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Microcredit management in Ghana: development of co-operative credit unions among the Dagaaba

Gheneti, Y.

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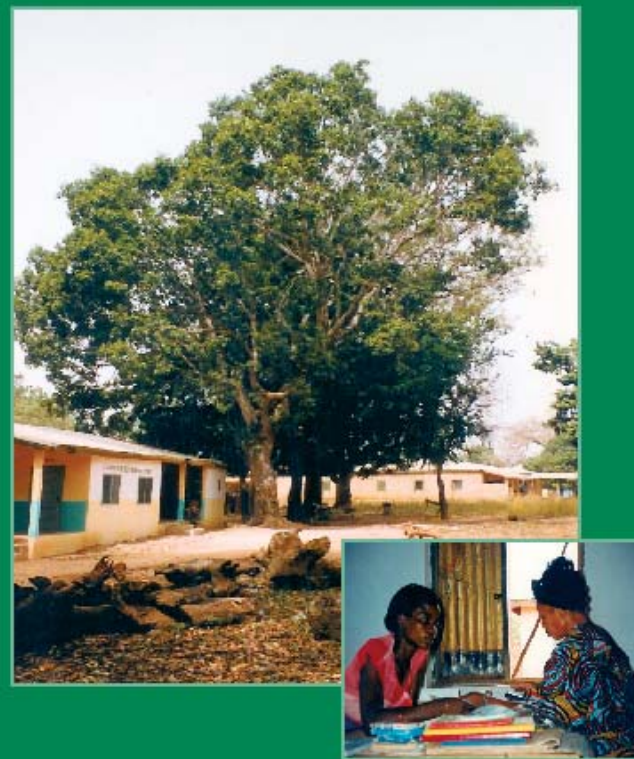
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Yeshanew Gheneti

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Development of Co-operative Credit Unions among the
Dagaaba



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Promotiecommissie:

Promotor: Prof. Dr. L.J. Slikkerveer

Referent: Dr. P.J.J. Konings

Overige Leden: Prof. Dr. P.L. Geschiere
Prof. Dr. R.M.A. Bedaux
Dr. T. Ta'a (Addis Ababa University)

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MICROCREDIT MANAGEMENT IN GHANA:
Development of Co-operative Credit Unions among the *Dagaaba*

Yeshanew Gheneti

Faculty of Social Sciences
Department of Cultural Anthropology and Development Sociology
Leiden Ethnosystems and Development Programme (LEAD)
Leiden University, Leiden, The Netherlands

‘The International Year of Microcredit 2005 underscores the importance of microfinance as an integral part of our collective effort to meet the Millennium Development Goals. Sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs.’

Kofi Annan,
Secretary-General United Nations
New York, 29 December 2003.

Cover photo: Office premises of the Jirapa Co-operative Credit Union, the first Credit Union in Ghana, and two female Board Members discussing microcredit services.

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Preface

Co-operative credit unions are one of the best-known and earliest forms of local institutions in Africa specialized in providing financial services to poor and low-income households. Already in the 1950s, the co-operative savings and credit union movement started operating in the rural parts of Northern Ghana, after which it gradually spread to other West African countries in the decades that followed. Credit unions have since expanded in number and size and today they can be found in almost all Sub-Saharan African countries.

Unlike commercial financial institutions, co-operative credit unions have easily been able to integrate themselves into the local socio-economic life and won the trust and sympathy of the local communities in many parts of Africa. In most cases, credit unions have been relatively effective in mobilizing local savings from members and using these resources to provide credit to members for a range of socio-economic purposes. Credit unions have thus contributed to economic progress, encompassing diverse sectors such as agriculture, petty trading, and cottage industries, and to an improvement in local social infrastructure, such as health and education. Especially in rural areas where conventional financial institutions are taking a long time to break through, co-operative savings and credit unions have been seen as effective institutions to promote local development and empower local communities.

In the last few years the important role of microfinance in the development process has steadily been gaining global recognition. In celebrating 2005 as the International Year of Microcredit, the United Nations has recently drawn a remarkable attention to the crucial relevance of access to financial services, notably credit and savings, for achieving the Millennium Development Goals (MDGs) as well as to the crucial importance of the presence of sustainable microfinance institutions that can provide these financial services on a continuing basis. Credit Unions can play a more effective role in achieving desired development goals when they have an appropriate institutional structure and management that fits into the specific local socio-economic and cultural environment. Moreover the ability of microfinance institutions to integrate locally available as well as newly acquired skills and know-how into their organizational management, promotes not only the outreach and effective mobilization of savings, but also extends its credit access to a larger part of the community.

This study with its focus on the development and management of local co-operative savings and credit unions has been inspired by the researcher's own rural family background which was characterized by its close ties with local co-operatives activities. It further builds on years of engagement with the broad field of development studies and practical working experience with local institutions and organisations in East and West Africa. The integrated management approach to local development which provides the basic theoretical framework for this study, has grown out of participation in the series of Sub-Saharan Africa seminars, and research on indigenous knowledge and development in Africa carried out under the auspices of LEAD-programme. This approach was further refined not only during subsequent field surveys but also through extended discussions with students of Anthropology and Development Sociology at the Leiden University during the researcher's annual lectures on "Local Institutions and Sustainable Development in Sub-Saharan Africa".

Acknowledgements

An interdisciplinary and community-based study such as this one would not have been possible without the assistance, close co-operation and participation of numerous community members, development and academic institutions, scholars and colleagues, friends and family members to whom I am highly indebted and would like to extend my sincere and heartfelt gratitude.

To begin with, I am very thankful to the Department of Cultural Anthropology and Development Sociology, Faculty of Social Sciences, Leiden University which accepted my research proposal. My gratitude goes as well to NWO/WOTRO which funded the initial phase of this research and the CNWS, which provided the necessary infrastructure. Without the help of these institutions it would not have been possible to start this research program. The Leiden Ethnosystems And Development (LEAD) program gave me an opportunity to be systematically acquainted with Indigenous Knowledge – often abbreviated as IK - methods and approaches. As a LEAD member I benefited from the continuous discussions with colleagues and from access to research documents. Hence, my thanks goes to all the members of the LEAD program.

In Ghana, I benefited from the collaboration and co-operation with the University of Ghana and its Africa Study Center. I had full access to reference libraries and had the opportunity to have regular discussions with Ghanaian scholars, especially with Professor Songsore, Professor K. Ninsin and Dr. K. Arhin, and many others. I extend my thanks to all of them for the valuable and constructive exchanges and comments.

Both the Department of Co-operatives and Credit Union Association (CUA) in Accra gave me access to their archives and an open environment to learn more about successes and constraints of the co-operative movement in Ghana. I would like to extend my sincere thanks to these organizations and their staff members. A special word of appreciation goes to Mr. Zatho, the former General Manager of CUA, and Mr. James Dasah, the former Chairman of CUA who facilitated and supported my travels and visits to the Upper West Regional Chapter and the primary societies.

The CUA Chapter office in Wa has fully co-operated with my research work and gave me all the necessary support to reach the respective credit unions. I had the privilege to work in their Office and refer to organizational documents, for which I am highly indebted to all the employees. In particular, my thanks go to Mr. Romanus Ayel, the former Field Officer of the Chapter office, who helped me to find my way around the Upper West Region and organized meetings with respective credit unions. I also would like to extend my thanks to his entire family, who considered me as part of their family and always cared for me. I really enjoyed having family meals with them, their hospitality, social affection and jokes. I would also like to extend my thanks to the staff of the Upper West Regional and District Co-operative Offices who have been friendly and supportive, with special thanks to Mr. Somiah, the Regional Co-operative Officer and Mr. Kamo, District Co-operative Worker.

In Jirapa, the entire staff of the credit union gave me their full support and co-operation. I was always welcome to work with them and stay at their guest house, observe the credit union's day-to-day activities and participate in their meetings. I am really thankful to all of them, but would particularly like to mention the former Manager Mr. Henry, the Treasurer Ms. Diana and the late Mr. Hippo. Further more, I would like to pay tribute to the well-recognized and respected local Elders, the late Mr. Maurice and Mr.

Gandi, who shared with me their broad and deep knowledge of the history and culture of the *Dagaaba* and the development of local credit unions. I owe them a great debt. May they rest in peace. My thanks further go to Mr. Michel, a local school teacher and key informant, who from the beginning up until the end of the field studies provided me with critical and substantial inputs on the *Dagaaba* people, their culture and their credit unions. In Nandom, Ko and Hamile, I was fully supported by the credit union staff and members. My special thanks go to Ms. Akolema, Ms. Merry, Ms. Ernestina, and Mr. Waka, the Chairman of the Upper West Regional Chapter of the CUA. I have also benefited enormously from the constant meetings and discussions I had with Mr. Dongiyiri.

My brothers Abbaa Seena and Abbaa Dalacha my sisters Borino, Haadha Yaadata, Mekelit and Mihret and all my Oromo friends continuously encouraged and motivated me to carry forward my studies and contribute to the development of communities in Africa. To them, I would like to say “*fayyaa ta’aa*”. Numerous other friends have in one way or another encouraged and supported me. Though I cannot list all of them, I would like to mention a few of them here: Alfreda, Marcia, Marjolein, Marie-Jose, Judith, Peter, Diana, Heleen, Haile, Ernest, Job, Joost, Liesbeth, Adano, Mwasi, Musuto, Mwangi, Gchiah. I owe a special word of thanks to the Minderbroeders Jonas in Arnhem, a Franciscan Religious Community, with whom I lived and who always surrounded me with care and concern for my development, social and moral wellbeing. My special thanks also goes to Mrs. Rosemary, who helped me with language editing and provided valuable feedback and advice.

Last, but very far from least, I would like to mention my beloved family members Henriette, Leensa, Banti and Marta, who have always been a source of inspiration and energy. Without their understanding and full support, I would not have been able to come this far and complete this study.

This thesis is dedicated to the memory of my late Parents, Ganati Gamada and Ćaaltu Guutaa, who taught me to stand up for what was just and to my children Banti and Leensa, who have always been the source of inspiration and strength while writing this thesis.

Microcredit Management in Ghana:

Abstract

"This thesis focuses on the historical development, the organizational management and the role of credit unions among the *Dagaaba* in the Upper West Region of Ghana. Co-operative credit unions are well-established financial institutions, with a capacity to mobilize local savings and provide microcredit services to which poor and the low-income people can get access. This study analyses the main factors, namely the local socio-economic dynamics and institutions, and external influences, notably from the Roman Catholic Mission, the Government and NGOs, all of which contributed to laying a foundation for the establishment of the first credit union in Jirapa in 1955 and the subsequent extension to other parts of Ghana. The study also reveals that, through decades of constant interactions between various local and external stakeholders, credit unions have developed an integrated management system which forms a synergy of diverse organizational procedures and practices which also incorporates the local organizational knowledge. This integrated management system has undoubtedly facilitated the active participation of members in the credit unions and also has contributed to the resolution of such recurrent credit union problems as loan delinquency. At an individual level, access to savings and micro-credit facilities has improved the socio-economic conditions of most of the members to a certain extent and more generally credit unions have also contributed to local community development."

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Abstract

"This thesis focuses on the historical development, the organizational management and the role of credit unions among the *Dagaaba* in the Upper West Region of Ghana. Co-operative credit unions are well-established financial institutions, with a capacity to mobilize local savings and provide microcredit services to which poor and the low-income people can get access. This study analyses the main factors, namely the local socio-economic dynamics and institutions, and external influences, notably from the Roman Catholic Mission, the Government and NGOs, all of which contributed to laying a foundation for the establishment of the first credit union in Jirapa in 1955 and the subsequent extension to other parts of Ghana. The study also reveals that, through decades of constant interactions between various local and external stakeholders, credit unions have developed an integrated management system which forms a synergy of diverse organizational procedures and practices which also incorporates the local organizational knowledge. This integrated management system has undoubtedly facilitated the active participation of members in the credit unions and also has contributed to the resolution of such recurrent credit union problems as loan delinquency. At individual and household levels, access to savings and micro-credit facilities has improved the socio-economic conditions of most of the members to a certain extent and more generally credit unions have also contributed to local community development."

I Introduction

Access to financial services is increasingly recognized as an important tool for poor and low-income groups to save their money, spread their risk, invest in productive and social purposes, and ultimately improve their lives. Co-operative savings and credit institutions are providing millions of their members around the world with access to financial services. In Africa, the credit union movement is an important channel for poor rural people to have access to financial services. Credit unions are institutions well known for mobilizing savings and provide loans for productive purposes, and economic, social and cultural activities. As a statistical report of WOCCU (2005) has recently indicated, the number of credit unions on the African continent alone has reached almost 8,000 which have a total of nine and half million members.

Credit unions are also recognized as sustainable local institutions which use a mixture of modern and indigenous management systems as part of their daily operations. In addition to their multiple role in development processes, their dynamic and interactive nature makes credit unions an ideal subject for a case study of the interplay between indigenous and modern management systems, and the impact which this model of organizational management has on an institution's effectiveness. The results of such a case study could therefore contribute to the broader debate on the organizational and development effectiveness of local institutions, with implications which go far beyond the realm of the co-operative credit union movement.

This study focuses on the origin, development and the management of the co-operative savings and credit unions' association in Ghana. The first co-operative credit union in Ghana was started in Jirapa in the Upper Western Region, from where the movement spread to other parts of the country and neighbouring countries. Hence, the study concentrates particularly on the credit unions among the *Dagaaba* people in the Upper Western Region of Ghana, where an extensive field-study has been undertaken. The study investigated how the local community manages the credit unions and also how these institutions have contributed to local developments in various ways.

This introductory chapter highlights the central subject of the study, the objectives, the conceptual approaches and the premises and methods which have been applied in carrying out the research process and obtaining its outcome. Section 1 discusses the background to the study, with the main emphasis on local co-operative institutions and their management. Section 2 concentrates on co-operative savings and credit unions and their management practices. Sections 3 and 4 subsequently discuss the general and the specific objectives of the study and provide the central questions of the research. Section 5 briefly indicates the methodology applied in the study, and the anticipated final section presents the structure of the book.

1.1 Background

1.1.1 Savings and Credit Unions

Credit unions are a form of co-operative, designed primarily to provide their members with efficient and inexpensive savings and loan services (*cf.* Dublin 1979; Albee 1996). Members are generally expected and indeed encouraged to save on a regular basis and

these savings are lent on favourable terms, usually to members. In the decades following independence, alongside other types of co-operatives, the credit union movements rapidly expanded especially in the rural parts of most African countries. In rural Africa, as Kibirige (1980), Muluh (1995) and Elhiraika (1999) among others have indicated, credit unions have taken on the character of multi-purpose co-operatives; their activities go far beyond elementary custody of money and financial transactions.¹ Through their extended services, they are involved not only in the supply of inputs for agriculture and marketing, and also in education and community healthcare and various provident purposes.

In the running of the day-to-day activities, the management of most rural credit unions is primarily dependent on their local know-how, including their indigenous management skills, to attain their goals. Such local skill is one of the numerous practical efforts of local people to enhance their local self-reliance. They encourage groups to mobilize their savings and utilize these for development purposes; consequently they use their own resources to solve their own problems and improve their well-being. Even in the urban areas of Africa, various types of credit unions operate alongside both the modern banking system, which is often initiated by Government or shareholders, and the Rotating Savings and Credit Associations (ROSCAs), which are informal financial associations found widely spread mostly in the urban areas of the countries. Most credit unions are formally registered under the co-operative department.² For credit unions, especially in rural areas, it is not very common to employ professional staff. Mostly, the elected members themselves voluntarily administer the affairs of the unions through elected committees. Records of the historical development of the co-operative savings and credit unions show a mixed performance, which has been characterized by enormous successes and by irregular crises. Some have been enormously successful, whereas others are experiencing crisis (*cf.* Ojermark and Carlsson 1980; Kibirige 1980; IFAD 1985; ACCOSCA 1991; Muluh 1995).

These tendencies can also be traced in the development of the co-operative saving and credit unions in Ghana. The co-operative credit union movement of Ghana had originally started in 1955 when the first credit union was established by the local community in collaboration with Roman Catholic Missionaries in Jirapa, in the Upper West region of Ghana. Soon after, as Kirsch and Gorické (1977) have stated, local communities took over the lead in the credit union movement as it moved further into more urban agglomerations and, by the end of 1989, these movement had about 90,000 members. As credit unions expanded from Jirapa throughout the Upper West region and the rest of Ghana, the Credit Union Association (CUA) was formed in 1968 as an association at the national level to represent all its affiliated credit unions in Ghana. According to the CUA definition (CUA 1978): *'a credit union is a free association of people with a common bond who save and lend money to one another through co-operative principles for productive and provident purposes'*. As such CUA's main functions include the expansion and consolidation of the credit union movement in Ghana, provide administrative support to credit unions and form national and international networks (*cf.* CUA 1978).³

The Co-operative Credit Unions' Association (CUA), which gradually developed from village-based credit unions to an association at the national level, is today one of the well-established local co-operative movements in Ghana. With its roughly 250 affiliated credit unions, CUA claims a strong presence at the grassroots levels of the communities (*cf.* CUA 1978; Department of Co-operatives 1990). Thereby CUA promotes the dual functions of credit unions, *i.e.* extending the outreach and the provision of savings and credits services

to the low-income people all over Ghana, services not performed by any other modern financial institutions whose scope is more generally confined to urban areas.

As outlined in several sources such as internal reports and field-studies conducted, *inter alia* by Kirsch and Goricke (1977), Songsore (1979), CUA (1989) and Ofei: (2001), despite its apparent success in achieving its objectives, CUA and its affiliates have been regularly confronted with liquidity and inefficiency problems which have required periodic organizational restructurings. Four decades after its formation, CUA has still not yet been able to become a fully self-reliant association and has not been able to mobilize a large number of members and sufficient savings in the rural areas of Ghana. Moreover, the organization has often been faced with liquidity and loan delinquency problems and as a result some of its affiliated primary societies have become dormant and gradually declined. CUA and its affiliates have also been experiencing other problems, which include tensions between the locally nominated, elected officers and the professionals working for the credit union.

To triumph over these problems and become an efficient and effective organization, CUA, in co-operation with other external agencies, has conducted base-line surveys among its affiliates, and has also undertaken various organizational restructuring measures. As most of the internal organization reports and field-studies (*cf.* Saka 1982; Goka 1989; Songsore 1992; Ofei 2001) have generally indicated, the bulk of the problems are related to the management and organizational aspects, which can be characterised as problems of inappropriate structure, improper attribution of functions and flawed communication with members. As these general problems are brought forward in literature about credit unions (*cf.* Kirsch and Goricke 1977; Ojermark and Carlsson 1980; Songsore 1982; Chirwa 1994; Muluh 1995), they all in one way or another emphasize the seriousness of these local organizational problems and the urgent need to find appropriate solutions to improve the organizational structure and the participation of the community in the management and decision-making processes. These issues which are frequently raised in relation to local organizations constitute the central part of the subject of this study. These problems are also connected to the interrelation between local organizational patterns and 'modern' - oriented institutions at a higher level (apex organization of credit unions and Government institutions). The complexity which arises from the interactions calls for an appropriate balance of different organizational procedures and practices in the management of credit unions.

In the context of development, issues related to the management and administration of an organization are not limited only to the co-operative sectors. Since independence these have been a central and persistent problem in most parts of African countries, indoubtably in co-operative credit unions but also in other sectors, even in the sphere of the public administration (*cf.* Morgan 1984; Uphoff 1995; Dia 1996; Waiguchu, *et al.* 1999).

It has become clear that whatever an abundance of resources a local community may possess and use for development programmes, without proper organization and management it will remain difficult to attain the desired development goals. In recent times it has become clearer that organization management is one of the factors which can accelerate or hinder development process at both national and local levels. In this context, in order to understand and resolve the problems surrounding this phenomenon, valuable local resources, including local organizational knowledge, have to be analysed and appraised. Related to this underlying organizational problem and process of interplay, this

study will analyse the possible potentials of and constraints on local organizational management with reference to the development of the co-operative credit unions in Ghana.

In initial contacts and orientations with the local co-operative credit unions in the Upper West Region of Ghana, it was clearly noticeable that the success of some of the co-operatives had been partly contributed to by the fact that this association had in different ways incorporated local organizational knowledge into the management process of their co-operative savings and credit unions. Among these practical efforts were the participation of not only members but ⁴ locally recognized authorities as chiefs, elders and other important personalities in discussions and resolving organizational matters.

While there is a wealth of literature on the impact and contribution of credit unions to various sectors and also to rural development, written material which can systematically set out and discuss to what extent local credit unions utilize the locally existing indigenous organizational skills, how they integrate this know-how into their formal management system, and how such processes can promote the participation of local community, the sustainability and the effectiveness of these co-operatives, is scarce.

1.1.2 Organizational Management

When the development process of every community is traced back, no matter its dynamics and capacity, it is evident that every community in Africa has its own Local Knowledge, in this case specifically related to the management of local co-operative organizations, which has been passed down from generation to generation. In the current development process and efforts in African countries, especially at local levels, enormous attention is being directed towards the strengthening of local institutions, including co-operatives. In these important processes, locally prevailing organizational knowledge is an often overlooked, even though it is an essential and valuable resource which should be incorporated, whether entirely or to a certain extent, in the management procedures and practices of local development institutions.

Several studies, including those by Songsore (1979), Arhin (1985) and Aryithey (1991), have shown that, before the advent of colonial rule, the various peoples of Africa possessed their own pattern of producing material wealth and corresponding institutional set-ups and management structures. Regional and global interrelations, the gradual development of long-distance trade, the various forms of overseas contacts, and finally the colonial intervention reinforced external influences on indigenous development practices, concepts and local institutional structures. In the sphere of organizational practices and principles, the external influences grew so dominant that the prevailing thought and management practices in contemporary African development institutions are either remnants of the colonial period or recent extracts from the organizational systems of the industrialized countries of the West or the East until the decline of the latter.

As clearly analysed by such experts as Morgan (1984) and Molnar (1988), the Government policies of the post-colonial period in Africa have been characterized by imported strategies of management development. Under the pretext of modernization and institution-building, the less developed countries in Africa have been overwhelmed by development concepts and management techniques transferred from highly industrialized countries, without regard to the local socio-economic and cultural environments in which these concept and techniques are to be applied. Most of these organizational forms have

had difficulty in fitting into the concrete socio-cultural conditions, particularly of the rural parts of African countries and therefore made institutions have not been able to allow to realize desired development objectives (*cf.* Molnar 1988; Mireku 1989; Dia 1996). Such a process has also certainly affected the management of co-operatives in Africa.

There are various arguments about the way development organizations operate. Their inability to achieve their goals lies partly in their structure and conception of plans and decision-making systems (*cf.* Davies 1989; Koehn 1990). The structures of most development organizations are very hierarchal and corruption of various sorts is inherent in them. Moreover, it is a common practice for decisions concerning development to be taken by a few individuals with authority who are at the top of the hierarchy of development organization, without the full participation of the society directly affected by it (*cf.* Damachi and Seibel 1986). As a result, most of the institutions have not been successful in solving development problems effectively, but instead they have become part of the development problems (*cf.* Ufford, *et al.* 1988; Blunt and Warren 1996).

At a higher level, in terms of development institutions in Africa, as Hyden (1983) pointed out, the role played by national states in promoting development has not been very significant. He claims that the relationship between Government and the society in rural areas is almost invariably weak and unproductive. Stemming from the continuous crisis in development administration, there have always been lingering doubts about the effectiveness of Western organizational skills in Africa. According to the study carried out by UNESCO (1982), modern planning and decision-making systems which have their roots in the socio-cultural conditions of the West cannot be easily transplanted to dissimilar environments. To be effective, the study recommends that these skills should be adapted to respective local socio-cultural conditions.⁵

In national development efforts, especially in the areas of management, local knowledge systems are considered a crucial factor which actively operates along side the modern concepts (*cf.* Arhin 1985; Blunt 1986; Mireku 1989; Blunt and Warren 1996). In analysing the reasons why certain development plans have failed in Ghana, Mireku (1989) among others points out that planners in Ghana have paid little attention to the role of cultural processes within the total development process and neglected to incorporate this centuries-old heritage into mainstream development. The same weakness applies, he argues, to the Structural Adjustment Program (SAP) of the 1980s which placed great emphasis on economic measures, without making a proper analysis of the cultural background in which they were to be executed. Similarly, several social scientists have emphasized that the role of indigenous knowledge in the local development of Africa has been largely neglected. Studies concerning indigenous knowledge and community participation in development which were conducted by Brokensha, Warren and Werner (1980), Richards (1985); Chambers (1997) have also reaffirmed that development planners often looked disdainfully down on local knowledge and capacity

Despite a continuous stream of external influences and interruptions, many rural communities in Africa have retained most of their indigenous know-how. As various studies have revealed, this accumulated knowledge can still be useful in solving organizational problems of various natures. From the Indigenous Knowledge Systems perspectives, some scholars have already undertaken trail-blazing studies in different fields of development - Richards (1985) and Chambers (1987) on agriculture and rural development, Warren *et al.* (1982), Twumasi (2001) and Slikkerveer (1990) on indigenous knowledge in primary health care. The results of these studies have demonstrated that

indigenous knowledge systems could play a very significant role in determining the outcome of development activities. Adapting this newly developed conceptual approach, this study seeks to investigate local organizational knowledge and skills and their practical role in the management of cooperative credit unions. Various scholars, among them Warren (1982a; 1982b), Slikkerveer (1990), Blunt and Warren (1996) and Watson (2003) have conducted studies on Indigenous Knowledge Systems (IKS) from different dimensions. These have encompassed health, agriculture, environment and institutions. In most of these studies, Indigenous Knowledge Systems which are unique and local community specific knowledge, have been documented and made accessible so as they can be formally incorporated into local development policies and programmes. The role of respective indigenous knowledge systems, especially with regard to institutions and management, can only be properly understood when related to the socio-economic development processes and cultural changes. Over generations there have always been a series of ongoing transformations and changes in African cultures and their indigenous institutions. As Geschiere (1989) has pointed out, these local changes are the product not only of their internal dynamics but also of their interactions with and responses to the various external interactions and influences (*cf.* Binsbergen 1985; Konings 1986; Nukunya 1992; Geschiere 1994). In this context Indigenous Knowledge Systems can be seen as dynamic knowledge, which adapts and transforms through time in response to the concrete socio-economic developments taking place in a given community. Resting on these premises, this research reviews the present international debate on the role of indigenous institutional and management knowledge systems from the perspectives of local community development in Africa.⁶

Organizational Management Systems

Similar to the situation in many developing countries, in Ghana for a long time the failure of certain development plans and the ineffectiveness of development efforts at different levels have been partly attributable to the inappropriateness of the management structure at different levels and the limited level of community participation. In local institutions such as the co-operative credit unions, sufficient local participation has not been forthcoming, partly because of the unfamiliarity of local people with the principles and practices of 'modern' organizations and management, and partly because of the inability of these organizations to understand fully the organizational environment of the community and to integrate local organizational know-how into their management policies. In the majority of such cases, the intended beneficiaries of development programmes, especially in rural areas, are given no possibility either to participate in or to exert influence on the planning and decision-making process (*cf.* Richards 1985; Tamakloe 1989; Nukunya 1992; Chambers 1993).

Current debates concerning the concept of local development management, including those by Morgan (1984), Uphoff (1986), Mishra (1989), Mohamed (1994) and Dia (1996), have thoroughly analysed the phenomenon which so far generally remain unidentified as a result of the extension of and overemphasis on the global transfer of management concepts and techniques, local management and indigenous perceptions of management, planning and decision-making. Consequently they are underutilized. The upshot is that most of these 'modern' development institutions tend to fizzle out (*cf.* Brokensha *et al.* 1980; Garcia-Zamor and Jean-Claude 1985; Mathur 1986). This implies that an integration of some

aspects of locally prevailing organizational knowledge into such modern co-operative institutions as the co-operative credit unions, could enhance the achievement of objectives through an active participation of the community at which these are targeted.

In Ghana, as extended studies carried out by Arhin (1985; 1991) on the chieftaincy and by Yelapaala (1983) and (1992) on the *Tendaana* clearly demonstrate the local institutions which retain indigenous management systems still occupy an important place in the social life of the various nationalities, especially at a local level. Traditional management systems are not closed systems and they are not influence-free. Through interactions with the exogenous values underlying modern management forms, these systems continue to adjust themselves to the actual situations in which they operate. Therefore as many other similar institutions, during centuries of interaction with external values the chieftaincy and *Tendaana* in Ghana have undergone various modifications as new ideas flowed into these institutions. At present, it almost goes without saying that most traditional chiefs in Ghana acquire a formal education, which shows one way by which new ideas constantly are injected into traditional managements (*cf.* Arhin 1985; Mireku 1989).

Some of the practices and procedures which are common to the management of indigenous institutions can still be traced within the co-operative organizations which are operating at the local level to promote community development. The remnants of the past organizational knowledge which have passed through various historic trajectories can easily be linked to current institutions which are formed on the basis of the needs of the community. Over the years and since their establishment, co-operative savings and credit facilities have become very essential aspects in stimulating economic development processes. Especially in rural parts of Africa, where banking services are hardly available, microcredit and savings activities are operated at the local level by credit unions. In most cases, these unions help to mobilize and transform domestically generated resources into development activities, including micro-projects, which will benefit members and non-members directly and immediately (*cf.* IFAD 1985; DeLancey 1989; Alila 1992; Austin 1993; Stiansen and Guyer 1999).

Very essential characteristics of co-operative credit unions go beyond the effective mobilization of local savings, they also stimulate community members to participate in the organizational process. Members are encouraged to pool their savings together to work for the common interest and, perhaps even more importantly, to help themselves develop their acquired abilities to manage a credit enterprise even further (*cf.* Dublin 1979; Muluh 1995). Credit union management involves knowing how to run an establishment whose final authority is supposed to rest with its entire membership. In its management and its operations, a credit union depends on the co-operation between people. Here it is very essential to note that the union is established, owned, controlled and further developed by its members. In this way rural credit unions make use of the available indigenous organizational knowledge. Importantly, the existence of a common bond among the members of the union contributes to greater trust and effective functioning of local organizations.

While this research analyses the use of the indigenous knowledge system in local credit unions and its contribution to the successful development of the credit union movement, it is neither a search for the authenticity of the local management practice, nor an appraisal of the modern management, for both can hardly operate in a pure form in this globalized, interdependent and quickly interacting system. In this case, the study seeks to

investigate how these management systems with different procedures and practices interact and influence one another and produce a system of management which is appropriate to the given local circumstance.

Even though co-operative credit unions function in the local environment, it is evident that current co-operative credit unions not longer exist in their original form, free of any interplay with diverse agencies. These agencies exert a gamut of influences which alter the character of credit unions from being either purely local or global. Reacting to prevailing interplays they are exposed to all possible orientations. Co-operative credit unions, which have local roots but in the meantime have worked closely with different agencies which are located both at national and global levels, have easily adapted under the influence of external organizational structures.

As analysed by various scholars, among them Molnar (1988), Dia (1996) and Waiguchu (1999), most organizations in present-day Africa are a product of interactions between endogenous and exogenous factors, consisting of a mixed set of management producers and practices. These are the internal local institutions, which have evolved over generations and the external structures and procedures, which have been enforced through various forms of interventions and transfers of management skills, and procedures to Africa from highly developed industrial countries. As some scholars have revealed such interactions create various forms of hybrids, with some aspects having their origin in the community and others imported from external agencies. As Ofei (2001) in his recent study on CUA has underscored, the credit unions institutions in reality have a hybrid form of management, in which a diverse mix of organizational values is used in management. Since this relevant but complex aspect of credit union management requires more detailed analyses, through various conceptual approaches this study seeks to identify the various elements which actively and passively play a role in the management of co-operative credit unions.⁷

1.2 Focus of the Study

Local communities in developing countries are entangled in a process of constant and increasingly rapid socio-economic change. In this process, they fall back on their local leaders and on local institutions operating in their communities to provide guidance. Local institutions are therefore constantly challenged to adapt and deal with changes, be they socio-economic, political or cultural in nature, while they are simultaneously expected to respond adequately to the current demands of their local community.

While the role of local institutions, as the co-operative credit unions studied in detail in this study, in local development has gradually obtained recognition, the ongoing development debate has often overlooked one of the key dynamic factors which make these institutions effective, namely the local organizational knowledge, values and norms embedded in the communities and the institutions which serve them.

This study seeks to develop an insight into the appropriate local organizational and management structure which will stimulate an increased participation of the local community in the planning and decision-making process, as elucidated in the bottom-up approach in development, against a background of constant socio-economic change. At the same time, the study seeks to contribute to the development debate about organizational efficiency and effectiveness, and the importance of capacity-building of local institutions.

The study assumes that the synergy of the local and global management skills in local institutions, in this case the co-operative credit union, can enhance local participation, even as it promotes the sustainability of institutions which advance local development.

From a management perspective, the central subject of this study, the relatively autonomous local co-operative savings and credit institutions, is strongly anchored in local community needs and practices. In order to continue to fulfil the primary role for which they were established, credit unions are expected to incorporate various aspects of tradition and modernity into their organizational managements. To increase our knowledge and understanding of the dynamics of local organizational knowledge and development, this study seeks to analyse the complex process of interaction, change and adaptations, which most of these institutions are undergoing. In this regard, this study focuses on the organizational management dimensions of development (*cf.* Bryant and White 1982; Ndeywa *et al.* 1987) and analyses the potentials and limitations of local organizational knowledge in promoting community development.

To obtain a broader insight into and to describe the practical role of local institutions and organizational know-how, the study also looks into local co-operative credit unions among the *Dagaaba* of the Upper West Region of Ghana. It analyses the historical development of these credit unions and the role of indigenous organizational knowledge in the local credit union, and investigates the relevance of these adaptive organizational and management structures to the decentralized structure of the Ghanaian administration at district level and the implementation of the decentralization policy.

1.2.1 General Aim

The general aim of this study is to assess and document the historical development of co-operative savings and credit unions, and analyse their present organizational dynamics, adaptations and changes in order to gain an insight which will permit the construction of an integrated model of organizational management which may promote more local participation and as such contribute to sustainable development. In order to attain this general aim and the detailed specific objectives, this study will assess the co-operative savings credit union from the following three interrelated dimensions:

First, the study looks at the socio-economic conditions in which credit unions have developed. It discusses the emergence of these local institutions in a particular place at a given historical time, stimulated not only by local socio-economic dynamics but also by constant interactions and communication with external factors. Taking the case of the Co-operative Credit Union Association of Ghana, specifically that of the credit unions in the *Dagaaba* inhabited Upper Western region as a case study, the various historical factors which contributed to the gradual development of these local co-operative organizations will be assessed.

Second, the study considers the organizational dimension. Despite the constant processes and relentless efforts to develop the institutional structure and capacity through the transfer of organizational knowledge, the concepts and practices applied in the local co-operative organizations and its management tend to be strongly oriented to local values and norms, which have their roots in the local socio-economic and cultural environments. Nevertheless, the triggering aspect in this interactive process is how different models of procedures and practices of organizational management, the written, 'modern' or legal /

formal as opposed to the local, ‘traditional’ and not-written, are reconciled with one another, in a subtle way without the former totally losing its ground and often without formal recognition by the latter. In this context, to distinguish and understand this complex and interrelated set of factors clearly, the organizational structure and the management of local institutions, their changes and adaptation to external influences are thoroughly analysed. In this, the local organizational knowledge approach provides an insight into the processes of interaction and integration between on the endogenous and exogenous factors in the organizational structure and the management of co-operative credit unions.

Third, the development dimension is taken into account. The outcomes of the interaction and integration between modern and traditional management systems within local organizations, such as credit co-operatives in Africa, are very relevant to development. One of the most important aspects to be examined is to what extent the local co-operative credit unions and their integrated forms of management function effectively, promote more local participation and contribute more effectively to the development of the local community. Basing itself on this perspective of effectiveness, this approach looks more specifically into the organizational processes and decision-making systems of co-operative credit unions. After obtaining an adequate understanding of the mechanisms of an integrated management, the role of credit unions in delivering local development will also be thoroughly described.

Through this interconnected, three-dimensional approach, with a focus on the co-operative credit unions in Ghana, this study seeks to identify, analyse and document the complex process of interaction. Overall, this study explains the major factors which are playing an important role in the development and management of co-operative savings and credit unions, and assesses the relevant factors which have contributed to the successes and failures in the achieving the objectives of co-operative credit unions.

1.2.2 Specific Objectives

Embarking on the general aim, through the combined, three-dimensional approach to the co-operative credit unions, this study pursues six specific objectives.

Firstly, to give an overview of the development policy of Ghana and assess specifically the co-operative policies of the Government, and show how the policy changes under the different Governments have directly or indirectly affected the development of co-operative credit unions organizations in Ghana.

Secondly, to analyse the factors which have contributed to the formation of CUA, its working relationship with the Government and with external, international organizations, as well as its internal working relations with affiliated credit unions; and to show how the process of globalization has impacted on the relations and policies of local co-operative credit unions.

Thirdly, to assess the historical development of the *Dagaaba* and of their local institutions, and interpret the various trajectories through which these institutions have passed, within the context of the local development process.

Fourthly, to analyse the socio-economic background, the origin and development of the credit union movement of the *Dagaaba* against the background of the historical development of the Upper West Region of Ghana

Fifthly, to depict the organizational structure of co-operative credit unions and show the various agencies which have influenced their decision making and policy planning. Through an inquiry into the organizational structure and management processes, the various interactions between the local and external organizational practices and procedures will be assessed. In doing so, particular emphasis will be placed on the role of local knowledge and institutions which have influenced the organizational management of the local co-operative credit unions in different ways.

Finally, to assess the role and contribution of co-operative credit unions to the various sectors in the local development process among the *Dagaaba* and discuss the relationship between organizational management and development at the community level.

1.2.3 Research Questions

With a central focus on the Co-operative Credit Unions Association in Ghana, and specifically among the *Dagaaba* community of the Upper West Region, this study consists of a central enquiry into the factors which have contributed to the development of credit unions among the *Dagaaba*; how these credit unions are managed; to what extent local organizational knowledge systems are integrated in the management; and what sort of socio-economic roles credit unions play in local development. To analyze them systematically and provide an adequate explanation, these central questions are directly related to and viewed from the three interrelated dimensions, namely a dimension of historical analysis, a second dimension of organizational management and a third dimension analysing local development.

In the historical analysis, the first part of the questions is directly related to the historic development of co-operative credit unions among the *Dagaaba*. In answering this question, an in-depth analysis of the socio-economic development of the community will be undertaken. The most important factors which have contributed to the rise of the local co-operative credit unions in the Upper West Region will be discussed. The structure of local forms of organization and their relationship to credit unions and the level of the community's participation will be analysed.

The second part of the question deals with the organizational structure, the analysis of organizational management, placing an emphasis on the application of local organizational knowledge (LOK). As Mireku (1989) has remarked about the role of the chieftaincy, in Ghana the chiefs still fulfil managerial functions. Hence, in principle they are expected to be involved in all development activities in their communities. The question is to what extent this applies to the credit unions in practice. From the perspective of the local institutions of the *Dagaaba*, the role of *Tendaana*, local elders and kinship organization will be discussed. The current emphasis on decentralized planning means that the integration of indigenous decision-making systems is now possible and also very essential. An increased participation of local communities in the planning of their own development is one of the central goals of the Ghanaian planning system. (NDPC 1990). To implement this plan, the use of local resources including local skills is absolutely indispensable. Through years of building up the working relationship with primary societies, CUA has accumulated practical experience with the mobilization of local resources and use of local skills. The question which arises here is how the planning policy can benefit from the local organizational knowledge of CUA.

It is the expectation of the study that the interplays between these diverse factors might be approached more as a synergy of management, in which the different aspects cannot be found in their original form, nor do they have a separate outcome, but instead are intermingled and contribute to a broader spectrum of the management of co-operative credit unions. It is also the assumption of the study that a proper mix and balance between the transplanted system of management and the locally existing 'traditional' management systems will be able to promote a meaningful contribution to local development. Conversely, it assumes that those institutions which do not have the capacity or are unsuccessful in arranging and adjusting to a proper balance have a great chance of running into crises or disappearing, whereas those which can adapt to the current development needs are far more likely to fulfil their development role. In this context, it seems an essential requirement to maintain a critical balance which depends on a given organizational environment. The analysis of such interactions and changes which take place in the organizational management forms the central theme of this research.

The third aspect of the central question looks into the role of credit unions in local development. In doing so, it analyses for what purposes and in which sectors credit union loans are used, and whether the availability of savings and credits through the local credit union movement has contributed to self-reliance and sustainable community development.

1.2.4 Expected Implications for Local Institutions

This research ties in aptly with the current debate and the consequent attention being paid to local development and the increasing relevance of local socio-cultural factors and institutions in the development process. As such, the study attempts to contribute to the efforts being made in this field. This study will provide background information which may enable development workers to be more aware of the locally available development resources which could be integrated or linked into the development process. Its aim is to broaden our insights into indigenous resources and knowledge systems in Ghana in the field of management and resource mobilization for development, which might be applied in the bilateral and multilateral development programmes and projects, and also to improve upon their models for organizing local participation.

