

Mobilising internal finance within a forest and farm producer organisation

A case study of the Jwa Ngwaane Community Cooperative Credit Union



Access to Finance Case Study 1: Ghana

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Forest and Farm Facility

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Cover photo: Members of the producer organisation Kassena Nankana Baobab Cooperative Union (KANBAOCU) display their produce © Clifford Amoah Adagenera

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Acronyms

CUA	Ghana Co-operative Credit Unions Association
FFPOs	Forest and farm producer organisations
KANBAOCU	Kassena Nankana Baobab Cooperative Union
ORGIIS Ghana	Organisation for Indigenous Initiatives and Sustainability Ghana
VSLAs	Village savings and loans associations

Summary

The Jwa Ngwaane Community Cooperative Credit Union was established by the Kassena Nankana Baobab Cooperative Union (KANBAOCU), a member-based forest and farm producer organisation (FFPO). Jwa Ngwaane was formed in August 2020 and officially launched in December 2020, with 96 VSLAs (2,920 members) following a broad consultative process with members of KANBAOCU. The main purpose of the credit union is to enable KANBAOCU's members to save money sustainably, to provide low-interest credit at fair and competitive rates, and to provide quality financial services while promoting the financial inclusion of those members who do not have access to the traditional commercial banking system financial services. The credit union offers a wide range of financial products such as shares, savings accounts, fixed deposits, credit/loans and agribusiness support.

Jwa Ngwaane is owned and governed by its members, who are mainly village savings and loans associations (VSLAs) in the Kassena Nankana Municipal District of the Upper East Region in Ghana. The organisation is membership based and voluntary in nature. The credit union is managed by a management committee of 14 members, a manager and three field officers. The overall management committee includes the board of directors, a supervisory committee, a loans committee and an education committee. The credit committee analyses all loan requests and makes the final decision on granting loans. The manager of the credit union is responsible for the day-to-day decisions, while the ultimate control of the organisation belongs to the general assembly of members. This is the highest decision-making body and every member is admitted to participate. The general assembly is used as a forum to discuss the results and performance of the organisation as well as planning for the future.

The main strategies that ensured the success of KANBAOCU in establishing this financial mechanism were its partnerships with Organisation for Indigenous Initiatives and Sustainability (ORGIIS) Ghana and the Ghana Co-operative Credit Unions Association (CUA) regional chapter. The Forest and Farm Facility project provided KANBAOCU with resources that enabled the union to carry out awareness-raising outreach programmes at the zonal union level, which has increased the knowledge and understanding of members about the union. In addition, the use of mass media has helped to inform the wider public about the credit union and recruit new members, especially via the local radio station.

Before the establishment of the credit union, members were already engaged in VSLA activities. An analysis was undertaken for this case study of the VSLA savings shareouts (an event where money from VSLA savings, including accrued interest, is distributed between members in proportion to the amount that each has saved) over five years in 2014–2021. It revealed that the total amount of VSLA savings allocated back to members has grown along with the number of VSLA groups for the same period. Savings shareouts grew from nearly GH¢4 million in 2017 to over GH¢9.2 million in 2021 (a growth rate of 131%). At the same time, the number of VSLA groups also increased from 372 in 2017 to 429 by 2021 (a growth rate of 15.32%).

Given this success, KANBAOCU's experience shows that there is huge potential for mobilising VSLAs and elevating them into cooperative credit unions. This creates a sense of ownership among members and provides a strong catalyst for smallholder business investment. For other organisations wishing to replicate this approach, there are several important factors to consider, including how to comply with the requirements of national associations and regulators, and how initial funding will be sourced. They must also have a proper understanding of the needs of their membership base. For example, those considering using VSLAs to mobilise savings will need to understand when members need their monies for investment. This can be achieved by understanding VSLA shareout timetables and creating more awareness among members about the need to establish their own financial mechanism. It is also vital that members trust that the facilitating organisation will help them achieve their vision.



Four of the five management board members of the Jwa Ngwaane Community Cooperative Credit Union © Clifford Amoah Adagenera

1 KANBAOCU and the Jwa Ngwaane Community Cooperative Credit Union

Kassena Nankana Baobab Cooperative Union (KANBAOCU) is a member-based forest and farm producer organisation (FFPO). KANBAOCU is located in the town of Paga in the Upper East Region of Ghana. It was formed and registered in 2013 in response to weaknesses identified by its members in the shea and baobab value chains. KANBAOCU has over 12,300 members, including over 11,000 women and 1,300 men. Its members are mainly smallholders who are collectors of non-timber forest products (NTFPs) or farmers involved in mainstream agricultural cash crops and livestock value chains. Of KANBAOCU's over 12,300 members, 6,036 in the Builsa North and South districts and some parts of the Kassena districts are yet to join the credit union due to distance.

The main business of KANBAOCU and its members is shea butter processing and baobab production and marketing. The business involves the conversion of shea nuts into handcrafted butter and processing baobab for local and international markets. KANBAOCU also provides financial services to its members through its established credit union that improves access to cheap and efficient capital investment for its members' businesses. KANBAOCU sees itself being transformed into a limited liability company in the near future. This is based on its aspiration to attain continuous growth for the first five years of operations. Measures have been put in place to turn the business into the market leader in the shea industry in Ghana. KANBAOCU's overall vision and mission are to:

- Improve the standard of living of its members through inclusive business development, sustainable environmental management, and value chain promotion, and
- Contribute to sustainable livelihoods for its members through advocacy, capacity building, environmental management, business development and partnerships.

1.1 KANBAOCU's vision and mission for Jwa Ngwaane

KANBAOCU's main purpose for establishing the Jwa Ngwaane Community Cooperative Credit Union is to enable its members to save money sustainably, to provide low-interest credit at fair and competitive rates, and to provide quality financial services while promoting the financial inclusion of those members who do not have access to traditional commercial financial services. Currently, the credit union provides

its members with multiple financial inclusion options, which allow them to increase their savings and buy shares in the credit union. Since its inception, Jwa Ngwaane has played a key role in providing members with access to low-interest loans to invest in their value-chain activities.

Before the establishment of the credit union, members were involved in weekly savings activities through village savings and loans associations (VSLAs). Although helpful, VSLAs limited the amount members could save and borrow for investment. The purpose of setting up the community cooperative credit union was to:

- Provide reliable financial services to informal and rural economies
- Provide sound, secured financial and business growth for blended economic and social impacts to our target members, and
- Provide a convenient and trusted service with excellent member care.

