40 years of age, 53 (35.3%) of the respondents are between the ages of 41 to 50 years of age, 17 (11.3%) of the respondents are 30 years of age or below, and 6 (4.0%) are above 50 years of age. It shows that the majority of the members are between the ages of 31 to 40 years which further implies that members of this credit union are predominated youth.

Table 3: Level of Education of Respondents

Level	Frequency	Percentage
None	7	4.7
Basic	18	12.0
Senior High	96	64.0
Tertiary	29	19.3
Total	150	100

Source: Field Survey, (2023)

As shown in Table 3, 29 (19.3%) of the credit union members respondents had tertiary education, 96 (64%) of the credit union members respondents had senior high education, 7 (4.7%) of the credit union members respondents had no formal education, and 18 (12%) of the credit union members respondents had basic education. This is an indication that a majority of the credit union members had Senior High School education.

Access to Credit from Credit Unions

Table 5: Reasons why members access financial assistance from the credit union

Interest, processes, and contribution to member business	Strongly Agree	Agree	Strongly Disagree	Disagree	Total
The interest rate on a business loan	27.3	70.7	0.7	1.3	100
Loan processes and procedures	25.3	72.0	0.7	2.0	100
Business counselling	22.7	74.0	1.3	2.0	100
Flexible repayment terms	10.7	82.7	2.7	4.0	100
Business establishment	42.7	53.3	1.3	2.7	100
Easy access to credit	60.7	33.3	2.7	3.3	100
Provision of insurance	45.3	52.0	0.7	2.0	100

Source: Field Survey, (2023)

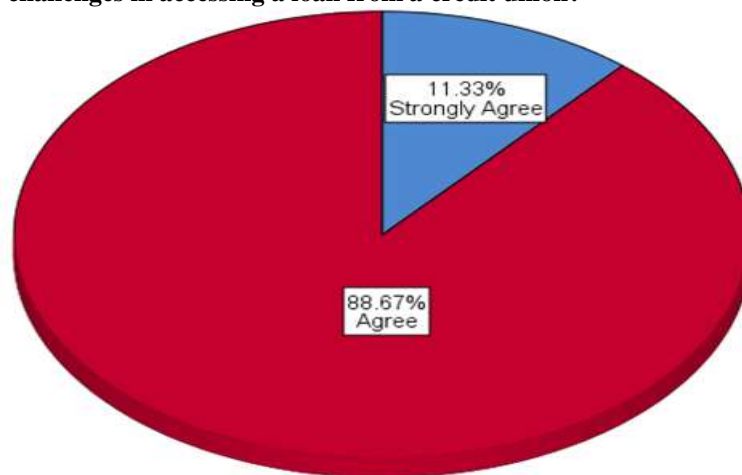
Responses to the statement that the interest rate on a business loan is lower than that of traditional banks, 70.7% of the members' respondents agreed, and 27.3% of the members' respondents strongly agreed. On the contrary, 1.3% of the members' respondents disagreed, and 0.7% of the members' respondents strongly disagreed. It is a clear indication that the interest rate on loans provided by the credit union is lower compared to that of traditional banks in Ghana. This attests to the submission by Kouassi-Komlan and Fouseca (2004) that loans provided by microfinance institutions have a lower interest rate and fewer guarantees are needed. With regards to the statement on processes and procedures for assessing loans 72.0% agreed, and 25.3% of the members' respondents strongly agreed. In response to the statement about the ease of accessing business loans compared to traditional banks, 2.0% of member respondents disagreed, and 0.7% strongly disagreed. This indicates that the majority of members believe the credit union's loan processes are simpler than those of traditional banks. Regarding whether the credit union offers business counseling to members, 74.0% agreed and

22.7% strongly agreed. However, 1.3% strongly disagreed and 2.0% disagreed, demonstrating that most members receive business counseling on various business practices, especially when applying for loans. This supports Boachie-Mensah's (2006) assertion that business organizations can be categorized by activity level, sector, or legal structure.

When asked if the credit union provides flexible repayment terms for business loans, 82.7% agreed and 10.7% strongly agreed, while 4.0% disagreed and 2.7% strongly disagreed. This suggests that the credit union offers flexible repayment options for business loans. Regarding the encouragement of members to start businesses, 42.7% strongly agreed and 53.3% agreed, with 2.7% disagreeing and 1.3% strongly disagreeing, indicating strong support from the credit union for members to establish businesses.

On the question of whether the credit union provides easy access to credit, 33.3% agreed and 60.7% strongly agreed, whereas 3.3% disagreed and 2.7% strongly disagreed. This aligns with Huppi and Feder's (1990) view that microcredit and cooperative programs use social mechanisms like group-based lending to reach those without access to formal financial institutions. Finally, when asked if the credit union offers insurance for members with loans, 52.0% agreed and 45.3% strongly agreed, while 2.0% disagreed and 0.7% strongly disagreed. This indicates that the credit union provides insurance for members who take out loans.