CUA and its affiliated credit unions, which are directly included in this study, as well as other similar co-operative organizations will be the direct beneficiaries of these research findings and the practical implications which will be generated at the final chapter of this book.

By explaining the dynamic factors which are relevant to the local organizational environment, the study also attempts to assist organizations working at the local level in the process of setting-up an administrative system suitable to the local environment in which they operate. By so doing, it expects to be useful to co-operative organizations, NGOs, local level planners, decentralized Government bodies and other institutions with a function at the cutting edge where modern and traditional management methods interact. The research will also give a positive impetus to the effectiveness of the decentralization and de-concentration processes currently being undertaken in most African countries.

It is hoped that as one of its outcomes, this study will give a positive impetus to an increased participation and co-ordination of the efforts of local communities in the planning and decision-making process in Ghana and other African countries, as these communities develop an integrated management system which explicitly facilitates the

active participation of target groups. Through the use of this management system, which incorporates parts of modern and parts of indigenous management knowledge, the efficiency and effectiveness of development organizations at the local / grassroots level will be enhanced.

1.3 Study Area and Methodology

1.3.1 Study Area

For this study the Co-operative Credit Union of Ghana and its affiliated credit unions among the *Dagaaba* of the Upper Western Region of Ghana were taken as a case study. The choice to study the co-operative credit union in Ghana was based mainly on the following five arguments:

i. Ghana is one of the Sub-Saharan African countries with a variety of local cultures in which modern administrative systems are operating complementary to indigenous administrative systems. In his study, Mireku (1989) had correctly noted that the local institutions and authorities are close to the rural communities, and incontrovertibly they play significant managerial roles. Some aspects of the traditional administrative system of Ghana, notably the chieftaincy system, are still actively used in the development process of the rural areas, where about 70 per cent of the country's population lives (*cf.* Awoonor 1990; Arhin 1991). As Johnson and Mlenge (1993) have pointed out, the traditional Ghanaian administration carries enormous responsibility in almost all the spheres of societal development.

ii. Ghana is currently engaged in decentralization and in the reform of its planning system. The current approach to planning is assumed to be integrated, decentralized, problem solving, continuous and participatory. The development plan states that community participation is to be an integral part of the development process, "which should ensure reality in decision-making and release native genius" (Trevallion 1990). To implement this plan in practice requires a clear understanding of the traditional organizational forms which are operating at a local level.

To improve its administrative structure and accelerate development in the country, since 1990 the Government of Ghana has been engaged in restructuring the planning system and a decentralization of the decision-making process (*cf.* Aryeetey 1985; Kyei 2000). The number of districts was increased to 110, and they tiers of local government were made the central focus of development efforts at the local level. Members of the district assemblies are vested with the political and administrative power to formulate and implement development plans at the districts levels and work in close co-operation with local institutions. (*cf.* Tamakloe 1989; Trevallion 1990; Haynes 1991).

iii. Relatively speaking, Ghana has clearly shown a growing interest in and awareness of the role of indigenous knowledge systems in development. In different fields, related studies have been undertaken. Practically, as Warren, *et al.* (1982) demonstrated, in the area of primary health care, a programme of health training for indigenous healers had already been started in 1979. Previous experiences with studies of a similar nature in Ghana facilitated the effective implementation of this research project.

iv. As it can be observed from various studies, among them Songsore (1979), for obvious, including historical reasons, for a long time the socio-economic development in the Upper West Region has been slower and has lagged behind the rest of Ghana. Until the

1980s, when intensive development efforts were launched, the Upper West Region was less integrated into the national development process and more engaged in agrarian farming and cattle-rearing activities. It also had a poor potential for agricultural production attributable to the erratic rainfall patterns in the area.

v. The Upper West Region, especially the *Dagaaba* area is the place where the oldest credit unions in Ghana were established. Relatively speaking, the modern banking facilities in the Upper West Region are still limited. In 1986 the Upper West Region had only seven banks, which represented less than 2 per cent of the total number of banks in the ten regions of Ghana. In contrast, the Greater Accra Region contained about 17 per cent of the total number of 432 banks (Bhandari 1987). Given these circumstances, the local co-operative credit unions are well-established institutions, performing wider functions in the local development process.

1.3.2 Research Strategy

In this research, extensive readings and field surveys have constituted the main research methods. As indicated in greater detail in Chapter II, both quantitative and qualitative methods of data collection and analysis have been applied. Whereas, generally speaking, the qualitative data have constituted the major part, selectively and to a limited extent data have also been gathered through structured and open questions devised to provide supplementary background information. In Ghana, both in libraries and at co-operative credit union offices, local literature and archived documents have been studied.

Through regular visits and periods of time spent in the research area, it has proved possible to make an assessment of the organizational environment and the activities of the local co-operative credit unions. The views of the local community about these institutions and the role and influence of local authorities have been thoroughly observed. Practical working activities were noted by consulting official documents, being regularly present during working hours and attending management meetings. Moreover, through open and structured questions and discussions with various credit union and management members, the views of elders and district authorities and other local opinions about credit unions have been investigated. After obtaining insightful information about the credit unions at the national and regional levels, the case study concentrated on five local credit unions operating among the *Dagaaba* in the Upper West Region of Ghana.

1.4 The Structure of the Book

Chapter I has provided background information to the subject of the study and touched upon the common organizational and management problems most African countries are facing and it has been argued that one among the major causes of organizational crises is the inability to utilize local resources effectively. With reference to this, it has indicated the relevance of indigenous institutions and locally available organizational know-how. It has also described the general aim and specific objectives of this study.

Chapter II focuses on the theoretical orientations of the study. Co-operative organizations and movements will be discussed. In keeping with the objectives and central research questions, the historical background to the development and relevance of co-

operatives and their relations with local institutions will be highlighted. To do this, it will be necessary to explain traditional forms of local co-operatives. Ongoing theoretical discussions about the local organizational and knowledge systems will be related to the debate on the process of globalization. Finally, the analytical framework and the research strategy to be employed in this study will be presented in detail and discussed.

Chapter III analyses the broader framework of the national development policies within which the development encompassing all regions of Ghana, including the Upper West Region, is regulated. Emphasis will also be given to co-operative policies and the triangular relationship between the Government, decentralized agencies and the district administration. Other local community institutions and their influence on credit unions will be discussed.

Chapter IV deals specifically with the co-operative policy of the Government of Ghana, as implemented by the Co-operative Department. It will highlight the co-operative movement and its relations with CUA and the registered credit unions. It will give a historical background to the development and relevance of co-operatives. It will also explain traditional forms of local co-operatives in Ghana, and present a comparative analysis of the role of co-operatives in both the colonial and post-colonial periods. In this context the Ghanaian co-operative Credit Union Association will be interpreted within the framework of co-operatives and the co-operative laws in Ghana.

Chapter V presents a detailed analysis of CUA, the apex organization of the Ghanaian Credit Union Associations which constitutes an important part of the case study. In giving a detailed analysis of the socio-economic background which has given rise to the establishment of credit unions in the country, the development of the money economy, pre-financial transactions, the evolution of the first credit union in Jirapa and their spread all over the country will be discussed. This will also involve a description of the organizational structure and changes in policies. The relationship of CUA with other organizations, notably the international and in-country relations of CUA will be analysed. The relations between CUA and the Government will be discussed in detail, notably how the Department of Co-operatives is dealing with CUA and also how CUA responds.

Chapter VI gives an account of the general situation in the research area, the part of the Upper West Region inhabited by the *Dagaaba*. The patterns of settlement, the location, physical characteristics, demographic features and economic conditions and development potentials in the study area will be described. The ethno-linguistic and cultural distribution of the region will also be explained.

Chapter VII investigates the local institutions of the *Dagaaba*. Following the historical process, it looks into the local institutions starting from the pre-colonial times to the present day. It discusses how such indigenous institutions as the *Tendaana* and chiefs have undergone changes and transformations and adapted to the current situation. Prevailing local organizational values and norms, the family, kinship ties and the system of property ownership will be discussed. To place this in context, the relations of these local institutions with decentralized Government departments, their participation and influence in other community-based organizations such as the credit unions will be discussed.

Chapter VIII deals with the development of the Credit Union Movement in the Upper West Region and how the credit unions spread in the region. It goes on to highlight their current status. The case of certain selected credit unions in the Upper West Region are reviewed in detail. It analyses the concrete empirical study material obtained through archives and participatory observation, interviews and discussion. An analysis of the actual

conditions (including social, political and economic) of the credit unions in the Upper West Region and specifically those in the *Dagaaba* area will be elaborated. To supply added depth, it will look into older local institutions which are still operating. A detailed analysis of how local credit union operate, and their management style, planning and decision-making system will be discussed.

Chapter IX deals with the organizational structure of credit unions in the Upper West Region and pays particular attention to the planning and decision-making processes. Finally, the role of local credit unions in the rural development, the level of community participation and the problems facing credit unions will be explained. External relations of credit unions with CUA, district co-operative councils and other local and foreign institutions will be analysed.

Finally, chapter X will discuss the research findings specifically in relation to the conceptual model and central questions posed in this research and gives a conclusion. Besides this, it reviews the theoretical and practical implications of the study with regard to the management and the role of co-operative credit union in development.

Notes

- 1 A co-operative credit union, simply referred to as credit union is a financial institution, owned and run by members, who make use of its services (saving, credit, other related services). Co-operative credit unions are distinct from other financial institutions, in their operations they take into account both co-operative laws and banking principles (cf. Department of Co-operative 1990; Fairbairn 1994).
- 2 This study concentrates on those co-operative credit unions in the Upper West Region of Ghana, which are officially affiliated to CUA. It refers to other local financial institutions only when they have working relationships with credit unions.
- 3 Through constant pressure from the WOCCU and the combined efforts of local co-operative credit unions, CUA was established in 1968 as an apex organization to serve the interests of the credit unions and represent them at the national level. It is an autonomous and a well-known financial institution in Ghana and an active member of the WOCCU. For more details see CUA (1978).
- 4 A very important, key characteristic of co-operatives is their democratic nature and the full participation of the members in organizational processes. Members regardless of their social status and the size of their savings have an equal right to vote and to express their opinion during credit union meetings. See Verhagen (1982) and UN (1995).
- 5 For the emergence and sustainability of credit unions, appropriate local socio-economic conditions are an essential factor. Local in this regard refers to the community and the neighborhood in which the credit union operates. Both have structural links and interactions with external factors and the broader development process. See Hines (2003).
- 6 In this study development is viewed from a broad perspective. It encompasses, among others, the economic, social and cultural activities that are essential to achieve sustainable community development (cf. Toledo 2001; Barraket 2001).
- 7 In this study, the Integrated Management System (IMS) is conceived as an interaction and synergy of different management procedures and practices. Stakeholders from different socio-cultural background join each other to promote the objectives of co-operative credit union (cf. Ogba 1991; Dia 1996; Jackson 2004).

II. Theoretical Framework

This chapter discusses the theoretical framework used to study, document and analyse the historical development, the current organizational management and the role of co-operative credit unions in Ghana. It looks into various conceptual approaches and paradigms which are relevant to understanding and analysing the various factors underlying the dynamics of local institutions. Concepts of development, which highlight the relationship between rural communities and policies of the State, co-operative credit unions and other development organizations will be reviewed. Particular attention will be paid to discussions specifically related to local institutions and the socio-cultural dimensions of local co-operative management.

Community-based co-operative credit unions are owned and managed by the members themselves who mostly use local organizational and management know-how which has been passed on to them over many generations and is deeply embedded in the local socio-economic and cultural structure. On the basis of the approaches, the theory and practice of the newly-developing field of Indigenous Knowledge Systems, the local institutional patterns, the practices and procedures, as well as their implications for co-operative credit unions will be discussed.

The development of co-operative credit unions and their management is not an exclusive or an isolated practice. They are affected by both internal socio-economic regulations and by external interventions and influences. The constant processes of institutional interaction, adaptation and transformation, and their specific effects on local credit unions will be examined in connection with the ongoing discourses debating the processes of globalization and localization.

Effective mobilization of local resources for endogenous development, so important to the continuity and sustainability of co-operatives, depends on the participation of the local community as well as on an appropriate management system which is able to integrate and regulate the various organizational relations and stakeholders involved in the credit unions. The integration of the various practices and procedures in the management of co-operative credit unions will be assessed within the context of an integrated management approach. This integrated approach to credit union management will be analysed and described in more detail to serve as an analytical structure for the study. In the final part, the research methods employed for the collection and analysis of data will also be discussed.

2.1 Development of Co-operatives and Credit Unions

Co-operative organizations in Africa, which are an expression *par excellence* of local institutions, can essentially be referred to as indigenous institutions which have evolved in the area over many generations. Co-operatives which have been established later on the basis of the initiative and free will of the local community are as such generally managed by the members themselves. The members are guided largely by the local socio-cultural values and norms, while in some cases external influences have come to play an increasingly important role. This type of local institutions has been widely used for centuries among the rural communities of Africa as is also well documented by the studies of Armbruster, Kirisch and Lucius (1984), Blunt and

Warren (1996). These local co-operatives tend to undertake numerous activities in different sectors of the society. Since the early 1950s, the new credit unions, which provide mainly financial services to community members, have gradually become a very familiar type of co-operative, which has also started to play a multidimensional role in rural development.

While for more than a century, co-operatives have been developed around the world to serve mainly the general interests of their members, in Africa, co-operatives are rather more diverse maintaining their own unique character and history in almost every part of the continent. They have been adapting satisfactorily to the changing socio-cultural and political environments in which they operate. Although co-operatives undertake different activities depending on their specific objectives, various general definitions have been given reflecting a certain common understanding about their underlying motives and principles. As the studies on co-operatives by Laidlaw (1980) and Prakash (2003) have indicated, the concept of co-operative movements in general refers to a group of people working together to attain certain socio-economic and cultural goals, using the philosophy and principles embedded in the concept of a co-operative. These principles were originally written down about a century ago by the Rochdale Society of Equitable Pioneers for the specific forms of co-operatives in nineteenth-century rural England to serve as essential guidelines for these institutions (cf. Fairbairn 1994; Birchall 1997). Rochdale co-operatives encompass a type of collective human activity, which is considered to be distinct from conventional public and private enterprises.¹

Since their inception, there has been a wide range of approaches to the study of co-operatives. The classical definition, as was restated by Digby (1970: 11), refers to co-operatives as: *'...An association of persons, usually of limited means who have voluntarily joined together to achieve a common economic and social goal through the formation of a democratically controlled business organization making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking.'* This definition emphasizes that co-operatives are associations of people who join together voluntarily to meet their common socio-economic needs. The generally accepted description of a co-operative used by ILO (1988) is also based on this definition. ILO has also stressed that members of co-operatives should accept a fair share of the benefits and risks involved in the co-operative undertakings.² As the definition of co-operatives is very broad, it is interpreted from varying perspectives. Scholars such as Rose, Sherman and Young (1981) and Braverman *et al.* (1991) emphasize the economic and commercial role of co-operatives and overlook other socio-cultural factors; others, including Adeyeye (1978) and Gayeke (1980), pay more attention to the socio-cultural dimensions. These they consider are equally essential to the development of rural communities, since they lie at the root of the co-operative movement in Sub-Saharan Africa. The overriding concept in the overall co-operative movement in African and other developing countries reveals a group of people, small or large, with a commitment to joint action on the basis of democracy and self-help in order to secure a service or social, economic or cultural arrangement which is at once socially desirable and beneficial to all taking part.

In its recent statement on co-operative identity, the International Co-operative Alliance (ICA 1995: 1) defined co-operatives as: *'...An autonomous associations of persons united voluntarily to their common economic and social needs through jointly-owned and democratically-controlled enterprise.'* This definition reaffirms that co-operatives are member owned and independent associations which are democratically managed. As the ICA (1995) statement specifically pinpoints, even though co-operatives are owned by individual members, they also

have a responsibility to the well-being of the community in which they operate (cf. Birchall 2004). The ICA definition supplemented by that of ILO clearly shows that co-operatives serve not only the economic but also the social and cultural interests of communities. Likewise, in this study, the co-operative credit unions in northern Ghana will be analysed through multidimensional approaches. As shown later, indeed some parts of the co-operative movement tend to concentrate predominantly on such economic activities as farm work, building houses and financial services, while others focus on serving the social and cultural needs and objectives of their members. The latter include community support in social events, cultural manifestations and family matters in general.

In addition to achieving a number of economic goals including the mobilization of resources and production, co-operatives have also directed their energies towards attaining social justice, providing equal opportunities, reinforcing social solidarity and building strong relations within the communities and their institutions, despite the disintegrative forces of colonial and other external interventions (cf. Attwood; Baviskar 1988). Although most modern co-operatives among the rural communities of Africa have emerged from local initiatives, some of them have been introduced by national governments - sometimes even forcibly - or launched by NGOs. Although some local communities and rural inhabitants have used co-operative organizations more fully and successfully than others, hardly any agricultural or rural services would be imaginable without any form of co-operative organization. Looking at the role of co-operatives in rural development, Gayeke (1980) and Chitere (1994) argue that whatever the case may be, it is certain that the local socio-cultural system is a determining factor by which the co-operatives gain acceptance and maintain firm ground among the members of the community. Both authors also assume that co-operatives tend to flourish under the rule of democratic governments allowing the initiatives of individuals and communities to burgeon and prepared to provide the necessary technical assistance.

It is interesting to note that with regard to Sub-Saharan Africa, several studies on co-operatives, such as Verhagen (1984), ILO (1988) and (Holmen, (1990), present these institutions as a foreign, *i.e.* Western concept which has been introduced to Africa. However, the historical studies by Warren, Slikkerveer and Titilola (1989), Niamir (1990), and Aryithey (1991) on indigenous institutions in Africa provide ample evidence that co-operative organizations of various forms are deeply rooted in African traditional life and, as such, are part and parcel of the local socio-cultural environment. For instance, several scholars have documented evidence that indigenous co-operative institutions are a well-known phenomenon in Africa and have been in operation for centuries. Ta'a (1996) has described the *daboo* (mutual help) and *daadoo* (co-operative labour service) among the Oromo in East Africa, while Songsore (1982,1995) has highlighted the pre-capitalist co-operative institutions, such as the *langta* and *suunta*, among the Dagaaba of Northern Ghana. Similarly Nukunya (1992) extensively documented the *nnoboa* (mutual aid) groups among the Akan of Southern Ghana. These show that in nearly all rural areas in Africa, most economic activities and social services have traditionally been organised through such co-operative engagements among the members of the local communities. In addition, comparative research by Adeyeye (1978), Gayeke (1980), Brokensha, and Little (1988) has underlined that these indigenous co-operatives have responded to external influences introduced by changing socio-economic developments and international relations, especially during the post-colonial period of time. This process of external intervention already began with the early missionaries who came to Africa to spread Christianity, but also attempted to intervene

in the social and economic life of the local community through the manipulation of existing co-operative institutions. They considered these traditional institutions a means to realize their complex missionary goals in the continent. In this way the missionary movement paved the way for the advent and dominance of colonial rule.

From the beginning of the colonial time, the process of development which was based largely on the commercialization of agriculture and the interaction of local villages with the market economy was reinforced by the use of local co-operative institutions. These institutions were incorporated into colonial government policies in order to facilitate an increase in commercial production for the world market leading to the subsequent establishment of indirect rule. However, the attitude of the colonial powers towards various local institutions, including co-operatives, turned rather ambivalent. Incontrovertibly, they wanted to increase production by all possible means, such as the mobilization of such institutions; but they were not prepared to allow local organizations and their leaders play an autonomous role which could eventually lead to self-determination and freedom. So, under the pretext of building 'modern' co-operatives in the colonies, the initial transplantation of the British 'Rochdale' Model of co-operatives to the colonies in Africa was initiated. The Rochdale co-operatives are organised according to certain standard principles and, although dating back more than a century, they are still considered to be valid and universally applicable. In summary, these principles are as follows:

Co-operative Principles

- a) solidarity and mutual commitment;
- b) equality and the rule of democracy;
- c) non-profit motives;
- d) equity, fairness and proportionality; and
- e) co-operative education to be placed within the context of culture.

Even though these principles have been developed within the context of the economic situation in mid-nineteenth-century England, it is clear that such values centred on solidarity, democracy and equity have universal value. However their forcibly introduction into pre-existing African institutions, did require their adaptability, but simultaneously they did link up very well with basic African cultural values as mutual aid, solidarity and self-help at the community level.

In contrast to these principles, which stress fairness, equity and equality, in practice the colonial government co-operative policies in Africa concentrated on the expansion of surplus agricultural production at all cost, including the incorporation of local chiefs and the mobilization of local forms of solidarity. In fact, forms of co-operatives helped colonial paternalism to penetrate deeply the social and economic life of rural communities. Rather than developing local forms of co-operatives, it pushed rural communities into a dependent wage relationship without providing an alternative material basis.

At independence, most of such top-down organised co-operatives, which were not embedded in the local communities and in their social and economic practices (such as the kinship-based patterns of social exchange and reciprocity, forming part and parcel of the African cultural heritage), virtually collapsed. Only a few which had the capacity to adapt to the values and norms of the communities eventually survived.

In the period of time after independence, especially in the course of the 1950s, numerous modern co-operatives were established with great enthusiasm by the national governments in Africa as in other parts of the Third World. High expectations were raised that these co-operatives would heal the wounds inflicted under colonial rule and restore the traditional spirit of solidarity in the socio-economic life of village communities (*cf.* Attwood and Baviskar 1988). As a result, both types of co-operatives, *i.e.* the indigenous form and those based on the Rochdale principles, are found alongside each other, although the indigenous co-operatives continue to function for a wider segment of the local population in most Sub-Saharan African countries.

2.1.1 Co-operatives Credit Unions and Rural Development

Many central governments of the newly independent African countries regarded the co-operatives as a convenient policy instrument which contributed to setting in motion a rapid process of socio-economic development. In doing so, they have used the term 'co-operative movement' loosely to cover a broad array of various development activities. In this period of time following de-colonisation, the co-operatives were initially introduced as an anti-capitalist social movement and most states used co-operative organizations specifically for restructuring the rural sector (*cf.* Rose; Sherman and Young 1981).

As clearly demonstrated by Gayeke (1980) and Holmen (1990), the preference for co-operative-oriented development policies was principally based on two main assumptions: the economy of almost all African countries is dependent on agrarian production; and the rural communities had a long history of co-operatives which could now be applied to induce rapid rural development. In this context, one of the main controversial issues with regard to the co-operative movement was and still is whether the poor and the marginalized segments of the society can also benefit from this movement. Although this study focuses on the institutional and managerial aspects of credit unions in Ghana, it is interesting to notice here that a few researchers, among them Attwood and Baviskar (1988), argue that in stratified societies they have been a mixed blessing. In some cases, the poor or less wealthy section can also participate and benefit to some extent, while in other cases, co-operative movements have increased production and commercial activities at the expense of these disadvantaged groups of the community. Attwood and Baviskar (1988) have also found that in countries where relationships are rooted in an unequal distribution of wealth and power, co-operatives have barely been able to dent this dominant structure and generate equality among the various groups of the society.

Although officially co-operatives are beyond the control of the State and free of political interference, in reality, relations between the State and co-operatives are very complex and vary from country to country. Governments tend to intervene in the co-operative sector through such mechanisms as co-operative policies, legislation and registration, incorporation of co-operatives into development plans, direct services and technical assistance. Indeed, in most African countries, it has become common practice for Central Government to adopt policies which intervene in co-operative activities. Even though currently most debates on co-operatives place emphasis on the issues of grassroots participation and sustainability of co-operatives, during the 1980s the discussion on co-operative movements was focused mainly on their ideological orientations (*cf.* Rose, Sherman and Young 1981) At that time, most arguments were inspired by the Marxist view that the State is the protector of existing property relations between socio-economic classes. This presupposes that the State adopts its approach to co-operatives on the

basis of a concrete social situation and the structure of power, in which the co-operative policies should serve the interest of particular social groups or classes.

The subsequent pluralist view of co-operatives, as described by Attwood and Baviskar (1988) and Holmen (1990) considers the role of the State to be more neutral and assumes co-operative policies are formulated with a focus on the outcome of the interaction among competing social groups. Nevertheless, most African States have attempted to play a large role in the organization and allocation of social and economic resources, albeit in most cases unsuccessfully, especially in attempts to control the entire domain of the co-operative movement in the country. Both the Marxist and pluralist shared common ground in that they concentrated their attention on the most effective method to organise co-operatives from the top, often disregarding locally existing, adequately managed indigenous co-operatives.

Most development plans devised by Central Governments in Africa have been utilizing co-operatives as an instrument of both development and political intervention. Quite apart from this, through their legal requirements and conditions, these Governments have had a great impact on the organization and management of local co-operatives. In this way, the legal regulations tended to detach the co-operative associations from their local social basis, essential to them to survive and function properly. Co-operatives which did not comply with the rules drawn up by the State ran the risk of being neglected and marginalized, losing access to services and benefits supplied by ministries. In order to avoid such a situation, co-operatives had to be registered, thereby obtaining legal recognition and benefiting from such government provisions as office space, stationery, recording ledgers and the training of staff. Moreover, only those co-operatives which have officially been registered are eligible to receive foreign support or engage in international co-operation programmes.

In general, the newly established precarious relationships between the State and co-operatives have indisputably exposed most local communities to new opportunities, but have simultaneously imposed restrictions with which they were not familiar. However, those co-operatives which fully complied with the new Government rules and regulations have not always been able to reach their objectives. In this context, Attwood and Baviskar (1988: 7) rightly notice that: *'...most co-operatives failed to live up to expectations. They did not help increase production nor did they help reduce poverty and inequality. In many cases they became hotbeds of political conflict, administrative inefficiency and corruption of all kinds.'*

Discussing the controversies between the blueprint and the actual conditions within local organizations, Hyden (1983) takes an unambiguous standpoint. Referring to the top-down structure of co-operatives, he points out the fact that African Governments have neglected to utilize the already existing local or communal organizations which are inherent in social systems. Hence, the top-down approach or enforcement from above overlooks the strong nature of local institutions - the 'economy of affection' - and his oversight eventually results in failure. Attwood and Baviskar (1988) underscore Hyden's view and state that the local organizations should be better understood, harnessed and utilized as the basis for co-operatives, rather than being disregarded and dismissed as 'backward' by the government and its functionaries. Later, the relationships between the State and co-operatives assumed different forms; in some countries they tightened, while in others they appeared to loosen as governments failed to recognize the worth these co-operatives, writing them off as irrelevant. Small-scale co-operatives, at the micro level, were not seen really as contributing to the development process, and as such were mostly

overlooked by the State which seemed more interested in large-scale co-operatives. The objective of the State was now the formation of extensive co-operatives at the national level.

Then, a transformation in the relations between the State and local co-operatives took place in various African countries, leading to a mutually beneficial process of socio-economic development. In the case of Ghana, the Government assumed the responsibility of designing a unified legal framework for all registered co-operatives and promised to make certain provisions to adapt local co-operatives to make them more like the 'modern' ones. When this step had been taken, most local co-operatives accepted the intervention of State functionaries in their activities, also simultaneously allowing them to direct external development assistance. Even so, this complicated relationship was not without problems as both parties were not always able to realize the goals envisaged in their co-operation. Although some co-operatives which were able to benefit from the new arrangement did begin to flourish and expand throughout the country there were a few local co-operatives which could not adapt to the new situation, and, as a consequence, were left out, rendering them so weak that some declined and barely survived. For most of the small-scale co-operatives in such rural areas as the northern part of Ghana, in practice the new relationship brought little new input, allowing them to continue to perform their traditional functions uninterrupted. Their local leaders were not involved in the process, and as a result, did not really see the advantage at the village level. Hence they did not make the effort to register their institutions. As far as these institutions continued to pursue their regular activities for the community, as they had been done in the past, they neither claimed their new rights nor were willing to give up their local freedom.

Co-operative Credit Unions in Sub-Saharan Africa

With the advent of socio-economic development and external interactions in the course of the 1950s, new co-operatives began to evolve in various sectors in Sub-Saharan Africa and elsewhere in the developing world with the objective of serving the growing needs of the local community. As trade began to increase, the old barter system was unable to cope with the growing number of financial transactions in the absence of an adequate financial infrastructure. The modern banking system was not able to reach the rural areas, therefore existing local traditional institutions gradually began to incorporate new forms of financial services. In this way the modern credit unions started to gain ground on the continent.

At this juncture, at the international level, the Canada-based World Council of Credit Unions (WOCCU) extended its organizational structure to respond to these local initiatives. Consequently, a number of continental credit unions – known as leagues - were established, among them COLAC in Latin America, ACCU in Asia and ACCOSCA in Africa (*cf.* Figure 2.1). Since its establishment in the late 1950 and as an umbrella organization ACCOSCA has managed to extend and co-ordinate the co-operation movements in most African countries from its head-office in Nairobi, Kenya. It had a multiple task as a focal point, training centre and a channel of good working relations between the WOCCU and the local African credit unions. Then, in 2002 its operations ground to a halt, mainly because of growing financial and managerial constraints within its own organization. Kibirige (1980) and ACCOSCA (1991: 7) argue that in the African context a savings and credit society is an organization in which members regularly put together their pooled savings with a view to obtaining loans for provident and productive means. The main purposes of such credit unions are to:

- a) promote thrift;
- b) provide credit at low interest rates; and
- c) guide people as to how to manage the money they have pooled together.

Various studies, such as Alila (1992), Austin (1993) and Stiansen and Guyer (1999), have noted that the origin of local credit unions in Africa is the product of a centuries-old social and economic development process rather than a simple introduction of a new institution by such foreign institutions as missionaries, WOCCU and NGO-led co-operative movements. There is a variety of forms of savings and credit institutions. Some credit institutions are regulated by banking principles and their primary aim is the maximization of surpluses, while credit schemes are launched in different sectors of the society by the central government or by NGOs. Co-operative credit unions are different from either of these as they encompass local initiatives, are often run on co-operative principles and are generally accessible to everyone, albeit, their services are limited to their own members.

Parallel to credit unions, there are other formal and non-formal types of local savings and credit facilities, among which the Rotating Savings and Credit Associations (ROSCAs) are one of the oldest institutions. There are private money-lenders, who charge their trusted clientele interest or accept standing crops, often at a lower value than what it is worth on the market. Besides the provision of savings and credit facilities, one of the main objectives of the credit unions is to remain self-reliant and not depend on external input. They nevertheless are also open to foreign assistance so as to undertake such new initiatives as specific projects aimed at increasing the participation of women and small farmers, developing cottage industries, and in times of financial crises – which was done by CUA during the 1980s (CUA Report 1989). As mentioned above, co-operative savings and credit unions are not directly associated with commercial, profit-making motives, but do of course need to generate some surplus to cover their running costs. Nor do they stand still. They also encourage rural small enterprises to develop and grow into larger institutions (Alila 1995). However, by their very nature, the financial volume and capacity of credit unions generally confine them to focusing their services on small enterprises. In previous decades, especially in the 1980s, they were often associated with informal sector activities, providing access to credit to such non-formal micro-enterprises as women's groups, petty traders and market vendors. With the support of credit unions, these small enterprises above all have become fairly successful in forging new ventures, which have remained largely beyond the domain of State control, taxes and other regulatory measures (*cf.* Muluh 1995).

There are various conceptions about the role and function of savings and credit unions. In the context of rural development they are generally not seen so much as business enterprises regulated by the rich, but as serving all segments of the people, including the rural poor, who have limited access to the modern financial institutions. The savings and credit unions developed both in rural and urban parts of Africa almost invariably as an integral part of the general co-operative movement which spread throughout the continent. *De jure*, all savings and credit unions were expected to comply with the rules and regulations set by the State to govern these institutions as co-operatives. In order to understand the development, organizational structure and contemporary role of African savings and credit unions adequately, an assessment of their history and the underlying principles in the management of credit unions will be explored.

Some historical studies on the introduction of currencies into Africa, such as that by Webb (1999), indicates that the economic development in the different regions of West Africa has been characterized by great variety. This is clearly expressed by the fact that some institutions developed earlier in certain region than in others. The coastal regions were earlier acquainted with imported commodities, currencies and credits and had gained their first experiences with the money economy largely as a result of their geographical location and concomitant trade routes on Atlantic frontiers. In the course of the eighteenth and nineteenth centuries intensification of these activities with the mixed commodity-money zone along the Atlantic coast, also gradually influenced the 'cowry zone' of Sub-Saharan West Africa, where currencies started to encroach upon the traditional forms of exchange of goods and services (cf. Davidson 1989; Stiansen and Guyer 1999).

Pre-colonial West Africa employed the cowry currency as its principal money. Monetization through the cowry currency tended to promote the expansion of credit. In some of the West African countries, among them Cameroon, Benin, and Ghana, the Rotating Savings and Credit Associations (ROSCAs) were widespread. These indigenous institutions were financial associations established by a core group of members, who met and agreed to collect a certain amount of money regularly and distributed it turn by turn to its members. When each member had received a lump sum of money which was equivalent to his or her contributions, the circle either came to an end or recommenced, with the old or new members participating. Even though ROSCAs are often small sized and deal with relatively little money, in some cases the deposits of money in ROSCAs were larger than in official financial institutions (cf. Bouman 1977; Tchuindjo 1999). According to Tchuindjo (1999), the ROSCAs underwent profound changes before European colonization, expanding from the Bamileke area to other regions of West Africa during colonial times. Some ROSCAs were gradually supplemented by the newly emerging credit unions, ending the relative monopoly they had enjoyed in pre-colonial days. This larger and more extended local financial intermediary system, which functioned at the crossroads between ROSCA and other banking institutions, emerged from within the local co-operative movement. Credit unions became popular and successful in including both the poor and relatively richer sectors of the rural community and had strong ties with local community.

Most studies, among them that by Dublin (1979) and Pratt (1990), on the history of credit unions assume that they emerged for as co-operative organizations for the first time in Germany in the year 1849, from where the idea of small-scale financial associations spread all over the world.³ Towards the end of the nineteenth century, this idea was also introduced into Africa, where missionaries and Colonial Governments sought to impose it on already existing similar local institutions. On the idea and the origin of the credit unions WOCCU (2000) notes that : *'...the idea of a financial co-operative to benefit its participants originated with Friedrich Raffeisen 130 years ago in Bavaria, Germany. As mayor of a small town, Raffeisen organized a co-operative savings institution to permit the people in his district to pool their money and make loans among themselves. The result was that they were able to rise above poverty and improve their lives and futures. The idea spread throughout Europe and North America, and in 1901, Alphonse Dejadins, started the first credit union in North America, in Levis, Quebec, Canada.'*

While this can be understood as the specific historical development of credit unions in Europe and America, Law (1999) and Austin (1993) both argue that credit unions were not simply transplanted from Europe to Africa, but took shape indigenously in the developing world. Their analysis reveals that credit transactions among various communities existed long before

the advent of colonialism. Indeed, during pre-colonial days, ROSCAs were already functioning among various communities in different parts of Africa. While there is no reason to deny the pre-existence of indigenous forms of savings and credit union activities in those days, indubitably they were certainly unlike the Raiffeisen forms from Germany, which operate under a written constitution. Conversely, the guiding rules and principles for the management of indigenous institutions have been rooted in the respective local socio-cultural values and norms, and are often administered by unwritten laws and regulations.

Recent studies on credit unions in rural Africa, such as those by Schmit (1991), Muluh (1995), Diagne (1999), IFAD (2001) and Zeller (2003), emphasize that there are two main reasons why these unions have a strong hold among the local communities. The main overriding factor is that most of the formal financial organizations - predominantly banking institutions - are concentrated in cities, where there are generally more commercial activities, but in rural areas such commercial banks are hard to find. Even where they are to be found, strict banking procedures mean that rural inhabitants do not always have easy access to these services. In various respects, the local credit unions somewhat resemble what are known as community or village banking systems.⁴ Both share close ties with the local community and operate outside the boundaries of the modern banking systems; however, their approach is different. These community or village banks are more interested in capital development in the village, whereas the credit unions tend to be rather preoccupied with community participation, operating on the principles of the co-operative movement, as applied in their organization and management.

2.1.2 Organizational Structure and Management

Studies on the organization of credit unions conducted by Dublin (1979), Kibirige (1980) and ACCOSCA (1991) describe the various stages generally followed in the process of establishing credit unions. The initial or embryonic stage of the credit union actually starts when a highly motivated group of people with a common interest comes together with the objective of forming some sort of organization or institution which can provide them with mutually based financial services. The number of members in the group varies from place to place, but they are expected to know each other well and to share a strong common bond which binds them together.⁵ Unlike such other formal financial institutions as banks, which rely mainly on official documents to allow clients to open an account, by their very nature credit unions require only a stable and trustworthy relationship with their fellow members as a prerequisite for their membership.

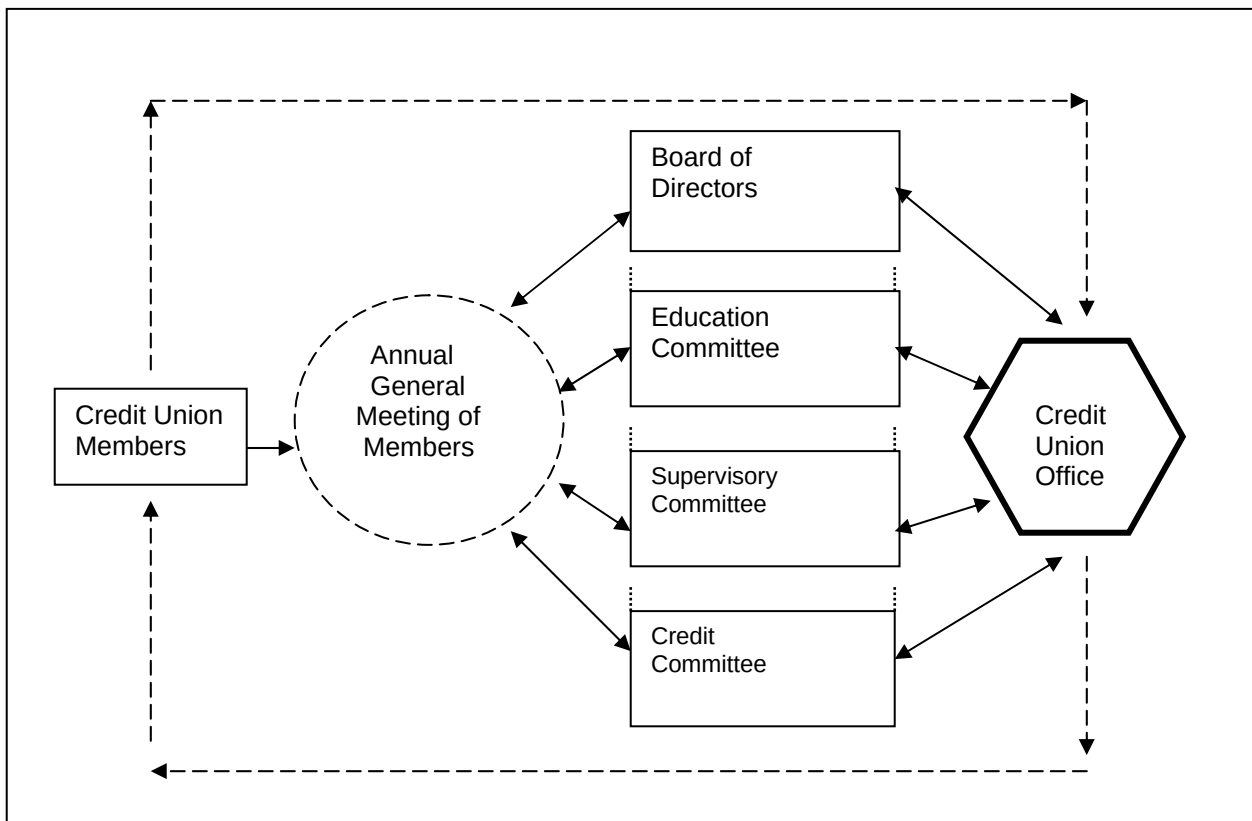
Non-banking financial institutions, such as ROSCAs and credit unions, are often both classified as part of the category of informal financial activities. Although they indeed share some similar activities in that both provide to their members savings and credit facilities, credit unions are expected to be officially registered, while most ROSCAs remain officially unknown, distancing themselves from any relationship with Government agencies.