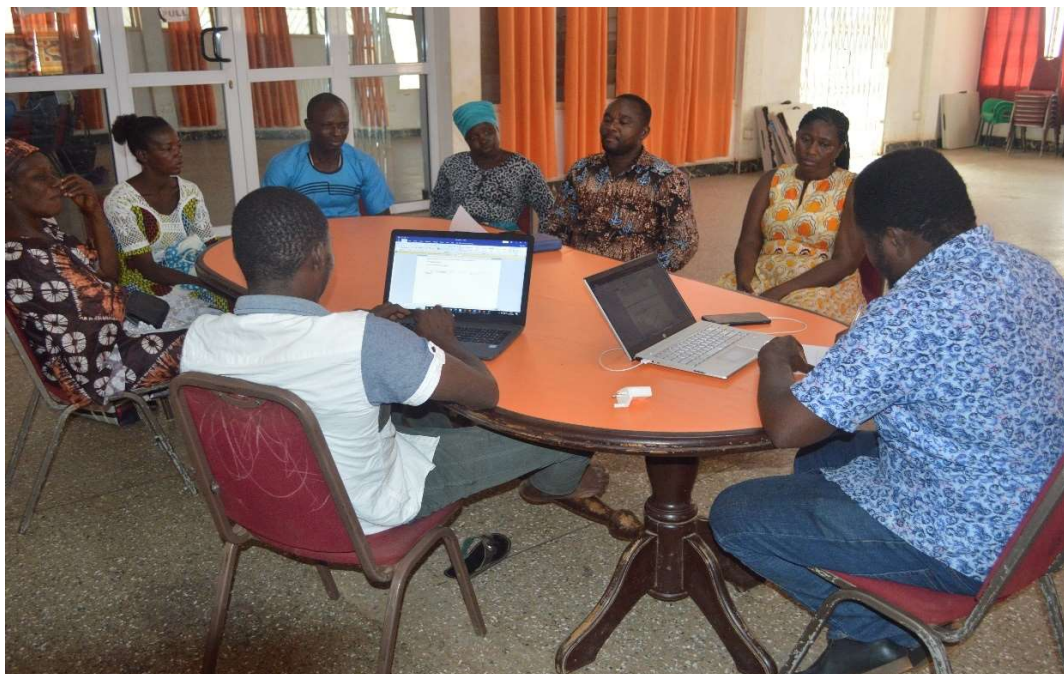
The Jwa Ngwaane Community Cooperative Credit Union has developed a loans policy that outlines liquidity requirements and ensures that appropriate reserves are maintained at all times. The credit union also has the following five-year transformational strategic goals for 2021–2025 that aim to:

- Boost agricultural and small-scale businesses through competitive supply chains
- Use innovations and green technology to inspire members' growth and development
- Provide the best member care-oriented financial services
- Promote quality and competitive financial services in our operational area
- Hire and deploy human resources for effective and efficient service delivery, and
- Promote regular savings in a secure and trusted environment.

1.2 Membership and management structure

1.2.1 About the members

The Jwa Ngwaane Community Cooperative Credit Union is owned and governed by its members who are mainly VSLAs in the Kassena Nankana Districts of the Upper East Region and is voluntary in nature. All members can participate in organisational decision-making through voting at the general assembly, which is the highest decision-making body of the credit union.



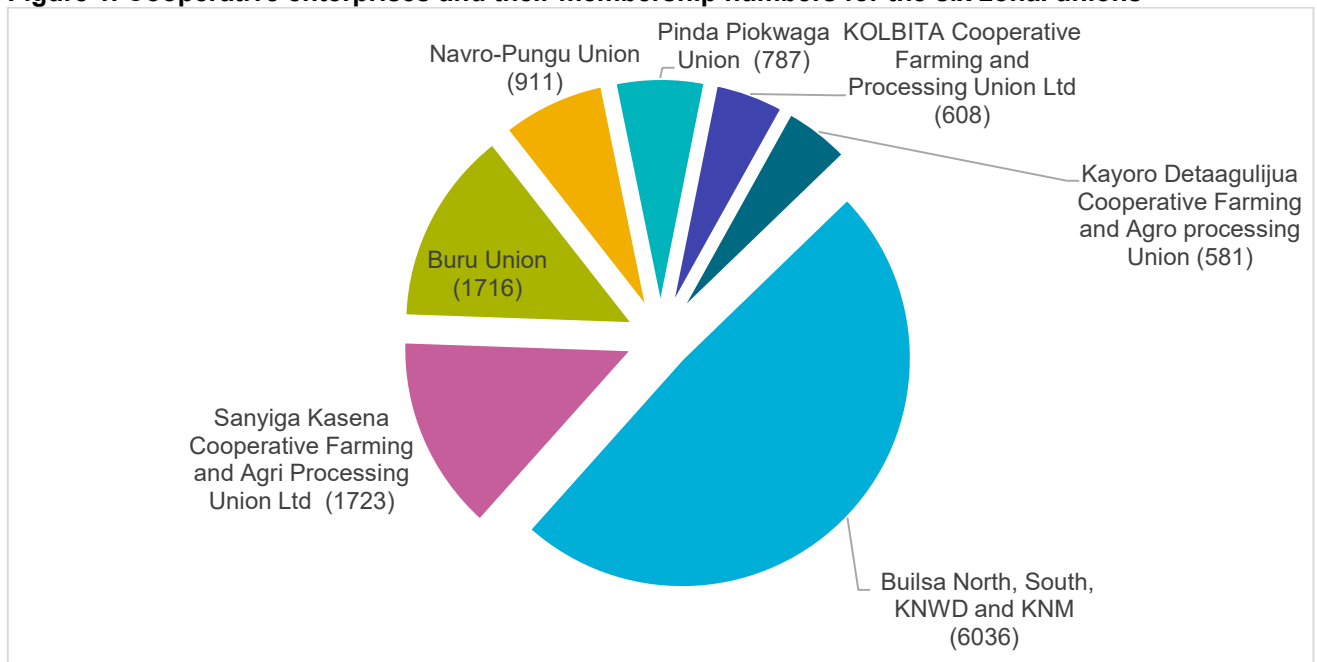
A data-collection engagement meeting with the management committees of the Jwa Ngwaane Community Cooperative Credit Union © Clifford Amoah Adagenera

The credit union draws its membership from six zonal unions who are also KANBAOCU members. The six unions are made up of 6,326 members of which 89.2% are women. The founding members are mainly VSLAs from the operational zones of KANBAOCU:

- Pindaa Piokwaga Union
- Sanyiga Kassena Cooperative Farming and Agri Processing Union Limited
- Buru Cooperative Farming and Agri Processing Union Limited
- Kayoro Detaagulijua Cooperative Farming and Agro Processing Union,
- Navro-Pungu Union, and
- Kolbita Cooperative Farming and Processing Union Limited.

The main aim of the unions is to increase production and the savings capacity of women by promoting the sustainable use of non-timber forest products, sustainable agriculture through organic and ecological farming practices, sustainable environmental management practices, and by supporting the formation, training and effective functioning of VSLAs. Figure 1 shows the number of members of the credit union per zonal union.

