

FUNDAMENTALS AND INNOVATIONS IN FINANCIAL CO- OPERATIVES

**PRESENTED BY
EMMANUEL O. DARKO
GENERAL MANAGER - CUA**

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MEANING OF CREDIT UNION

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- A credit union is formed when a group of people with the same interest agree to save together to create a financial pool, out of which they can credit among themselves in time of need for productive or provident purposes

- Credit Unions are financial co-operatives
- Member owned
- A vehicle for human development
- The member becomes both the agent and object of development.
- The pricing of all co-operative products and service must be competitive to ensure its long term sustainability.

2. INTERNATIONAL PRINCIPLES OF CO-OPERATIVE IDENTITY

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- Voluntary and open membership
- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information
- Co-operation among co-operative
- Concern for community

3. CORE SERVICES

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- Savings/Deposits
- Loan services
- Counseling and other financial services
- Membership Education

5. THE NEW MODEL

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- Since the African Credit Union Revitalization Program was started in 1994, the credit union approach to management has changed from an “old” to a “new” model.

SUMMARY OF THE OLD AND NEW MODEL

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OLD MODEL	NEW MODEL
Outdated Laws/Policies	Review Co-operative Act, bye laws and policies. Developing a separate credit union Law
Poor record keeping	Employment of qualified staff by all credit unions, Effective reporting system instituted
High Loan Delinquency	Effective collection system introduced Security/Collateral system applied Legal action taken against defaulters Provision for loan losses set up against expected losses Write-off after one (1) year of default Delinquency rate must not be more than 5% on total Assets

OLD MODEL

NEW MODEL

Entrenched Leadership

Well trained and informed leadership
Maximum term of office not more than
8 years (in Ghana)
Encourage youth in leadership positions

Embezzlement/
Mismanagement

Bonding system established
Active supervisory committees
encouraged
Regular annual audits performed
Prosecute offenders

Low capital Base

Share Capital Level – 5% of total Assets
Pay higher dividends
Institutional capital (Reserves) level
10% on total assets

OLD MODEL	NEW MODEL
Low income	Interest on loan – competitive. Maximum loan level – 70% of Total assets Minimum financial investments 18% on Total Assets .All other services must be competitively priced.
Dependency on Government and Donor	Generating greater percentage of funds internally Effective management of internal resources Donation & Grants not a priority
Lack of Short and Long Term Planning	Institution of Annual Business Plans Development of a Mission Statement Presenting budgets to AGMs

OLD MODEL

NEW MODEL

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Liquidity Problem

Maintaining minimum liquidity levels at 20% on total assets
18% out of the liquid funds to be invested in the financial market.

Low Savings by Members

Increased minimum savings
Payment of competitive interest on savings/deposits
Introduce new products and services based on members need.

Credit Unions are meant for the poor

People from diverse backgrounds are attracted to services offered by credit unions.

OLD MODEL

NEW MODEL

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Poor Image of credit unions

Improve Image
Acquire and properly furnish offices
Provide dress code for staff
Use appropriate equipment
Leadership by example – Promise made, promise kept
Highly professional and motivated staff
High Quality services

Maximum Loan based on multiples of savings
No proper appraisal made
No security/collateral for loans
Financial counseling – not necessary
Loan Committee – not properly trained.

Loan amount based on 5Cs
Effective loan appraisal/financial counseling conducted
Loans Properly secured
Loan committee properly trained
Monthly delinquency reports prepared and submitted to BOD

OLD MODEL	NEW MODEL
<p>Poor monitoring Lack of operational standards Irregular audits</p>	<p>Financial and operation standards set Credit Union classification system established Annual General Meetings encouraged Supervisory agencies providing onsite monitoring Annual Audits conducted Bonding programs implemented Effective reporting system introduced Qualified staff employed</p>
<p>Lack of Education and training at all levels. Leadership expecting free training (no cost) from The System (Apex) or any interested party.</p>	<p>Education and training intensified at all levels Membership education introduced Education committee reactivated in all credit unions Board and committees properly trained Staff-properly trained Board to commit financial resources towards training at all levels.</p>

OLD MODEL**NEW MODEL**

Low membership base

Open common bond
Minimum formation membership 100
Average membership 600
Mergers are encouraged

Low & No interest on
savings/Deposits

Payment of competitive interest on
members deposits

A Viable Credit
Union

Any credit union that can generate
enough income to cover all legitimate
operational cost including Interest on
savings as stated above, and realize a
net income of not less than ???% of
average assets.