At a certain stage, especially after the formation and election of their administration - locally initiated credit unions are generally expected to apply for registration under whichever government department handles co-operative matters (*cf.* Dublin 1979; Kibirige 1980; Saka 1982). The preparation of the credit union bylaws - rules and regulations agreed among the members - is a very important and lengthy process, which is expected to satisfy the needs of individual members and to comply with the government's public co-operative laws. This a critical process in which locally prevailing organizational cultures and guiding principles are to

be reconciled with the official, nationally approved and legally accepted co-operative principles. The registration, which gives the credit unions official recognition of status, has a strong impact on the functioning of these institutions. Once registered, the credit unions will be under regular surveillance by a Government agency to see whether their activities abide by the national rules and regulations on co-operatives. As a consequence, Government administrators gain direct access so as to monitor the activities and financial records of the officially registered credit unions annually. This complex relationship serves as a bridge by which exogenous influences are brought into local credit unions. Although credit unions are obliged to follow the national co-operative laws and organizational structures strictly, various studies, such as those by Austin (1993) and Stiansen and Guyer (1999), document that within the national structure they also continue to utilize their own local organizational culture. This is abundantly clear in the activities they undertake to mobilize savings, and distribute and recover their loans.

The interaction between the well-attuned local credit union principles and practices, and the modern national Government regulations pertains to a distinct form of rather resilient local credit unions which have managed to combine both aspects into as a new synergistic form of credit union to serve their members optimally. In order to better understand the specific management principles and practices which play in this process, the organizational structure of credit unions should be analysed as an initial step. In this context, ACCOSCA (1991: 9) refers to a relatively clear and simple organizational structure, well suited to managing such local credit unions optimally: *'... It requires common sense and some simple training that is why it can operate even among simple people. The members own a credit union, democratically control it, and through co-operative action participate in their own self-improvement.'*

As mentioned above, missionaries and Colonial Government officials put pressure on pre-existing local savings and credit unions to adopt a standard structure, which was later popularized by WOCCU. While local credit unions have in part maintained their community-oriented principles and practices, they have had to accept the conventional model as their standard management structure in order to obtain official recognition by Government agencies and ACCOSCA as indicated below.



Source: Adapted from WOCCU, ACCOSCA and CUA Organizational Structures

Figure 2.1: Conventional Organizational Structure of Credit Union.

This organizational structure of credit union management is lauded in both the literature (Dublin 1979, Dries 1976) and in the training manuals (ACCOSCA 1991, CUA 1992) of modern credit unions as the most appropriate model. It is a legal *sine qua non* for registered credit unions to accept this structure, and those which are not familiar with it, are receiving assistance from the co-operative departments and NGOs to help them implement this model for their objectives. As Figure 2.1 shows, the unions are owned by the members and managed by their representatives elected to the Board. The members constitute the final authority in the credit union within the limits of the co-operative law of the country.

As indicated in Figure 2.1 the ideal organization of credit unions should be guided by democratic principles, by which all members, regardless of the size of their savings and loans, are seen as equal partners and as such should participate in all decision-making processes. The supreme body of the union is the General Meeting, at which all members meet annually to discuss important organizational matters and make the relevant decisions on policy planning and implementation.

Consequently, the implementation of accepted policies and the daily operation of the credit union are delegated to elected members of the Board of Directors, supported by committees, such as the Credit Committee and Supervisory Committee. As indicated in the Figure 2.2 above, the Board of Directors - often also referred to as the Managing Committee - is elected at the General Meeting and is entitled to nominate members of the various sub-committees, which are responsible for management, loans, education and the supervision of the credit union. The procedure of the election of the Board of Directors is based on the 'one-member one-vote' system, where members directly raise their hands to elect a person nominated to represent them. In general, members elect only individuals respected in the community who have a reputation of the highest level of integrity and honesty. The relationship between the Board of Directors and members of the credit unions is open, egalitarian and based on mutual trust. This is in line with the traditional communal bonds characteristic of similar local institutions in Sub-Saharan Africa.

As analysed by Dublin (1979), the main function of the management of the credit union by the Board of Directors consists of planning, directing, co-ordinating and supervising the union's activities. Planning in the context of credit unions is not just a process of complying with a blueprint set out by the Board of Directors, but is instead the elaboration of important concepts and ideas of the members which have been discussed and agreed upon by the General Meeting. Initiatives from the side of the management which have not been brought up at the General Meeting and not been brought to the prior notice of its members tend to raise doubts and, in practice, rarely succeed. Similarly, credit union management is largely occupied directing activities which are of a recurrent, routine nature and familiar to the members. These activities include the mobilization of savings, the safe-keeping of savings, the provision of loans, the keeping of credit union records, acting as a liaison body for the credit union and, of course, the organization of meetings for members at regular times. As a liaison body, the Board of Directors also maintains good relationships with the Department of Co-operatives, local authorities and NGOs working with local credit unions. Following the principles of ACCOSCA (1991), it is the responsibility of each member of the Board of Directors to share among themselves the organizational tasks and activities of the credit union. Practically speaking, this is largely realized not just by attending meetings to design policy planning and implementation but also by delegating specific administrative tasks to the employees.

In the organizational operations and decision-making processes, the management of a credit union has to take into account both the internal and external organizational environment. Decision making is indeed a very complex process which encompasses various phases of ideas, discussions and compromises, usually leading up to locally acceptable decisions. Some organizations have their own, detailed policy for reaching decisions, which supplements Government bylaws which give general directives. Such a decision-making process uses both general and specific criteria which apply to that particular institution. In contravention of the classical concept of rational decision making, assuming that the decision maker has a complete knowledge of all the possible alternative courses of action and the consequences of each alternative, it is not always possible for these institutions to comply fully (*cf.* Bryant and White 1982; Bromley and Younis 1977).⁶ However, it is doubtful if these classical principles could be applied in a community-based organization such as a credit union. Pertinently, it should be remembered that decision makers in co-operatives are not primarily driven by rational motives of creating a surplus, but rather focussed on the diverse interests of their members. Apart from pure economic considerations the members also highly value the social and cultural aspects of their

membership. As a result the decision making in credit unions does not seem very straightforward. In community-based organizations such as the credit union, the first prerequisite of effective decision making requires the full participation of its members, on which the success or failure of the outcome depends. There are generally two parallel dimensions to decision making: first there is a general requirement that all board members and union members take an active part in the process, and second, managers subjected to time pressure sometimes have to make immediate decisions. In such cases, trusted managers have the legitimacy to take this step as they are expected to act according to the general interest of their members. In most cases, especially when decisions are made on routine administrative activities, the management of the credit union is entitled to make decisions on behalf of its members.

The role of credit union management involves such matter as the admission of new members, the granting of loans and the resolution of such problems as loan delinquency and liquidity. One of the crucial and recurrent matters with which the Board is confronted is the regulation of loans. This involves the management of both the demand for loans and their recovery. If this process is not carefully managed, it can certainly lead to the risk of loan defaults and bad debts, which are likely to occur during the operation of less carefully monitored credit unions. Hence, non-repayment of loans is a recurrent problem with which most credit unions have to cope. The way in which such problems are solved depends to a greater extent on the capability of the management rather than on either the principles of co-operatives or the self-help spirit of the community.

The provision of loans is one of the main services provided by credit unions. Such a loan can be regarded as a certain amount of capital lent to a member for a productive purpose for a certain period of time against a agreed rate of interest (*cf.* CUA 1987; Muluh 1995). Credit union membership is not a matter just of saving or withdrawing money and paying interest; an active member is also expected to obtain and make more effective use of it, to benefit not only him or herself by also the whole community. All credit unions have their loan policy, constructed in response to their actual situation, clearly specifying the minimum requirements for each member to be eligible to obtain a loan. According to Azaah (1978), a standard or modal loan policy is generally based on the following five principles:⁷

Principles of Loan Policy:

- i. Loan is granted for meaningful / productive purposes.
- ii. Application for loan is handled by loan committee.
- iii. The maximum loan amount should not exceed, a given limit.
- iv. The member who requests a loan has a responsible character and is able to repay the loan within a specified period of time.
- v. The interest on the loan is usually a fixed percentage on the diminishing balance of the loan.

On the basis of this loan policy, credit unions lend money to individual members usually for a short period of time, ranging mostly from six to twenty-four months. These short-term loans are among the main characteristics distinguishing credit unions from many other conventional financial institutions which, however, can also lend capital for longer periods of time, albeit

against a higher interest rate. In normal circumstances, loans which are granted to members have to be repaid according a timetable which has been agreed upon. In some cases, when the loan is not repaid in time because of particular circumstances - such as financial inability, illness or death - it can become a 'bad debt', that is a non-recoverable debt. Such a loan repayment problem is called 'loan delinquency' in credit union terminology.⁸ According to ACCOSCA(1991: 29) loan delinquency refers to: *'...those loan payments which have not been paid by the member to the society as agreed upon when he/she received his/her loan. This may be a part of the loan, if the member made some payments but failed to make others, or the entire loan if no payments were not made.'*

On the basis of ACCOSCA's (1991) quantitative analysis, loan delinquency can be expressed as a given percentage of the total outstanding loans of the credit union. If the loan delinquency reaches more than 5 per cent of the outstanding loans, it becomes a critical problem for the credit union. A high percentage of loan delinquency among its members can directly reduce the services of a credit union, hamstrung by the decline in liquidity coming into the society from savings and repayment of loans. As a result of great loan delinquency, credit unions can run into difficult situations, preventing them from providing loans to their members who require them. Similarly they may be unable to fulfil such other important obligations as the paying of interest on savings as all available lending capital is locked up in delinquent loans. Therefore, when members discover that they are not receiving the services to which they are entitled to, their interest in the credit union begins to diminish and their participation in its activities decreases (*cf.* ACCOSCA1991; Chirwa 1994; Muluh 1995).

As Chirwa (1994) clearly indicates, the repayment problem is especially prevalent in rural credit unions which do not have set aside sufficient financial reserves to cope with unforeseen events. As the credit system is based on the principle of revolving funds, loan delinquency can easily cause the discontinuation of the activities of the credit unions which may lead to bankruptcy. Various recent studies, such as those by Njoku (1991) Chirwa (1994) and Diagne (1999) pinpoint outstanding loans as a very serious problem. According to (Chirwa 1994: 4): *'... It is important to note that world wide experience indicates that when the full loan recovery principle is discontinued, loan recovery rates decline very quickly and the credit system becomes unsustainable and eventually breaks down. This brings us to the situation we face today.'*

Examining the factors which might contribute to the loan delinquency problem, there are various prevailing arguments (*cf.* Azaah 1978; Chirwa 1994; Darko 1997). The first major factor is related to management, especially by the manager and the loan committee. The management might have been inattentive to the proper implementation of the loan policy either by lending to unqualified members, or by refraining from adequate follow-up measures. Although certain members do not seem able to repay their loans, some loan committees appear reluctant to reject their requests, largely for non-economic reasons. Granting such a risky loan, however, is deleterious to both the member and to the credit union itself. Without a doubt, loan committees are often put under pressure by socio-cultural factors hindering a simple translation of formal loan policies and procedures into practice. Azaah (1978) claims that because of these inherent, predictable factors most loans become delinquent loans even before they are granted.

The second cause of loan delinquency emphasized by some studies, such as CUA (1989), is purely and simply deceitfulness of borrowers. Some members either divert their loan for purposes other than those for which it was officially granted, or transfer the loan to a third party.

This sort of use of loans for less productive activities can also pertain to the sphere of socio-cultural festivities, weddings and burial ceremonies.

A third cause of loan delinquency involves the position of the treasurer or manager of the credit union. They are expected to keep the financial records accurately and identify any unpaid loans in good time, but sometimes fail to take the proper measures.

Besides these more socio-economic and financially-based causes of delinquency, Stiansen and Guyer (1999) clearly stress that in agrarian areas loan delinquency problems are mainly caused by the unpredictability of both economic performances and by the actual life situation of the rural farmers. Indeed they depend mainly on changing factors, such as rain and weather conditions which directly affect the local production. In addition, drastic fluctuations of the market prices of agrarian products can immediately affect the financial position of small farmers and the unsecured income of petty traders. In this way, some individual borrowers may unwillingly become delinquent for reasons beyond their control.

Having observed the seriousness of the delinquency problem of credit unions, the question which still remains to be answered is how loan delinquency can be reduced or, if at all possible, prevented. Unfortunately, there is no determined formula or ready-made procedures to follow. Most studies of loan delinquency recommend a tightening and strict application of loan policies, regardless of exceptional conditions in which the borrower would find him-or herself (*cf.* Warning and Sadoulet 1998/99). Other suggestions include the organization of regular education for members about the goals of credit unions, which at least can mitigate and reduce the problem.

Given the complex nature of loan delinquency, rendering it unforeseen and beyond the control of both the management and the member - borrower, it appears almost impossible to prevent or eliminate this problem totally. In practice, the management of loan delinquency consists of a multi-dimensional approach encompassing the implementation of a combination of both formal and informal procedures.

When the problem of loan delinquency becomes critical and credit unions are unable to solve it by normal administrative procedures, two possible options remain open. One possibility is to take legal measures, and the other is to look for already existing, local mechanisms to reach a solution. Recent experience in rural Africa seems to indicate that the application of the latter model tends to be more effective. Even though legal measures are in theory accepted as a useful instrument in the constitution of credit unions, in practice, the local community is not always in favour of their application, mainly on the grounds of custom. Moreover, it would create tension and disharmony in the community.

There are local mechanisms to deal with loan delinquency which consist of various traditionally well-accepted approaches focusing on the underlying socio-cultural factors of the loan defaulters. When the official credit union administrators are eventually unable to ensure loan repayment, they often pass the matter on to the related village elders or chiefs who look into the matter informally. Their two-pronged intervention concentrates on the formal contract of the loan delinquent, but also takes into account his socio-cultural background, family conditions and actual economic situation.

The continuation of such effective indigenous debt-recovery methods in Africa has meant that debts have been collected by local mechanisms rather than by such official public agencies as the police and the courts. Incontrovertibly, credit union associations themselves as lenders often prefer to rely on these local, community-based loan recovery means. These indigenous

debt-recovery mechanisms enable local authorities to avoid conflict and tension and reach mutually acceptable solutions. In exceptional cases, however, when defaulters are unwilling to settle their debt although they have the means to do so, stern action, such as the confiscation of their valuable assets is taken. In such cases, credit unions try to avoid the involvement of the police and the modern courts as much as possible, because their experience is that these methods of loan recovery are ineffective and take more time at considerable cost. As Falola (1995) notes, such actions are also not very favourable to the creditor, since judicial cases renders both debtor and creditor equal before the law.

Evidently, successful local mechanisms of resolution of credit unions problems are based on wider consultations and negotiations, in which eventually the opinions and decisions of local actors, such as elders, indigenous authorities lead to the final binding solution. Although this traditional process may take a longer period of time to settle the dispute, it preserves social solidarity and cohesion, which is when all said and done the basis of local co-operatives. Above all, it resolves the problem in a way which is rooted in the local socio-cultural environment.

2.1.3 Socio-Cultural Dimensions of Management

The preceding analysis of the management of credit union clearly indicates that among the local communities both credit and money are not seen solely as financial transactions and entrepreneurial means. They are strongly interconnected with social and cultural aspects of communities which often go beyond the boundaries of economic life. First and foremost, the members of credit union share a common bond which ties them together; they know each other well and espouse the same values and norms. This explains the convergence of interest and it also forms the basis for mutual support and trust. Central to the principles of local co-operatives is the community and harmonious relations among community members matter more than merely the amount of capital involved in a loan.

In rural settings, savings and credit unions are neither isolated nor independent institutions; they are intertwined with the wider socio-cultural way of life. As a consequence, as is any successful financial institution engaged in rural development work, it is also connected to such community-based institutions and networks, as chiefs, elders, kinship, family, neighbourhood associations and age groups (Shipton 1992, 1995). It is the basis for the effective functioning of any organization in the rural setting. These important stakeholders in the community can be mobilized in credit union activities, whether it be for the generation of local savings, the settlement of loan delinquency or any other form of problem resolutions between or within these local institutions.

The social and cultural dimensions of credit unions are also clearly shown by the analysis made by Mabogunje (1994) in West Africa. He found that the rural economic system is largely submerged in general social relations. This prompts him to argue that markets and money are merely accessory features to an institutional setting, controlled and regulated more by social authority than by financial criteria. In rural savings and credits, great emphasis is laid on the community ownership of the association. This is indubitably one of the factors which ensures that the power of sanction of the community can easily be invoked should there be any irregularity in the association (Mabogune: 1994). Savings and loans are taking place within these traditionally regulated social interactions. Importantly, the union's economic role also legitimizes the socio-cultural obligations and commitments, such as granting loans for school fees, health

care, wedding and funeral functions which are as important as the economic enterprises (Shipton 1992, 1995). This analysis reveals that credit services are not always provided only for purely economic needs, but also for the equally important social and cultural commitments of community members.

Looking at the development and management of local financial intermediaries in West Africa, as Stiansen and Guyer (1999) clearly state, the commercial emporia of what are known as 'savannah states' were located far away from the political capitals of the countries. For a very long time these institutions relied entirely on their local community networks such as the extended family, kinship and religious groups which managed their affairs largely through moral and cultural codes rather than through any other legal authority.

As clearly indicated above, the role of local actors - and their systems of indigenous knowledge and practices - by no means stops at the management of loan delinquency. As Blunt and Warren (1996) have clearly indicated, indigenous organizational patterns and procedures are part and parcel of the way of life the community and as such are deeply rooted in the social and cultural perceptions and practices of the people. Therefore, local organizational knowledge is practised in a similar way in a wide spectrum of local institutions. This is manifest not only during the emergence and formation of any kind of institution, but also in the organization of its meetings, elections, appointments, planning and decision making. In the local institutions which have emerged in such an environment local organizational knowledge and skills still play a crucial role. In general, locally initiated credit unions and their development programmes are known to contribute more successfully to the process of sustainable development, mainly because of their socio-cultural embedding and their emphasis on local participation.

It is equally true that local financial intermediaries operate optimally when they have access to both the 'modern' legal system and to the 'traditional' system of customs, norms and values. Because of the constant interplay between these 'modern' and 'traditional' systems within the context of the organization, it follows that such financial institutions would strive not only towards rationality and the maximisation of surplus, but also towards the well-being of the community members. This flexible and adoptive potential in local organizations can also promote community-based initiatives and innovations.

In this way, rural credit unions fulfil a multidimensional role, in which their economic activities are also guided largely by the social and cultural aspects of community life. This is also supported by the work of Sachs (1993: 22), who states: *'... In spite of the economy, common men on the margins have been able to keep alive another logic, another set of rules. In contrast with economy, this logic is embedded in the social fabric.'*

As well as the socio-cultural dimensions of credit unions, this concept of logic is also an important part of the Indigenous Knowledge System (IKS) which for generations has been used successfully by local people to manage their institutions and sustain their livelihood. In the following sections, special attention will be paid to the concept of Indigenous Knowledge Systems and their role in sustainable development, particularly in relation to the organizational management of local credit unions.

2.2 Indigenous Knowledge Systems and Local Institutions

The Indigenous Knowledge Systems approach to development is a concept which has become widespread mainly since the 1980s and has captured the attention of applied-oriented scholars and institutions involved in development and change. Alongside other components of development, the international discussion on this new paradigm emphasizes that the locally accumulated human knowledge and skills should be documented and integrated into the development practice of Third World. This newly developing field of Indigenous Knowledge Systems theory and practice (IKS) has evolved from cognitive anthropology and ethno-science, and is based on concepts of the participant view field of anthropological study and grassroots level community participation, and as such has provided a new impetus to the promotion of self-reliance and sustainable development.

The discourse on Indigenous Knowledge Systems, also often referred as Local Knowledge Systems (LKS) or Traditional Knowledge Systems (TKS), refers basically to local perception, practices and institutions developed mainly outside Western universities and laboratories. It has been accumulated over many generations over a specific area and cuts across several disciplines. Hence, many scholars in this field of IKS study have provided substantial definitions of the concept.

Brokensha, Warren and Werner (1980), Chambers (1989, 1994) Slikkerveer (1989, 1995, 1999), Titilola and Phillipe (1995) have conducted valuable and path-breaking field studies and provided empirical evidence to support the concepts and practices of IKS.. According to the definition given by Warren (1991: 5): *Indigenous Knowledge is: ‘... a knowledge that is unique to a given culture or society. Indigenous knowledge contrasts with the international knowledge system generated by universities, research institutions and private firms. It is the basis for local-level decision making in agriculture, health care, food production, education, natural-resource management, and a host of other activities in rural communities.’* Therefore, on the basis of this definition and in the context of this study, IKS refers to specific systems of knowledge, practice, skills, techniques and decision-making process which have evolved over generations in a particular area of community and, as such, are unique to a specific culture or region.

Unlike scientific knowledge, which is obtained largely through research and laboratory tests, Benvenuti (1990) has also noted that IKS can be seen more as practical knowledge which has been passed down through generations, continuously being experimented on and experienced, and as an applied knowledge which is oriented towards the achievements and realization of actual needs, to which members of a community can have access. Most of these analyses and definitions locate IKS largely within the socio-cultural domain of a given society and stress that IKS is transmitted through community interactions and practices rather than obtained from educational institutions.

In his brief analysis, Scott (1988) explains Local Knowledge Systems mainly in relation to local conditions. In this context, he makes a distinction between the knowledge of planners and that of the local community concerning specific development goals or objectives, be this in agriculture, health or environment. He makes it explicitly clear that IKS is embodied in the knowledge which is practised by the local people, more locally-bound and based on *in situ* experience. Such a concept, however, runs the risk of overemphasizing the validity of local knowledge to a confined

setting, implicitly considering it as non-replicable knowledge which can barely function outside that particular boundary.

As a further extension in the field of IKS studies, the newly emerged field of Ethno Systems Approach (ESA) has provided a broader interpretation of IKS. Indeed ESA is defined by Slikkerveer (1989) as: a system which consists of concepts / beliefs and perceptions which form the praxis, often referred to as Indigenous Knowledge, as the local channels of communication and decision making. In this context, culture is viewed from a holistic perspective, consisting of the interactions of endogenous and exogenous factors and aspects, which stimulate the acculturation and trans-culturation process and, as a consequence, facilitates social and economic changes and transformations.

Indigenous Knowledge Systems (IKS) or Traditional Knowledge is referred by Slikkerveer *et al* (1989) as a local perception and practice unique to a specific community and its culture.⁹ Indigenous Knowledge is often connected to the knowledge of local, rural or agrarian communities. It has been common practice to interpret the term *indigenous* as 'traditional,' 'native' and 'primitive', and to apply it to local people in the developing world who have undergone successive transformations through pre-colonial, colonial and post-colonial history. The people who are directly associated as owners and users of Indigenous Knowledge Systems are generally referred to as *indigenous people* living in communities in remote areas. These indigenous communities have not been completely incorporated into the development policy of the nation-state and are not yet greatly influenced by various external interventions (*cf.* Slikkerveer 1994). Slikkerveer (1989) argues that, after a long spell of misinterpretation, the term 'indigenous people' has recently gained far more positive connotations, reaching beyond a geographical location and traditional character to the historical uniqueness, cultural heritage, social arrangements and organizations, mode of production, and political status of a distinct socio-cultural group.

In the wake of such a clarification of the nature of IKS, it is also important to approach this concept from a dynamic point of view. Although there are some minor deviations from the generally accepted definitions and interpretations of IKS, often tailored to one of various disciplines, most of the scholars (Brokensha, Warren and Werner (1980), Chambers (1989, 1994), Titilola and Phillipe (1995), Slikkerveer (1989, 1995, 1999), who have done considerable research in this field, agree that such knowledge has its original roots in the community, even though it also interacts with external, Western-based systems of knowledge and technology and consequently continues to adapt and transform in a fairly dynamic way (*cf.* Chambers 1989; Richards 1989).

Other studies go further in explaining to the inherent strength and uniqueness of IKS. Blunt (1996) argues that indigenous knowledge survives because of its close ties with the values and actual needs of the people who uphold it. Moreover, IK is also considered as the information base for any society, facilitating local-level communication and decision making among its members. In contrast to some previous assumptions about their character, indigenous information systems are constantly changing as a result of internal creativity and experimentation as well as by contact with external knowledge systems including Western information systems (*cf.* Flavie *et al.* 1995).

In order properly to understand the dynamic nature, role and capacity of Indigenous Knowledge Systems either to survive under such external pressure or to integrate into other systems, it is useful to gain an insight into the different pathways through which the indigenous systems and institutions have passed through history. In this regard, it seems appropriate to

analyse the dynamics of Indigenous Knowledge Systems in greater detail in relation to the local socio-economic development and management of community-based institutions, such as the co-operative credit unions.

As Long (1994) has indicated, some of the studies on IKS tend to overlook the strong linkage with the analysis of the process of socio-economic development of a given society, only presenting the general characteristics. Some of the studies also seem to bypass the need to differentiate between knowledge systems functioning within distinct social groups (e.g. older men and women, the rich and the poor, and the rural and the urban social strata) in a given community (*cf.* Scoones and Thompson 1994, Chambers 1983). Moreover, the IKS approach implicitly assumes that there is a demarcation line between indigenous local knowledge and other exogenous global, often intervening Western-based knowledge systems. Furthermore, these studies do not always clearly explain the forms and factors involved in the interaction between and within these diverse knowledge systems (*cf.* Thompson 1996, Moock and Rhoades 1992).

Hence, before discussing the role of Indigenous Knowledge Systems in sustainable development, it is important to reflect on their dynamics, created by their specific historical trajectory, socio-economic development and interaction with the globalization process. Within the official boundaries of every nation-state in Sub-Saharan Africa, there are different ethnic groups undergoing different socio-economic development processes, and as a consequence, they differ in their response to and interaction with external interventions. The presence of such heterogeneity in development can be better understood by following the historical trajectory of local communities. In other words, the local institutions, know-how and skills of the diverse ethnic groups cannot be fully understood divorced from their local socio-economic and cultural contexts and the historical processes through which they have passed.

In pre-colonial times, the socio-economic activities of local communities were based mainly on a subsistence livelihood, predominantly meant for the local peoples' own maintenance and survival. To this end, each community had developed its own independent institutions and knowledge systems which enable it to adapt and use its resources in a sustainable way over many generations.

With the advent of European travellers and conquerors which eventually led to colonial rule, it was functional to regard and treat local people and their systems of knowledge, practice and their institutional skills as 'primitive', 'magic', backward and even sub-human (*cf.* Slikkerveer 1998). So, during the colonial era, the centuries-old, well-adapted Indigenous Knowledge Systems in such sectors as medicine, agriculture, environment, based on the concept of the 'balance of nature' with the surrounding environment, was ridiculed, delegitimized and in some cases even threatened with total extinction, accelerating the disappearance of indigenous peoples and their cultures (Benvenuti 1990, Warren 1998). The whole purpose of this policy was to attribute legitimacy to alien rule and facilitate the exploitation of the local peoples' natural and cultural resources by virtually replacing a subsistence-oriented mode of production with a cash crop and surplus production for the world market, largely for the benefit of the colonizers (*cf.* Warren *et al.* 1989).

The established negative attitudes towards cultures and their Indigenous Knowledge Systems in former colonial areas continued to prevail even after independence, to such an extent even that it still tends to dominate the perceptions and practices of higher Government officials and development experts. Plagued by such persistent misconceptions and prolonged imposition

of imported Western scientific knowledge and technology, the usefulness and the subsequent incorporation of Indigenous Knowledge in development policies and practices have both been continuously overlooked and even marginalized (*cf.* Thrupp 1989, Slikkerveer 1989b).

An examination of the historical development of the different types of Local Knowledge Systems demonstrates that the rise of the 'modern states' and their expansion in search of new resources for their growing populations, have also directly affected the institutions of 'tribal nations'. This process has left the latter with no other choice than to submit to a rapid transformation into either an independent nation-state or to be incorporated into other dominant 'nation-states'. The only alternative and also the most challenging option for some rural communities - also known as 'peasant societies' - has been the maintenance of a rather loose relationship, or a partial incorporation, into the modern State, simultaneously preserving their own cultural identity, local institutions and the related systems of knowledge (*cf.* Slikkerveer 1994). This again raises the question of how indigenous organizational knowledge systems have either been weakened or managed to survive under profoundly changing conditions of independence and modernization. At this juncture, it is essential to say something about the debate on the role of Indigenous Knowledge Systems in development in such issues as the socio-economic structure of a given society, their relation with the national State and their interactions with such other exogenous institutions as colonial administrative rule, missionaries, co-operatives, and Non- Governmental Organizations (NGOs). As Thompson (1996) clearly states, various knowledge systems are produced and constructed within the social and political processes of the society. Such conceptual approaches which are linked to social and economic systems could be helpful in gaining a general view of the historical trajectories of the communities, and their indigenous local institutional systems. Pertinently, in his analysis of the social production of knowledge, Thompson (1996) elaborates on the fact that it is the socio-cultural, political and economic processes which basically shape the agricultural systems and their related institutions, knowledge and practice.¹⁰ This author claims that no knowledge system could exist in a cultural, economic and political vacuum. Knowledge systems of any type, including the language through which they are transferred, are constantly interacting, challenging or adapting to other knowledge systems, whether those of research organizations, development agencies of other local communities or societies.

Within a process of dialogue, exchange and interaction among different knowledge systems, local innovation and knowledge creation are constantly taking place (*cf.* Thompson 1996). This view clearly affirms that the combination of various approaches, *i.e.* the socio-cultural, economic and political can provide an appropriate environmental context in which the Local Knowledge System has evolved. Such theories show that the various stages of socio-economic development, from peasant to capitalist relations, can co-exist within the same social structure. At the same period of time, the various segments of a region or a country can have different levels of development, characterised by a various *mixture of social and economic relations*. Strengthening this political-economic approach, Geschiere (1982) and Konings (1986) have provided in-depth views on the socio-economic development process of rural communities and their organizations. By applying the concept of the articulation of the mode(s) of production, Geschiere (1982) has analysed the changes which local communities and their value system undergo, including organizational patterns which are retained and practised in daily activities.¹¹ Geschiere (1982) says that the dominance of the Western capitalist system does not necessitate the total destruction and disappearance of the old 'traditional' social and economic relations of

production. Indeed, at the village level, where new forms of economic relations have not yet emerged, most communities have retained their local institutions, such as their kinship organization and patterns of authority. His study of the Maka community in Cameroon has clearly revealed how a lesser infiltrated village community in Sub-Saharan Africa could preserve the greater part of its systems of values and norms, while at the same time undergoing gradual change. In a more precise way, this study has also shown that village communities are able to continue a relatively autonomous form of development, without breaking up their relations with the nation-state.¹²

Unlike many conventional socio-economic and cultural studies and approaches, focused on the analysis at the macro level - the nation-state and its policies - and the impact of exogenous factors, most current development studies in the field of development anthropology, especially those using the Indigenous Knowledge Systems approach, have based their analysis on rural communities. These studies pay attention to locally available resources, including human capital, and the local dynamics of development.¹³ Interpretations of Indigenous Knowledge Systems clearly demonstrate the presence of dynamic tendencies in the socio-cultural relations of local societies which can interact with and adapt to a changing environment and generate development from within. Indigenous knowledge, as Slikkerveer (1999) has analysed, cannot be viewed as a fixed or traditional source, but should be seen as constantly changing systems, renewed by a flow of information and experience, tested by ongoing experiments at the community level. Therefore, it is within the social and cultural context in which this form of knowledge is generated, preserved and handed down, and in which new information and experiences are interpreted.

From the perspective of local dynamics, Geschiere (1989b) has underscored that the development process in rural areas of Sub-Saharan Africa should be seen not only as something which has to come entirely from abroad, for instance from Western industrialized countries. Development, as Geschiere (1984, 1989b) has pointed out, is part and parcel of the local society and is internalized in the local culture. Similarly, several in-depth studies, including those by Chambers (1993), Warren, Slikkerveer and Brokensha (1995) and Odialambo (2002), have shown that the intertwined socio-economic and cultural relations and interactions of the local communities are the fundamental basis of local institutions and systems of indigenous knowledge and technology. For the two decades there has been a growing interest in the field of Indigenous Knowledge Systems and local organizations. There are two interrelated dimensions in the arguments (Slikkerveer 1992, Blunt and Warren 1996) about why after a long period of neglect and under-valuation, the Indigenous Knowledge Systems approach to development has suddenly become so crucially important. The first dimension of analysis considers Indigenous Knowledge Systems as a local response to the currently ongoing process of globalization. The second dimension argues conversely that this attention is a local response to the unsuccessful outsider interventions, the failure of international development programmes and the disappointing outcome of inappropriate development policies. Moreover, on the brink of the recognition of their true worth, these local systems of knowledge and technology have recently come under threat of extinction, making their documentation and analysis a high priority. As various evaluative studies show, the majority of the international development efforts have in the long run resulted in increased poverty, environmental degradation and institutional instability. This will be elaborated in more detail in section 2.2.2.

2.2.1 Globalization and Localization

In order to understand fully the current status and relevance of local knowledge systems and institutions to community development, it is essential to study them within the context of the ongoing process of globalisation and localization. In the period of time before the establishment of colonial rule in Sub-Saharan Africa, there were commercial relations with other continents through the trans-Saharan complex and the Indian Ocean trade, but their influence was not strong enough to induce major changes in the local social systems and institutions. So in pre-colonial times, the cross-border relations and networks, were not universal and did not reach the planetary scale globalization has today, and as a consequence did not penetrate deeply into the periphery where local communities were living.

The growing impact of exogenous influences on the local, social and political landscape emerged far more blatantly during the European expansion throughout the eighteenth and nineteenth centuries. This phase was characterized by a policy of the combination of capitalism and colonial rule which lasted up to the end of the twentieth century. The process of intensifying contacts between social, economic, political and cultural domains forged new and pervasive links of interdependence between various localities around the globe and this is what is now generally defined as the current globalization process (*cf.* Rabenoro 1999; Makoa 2001; Cooper 2001). As a reaction to these growing, strengthening external influences and pressures, which had in fact began with the establishment of foreign rule in the colonial areas, an increasing resistance arose among local communities in Africa as elsewhere in the developing world, anxious to protect their indigenous rights and traditional ways of life as well as their local institutions.

Despite such pressures, the impact of colonial rule and the missionary activities of the various churches to 'modernize' and 'civilize' the peripheral, rural parts of the African continent have not entirely materialized, as peasants and local communities have managed to resist the outside intermingling in their traditional way of life to a certain degree. The prevailing Indigenous Knowledge Systems which had enabled these traditional communities to function over many generations have played a crucial role in the process of resisting, adapting or accepting such external forces, transforming the integration of external influences into a gradual and selective process.

The negative implications of the current globalization process are causing local people to think that their Indigenous Knowledge Systems are being ignored and are being changed by forcible participation in different cultural policies and practices. The same perceptions can be observed in their changing patterns of consumption and life-styles strengthened by internationally accepted Western moral values. Aware of this rather intrusive process, local people tend to fall back on their traditional culture and identity, not in the sense of returning to a dogmatic reading of cultural history, but rather as a means to enrich and substantiate their adapted identity. This prompts Jacobsen (1999) and Waterman (1996) to refer to the pressures of external cultural influences and their translation into a domestic version. They underscore that particular attention can be given to the relationship between the process of globalization and diverse forms of local responses. In the context of globalization, Jacobsen (1999: 213) interprets the dynamic interactions and local responses as follows: '*... With increased interconnectedness and interdependence, within the international economy, a counter process of localization is also taking place, i.e. global inspired developments are re-contextualized at a national and sub-*

national level, and then expressed in specific cultural idioms.' There are also arguments that the globalization process, which also includes the dissemination of Western values and norms, especially since the end of the Cold War, has promoted new international moral standards which to a certain extent allow for the revival of local identities. With the delegating of a part of the sovereignty of National States to such international institutions as the World Bank, the UN development and humanitarian organizations, these organizations have obtained wider possibility to intervene into economic and political programmes beyond national boundaries, promote *laissez-faire* economic principles and decentralization. This new phenomenon enables local cultures to by pass the nation state and communicate directly with external forces, which may lead them to obtain more self-determination and some form of autonomy. These new developments have also provided new opportunities for local communities not to reject globalization outright, but to compromise and sometimes even incorporate certain aspects of this process, albeit with certain reservations about local values and norms they prefer to maintain. These aspects of globalization, however, have undermined the monopoly of power and privileges of the post-colonial national States in Africa, which have been structured in very centralized and hierarchical ways. Despite the dualistic impact of globalization on the local community, Indigenous Knowledge Systems providing an appropriate framework for local responses to this external force play an important role in the counter-globalization discourse. As Kopytoff (1986) has noted in his study, to a certain extent this framework enables local people to interact in their own ways, and to experience and restructure their local skills and know-how.

As local communities are being increasingly confronted with the ongoing globalization process, which authoritatively attempts to impose rigid development trajectories passing beyond social and economic activities, they began to challenge these outside forces of globalization by localizing tendencies. Hines (2000) states that these *localization tendencies* consist of such attempts as fostering democratic participation in both the local economic development and in the political system. In this way, local resources are mobilized to rebuild community-based enterprises, rather than with the idea of participating in international competition.

Re-localization of the local socio-economic system pertains to the replacement of the generally accepted 'wisdom' of globalization concepts and practices, and allows local administrations and communities to reclaim control over their local economies, and subsequently rebuild the stability in the community life. The politics of localization should not be viewed purely as inclusive. They should also be seen supportive of measures devised to improve the lives of the entire rural community.¹⁴ In this context, National Governments are expected to provide the policy framework which allows local communities to rediversify their economy and strengthen their local institutions and participate in the processes of decision making.

Among the major changes which globalization has induced, also expressed in the recent rise and visibility of local communities and institutions, is the new policy of planning and implementation of decentralization processes, and the recognition of the different backgrounds of various ethnic groups and organizations. Simultaneously this process has unleashed a general re-orientation towards traditional values and norms (*cf.* Aryeetey *et al.* 1995). Hines (2000) states that localization is a process initiated by the local people themselves, not by outsiders. In this situation, the individuals form the engines which make a healthy local economy run. It is local people, working both independently and collectively, who form the fabric of community life. It is their skills, abilities, and experience which can be mobilized to achieve sustainable development at a local level. These local people are motivated and committed to investing their

time, skills and resources in the development effort. These locally existing dynamics have regularly been affected by the policies and programs of the central Government as well as various development organizations.

2.2.2 Process of Development Intervention

The growing interest in the field of Indigenous Knowledge Systems and local organizations is not simply a local response to the current profound process of globalization. The primary cause has been the dissatisfaction of traditional and indigenous communities with major macro-level development policies and the incapacity of these interventions to promote development in rural communities. In development practice, local people have been constantly confronted with the mounting failures of various externally oriented development efforts, esposing the disfunction of such organizations in achieving sustainable development. Inevitably, various 'new' problems related to planning and decision-making systems were created which were attributable to a lack of participation by the local community. The Western-based model of Transfer of Technology (TOT) to developing countries, which initially fostered high hopes for socio-economic improvement of the population, soon started to generate disappointing results. The majority of programmes and projects which ignored local knowledge and experience failed to produce the desired effect, in glaring contract to the increasing number of local community-based institutions in which it was precisely these elements which facilitated the achievement of their rather modest objectives. These examples of successful development efforts at grass-roots level produced by the services of local institutions underscore the growing need for the serious consideration of alternative approaches.

The incapacity of conventional development approaches and strategies to address the failure of development programmes at the local level has encouraged a fresh debate on the issue of the problems in development and has led to a radical change in the development paradigm. Since various studies have shown that the TOT model no longer worked in the field and indeed that experimentation and technology development were also taking place at grass-roots levels, new paradigms have been developed, including 'Farmer First' (FF), 'Participatory Technology Development' (PTD) and, particularly in agriculture, 'Sustainable Agriculture and Rural Development' (SARD) (*cf.* Richards 1985; Reijntjes, Haverkort and Waters-Bayer 1992; Chambers 1997). These new strategies are based on positive experiences in the revitalization of Indigenous Systems of Knowledge and technology in various sectors of society. These systems have proved to be able to facilitate the proper analysis of the actual conditions of rural communities and their specific needs. With the growing awareness of the crucial role of Indigenous Knowledge over the last two decades, the need to deepen understanding of these traditional systems has emerged as a consideration, especially with the view to future synergy among local and global systems (*cf.* Slikkerveer 2003).

In the recent past, a number of research projects have focused on the documentation and analysis of the various Indigenous Knowledge Systems, which have enabled rural communities to survive despite the overwhelming pressure of globalization. They have used an interdisciplinary and multi-dimensional approach, which has substantiated the holistic and practical nature of the new ethno-scientific approach. This research has built on the pioneering work carried-out during the 1950s and 1960s, when an academic interest in the study of local ideas from the participants' own point of view began to flourish, and a sub-field of the ethnographic studies - cognitive anthropology - developed.

The interest in Indigenous Knowledge Systems in anthropology grew from the non- normative approach of research, *i.e.* an *emic* point of view in which issues are perceived from the participants' perspective which was developed in structural anthropology at Leiden University. This is in contrast to the conventional *etic* point of view – the outsiders' perspective - which is largely based on foreign ideas and perceptions.

After about two decades, a growing number of the studies and analyses of Indigenous Knowledge Systems have gradually shifted from more general theoretical approaches which concentrated on local culture and tradition to more applied, policy-based studies giving priority to rural community development. This kind of applied development research has focused on such areas as the health, agricultural, environmental and financial sectors at the local level.