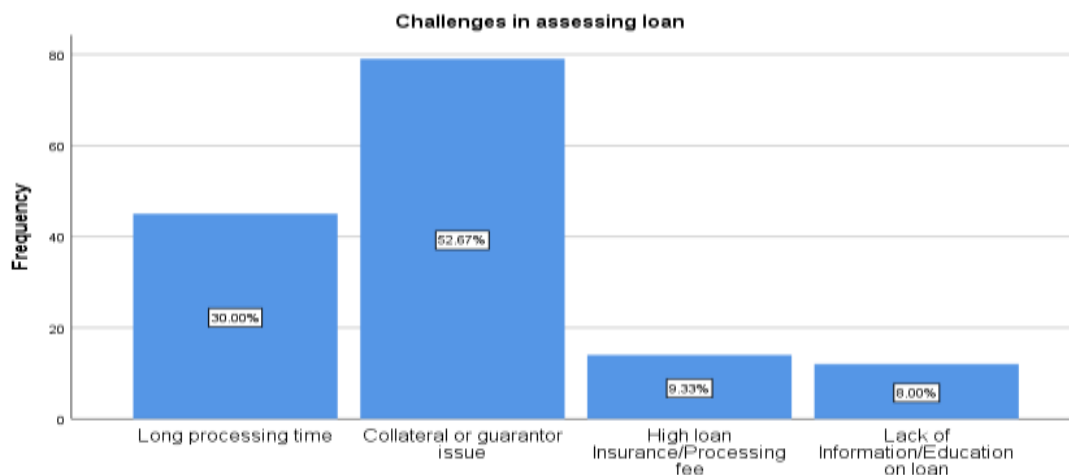
Figure 1: Are there challenges in accessing a loan from a credit union?



Source: Field Survey, 2023

In response to the question of whether there were challenges while accessing a loan from the credit union, 88.7% of the members' respondents agreed and 11.3% strongly agreed that there was a challenge. None of the respondents disagreed or strongly disagreed. This is overwhelming evidence that members face some kind of challenge while accessing loans from the credit union.

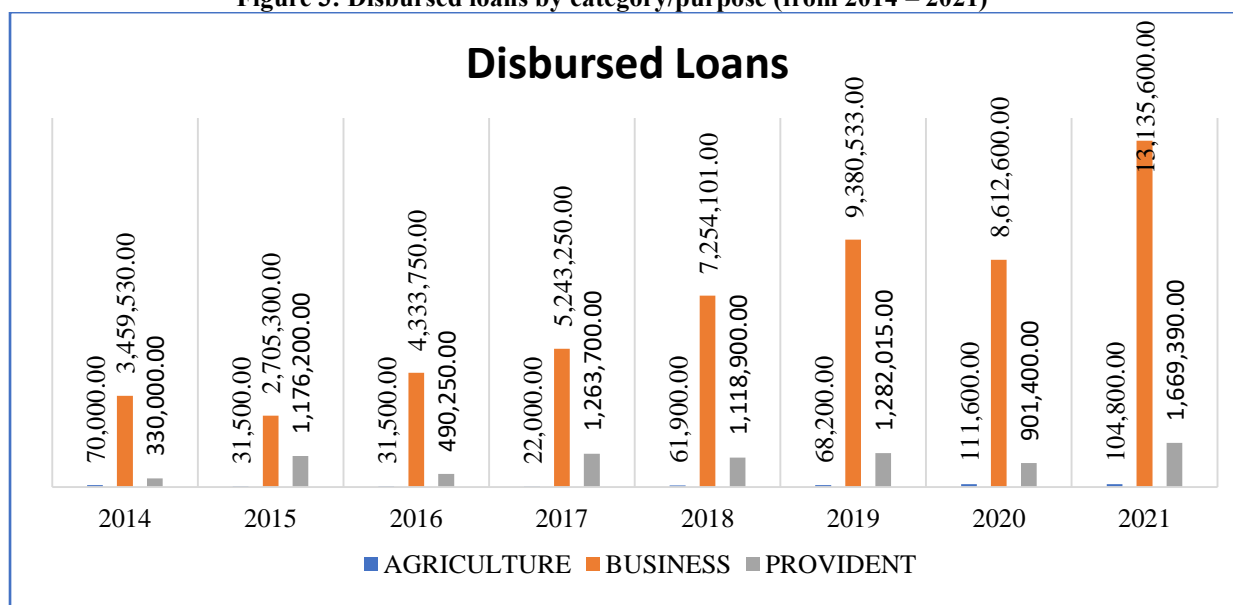
Figure 2: Challenges while accessing a loan from the credit union



Source: Field Survey, (2023)

When respondents were asked about the challenge they had experienced while assessing a loan from the Credit Union, 52.67% answered collateral or guarantor issue, 30.00% answered long processing time of the loan, 9.33% answered high loan insurance/processing fee charged on loan while 8.00% said lack of information/education on loan. Examining the individual responses, the results showed that members are facing difficulties in obtaining loans from the credit union.