THE THREE MAJOR AREAS CURRENTLY UNDER REVIEW AND IMPROVEMENT



a. HUMAN RESOURCE DEVELOPMENT

- **Employment of qualified staff**
- **Election criteria for Board and committees developed and implemented**
- **Training for Board of Directors, Credit, Supervisory and Education committees planned and implemented**
- **Training for management staff**
- **Membership education promoted**

MONITORING

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- Bonding of managers and key operating staff effected
- Effective internal controls instituted
- Proper Budgeting and effective reporting systems introduced.
- Adherence to minimum operating standards
- Active supervisory committee for timely internal audits
- Timely annual audits conducted

b. **FINANCIAL RESOURCE
DEVELOPMENT**

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- **Building a sound capital base**
 - **Share capital and reserves = 15% of total assets**
- **Increase saving capacity**
(How do you attract savings?)
- **Payment of competitive returns on shares and savings**

FINANCIAL RESOURCE DEVELOPMENT

- **Loan interest – competitively priced**
- **Pricing of other services – Based on market rates**
- **Investment opportunities explored in the financial market.**
- **Quality loan services provided**
- **Delinquency, effectively controlled**

c. MARKETING AND DEVELOPMENT IMAGE

- ▶ Business office acquired and properly furnished
- ▶ Staff dress code recommended and provided
- ▶ Office safe acquired for cash and other important documents
- ▶ Sign boards written and properly placed
- ▶ Office security improves
- ▶ Staff appearance – more professional
- ▶ Code of ethics for Board and staff

PROMOTION

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1. Information materials produced
2. Press coverage organized for all major activities
3. Success stories of members documented
4. Proper data base maintained
5. New products and services introduced



CREDIT UNIONS

- **Using savings as a tool for human development**

INTRODUCTION



- **We are all born to succeed but not to fail. Poverty and total failure of any kind is not GODLY.**

THE POOR



Poor mindset from our childhood

- ✦ **Justification on why we should be poor**
- ✦ **60% of the death rate is caused by Hypertension**
- ✦ **Life expectancy in Ghana is around 60 years- why?**

THE POOR



- When *people claim to be poor it does not mean all their expenditure will be small sums. From time to time the poor may need to spend large sums for one or more of the following purposes:*
- *Health*
- *Death*
- *School Fees*
- *Housing*
- *Investments*

NATURE



- Among other things that can provoke fear is that, nature does not discriminate against the poor and the rich, the tall and the short, the black and the white.
- One will fall sick when the time comes; accident or even death can occur to anybody without prior notice; any misfortune can occur at any time.

NATURE



- Whether rich or poor, people need to prepare for these eventualities.
- On the other hand, we also need to plan for and bring about a gradual development in our lives.
- All these call for access to funds, which are not often easy to accumulate.

THE POWER OF THE MIND



- Our mental faculty is very powerful.
- What your mind perceives you to be is what you are or what you will become.

TAKE CONTROL OF YOUR OWN LIFE



- Many people have lost their own self determination and self control.
- Our power and capacity to determine our own future has been surrounded and has made some of us to become ‘mere followers’ of society.

PLANNING- BE A LEADER (NEVER BE A MERE 'FOLLOWER')



- Many people do not have a defined purpose in life.
- We are exposed to several choices both good and bad
- Selecting from among alternatives
- Defining priorities right

AVOID CRISES MANAGEMENT – BE PRO-ACTIVE



- Waiting for things to happen before we re-act.
- Procrastination
- Laziness
- Fear.
- Dominion over money

WE NEED GOOD LEADERS



A LOVE OF MANKIND

- The Desire, Willingness And Commitment to Contribute to the Development Of a Human-being Without Expecting a reward – A Support That Beneficiaries May Not Even Show Appreciation.



THE HUMAN BEING



- **The desire to grow**
- **Humility – Be Prepared to Learn**
- **Faith & Action**
- **Courage/Confidence**

THE HUMAN BEING



- **Discipline**
- **Sincerity / Trustworthiness**
- **Be wise in the use of money**

NEGATIVE THOUGHTS



- **My Salary is Not Enough**
- **I Have High Responsibilities**
- **My Capital is Inadequate**
- **I Have More Time – Still Young**

- ***“If you wait for a perfect moment when all is safe and assured, it may not arrive. Mountains will never be climbed, races won or lasting happiness achieved”.* (Dr. Dyer)**
- ***COMPLAINTS ARE NOT SOLUTIONS***

FAIRNESS



- ***Nature is so wonderful that talents, resources, knowledge, power-you can mention more – were not evenly distributed. Some people are musicians, others are drivers, footballers, accountants or doctors etc.***

FAIRNESS



- *Also all of us do not have the same opportunities; sources of funds may differ, lifestyles may differ and so on, so why worry about what somebody does.*

FAIRNESS



- *Even the talents God gave us were not equally distributed so the level of your salary as it is now is what has been given to you to manage and manage well. Development is possible at any level, but it requires effective planning.*

IMPORTANCE OF TIMING



- God has made it in such a way that all of us have 24hrs in a day.
- How we manage our time often determines how successful or unsuccessful we can be, spiritually, physically or financially.