Well-documented and practical studies using the new Indigenous Knowledge Systems approach, such as those by Brokensha, Warren and Werner (1980) on Indigenous Knowledge Systems and Development and by Slikkerveer (1990) on Primary Health Care have been a breakthrough in the ongoing development debate, affecting the conceptual discourse and pragmatically their application by researchers, extension workers and policy makers. The emergence of this rather new approach has introduced a new concept of ethno-science which places Indigenous Knowledge Systems in a more dynamic perspective. This perspective relates the process of development not simply to the active participation of local communities but extends it to their institutions within the context of development programmes and practices. Development planners have increasingly been put under pressure to recognize the rich source of knowledge of local people about their environment, since they more than outsiders have learned to survive in their often harsh ecosystems (*cf.* Richards 1985; Slikkerveer 1999).

The studies in agriculture and ecology by Richards (1985) and Richards, Slikkerveer and Philips (1989) have produced strong evidence of the usefulness and effectiveness of indigenous agricultural knowledge to community development, particularly for finding practical solutions for local problems.¹⁵ Similar studies by such scholars as Chambers (1993), Reijntjes, Haverkort and Waters-Bayer (1992) on agriculture and participatory technology development emphasize the need of the formal participation of individual farmers as local experts in agriculture and also stress the incorporation of their knowledge in processes of rural decision making and development.

The extension of the Indigenous Knowledge approaches to the study of the environment has resulted in the recent development of the sub-discipline of Traditional Ecological Knowledge (TEK). Slikkerveer (1999) states that the TEK approach has gradually begun to encompass the use and management of agricultural and natural resources in relation to the environment. Eventually this has become an essential aspect in the study of local decision making and planning activities in agro-ecology (*cf.* Altieri 1987). TEK is also concerned with the cosmovision of the local community, which reflects the way in which the members perceive their position in the universe Utilizing this approach, albeit with a focus on the classification and analysis of farmers' agricultural knowledge and practice, a consortium of various scientific institutions, co-ordinated by the Leiden Ethnosystems And Development (LEAD) Programme, prepared and implemented the Indigenous Knowledge and Practice for Sustainable Agriculture (INDAKS) research project.¹⁶ The INDAKS project was an applied-oriented policy planning and implementation programme. It has analysed the problems which farmers in East Africa and in Indonesia are experiencing arising from recurrent food crises and environmental degradation, advocating the possibilities for an Indigenous Knowledge Systems-oriented solution. In this

comparative research, in both Indonesia and Kenya, historical analysis and extended household surveys were carried out, leading to analyses of the structural problems and causes of the agricultural sector, after which they have presented a new, integrated approach to strengthen sustainable agricultural development. As an alternative solution to the predicament of the development crisis, the 'new' ethno-scientific approach has clearly reflected the changing attitudes towards the local communities and their knowledge systems and has also identified their potential role in the whole process of sustainable development (cf. Slikkerveer 1994).

As time goes by, the debate of Indigenous Knowledge Systems has been expanded from questions about the value and usefulness of Indigenous Knowledge Systems to sustainable development to such other aspects the possible use of such knowledge systems and the need to ensure the equitable sharing of benefits of the resources within and among the contributing communities (Slikkerveer 1999). Posey (1999) asserts that respect and equity cannot be achieved without the recognition of the basic rights of indigenous peoples, traditional societies and local communities. This also implies recognition of and respect for local values and norms and due attention to their legitimate rights to attain a situation of sharing the benefits which have arisen as a product of their knowledge with the local people.

The growing relevance of Indigenous Knowledge Systems is also manifest in the fact that indigenous knowledge and practice are an important means to help facilitate the socio-economic development process in a cost-effective, participatory and sustainable way (cf. Slikkerveer 1995). Evidence has also been gathered which indicates that any development should start from the needs of the community, their wishes and ways of handling their own development programme. In this context, Indigenous Knowledge Systems are considered to be an effective tool not only to reduce poverty-related vulnerability and also to achieve wider sustainable development. Indeed, the growing interest in and the revitalization of Indigenous Knowledge Systems throws into sharp relief the earlier negative attitudes and perceptions of colonial administrators, missionaries and civil servants towards indigenous ways of traditional communities. This current re-orientation in the field of development studies sets to work to analyse, identify and promote the utilization of local resources and knowledge in various sectors and activities of developing countries.

Although indigenous knowledge has been studied as an important aspect in local cultures in numerous recent anthropological studies, current research in this field has now really begun to take off, especially after this new development paradigm proved to forge a structural relationship between development problems and related studies. Following reconceptualization, classification and the formulation of new ethnoscience theories in relevant fields-, notably local health care, agriculture and the environment - the Indigenous Knowledge Systems studies have been more tightly integrated into broader fields of development theories and practices (cf. Brokensha Warren and Werner.1980).

The growing appreciation and implementation of the concept of Indigenous Knowledge Systems should be seen as more than a sort of paradigm shift; it is also the incorporation of various orientations and experiences drawn from the field. Therefore, the new approach responds directly to the recurrent crises in developing countries by underscoring the need to improve our understanding of local dynamics and integrate them into a new philosophy of development and management in a new States. In the process, this new paradigm has widened its spectrum so as also to cover such important issues as local institutions and management systems.

Government officials and development organizations have also grown increasingly aware of the importance of indigenous knowledge in development planning. Since the 1990s, debates about Indigenous Knowledge Systems have also been gaining ground outside academic circles and NGOs, spreading to include international organizations and institutions. As Slikkerveer (1994) has pinpointed in the INDAKS report, the repeated failures of and disappointing results of Western-oriented development programmes and projects in various developing countries have finally forced international donor agencies and institutions to acknowledge the significant contribution of indigenous knowledge to the process of sustainable development. International organizations are now interested in the incorporation of some aspects of indigenous knowledge concepts and practices in their fields of activities. Early examples of this interest were to be seen in the course of the 1980s in such organizations as ILO, UNEP, UNDP, WHO and the World Bank. The Agenda 21 adopted at the 1992 Rio conference on Sustainable Development (1992), and the new strategies (UN 2002) which came out of the Johannesburg World Summit are palpable proof of this assertion.

Attempting to establish the position of local co-operative institutions, the early seminars and workshops on the role of community knowledge, local co-operatives and development held by ILO (1988) discussed the possibility of using this local organizational know-how in their community development programmes, in particular through the incorporation of local knowledge in the management of local co-operatives. Special attention was drawn to activities leading to the effective promotion of community participation in the entire process of project design, implementation and evaluation. Within this context, in 1998 ILO in collaboration with its local partner organizations established a community-based Indigenous Knowledge Resource Centre (INDISCO) at its Headquarters in Geneva and conducted a series of consultation and planning workshops on the successful integration of local organizational knowledge into the overall development process.

The UNDP publication (Banuri *et al.* 1994) on Conserving Indigenous Knowledge in development and organizational management has also highlighted the crucial role of local organizational knowledge (LOK) and its potentiality for future integration in development programs. Local organizational knowledge basically refers to that part of indigenous knowledge which deals with local perceptions, practices and experience with the organizations and management of local institutions which have evolved outside Western-oriented organizations over many generations in particular area or community (*cf.* Warren, Slikkerveer and Brokensha 1995). This specific organizational knowledge, as underlined by such scholars as Stiansen and Guyer (1999) and Ibe (1990) almost invariably forms the basis for the decision-making processes in local institutions such as co-operative credit unions.

Following international development organizations and NGOs in their recognition of the relevance and complementarity of Indigenous Knowledge Systems in development, the emergence of the a new democratization process in 1990s in Africa has opened up new possibilities for various ethnic groups to rely on their local capacities. At the same time it has enabled the establishment of new regional co-operations beyond the existing boundaries of the nation-states. The development of these new internal and external relationships and structures has stimulated local communities to use their own local resources and know-how and incorporate them into current community-based development of local associations. In this context the socio-cultural values and norms of local communities, in which the Indigenous Knowledge Systems are embedded, are increasingly perceived as a dynamic resource in sustainable development. This

has tended to help to maintain and mobilize local knowledge, while it also co-ordinates the interrelations within and outside local development organizations.

At the global level, international development has also started to recognize local identities within the national *hinterland*, thereby lessening national cohesion and control emanating from within the State. This new form of local organizational knowledge has proved to be a successful approach which is facilitating the management of local development institutions. At the national level, Government policies have also begun to incorporate local institutional knowledge into development through restructuring their relationships, and by implementing decentralization processes, meant to boost participation at community level. Without totally neglecting or rejecting the national development policies and guidelines formulated by the Central Government, local organizations among various ethnic groups have commenced adapting new forms of local management which are more appropriate to their local socio-cultural environment.

2.2.3 Local Organizational Knowledge and Management

Within the expanding framework of indigenous knowledge systems theory and practice, specific queries about the position and contribution of local organizational knowledge to the organization and management of traditional institutions are of particular significance to the study of co-operative credit unions. With the intensified globalization process and the transfer of standardized Western management knowledge, planning and decision making, the existing community-based, local management knowledge has constantly been at risk of disappearance, just as similar Indigenous Knowledge Systems in other sectors of the development (*cf.* Warren 1992a, Slikkerveer 1999).

Just as the underlying positive assumptions related to the model of Transfer Of Technology (TOT), that Edoho (2001) analyzed, management structures and principles have also been considered universal and therefore mechanically transferable from Western countries to developing countries. This model was also expected to generate progress and produce a major leap forwards in developing countries, even in rural areas and among indigenous people. Western management systems, as Waigichu, Tiagha and Mwaura (1999) have pinpointed, are still considered to be universally applicable and as such assumed to be easily transplanted across cultures and communities. However, recent experience in various sectors has shown that these transplanted management systems from the West cannot be adapted to the particular local circumstances and, consequently have generally ended in failure (*cf.* Blunt and Warren 1996; Edoho 2001).

Towards the end of the 1960s, it became clear that such transfers of Western knowledge and skills, both in technical and managerial fields, were unable to break through the vicious cycles of underdevelopment and poverty in most of African countries to bring development and prosperity for entire population. As a consequence of these disappointing results and the continuing failures of Western management models in developing countries, doubts and discontent began to mount (*cf.* Dia 1996; Edoho 2001). External intervention and domination – and their problems inherent in the transfer of standardized management knowledge to developing countries - have, however, stimulated the interest of various scholars and development organizations in the position of local institutions, management skills and their specific socio-cultural environment. Organizational structures and decision-making processes are taking place within these environments, directly affecting the various local stakeholders. In order to reach the stated objectives, imported

institutions and management systems have to adapt to and integrate into the locally existing institutions and their values and norms (*cf.* Ayittey 1991; Dia 1996; Ndongko 1999). Consequently, in the 1980s, growing attention was paid to the importance of traditional development institutions, and concomitantly also to the locally available capacity, in particular local organizational knowledge (LOK). These systems have successfully been used over generations in the management of the above-mentioned community-based institutions.

Local organizational knowledge has special meaning for the management of local co-operatives, in particular the savings and credit union associations. *Firstly*, although these local organizational knowledge systems are not formally laid down in written documents – and for outsiders generally invisible – for the local people they form the basis of the proper management and functioning of all community-based organizations. *Secondly*, local organizational knowledge has also gained substantial attention as an alternative and supplementary conceptual instrument to achieve better development management and decision-making processes.

The formal recognition of the important role of local organizational knowledge in development helps to bridge the growing gap between the official development plans and policies on the one hand, and the actual needs of the local communities on the other hand. The latter are often presented as the primary target group of the national government plans. As (Chambers 1986) has underlined, the participation of local communities in management, *i.e.* both in planning and implementation is a prerequisite if development is to be both effective and sustainable. This can be successfully achieved through the identification, recognition and use of the locally available organizational knowledge and practice. Currently, this is increasingly becoming a crucial factor in our understanding of the establishment and in the management of institutions operating at the community level. These knowledge systems which are embedded in the socio-cultural structure of the community, have gradually been recognized as dynamic factors which considerably affect the emergence, change and continuity of community-based organizations.

The complex operation and role of local development institutions can also be studied in depth with the help of Local Organizational Knowledge. Indeed, this knowledge system facilitates the investigation of the historic roots of local institutions by reconstructing the oral tradition and it analyses their practical role in the day-to-day organization, management and decision making within these institutions. As a consequence, local organizational knowledge-oriented studies can provide innovative - theoretical as well as practical - information for the understanding of the structure, function and development of local co-operatives, and in particular the co-operative credit unions in the Upper-West Region of Ghana.

2.2.4 Local Organizational Knowledge and Credit Unions

It has not been abundantly shown that the application of the local organizational knowledge perspective to the study of co-operative credit unions can also provide deeper insights into their historical background and their socio-cultural environment, and likewise reveal more of their organizational structure and methods of management and decision making.

Both in the colonial and post-colonial periods, most of the rural institutions of farmers and pastoralists tended to remain outside the sphere of the active involvement of external factors and forces in community development. Although this relative form of isolation can incontrovertibly

be regarded as a policy of marginalization leading to poverty and deprivation of development assistance, it certainly allowed the survival of traditional institutions which have continued to provide their services to the rural population up to the present day. In contrast, in those parts of African countries where the influence of the colonial and post-colonial interventions were intensively felt, the local production systems and the corresponding institutions were forcibly re-organized and reconstructed in order to fit them into the needs of the capitalist market economy; only in rural communities far away from the metropolitan centres where such penetration has not been strong, including the *Dagaaba*, local production systems have to a certain extent been able to retain their traditional patterns of community development. In this way communities have been able to preserve partly, if not fully, their local knowledge systems and institutions, which may now, if the situation is right, be functionalized to reach sustainable development in these 'neglected' areas.

Studies of local forms of organizations by Uphoff (1986), Blunt and Warren (1996), and Dia (1996) indicate that there are distinct types of indigenous institutions in the developing world. Quite obviously, these institutions evidently apply different forms of planning and decision-making processes which primarily respond to the actual needs of local communities. These indigenous institutions fulfil a significant role in various social, economic, cultural and political activities, and in some cases they can also go further and provide rural communities protection from the undesired interventions of the Central State.

In his study of the state-peasant relations, Hyden (1983) clearly explains the complex situation in Sub-Saharan Africa, introducing the term 'uncaptured peasantry' to highlight the way in which small farmers, with their local social and economic ties based mostly on clan and kinship, have protected themselves from the extreme intervention of the post-colonial State. In his view, the post-colonial structures of development administration are generally characterized by a top-down structure, in which the local community has little or no say in policies directly affecting their way of life. In Hyden's interpretation, the central issue is not whether peasants are 'captured or not captured'; the overriding consideration is that they do not want to have asymmetric relations with the State. Therefore, they are not willing to co-operate or participate in the implementation of most State policies which are virtually thrust upon them from the top, and often militate against them.¹⁷

This leads the discussion back to the central theme of the debate, which is local development management and, in particular, development planning and decision-making processes in rural parts of Africa. It is now indisputable that there are disparities between the official Government plans and their practical implementation at the local level. It is also equally true that there is a difference in vision, perceptions and expectations between the planners and their target groups.¹⁸ In practice, the planning objectives are often far removed from the needs and expectations of the local communities.

The growing gap between national policies and local expectations is principally created by the unwillingness or inability of Government experts and administrators to look into the local development potentials of community-based institutions and the socio-cultural environment in which they are functioning. Planning is culture-bound, and without a proper cultural reference, the planning process has no local orientation which consequently robs it of meaning. Indeed, a plan which has no local cultural reference is by its very nature an abstraction, which fails to strike a chord with the experiences, capacities and aspirations of the people.¹⁹ And, as the outcome of recent policy planning, implementation and experiences have shown empirically,

most development efforts imposed by the Government or Non-Government organizations tend to gain little local support and consequently fail to attract community participation. Because of the growing dissatisfaction with the results of development programmes – and the related academic debates on development problems - a shift in the dominant paradigm of development management took place towards the end of the 1980s. The new orientation now seeks to put greater emphasis on the nature and structure of local institutions and management practices, which are regarded as crucial factors in the process of promoting community development from the bottom-up. The discussions generated have highlighted the potential functions of these local organizations and institutions in facilitating local community participation in decision making in development. This ‘bottom-up approach’ in development policies and programmes in which local communities have the opportunity to identify and define their problems themselves before playing an active role in finding a solution, has eventually proved to increase the chance of greater participation and sustainable development.²⁰ Needless to say, such bottom-up approaches should not be imposed by Government authorities from the top, but should emerge autonomously from the local people and their institutions. Chambers (1997) similarly supports the thesis that an effective way to deal with local problems is through the use of endogenous factors, in which the development process also takes into account the existing local values, techniques and strategies, upon which local communities are based.

As Aryeetey (1992) shows, local communities have developed their own knowledge systems to identify problems and prospects, and their priorities over many generations.²¹ Important to the present study is to examine in what way local knowledge and practice are applied in the context of community-based institutions, and how they can be functionalized to achieve participation in rural co-operative development programmes.²² Extending this discussion, Songsore (1992) has analysed such local forms of co-operatives in Sub-Saharan Africa as the co-operative savings and credit unions, which are now considered to be one of the best examples of a programme based on the new a strategy of ‘development from within’. They are part of a local initiative which seeks to find alternative, grassroots-oriented solutions to key development problems in the provision of savings and credit, by building upon locally based financial institutions. These institutions have demonstrated that they benefit from active community participation in various sectors of daily life, thereby easily generating self-sustained development.

The study of local organizational knowledge is also paving the way for a new structure of development organizations on the basis of a new bottom-up approach. Since its foundation is an *emic* view of knowledge generation and at the local level, it improves our understanding of the perceptions and practices of local organizations, decision-making systems and their interaction with Western-oriented organizations. Although it has not yet been fully put into practice, the current notion of integration of local organizational knowledge is fairly distinct from the previous dominant concept which has relegated local organizations to a subordinate role for a very long time. This new approach, in fact, also revitalizes traditional tools which, however, are so far only practised should all other options fail. In a nutshell, they are regarded as a last resort or safety net only to be used in times of crisis. Even though this is a useful approach, the utilization of local institutions and organizational knowledge as a last resort only, in fact ignores the dynamic and the active role of local institutions which could be successfully integrated into the development process of local communities on a routine basis. In studies by Chambers (1993, 1997) and Soones and Thompson (1994) drawing the attention to the key concepts of participatory and sustainable ways of local development, there is also a broad recognition of the

close and harmonious relationship between communities and their local institutions. These strong relations are expressed in the full participation of these institutions in communities - activities and decision-making processes.

Recent studies of development organizations likewise consider local institutions as an essential, dynamic factor which in the process of interaction with outside interventions has been able to transform and adapt to serve the changing needs of the community. In the past few decades many anthropologists have documented a number of indigenous organizations, but according to Uphoff (1993) their particular potential for accelerating development has not been properly analysed. He notes that local institutional knowledge is an indispensable part of the local communities' way of life and is not a factor, which they can use or leave out at will.

In the analysis of Uphoff (1993), a clear distinction is made between indigenous organizations which are primordial - with their origins going back many centuries - and such organizations as the co-operative credit unions which are quite contemporary, necessarily in their establishment and also in most of their activities.²³ In this case, even though by virtue of their close association with the modern monetary sector, local co-operative credit union associations are not immediately regarded as indigenous, their foundation, inspiration, mode of operation and decision-making systems do indeed warrant their classification as *indigenous*. In almost all rural areas of the developing countries, credit unions have close ties with the community's needs and ways of thinking and doing. Hence, organizations which have autonomous, if not ancient, origins are generally referred to as 'indigenous' *par excellence*.²⁴

Uphoff's (1986) interpretation states that community-based local organizations constitute extensive experience which would prove highly valuable to mobilizing and sustaining collective action for self-help and self-management in the modern world. Currently, it has indeed become increasingly important to incorporate local communities and their institutions into the local management of development. This crucial aspect has also been elaborated on by Heines (2000:32), who notes: '*...a key to community initiative is to map their local human, institutional and resource assets and to combine and mobilise these strengths to build stronger, more self-reliant communities and enhance local economies.*' These assets include specific individual skills, plus local institutions and their management know-how for which people assemble to share common interests and solve their local problems. They even interact with the formal institutions involved in responding to the needs and demands of the community.

As described in Section 2.4, the ongoing process of globalization, *i.e. the increasing interconnections and interventions in developing countries*, have been forcing local communities to participate in the world market economy and to use new infrastructures and organizational set-ups, largely designed to correspond to Western values and norms.

Conversely, this recent development has also stimulated a process of localization and a mounting resistance to the growing influence of dominant external organizational values and norms. This new form of intervention often runs counter to the local communities' organizational practices and ways of decision making. In reaction, most local communities have developed their own specific mode of responding to such outside intervention generally by re-strengthening their traditional structures and institutions. Responding to the growing need of public and financial services, the local socio-economic forces tend to activate and mobilize a wide range of grass-roots institutions, particularly the traditional co-operative credit unions. Although most of these traditional institutions are basically a product of local initiatives, they have recently also incorporated certain influences from outside, including Western principles of

organization and management. An important aspect of the recent development of such local institutions as credit unions goes beyond the participation of the individual members in the organizational processes, and embraces a wider concern for the interest of the entire community in the development process.

In explaining the importance of the wider context of local organizational logic and ethic in development, Heines (2003) among others stresses that without the involvement of a local institution which takes care of neighbours and neighbourhood, no community could: '*develop a capacity to care about its nation or the world at large.*' The embedding of credit unions in their local setting may also be related to the increasing importance of local institutions in fulfilling a more self-reliant role in community development. Credit unions – as all other community-based enterprises – invariably have social aims. Besides the financial services which they provide for their members, they also link them in a common bond, either between members themselves or with the community at large. In this way, credit unions are contributing towards the resolution of socio-economic problems at community level. This reveals some of the related core values of these local institutions, among them mutuality, *i.e.* mobilizing savings, providing loans and sharing benefits with their members.

Another important aspect which is central to the management of the credit unions is the empowerment of members, *i.e.* creating new opportunities for members to participate in and control the organizational process. In disputably, the management of local co-operative credit unions has ensured the rendering of essential and practical services to the community, but over and above this they have also been able to revitalize the culture of local institutions. Through the interplay and integration of different management principles at various levels, credit unions have been able to generate and implement an appropriate set of specific decisions at the community level. It is obvious that the successful management of local savings and credit does not depend solely on the general legal framework drawn up by the ministries and the willingness of the Central Government. The overriding factor in their success is their capacity to adapt and respond to the particular needs of their members.

The collaboration between the various credit unions at the local, regional, national and global levels is facilitating the exchange of information and interaction leading to a broader system of management which transcends local level practices. This is balanced by the fact that the local institutional knowledge helps to select and adapt initially inapplicable external factors and influences, so that these can be integrated into the local development process. This process of constant interaction and integration among these credit unions operating in different environments has triggered the emergence of a hybrid form of management system which seeks to combine Western and non-Western management principles. As a consequence, most local credit unions in Africa have judiciously blended their strong local identity with a modern image. In this way, the traditional management principles have enabled the community-based credit unions to adapt and survive. It is the implementation of these management principles in particular, which is central to responding to the needs and interests of the local community. In this context, the local management of credit unions can be regarded as an essential component in the way local communities perceive and operate their institutions, which eventually support their livelihood (*cf.* Slikkerveer 1999; Richards 1985).

2.3 Credit Unions and Sustainable Development

Since independence, credit unions have proved to be among the most significant financial institutions to encourage self-reliance in most parts of Sub-Saharan Africa, especially among the rural communities. As noted by Almeyda de Stemper (1987), these forms of financial institutions have successfully accumulated local saving funds from which members could borrow either for consumption or for additional development activities.

The preceding conceptual orientation has clearly shown that credit unions in developing countries are generally organized as integrated management systems, which include multiple aspects of both local and global management principles. It is also evident that parallel to the modern organizational structure - transplanted and adapted from the West – equally cogent local organizational knowledge is still operational in different settings.

As described in various studies such as those by Pratt (1990), Muluh (1995), Warren, Slikkerveer and Brokensha (1995), Elhiraika (1999) and Guyer (1995) and reported in numerous projects, the concept of indigenous knowledge recognizes that communities have retained their local systems of knowledge and technology in diverse fields, specific to and unique within a particular area. In short, local communities have their organizational and managerial principles rooted in their local culture and which are utilised in the various sectors of society. This also includes the local management of traditional co-operative savings and credit unions, which like all local systems is dynamic and adapting to exogenous influences.

The processes of interaction often pertain to organizational renewal. Such changes are not always predominantly exogenous, but in most cases are also initiated from within the community. This process of interaction and change is not just sheer coincidence; it has historic origins rooted in the local socio-economic structure, by which it seeks to maintain sustainability. In other cases, it has also stimulated the adoption of innovative principles and practices, often in cross-cultural settings. Even though external forces and pressures sometimes play a very significant role in triggering the process of change at the local level, Strati (2000) argues that this process does not always completely ruin local institutional structures and processes. Local organizations are not obliged to react to every external pressure or influence but can choose to continue to use their local management knowledge. In other words, organizations can adapt to new situations without being entirely subjected to or having to submit to the new circumstances (Strati, 2000). By using their traditional body of organizational know-how, local organizations are able to respond to external pressures flexibly, adapting new structures and incorporating change. The local responses and reactions to such innovations often reveal the fundamental characteristics of the Indigenous Knowledge Systems (Dommen 1989). Van den Breemer *et al.* (1991) claim that the process of organizational innovation forms the basis for cultural change, and simultaneously promotes institutional continuity. It can even become a strategy necessary to protect the community's way of life in times of change. In this case, credit unions are not exceptional institutions, although their growth and continuity depend largely on how they interact and adapt to the actual socio-economic developments taking place within the community. Likewise, they also interact with other formal and informal institutions operating within the same area.

2.3.1 Credit Unions and Development Agencies

As a community-based organization, the credit union is interactive and change-oriented. The interplay it has at different local, national and international levels with other agencies determines to a large extent the form and contents of its management system. National Governments, either directly through their co-operative policy or more indirectly through the formation of co-operative departments, construct a legal framework or formulate policies by which credit unions are regulated. Most established Western-based co-operatives and credit unions such as CCA in Canada are working in close alliance with the credit unions in Sub-Saharan Africa. Such working relationships are directed towards the promotion of the participation of such less privileged groups in the community as the small farmers, women, petty traders and local entrepreneurs

Western banks with a co-operative background, such the Raiffeisen Bank of Germany regularly provide infrastructure and technical advice to most credit unions in West Africa. Similarly, for a long time the Rabobank in The Netherlands has assisted these credit unions by strengthening their institutional capacity and upgrading their accounting and audit services. The World Council of Credit Unions (WOCCU), through its extended network encompassing almost all formally registered credit unions throughout the world, periodically organizes staff seminars and workshops. These activities are intended to promote the philosophy of credit unions and standardize credit union management principles around the globe. In rural areas, such indigenous institutions such as kinship affiliation, chieftainship, age-grade and elders groups as well as local opinion leaders are in varying degrees involved in the process of credit union management. According to Chambers (1989), the management of local institutions could hardly succeed if chiefs and elders were not fully involved in it or invited to co-operate. Hence, local actors with social positions at different levels of the society have become important allies in the formation and development process of credit unions.

2.3.2 Hybridization of Credit Unions Management

The integration of structures and concepts of indigenous as well as exogenous agencies in the management of the local credit unions can be seen as a process of hybridization. This process has led to the introduction of a new management paradigm, in which local communities are expected to achieve sustainable development. The integrative management model does not necessarily reject the conventional management principles or return fully to traditional organizational management knowledge, but seeks to develop an interface and synergy between local and global management principles (*cf.* Jackson 2004). The ongoing process of globalization continues to affect local communities and their institutions, leading to renewed institutional arrangements. In these new hybrid forms of management, elements of both tradition and modernity can be identified which, in combination, brings about the dynamic nature of present-day African credit unions. In this way, local communities have been able to construct a modern form of local institution. Their unique form of decision making, containing both traditional and modern management principles, is rather specific to and functional in the local context, and as such not to be found in exactly the same form elsewhere out of that context (*cf.* Ellen 1998, Jacobsen 1999). The envisaged interactive management model is basically constructed on a combination of local and global decision-making processes. This hybrid system of management is built up of a variety of components, nurtured under different socio-economic conditions and integrated into

a new, synergic management system. This integrated management system consists of a combination of local and global management principles and practices and strives to use local resources optimally to promote self-sustained development. As such, this hybrid system contributes to participatory decision-making processes and eventually to the development of sustainable management systems in Africa. As mentioned earlier, local organizational knowledge continues to form a key element in the new integrated management model and the related day-to-day practices in the local co-operative credit unions.

2.3.3 Bottom-up Approach, Participation and Empowerment

For a long time, the conventional top-down approach was the dominant concept in the management of local institutions. This approach, inspired by the post World-War-II Transfer-of-Technology (TOT) model, leaves most crucial decisions in the hands of the central authorities and experts in the higher echelons of the administration. In this scenario, administrators and experts at top levels used to design policy plans and take decisions, and impose them on the grass-root groups, which were generally excluded from the decision-making process. As a result of repeated disappointments and failures of such top-down guided development programs, in shrill contrast to an increasing number of successful grassroots projects, subsequently a shift in the development paradigm emerged, replacing the TOT model with more participatory approaches, paving the way for increased empowerment of local communities in various sectors of the society. Especially, those organizations working with and for local communities – including NGOs – implementing the bottom-up approach have gradually gained acceptance in most developing counties.

The bottom-up approach is based on the strong involvement of the local community in policy planning and implementation, and requires the full participation of its members in the decision-making process, which makes the institutions more effective. Also, such local institutions the co-operative credit unions, which have adopted the integrated management systems structure, are organised in line with the bottom-up approach. These credit unions are characterised by the active participation of the members themselves in the management, the use and application of their organizational knowledge and their full involvement in the decision-making process. (*cf.* Chambers 1993, Haverkort *et al.*1988)

In order to implement properly and achieve a higher level of local participation, special methods such as the Participatory Rural Appraisal (PRA) were developed in the late 1980s by Chambers, Pacey and Thrupp (1989). This method stresses the participation of local people in the initial analysis of the local situation and the preparation of policy planning, progressing to the actual ownership of the entire development programme. Local communities and experts should indeed be given the possibility to identify problem situations and, having done so, to engage fully in the formulation of institutional goals and to decide over allocation of local resources. The process of participation, as Chambers (1993, 1997) has underlined, starts from the ground-up, that is from the grassroots level. While there is a general understanding of and consensus on the relevance of local participation, in most cases the practical implementation of this approach in the development process has not yet been fully satisfactory. This malfunction has often limited the process of the active participation of the local people in decision making and in directing the organizational process towards setting development goals. Such limited participation is largely the result of the continuation of the dominant, top-down approach, in which the hierarchical

structure permits centrally managed organizational practices. Meanwhile, the practical application of the PRA method has clearly shown that local institutions – particularly their members and their know-how – are better equipped to cope up with local complexities and provide better solutions than those institutions and their management principles which have been transplanted from outside (*cf.* Blunt¹ and Warren 1996; Dia 1996; Chambers 1997).

The new integrated management systems approach to development management is not only based on local organizational knowledge, it also seeks to put the PRA method into practice. In this way the full participation of local communities and the incorporation of the related visions and knowledge in development programs is safeguarded. Consequently, the role of local management knowledge in community development has increasingly gained recognition over the past few decades.

Recent development studies, such as those by Agrawal (1997) and Edoho (2001), have brought the concept of empowerment into the debate on global versus local systems by pleading for the strengthening of the position of local communities and other grassroots groups and institutions. This perspective introduces the concept of power relations in the process of development planning, of which the point of departure to reach the ultimate goal is that those who possess the local knowledge have to possess the power to determine the policy process and its development course.

Both Agrawal (1997) and Slikkerveer (1999) argue that the value and usefulness of Indigenous Knowledge Systems to sustainable development is based ultimately on the empowerment of local communities, in order to achieve an appropriate balance between global and local systems of knowledge and technology in development. Unfortunately, this crucial balance has not yet materialized. In this context, empowerment also plays an important role in the revitalization of local institutional knowledge in integrated management systems. As underlined by Agrawal (1997), empowerment has to be seen as one of the major prerequisites for the integration of global and local knowledge systems in sustainable development. As this proposition has introduced the concept of power and its allocation to local communities, empowerment towards self-determination in the use and management of local resources has been paid plenty of attention in the current debate on sustainable development and its implications. Therefore, local management systems lacking the proper empowerment of the community tend to find their main objectives are beyond their reach. In finding a solution to this problem integrated management systems can only generate a self-reliant or autonomous local development if due attention is paid to the existing power structures.²⁵ In this situation, local institutions are no longer expected to act as passive policy instruments of the Central Government or its agencies. Instead and more importantly, empowered local institutions have come to play a more dynamic role leading to a new form of institution building based on local participation and empowerment.

Edoho (2001), Chambers (1993), and Warren (1992) have stated that empowerment has helped to raise local institutional capacity to a stage at which it can play a more active role in development programmes by strengthening the learning process and promoting a new locally based form of professionalism. Moreover, they have a dynamic capacity to grow and by so doing stimulate self-reliance in local development. An integrated credit union management system, in which local knowledge actively interacts with exogenous factors, will effectively promote self-reliance in development and simultaneously resolve internal organizational problems. Consequently, the integrated local management systems facilitate collective action and co-ordinate sustainable resource management. The added advantage is that most organizational

conflicts are resolved through the effective use of local mechanisms of resolutions and methods of enforcing rules, buttressed by socio-cultural sanctions (*cf.* Alcorn 1984). In the management of local institutions, social and cultural norms and values rooted in customary practice are used as a complement to the often hardly enforced formal laws and regulations. Violation of local institutional arrangements are submitted to the traditional authorities and elders, and dealt with through community-based sanctions and punishments. Alcorn (1990) believes the success of local resource management depends largely on the presence of shared cultural values and social rules, and the implementation of a traditional principle of conflict management which has gained local legitimacy over many generations.

2.3.4 Credit Unions, Self-Reliance and Sustainable Development

An integrated credit unions management uses the modern institutional structure and the local organizational knowledge together in order to mobilize and manage local resources effectively. Community-based credit unions generally operate on a bottom-up approach, in which members are expected to participate actively and contribute to the entire management and decision-making process. Most of these co-operative credit unions have already been owned and managed by the members themselves for several decades. Elected members have voluntarily served in the management; and some members have followed short training programmes run by NGOs or by the apex organization. However, the majority of members continue to use their local organizational knowledge to facilitate the integration process. The newly established credit unions, in the form of integrated co-operative institutions remain primarily dependent on their members' resources, capacities and knowledge. Therefore, the continuing implementation of local organizational knowledge has become a major precondition for their effective management, and even more importantly for the continuity and sustainability of the credit unions in Sub-Saharan Africa.

In general the participation of members in the management of a credit union and the methods of decision making is strongly related to the local organizational culture. Regardless of the amounts of savings and loans, members are expected to voice their opinions about the functioning of the credit unions and discuss relevant matters. Every member also has the right to elect and be elected to the board of the credit union. In their external relations through existing connections and networks, the credit unions can also communicate either through their apex organizations or directly themselves with other development agencies and collaborate in various ways. This tends to strengthen their institutional capacities, and increase their financial liquidity.

By combining modern and indigenous organizational knowledge through the integrated management approach, credit unions can become self-reliant organizations. Recent experience with local development programmes has shown that most rural people are very capable of managing self-reliant organizations and Chambers (1993) has provided practical evidence to show that most foreign development agencies are beginning to recognize the relevance of Indigenous Knowledge Systems. The effective utilization of local knowledge in such community organizations as credit unions increases the role of credit union in various socio-economic sectors effectively and incontrovertibly also promotes overall sustainable development. According to Mohamed (1994), local knowledge systems in general and institutional knowledge in particular are imbued a substantial potential for improving a local community's well-being, livelihood, and economic and socio-cultural security. At a practical level integrated management

of such credit unions can be regarded as a self-sustainable institution in local management.²⁶ In this context, if local development is to become more sustainable, it has to be economically affordable, technically sound and manageable, and socially and culturally desirable for the community (*cf.* Titilola 1990; Reijntjes 1992). Basically, credit unions depend fully on their members' economic conditions and financial contributions, and perhaps not quite so conspicuously on their organizational knowledge and institutional capacity. In this context, under various local conditions co-operative credit unions are expected to be viable and sustainable institutions which can adjust themselves to the changing times and needs of the community. The discourse related to local co-operative credit unions has a high regard for the self-reliance of institutions as a principal goal, which often remains a difficult task to attain given the changing and often unpredictable circumstances, such as recurrent decline in the agricultural production and economic crises in Sub-Saharan Africa.

2.4 Analytical Structure and Research Methods

The theoretical analysis in the preceding sections (2.2, 2.3 and 2.4) has outlined the numerous factors which can affect the actual management methods and practice of credit unions. In this study Local Organizational Knowledge (LOK) systems and External Interventions for Organizational Development (EIOD) are considered to be the main factors which interact to determine the management of credit unions. The choice of these factors takes into consideration that: a) so far, the role of LOK systems in management has been either overlooked or minimized; b) no substantial study exists of the structural relations between external interventions (EIOD) and credit union management; c) the actual management practice seems to be best described by integrating some aspects of LOK system and EIOD into an integrated model, here named the integrated management system of credit unions (IMS).

2.4.1 Conceptual Model of the Study

The conceptual model of the study in Figure 2.2 shows the manner in which the IMS of credit unions, with its given values, namely democratic control and empowerment, member participation and accountability, can promote self-reliant and sustainable credit unions, which provide members with access to savings and credit facilities and thereby contribute to local development.

LOK can be defined as a particular form of Indigenous Knowledge System, that is systems of perceptions, beliefs and practices transferred over generations in a particular culture or community, which form the basis for management practices and decision-making processes; in this case, it refers especially to principles and practices used for the management of local organizations and associations. (*cf.* Uphoff 1986; Slikkerveer 1999; Edoho 2001).

EIOD (External Interventions for Institutional Development) embraces the ideas on and guidelines in co-operative development and credit union management introduced by various actors external to the community which inexorably influence the management of credit unions. In this case, the external interventions can be divided into three sub-categories:

The first is the co-operative policy of the State. This is the policy of the State pertaining to the management of co-operatives in general and credit unions in particular. This policy is often regulated through the Department of Co-operatives, which registers and guides all the co-operatives in a given country.

Secondly, there are the guidelines from the national credit union organization, which in the case of Ghana is the CUA (Co-operative Credit Unions Associations of Ghana). As an apex organization and also as a recognized member of the World Confederation of Credit Unions (WOCCU), CUA is responsible for promoting credit unions in Ghana, thereby advancing the universal co-operative principles and organization structure. Formally all credit unions which are operating in the country are expected to be affiliated to CUA, albeit this is not always the case. CUA (1981) accordingly assists all credit unions to register themselves, provides management advice and organizes training for credit unions management and members.

The third category consists of the development interventions administered by NGOs and other organizations which have working relations helps with credit unions. Some (as in this case the Canadian Co-operative Assistance) are involved in providing loans and financial assistance for short-term projects, whereas others (the Rabobank) are focusing on providing technical assistance.

In this analytical structure the term IMS (Integrated Management System) of credit unions is used to denote the dynamic nature of credit union management, generated by the interplay and integration of indigenous and exogenous procedures and practices of management. It combines – deliberately or *de facto* - various organizational practices and approaches originating from both LOK and EIOD into a single administrative and managerial model. In general, it is within this constantly interactive management framework that the policies of credit unions are prepared and all-important organizational decisions and implementation take place. As a dynamic management system of local co-operative credit unions, the IMS is a democratic management system in which the members of the co-operatives are empowered and participate in planning and decision making. The modality of democratic control reflects both the universal co-operative principles, such as choosing credit union managers through a one member one vote system, and the local, organizational knowledge, with clearly defined leadership roles for indigenous authorities. Decision-making processes provide a hybrid between the local practice of dialogue and building a consensus in decision making, and the external practice of taking decisions on the basis of the will of the majority. The organizational process must be transparent and members of the board are accountable for their activities. This accountability encompasses both that towards the General Assembly, the Department of Co-operatives and CUA, and that to the local community at large and the indigenous authorities.

As the analytical structure indicates, the implementation of the IMS of credit unions and its substantial principles assists respective credit unions to achieve their goals. Basically, this consists of providing sustainable access to savings and credit services for their members, which improve their socio-economic condition and material and immaterial well-being. (*cf.* Chambers 1997; Edoho 2001). Credit unions with an appropriately integrated system of management deliver their services efficiently and effectively, and they are also well placed to become a self-reliant and sustainable institution, which plays a multi-dimensional role in the local development.