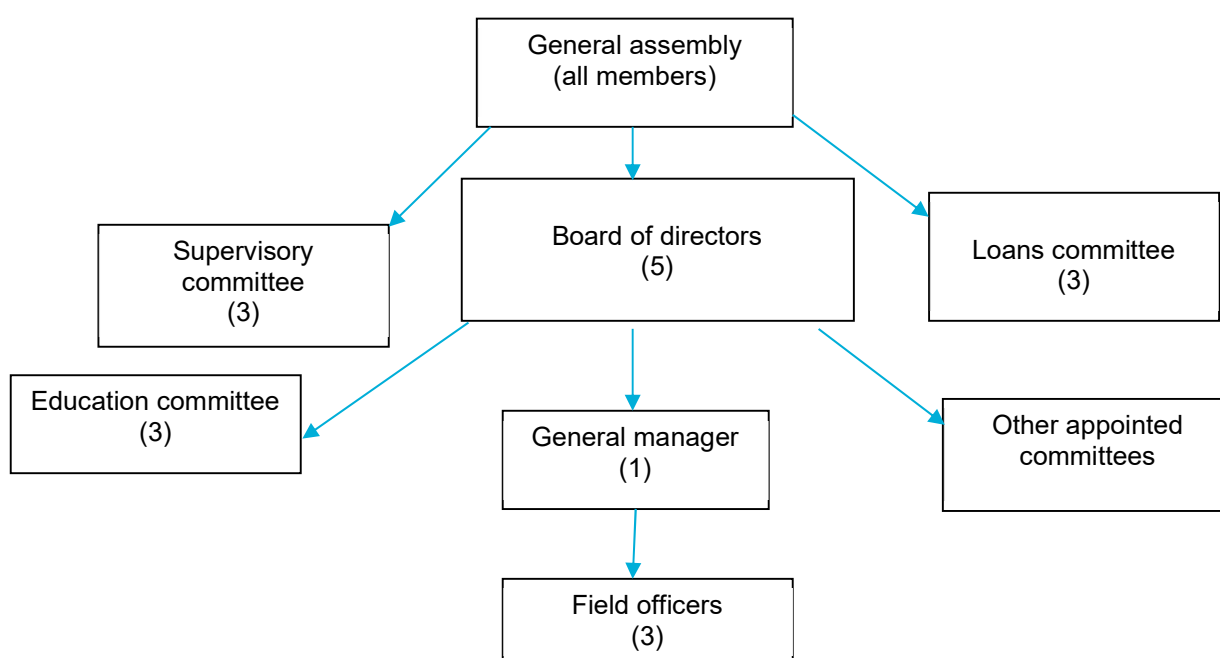
Figure 1. Cooperative enterprises and their membership numbers for the six zonal unions



1.2.2 About the management structure

The credit union is managed by a management committee which consists of a board of directors, committees, one manager and three field officers (see Figure 2). Since operations began in 2020, the credit union has established three major committees to support its operations (education, loans and supervisory committees), each with clearly defined roles. The only salaried staff are the three field officers and the manager. The manager is responsible for day-to-day decisions, while the ultimate control of the organisation belongs to the general assembly of members.

Figure 2. Organogram of the Jwa Ngwaane Community Cooperative Credit Union



- Management committee (board of directors):** The management committee is responsible for upholding the authority of the general assembly and the credit union's by-laws, and performs key actions necessary to achieve the aims of the union, including determining its purpose and objectives and developing and ensuring the implementation of operational policies related to loans, savings, investments and personnel. It consists of nominated members from each of the six zonal unions. The board is responsible for providing policy direction and drafting by-laws to govern its operations. Before a zonal union can be represented on the board, it must purchase shares from the credit union.
- General assembly:** The supreme authority of the credit union is vested in its members who exercise their power by voting at annual and special general meetings. The general assembly is used as a forum to discuss the results and performance of the organisation as well as planning for the future. This is the highest decision-making body of the credit union and involves all individual members and VSLAs. The union operates the democratic principle of one member one vote during. The VSLA has purchased shares and opened savings accounts to facilitate their savings activities. The credit union has designed a loan portfolio known as credit with education for its members to enhance their business activities
- Loans committee:** The loans committee is made up of four members who meet daily. The committee analyses all loan applications and makes final decisions on granting loans, based on the credit union's loan policies. These policies are designed to ensure that loans are equitably and fairly distributed, bearing in mind the ability of individual members to pay back their loans. The committee also monitors loans repayment and reports any defaults to the board of directors. Other responsibilities include making recommendations to the board related to service improvement and new loan products.
- Education committee:** The education committee is responsible for recruiting new members through awareness-raising activities on the benefits of joining the credit union. They are also responsible for reaching out to members of the various zonal unions. The committee organises community sensitisation events, participate in zonal union meetings, and use radio shows aimed at the general public to raise awareness about the credit union.
- Supervisory committee:** The work of the supervisory committee includes reviewing operational activities, regulatory compliances, and measures and strategic decisions taken by the board to ensure that the union adheres to its strategic mission and vision. They also provide recommendations for improving operational controls.

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1.3 Benefits of the joining the credit union

Currently, the credit union is the single most trusted source of funding for its members. In its first year of providing credit, the credit union received a huge number of applications from its members for various activities. Top of the list of reasons for accessing credit was to invest in crop production, petty trading, shea nut processing and irrigating arable lands. For example, the Bugani community were able to invest in expanding their shea nut processing facility, including investing in new technology that has increased their production capacity from 7.5mt of shea butter per month to 22.5mt a month. According to Addaquay (2004), technological advancements from traditional to semi-mechanised processing can lead to an improvement in extraction rates from 20% to 35–40% in terms of production efficiency and product quality.

Talking to some of the beneficiaries, members have indicated that they have seen their savings grow and now have an increased willingness to save. They can now access credit from the credit union through their cooperatives and this has helped some to start their own businesses. Aside from investing in value chains and agricultural activities, some beneficiaries have said that they also use their loans to pay for school fees and family healthcare. Others have said that in times of emergency, the credit union has enabled them to access financial assistance quickly.

1.4 Financial services offered

The credit union has developed for its members a wide range of banking products aimed at achieving financial inclusion of its members who have been left out of the formal banking sector. The various products provided by the credit union include:

- **Shares:** Members are given the opportunity to purchase shares either as individuals or as a cooperative. Currently, the purchase of shares is limited to members who belong to the VSLAs.
- **Savings accounts:** The credit union provides members with the opportunity to open a savings account. The product is very flexible and members are required to have GH¢30 as the minimum balance.
- **Fixed deposits:** Members can purchase fixed deposits and treasury bills from the credit union. These are products that attract interest and usually mature in 90 to 180 days. These products were previously only available from commercial banks.
- **Loans:** The credit union has developed tailor-made products aimed at supporting its members who are small producers and traders, and for women in retail. Members now have access to low-interest credit to invest in value chains such as shea, baobab, moringa and general agricultural commodity farming.
- **Agribusiness support:** The credit union offers credit support in agribusiness in the form of inputs provision, mechanised irrigation and enterprise development. In 2022, the total amount advanced in loans to members for agricultural investment amounted to GH¢271,346 (equivalent to 55.5% of the total loans advanced in 2022).