THE NEED FOR SUSTAINABLE FINANCIAL SERVICES

- **Access to financial services is a right of all citizens but what do you experience in our World over here?**
 - **The Banks**
 - **Loans and Savings companies**
 - **Borrowing from Friends**
 - **Salary Advances from Employers**
 - **Money Lenders**
 - **Other Microfinance Institutions**

MONEY IS A POWERFUL COMMODITY



- THE NEED TO EFFEFFECTIVELY MANAGE OUR LIMITED FINANCIAL RESOURCES
- **Money in itself is not the problem, but how to manage it.**

MONEY IS A POWERFUL COMMODITY



- Nobody is satisfied with his position. Sometimes it is not only because of titles but the package that goes along with it.
- It is also a known fact that the higher one's income the higher one's expenditure. Everybody has a way of spending money no matter how small one's income is.

MONEY HAS ALTERNATIVE USES



- **Mobile phone Units (airtime)**
- **Smokers**
- **Alcoholics**
- **Funerals**
- **Yoghurt**
- **Lottery**
- **Impulse buyers**
- **Beauty Products**

MEANING OF SAVINGS



- *Savings means denying oneself something now, making a sacrifice now, or postponing immediate gratification and satisfaction to enable one to put aside money which will be of more benefit later.*

WHAT DETERMINES THE LEVEL OF SAVINGS?



- The level of savings depends on what one wants to achieve in life.
- It does not matter whether people are well educated or not, many people do not set goals for themselves and therefore do not plan for their future. In the absence of planning, they spend money as they get it.

SAVINGS



- The need to find safe place to keep savings is so strong that some poor people willingly pay others to take their savings out of their hands and store them.

THE CREDIT UNION CONCEPT



- The Credit Union System is one of the sustainable non-banking financial institutions in Africa.



- It is an institutions that can serve the needs of this local people because it is community oriented, and the members become the object and agent of development at the same time.



- ***Quality Credit Unions movements are value-centered and focused on including everyone in the community, regardless of economic condition. That is, when Credit Unions operate well, they draw the considerable energy and resources of the entire community into the effort to alleviate the poverty in their midst.***

Impact of CU Services on clients



DISTRIBUTION OF LOANS IN GHANA

- **Education** - **30%**
- **Business Loans** - **25%**
- **Agriculture** - **15%**
- **Housing** - **20%**
- **Medical** - **5%**
- **Funerals & Social Activities** - **5%**

BACKGROUND OF CREDIT UNIONS IN GHANA



- Accumulated Deposits – GH 254,519,000
- Loans Outstanding -GH247,865,000
- Total Assets - GH289,987,000
- No of Credit Unions 409
- Total Membership 368,136

SUMMARY OF CUA SERVICES



- Field Services
- Audit Services
- Education and Training
- Computer Services
- Youth and Health
- Gender
- The Credit Union Training Center

THE YOUTH SAVINGS CLUBS

70 Youth savings clubs established in junior and Senior high schools with 15,000 members. Started 12 years ago.



CREDIT UNION TRAINING CENTRE CONFERENCE HALLS



CREDIT UNION TRAINING CENTRE (HOSTEL)



SUMMARY OF CUA SERVICES

- **Central Finance Facility (17m)**
- **Risk Management (1.1m)**
- **Deposit Guarantee (1m)**
- **Micro Finance For the Poor**
- **Local Money Transfer**
- **Remittances**
- **Co-op, Credit Union Employees Pension Plan (CCUPP) (1.1m)**

SUMMARY OF CUA SERVICES



- CUA operates in all the ten regions in Ghana and has maintained regional offices since 1972. CUA now has 150 employees

CONCLUSION



- **Depending on what you get from the use of money, it is a useless commodity.**

CONCLUSION



- *By using savings as a tool for human development, the writer believes that one cannot alleviate poverty or create wealth without cultivating the savings habit.*
- *Once people have not developed the desire to grow socially and economically the willingness to save to create wealth will be non-existence in their lives.*



***With credit unions,
inculcating the savings habit
in people no matter how
small the amount may be is
the answer for wealth
creation.***



- ***The level of savings in ones life does not depend on the size of ones income but ones purpose in life.***

CONCLUSION



- ***The size of the amount does not matter. What matters the most is for one to believe that “small drops of water makes a mighty ocean”.***

CONCLUSION



- **After all the essence of any human being living on this useless earth is to be well fed, well clothed and well sheltered throughout one's life.**
- **This is what credit unions are all about**



The combination of savings and credit with education is the only way to alter the minds of the poor towards their own future development.

THE END



- *May God Bless You*
- **Thank you.**