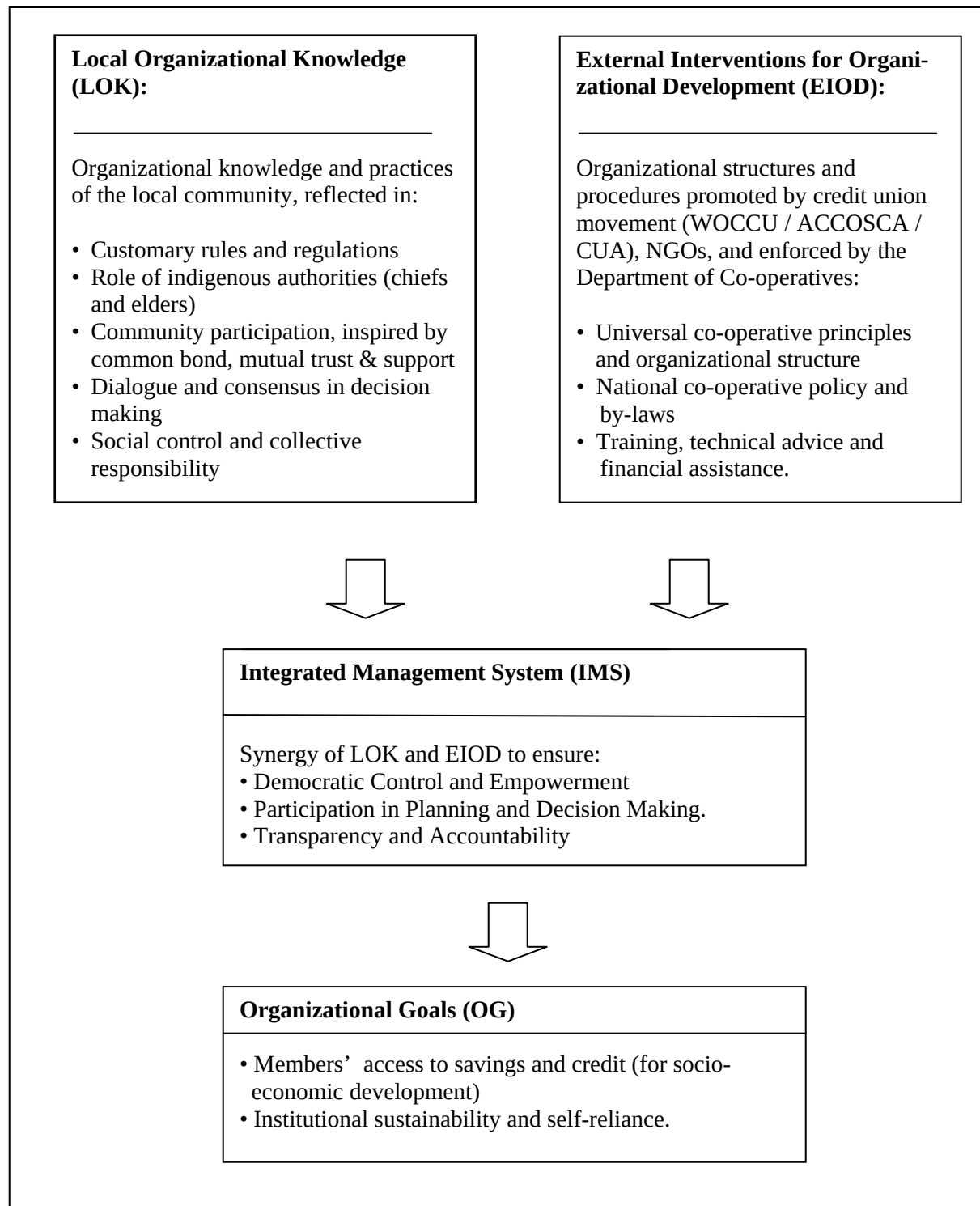


Figure 2.2: Conceptual Model of the Study

2.4.2 Research Methods and Data Collection

In this study, a range of research methods and techniques have been employed to gather the various sources of information and analyse them at three different levels: national, regional and local.²⁷ Both the selection of the methods and the sources of data have been guided and directed towards the central question of the research and are in line with the analytical structure presented in the previous section. Literature study and field-surveys have been applied. Secondary data have been collected both in the Netherlands and in Ghana. In most of the cases the qualitative method, consisting of open-ended and informal interviews, participatory observations, group discussions and historical investigations, has been used. In connection with this, especially in the field survey among the selected informants of the credit union members, the field-study part has been supplemented by the quantitative method with in-depth interviews.

Organizational studies are frequently synchronic and inevitably they focus more on what is currently happening in organization. This research is both synchronic and diachronic. As briefly explained by such researchers as Strati (2000), through the application of both these methods of analysis, not only the present situation of the organization but also the organizational history, the social and cultural dimensions which surrounds it can be properly understood. The entire study consists of four interrelated and often overlapping phases, namely literature review and pilot study; an inquiry into credit union management and investigation of local organizational knowledge systems; observations of organizational processes and members' participation; and in-depth interview of selected informants and analysis.

The initial stage was the preparatory phase of nearly six months which concentrated mainly on literature and pilot studies. Primarily based on bibliographical studies and an investigation of existing secondary materials, a general orientation to co-operative organization, the management of credit unions and the role of local knowledge systems in development was completed. After an extended literature study, a pilot survey using the Rapid Rural Appraisal (RRA) was carried out. As discussed by various scholars, among them Moris and Copestake (1993), Pratt and Loizos (1992), Strati (2000), Twumasi (2001), RRA is a community-oriented research method which encompasses a rapid acquisition and assessment of information on certain aspects of community development. Through the application of this method, basic information about the area of study, CUA and its regional organizations and the local primary societies, was collected. The data which were gathered during the reconnaissance field visits was collated to get a broader insight into the general situation of the local community and the organization of credit unions in Ghana in as short as possible a period of time.

During the initial period of the pilot study, a great deal of the time was allocated to the study of organizational documents at the CUA headquarters and co-operative offices in Accra. Local literature studies, archival surveys related to the area of study and credit unions were undertaken, and in the meantime regular visits to the regional credit unions were paid to the chapter in the Upper West Region. In addition, acquaintance was made with the various primary societies in the Upper West Region of Ghana and discussions with the management of primary societies, local elders, *tendaama* and chiefs were held.

On the basis of the information obtained through the various literature studies and RRA on the establishment and structure of CUA, the pilot project was concentrated mainly on the credit unions in the Upper Western region of Ghana. This region is inhabited mainly by the *Dagaaba*

people who have a population estimated at of about half a million. They are organized in nine primary societies with a total membership of nearly thousand credit union members. The reason for the selection of this region as a study area is based on local historical and development related considerations. Relatively speaking, it is a remote and underdeveloped part of Ghana and historically it is a place where the credit union movement began in Ghana. For an extended study of the management of the local credit unions in the study area, a multi-dimensional and multi-purpose open-ended, semi-structured interview was used to make an inquiry into the different categories of people who have a direct and an indirect links with the credit unions (see Appendix). These categories of respondents encompassed: the management of credit union; members; elders, *tendaama*, chiefs, local opinion leaders; non-members; and external agencies with whom the credit unions have an established relations.

The second phase: an inquiry into credit union management and investigation of local organizational knowledge systems took about six months. During this period the history of the Upper West Region and its inhabitants, i.e. the *Dagaaba* community, were studied in-depth with reference to locally available secondary data and an inquiry into the history gathered from elders and notables who are most knowledgeable about the history of the community, the local organizational patterns and practices, the socio-cultural and economic development among *Dagaaba*. This also provided extended information regarding local institutions and local management skills, their continuity and changes. As Strati (2000) has stated, organizational phenomena do not speak for themselves and organization studies must also deal with such first-order facts as the interpretations of members and historical developments. In this context, the historical origin and important events which shaped the emergence of the credit unions have been investigated through interviews and discussions with the founding members. To have a grasp of the socio-economic development taking place in the study area - the Upper West Region of Northern Ghana, secondary sources available at the regional office and primary societies were consulted and local elders were interviewed.

The Local Organizational Knowledge System, which is one of the main components of this study, was investigated in various ways. The extent of this knowledge was tested and identified through open-ended interviews and discussions with reference to locally existing organizational knowledge and practices. How this local organizational knowledge and skill is applied in the management, was gone into with particular reference to specific cases and looking at how certain decisions concerning the management of savings and loans are made, and how issues of loan delinquency and other organizational problems are resolved. Unstructured / open-ended interviews and discussions were also conducted with specific members who are often involved in handling these affairs such as local chiefs and elders. The complex relationship between the credit union management and the use of local organizational knowledge of course involved the understanding of the written rules and procedures, but also required insight into the informal practices and organizational culture. This demanded an inquiry into the oral recollections of the *Dagaaba* local organizational patterns and decision-making processes, encompassing their adaptation and transformation through time. As there are few or no literature studies yet available on the local organizational knowledge systems of the *Dagaaba* community, this required a special inquiry through an investigation of local oral history, in most case interviewing the key stakeholders in this: the elders, local influential people and those knowledgeable about local history. While this was being carried out, a close eye was kept on to what extent prevailing local organizational knowledge and skills have been tapped into by the

management of local credit union for decision-making processes and the mobilization of resources. Besides tackling these topics, conflict resolution in the credit unions and its contribution to the strength and sustainability of the institutions of the credit union has been documented.

The third phase, which covered about six months, concentrated on the observations of organizational processes, members' participation, external relations and influences on the credit unions. On the basis of information gathered in the preceding stages, some active and also non active credit union members of the Jirapa, Nandom women-centered and Hamile credit unions members were interviewed in more depth using open-ended questions which required different interview techniques as they were addressed to the diver categories of respondents. While in most cases face-to-face interviews were used for non-literate informants, self-administered questionnaires were also given to literate informants. As far as possible, these unstructured interviews were supplemented by participant observation, which yielded important information on the organizational processes. In various studies, among others those by Pratt and Loizos (1992), Moris and Copestake (1993) and Twumasi (2001), this form of observation is considered a very useful, appropriate technique through which a researcher becomes resident in the local community for a reasonable period of time and observes the aspects which are relevant to the subject of study. By participating in the day-to-day credit union activities and periodic meetings, decision-making processes and interactions between the members and the management were observed.

The organizational structure and the management of credit union was also probed. In order to do this, extended archival studies on organizational processes, policies and plans were carried and at a local level; this was achieved, by going through official, legal documentation, which included the organizational by-laws and guide lines, plans and policies; memoranda, reports and recommendations, key-historic moments and such issues as sudden up- and down-wards developments, crises and change.

Discussions and interviews with the credit union management and members and the participatory observation were also devised to extrapolate a detailed study of the organizational structure and management: the conducting of annual meetings (agenda points and meeting procedures), election of the board and appointments of various committees, goal setting, day-to-day management, member-management interactions, conversion of policies into practice, decision-making processes about the admission of new members, savings and granting of loans. At this stage, the entire study provided the possibility to observe the organization from within: from an '*emic* point of view' so as to understand the concepts and practices and motives from the perspectives of the members and management of the local credit union.

The essential links of the credit union with other Government and Non-Government agencies were studied from various official documents, such as correspondence and project-agreements and co-operations, and also by interviewing local co-operative authorities and through meetings and discussions with agencies concerned. These activities have provided information on the extent to which the interaction with external agencies can influence the management of credit unions. From this perspective, the impact of external relations on both the input and output of the credit unions activities were analysed.

At this stage, the data on integrated management required were gathered through observations, interviews and extended discussions, held with the members and with the executive body of the local credit unions and external agencies. To round off, whenever it was

possible, group interview and discussions were also held; the aim was to discuss the preliminary results of the study with selected focus groups (mainly farmers and petty traders).

In the final phase an in-depth interview with selected informants and data analysis were carried out and the impact of the credit union on local development was investigated by means of open interviews with credit union members and follow-up information gathered by visiting activity areas and sectors whenever possible to harness the members' view of the credit union and its impact on their socio-economic situations. This investigation was conducted through open-ended interviews and semi-structured questionnaires. The balance between the need of the community and the availability and use of the financial services was analysed. Furthermore, the impact of credit union services and its effect on the various related sectors were investigated.

On the basis of general and specific insights obtained during the preceding stages, representative cases were selected for in-depth study. A quantitative survey was carried out among a limited, selected group in order to produce supplementary data, mainly with regard to participation of members in the credit unions, the resolution of organizational problems and the role and impact of credit unions on the local socio-economic situations of their members. Towards the end of the field-study, separate round-table discussions were held with the officials of credit unions, with female members, small farmers, civil servants who are the member of credit unions. These steps allowed a broad-based opinion and feedback on the tentative and draft research report to be compiled.

2.4.3 Methodological Challenges and Constraints

Of course, certain constraints affected the field study. During interviews and discussion sessions, most credit union members provided extensive views on the various aspects of the management of savings and loans. Even so, the majority of them did not disclose the exact amount of their savings and loans. Their reticence is embedded in the local socio-cultural perspectives; exposing such information may reveal their exact financial condition and might encourage family or kin members to put more pressure on them for financial assistance. In some extended discussions and interviews, however, it was possible to record a little bit more information about the financial situation of particular members. For the purpose of this study, it was sufficient to limit data collection to the overall socio-economic status of the interviewed, and related estimates of the amounts of their savings and borrowings.

A similar situation arose during the interviews with those few members who apparently had not paid back their loan on time. Some of them had even been identified as loan delinquents. These members were initially less willing to discuss their financial problems with an outsider, as they could well have thought this 'stranger' might be an inspector or an auditor who had come to force them either to pay back or enforce some sort of sanction on them for not paying their debt on time. After repeated attempts to and difficulties in reaching this target group, a new approach was designed which was relatively successful. The first step was to involve respected local elders and informants to convey information about the researcher and the objectives of the investigation, namely that this research programme had nothing to do with inspections or sanctions but was simply to investigate the causes of this problem and analyse how such problems have been managed in the local credit union. After this information about the researcher and the purpose of the study had been passed on, it soon became possible to contact some of the loan delinquents and conduct open interviews and discussions.

Another tricky situation related to interviewing and conducting discussions emerged during contacts with female credit union members, specially those who are farmers from the village, and who tried to delegate their husbands, instead of themselves participating in or responding to the interview. However, after regular visits and the establishment of accepted social rapport with community members, they showed themselves prepared to participate more actively in the discussions. During the surveys, a factor which had to be taken into account was that these rural female farmers prefer to communicate in their local *Dagati* dialect, making direct communication with them sometimes complicated. This problem was easily resolved through the intermediary of research assistants, such as the *Dagaaba* schoolteachers who are used to working in different villages and have mastered sufficient knowledge of the various local dialects. Their role has also equipped them with experience of the various local socio-cultural values and norms. In these cases, recorded field notes were supplemented by the use of a tape-recorder, facilitating the rechecking of field data by the research assistants. Further, some members and non-members who during interviews and discussions provided valuable information, did - for various reasons - not want their names to be mentioned. In those cases, pseudonyms have been used.

During the field-study, some triangular disparities (within interviews-documents-observations) were observed between the organizational reality and the wishful thinking of the management of credit unions. These idealized practices consisted of the presentation of more successes and fewer failures, the non-existence of any organizational problems, and the reporting of higher achievement performances of the management than there were in reality. These gaps and disparities have been reduced by contrasting the information gathered from the management and written official documents with that of the participatory observation.

Conclusion

The different methods and techniques applied in this study have sought to complement and supplement each other in order to obtain in-depth knowledge of the participants' views of the function of local credit unions among the *Dagaaba*. Data gathered from participatory observation were supplemented by informal interviews and group discussions. For the in-depth interviews, key informants were selected from different groups who were representative of the various social strata and categories. As some critical opinions and remarks could create a certain tension among local community members, the anonymity of these informants has been maintained as a rule, leading to the use of pseudonyms in the field-study.

The theoretical analysis in the preceding sections concentrated on three main areas, namely: the study of the genesis of credit unions the co-operative movement; the emergence of the LKS as a new field in related development studies; and the conceptual framework used in this study. The development of co-operative savings and credit unions is not separable from the monetization of the economy and the expansion of commodity markets. Savings and credit associations are an integral part of a local community's socio-economic development process. In rural parts of Africa, where there are hardly any financial institutions, credit unions remain one of most popular options which can also provide such other services as the provision of saving facilities and loans for a wide variety of purposes which go beyond pure business investments.

The conventional organisational structure of co-operative credit unions in this part of Africa implies that they are *de jure* fairly autonomous community organizations which operate under the guidance of the formal co-operative laws and principles, but that in practice they are

influenced by government policies and by Non-Governmental Organizations which maintain relations with these co-operatives. Credit unions have shown a strong capacity to integrate their local organizational knowledge into their management system. Through their internal dynamics and interactions with exogenous factors and institutions, it is particularly their local organizations knowledge which enables the credit unions to change and adapt adequately to the processes of development and change.

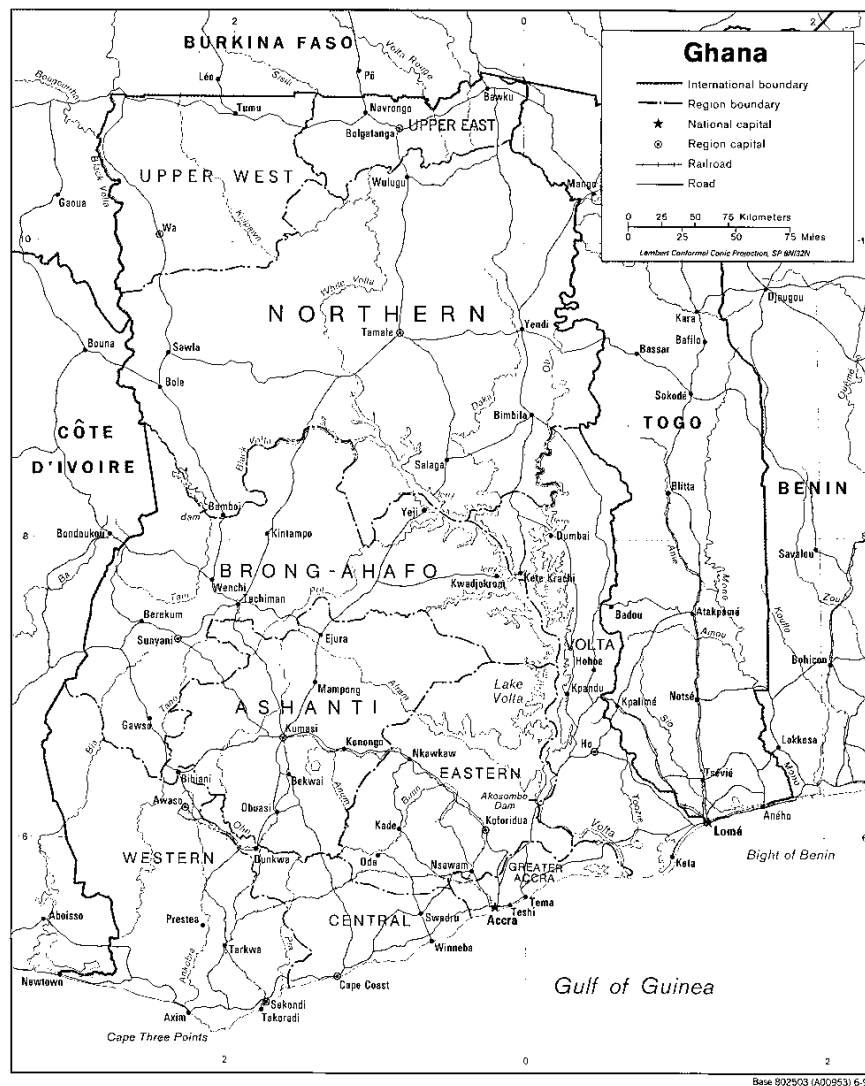
As described in Section 2.4, the conceptual interpretations indicate that credit unions associations, especially in rural areas, are practising an integrated form of management which incorporates both the conventional – mostly transplanted - management principles and the local organizational knowledge, which has shown its merit at the community level in the field of mutual financial services, in planning as well as in the local decision-making process. This form of integrated management is generally accompanied by a ‘bottom-up’ organizational strategy which stimulates the participation of the community in decision-making processes, mobilizing resources and in enhancing self-reliance and sustainability in credit unions among local communities.

As presented in Chapter I, which concentrates mainly on the background information and the objectives of the study, in this chapter the theoretical analysis has clearly delineated the path along which the subsequent parts of this study will be carried out. On the basis of the conceptual analysis and the research methods provided in this chapter, the data collected on co-operative credit unions in Ghana will be described, analysed and interpreted in the following chapters.

Notes

- 1 The First Society of Equitable Pioneers were started in 1844 in Rochdale, by a group of weavers who contributed an equal amount of money from their savings and set up their own grocery shop. This society and other that followed were viewed as community-based and democratically managed and members owned co-operatives. The principles and practices applied in these societies made it clear that co-operatives were distinct from any other form of business (cf. Prakash 2003).
- 2 In July 1995, when the first UN International Day of Co-operatives was proclaimed, about 2.3 billion people (57 per cent) of the estimated total population in developing countries were closely associated with co-operatives. For more detailed analysis see United Nations in Focus, September 1995.
- 3 In books about credit unions and co-operatives, Holmen (1990), Dublin (1979), Saka (1982), a person known as Frederick William Raiffeisen is revealed as the founder of the first credit union. In 1849 Raiffeisen organized credit unions in Germany according to the principle of Co-operatives, but placing more emphasis on the idea of a common bond and members having high moral principles.
- 4 They are basically imported institutional set-ups, taken over in more or less similar way from the Far East, mainly from India and Bangladesh where they are still very popular. According to Mabogunje (1995: 277): '*...community bank is defined as a self-sustaining financial institution, owned and managed by a community, for the purpose of providing credit, banking and other financial services to its members, largely on the basis of their self-recognition and creditworthiness.*'
- 5 The initial formative members of co-operative credit unions will enjoy no special privileges or a separate status. ACCOSCA (1991: 6) recommends that starting members be a group of at least six to nine persons.
- 6 There is always a certain degree of uncertainty about obtaining full information of the issues at stake in the decision-making process; see Dixon (1991: 110). Moreover, acquiring a detailed analysis of possible alternatives and their outcomes requires longer time and has higher costs.
- 7 Generally, a loan policy is a guideline used by the loan committee at the time of evaluating the credit worthiness of loan applicant. It also indicates the measures to be taken when a loan is not repaid according to the agreed on time. The details of the loan policy vary from credit union to credit union. See Azaah (1978: 8-11).
- 8 Loan delinquency occurs when borrowers do not adhere to their original commitment and delay the repayment of their loan. If a borrower misses one tranche of the loan repayment, then the remaining balance can be considered as delinquent loan (cf. McCoy 1988; ACOSCA: 1991). A loan which is delinquent can either be recovered through various measures or may also result in a bad debt.
- 9 It is a normal practice that a rural community in Africa posses a detailed indigenous knowledge in such various fields as agriculture, medicine and community management. Indigenous knowledge has been distilled over centuries and is often the best guide to sustainable resource management. Concerning local environmental knowledge, see Richards, Slikkerveer and Phillips (1989).
- 10 See Thompson (1996).
- 11 For more detailed analysis, see Geschiere (1982: 337-357).
- 12 New forms of social and economic relations can greatly affect local organizations. In his field-survey, Geschiere (1984: 357) has indicated how the Maka people in Cameroon were coping with changes without losing touch with their own organizational values.
- 13 For detailed case studies along this line, see Taylor and Makenzie (1992).

- 14 “Local” according to Hines (2000: 27) is predominantly defined as part of the nation-state, but can be the nation-state itself or even, occasionally, a regional grouping of nation-states. Going local does not mean walling off the outside world. It is instead the nurturing of locally owned enterprises / businesses which use local resources in a sustainable manner. It implies becoming more self-sufficient and less dependent on imports.
- 15 For a summary of these studies, see Slikkerveer (1991). IK is defined as a cumulative body of knowledge and beliefs, handed down through generations by cultural transmission. It is about the relationship of living beings (including humans) with one another and with their environment. (Slikkerveer 1999: 170).
- 16 As analysed by Slikkerveer (1995: 171), the prevailing cosmovision of the members of the indigenous communities guides and regulates a complex of such socio cultural phenomena as the organization of culture, land allocation and use, the way of daily life, and determines to a large extent the ways in which goals are achieved. See also Chambers (1993).
- 17 Even though rural communities can retain a certain level of autonomy, they are not absolutely free of the intervention of the Central State and market transactions. For a more detailed argument, see Geschiere (1990).
- 18 The imposition of policies by Government, without taking the needs and desires of community into account, has hindered local initiatives. This is one of the factors which have brought most African States into a state of permanent crisis.
- 19 For detailed analysis see Aryeetey (1992: 57-72).
- 20 Sustainable development can be seen not only as self-replicating development without external inputs, but also as continuous improvement in the levels of living of the disadvantaged, focusing on ways in which local participation can form the basis of development.
- 21 For further analysis of citizen participation in planning, see Aryeetey (1992: 72-90).
- 22 True participation goes beyond the provision of labor and other inputs; it involves participation in decisions being taken and plans being formulated at the local level. In this study, participation is referred to as 'the organized efforts to increase control over resources and regulative institutions in given social situations, on the part of groups and movements of those hitherto excluded from such control'.
- 23 Indigenous organizations are classified as existing in between two ends of continuum. According to Uphoff (1986: viii), they are organizations which are distinctively ‘modern’ but which are primarily committed to serving the interests of the local community.
- 24 *Ibid.*
- 25 There are no pre-formulated criteria which regulate the composition of important components of local and global knowledge systems. Integration of local and global knowledge systems can be designated on the basis of shared values, powers and self-determination.
- 26 Sustainable development is defined by WCED (1987: 8) as development which meets the needs of the present without compromising the ability of future generations to meet their needs. To satisfy the present human needs while maintaining the resource base, development must be (Reijntjes 1992:2) ecologically sound, economically viable, socially just, human and adaptable.
- 27 Based on the principle of triangulation, multiple methods of data collection have been applied in this research.



Source: Perry-Costanede Library Map Collection

Map 3.1: Map of Ghana

III Development Policy and Local Institutions in Ghana

This chapter gives a general overview of Ghana with special emphasis on relations with the Upper Western Region. The particular focus of the analysis is the development processes that have taken place in Ghana and the emergence of the decentralization policy and local institutions. After providing a synopsis of the sociography of Ghana, the historical development of the country will be discussed. This will give an overview of the pre-colonial situations and the transformation which the country has undergone during the periods of colonial and the post-colonial rule. The primary accent will be the developments which have taken place after the independence of Ghana in 1957 and on how the various policies under different regimes have affected the position and the role of local institutions. The final section will explain the development policies of Ghana in more detail and pay specific attention to the structural relations between the process of decentralization, local governance and institution building.

3.1. Ghana's Pre-Independence Development Process

Ghana had been a colony of Great Britain for nearly half a century when it became independent in 1957. The country was formed by the union of the former Gold Coast, Ashanti and the Northern Territories.¹ As Map 3.1 shows, Ghana is one of the West African countries which is situated in a very strategic location bordering the Ivory Coast to the east, to the west with Togo, and to the north with Burkina Faso, whereas the southern coastal border lies along the Atlantic Ocean. The 2000 population and housing census issued by the Ghana Statistical Service (2002) estimated the population of Ghana at 18.9 million, with a total area of 238,537 square kilometres.

Ghana has a tropical climate with an interaction of dry continental air mass from the north-east with a moist south-west equatorial system. The annual mean temperature lies between 26°C and 29°C and annual rainfall varies from more than 2,100 millimetres in the south-west to 1,000 millimetres in the north. Vegetation is densest in the south, thinning to savannah and dry plains in the north.

Ghana consists of people with different ethnic, historic and cultural backgrounds, whose union has formed the post-colonial Ghana. The major ethnic groups include the *Akan*, the *Ewe* and the *Ga* in the south and south-east and west, whereas several small ethnic groups such as the *Waala*, *Sisala* and the *Dagaaba* inhabit the north. Although every ethnic group uses its own language locally, English is the official language which is used in Government offices, in the broadcasting, media, schools and large -scale enterprises.

Various forms of religion are observed in Ghana. According to the 1985 national survey about 62 per cent of the population is estimated to be Christian of different denominations, 15 per cent to be Muslim, and practitioners of indigenous belief systems are estimated to be 22 per cent. Christianity predominates in the centre and south, Islam in the north.

Like most African countries, Ghana's economy depends heavily on the agricultural sector. More than half of the population of the country is engaged in agriculture-related

activities and the sector accounts for about half of the country's GDP. According to the country profile report of the Economic Intelligence Unit (EIU 2002: 21): '*... Agriculture continues to be the mainstay of the economy, employing about 60 % of the labour force and contributing 30-40% of GDP. Cocoa is the major cash crop, followed by timber and non-traditional products such as horticulture, fish/sea foods and pineapples.*'

Another important sector in Ghana's economy is mining. This consists of such minerals as bauxite, manganese, diamonds and gold, the last being the most important source of foreign exchange earnings. In 2001 (EIU 2002: 319) gold generated about 94 per cent of the total income obtained from the mineral sector. Gold reserves are found in the Ashanti region, the Western and Central Regions.

Although industrial enterprises have made visible progress, the secondary sector has not yet reached the desired stage and has remained at around 15 per cent of the GDP. Many of the local manufacturing industries have been hard hit and collapsed unable to withstand the onslaught of competitive imports, compounded by measures such as economic policies blocking Government support for local enterprises. Aware of the significance of manufacturing, important attempts have been made to increase its share in GDP. After the establishment of the Ghana Investment Centre in 1986, responding to the involvement of foreign capital various new joint venture enterprises have emerged, covering aluminium, timber and agricultural processing, cement manufacture, oil refining, textiles and many others (EIU 2002: 329)

As was clearly been indicated in the 2003 Human Development Report (UNDP 2003: 237), relatively speaking Ghana's human development (education, health and income) is advanced compared to most countries in Africa. In 2001, Ghana had a Human Development Index of 0.567, which places it in the category of medium human development countries, with an overall ranking of 129 out of 175 countries listed.²

As far as the historical settings are concerned, the institutional structure of modern-day Ghana is the product of a long historical process, which spans centuries of development through indigenous institutions, the period of colonial administration from the last quarter of the eighteenth century and about five decades of development through the post-colonial national state. If the development policies and institutions in the country are to be understood, it is essential to have an insight into some aspects of this historical process.

3.1.1 Pre-Colonial Period

Up until around the fifteenth century, the people who constitute the population of present-day Ghana were in a constant state of flux along the West African coastline and farther north crossed the forest areas connecting them with the Sahara region. Ward (1958) argues that the early sixteenth century can be considered the beginning of the rise of trade and external communication in the history of the Gold Coast as Ghana was then known. This period was marked by the rise and expansion of extended commercial transactions. It was a time when trade flourished beyond the people of the Southern Ghana, by land to the north to the Niger River bend and Hausaland and by sea to the neighbouring coastal cities of Togo, Dahomey and Nigeria. Economically, this was a high point for the peoples inhabiting the coastal areas.

This, however, did not mark the beginning of the settlement of the various communities of Ghana. On the basis of documentary evidence, linguistic studies and oral

traditions, a Ghanaian historian, Boahen (1975: 94) has pinpointed as follows: '*... prior to the arrival of Europeans, nearly all the peoples of Ghana were living virtually in the areas in which they are still living, that they had evolved distinctive cultures and social institutions of their own, that they were engaged in local as well as long distance trade and were in contact with Muslim world outside, and finally that some were organized into states and kingdoms.*' The commodities-for-trade involved the export of salt and fish from the coastal areas and gold, iron, cola nuts and cotton cloth from the forest and northern regions. The trade route often referred to as the Ghana-Niger Trade Route ran a very long course, crossing through the Hausaland and reaching to the regions of the ancient Ghana, Mali and Songhai Empires. (cf. Ward 1958; Boahen 1975; Awoonor 1990)

Referring to the social organization of the people of Ghana, Boahen (1975: 99) states as follows: '*... they lived in small villages and settlements in small clan or family groups under clan or family heads. While the Akan developed the matrilineal system of inheritance, all the other groups, the Ga and Ewe as well as the peoples north of the Volta, developed the patrilineal system.*' This analysis is rather superficial and teems with generalizations. It fails to go into detail to show the specific variations which exist between the South and the North. It also overlooks the existence of the matrilineal system among communities in some parts of the North.

Prior to foreign intervention, different forms of local autonomous ethnic Governments existed. The South and the Ashanti Empire, with its central area in Kumasi, were especially actively engaged in trade and commerce, more or less on an equal footing with Europe. A system of chieftainship prevailed in the central forest areas, whereas with the exception of the known kingdoms of Gonja, Dagomba, Mamprusi and Wala, the ethnic groups in the North (cf. Bening 1975a), such as the Dagaaba and Sissala, were more unstable societies, characterized by conflicts and regular population movements. Their local authorities and states were remote and less familiar to external observers.

Arhin (1985) describes how the traditional institutions served as a system of government quite different from colonial rule. Taking the cases of the Ewe and the Ashante as examples, Awoonor (1990) argues that the original Ghanaian political systems had operated from the bottom upwards, with traditional leaders serving only as symbolic expressions of the power delivered to them by their people. In the analysis of Eriksen *et al.* (1999: 81): '*...Chieftaincies were divided into sub-cadence, who enjoyed considerable autonomy from the higher level Chiefs. The power of the Chiefs was institutionally limited by the council of elders.*' Decisions taken by the chiefs were to reflect the interests of the council of elders in particular, but were not divorced from the community in general. Those chiefs who did not comply with this basic rule could even risk the possibility of being destooled or deposed.

3.1.2 Colonial Rule

After years of reconnaissance trade along the coastal area and a series of wars with the Ashanti, the British who saw promising economic potential in the region, gradually colonized the southern part of the country (Kay 1972, Konings 1986) and established the Gold Coast Colony in 1874. After occupation of these economically and strategically important areas and three decades of intense contacts involving conflicts with the local authorities in the Central and the Northern Regions, the British annexed the Ashanti

Kingdom and extended their colonial rule to the Northern Territories in 1901(cf. Boahen 1975; Konings 1986; Awoonor 1990)

Instead of direct engagement with the administration of the various communities, the Colonial Government introduced a system of indirect rule to control the State power through traditional chiefs. Codified in the first Native Jurisdiction Act of 1878, the system of indirect rule was designed to incorporate traditional institutions into the colonial administration, while expecting them to guard the interests of the colonial administration rather than to care for their local subjects. To put this plan into action, a system of native authorities consisting of chiefs and councils, native courts and native treasury, was established. Under the direct supervision of the Colonial Administrator, the responsibilities of the native authorities consisted of such duties as the maintenance of law and order, crime prevention, tax collection, the administration of local social development, the settlement of disputes over land rights and other social and cultural matters.

As stated by Eriksen *et al.* (1999: 83): *'... native authorities were to act both as local representatives of the colonial state and as representatives of the local community, if they could not be controlled, the exercise of the former role would be impossible.'* In one fell swoop, local institutions were placed in a delicate and difficult position in which they had to serve two relatively opposing interests and remain loyal, to both their community and the Colonial Government. In order to obtain a maximum surplus, the colonial economic policy concentrated on the extension of agricultural production and the extraction of mineral resources (Konings 1986). A handful of foreign trading companies, among them the United African Company, were provided the requisite facilities and infrastructure to allow them to intensify their activities. A sort of regional division of labour was arranged, in which the Northern Territories especially were supposed to supply the required labour force to work in the agricultural and mining exploration areas in the South and the West.

Living conditions under colonial rule grew harsher for most people. Especially in response to the intensifying external interventions and colonial control, ethnic unity and national consciousness began to rise. This provided possibilities for different strata of the communities greatly affected by the colonial administration to come together and form a resistance force against the colonial administration. After the end of the Second World War, a series of popular protests, riots and strikes occurred fed by the growing frustration among the various sectors of the population.

In this environment the United Gold Coast Convention (UGCC) was formed in 1947 with Nkrumah as its secretary. The United Gold Coast Convention was not a political party with a distinct ideology; it was rather an umbrella organization which embraced discontented groups and reflected the demands of the people. It also offered one of the possibilities to improve co-operation among the intelligentsia and bundle their forces to put the Colonial Government under pressure. As briefly indicated by Osei (1999: 33), the main objective of the UGCC was: *'...to ensure that "by all legitimate and constitutional means, the direction and control of government should pass into the hands of the people and their chiefs in the shortest possible time."* The colonial administration was able to exploit the existing differences between traditional chiefs and the intelligentsia. Partially because of the diversity of visions within the United Gold Coast Convention, the expected results were not achieved.

For Nkrumah, as stated by Osei (1999: 39) *'... the struggle for liberation was meant not simply for an "aristocracy" to replace the British colonial administrators, but for a*

whole country, a building nation, to assume control of its destiny and create a new society.' This type of thinking was in stark contrast to the snail-paced, gradualist approach of the UGCC. As a result of growing differences within the United Gold Coast Convention, Nkrumah chose to distance himself from the Convention and in 1949 he formed the Conventional People's Party with its demand for: '*... self-government now*' whereas the Convention's leadership called for '*...self-government in the shortest possible time.*'³

3.2 Independence and the Post-Colonial State

In the post-war years, adjustments were made in the policies of the Colonial Government. The period from 1951 to 1957 was a time of transition from the era of colonial rule leading to independence. In 1951 the Local Government Ordinance, which marked the beginning of this period of dual rule, was introduced. Besides the chiefs, who had earlier enjoyed exclusive rights under indirect rule, the new ordinance opened possibilities for the Ghanaian educated elites to take part in Government (*cf.* Eriksen *et al.* 1999). As Arhin (1985) noted, the former practice of appointing chiefs to the one-thirds of the seats in the assemblies was abolished; and only elected people were to take charge of local matters. This reflected a political tendency which redirected the role of chiefs towards ceremonial and cultural functions. As Konings (1986) has indicated, during this period of dual rule, the Conventional People's Party stressed the diversification of the country's economy and the promotion of industrial development.

3.2.1 Independence and the Formation of the Republic of Ghana

After having been largely self-governing since 1951, Ghana officially achieved independence from colonial rule on March 6, 1957. A year later the 'House of Chiefs' Act was passed, which according to Arhin (1985: 110): '*... confirmed that traditional councils and the House of Chiefs could resolve disputes among traditional rulers. The 'House of Chiefs' Act established a 'House of Chiefs' in all the regions of Ghana, as council of all the heads of traditional states or their representatives in the region.*'

During the early years of independence, political power was concentrated in the centre and the development policies placed great emphasis on industrialization and urban development. At the time of independence, the Ghanaian economy was relatively one of the strongest in Africa (*cf.* Loxley 1990; Herbst 1993). In the early years of independence a policy of rapid industrialization was initiated, combined with heavy investments in social and economic infrastructure. After the consolidation of the country as a single nation state, Nkrumah was inclined to implement radical development policies. This involved a centrally planned economy and the expansion of the public sector. This was clear in the Second Five-year Development Plan (1959 - 1964), which was quoted by Osei (1999: 59) as follows: '*... to give... a standard of living which will abolish disease, poverty, illiteracy, give our people ample food and good housing... We want to develop strong basic services – communication power and water, so that we can provide a real and an effective foundation for the industrialization of our country.*'

Given the actual situation of Ghana in those days, this development plan was ambitious and appealing. However, the economic policies did not achieve the intended

objectives, partly attributable to insufficient funds as a result of decreasing cocoa revenues and declining external financial flows and investments. As analysed by Osei (1999), the next development plan, known as seven-year development plan for Ghana, had similar objectives but the role of the State was extended from only controlling to owning larger enterprises and institutions such as banking and insurance companies. Rural areas and underdeveloped regions, as the north were paid scant attention. In Awoonor's (1990: 199) statement: '*... Nkrumah seemed to have lost interest in the domestic situation at home and was launched upon his great dreams of Pan-Africanism and global recognition.*'

Nkrumah's preference for a non-capitalist road to development brought Ghana towards a close alliance with socialist countries. In the middle of the Cold War, his socialist policy involved Ghana in the strained relationship between the East and the West. In his analysis of the post-colonial Ghanaian state policy, Konings (1986: 29) explains the situation as follows: '*... most state enterprises were characterised by low production, poor planning, poor management and massive corruption and they caused huge domestic and external debts (mainly to western creditors), a balance of payment crisis, and huge rate of inflation.*'

The concentration of power in the hands of a single party, the Conventional People's Party, (Schiffer 1970, Awoonor 1990), its populist policies and various economic crises became a fundamental source of discontent and contention for distinct groups who opposed the Nkrumah regime.

3.2.2 After the Fall of the Nkrumah Government

In February 1966, a military coup organized as the National Liberation Council led by General J. A. Ankrah overthrew the Nkrumah regime (*cf.* Boahen 1975; Konings 1986; Osei 1999). Now, in contrast to Nkrumah's radical, socialist-oriented policy, the National Liberation Council reoriented the country to a liberal policy and improved Ghana's relationship with Western countries. It fully accepted the policy proposals of the International Monetary Fund, which had earlier been rejected by Nkrumah regime.⁴

In order to improve efficiency and promote rapid social and economic development, the National Liberation Council attempted to decentralize the highly centralized structure of the Government to a certain extent and established a Ministry of Rural Development to pay proper attention to the development of rural areas. (*cf.* Kyei 2000). As Arhin (1985) stated, under the Ghanaian Constitution which was drawn up in 1969, a National House of Chiefs, with their representatives elected from the Regional Houses Chiefs was formed.