2 Origins of the credit union



A customer being served by the manager after successful engagement © Clifford Amoah Adagenera

2.1 Establishing the credit union

The Jwa Ngwaane Community Cooperative Credit Union was formed 24th August 2020 and officially launched 3rd December 2020 with 96 VSLAs (consisting of 2,920 members) through a broad consultative process with members of KANBAOCU. The credit union was formed in accordance with the Cooperative Societies Decree, National Liberation Council Decree (NLCD) 252 of 1968 of Ghana which provides the legal basis for the establishment of a financial credit union in Ghana. On the final day of its formation, members of the credit union resolved to purchase shares of a minimum of GH¢1,000 as seed capital for the establishment of the credit union. These amounts were raised by levying individual members and in other instances VSLAs used their social funds for the purchase of shares.

Between 2015 and 2016, the Bank of Ghana conducted asset-quality reviews of local banks and identified financial concerns with some Indigenous banks in Ghana. The review revealed that a few Indigenous banks were identified as vulnerable with inadequate capital, high levels of non-performing loans, and weak corporate governance systems. This resulted in the revocation of the licenses of two local banks and receiver was appointed for other banks that were collapsing. The receiver was appointed to validate the claims of and pay the depositors of the banks affected (Bank of Ghana undated). The Bank of Ghana's actions had huge implications for KANBAOCU's member cooperatives, as their savings were locked up in the collapsed banks. KANBAOCU's members were largely VSLAs engaged in savings mobilisation and administering low-interest credit for qualified members. The actions of the central bank – coupled with bureaucratic processes – meant that members struggled to access loans to invest in their value chains and lacked collateral to guarantee new loans. They were also faced with charges on their savings accounts. As a consequence, many members lost confidence in dealing with commercial banks and started using traditional methods such as keeping their savings at home or making use of the VSLAs instead.

To address these challenges, KANBAOCU with the support of its partner organisation ORGIIS Ghana (a local NGO who facilitated the formation of all the VSLAs under KANBAOCU) organised a series of meetings and awareness-raising activities with members about the current challenges members were

facing and the opportunities that existed in owning their own financial scheme. These discussions resulted in the resolution to create a credit union as a remedy to some of the challenges members faced. Key among the reasons for the establishment of the credit union was the need to address issues relating to funds locked up in the banks, improving members' access to finance for investment into crops and shea and baobab value chains, and addressing the high-interest rate charges offered by commercial banks. Furthermore, many VSLAs lacked sufficient funds to provide adequate support their members. KANBAOCU realised there was a need to build its own trusted and credible financial institution that could respond to the needs of its members.

Before a decision was reached to set up the Jwa Ngwaane Community Cooperative Credit Union, ORGIIS Ghana assisted the cooperatives and VSLAs to understand the quantities of financial resources annually shared out by members. A field survey was conducted covering the period from 2014 to 2021 (see Figure 3). This was to provide members with a better understanding of what financial resources they would need and to support their decision-making process in setting up the credit union.

An analysis of the savings shareout made by VSLAs over a five-year period (2017 to 2021) revealed that shareouts had grown along with the number of VSLA groups. Savings shareouts are events where money from VSLA savings is allocated back to members in proportion the amount that each has saved. The analysis revealed an increase in savings shareouts from over GH¢3.98 million in 2017 to over GH¢9.2 million in 2021 (an increase of 131%). At the same time, the number of VSLA groups also increased from 372 in 2017 to 429 by 2021 (an increase of 15.32%) (see Figure 4). The increase in savings was largely influenced by the increase in trade in the baobab and shea commodity value chains by members, which helped them to increase their share value over the period. The analysis showed members that by harnessing their strength in numbers, they could establish a sustainable finance scheme for members to invest in.

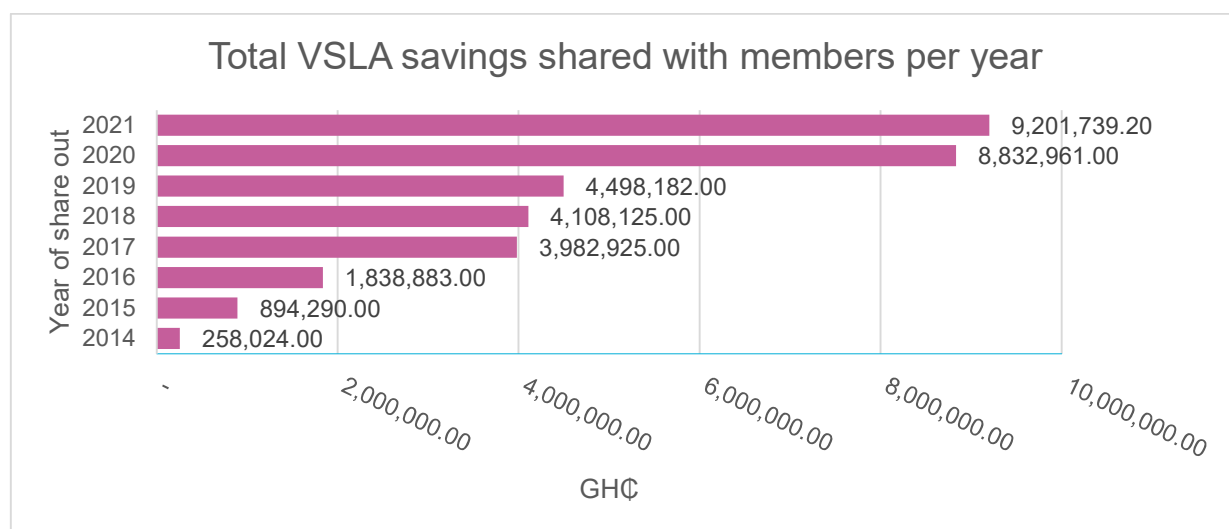


Figure 3. Total VSLA savings shared with members per year (GH¢)