Figure 3: Disbursed loans by category/purpose (from 2014 – 2021)



Source: Emmanuel Co-operative Credit Union

Figure 3 shows the total loans disbursed by Emmanuel Co-operative Credit Union by categories or purpose of loan from the 2014 to 2021 financial year. Disbursed loans are categorized into three; they are Agriculture, Business, and Providence. Agricultural loans include loans for land acquisition, fertilizer purchase, livestock/poultry, seed purchase, and farming equipment among others. Business loan facility for trading, purchase of commercial transport, startup business, expanding business, purchase of equipment or inventory, etc. The provident loan includes a loan facility for school fees, medical bills, rent, funerals, housing projects, and the purchase of household appliances, among others. It is realized from figure 3 that in the year 2014 a total amount of GH¢ 3,859,530.00 was disbursed to members. Out of this 89.64% was granted for business purposes, 1.81% was disbursed for agriculture and 8.55% was disbursed for provident purposes. This shows that a greater percentage of the loan was disbursed to members in 2014 for their business. In 2015, out of the total loans of GH 3,913,000.00 that were disbursed, the business loan was 69.14%, the agricultural loan was 0.81% and the provident loan made up 30.06%. This also shows although there was an increase in the percentage of provident loans, there was a higher level of loans granted to members for businesses as compared to provident loans in 2015. From figure 3, a total of GH¢ 4,855,500.00 loans were granted to members. Out of this 89% was for business, 0.65% was for agriculture, and 10.10% was for provident. We can realize that the year 2016 saw a significant increase in the level of business loans granted. A total loan of GH¢ 6,528,950.00 was disbursed in 2017. Out of this 80.31% was for business, 0.34% was for agriculture and 19.36% was for provident. This also indicates that a greater percentage of loans were disbursed in 2017 for business purposes. Again in 2018, out of GH¢ 8,434,901.00 total loans that were granted to members, 86.00%, 0.73%, and 13.27% were disbursed for business, agriculture, and provident respectively. Loans granted in 2019 also indicate that loans that were granted for business purposes outweigh that of the other categories. This is because out of GH¢ 10,730,748.00 that was disbursed 87.42% was granted for business, 0.64% for agriculture, and 11.95% for provident. That notwithstanding, a total of GH¢ 9,625,600.00 loans were disbursed to members which comprised 89.48% business loan, 1.16% agriculture loan, and 9.36% provident loan. 2020 also saw a higher percentage of loans granted for business purposes than for provident purposes. In 2021 a total loan of GH¢ 14,909,790.00 was granted to members which was made up of an 88.10% business loan, 0.70% agriculture loan, and 13.10% provident loan. 2021 also shows a high level of loans disbursed for the business category as compared to other categories. In analysing the trend of loans disbursed from 2014 to 2021 there has always been a significant increase with regards to the total amount of loans granted over the years except for 2020 which recorded a slight reduction in the total loans granted compared to that of 2019 due to the effects of COVID-19. Also comparing the total loans disbursed from 2014 to 2021 it is clear that the percentage of loans disbursed for member

businesses for the period dominates that of provident loans. In total, GH¢ 62,858,019.00 loan was disbursed from 2014 to 2021 out of which 86.11% represented business loans, 0.80% agriculture loans, and 13.10% provident loans. This establishes the fact that Emmanuel Co-operative Credit Union plays a major role in member businesses by considering the level of loans granted to members for business purposes. It is relevant to note that an agriculture loan is considered an aspect of a business loan since agriculture forms part of members' businesses.

VI. CONCLUSIONS AND POLICY RECOMMENDATIONS

It was established that the credit union finances its members' businesses to a larger extent. Higher percentage of loans were granted to its members for business and agricultural purposes. It was also discovered that the credit union offers lower interest rates on loans compared to traditional banks in Ghana. Additionally, it was found that the credit union's procedures for obtaining credit are more straightforward than those of traditional banks. Furthermore, the role of the credit union in supporting the growth of members' businesses has been highlighted. Finally, the study revealed that members face some challenges while accessing a loan from a credit union. Some of the challenges include collateral or guarantor issues, long processing time, high loan insurance/processing fees, and lack of information/education on loans.

Based on the outcome of the study, the following recommendations are made:

1. The researchers recommend the regulatory and institutional strengthening of credit unions by state actors to help them carry out their mandate and function properly.
2. Credit Unions should improve their service quality by expediting and smoothening loan processing and guarantor/collateral requirement.
3. Credit Unions must continue to innovate easier loan acquisition processes to attract clients

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Abbreviations

ARB: Association of Rural Banks
BoG: Bank of Ghana
CU: Credit Union
CCU: Co-operative Credit Union
SME: Small and Medium Enterprises

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Declaration of conflicting interests

We declared no any conflict of interest

Ethical approval and consent to participate

The consent of the participants was sought before the data collection. That participation is voluntary and the research is strictly for academic purpose.

Consent for publication

The authors consented to publish this study in *American International Journal of Business and Management*

*Corresponding author: Ramatu Ussif
Department of Applied Finance and Policy Management, University of Education, Winneba, P.O.
Box 25, Winneba, Ghana.*