Despite its overambitious programmes and policies, the Council was not able find the right touch to make its decentralization policies operate properly. The improvement in the economic condition of the country also proved beyond it and Ghana was once again plunged into a state of constant political instability. Public protests and the pressure exerted by the public forced the Council to organize elections and hand over political power to an elected civilian Government.

The Constitution of the Second Republic was drawn up in October 1969 and the Progressive Party led by Dr. Busia won the elections. The Progressive Party continued the liberalisation policies of the Ankrah regime and emphasized rural development, the privatisation of the economy and the integration of small- and medium-size businesses in the economy.⁵ It also attracted more attention to rural communities and made rural

development its primary concern (cf. Obeng 1973). In 1971 the Progressive Party Government adopted the Local Government Act (Act 357) which included provisions for the formation of Regional, District and Local Councils⁶. But, before these structures were actually put in place, the Busia Government was charged with wrecking the economy, primarily as the fall in the cocoa price and the rise in the prices of consumer goods were combined with more devaluations and a drop in real income.

The various policy measures which were taken to mitigate the crisis situation ranged from a further reduction in public spending, specially defence and control of export goods to the devaluation of the cedi. This eroded the social and political basis of the Progressive Party even more deeply and the Busia Government was removed in January 1972 by a military group organized as the National Redemption Council (NRC) led by Colonel I.K. Acheampong. (cf. Konings 1986; Osei 1999; Kyei 2000).

To reduce existing tensions and obtain more solidarity and co-operation, the NRC established relations with various civil society movements, including the trade unions and also with traditional chiefs.

The development policies of the NRC were oriented towards the principles of self-reliance and economic nationalism. Under the guidance of the State, private enterprises and entrepreneurs were given greater encouragement and various attempts were undertaken to increase agricultural production and solve the food crises.⁷ In the initial period some progress was made in the economic development. The National Redemption Council went on to draw up policies to increase the participation of local communities in the development process and in 1974 it initiated a new Local Government (amendment) decree (NRCD 258), in which district councils, town and village development committees were given more space to take part in decision-making processes. Before this decree was fully translated in practice the National Redemption Council was confronted with economic decline, inevitably followed by protests and increasing demands for a return to a civilian rule. To remain in power, the National Redemption Council transformed itself in 1975 into the Supreme Military Council (Konings 1986, Aryee 1994 Kyei 2000).

As Konings (1986: 37) has indicated '... By the middle of the 1970s it had become abundantly clear that the NRC / SMC was by no means able to resolve the economic crisis afflicting the country. There were acute shortages of most consumer goods, food, industrial raw materials, spare parts, and various other commodities.' Ghana ended up in a state of absolute crisis; shortage of consumer goods fed extended corruption and the smuggling of goods from Ghana to the neighbouring countries became a normal practice. The Supreme Military Council proved incapable of governing the country effectively. Consequently, it was compelled to form a Union Government, which consisted of both the military and civilians not affiliated to political parties, and it called elections in 1979.

Certain junior officers within the military did not believe that the conduct of elections, under the auspices of the Supreme Military Council could resolve the paramount problems Ghana was confronted with. They therefore wanted to take more radical actions and implement structural changes in the Ghanaian economic and political landscape. Two weeks before the planned election, on June 14, 1979 a group of junior officials from the army led by J.J. Rawlings staged a coup and overthrew the regime in power to form the Armed Forces Revolutionary Council (AFRC).

The primary task of the Armed Forces Revolutionary Council, as stated by Rawlings, was a house-cleaning exercise (Eriksen *et al.* 1999: 91); it said it had no intention of

remaining in power. It was simply there to make a clean sweep of the corrupt administrative apparatus and to raise the standards of public management to ensure that it became more accountable to the Ghanaian people.⁸ Besides taking action against certain persons who were considered to have committed crimes against the State, the Council also engaged itself in trying to instil a sense of conscience among the masses in order to establish common values and norms.

After controlling the State for about two months, the Armed Forces Revolutionary Council handed over political power to the People's National Party led by Dr. Hilla Limann which had won the elections.⁹ Soon after assuming political office, the People's National Party embarked upon the decentralization of the administrative apparatus to the regional and district levels in order to enhance effectiveness at all levels. Since the Party consisted of members with opposing views, it had problems right from the start in finding common ground for the development guidelines on which they had agreed.¹⁰ The decentralized administration lacked the required infrastructure, financial resources and skilled manpower. Matters were made worse as the channels of communication remained weak. Consequently, the participation of local communities in the process and structure of decentralization was a forlorn hope.

The People's National Party, just as its predecessors failed to offer any prospects for resolving the sufferings of Ghana politically or economically. On 31 December 1981, the Limann regime was removed by the Provisional National Defence Council (PNDC) led by J.J. Rawlings.

All in all, after the fall of Nkrumah and about a decade and a half of coup d'états, irregular changes of Government had become a normal phenomenon in Ghana. But, in their totality the succession of regimes only aggravated Ghana's economic and political problems. Ineluctably, the Gross National Product continued declining from 1975 to 1980 and real income per head dropped by 27 per cent (Pearson 1990). In the political field, various development plans were prepared, but for various reasons, among them political instability and frequent changes in Government, none of them was implemented. The same was true of the decentralization policy which various Governments had advocated since 1967 (Aryeetey 1985, Pearson 1990).

3.3 Development Policy, Decentralization and Local Governance

The coming to power of the Provisional National Defence Council in 1981 under the leadership of J.J. Rawlings marked the beginning of structural changes in Ghana's economic policy and political decision making. The Council embarked on radical policies, which initially in many ways resembled those of former President Nkrumah. The initial policies of PNDC were primarily directed towards a quick recovery from economic crises, simultaneously fighting against corruption and exploitation. To safeguard the implementation of these policies two important organs were established; these were: the Peoples' Defence Committee and Workers' Defence Committee.¹¹ According to Kyei (2000: 63), the purpose of forming these organs was: *'... to actively involve the people in the process of political, social and economic change, to create economic opportunities for all categories of workers and peasants, to distribute wealth. In addition, they were to*

remove various corrupt practices such as hoarding, over-pricing, smuggling and usury and to end neo-colonial influence.

The intense involvement of these new organs in the economic life touched some of the established interests directly and this engendered widespread disappointment in and resistance to the Rawlings regime. As Kyei (2000) perspicaciously notes, despite this discontent, the Government went further, replacing the Peoples' and Workers' Defence Councils with the Committees for the Defence of the Revolution (CDRs).

Another significant aspect of the development policies was that the Rawlings administration devoted more attention to decentralization and the development of rural areas, a matter which had not been correctly addressed under previous post-independence regimes. Placing particular emphasis on community participation and the mobilization of local resources for development, the CDRs were fully engaged in rousing the grassroots.

After years of public discussions on administrative and political decentralization, the Government launched a plan to accomplish this in Ghana in December 1983. The three-fold principal aim (Ayee 1994: 109) of the policy was '*... a) to reduce the massive gulf between the rural people and urban dwellers; b) to end the drift of people from the countryside to the towns; c) to increase initiative and development at the sub-national level.*' This aim clearly shows that the decentralization plan of the Provisional National Defence Council was mostly a reform of the administrative structure; the devolution of power to the people was not foreseen. Kyei (2000) has correctly argued that this has in one way or another hampered the highly desired participation of the grassroots in the decision-making process. Confronted with a further decline in the economy and a non-functional administrative decentralization, the Council was forced to make certain adjustments in its development policies.

3.3.1 PNDC and the Structural Adjustment Programmes

The year 1983 saw a radical turning point in the economic policies, with the introduction of the Economic Recovery Programme, followed by Structural Adjustment Programmes I and II. These programmes, inspired by World Bank and IMF thinking, were characterized by such ideas as a reduction in public sector spending (especially health, education and deployment of civil servants), a rise in the price of local consumption goods, trade liberalization and promotion of commodity export (Pearson 1990).¹²

This had the desired result of increasing the average growth of GDP to around 5 per cent during the second half of the 1980s. But, as Onimode (1988) reveals, in the same period there was a sharp decline in real local incomes, a rise in external indebtedness and an increase in inequality among the Ghanaians. Some critics of the Economic Recovery Programme stressed the negative consequences of the increased dependence of Ghana on the export of raw materials and on the world market with its strongly fluctuating prices

The Structural Adjustment Programme also emphasized the need for higher level of savings and investments, in a context in which services provided by banks and other institutions were rather limited and unevenly distributed among the various regions of Ghana. For instance, in the 1980s the Upper West Region counted only seven banks, which represented less than 2 per cent of the total number of banks in the ten regions of Ghana, whereas the Greater Accra Region contained about 17 per cent of the total number of 432

banks (UNDP 1987). In general, in Ghana and other African countries scepticism as to whether the strategy suggested by the IMF and the World Bank could actually lead to sustained long-term growth was widespread (*cf.* Herbst 1993).

The policy measures taken under the Structural Adjustment Programme affected a large section of the population negatively, in both social and economic terms. Especially affected were the deployed civil servants, small farmers who were not able to participate in the market process and the rural communities and vulnerable groups which did not benefit from the Structural Adjustment Programme. In response to these increasing problems (*cf.* Aryeetey 1992), in 1988 the PNDC Government launched a Programme of Action to Mitigate the Social Costs of Adjustment, also known as PAMSCAD. The main aims of this programme were (Ewusi 1992), to create employment, provide compensation for deployed workers, implement numerous small-scale community development programmes and encourage small-scale enterprises.

After years of persistent crises in the 1970s and 1980s, the Ghanaian economy gradually began to improve in the late 1980s and 1990s. The Rawlings regime initiated a constitutional reform to restructure its public administration. The decentralization programme, which had remained virtually inactivated since its launch in 1983 because of such problems as the lack of political commitment and recurrent economic crises, was now being reactivated. It was apparent that the economic adjustment process required an effective decentralized management system to ensure its success and sustainability rather than a centralized bureaucracy (Gould 1990). Paying heed the Government had to embark on a restructuring of the planning system and a decentralization of the decision-making process (Aryeetey 1985).

Unlike the previous attempt to introduce the decentralization of the administration, which had been more of a political statement to mobilize the participation of the grassroots in the decision making, the Council now got to grips with the problem and engaged itself in discussions and policies on the structure of the district level political authority and district elections. The number of districts was increased from 65 to 110, and they were made the central focus of development efforts at the local level. Members of the district assemblies, who were vested with the political and administrative power to formulate and implement development plans in the districts, were elected in 1988 and 1989 (*cf.* Tamakloe 1989).

The purpose of the devolution power, as claimed by the Provisional National Defence Council, was to promote the effective participation of the grassroots in the planning and implementation of development efforts in an accountable manner, so that the living conditions of the people in the country could be improved (*cf.* Kyei 2000). In 1990, the National Development Planning Commission was established to function as a co-ordinating institution within the newly integrated and decentralized planning system (Trevallion, 1990).

3.3.2 NDC and the Extension of Decentralization

On the basis of the new National Constitution of Ghana, which was drawn up in 1992, elections were held in late 1992. Rawlings won the presidential elections marking the start

of the Fourth Republic and the Provisional National Defence Council, renamed the National Democratic Congress, became the governing party.

In its 1993 Local Government Act 462, the Government strengthened its continuing commitment to the decentralization policy and went on implementing the three-tier structure in practice. This official structure, as endorsed by the Government (Ayee 1994, NIRP 1999b, Kyei 2000), was extended throughout Ghana and consisted of: ¹³

- i. The Regional Co-ordinating Councils: they play an administrative role and co-ordinate the District Assemblies in the region. Each Council consists of a Regional Secretary appointed by Government, members of the District Assemblies and members of decentralized departments represented in the region.
- ii. The District Assemblies; they are responsible for the overall development of the district, and for preparing development plans, projects and budgets for the district. They consist of the District Chief Executive nominated by the Government and members of District Assembly, two-thirds of which are elected members from elected units and one-third of which are appointed by the council. Each District Assembly is normally composed of five different sub-committees (Finance and Administration, Justice and Security, Development Planning, Works and Social Services).
- iii. The Town / Area Councils or Unit Committees; their roles include: to encourage the effective participation of citizens in the administration of their local area and maintain functional linkages with the decentralization policy, to collect revenue and to mobilize people to discharge their constitutional and democratic roles. The geographical area covered by this committee consists of a group of settlements with people numbering between 500 - to 1000 in the rural areas and up to 1500 peoples in the urban areas.

The National Democratic Congress made it clear (Kyei 2000, Osei 1999) that the underlying principle of its decentralization policy was to improve the living conditions of the people of Ghana and bring about a just and equitable development through the participation of the grassroots in the development processes. The decentralization policy was based on the idea that development must be directed towards people's needs and must reflect their views, objectives and priorities. Development is a collective responsibility and there should be a productive link or structure which binds the Central Government, local governments, NGOs and the grassroots.

During the Fifth Republic (1996 – 2000), the National Democratic Congress proceeded with its policy of decentralization, albeit this policy was not fully implemented. Critics have commented unfavourably on this policy, (Kyei 2000) calling it just a centralized form of decentralization or as a decentralization from above (*cf.* Eriksen, *et al.* 1999). As Ayee (1994) stated, even though all development policies were discussed at the district level in broad terms, the Central Government has always had the last say in all-important decisions related to the development plans of the districts. Over and above this, the district assemblies are financially dependent on the Central Government to run the administrative apparatus at the local level. As the gap between rhetoric and realities began

to widen, the Rawlings regime started to lose credibility, and resistance against the Congress and its policies increased.¹⁴

In the next multi-party presidential and parliamentary elections which were held in December 2000, the monopoly of Government power in the hands of the National Democratic Congress came to an end. The New Patriotic Party won the elections, followed by a smooth transfer of power from J.J. Rawlings to John Kufuor, who became the new president of Ghana. The Kufuor Government has continued to abide by the Constitution as well as implementing the process of decentralization.

3.3.3 District Assemblies and Local Institutions

For quite a long time Ghana's administrative machinery has been very centralized. As the National Democratic Congress Government was aware, this form of top-down system is less sensitive to development efforts, neglects community aspirations and misses opportunities for local level development initiatives. It is a great stumbling block which hinders the realization of development goals. Hence, the various regimes which have come to power in Ghana have been tackling with the issue of decentralization.

The decentralization policy was part of the local government reform plan, which was designed to introduce a qualitative change in the public administration of Ghana. The programme was constructed to contain and accommodate the representatives of Central Government in its administrative structures, namely: the Regional Co-ordinating Councils, District Assemblies, Town/Area Councils and Unit Committees. (Kyei 2000, Ayee 1994).

The decentralization policy, however, has been considered more than just an effective and efficient way of managing development; it has also emerged as an acceptable political instrument for harmonizing relations with traditional institutions and authorities operating at the grassroots level. A survey of the relations between Central Government, regional, district and sub-district institutional entities shows it has been subjected to constant re-organizations and constitutional arrangements. By stimulating the District Assemblies which had been inactive for a long period of time, the National Democratic Council tried to make them more directly accountable to local development practices and to transform them into an emerging, important power-base for the local community. The District Assembly, the Constitution of the Republic of Ghana (1991: 151) states: *'... should be the highest political authority in the District, and should have deliberative, legislative and executive powers.'* Observing the situation, as Kyei (2000: 69) has stated: *'... The District Assemblies are to be responsible for the overall development policies and programmes to be co-ordinated by the National Development planning Commission (NDPC). Decentralization is thus envisioned to transfer functions, power, means, and competence to the District Assemblies from the Central ministries and departments.'*

In its attitude to the traditional institutions and authorities, at the national level (Republic of Ghana 1991: 157), the Government of Ghana clearly recognizes the National House of Chiefs which also has its autonomous structure extended down to the regional and sub-regional levels. Important in the local context is how the indigenous institutions, ministerial departments and the District Assemblies at the local level interact and promote local level development. While the Constitution insists on the democratic election of members of the Assemblies, in the meantime it also allows the possibility for traditional

authorities to participate in the activities of the assembly by setting aside a certain percentage of its total membership for such people.¹⁵

A very important development during the Fourth Republic, since 1992, has been the re-emphasis given to sustainable rural development, a development programme in which the local ministries, the District Assemblies and the indigenous authorities and communities have to work together co-operatively. In this context increasing attention is being paid and emphasis laid on all stakeholders, including the local institutions which are also often referred to by Aryeetey (1990) as semi-autonomous institutions, encouraging them to participate actively in the development of rural areas. To implement integrated rural development programmes, the delegation of a certain part of the decision-making processes had to be transferred from the central authority to the local institutions. In this venture, Assemblies have been expected to co-ordinate the various sectoral development programmes and projects directed towards poverty alleviation by mobilizing NGOs, private enterprises and community-based organizations (Kyei 2000: 85).

Co-ordination of development efforts at the grassroots level has required that district assemblies should work closely with various networks of local institutions. Important factors related to local institutions include the recognition of the role of such traditional institutions as the Chieftaincy in the local development processes. As stated in the Ghanaian Constitution of 1992 (Republic of Ghana 1991: 156): *'... Although stripped of all formal powers, the chief continues to command the traditional loyalty of most Ghanaians, particularly in the rural areas. He or she remains a leader in a very meaningful sense, and is particularly well placed to mobilise and inspire the community in the execution of development projects or other social and economic ventures.'*

This clearly shows that if Ghanaian development policies and efforts are to be more successful, this will require a proper identification and incorporation of all stakeholders and actors at the local level, and an appropriate co-ordination of relations between the Government departments, District Assemblies and community or grassroots institutions at the local level. For integrated rural development to be sustainable, both the decentralization of central structures and the local institutional framework are crucial. Irrevocably, the role of local power structures and socio-cultural factors has to be taken into account (Aryeetey 1990). To make participatory development policy viable, especially at the district level, the Ghanaian Government's policy and Constitutions have always taken due notice of local institutions and have benefited from their experience and knowledge. As the previous parts have revealed, the Ghanaian Constitution and the decentralization policies have facilitated the participation of communities in development, and have not overlooked the potential role of local institutions. The incorporation of local capacities in the development process can stimulate local initiatives and revitalize local institutions and skills.

In conclusion, efforts to accelerate development in Ghana have been continuous; the post-colonial Governments in Ghana have pursued development policies with varying priorities and points of concentration. There have been industrial, social, and agricultural development policies and decentralization policies. Hampered by recurrent economic crises and the lack of political commitment, most of these policies have either not been implemented or, when implemented, have not fully achieved the expected results.

The case of decentralization in Ghana can be seen as a classical example in Africa. This issue has been a fixed item on the agenda of Ghanaian Government for the last five decades. For quite a long time the vital factor which has been missing has been political

commitment. Since the Fourth Republic from 1992 onwards, the emerging decentralized structures have been substantiated with required funds and personnel.

As various studies in this field have argued, the structure of decentralization has been imposed largely by the Central Government, hierarchically from the top downwards. It is the political party in power which appoints the regional secretary, the District chief executive and one-third of the members of the District Assemblies. Important in the decentralization policy is the growing recognition and inclusion of the local / indigenous authorities in the structure. The process is not yet complete, but there is a growing tendency towards devolving power to the district level. Districts can prepare their own development plan and implement it, albeit the Central Government has to approve and monitor the process and the final outcome. The process of popular participation and the empowerment of the local community, so that it can decide on and implement local development programmes and assess their resource basis, has not run smoothly.

As seen in the case of development in Ghana, the implementation of decentralization reforms and their success depends on the level of integrated efforts, in which not only the local community and resource base but also the co-operation of the State and other external actors are indispensable. The study of co-operative credit unions can be analysed in more depth by placing it within the interrelations which exist between the national and local actors, the co-operative policy implemented through the Department of Co-operatives and the new links which have gradually been developing between the District Assemblies and local institutions in the community. An essential aspect for the study of co-operative credit unions is the development of and changes in the co-operative policy through which the Government influences and gives guidelines to all co-operatives in the country. The following chapter provides an insight into the co-operative movement, its structure and its relations with the co-operative credit unions in Ghana.

Notes

- 1 The Ashanti, the Gold Coast, the Northern Territories and the British Togoland as a single nation known as Ghana achieved independence in 1957. For more details, see for instance Arhin (1985: 107).
- 2 The Human Development Index (HDI) is a weighted indicator related to education, health and income. HDI is defined by UNDP (2003: 353) as: '*... a composite index measuring average achievement in three basic dimensions of human development - a long and healthy life, knowledge and a decent standard of living.*'
- 3 UGCC had served as umbrella political organization. The differences in political opinion between its leaders created a growing rift. The belief in mass mobilization, and the programme of action which included, strikes, boycotts and demonstrations initiated by Nkrumah, were not welcomed by other UGCC leaders, such as J. B. Danquah. For a more detailed analysis see Osei 1999.
- 4 For the following decades, Ghana has been following the policy recommendations of the IMF. This policy contains such conditions as a reduction in public expenditures, privatization of state enterprises, devaluation of local currencies. See also Konings 1986: 29.
- 5 Through the process of indiginization, external small- and medium-sized business owners were discouraged by Government policies in order to promote the possibility for local entrepreneurs to take over these types of business firms.
- 6 The Local Administration Act was a product of serious of recommendations by various Commissions. In practice, it lacked the commitment of politicians; even the parliamentarians were not in favour of it as they thought it might limit the central authority. See also Kyei 2000: 53 - 54.
- 7 Besides investment in larger farms, under the banner of its campaign of Operation Feed Your Industries, the Government offered city-dwellers and civil servants more incentives to make intensive use of their backyards for gardening. See also Konings 1986: 35.
- 8 Rawlings, as he indicated, had no ambition to remain in power as he saw his primary task as to implement a house-cleaning exercise. See also Konings 1986, Osei 1999, and Kyei 2000: 59.
- 9 Even though it handed over power to the PNP, the AFRC committed itself to remain as a watchdog to prevent political misconduct and the abuse of power.
- 10 The PNP consisted of two opposing poles, one of which was strongly in favour of the Nkrumah line of thought and was sympathetic to a socialist policy and the other with a more liberal democratic orientation.
- 11 The purpose of the formation of PDCs was to promote the transformation of development programmes in both the urban and rural areas, whereas the WDCs were to function as decision-making organs and stimulate production in the workplaces. See also Kyei (2000: 62 - 63).
- 12 The Structural Adjustment Programme of the World Bank which was adopted by the PNDC Government contained such measures as the devaluation of currency, labour retrenchment, removal of Government subsidies and reduction in public spending.
- 13 It is a three-tier structure and contains Regional Co-ordinating Councils (RCCs), District Assemblies (DAs) and Town / Area Councils.

- 14 This has been the unresolved paradox in the policies of decentralization. Unlike its predecessors, the NDC Government had shown more administrative and political commitment to its policies of decentralization. It proclaimed the devolution and the transfer of power to the District Assemblies and stimulated the participation of local communities and their institutions in the decision-making process. But in reality, the central Government and the ruling party still remain in control of the entire process of decentralization.
- 15 By being member of the District Assembly, traditional authorities can influence local development decisions. As they are not elected members of the District Assemblies, traditional authorities have no right to vote.

IV National Co-operative Movement in Ghana

Written and oral history both offer clear indications that various forms of local co-operatives existed in Ghana long before the advent of colonialism. As this was a process which continued for centuries, it is hard to tell exactly when and how such institutions took shape. As explained in detail by the Registrar of Co-operative Societies, co-operatives are one of the older forms of organization which have been very familiar (common) in the history of Ghanaian communities. Especially in the rural parts of Ghana, most of the important activities are undertaken through co-operative organizations. In 'less developed' areas, it is among the most effective ways by which communities arrange and process most of their local activities.

In places like the Upper West Region of Ghana where an agrarian form of production dominates and where official institutions are failing to reach inhabitants, important activities in the community are carried out through local co-operatives. Although their importance in the material production sector is undisputed, they are also equally essential to the spheres of social and cultural activities. Consequently, co-operatives can be seen as a local form organization through which local resources and efforts are combined, primarily in response to local needs and towards the improvement of local conditions.

This chapter draws attention to the important link which exists between co-operative movements and credit unions in Ghana. After providing an insight into the local co-operatives in pre-colonial times, a detailed account of the development of co-operatives both during the British rule and in post-independence Ghana will be set out. This will be rounded off by an assessment of recent developments in the co-operative sector and their relations with the Co-operative Credit Unions Movement.

4.1 Co-operatives in Pre-Colonial Ghana

Co-operatives are not a new concept and way of organizing matters in Ghanaian societies. Historical evidence shows that before the colonial conquest various forms of local co-operatives existed in different parts of Ghana. In the words of a retired schoolteacher in Jirapa: *'Co-operative societies are simply a legacy of our grand families. They are very familiar to every member of our society, especially here in a rural area. There is not much that can be achieved by working alone by yourself, the life of our community is interlocked-dependent. Normally people work together on the basis of given local organizational principles and patterns.'*¹

4.1.1 Indigenous Forms of Co-operatives

Living together and working co-operatively was a very common practice among local communities. Especially in the agricultural sector among the farmers, it has been an essential part of their working lives. Even though co-operatives have been referred to under different names in different places in Ghana, the underlying aims and principles based on working together collectively for mutual benefit, i.e. reciprocally, were more or less similar.

In the southern part of Ghana, among the Akan, traditional co-operatives known as *asafo* and *nnoboa* were the time-honoured forms of such organization. *Nnoboa* literally means (in the Akan language) mutual assistance at a wedding. This form of co-operative also includes collective work and such various sorts of mutual assistance as working on farms and arranging social activities.² Gayeke (1980:20) says that this institution was very popular among and useful to small farmers during the clearing, planting and harvesting seasons when farmers had to race against time to beat the vagaries of the weather to optimize their production.

4.1.2 Indigenous Co-operatives and Mutual help Organizations of the *Dagaaba*

In similar way, among the *Dagaaba* community of the Upper West Region local co-operatives, known as *sunta* and *langta*, were and still are usually resorted to when there is agricultural work to be done.³ These local forms of co-operation to be activated when necessary are based on a common concern for the material and social well-being of community members. In most cases, there were no written guidelines setting out the specific role and the volume of work a person should accomplish, since these local forms of collective activities were regulated by cultural and social understandings.⁴ Besides *sunta* and *langta*, there is also another form of co-operation known as *kepta*. This form of co-operation was and still is practiced among the *Dagaaba* community of Jirapa; members of the family, in this respect mostly the men, come to work on the farm of their in-laws without any remuneration.⁵

4.2 Co-operatives during the Colonial Period

4.2.1 Co-operatives under Colonial Rule

During the British colonial rule in Ghana, mainly from the 1920s, the expansion of the production of such cash crops as cacao, rubber and palm oil was the prime concern of the Government. In order to increase both the quantity and quality of these cash crop products, the Colonial Government set about encouraging the co-operative movement in Ghana.⁶ Besides introducing British-oriented co-operative policies, the Colonial Government was even in favour of local communities running communal farms, in as far as this would have any effect on an increase in the volume of production. This clearly indicates that the Colonial Government was disposed to utilize the spirit of communal co-operation systems existing locally to supplement the idea of 'modern' co-operative policies in order to maximize agricultural output from Ghana. Despite the fundamental differences between the indigenous and the modern approaches, local colonial functionaries insisted on integrating both ideas.⁷

In 1926, Mr. G.G. Auchinleck, from the Agricultural Department of the Gold Coast, launched active measures to speed up the introduction of modern co-operative societies in Ghana. He emphasized the appropriateness of such practice in the following words (Gayeke 1980): '*...the introduction of co-operatives would infuse business-like methods among peasants by utilizing the African's natural mode of communal working and endeavoring to develop that spirit of independence, self help and neighboring assistance so essential to the maintenance of active and virile rural population*'. In 1929 when Auchinleck became the Director of Agriculture, he incorporated co-operative principles

into the policy of the Department of Agriculture as a cardinal instrument. Agricultural officers, who had studied modern principles of co-operatives, were sent to villages to convince local farmers, chiefs and elders to form these societies.⁸

In the 1930s co-operatives were encouraged even more in the marketing sector and hundreds of cacao marketing societies were formed. All these efforts made by the Agricultural Department, seemed to be targeted mainly towards facilitating the constant supply and guaranteed quality of cocoa to the buyers, rather than towards improve the living standards of the small cocoa farmers.⁹ According to various studies the surplus generated by the cash crops did not improve the lives of the small farmers. Moreover, as all directives were issued by the office of the Colonial Government, the small cacao farmers had no chance to participate in the management of the co-operatives. The modern co-operatives were organized as a result of Colonial Government initiatives, directions and control. As Gayeke (1980:23) says: *'...the department has to work in an atmosphere charged with suspicion, ignorance, indifference and opposition because while the farmers embraced the idea of forming co-operatives and realized that it resulted in improved quality of cocoa, they also soon realized that there was no corresponding increase in price for the better quality of cocoa they produced'*.

4.2.2 Continuity of Local Co-operatives

Until the Second World War, the expansion and development of a Western-oriented 'modern' co-operative movement was limited to the South - the Gold Coast colonies. The Agricultural Co-operative Societies Annual Report of 1932-33 indicates that there were 206 co-operatives societies with 4065 members.¹⁰ The co-operative policy of the Colonial Government, however, excluded a certain part of the colonial territory from participating in the ongoing modernized activities, creating a periphery in peripheral areas, thereby widening gaps in opportunities and generating unequal development.

The positive side is that it also left some room of maneuver and allowed local institutions the possibility to continue in their own way and develop autonomously. Discussions with *Dagaaba* elders have revealed that, as in pre-colonial days, in the 1930s, there were numerous indigenous co-operative organizational forms which were busily engaged in production and social activities. Operating within their own social and economic spheres, they were neither registered nor recognized by the Department of Co-operatives.¹¹ The Northern Territories, especially the region inhabited by the *Wala*, *Dagaaba*, *Sisala* and others were not seen as an area with the potential for the production of cash crops. As the spread of cash-economy-oriented modern forms of co-operatives did not extend to the North, the local communities in this area were able to pursue their indigenous forms of co-operatives uninterruptedly.¹²

4.2.3 Co-operative Ordinance and Policies

Under the Department of Agriculture, an Alliance of Gold Coast Co-operatives was established in 1937. With its Co-operative Ordinance, the Colonial Government introduced a common term of legal reference for all 'formal' co-operatives in the country. Moreover the Ordinance gave supreme authority to a single individual bureaucrat, the Registrar of Co-operatives, who could reject the registration of and dismiss or liquidate co-operative societies.¹³

As co-operatives grew very popular and increased in number, a separate institution, the Department of Co-operatives, was established in 1944. All responsibilities with regard to co-operative societies were handed over from the Department of Agriculture to the Co-operative Department. Two years later, in 1946, a Co-operative Bank was established. Its main function was to provide short-term loans to cash crop farmers and serve as a clearing house for all co-operative organizations throughout the Gold Coast.¹⁴

In addition to co-operatives in the fields of production and financial services, in the later part of the 1940s some consumer co-operatives also emerged in the Gold Coast, leading to the formation of the Ghana Co-operative Marketing Association Limited in 1949.¹⁵ Its main purposes were to promote agricultural product marketing, primarily of cocoa and such other commodities as copra, palm oil, palm kernels and *shea*-butter, and to encourage thrift and grant short-term loans to its members.

In the 1950s the number of registered co-operatives, engaged in diverse activities (production, marketing, banking and insurance) increased by leaps and bounds (Co-operative Department: 1991). To co-ordinate this increasing volume of work at the national level, the Ghana Co-operative Union, later known as the Alliance of Ghana Co-operatives, was founded in 1953. Organizational networks and training relations with similar co-operative societies in British colonies in Asia and in other African countries were established. Symptomatic of this, officials of the Co-operative Department of the Gold Coast were sent to India and Sri Lanka to follow training programmes on how to manage co-operatives.¹⁶ Aware of their direct positive contribution to the significant increases in the production of a surplus, the Colonial Government always closely controlled and directed the course of the development of modern co-operative movement in Ghana. The significance of the role of co-operatives in the agricultural sector can easily be related to trends in production of cocoa. In a period of five years (1955-1961), the quantity of cacao purchased by Ghana Cacao Marketing Board (GCMB) almost doubled from 220,098 to 430,418 tons.¹⁷

Until the early 1950s, all the co-operative development was limited only to the Gold Coast area of Ghana. The Northern Territories were not given the opportunity to participate in the modern form of co-operative which was expanding in the southern part of Ghana. Gradually, the Department of Co-operatives, which was based in the cash crop producing areas of the South, essayed attempts to encourage farmers in the Northern Territories to form 'modern' type co-operatives. The main purpose of these efforts was to increase the production of food crops, especially rice, peanuts and maize intended primarily for the consumption of the southerners who were engaged in the cash crop sector.¹⁸

4.3 Co-operatives and Co-operative Policies after Independence

In the period around the independence of Ghana, co-operatives were forced to adjust themselves to the political changes. This inevitably brought some upheavals in the co-operative movement. The Convention People's Party (CPP), the political party led by Nkrumah, was inclined towards following the Eastern European model of co-operatives, in which such organizations had a centralized structure and co-operative policy was directed by the State. Such attempt led to a direct collision with the colonial policy, under which individual traders (capital owners) and monopolists had enjoyed greater autonomy and consequently a stronger role in making important decisions.

The challenges and confrontations between the two co-operative models continued for about a decade, a period of time referred to by some as the beginning of the crises of co-operative movement in Ghana.¹⁹

4.3.1 Challenges Faced by Co-operatives in reaching the Rural Poor

After independence, the Government gradually began to express its dissatisfaction with the functions and organizational structure of the national co-operatives which had their roots in the colonial period. By 1960, the former Co-operative Alliance had been reformed and renamed the United Ghana Farmers Council Co-operatives (UGFCC). Its purpose was to serve as the farmers' wing of the CPP. The main functions of UGFCC were to act as the marketing agent for agricultural products, to supply credit to farmers and to improve agricultural output. As the apex co-operative organization, the UGFCC was closely associated with national politics, and at the same time became less effective in fulfilling its primary role. Extreme centralization at the national level and the loss of the autonomous role of co-operative institutions brought the movement to the point of collapse in some places. Young (1981:189) argues that there was a transparent contradiction between the UGFCC's claim to be the voice of farmers and its actual role as an instrument through which the regime could control the cocoa sector. The interest of the State was paramount, and at the UGFCC general meeting of 1955, it was even decided that co-operative leaders were to be elected for life.

State-controlled, hierarchal co-operative organizations often fail to serve the interests of local communities. Holmen (1990), among other people, has indicated that rural farmers have not benefited from some co-operative organizations, whereas the urban-based petty bourgeoisie and elites have obtained greater advantages. In Ghana, while most important decisions were taken by the co-operative hierarchies / bureaucrats in Accra, the reality of the local farmers and their participation were often ignored. This revealed the gradual development of gaps between the highest ranking co-operative officials and the farmers.

The quick and effective transition in the co-operative movement designed by the Government failed to materialize. Instead, a sort of vacuum in the historical development of modern co-operatives in Ghana was created. Consequently, as Gayeke (1980) states, in the early 1960s the 'modern' form of co-operative movement in Ghana was almost non-existent. But, far away in the north, especially among small ethnic groups as the *Dagaaba*, local forms of co-operatives were progressing towards growth and maturity. Boosted by the participation and assistance of Roman Catholic missionaries, the economic and social development of the Northern Region gave the necessary stimulus to the extension of co-operatives beyond their traditional role of mutual assistance in the field of farming. Of this, the formation of the first co-operative credit union in Jirapa in 1957 served as an outstanding example.²⁰

In 1966, when the CPP government was overthrown, UGFCC's domination of the co-operative movement in Ghana also came to an end. The new Government (referred to as Ghana's Second Republic) which then came to power expressed its commitment to rural development by encouraging the co-operative movement. The Department of Co-operatives was reformed and established again to revitalize the co-operative movement in the country. With a financial advance from the NLC (National Liberation Council), about 440 societies with a membership of 60,000, the co-operatives re-entered the cocoa market in October 1966.²¹

Despite all these efforts, under the guidance of the NLC Government the co-operative movement failed to progress as desired. In 1968 it even began to decline. Holmen (1990) has attributed this disappointing state of affairs to various factors. Quite apart from the ideological struggle in the co-operative movement, structural and management problems also plagued the movement. The NLC Government's support was limited only to the formulation of legal frameworks and the formation of a Department of Co-operatives which had full authority to deal with matters concerning co-operatives. The farmers welcomed the competitive trading system, but lacked the infrastructures to make use of the opportunities. In reality NLC was unable to meet the requirements of the societies, which was to provide them with such services as loan facilities, farm implements and storage for production. Through the findings of the Moore Commission, an attempt was made to return previously ceased/ confiscated assets to co-operatives, but the case remained pending until 1970. The Co-operative Department internal report of 1991 has identified the following problems as the basic obstacles to the smooth running of co-operatives in Ghana: over-expansion, debt, mismanagement, corruption, misapplication and misappropriation of funds, functionalism, insolvency, and an inability to market produce.

4.3.2 Co-operative Societies Decree

In *The Gazette* of 17th June 1968, the Government of Ghana proclaimed a Co-operative Societies Decree which served as a guiding principle for the management of the entire co-operative movement in Ghana.²² Almost a quarter of a century later, the Co-operative Decree is still the valid legal instrument by which all co-operative organizations have to abide. The Decree consists of seven parts.²³ The first part explains the legal personalities and procedures to be undertaken for registration of co-operatives. These articles concentrate mainly on the authority of the Registrar of Co-operative Societies and the criteria and conditions for registration.

The Registrar, a person appointed by the Government, is empowered to issue a certificate of registration after looking into the applications of every society to determine whether they qualify to be registered. The second part deals with the objectives of co-operatives and the third part explains the rights and liabilities of members. The fourth concentrates on the settlement of disputes and the fifth with audits and inspections. The sixth and the seventh parts handle the eventual dissolution and other miscellaneous aspects of societies. According to the discussion with the Registrar of Co-operatives, in the 1990s efforts were made to amend the outdated Decree and adjust it to suit the needs of the development in Ghana.

4.3.3 The Current State of Ghanaian Co-operatives

As of 31 December 1987, there were about 10,148 registered co-operatives organizations in Ghana, which were engaged in various fields of development activities.²⁴ By the end of 1996, this number had grown to 11,154 societies, of which the Department of Co-operatives had found only 11 per cent to be operating actively. Hence, it embarked upon a number of measures to update the registration of co-operatives, using the preparation of 1996 annual accounts as a precondition for re-registration. According to the 1998 annual report of the Department of Co-operatives, by the end of 1998 there were 1,060 legally registered co-operative organizations with a total membership of 102,081 members, of which over one-third were women's co-operatives which had just received new registration certificates (Department of Co-operatives 1999).

4.4 Co-operatives and the Emergence of Credit Unions

4.4.1 Registration of CUA by the Department of Co-operatives

The Ghana Co-operative Credit Unions' Association (CUA), which is the central subject of this piece of research was registered in 1968. It is one of the properly founded and widely represented co-operatives with branches in all the ten regions of Ghana.²⁵ It serves as the apex of all savings and credit unions both in the urban and the rural parts of Ghana, and is well known, especially in Upper West Region of Ghana.

Co-operative savings and credit unions are an important means through which local savings are transformed into productive and development activities. The primary role of local financial institutions is to encourage savings, generate local capital and make use of it for the development of local communities. In the rural areas, there are a limited number of banks and other formal financial institutions. Moreover, local communities are very reluctant to make use of services provided by complex financial institutions which are administered by a whole set of procedures alien to them. The management system of local financial co-operatives is more appropriate and uncomplicated. Small farmers and ordinary rural households can easily participate in the management and make intensive use of these services.

In the Upper West Region of Ghana, where the majority of the people is engaged in farming, in the long period of time between sowing, harvesting and the sale of agricultural products, farmers can obtain loans from local co-operatives and continue their work without any hindrance. This is just one single example of the numerous functions which a rural credit union can perform. A more detailed analysis of the Ghanaian Co-operative Credit Unions Association and its organizational structure will be presented in the following two chapters.

4.4.2 Interactions and Developments within Local Co-operatives

The analysis presented in this chapter shows there is more than enough evidence that both modern and indigenous co-operative movements are actively involved in the local development process, mainly in the fields of agriculture, handcrafts, social and cultural activities. As the process of commoditization has steadily extended to rural areas, co-operative movements in the fields of financial services have also become popular

After the British conquest of the Gold Coast and the Northern Territories, and during the colonial administration, indigenous co-operative activities did not disappear. However, there were various attempts to put local co-operative activities under the control of colonial administration. In order to maximize the volume of agricultural production, various measures were undertaken to integrate local economic activities into the main economic policies of the Colonial Government.

The Colonial Government clearly identified the benefit of integrating local forms of co-operatives into the policy for the co-operative movement which had evolved in Western Europe just before the Industrial Revolution. However, interventions in co-operatives were limited to the enclaves of the cash crop production areas. The co-operative movement revolved around the production and marketing of these commercially very viable products. They were aimed primarily at the expansion of the volume of output and quality control of cocoa and only later were extended to the marketing of the co-operatives.