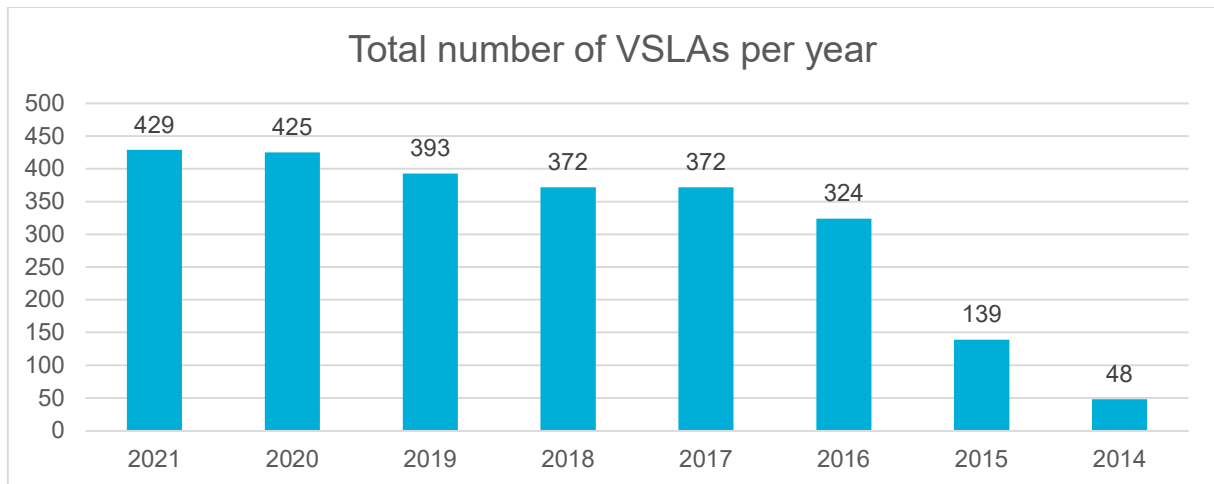


Figure 4. Total number of VSLAs per year

2.2 Sources of financed used

The by-laws of the credit union set out measures for fundraising for the its operations. One key area that has been considered critical to the success of the credit union was the purchase of shares. The constitution, therefore, sets out that each member must subscribe to a minimum share capital of GH¢100 and individual VSLAs who wish to join should have a minimum share of GH¢1,000 which shall be determined from time to time by the board of directors. The by-laws also provide that to avoid an individual dictating how the credit union is run, an individual's shares shall not exceed 20% of the union's total shares.

On the back of these by-laws, all VSLAs who are members of KANBAOCU were encouraged to purchase shares to form the seed capital for establishing the credit union. The main source of funds for the credit union include:

- Purchasing of share
- Savings and deposits
- Interest on loans
- Investments made with commercial banks (government bonds, treasury bills and fixed deposits)
- Payment of entrance fee of GH¢10
- Investments in agricultural inputs
- Aggregation and sale of shea nut and grains to support operational costs
- Printing and sales of t-shirts to members, and
- Donations from individuals and other benevolent organisations such as ORGIIS Ghana.

3 Evolution of the credit union

3.1 Analysis of Jwa Ngwaane’s performance

The performance of the Jwa Ngwaane Community Cooperative Credit Union is shown in Table 1. The table depicts the union’s performance in terms of total membership (groups and individuals), total savings, total shares, total assets and total loans during 2020–2022.

Table 1. Performance of Jwa Ngwaane Community Cooperative Credit Union (2020–2022)

Year	Accounts	Total membership		Shares	Savings	Loans	Total assets
		Groups	Individuals	GH¢	GH¢	GH¢	GH¢
2020	136	96	2,920	81,720	39,034	0	6,440
2021	232	168	5,104	101,130	143,853	0	10,460
2022	363	198	6,105	121,290	283,523	264,146	13,085

3.2 Number of accounts and beneficiary membership

Data gathered from management revealed that the credit union started in 2020 with 136 accounts. The number of accounts grew to 232 in 2021 and to 363 as of September 2022 – an increase of 167% over the three years of operations. The accounts are held by VSLAs and individual members (with 198 accounts held by VSLAs). The analysis further reveals that accounts held by VSLAs grew by 106.25% over three years. This growth is a demonstration of members’ trust and confidence in the credit union. The growth also implies that more VSLAs are now willing to do business with the credit union.

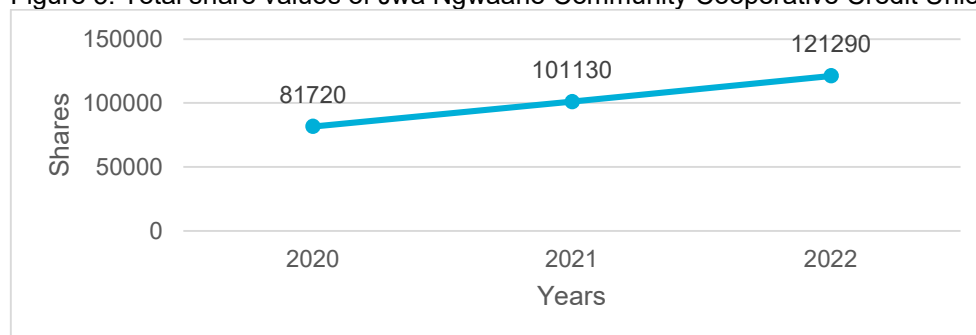
The growth of the union has been steady, if not yet exponential. But the credit union has developed strategies which have contributed to its current achievements. One of the key strategies was the establishment of the education committee, which is responsible for educating KANBAOCU members about the benefits of belonging to a credit union and encouraging new members to join the scheme.

Another strategy that the management developed was to understand the VSLAs’ calendars and patterns of shareout meetings. This allowed the management to plan in advance and hold awareness-raising events during the meetings.

3.3 Growth in total shares

The credit union has witnessed a steady growth in the purchase of shares over the last three years. A cursory observation of the total shares of the Jwa Ngwaane Credit Union shows an increasing trend shortly after it was established. In 2020, the union posted a total share value of GH¢81,720. This figure increased to GH¢101,130 in 2021, representing an increase of 23.8%, and GH¢121,290 as of October 2022 which shows a 24.7% increase. Based on field data, Figure 5 shows the growth in its total share value.