The colonial policies of building local co-operative concepts into the policies for acceleration of production and marketing initially achieved a high rate of success. As the financial benefit constantly poured into the hands of the colonial agents, the success was ephemeral. Plagued by internal antagonism, mainly between the producers and the beneficiaries, the movement did not comply fully with the principles of mutual benefit as practiced in local communities. Consequently, the co-operative movement in the colonial period experienced periods of ups and downs.

Efforts to expand the idea of the modern co-operative movement in the Northern Territories came relatively late, when under colonial rule the Department of Co-operatives had expressed its interest in and intention to encourage the co-operative movement in the food crop sector in the Northern Territories. This was envisaged principally as a possible area for supplying food crops to the Southerners who were engaged with cash crop sector.

At independence, the philosophy of co-operative organizations as developed and practiced under the Colonial Government found itself on a collision course with the new approach espoused by Nkrumah's party, CPP. It preferred a socialist-oriented, more state-controlled and centrally planned form of co-operative to those regulated by market mechanisms and community initiatives. At irregular intervals these antagonistic approaches have hindered the integration of local and modern approaches and created a vacuum in the development of the co-operative movement in Ghana. Successive governments have given varying emphasis to different aspects of the co-operative movement within the overall premise that co-operatives were an appropriate policy instrument in the struggle for rural development. These complex realities and impacts will be analysed in greater detail in the following chapter which discusses the actual development of the Co-operative Credit Unions Association.

Notes

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- 1 Extraction from a discussion with Mr Maurice, a retired schoolteacher, held in Jirapa.
 - 2 Discussions related to co-operatives in Africa are often related to rural development For a detailed analysis of the co-operative sector in rural Ghana. See Dadson (1986: 137-145).
 - 3 In the discussion held at Jirapa, on September 20, 1992, Mr Zu said that both the *sunta* and *langta* forms of local co-operatives are still playing an important role among the *Dagaaba* farmers.
 - 4 According to the discussion with Mr Zague and Mr Zu everyone who participates in the local co-operatives knows what performance is expected of him or her.
 - 5 From discussion with Mr Zague, held in Jirapa.
 - 6 The British Colonial Government saw the advantage that co-operatives can generate in the agricultural sector and was very much in favour of expanding co-operative movements in its colonies. A similar form of Co-operative Societies Ordinance as was implemented in Asia was extended to British colonies in Africa. See Keijzers (1988:18).
 - 7 Indigenous co-operative systems are concerned with interests of the community, whereas the imported modern co-operative policies are directed towards the benefit of the capital owners. See Verhagen (1984).
 - 8 See Gayeke (1980:23).
 - 9 Idem.
 - 10 There was no registered co-operative society in the Northern Territories. Officially registered modern co-operative societies were to be found only in the Western, Ashanti, Central and Eastern parts of the Gold Coast.
 - 12 From discussion with Mr Gandhi, held in Jirapa.
 11. Even though there was some interest in extracting available resources from the Northern Territories, given their distance from the coast and ports and the projected costs for the construction of infrastructure, this was delayed for a later time.
 - 13 Department of Co-operatives (1990: 31-52).
 - 14 Department of Co-operatives (1990: 44-89).
 - 15 See Department of Co-operatives (1990: 59).
 - 16 Department of C-operatives, internal reports (1991).
 - 17 Ghana Co-operative Marketing Board, 1980.
 - 18 Department of Co-operatives (1990).
 - 19 Gayeke (1980: 36).
 - 20 See Father McCoy (1988).
 - 21 Department of Co-operatives (1990).
 - 22 Co-operative Societies Decree 1968, N.L.C.D. 252.
 - 23 Ibid.
 24. A Programme of Action was implemented to reactivate co-operatives in Ghana. See Department of Co-operatives (1986).
 25. See Chapter V.

V The Co-operative Credit Unions' Association (CUA)

The Co-operative Credit Union Movement in Ghana claims that it is one of the oldest credit union movements in Africa. The beginnings of movement was subject to various ups and downs before it was finally officially established in Accra, the capital of Ghana, to serve as headquarters of the various credit unions in the country. The Co-operative Credit Union Association (CUA) of Ghana can be seen as one of the consolidated, actively operational financial intermediaries which play a significant role in both urban and rural areas. It is one of the founding members of the African Confederation of Co-operative Savings and Credit Association (ACCOSCA) and has regional Chapters in all the ten regions of Ghana.

As of 31 December 2001, CUA had 149 affiliates throughout Ghana and total assets worth of 126 billion *Cedis* (about 12.5 million US dollars).¹ Its organizational structure is designed in such a way that every region is represented in the central management and involved in the planning and decision-making processes which are carried out at the national level. CUA mediates effectively between its affiliates and the Government, co-ordinates the activities of credit unions and mobilizes international and national assistance for primary societies². Among its main services to credit unions are standard management training and auditing facilities. Furthermore, CUA maintains international contacts and networks on behalf of all societies, delivers information on the actual condition of the credit unions and periodically conducts national surveys. This Chapter analyses the historical development of CUA, its objectives and role in the promotion of primary societies in Ghana.

5.1 Co-operatives and Local Financial Intermediaries in Ghana

The development of co-operative savings and credit institutions in Ghana can be closely linked to the processes of the monetization of the national economy of Ghana. It can also be related to changes in the local cultural and social relations, attributable to the interaction with and response to external influences. As a country located on the west coast of Africa, Ghana was exposed to international trade much earlier than many other African nations. For centuries, the southern part of Ghana was part of a very famous, busy trade route connecting Africa to the other parts of the world. Owing to the physical location of the country, various hegemonic powers of the pre-1900 era, including the Portuguese, the English and the Dutch, constantly competed for control over parts of the coastal areas and the sea outlets, building forts and castles along the coast to achieve their purpose. In the end, the British Empire succeeded in gaining the upper hand, taking over the trade points earlier controlled by others.

In the period of time from 1900 to about 1930, British colonial policy in Ghana was enormously focused on the rapid promotion of the production of primary products for the world market.³ As Ansah (1991) explains, the Colonial Government saw the advantage of promoting those indigenous exports which seemed to enjoy a comparative advantage.⁴ By providing various incentives, the Colonial Government did its best to increase the level of commodity production and, consequently, colonial economic activities expanded. In the 1920s the Gold Coast was the world's number one producer and exporter of cocoa. The volume of gold and diamond exported also ensured the Gold Coast an important place in the mineral production sector. Under these circumstances, the number of salaried employees and wage-earners increased by leaps and bounds. Cities like Kumasi and Accra became important market centres with a continuous growth in the number of inhabitants. To facilitate economic growth and boost the export of

primary products, various infrastructures were constructed; these included railways, roads and feeder roads linking production centres with connecting coastal points for ocean transport and with markets. Besides the extension of infrastructure, the Government also began to establish various institutions. Several governmental and para-governmental institutions were vehicles to promote the British Government's ambitions in the colonial territory of what was then the Gold Coast. In selected areas, schools, hospitals and financial institutions were constructed and commenced operations. The larger financial institutions, such as the Barclays Bank and the Bank of West Africa, opened their doors. However, the function of these banks was primarily to finance the increasing levels of external trade and larger investments in Ghana. The ordinary Ghanaian who had come to live in cities and the rural inhabitants did not have any access to these institutions, as they were not able to fulfill the criteria set by the foreign banking system.⁵

5.1.1 *Susu Societies and Private Money-Lenders*

With the emergence of cities in different parts of Ghana, a large part of local exchanges in the form of barter was gradually replaced by the use of financial transactions. This increased the demand among city-dwellers, civil servants and wage-earners to have access to an entity which could provide them with savings and credit facilities. The development of the money economy and the commoditization of the exchange process in Ghana brought in their wake the evolution of different sources of savings and credit facilities, including private money-lenders and small-scale informal financial associations.⁶

Among the 'local' informal financial associations, the *sususu* and *susu*-collectors are a common feature in different parts of Ghana. *Susu* societies are a form of ROSCA and community-based rotating financial savings and credit societies. A typical example of one of these societies had about seventeen members, each contributing 10,000 *Cedis* at every bi-weekly meeting. After thirty-four weeks, everyone would have received 170,000 *Cedis* once and the cycle was closed. If the members wished, it could be renewed at the end of the period and continue to operate on a semi-permanent basis.⁷

Goka (1989) states that a *susu* is a popular credit system among market women, civil servants and teachers. Credit provided from this source is usually modest and mostly meant to satisfy such immediate traditional or social obligations as redeeming debts, organization of funerals and weddings, payment of school fees and uniforms, purchase of farm implements and seeds, promotion of retail trade and running a local brewery. During an extended discussion with a local teacher, who is also secretary to one of the *sususu*s, stated: '*...that the main reasons for success of the susu type of financial associations include the use of local knowledge in the organization and management procedure, and the concern for and responsiveness to purposes relevant for the community*'.⁸ In his analysis Saka (1982) emphasizes that these local financial intermediaries go far beyond being merely economically useful by fulfilling existing needs; they are also socially important in that they keep local traditions alive by adopting and accommodating themselves to changing socio-economic environments.⁹

Another form of traditional savings society, which is less known but widely practiced in Ghana, is the *susu* collector. In this case, the daily savings of individuals, mostly market traders, will be deposited with a trusted person in a community. At the end of the month, the money collector refunds the money to those who saved, deducting one day's savings for his/her service. In case of need, it is also possible to obtain a short-term loan from the money collector during the month with some interest.¹⁰

Traders and wealthy individuals have also begun lending money to fellow community members for various reasons, both material and immaterial. No standard procedure exists to

govern this type of loan; the lending conditions and interest rates differ from place to place and are also dependent on the type of relationship between the lender and the borrower.¹¹ Some lenders charge as much as possible. Loans from traders are often repaid in kind - with produce. Goka (1989, p.52) says that the lender is entitled to buy the produce from the borrower at harvest time at a pre-arranged price, which is lower than the ruling market price. The trader benefits from the difference between the market price and the almost invariably lower price stated in the loan agreement. Some established money-lenders, especially Muslims, do not charge any interest when a fellow Muslim takes a loan. Among the Muslim communities of Ghana special credit facilities in the form of grants exist, including the provision of aid to a neighbour in time of need.¹² In order to have total control over financial transactions, the British Colonial Government attempted to implement a private money-lenders bye-law, making it obligatory for money-lenders to be registered and obtain an official licence.¹³

Despite their limitations in size and effectiveness, the small-scale financial societies and private money-lenders continue to exist in Ghana, even today, providing financial services to individuals who would not otherwise have access to the established financial institutions.

5.1.2 Ghanaian Thrift and Loan Societies

In the 1930s, following an instruction issued by the Colonial Government, thrift and loan societies were initiated in several West African countries. Consequent upon this, the Department of Co-operatives introduced the concept of thrift and loan societies in the Gold Coast. These co-operative societies were not so much the initiative of local communities, but were instead a vehicle to promote the monetization of the colonial economy. The special target groups for these thrift and loan societies were such Government employees as civil servants and teachers.¹⁴ The procedures to obtain a loan or even to withdraw personal savings were complicated, making the benefits for members rather questionable.

The fragile basis on which these societies were founded hindered their rapid development. Organizationally, the instability and non-sustainability of the thrift and loan societies can be explained by reference to the following three points. Firstly, they were a sort of appendage to the Government's Department of Co-operatives. They had no independent organizational body, as the original initiative as well as the guidelines and instructions for the thrift societies used to be handed down directly from this Department, did not come from the members. The ties between the Department of Co-operatives and the societies were so tight the latter were not free to adopt their own management style and lead a relatively autonomous development. Secondly, members were not informed of the operations of their society and their participation in the management of the society was not considered an important factor. Finally, the thrift and loan societies had no broad development objectives; they concentrated their activities on salaried workers, ignoring farmers and other rural inhabitants.¹⁵

After independence in 1957, a nation-wide campaign was launched to promote thrift and loan societies in Ghana. As a result, a large number of primary societies, mostly from the cities and workshop floors of South Ghana, were registered. Their frailty can be deduced from the fact that a decade later, only a few of these societies had survived the political upheavals of the 1960s.¹⁶

5.2 Development of Co-operative Credit Unions in Ghana

The 1950s and 1960s were a new epoch in the rise and development of more conventional financial institutions, including co-operative savings and credit unions. Such conventional

financial institutions as the Ghana Commercial Bank, the Ghana Co-operative Bank and the Ghana National Savings and Credit Bank began operations in this era, mostly in the southern part of Ghana. All these financial institutions claimed to provide finance and credit without discrimination as part of their respective operations, including those for development purposes. The rub was that, from the perspective of local communities, these formal financial institutions had inherent limitations in themselves.¹⁷ In actual practice, their services were limited to only a small group of traders and higher level Government officials; hence they were out of the range of small income earners and rural inhabitants. Therefore in the wake of the dissatisfaction with the narrow spectrum of services offered by these conventional institutions, locally organized savings and credit unions started to emerge.

5.2.1 Rural Community-Based Credit Unions

The regular challenges arising from the absence of appropriate financial institutions gave rise not only to alternative, community-oriented financial institutions, they also introduced a new factor in the local co-operative movement, namely: community-based institutions which provided rural inhabitants with monetary services.¹⁸ Savings and credit societies of this new type of organization were first introduced in the village of Jirapa in North-West Ghana.

The first initiative to establish a Co-operative Credit Union was taken in Jirapa, when small farmers and a church congregation raised the acute problems arising from the absence of financial custody and credit facilities in the village. They discussed the possibility of forming an organization which could offer savings and credit facilities to the members of their parish. The first Co-operative Credit Union was established in Jirapa in September 1955.¹⁹

A similar type of Co-operative Credit Union was soon extended to all the Roman Catholic parishes in the Upper West Region and even beyond, to other parts of Ghana. In the southern part of Ghana, credit unions were started among the railway and harbour employees in Sekondi and Takoradi in 1959. These unions grew rapidly, especially among the railway workers, and expanded to Kumasi,. Besides these, some community-type credit unions based on 'common bond' were also started.²⁰

After the Ghana coup of 1966, the Department of Co-operative made renewed efforts to unite the Thrift and Loan Societies in the South. By this time, the Credit Union Movement which had begun in Jirapa had a strong footing there and had also anchored itself in various communities in North Ghana. The success of these first societies was already spreading throughout the country, causing a need to establish an office at the national level to co-ordinate credit union activities.

5.2.2 Lesotho Conference of Apex Credit Union Organizations

In 1967, some training weekends were organized so that credit union officials from both the northern and the southern parts of Ghana could exchange their experiences. This interaction brought the idea of forming a central co-ordinating office a step closer to reality.²¹ Outside Ghana, the Credit Union National Association (CUNA) of North America made some practical efforts to promote and encourage the idea of credit unions in the developing world, and formed CUNA-International to achieve this task. In January 1968, a CUNA-International sponsored conference on the mobilization of local savings, at which Ghana was represented by two delegates, was organized in Lesotho. At the meeting CUNA - International expressed its commitment to assisting the development of credit unions in Africa. The participants in this conference unanimously passed a resolution which called for the formation of an independent apex national

credit union organization in countries which already had primary societies and for the establishment of an overall umbrella organization in Africa at the continental level.²² This conference in Lesotho was an important stepping stone for the formation of an apex organization in Ghana and also played a significant role in the extension of the Credit Union Movement in Africa.

5.2.3 The Tamale Meeting and the Formation of CUA

In April 1968, the Department of Co-operatives organized a meeting for representatives of all credit unions and thrift and loan societies in Ghana in Tamale.²³ The delegates present agreed to form a national association known as the 'Ghana National Credit Union and Thrift Association' (GNCUTA) and elected a committee to draft the bye-laws in close consultation with the primary societies. From a discussion with one of the then committee members it emerges that this was a moment of break-through in the history of Co-operative Credit Union Movement, not just in Ghana but also in Africa.²⁴

In 1968 GNCUTA, which was later renamed the Co-operative Credit Unions Association (CUA), was established with its head office in Accra to serve as an apex organization, and co-ordinate activities on national and international levels.²⁵ Within a year GNCUTA had achieved national popularity. The number of primary societies increased tremendously and it won staunch solidarity from the Trade Union Movement in Ghana. When GNCUTA organized its first Annual Meeting in Kumasi in April 1969, about thirty-five primary societies sent delegates. Participants agreed on such services as organizational advice and bookkeeping systems, training and inter-mediation between primary societies and the Department of Co-operatives to be provided. As any other apex organization of co-operatives in Ghana, CUA was registered at the Department of Co-operatives under registration number 3042 and began operations in accordance with Ghanaian co-operative law.²⁶



Figure 5.1: CUA House in Accra

5.3 CUA Management and Governance Structure

5.3.1 The Membership of Co-operative Credit Unions' Association (CUA)

In principle, every credit union in the country can become an affiliate member of CUA provided it satisfies the following four conditions:²⁷

1. Must operate according to the laws of Ghana and the universal principles of co-operatives.
2. Must be financially sound and accounts and records must be sufficiently up-to-date.
3. Must agree to the bye-laws of CUA
4. Shall pay an initial share capital according to a formula determined by the General Meeting

Upon receipt of a letter of application, the Board of directors decides if the applicant credit union is qualified to become a member of CUA. Those which do qualify receive a certificate of affiliation giving them the access to CUA service and also the right to participate in the Biennial as well as any special meetings of CUA.

The CUA structure is formally constructed from the bottom upwards. Delegates elected by the majority of the primary societies are sent to their respective Chapters. CUA used to have ten of such Chapters under 2001, when the number of chapters was expanded to eleven. Delegates from the primary societies can be seen as representatives of their respective societies. From the representatives of primary societies, each Chapter elects five accredited delegates by a majority vote to take part in the Biennial meeting of CUA. Some of them may serve either as a member or alternate member of the Board of Directors to represent the primary societies and the Chapters at the highest level in the management of CUA.

5.3.2 The Biennial Meeting of Co-operative Credit Unions Association (CUA)

In the CUA organizational hierarchy, the supreme authority is vested in the Biennial Meeting, which is held every two years. Representatives of credit unions which are affiliated to CUA and have fulfilled all institutional obligations, are invited to attend. The General or Biennial meeting of CUA can be called by the Board of Directors at any time of the year, when at least a one-third majority of the Board, representing three Chapters, requests the meeting be held.

A CUA meeting in which delegates are invited to participate can be either an ordinary or a special General Meeting. The latter are special events when all the affiliated members assemble and participate in policy discussions and the election of the Board of Directors. The General Meeting is held once every two years on the date specified in the bye-laws. The General Meeting handles any issue / business touching the common good of the members, whereas special meetings react only to specific issues presented when inviting the members.²⁸ The invitation to the meeting is sent in advance to the respective Chapters, asking them to send delegates. The CUA bye-law states that the representation of six or more Chapters at the meeting can legally form a quorum.

At the General Meetings of CUA, respective Chapters reflect their interests and exert their power through their delegates. The General Meeting, as most public gatherings in Ghana, begins with prayers and songs which praise and strengthen the spirit of unity and oneness among co-

operative members. The following is one of the popular universal credit union songs which is often sung by participants on such occasions to express their ties with each other and reinforce their commitment to the spirit of community:²⁹

IT'S I, YOU, WE WHO BUILT COMMUNITY

It's I, It's I It's I who built community (4x)

Roll over the ocean, roll over the sea

Go and play your part to built community

It's you, It's you, It's you who built community (4x)

Roll over the ocean and deep blue sea

Go and play your part to built community

It's we, It's we, It's we who built Community (4x)

Roll over the ocean and the deep blue see

Go and play your part to built community

It's I, It's you, It's we who built community (4x)

Roll over the ocean and the deep blue see

Go and play your part to built community.

After creating an easy, friendly and pleasant sphere by singing such inspiring songs and listening to a series of encouraging, laudatory speeches by such people as the chairman of CUA, they commence a discussion of the official issues. Matters handled at the meeting include: reports of the General Manager and respective committees, discussion of issues which have arisen and resolutions, elections of officials for the next term of office and approval of budget and dues.

From the reports presented by both the General Manager and the respective committees, those attending the meeting are clearly be informed about the status (weaknesses and strengths, organizationally and financially position) of CUA. Delegates will be given an opportunity to put forward their opinion and present matters which are specific / important to their respective Chapters. The meeting provides the greatest opportunity for management and members to exchange their ideas and for everyone to make known his / her position about CUA policy. Any issue submitted for the decision of the delegates at a General Meeting is decided by a simple majority of the votes cast. A very important part of the General Meeting is the election of the Board which consists of the Chairman, first and second Vice-Chairmen, Treasurer and Assistant Treasurer. Intensive negotiations and lobbies are busily conducted among the delegates in order to win election to the respective positions on the Board.

In the development of CUA, two important poles can be observed; that from the northern Chapters, a rural part of Ghana where credit unions initially emerged, and the other from the southern part of Ghana, a relatively urbanized area, where currently numerous credit unions are functioning. The division of the highest authority, specially the appointment of the Board of Directors, has to take this into account. After an extended discussion, formal and informal, a nomination process follows to represent all the Chapters in the highest organizational body.³⁰

5.3.3 The Governing Body of Co-operative Credit Unions' Association (CUA)

Under the bye-laws of CUA, the Board of Directors is the governing body of the association to which its affairs are entrusted and it consists of accredited delegates representing each Chapter.³¹ The Board of Directors of CUA consists of ten members, who represent the ten Chapters. The members can be from various backgrounds, teachers, farmers, traders, office- and health-workers. From discussions held it emerged that the members must be honest and conscientious, unselfish, broadminded and fair. Although this sometimes differs in practice, generally speaking CUA officials are expected to be sincere and not act autocratically.³² *'... He (the Board member) must never accept the role of a Board member as if it constituted a status symbol. His role on the Board makes him a servant of the membership and he can expect to have to make sacrifices for which he may never be paid or even thanked for.'*

Some of the main functions of the Board of Directors are: to act upon all applications for membership, resignation or withdrawal; to fix from time to time the amount of bond of the treasurer (or manager); to determine the interest rate on shares and fix the maximum amount which may be loaned to any member with or without security; to fix the salary of the manager and other employees; to designate the depository or depositories for the funds of the credit union; to recommend amendments to the bye-law.³³

Engagement in the work of the Board is voluntary. Members freely allot their time and ability in a spirit of mutual help and co-operation. The officers on the Board are not paid but may be given allowances for travel, meals and expenses incurred in attending the Board Meeting. Should it be needed, the Board has the right to seek external professional advisors. Should the occasion arise, persons / experts who possess the requisite knowledge and experience of co-operatives, in particular of the credit unions, are invited to act as an advisory body to the Board of Directors. The Board of Directors meets every three months. Regular absence (three consecutive meetings without due notice), misconduct or any type of corruption or dishonesty can mean suspension of the member of the Board.

Under the Board of Directors and acting independently, there are some committees and sub-committees which are constantly engaged in activities and ensure the continuity of the different sections of CUA. Currently there are two very important committees: the Supervisory Committee and the Executive Committee. The Supervisory Committee, which consists of three members, is elected at the General Meeting from among the delegates. This committee looks after the proper functioning of CUA, especially its financial affairs. The bye-laws of CUA stipulate that the committee should look into the handling of funds and audit the accounts of the Association on a regular basis.³⁴ The reports, which are prepared by the Supervisory Committee, are delivered to the Board of Directors and to the Biennial Meeting, as well as being sent to the Registrar at the Department of Co-operatives.

One important, crucial body of the CUA is the Executive Committee. This consists of members of the Board of Directors who are elected as the officers of the Association. Of the Board, the current and ex-chairman, the treasurer and the assistant treasurer automatically become officers of the Association. In principle, this committee acts as delegates for the entire Board of Directors and the extent of its power and functions also depends on the arrangements made by the members of the Board. The National Chairperson chairs the meetings of the Board.



Figure 5.2 Photo of the former Chairman of CUA

From the discussion with the National Chairman, one factor of overriding importance emerged: CUA can no longer proceed as it has been accustomed to. Now it cannot sit by as a spectator and watch the financial markets. It is essential that it participate in these markets. The rub is that this is a complex affair which requires professional financial speculators. This demand rules out the customary way of going about things with the old, committed co-operative movement members. CUA must now also extend its services beyond its traditional fields of training credit union officials, audits and the collection of dues. New tasks now involve the deeper orientation of primary societies in buying shares, and also encouraging payment of dues for risk management rather than services. The manager of a primary society says nowadays it is increasingly difficult to justify the amount of the dues to members. Everyone questions why so much money should be sent to the head office. Every effort to effect a radical change in already existing relations causes tension and distorts the prevailing situation; hence it is far better to pursue matters gradually, taking each change step by step.

5.3.4 The General Manager of Co-operative Credit Unions' Association (CUA)

Under the bye-law, the executive committee of CUA meets once every two months. This meeting is also attended by the General Manager of CUA who is employed by the Board of Directors. Under the direction of the Board, in conjunction with the Executive Committee, the General Manager guides the day-to-day activities of CUA.³⁵



Figure 5.3 Photo of the former General Manager of CUA

The General Manager of CUA plays a very crucial role in the operations of CUA, even though, the highest and formal authority lies in the hands of the Board of Directors. Following the decisions passed by the Board, the Manager takes the practical steps to translate this into policies and plans to be implemented. Besides the overall responsibilities for financial transactions, the manager keeps a constant eye on the normal functioning of the activities in the office and the personnel of CUA.³⁶

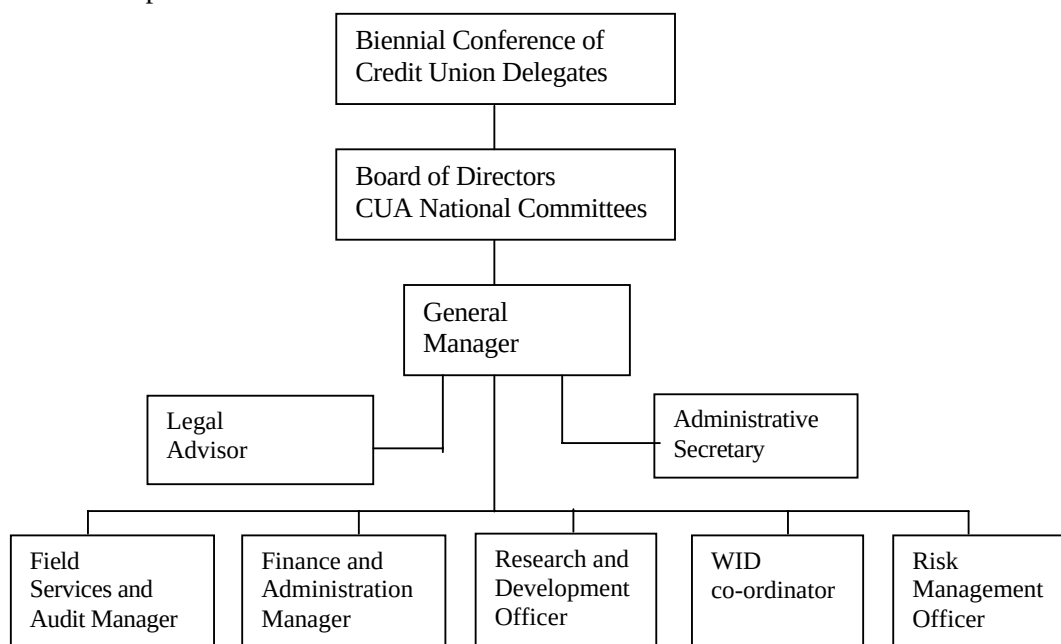
The post of the General Manager is not a permanent assignment. Depending on the performance of the manager and also the preferences of the Board, the term of office for the General Manager can either be continued or terminated by the newly elected Board, at the Biennial Meeting. Since its establishment, CUA has had more than six General Managers. Discussions with personnel revealed that most of these managers have carried out their responsibilities without causing any significant problems. There was, however, once a disastrous incident in 1990, when a fraud case involving foreign money was detected and the matter was referred to CUA legal advisor. According to close observers, the fraud committed was of such enormous proportions it had raised doubts about the creditability of CUA among its affiliates and donor agencies.³⁷ Speaking of this unexpected event, a member of the CUA management team responded: *'... it is a disaster for a co-operative organization like CUA to experience such fraud, especially at a time when it is confronted with unfavourable economic situation.'*

News of such an event in CUA damaged its credibility and reliability greatly, not only among donor agencies but also among its basis at the level of primary societies. In order to overcome this problem, refurbish its reputation and guarantee its continuity, CUA took certain radical measures after this unexpected internal upset. The Board of Directors appointed a new Manager who had had years of experience with the Credit Union Movement. Before his appointment, the manager had served as a field officer in the Upper West Region of Ghana. He had also had the opportunity to undergo higher training at Coady International Institute at Antigonish, in Canada. His appointment was welcomed by most Chapters, especially by those

who were familiar with his background. Importantly, he also satisfied the requirements of such potential donor agencies to CUA as CCA.³⁸ On the basis of his previous performances and training, the new manager was expected to extricate CUA, and its affiliates, from the profound crisis into which it had toppled. When the problem was discussed with him, he responded as follows:³⁹ ‘... I know the situation is tense, unpleasant thing has happened with financial management of CUA; as a result some affiliates have neglected to fulfil the requirements from them and currently loan delinquency is at its peak.’ The immediate task of the General Manager, as soon as he had assumed the office, was to upgrade the reputation of CUA and set about strengthening the weakened ties of CUA with its affiliates, rehabilitate relations and restore the confidence of donor agencies. Of course, some donor agencies immediately carried out their own investigations into whether to continue to co-operate with CUA activities.

The relationship between the Board of Directors and the management of CUA has become very close. The newly elected National Chairman of CUA is also a person who has been engaged in the policies of the Credit Union Movement for years. He has also followed higher co-operative studies at the Coady institute, in Canada. Both the new Board and the General Manager have been engaged in reviewing ways of how to improve the relationship with primary societies and increase the quality of their participation in the management.

Under the direct supervision of the General Manager, the CUA office currently consists of five divisions, each with its own separate task. After the period of time in the early 1980s when CUA was confronted with the unexpected huge liquidity problem, the need to involve professionals in CUA activities has proved vital. Besides the older credit union personnel, who have been committed to the Credit Union Movement and also have years of practical experience in CUA, professionals are now employed in financial management as well as training and development sections. Even though it was not fully implemented at the time of the field-survey, a new and extended organizational structure which required the recruitment of new professionals was drawn up.



Source: CUA Office, Accra

Figure 5.4: Organizational Structure of CUA

To be more competent and to cope up with the growing and increasingly complex financial markets in Ghana, since the 1990s CUA has begun to employ highly qualified professionals and also has given priority to providing its own personnel with management training. Examining the process of the professionalization of CUA management, two important issues can be raised. Firstly, to what extent are the new professionals improving working relations with the primary societies, and secondly, are they interested in promoting local participation in the CUA management. After about a decade, it has grown increasingly clear that, to emerge from the crisis situation into which CUA had once fallen (liquidity and management problems), CUA professionals are concentrating more on improving the financial position and the management quality of the organization. This involves closely following developments in the financial sectors and also upgrading managerial capacities through the organization of training for personnel at different levels of CUA. This does not mean that at the level of the primary societies local (traditional) ways of operation are automatically being replaced by modern management skills quickly acquired by the process of schooling. Considering the issue, the previous Research and Development Officer of CUA commented.⁴⁰ *... We, at the national office are doing our best to reform and reorganise the credit union management, but the response from the field is very slow. They want to restore their local way of handling of the credit union operation. Most primary societies are resolving organizational problems through local means, without referring to formal Government offices.* Two aspects are very obvious: at the top CUA is making a constant attempt to transform primary societies, to satisfy its requirements; however, the responses / reactions from the field offices are very slow. This is shown by the delays of primary societies in paying their dues, in buying shares and also in their ways of handling the problem of loan delinquencies. This is unequivocal evidence of either a communications gap or a smouldering dissatisfaction. When all is said and done, how can an urban, financial expert in Accra understand and reflect the interests of credit union members in the rural areas.

There is a potential for the changing organizational environment to create mutual disappointments. Professional CUA personnel may easily be upset, asking themselves why the responses from the primary societies in the field are so slow and unsatisfactory. This is counterbalanced by the fact that local management and society members tend to baulk at the growing pressure and influence exerted by the CUA officials at the top.⁴¹ CUA management takes a different perspective. It believes that without the continuous provision of services, primary societies would struggle to survive in the growing complexities of the financial markets. Therefore the dominant thought is that there is mutual interest on both the sides. Despite such an attitude and efforts to prevent this, there is a gradually widening gap in relations between primary societies in the peripheral areas and the national office. A very important connecting link is the Board of Directors and the various committees at the national level. These represent the various Chapters and can at least check divergences between CUA and its respective Chapters.

In the organizational chart, the financial administration and the risk management tend to deal more with financial transactions and insurance matters. The rest of the staff operates in five sections, according to the job description allocated to them. The field service and audit division has autonomous field officer representatives in almost all the Chapters. When this was discussed with the head of the section, he responded that:⁴² *... All field officers are actively working, reach every primary societies, assist to resolve every society's problem, where there is need and possibility, encourage the formation of new societies and mainly strengthen the link between CUA, the Chapters and primary societies.*⁴³

The Research and Development officer of CUA organizes training programmes, seminars and also supervises surveys to assess the condition of the societies affiliated to CUA.

In 1988, CUA initiated a credit for women project in collaboration with the Canadian Co-operative Association. The purpose of the programme is to make credit available to women members of credit unions to help them engage in viable economic activities towards the improvement of women's economic and social positions. With emphasis on the CCA Programme, the Women in Development (WID) division was launched in 1990. An expert on the field of women and development has been employed to co-ordinate the activities. In the WID section, there are about five female field representatives who are assisting the programme. The WID programme of CUA concentrates on the improvement of the social and economic position of women by encouraging and integrating them to participate in either the existing credit union or to form one of their own.⁴⁴ In response to this facility, a number of women's groups have emerged in various societies. Under the programme, organized female groups can obtain a CCA-WID loan. Thus, a women-centred credit union without any male members has been established in Nandom. Its members claim that they have a different management style to the other male-dominated credit unions. The management team has also expressed its dissatisfaction with the CCA-loan as follows:⁴⁵ *'... It is very difficult to get the loan, even when they agree to give, you don't get it exactly in the time of need and the condition are also very tight-mostly you have to pay back in a short period of time.'*

5.4 Development Planning and Policy of CUA

In the early stages, CUA did not have a separate policy and planning documents. An examination of various official documents reveals that for years CUA did not seem to have a written plan and policy. What has been commonly used in practice by CUA as policy has been the decisions taken at the General Meeting (*cf.* CUA 1992 and 1995). Decisions passed at the general and at management meetings served both as guidelines to be followed and statement of the objectives of CUA. The constitution of the Association also served as a guiding principle. Also lacking have been effective mechanisms to put the decisions taken into practice. At the General Meeting, most of the achievements and failures were presented in the form of report to delegates.

Having passed through the turbulent years from the mid-1970s and the beginning of the 1980s, CUA management realized the urgent need to have a development plan. Moreover, such donor organizations as CCA, which co-operated constantly with CUA, also insisted on the need for CUA to deliver a development plan document, in which aspects of rural development and the position of women were explicitly addressed. Since the early 1990s there had been attempts by managers to compile a plan and policy document by which CUA activities could be most effectively implemented and properly monitored. For a long time, this remained a dream. When both the apex organization, CUA, and most of its affiliates found themselves confronted with frequent problems, it was essential to make a comprehensive plan of which the objective would be to become a self-sufficient association.

5.4.1 The CUA Development Plan (1993-1997)

As generally reported, with a mandate from the general membership, the first five-year development plan which covered the period 1993 - 1997 was drawn up by the CUA management. The primary mission of CUA was stated in this document, namely that: *'...The credit union movement is an association of members, staff and volunteers dedicated to improving the standards of living of the rural and urban poor. Through cooperation and mutual self-help, the credit union movement will be able to mobilize savings, provide credit, technical assistance*

and educational services for the general upliftment of its members.’ The goal of the Plan was explicitly expressed as follows: ‘...if the credit union movement is to be a viable organization in Ghana, then it must become financially and technically self-sufficient. Towards this end, a five year development plan has been developed which clearly outlines the steps to be taken by CUA to ensure that self-sufficiency is the end goal.’

As broadly elaborated in the plan document, it was constructed after an intensive consultation with the principal donor agency CCA, the members of primary societies, employees, the Board and all other people who were concerned directly or indirectly with the promotion of the Credit Union Movement in Ghana.⁴⁶ According to the discussion with the Field Service Manager:⁴⁷ *‘... All primary societies have been given the opportunity to forward their ambition and view in the preparation of the plan document. This makes it very valuable official document.’*

The document pinpoints the fact that if credit unions are to be viable, competitive financial institutions, they must become financially and technically self-sufficient.⁴⁸ The important items in the plan document can be categorized in the following three main areas:

(i) Internal income generation: To reduce donor dependency, CUA strives to improve its financial position drastically. To achieve this, the association must generate funds from its affiliates through improved mechanisms for the collecting of dues, encourage societies to buy CUA shares and also deposit in the central reserve fund which can be used as a loan for societies in need. In keeping with this, CUA also keeps an eye on the formation of new societies, strengthens weak societies and increase the number of its affiliates. A set of very strict rules was initiated to control the growing loan delinquency.

(ii) Strengthen primary societies: All societies must be financially and managerially sound. This can be achieved by strengthening relations and encouraging members to participate actively in the Credit Union Movement and by assisting primary societies to launch ventures which generate extra money for CUA.

(iii) Increasing the participation of women in the Credit Union Movement. From the survey carried out by the CCA-WID team, it is clear that women do not have equal access to resources within the movement. To improve this skewed accession, the plan stresses that the participation of women in all credit union activities, including management at all levels. To realize this objective, the plan stresses the importance of incorporating 'gender sensitization' aspects in the education programmes of CUA. This part of the programme is also strongly supported by a CCA grant so it can operate as a separate component with its own funds, staff and training programme.

(iv) Other plan objectives emphasised the need to improve the skills of all credit union personnel at all levels and the promotion of CUA as a competitive, viable financial institution in Ghana.

In executing this plan, CUA made every effort to convince and involve all primary societies in it. When asked his/her opinion about the plan document, a member of a primary society in the Upper West Region commented as follows:⁴⁹ *‘... We are not interested with paper work; we even don’t need the paper work. We have years of experience in the credit union; we know what exactly our society must do.’* From this and other similar comments, it is possible to discern that unlike the national office, members of local communities are more interested in the practical work in the local context, than in blueprints. They are also conscious of the full organizational autonomy they have; that is, if they are unhappy with the CUA management they know they can easily de-affiliate themselves. When all is said and done, association with CUA is voluntary.

While the apex organization is placing greater stress on the general and national, the national organizational environment is making an effort to adjust itself to this as smoothly as possible,

maintaining its balance. Consequently, beyond the plan document, CUA management must look for a good balance between itself, the interests of the primary societies at local level and, of course, other external factors which have an impact on CUA operations, namely co-operation with donor agencies, changes in the organizational environment and the like.

5.4.2 The CUA Corporate Plan (1995 – 1998)

Almost two years after the Five Year Development Plan was launched, CUA drew up a corporate plan. This was more of a strategy to translate the plan into concrete workable objectives, strengthen CUA organizational capacity and improve the quality of CUA activities and services. As stated in the Corporate Plan (CUA: 1995: 4), the objectives consist of the following major aspects:

- i Design and implement self-sufficiency strategies for CUA and its affiliates
- ii Promote only viable societies in order to compete favourably with other financial institutions as well as conserve CUA resources
- iii Keep members and outsiders informed about the movements, policies and services through education, training and publicity
- iv Enforce minimum standards by the use of classification system as well as ensuring discipline at all levels of the movement

The corporate planning focused mainly on how CUA could implement its policies, put itself on a sounder footing financially and become more self-sufficient. The realization of this goal was to be achieved *inter alia* through the development of income-generating activities and by turning the affiliated credit unions into more democratic and transparent institutions. In this context, credit unions were expected to obtain adequate services which would include auditing and training from CUA, to improve their management and also settle related costs on time.