Figure 5. Total share values of Jwa Ngwaane Community Cooperative Credit Union (2020–2022)

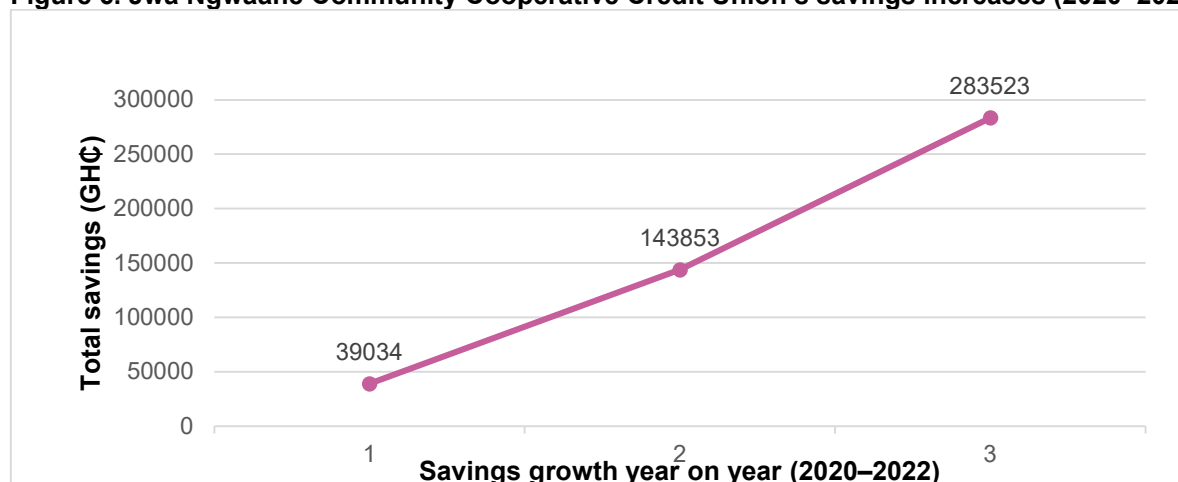


3.4 Growth in total savings

Jwa Ngwaane Community Cooperative Credit Union’s savings trend is also shown in Figure 6. The credit union’s savings increased from over GH¢39,000 in 2020 to nearly GH¢144,000 in 2021. In

addition, in 2022, there has been a further increase in savings to over GH¢283,500. This is an increase in savings of 72.9% and 49.3% for 2021 and 2022 respectively, which reflects the confidence that members have in the credit union.

Figure 6. Jwa Ngwaane Community Cooperative Credit Union’s savings increases (2020–2022)



3.4 Access to loans for members

In its first year of operations, the credit union decided not to advance credit to members but to focus on mobilising capital to stabilise its operations and develop robust systems before loans were made available. However, in 2022 the credit union established its loans committee and developed the procedures for accessing loans for its members (both VSLAs and individuals). Loan applications must specify the purpose of the loan, the amount applied for, the type of security provided and a repayment plan.

According to the Jwa Ngwaane Community Cooperative Credit Union, members are not permitted to access credit more than three times the value of their savings and they must have made uninterrupted savings for at least six months. For members to qualify a loan, they must:

- Be a member of a VSLA
- Have been saving with the union for six months
- Have an account with savings
- Complete a loan application form
- Get an endorsement from their VSLA group and the zonal union, and
- Submit their loan application to the zonal credit officer, which is then forwarded to the loan committee for review and approval.

In 2022, 41 loan applications were received, vetted and approved for disbursement. These loans could be categorised into three main areas: investment in agricultural activities (main season and dry season irrigation), petty trading (which includes shea nut, shea butter and baobab purchasing), and lastly loans for the payment of medical bills. The total amount advanced in loans to members amounted to over GH¢ 271,000 out of which 55.5% were for agriculture, 41.5% for petty trading, and 2.9% for medical payments. Table 2 shows a breakdown of the loans provided.

Table 1. Loans disbursed by Jwa Ngwaane Community Cooperative Credit Union

Loan category	Number of loans disbursed	Volume of loans (GH¢)	Expressed as %
Agricultural activities (main and off-season farming)	29	150,646	55.5
Petty trading (shea nut and baobab aggregation)	10	112,700	41.5
Medical (laboratory tests, paying hospital admission fees, purchasing drugs)	1	8,000	2.9
TOTAL	41	271,346	100

3.5 Strategies for growth

The credit union has deployed different mechanisms which have enabled it to reach out to members and ensure a steady growth since its inception. For example, the management of the credit union set up an education committee tasked with the responsibility of raising awareness among members.

Prior to the creation of the credit union, KANBAOCU also worked with field officers of the partner organisation ORGIIS Ghana to run an awareness-raising campaign with members of the zonal unions on the benefits for members in pooling their resources to establish the new cooperative credit union through their VSLAs. The team presented data on the volume of savings that VSLAs already shared out annually to buttress the point that establishing a credit union would be highly beneficial to its members. KANBAOCU's efforts to raise awareness were also supported by FAO's Forest and Farm Facility. Each zonal union was then tasked with the responsibility of encouraging individual members to join the credit union. Zonal unions and VSLA cooperatives committed to supporting the credit union by purchasing shares and opening savings accounts.

KANBAOCU also raised awareness of the initiative via mass media, and especially via the local radio station, to intensify its membership drive. Interactions with the leadership also revealed that the union joined the national and regional chapters of the Ghana Co-operative Credit Unions Association (CUA), which further increased its credibility and supported its membership-drive activities.

4 Impacts of the credit union

Credit unions are uniquely suited to improve equity and close the gender gap, not just within their own organisations, but within the community (Skipper 2022). The credit union has therefore improved women's access to credit as members are not required to own collateral such as land or housing which is often demanded by commercial banks. Members are able to apply for and be approved for a loan within one week. It is also worth mentioning that women members are now considered by their husbands to be integral to household decision-making because as credit union members they have access to credit and so are able to contribute financially to their households. All that women require is an endorsement by the VSLA when they complete their application form and their loan will be granted.

Another important element of the credit union is that it has increased the number of women in leadership. The founding members are mainly women. For instance, out of the 14 management committee members, eight are women (73%) and only three members are men. The customers and ultimate beneficiaries of the credit union are 88% women.

4.1 Impacts on FFPO business operations

The credit union has had a direct and positive impact on its members. Most of the loans were invested in members' farming activities and were used to purchase fertiliser for maize and pepper farming (see Table 2). During a series of interviews with loan recipients, one member explained how she had benefited:

Compared to government banks with extensive bureaucracy, getting a loan was quite a simple process [and] the interest rates are low. I took a loan of GH¢1,000 to invest in my farm. I pay an interest of GH¢30 a month. My farm has improved since I used the loan to buy fertiliser, and the yield was extremely nice. I was able to make a profit of GH¢700 from farming. I was able to cover my kids' school expenses and help my spouse with some household expenses.
Deyerejei Azupereh, aged 26 years and a mother of three

Thanks to the loan she received, Azupereh was able to expand her farm from half to one acre for the 2022 farming season. She previously struggled to recover her costs and make a profit from farming because of the late application of fertiliser due to lack of access to funds. Through the loan, she was able to harvest five bags of maize, which she sold. She reported a profit of GH¢700.

4.2 Impacts on internal relationships with FFPO members

Generally, it was observed during the data gathering that there is a mutual relationship between the credit union and KANBAOCU members in that the credit union is providing members with services to support businesses while on the other hand members see themselves as owners of the institution.

- **Social connectedness:** According to the board members, the establishment of the union has increased their social connectedness to the various VSLA cooperatives that they work with. They interact with them on daily basis and offer members direct support during funerals and other communal activities. Other important sociocultural services provided by the credit union and KANBAOCU include resolving land-related conflicts and providing support in other areas, such as managing labour arrangements, marketing products, promoting Indigenous technical knowledge and improving group dynamics, community organisation, cultural nutrition habits, gender equality and the well-being of its members (see also Fraser *et al.* 2016; Boafo 2014; Boafo *et al.* 2016).
- **Production and infrastructure:** Aside from individual loans, the credit union has supported its primary cooperatives in the construction of community-based shea-processing centres and has promoted their business activities. For example, an investment in the processing facility in the Bugani community has increased their production capacity from 7.5mt of shea butter per month to 22.5mt a month.

4.3 Impacts on external relationships

There have not been any significant changes to the existing relationships between the credit union and the banking community, markets or government. However, some banks have seen the credit union as a credible institution to partner with in the delivery of services to the general public. To this end, Fidelity Bank Ghana (located about 45km from Paga) has partnered with the credit union to establish it as an

agent of the bank to serve its customers in Paga and the surrounding area. The service delivered is based on commission.

Also, the credit union provides members with E-zwich services.¹ E-zwich is a platform used by the government to pay Livelihood Empowerment Against Poverty (LEAP) beneficiaries, national services, nursing, and teacher-training allowances. This has also made it possible for the credit union to reach poor and vulnerable groups in the community thereby promoting financial inclusion. In 2022, the local assembly partnered with the credit union to assist with the disbursement of LEAP payments.

¹ The E-zwich smartcard is issued by the Ghana Interbank Payment and Settlement Systems Limited (GhIPSS) and can be used for cash withdrawals on e-zwich-enabled cash machines and for online payments and money transfer etc.

5 What next for the credit union?

5.1 Future prospects

- **Blending different finance for value chains:** In the future, Jwa Ngwaane Community Cooperative Credit Union plans to provide members with different financial products to support the development of value chains. The objectives are to use the credit union as a catalyst to boost production and for market transformation.
- **Upgrading technology:** The credit union continues to explore avenues for the introduction of information communication and technologies (ICT) tools to ensure that internal resource mobilisation is more efficient for members. This will be in line with the Ghana Federation of Forest and Farm Producers (GhaFFaP) 2030 agenda and would increase the promotion of financial inclusion and financial literacy among members.
- **Increasing profitability:** Members are looking forward to a financial mechanism that is profitable. They are therefore diversifying their investments by blending the purchase of treasury bills and fixed deposits with investments into agricultural value chains focused on the aggregation of members' crops such as sorghum, rice, baobab, shea nuts, maize and soya. The credit union has also identified supplying inputs to members as another investment opportunity. This will help the union to raise more capital. It also wants to further assist its members by providing services at more competitive rates.
- **Increasing membership:** Membership growth is very important for the sustainability of any financial institution. To this end, the Jwa Ngwaane Community Cooperative Credit Union wishes to expand its membership to cover all of the more than 12,000 KANBAOCU members and even expand to new members from outside KANBAOCU to ensure additional liquidity. Taking on more salaried staff will also require some amendment to their constitution.
- **Providing business support to members:** The credit union is considering the provision of very basic yet relevant business support for its members, who are largely smallholder producers (shea and baobab) who need to invest in their farms and small businesses. The credit union aims to provide input (equipment, seedlings, farm inputs) to their members to make their businesses more profitable.

To help the Jwa Ngwaane Community Cooperative credit union achieve its long-term objectives, members have committed to carrying out many activities. This includes but is not limited to the following:

- ❖ Increasing membership numbers and the level of savings made by members
- ❖ Increasing liquidity to help meet the loan demands of members
- ❖ Increasing the number of staff to support membership-drive activities and increase levels of savings
- ❖ Improving the managerial capacity of its staff and committees, most especially the educational committee
- ❖ Avoiding defaults in loan repayments
- ❖ Adhering to the CUA's regulation, and
- ❖ Strengthening zonal union and primary groups

5.2 Prospects for replication

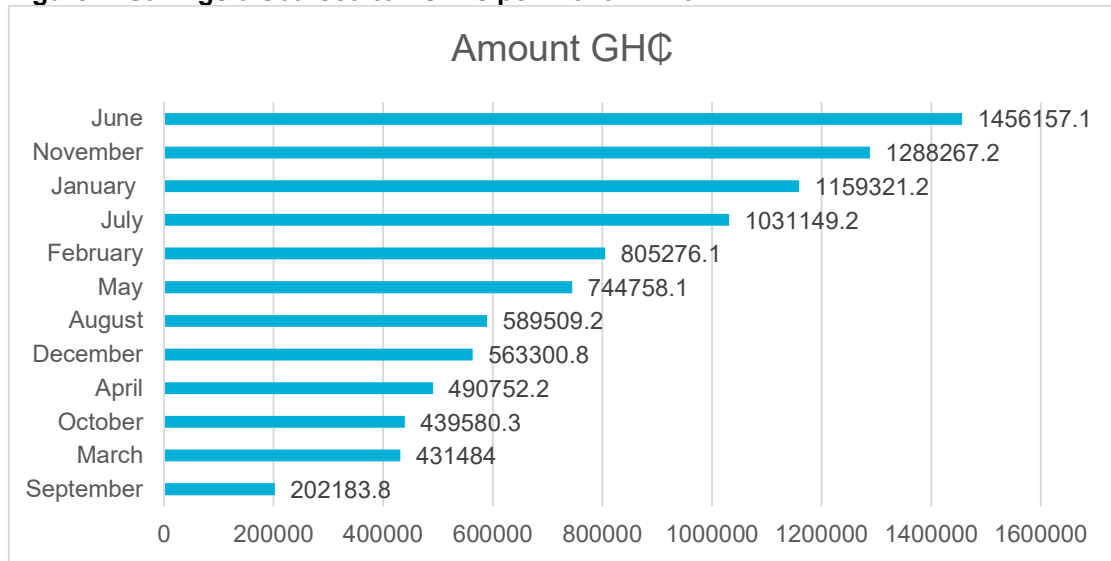
KANBAOCU's experiences with the Jwa Ngwaane Community Cooperative Credit Union show that there are huge opportunities for mobilising VSLAs and elevating them into cooperative credit unions. Credit unions create a sense of ownership among members and provide a strong catalyst for smallholder business investment. To achieve greater success in using this approach, there are some critical issues that must be considered.

- **Membership base:** All credit unions are based on membership and the growth of the union largely depends on how well one is able to build a strong membership. In the case of KANBAOCU, there was already an existing membership base of 429 VSLAs across the landscape who were facilitated into cooperatives and zonal unions. The VSLAs shared a common vision of wanting to see growth in their businesses and savings.
- **Trust and unity:** The facilitating organisations ORGIIS Ghana and KANBAOCU worked closely together for over 10 years. On the back of this long period of collaboration, the partners facilitated linkages between the members of KANBAOCU and financial institutions which include the CUA, Fidelity Bank Ghana, GN Bank, Naara Rural Bank, the Sinapi Aba

Microfinance Company, and VisionFund, from whom KANBAOCU's members were able to successfully seek financial assistance. These processes involved members in the planning and execution. The long years of relationship and transparency in programme planning and implementation established among members and the partners enhanced members' trust, which was very relevant during the transition process. The already-established zonal unions under KANBAOCU have been meeting monthly and annually to discuss matters of collective benefits, hence members were already familiar with the collective benefits of the credit union to them.

- **Compliance with national associations and regulators:** To establish the credit union, members worked very closely with the CUA and the regulators of credit unions. They provided and still provide handholding support to members and have helped them put in place the necessary structures and systems for the smooth governance of the union. Through the implementation of the Tree Aid's Grow Hope project, the SNV Netherlands Development Organisation's shea value chain development project, the Ghanaian Northern Rural Growth Project, and the Forest and Farm Facility programme in Ghana, members were supported to attain legal status by registering with the department of cooperatives. Through these projects, KANBAOCU was able to form a cordial relationship between KANBAOCU and CUA and commence discussions aimed at setting up the credit union, which is now affiliated with the regional chapter of the CUA. This helped to establish the credit union as a credible institution in the eyes of its members and depositors.
- **Sources of funding:** From KANBAOCU's experience, different sources of funding were considered before the decision was made to adopt the existing model. A well-defined strategy and innovations for fundraising were discussed and agreed on before being introduced. In 2020, shares constituted the major source of funding, accounting for 67.7% of the total capital mobilised against savings of 32.30%. However, this has reduced significantly from 67.7% to 30% in 2021 as shares purchasing had reached saturation levels among members. More effort is now required to mobilise savings as a source of funding. Other sources of funds that the credit union has relied on are the sales of printed t-shirts and investments into agricultural activities.
- **Awareness raising:** KANBAOCU deployed different awareness-raising strategies before and after the launch of the credit union. This approach has enabled the union to achieve its successes within the short period of its existence. Radio and community-level engagements were a very important tool for promoting the benefits to potential new members. The union also made sure they participated in the zonal union meetings.
- **Understanding the shareout cycles:** Before engaging with and encouraging members to adopt the credit union model, the credit union with the support of ORGIIS Ghana developed a calendar for the shareouts of all KANBAOCU's VSLA membership groups. This helped the union to understand when to expect huge withdrawals and when savings mobilisations can take place. This calendar is also used by the management committee to plan its investments and help reduce stress in relation to liquidity shortfalls. From KANBAOCU's perspective, 70% of VSLAs shared out between May and July mainly for agricultural activities such as land preparation, planting and inputs. And again, shareouts will peak in November through to January during and after harvest to help members purchase food stuffs for storage. Figure 7 shows the amount of savings disbursed to VSLAs per month in 2021.

Figure 7. Savings disbursed to VSLAs per month in 2021



5.3 Challenges to overcome

- **Lack of awareness:** There are still members of KANBAOCU who have not yet been enrolled in the credit union due to their limited knowledge and understanding of the concept. Such members have adopted the ‘wait and see’ approach – but this is affecting the ability of the institution to grow. Members are also looking forward to admitting workers from other sectors, especially salary earners such as teachers, nurses, drivers and all categories of local government workers to help raise capital for the credit union.
- **Low capital:** One of the challenges faced is low capital mobilisation. Because the growth of the union has been slow, it has been difficult to raise the necessary capital to support members and also carry out long-term investments. Members who make savings with the institution are largely VSLAs that would normally share out their members’ savings at the end of the season. This puts stress on the credit union as management must always ensure that sufficient savings are available to members at certain periods of the year.
- **Increased pressure for group and individual loans:** Loans provided by credit unions have low interest rates and flexible repayment terms, which are attractive and favourable to members. As a result, there is increased demand for credit which the institution is unable to meet due to low levels of capital.
- **Lack of capacity within committees:** The credit union committees currently lack adequate knowledge and understanding of their roles and responsibilities, which affects the overall functioning of the credit union. The committee members are largely members of the various VSLAs with no prior knowledge of the management of a financial institution. The union is currently exploring opportunities for capacity building in financial management and governance. ORGIIS Ghana and CUA are also providing coaching and technical backstopping to help the committees function effectively.
- **Low numbers of staff:** The credit union currently lacks adequate staffing for the smooth running of the credit union. Considering the geographical spread of members across the zone, there is a need for the recruitment of field agents to support the credit union in its membership drive and savings mobilisation.
- **Logistics and equipment:** The credit union also lacks the requisite logistics to enable it function well. The needed equipment and logistics include computers, accessories and transportation (motorcycles).

6 Conclusions

Providing FFPOs with access to credit for long-term investments continues to be a challenge for the Jwa Ngwaane Community Cooperative Credit Union. There is therefore the need to develop blended financial mechanisms through existing financial schemes such as the VSLAs as the sustainability of interventions will depend on how well FFPOs are able to access low-interest financing. For other organisations considering elevating VSLAs into a credit union, they will need to understand that VSLAs have a very short savings cycle and will share out their savings after only 52 weeks of savings.

The findings of this case study point to several factors contributing to KANBAOCU's success so far:

- **Sustained market access to value chains:** Members have long been involved in the harvesting and processing of baobab and shea butter. In 2021, KANBAOCU's partnership with Aduna (an Africa-inspired health food brand and social business) resulted in directly creating market and employment opportunities for 2,084 women and indirectly for 12,504 beneficiaries (assuming an average household of six people). The beneficiaries were involved in collection, cleaning and processing of baobab fruits. The activities provided individual members with a sustained income and thus enabled them to save their excess income, firstly with the VSLA and now with the credit union.
- **Trust and strong partnerships with the facilitating organisation:** It was much easier elevating the VSLAs into a credit union because the VSLAs were formed with the help of ORGIIS Ghana. KANBAOCU's members trusted the leadership of ORGIIS Ghana and had already benefitted from many projects such as the Tree Aid's Grow Hope project and many others mentioned in Section 5.2.
- **Strength in numbers:** The credit union model worked for the Jwa Ngwaane Community Cooperative Credit Union because of its strength in numbers. The very high numbers of KANBAOCU members made it easier to achieve large-scale impact in every aspect, including setting up the cooperative credit union in the first place. The union leveraged the existing VSLAs to promote the idea which was easy for members to accept.
- **Clear sources of funding:** As outlined earlier, the credit union had clearly a defined strategy for mobilising the initial capital required to establish operations.



A field officer (left) and manager (right) reconciling their reports © Clifford Amoah Adagenera

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