5.5 The Role of CUA in the Credit Union Movement

The primary mission of CUA is to improve the standard of living of its members by providing the necessary assistance to its affiliates. Its main activities include the spreading and consolidation of the Credit Union Movement in Ghana, the provision of sound administrative, educational and financial assistance to credit unions, and the formation of national and international networks.⁵⁰

5.5.1 Co-ordination and Provision of Services

According to its revised bye-law, the main CUA activities can be summarized as follows:⁵¹

- a. to organize and develop savings and credit societies
- b. to provide educational services and technical assistance to its members
- c. to provide financial assistance and risk management insurance to its members
- d. to formulate model bye-laws and standardize bookkeeping
- e. to supervise credit unions in accordance with laws, bye-laws and universal principles of cooperation;

- f. to collect statistical data and conduct research
- g. to further public understanding of credit unions;
- h. to represent the Ghana credit union movement internally and externally at the international level
- i. to develop itself into an institution that is financially and technically self-sufficient

In the area of credit union management, CUA organizes regularly training and workshops for local personnel. Such schooling, as one of CUA field officers explained, has succeeded in upgrading the quality of activities and has also achieved a common standard in organizational management which binds all the credit unions together.⁵² Besides the preparation of policy plans and management guidelines for credit and savings activities, CUA is also engaged in development programmes related to its own institutional growth, women in development and rural development.⁵³

In financing all these activities, the principal source of CUA income is the dues collected from its affiliates, even though it does benefit from the financial assistance from international donor agencies. Therefore, a sound co-operation and a good working relationship with various affiliated credit unions is needed. Without this it will be impossible to implement CUA policies and plans in practice. References in internal documents have also shown an increase in interaction with the affiliated credit unions.⁵⁴ CUA has also assisted its affiliates to draw up local credit unions bye-laws and constantly provides advice on how to avoid risks related to credit union operations. In co-operation with some international donor agencies, CUA has also established an audit unit which regularly observes the financial health of each and every credit union.⁵⁵

5.5.2 Maintenance of External Relations

As an apex organization, CUA maintains and regulates relations between credit unions and the Government and has also established contacts and co-operations with WOCCU, which have been regulated for more than thirty years through ACCOSCA. Through their respective national organizations, the credit unions are affiliated to their respective continental organizations which have working relationships with WOCCU. As ACCOSCA was unable to maintain financial ground, it was disbanded in the year 2000 and currently CUA communicates directly with WOCCU.

5.6 The Current State of CUA

Despite growing competition from various micro-finance institutions in the country, CUA has successfully been able to popularize the Credit Union Movement throughout Ghana and credit union membership has increased. CUA itself realized that with its limited infrastructure and resources located in regional Chapters, intensive communication with scattered credit unions and the delivery of the required services efficiently was virtually ruled out. In order to implement its plan, CUA has been forced, as in the past, to depend on such external assistance as the CCA loan and the Rabobank assistance to audit services. Even though there have been some improvements in CUA services and organizational transparency, the overwhelming desire of CUA to achieve the status of a financially a self-sufficient association has not yet been realized.

5.6.1 Continuity of and Change in CUA

The various programmes and the statistics of the credit unions can be taken as an indication of a successful development process over the past twenty-five years.⁵⁶ The 2002 data of the Department of Co-operatives has indicated that CUA has Chapters in all the ten regions of Ghana. There are eleven Chapters with a 289 primary societies with about 115,000 members and it has assets worth about 5150 billion *Cedis*.

Table 5.1 Statistics of Co-operative Credit Unions in Ghana as of 31st December 2002

Chapters Credit Unions	No.of	Total No. Members	Savings (in million cedis)	Loans (in million cedis)	Assets (in million cedis)
1. Asanti	89	16,275	18,321.6	13,625.9	23,847.7
2. Brong Ahafo	22	11,037	8,892.9	6,316.8	10,326.9
3. Central	23	15,754	14,611.4	11,346.7	18,511.2
4. Eastern	20	8,554	9,817.7	11,346.7	12,736.5
5. Greater Accra	47	33,378	32,804.6	22,170.1	41,122.7
6. Tema	27	8,733	19,148.5	15,066.1	24,914.7
7. Northern	5	2,346	1,499.5	1,144.6	1,868.0
8. Upper East	9	1,768	1,331.9	919.4	1,669.1
9. Upper West	14	2,785	1,520.9	805.5	1,899.6
10. Volta	13	6,649	4,367.1	3,739.7	5,641.7
11. Western	20	7,405	7,408.8	5,618.9	8,955.3
Total	289	114,684	119,724.9	92,100.4	151,493.4

Source: CUA statistical report

The credit union Chapter in the Upper West Region consists of fourteen credit unions with a total of 2785 members. General explanations of the various regions with a specific concentration on the UWR Chapter, reveal that about 60 per cent of the members are male whereas and 40 per cent are female, up from 25 per cent in 1993. The majority of the credit union members are inhabitants of the rural parts of Ghana.⁵⁷

Extending its original activities, CUA has also been engaged in programmes related to gender in development and rural development. Local primary societies are encouraged to participate in developmental activities related to education, health care, implementing HIV-AIDS awareness programmes in rural areas, local sanitation and water energy supplies. Despite some disappointments with the size and inefficiency of the women in development project, quite a large number of women, especially in the south of Ghana, have made effective use of the funds allocated by the programme.⁵⁸

5.6.2 Recent Challenges in CUA

Despite the progress made in various fields, in the past three decades CUA has also been faced with several challenging situations. The major problems, with which CUA as a national apex organization is confronted, can be grouped into three parts.⁵⁹

a. Organizational challenges: CUA has some managerial problems related to its affiliates and internal administration. Concerning relations with its primary societies, for several years

CUA has sustained contacts with primary societies through Chapter offices. This type of structure is often referred as a three-tier system. This system has created unnecessary bureaucracy and a forced a gap between the societies and CUA. Respective Chapters have not been active enough to facilitate the relationship between the apex organization and the primary societies. This has caused dissatisfaction for both parties. The Chapter became an unnecessary block: it was neither able to provide services to the societies nor generate dues for CUA. After a prolonged discussion on this matter, in the early 1990s, the three-tier structure was replaced by the two-tier structure. In the improved system, every society has a direct link with the National Office. The reform has given primary societies more opportunities to interact at different levels according to their choices.

b. Internally, within CUA for a long period there was no clear and accurate job description or career path. For some staff member, this has created an atmosphere of uncertainty. To resolve this issue, CUA has recently drawn up a new organizational chart which clearly indicates the trends in workers progress and promotion for the various sections.⁶⁰ While the concept of the new organizational structure was resolved, the most important question is whether CUA will have enough funds to maintain the new structure, which is greatly extended.

c. The issue of the liquidity problem is a fundamental one. A remarkable crisis situation arose in the early 1980s when Ghana commenced the implementation of the Structural Adjustment Program of the World Bank. This programme involved a large number of retrenchments of employees and was accompanied by a high rate of inflation in Ghana and a rapid devaluation of the national currency. This economic development dramatically reduced the savings capacity of credit union members and had a clear and direct negative impact on the financial condition of CUA.⁶¹ Newly employed professionals tackled these issues of reduced capacity of members either to save or to pay back their loans in different ways and are tried to safeguard the CUA financial position and management style. Even though it is too early to judge the pros and cons of the proposed reforms, there is strong belief among the member of the staff of CUA that the cardinal problems will be overcome.⁶²

5.6.3 Towards Transformation and Self-Sufficiency

Since its formation in 1968, CUA has adapted dynamically both to the global changes and the needs of its affiliates. From its position between the poles, it has successfully built up relations with international, continental and other co-operatives within Ghana. CUA which plays a key role in maintaining national and international relations of credit unions is forging ahead: adapting itself to changing situations without distancing itself from its primary societies, its resource and its power base. It is this basic and principal commitment to its affiliates which makes CUA distinct from other enterprises.

One of the most important aspects for which CUA is striving is financial self-sufficiency. Since its formation, CUA has never been fully able to finance its entire activities, and consequently has had to depend on assistance from international donor agencies. In its revised Five Year Development Plan of 1994, CUA put great emphasis on becoming an independent, self-reliant local financial institution before the end of that century.⁶³ The 1999-2000 annual report of the Department of Co-operative shows that CUA was successful in reaching this target with 100 per cent self-sufficiency (Department of Co-operatives, 2001).

The socio-economic transformation which has taken place in Ghana has opened the possibility for the rise and development of various forms of financial institutions in different places. As explained in this chapter, various forms of financial intermediaries, among them commercial

banks, co-operatives, ROSCAs and private money-lenders have emerged to respond to the need for financial services. The presence of savings and credit unions and the formation of CUA can be seen as a local response to the changing socio-economic conditions. The Co-operative Credit Unions Association was formed in 1968 by the existing individual primary societies which saw the urgent need of a co-ordinating national apex organization to represent them. Besides the active efforts undertaken by credit unions at the local level, both the Ghanaian Department of Co-operatives and CUNA have contributed their share in the formation of CUA.

CUA's main role consists of the co-ordination and promotion of the activities of its affiliated credit unions. The primary societies organized under CUA play a role which other financial institutions fail to perform. In this way they bridge the large space left between the formal banking system and the informal savings and credit systems.

Because of both its historical background and its role, CUA can be considered an apex organization of indigenous, community-based financial institutions and its primary objective is to provide services not only to primary societies but also to direct local resources to provident and development purposes. Since its establishment, CUA has achieved success in increasing its number of primary societies and its membership. In its overall development programme CUA has given special emphasis to women and rural development. It has also promoted its working relationship with both the Department of Co-operatives and the various international co-operative organizations. As one of the founding members, for decades CUA occupied a special position in ACCOSCA, before this confederation was disbanded in 2000 because of financial problems. In order to understand the development and the management of local credit unions and its structural links with the local socio-cultural and economic environment clearly, in the following two Chapters, the case-study area: the *Dagaaba* of the Upper West Region and their local institutions will be analysed in detail.

Notes

- 1 The Cedi is the Ghanaian currency which was introduced in 1965 as a legal means of payment. In the past twenty years, it has been constantly devaluing. In 1985, 50 *Cedis* was equal to 1US\$, as on 5 December 2006, ₵9,200 *Cedis* were worth only 1US\$. Currently, preparations are under the way to re-denominate the currency as of July 2007. This will retain the name cedi. For details see: BOG (2006).
- 2 The term primary society is often used by CUA to refer to its affiliated credit unions, whose members may be individual persons or groups. Credit unions which are affiliated to CUA are also officially registered by the Department of Co-operatives and possess a certificate of registration. In this study, both primary society and (co-operative) credit union are used interchangeably.
- 3 As regards the political and economic policies of the colonial rule in Ghana, Kay (1972) explains why the British Government was interested in the construction of infrastructure and increasing the number of wage-earners.
- 4 The crisis in development in Ghana in the 1980s was multi-dimensional. See Ansah (1991).
- 5 For ordinary people in Ghana, it has always been difficult to fulfill the conditions of the modern banking system. See Saka (1980).
- 6 For a detailed analysis about the origin and expansion of the informal financial savings and credit, see Goka (1989).
7. This information is based on a discussion with Ms Dorkas and her colleagues.
- 8 This information is based on discussions with my informant, Mr C. Dongyiri, in Nanadom, Upper West Region of Ghana.
- 9 See Saka (1982).
- 10 This information is based on the interview conducted with one of the well-known *susu*-collectors in Wa.
- 11 From discussions held with Idrisu, a money lender in Wa.
- 12 Ibid.
- 13 See Saka (1980: 54).
- 14 See CUA report of 1976.
- 15 Information derived from various documents consulted in and available at CUA office.
- 16 Because of the dissolution of the Department of Co-operatives by the Nkrumah Government, most of the societies were not in a position to exist continuously.
- 17 See Saka (1980).
- 18 Information derived from various documents consulted in and available at CUA office.
- 19 In the beginning, General Meetings were held every six weeks to familiarize members with this new savings and credit co-operative. According to information provided by one of the founding members, credit union meetings were always well attended and avidly followed.
- 20 Common bond refers to community members in a more or less similar situation or comparative position.
- 21 This can be seen as a sort of movement within a movement.
- 22 Inferred from documents available at CUA Office.
- 23 The conference delegates chose as their motto " In unity there is strength" and decided that all co-operative savings and credit societies in Ghana should come together to form a national association.
- 24 From discussion held with Mr Dongyiri.
- 25 The change of name from GUNTA to CUA was made to avoid ambiguity and to make a clear break with the old Thrift and Loan societies which did not have a good reputation.
- 26 Information obtained from CUA archive. See also Ghana Government (1968).
- 27 As stated in the Bye-laws and Articles of Association, revised, amended and approved 27 March 1991, Cape Coast.
- 28 See part IV of the Association's Bye-laws.

29 Extracted from the archive of CUA office, Accra.
 30 Discussion with a member of the Board of Directors.
 31 See CUA Bye-laws, p 8.
 32 Discussion with a member of primary society.
 33 See CUA Bye-laws pp. 14-16.
 34 This information is based on a discussion with some members of the Board.
 35 See ACCOSCA Survey Report, 1990.
 36 See CUA organizational chart.
 37 CUA internal memo and ACCOSCA Report 1990
 38 Discussions held with CUA staff member and the field-officer of the Upper-West Region.
 39 Discussion with Mr Zaatho, the General Manager of CUA.
 40 Discussion with Mr Papa Ni Lampty, the former Research and Development Officer of CUA.
 41 Discussion with personnel at CUA and also primary society members in the Upper West Region.
 42 Discussion with Mr Romanus, the field-officer of the Upper West Region.
 43 Discussion with Mr Frank, Section Head of CUA field office. Before assuming this post, he was a member of the credit union for many years and a teacher by profession.
 44 Discussion with WID co-ordinator of CUA.
 45 Discussion with women-centred credit union in Nandom.
 46 See CUA Development Plan 1993 -1997.
 47 Discussion with Mr. Frank.
 48 See CUA Development Plan 1993 –1997.
 49 Discussion with a member of a primary society in the UWR.
 50 See CUA bye-law.
 51 See CUA Revised Bye-laws 1994.
 52 On the basis of discussion with Romanus and also using CUA training materials, which emphasize such statements as: 'Come and join the happy family: credit union members and their families are safe under the protection of credit union. Credit union members don't have to worry about possible rainy days.'
 53 CUA Five-Year Development Plan (CUA, 1992).
 54 A good example is the Upper West Region, where the Credit Union Movement started and which became an important affiliate of CUA. Having built up about three decades of practical experience, it seems that the Upper West Region of Ghana enjoys relatively favorable socio-cultural conditions allowing co-operative organizations to flourish.
 55 The Rabobank of The Netherlands and Konrad Adenauer Foundation of Germany are the two institutions which provide CUA organizational assistance.
 56 On the basis of discussion held with Mr. S. Zaatho, the General Manager of CUA.
 57 See Department of Co-operatives Statistics as at December 2000 and CUA statistics as of June 1993.
 58 CUA document on the Women in Development Project 1990.
 59 See CUA internal memo and ACCOSCA survey report.
 60 CUA organizational Structure, Figure 5.4
 61 Discussion with Mr J. Dasha, Chairman of CUA.
 62 See survey report by ACCOSCA.
 63 CUA revised Five-Year Development Plan, 1995.

VI The *Dagaaba* Community of Ghana

The *Dagaaba* people constitute one of the largest indigenous communities inhabiting the present-day Upper West Region of Ghana. Formerly, under British colonial administration, this region was part of the Northern Territories. Few studies exist on the pre-colonial development of societies in the Upper West Region. Concerning the *Dagaaba*, the different sources present widely varying opinions and often-controversial views on their origin, their exact ethnic identity and their settlement in their present habitat. In comparison with other parts of Ghana, the northern part and especially the *Dagaaba*-inhabited areas have been socially and economically underdeveloped for a long time. In the last two decades, various efforts have been undertaken in order to accelerate regional development and reduce the development gaps that have persisted between the North and the rest of Ghana.

This chapter focuses on the historical and socio-cultural development of the *Dagaaba* community in Ghana and analyses their processes of settlement and the socio-economic structure of their society. In Section One of this chapter, a brief overview of the people and the study area will be presented. In Section Two, the origin and settlement of the *Dagaaba* people will be analysed in a general historical framework. In doing so, the various views and perspectives concerning the socio-cultural aspects of the *Dagaaba* will be described. In Section Three, the current level of socio-economic development in the area will be discussed. The conclusion drawn in this section will form the basis for further investigations into and analysis of the *Dagaaba* local institutions and decision-making processes.

6.1 Overview of the People and their Culture

The *Dagaaba* people who inhabit the Upper West Region of Ghana are also often referred to as *Dagaara* (cf. Bemile 1989; Kunbour 2002; Lentz 1930).¹ In addition to *Dagaaba* and *Dagaara*, which are nowadays the most commonly and interchangeably used names, designations such as *Dagarti*, *Dagara*, *Lobi*, *Lodaga* are also found in some literature to refer to the same community.² They are people who for centuries have inhabited the larger parts of the Upper West Region of Ghana. Some sections of the *Dagaaba* ethnic group are also settled in the adjacent areas of Burkina Faso and the Ivory Coast (cf. Tengan 2000; Alenuma 2002).

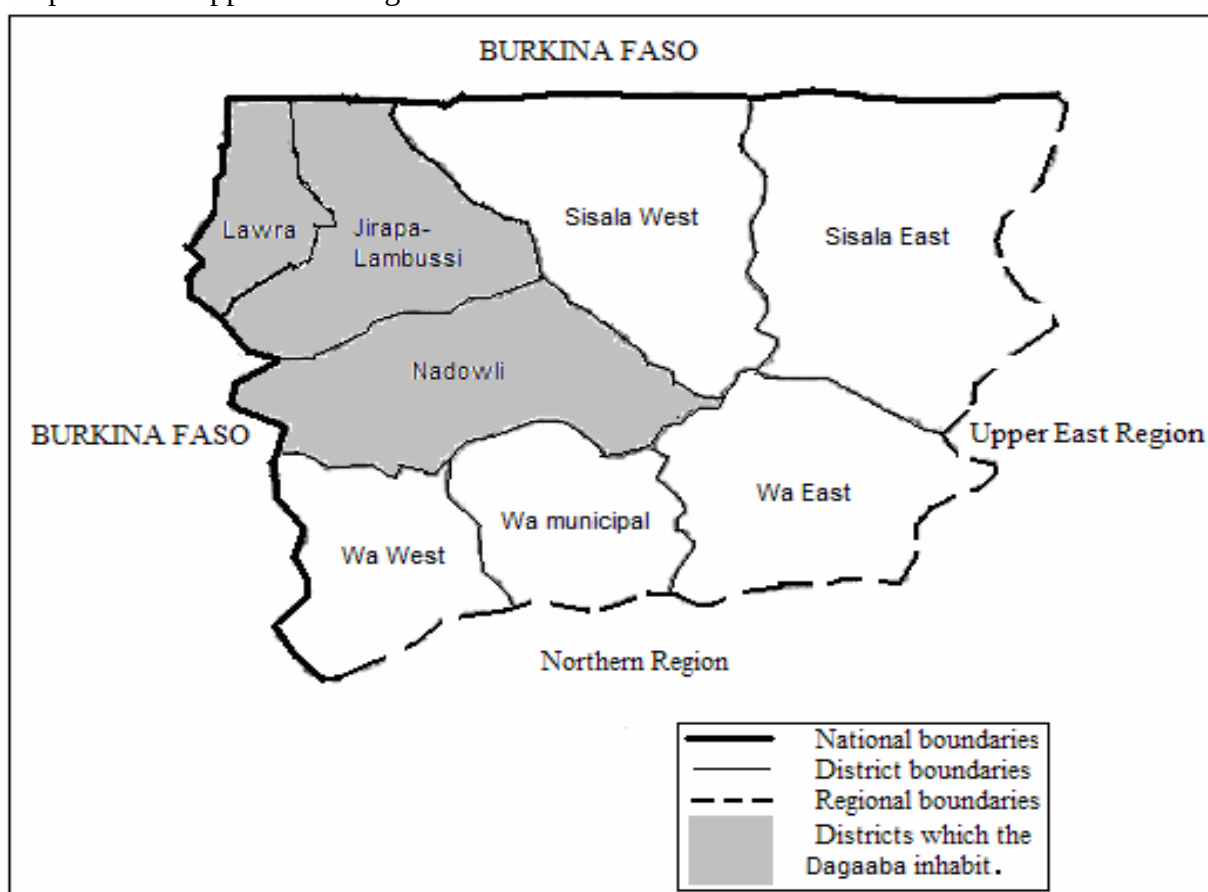
Even though recent detailed statistical data do not exist, the *Dagaaba* people in West Africa are estimated to be over a million, of whom about three-quarters live in the Upper West Region of Ghana. With the *Dagaaba*, two other ethnic groups, the *Waala* and the *Sissala* constitute the predominant population of the Upper West Region. These neighbouring communities share some linguistic and dietary similarities. In addition, the mode of production in the area is quite similar; most people are subsistence farmers who earn their living from cultivation and livestock, although there are some small segments engaged in petty trading and handicrafts. According to Dasah and Der (1976), there is a high degree of interaction and interdependence among the three (*Dagaaba*, *Sissala* and *Waala*) ethnic groups.

They stressed that, despite some differences in religion and historical origins, the relationship between these local communities is characterized by peaceful co-existence, mutual tolerance and co-operation.

6.1.1 *Dagaaba* Homeland

The Upper West Region, the part which is the homeland of the *Dagaaba*, (see Map 6.1: the Upper West Region of Ghana) was established in 1983 as one of the youngest regions of Ghana. It covers a total area of 18,476 square kilometres and is bounded to the north and west by Burkina Faso, to the east and the south by the Upper East and Northern Regions of Ghana.

Map 6.1: The Upper West Region of Ghana



The *Dagaaba* speak a language known as *Dagaare*, which is one of the major languages in the Upper West Region of Ghana and adjacent areas. Studies, among them those by Bodomo (1997), indicate that *Dagaare* is a member of Oti-Volta group of the Gur branch of the Niger-Congo language family and is spoken by an estimated more than one million people.

The upper north-west corner of the region, the areas (Lawra, Jirapa-Lambussie and Nadowli) which are largely inhabited by the *Dagaaba*, is semi-arid, partly savannah grassland with scattered trees and shrubs. The Region has a tropical - Sahara climate, with a mean annual temperature varying between 28 and 33 degrees. The dry season, which usually begins in October, is accompanied by the cold, dry harmattan winds from November until January. In February, March and April the weather is extremely hot and dry. The rainy season, which starts in May, ends in September. The rainfall is mostly erratic, making it hard to predict the patterns of rainfall for the cropping season.

6.1.2 Local Rituals and Customs

The *Dagaaba* farmers are heavily dependent on climatic conditions which are often far from favourable. In the Region dry spells of a few weeks during the rainy season are common. In this period great anxiety and uncertainty about the fate of their harvest prevails among the communities. Consequently, as Der (1980) in his study on traditional sacrifices notes, the great majority of the *Dagaaba* farmers often resorts to various local ritual sacrifices - offered to God through the intermediation of their ancestors - to provide them with sufficient rainfall for growing their crops and ensuring a good harvesting season.

Local informants, especially elders, have also affirmed the importance of sacrifices in their culture in order to safeguard their community's wealth and well-being. One informant, an elderly *Dagaaba* man and retired school teacher, Maurice Zague, said '*... In the Dagaaba tradition and belief, seasonal sacrifices are normal practice. Before the beginning of the rainy season, sacrifices are made to obtain sufficient rain and also to protect us from other natural calamities and disasters.*'³



Figure 6.2 Mr Maurice, an Elder from Jirapa

In spite of its vulnerability to the unpredictable climatic conditions, subsistence farming has always been and still is the principal occupation of the majority of people in the region. Over 90 per cent of the economically active *Dagaaba* population is predominantly engaged in livestock raising and subsistence farming. The main crops grown in the area include guinea-corn, millet corn, yams, rice, eggplants, beans, cotton and sweet potatoes. Groundnuts, maize, millet and sorghum are widely grown especially for local consumptions. The vegetation of the Upper West Region is also suitable to livestock production. Nearly every household in a village owns some sort of livestock, which include cattle, goats, pigs and poultry, such as ducks and guinea fowls (RPCU 1994).

6.1.3 Agriculture and Land Tenure System

As in other parts of rural Africa, among the *Dagaaba*, land remains the decisive factor of production. The system of land ownership has passed through several changes. In the pre-colonial period (prior to the 1920s), land was totally communal property and the *Tendana*, an indigenous leader and the custodian of the earth shrines, allocated it authoritatively. During colonial rule, this situation greatly altered. Communal land in the Northern Territories was placed under State control. This form of land management continued until the post-independence period. Worried by the constant land disputes and conflicts, the Second Republic of Ghana declared that all stool and kin land should be managed under the supervision of local authorities. Consequently, under the 1979 Constitution of Ghana (*cf.* Songsore 1992) land reverted to the hands of its traditional owners. Currently the bulk of *Dagaaba* land is controlled by family ownership, though the Chief and the *Tendana* are informed of changes in ownership.⁴ To a certain extent commercialization of land has also been introduced. Mainly in urban areas, new settlers can buy land but this still has to be brought to the knowledge of the *Tendana*.

Despite the engagement of the majority of the *Dagaaba* in agriculture, the productivity of this sector is very low, and the region often does not have the capacity to satisfy the local food needs. Studies conducted by Songsore and Denkabe (1995: 79) have shown that ‘... about 45% of rural households whose major occupation was farming indicated that they did not have enough food to feed the family year-round.’ Even today the situation has not changed significantly, with a multitude of factors contributing to this chronic problem. The primary cause of food deficits in the area is the unfavourable climate, but soil erosion and the traditional hoe-farming method also contribute to low levels of agricultural productivity. In their choice of agricultural tools, most *Dagaaba* farmers still rely on traditional farming implements. The *Dagaaba* still have a reputation as inveterate users of the hoe and axe in their farming practices.

As Tengan (2000) explains in his studies, the hoe-farming method of agricultural production is a normal practice, engaged in by many *Dagaaba* farmers and involving many local institutions. As subsistence agriculture is labour intensive, the volume of farm output depends on such factors as the organizational aspects of production. In rural parts of *Dagaaba*, the mobilization of collective labour is crucial. Some of these forms of co-operation are based on social obligation; others are just a form of mutual assistance, organized by working on each other's farm in rotation. *Sunta* is a form of co-operation in which people assist each other when

there is a heavy workload, such as tilling the land, sowing, weeding, remoulding mounds and threshing grain. *Kepta* is another form of co-operation in which a daughter's husband might assist his in-laws when required. Local communities are also expected to assist the local chiefs in their farming activities when needed. Most of these arrangements are based on the rules of local cultural values and norms.⁵

6.2 Origin, Settlement and Social Structures

A variety of views and often controversial assumptions exist about the origin and pattern of settlement of the *Dagaaba* community and its social and cultural history. As various authors (Lentz 1992, Yelapaala 1983) have underlined, until recently very little was known and written about the pre-colonial history of the *Dagaaba* people and their institutions. Yelapaala (1983: 352) has stated that the migratory patterns of the *Dagaaba* may even be a closely guarded secret which is passed down through oral tradition during a ritual accessible only to the members of a secret society.⁶

For the purpose of this study, it is essential to know the socio-economic and cultural development process of the *Dagaaba* community, its cultural patterns and the way in which it organizes and manages its social, economic and political activities. These can be properly understood when placed within the context of historical development processes which occurred in the pre-colonial, colonial and post-colonial periods. In this context, as underlined by Lentz (2000: 5), '*...ethnic histories need to be firmly established on historical experiences and in this regard, previous historical knowledge and social practices and processes must be correctly traced.*'

6.2.1 Historical Process of Settlement

In an attempt to construct a balanced overview of the historical development of the *Dagaaba* community, this study has made inquiries into two sources of information: written secondary materials on the pre-colonial period and the oral history recounted by elders. As far as the written material is concerned, most interpretations in *Dagaaba* studies are more or less oriented to the research findings and publications of Goody (1957, 1967, and 1978). He argued that in the north-western part of Ghana, there were marked discontinuities: unilineal descent groups were dispersed among peoples with different languages and forms of social organization; and there was no centralized political system before the advent of British colonial rule. He stated that among the inhabitants of the north-west section of the Gold Coast, as Ghana was then known, there were no tribes, as there were no constituent groups which had a consciousness of unity sufficiently strong to give rise to a tribal name. He recalls (1967: 16-17) he went to the north-western part of the Gold Coast to study the settlement pattern of the *Dagaare*-speaking people in Birifu, situated on the eastern bank of the Black Volta. He was unable to identify people who called themselves *Lobi*. On the basis of how the groups he met referred to one another, he used the terms "*Lodagaa*" or "*Lodagaba*" for those living in Lawra and Nandom, and *Dagaaba* for those inhabiting the areas east and south of Lawra. In his analysis, he failed to find a group which qualified for his concept of tribe or ethnic group, or any ethnonym which would conform to his understanding of what a tribe was.

Early studies on *Dagaaba*, by such people as Rattray (1932) and Goody (1967), not only created some complexities about nomenclature, they also reflected the opinion that the *Dagaaba* were not originally a single ethnic group with a common language and history. Goody's and similar interpretations have been strongly criticized by such local scholars as Yelapaala (1983) for their inability to identify the distinct ethnic groups and for their disregard of some of the common aspects which the *Dagaaba* might have possessed for a long period of time. As critics noted, earlier studies did not take into consideration the fact that certain differences in language or local dialect may have been attributable to a long history of movement.

Turning to the second source of information, oral history, various interviews and discussions were conducted with local elders on the subject of *Dagaaba* history and their place of origin. Oral testimonies of elderly informants indicate that the *Dagaaba* have inhabited their current geographical area since around the sixteenth century. As the population waxed and the herds of livestock increased, they moved a little and extended to the as yet uninhabited areas in their neighbourhood.⁷ A locally knowledgeable elder and key informant, Mr Charles Dongyirie from Nandom, explained this process of the *Dagaaba* settlement as follows: '... as far as the information we have from our great-grand families is concerned, we have always been here. Nevertheless, sometimes we extended our area to uninhabited places, by carefully investigating, and making sure that no other group had occupied the new habitat. One of the ways in which this can be checked is by looking to see if there were already any footprints, and by dropping leaves along the way so that other newcomers could also remark upon this.'⁸ These and similar discussions with *Dagaaba* elders and known local oral historians provided basic information on the history as to how the *Dagaaba* came to settle in their present habitat and on their local institutions. Other *Dagaaba* informants living in different parts of the Upper West, such as Ko, Nandom and Hamile, have also supplemented the opinion of these elders.

6.2.2 The Separation from the *Dagomba* State

From existing written studies and historical narratives regarding the *Dagaaba*, various assumptions can be made about the origin and settlement of the *Dagaaba* people. On the basis of the information collected, two main versions are distinguished in this study as essential to the ethnic identity of the *Dagaaba* and their patterns of settlement.

The first version tends to be based on more recent studies (*cf.* McCoy 1988; Der 1989; Lentz 2000) of the *Dagaaba* ethnic history. This version stresses that the *Dagaaba* once constituted part of the Kingdom of the *Dagomba*, and inhabited the area around Tamale. Towards the end of the fifteenth century they broke away from the *Dagomba*, mainly in retaliation for their lack of autonomy and the increasing dictatorship, conflict and suppression to which they were subjected. Consequently they set off in search of more freedom and peace. This historical analysis of origin also sheds some light on the organizational differences between the *Dagaaba* and the *Dagomba*.⁹ On the basis of claims made from the *Dagaaba* side, unlike the egalitarian and decentralized form of the *Dagaaba* community way of life and participatory decision-making processes, the *Dagomba* Kingdom was highly centralized and possessed a hierarchical system which made it impossible for the *Dagaaba* to continue living under it. (*cf.* Yelapaala 1983; Lentz 1993).

Corroborating this retrospective historical analysis, the view of Roman Catholic missionaries in the area reflects a similar historical interpretation that the *Dagaaba* hived off from the *Dagomba*. For instance, Father McCoy, one of the early Roman Catholic missionaries in the *Dagaaba* area, (McCoy 1988: 35-36) has stated in his book that: ‘... the *Dagaabas* had come originally from Eastern Ghana, from among the *Manprussi* (*Mammprusi*) and the *Dagomba* tribes. They had migrated westward some three or four centuries earlier out of discontent with the oppression and exaction of the *Manprussi* and *Dagomba* chiefs. So strong had been their discontent that when they reached their new home they vowed not to have any chiefs ever again. Disputes among them would be settled by the elders, who were also responsible for drawing up the rites and regulations governing the groups’ traditional customs and way of life.’

The oral narratives of the migratory history of the Zenou family around the Nandom area, which claim that they were from the Dikpiele clan, could also be supplementary evidence that the *Dagaaba* emerged from the *Dagomba* people.¹⁰ Interviews and discussions with the inhabitants of Nandom-ser area reveal that Zenou, who was also later accompanied by Piiru, left the *Dagomba* and came to Lawra and the area around Nandom following different roads.¹¹

The assertions supporting this first version show that the *Dagaaba* detached from a bigger structure and also indicate that they were not the original occupants of their present habitat. Nevertheless, it also shows the possession of their own indigenous organizations and system of management, and their orientation towards the innovation of their local institutions, appropriate to their circumstances, which is relevant to this study.

Generally speaking, there are many unclear aspects about both the disintegration of the *Dagomba* and the detachment of the *Dagaaba* from them. This elicits the following questions: What was the structure of power relations within the *Dagomba* state? What was the exact social and political position the *Dagaaba* occupied in the *Dagomba* State? What factors played a decisive role in the final disintegration? How long did it take and what were the crucial conflicts and events? Were there any other external factors involved? In the first place there is an unclear sequence of historical events and developments. The egalitarian and decentralized form of the *Dagaaba* way of life was not an indication that the *Dagaaba* were without laws or an unordered society; instead they placed more emphasis on values and norms characterized by higher levels of freedom and equality. The *Dagomba* state was considered a highly centralized and repressive institution, something which went against the grain for the *Dagaaba* and with which they were unable to live. Therefore they preferred to make a new start on their own. This involved reorganizing themselves and preserving their *Dagaaba* identity, rather than yielding their value system and being swallowed up in a greater whole. This process of ethnic articulation and identification took place among the *Dagaaba* just about two centuries before the Europeans came to conquer the region.

The second version of explanations is based on extracts from oral history and discussions with a well-known indigenous leader from Jirapa, supplemented by some local elders. This indicates that the *Dagaaba*, who were renowned hunters and involved in long-distance trading, came from Mali in the distant past. They were said to have been part of the great Empire of Mali and when conflict broke out and this old empire disintegrated, with all their belongings including their cattle the *Dagaaba* happened to move in the direction of the Gold Coast, where they settled in a very scattered communities around the area where they are at present.¹² ‘As we were told by our great-grand fathers, we left our original home land due to increasing

*conflicts and lack of peace, it was a journey of a long distance and we spend years travelling, we have passed through various places and circumstances until we finally came and settled here.'*¹³



Figure 6.3: Chief Gandhi, Tampoe / Jirapa

This view, which is also shared by some elders around the Jirapa area, unequivocally claims that the *Dagaaba* were part of a big and historically well-known empire; that their mode of production was hunting, augmented by raising cattle and trade; and that they disengaged from the empire because of persistent conflict. While providing a certain type of clue to a distinct historical trajectory, it is extremely difficult to trace various markers of *Dagaaba* ethnic identity from this remote historic recollection, for instance, the exact period of time. Other ethnic clan groups involved in the conflict or causalities remain unclear.¹⁴

Other interpretations which say that the *Dagaaba* were Mande traders, who came from Yatenga, may also be used to supplement this oral narrative. In his analysis of the origin of the *Dagaaba*, Der (1989) shows to a certain extent that the *Dagaaba* evolved around the Wa and Lawra areas as a result of intermarriages between the *Dagaaba* and other immigrant groups. In this context he indicates that one of the immigrant groups which constituted the *Dagaaba* were the *Yersi* or *Yarse* people who came from Yatenga and were originally Mande long-distance traders. Der (1989: 14-18) went on to say: ‘... *The next group of immigrants of any importance was the Yersi or Yarse. The Yeri as the Dagara called them originally came from*

Yatenga. They were a Mande commercial people and it was largely trade that brought them down from Yatenga to northwest Ghana. They settled first as traders and later on became farmers.' Der (1989) argues that, as time passed, the Yeri intermarried with the *Dagaara*, abandoned their mode of life as traders and became farmers. While this analysis ties in with the general assumption of the movement of the *Dagaaba* from the south towards north, it is still very unclear why Mande traders would have changed their age-old mode of production and opted for farming and settled in the Upper West Region.

These are diverse local interpretations of the origin and settlement of the *Dagaaba*. An elderly informant, Dongyirie, also stressed that the people who are referred to as *Dagaara* (as in the first historical version) are also often called *Dagaaba* (as presented in the second version).¹⁵ In his version it is the historical substance and its interpretation which matters most, rather than the differences in name. He considers the integration of both historical versions can even lend the history of the *Dagaaba* more completeness, as there is a clear demarcation line between the collapse of the ancient Mali Empire and the disintegration of the *Dagomba* state; both historic trajectories can be clearly identified. While the information on both processes is based on oral history, the breaking away from the repressive *Dagomba* state is supported by evidence that is more than circumstantial.

Some researchers, among them Der (1989) point out that there are many similarities of language and culture among the various ethnic groups who were once part of the *Dagomba* state. In their culture, language, ritual and other activities, they can also be distinguished from other ethnic groups who inhabited the neighbourhood. Given this evidence, there is a possibility, as some of the *Dagaaba* elders claim, that they probably came from Mali and throughout the centuries joined, were absorbed into and developed up to the strongest phase of the *Dagomba* state, which disintegrated around the sixteenth century,. At that point it developed into an undemocratic system and structure, which proved unacceptable to some of its subjects.

It is very clear that there are various indications and analyses which point to the fact that the current *Dagaaba* ethnic group went through a long period of transformation before it came to their present habitat and merged into a homogenous population group. As witnessed in the transformation of various ethnic groups, the processes of fusion and diffusion, integration and disintegration have been normal processes of development and change for the various clans and ethnic groups in Africa. Different versions of stories about and names for the *Dagaaba* community are cogent clues to this process of transformations.

As the two different versions presented above indicate, the pre-colonial history of the *Dagaaba* was characterized by conflicts, migrations and crises. Accounts of the early missionaries confirm that, even at the beginning of the last century, wars ravaged the *Dagaaba*. In his memoirs, McCoy (1988: 35) explained the situation as follows: '... In 1929 it was a completely rural area of subsistence farmers, with Jirapa as well, lying open and uncultivated due in part to the wars at the beginning of the century, which had driven the people away.'

The various trajectories presented about the origin and settlement of the *Dagaaba* cannot be considered value free. The views of the colonial elite and officers were to a great extent influenced by the colonial system and the need for its preservation. The approaches of the Roman Catholic fathers were primarily motivated by religious perspectives. Albeit they often committed themselves to selected aspects of community development (farming, health and

education), they focused on the promotion of their mission rather than on the development of the identity and coherence of the local community. Analysis of both written sources and narratives from oral historical accounts provides an overview of the various complex and difficult paths through which the *Dagaaba* people have passed. In an interview on the history of *Dagaaba*, Maurice Zague, an elderly man and key informant, explained how the *Dagaaba* have been able to survive, often under harsh conditions, as follows: ‘... *if the Dagao were not hard working and honest people, and if they were not brave enough to defend their communities, the constant crises that have occurred in this area, in both the pre-colonial times and the colonial era, together with the harsh climatic conditions would have already wiped us all. We have strong work ethic, community guided and an open-minded people. It is these values that kept us continue as communities of Dagaaba.*’¹⁶

As this and similar other narratives express, most of the responses from *Dagaaba* elders about the *Dagaaba* values in the past and at present are full of praise. In this context, the extrapolation of historical memory and narratives is currently strengthening the present-day *Dagaaba* ethnic identity. The positive self-perception, self-esteem and pride in being a *Dagaaba* or *Dagaara* have also been observed among the *Dagaaba* young people. Professionals work to strengthen their ethnic identity with its corresponding values and norms as a core part of the marker of their identity. This can be clearly seen from, for instance, the study conducted by Lentz (1993) on the colonial and post-colonial creation of ethnic identities in north-western Ghana which pinpointed the *Dagaaba* identity as: ‘...*They must be Dagaba first and any other thing second*’.

Nowadays when using the actual ethnic name of the *Dagaaba* it is more or less an accepted practice to use *Dagaaba* and *Dagaara* interchangeably. As this issue has been discussed by Der (1989): ‘... *Attempts to distinguish them as different peoples are artifact.*’ In this vein, he even recommended that the compound name *Dagaara - Dagaaba* could be used to refer to them. In this study the term *Dagaaba* is used as almost all of the informants refer to themselves and their community as such. Moreover, at present in official documents such as on Ghanaian maps the area is shown as inhabited by the *Dagaaba* ethnic groups; and consequently *Dagaaba* is a more commonly used and accepted name.

Generating a comprehensive and commonly accepted view of pre-colonial history and the emergence of the ethnic identity of the *Dagaaba* is beyond the scope of this study. One fact remains irrevocably clear, whatever the diversities of opinions existing on the past now the *Dagaaba* community has developed a homogenous culture as an ethnic group and has established itself as a permanent factor group in the Upper West Region of Ghana.

6.3 The Road to Socio-Economic Development

Except for the district capitals and those areas which lie along the sides of the main road, the Upper West is largely a rural area with over 90 per cent of the people living in small villages. Until the recent formation of the region, the Upper West was a neglected area. Socially and economically it was underdeveloped in comparison to the South and other regions of Ghana. Apart from the unfavourable climatic conditions, the cause of this can be sought in most of the preceding Governments' political and economic policies to leave the region undeveloped.

6.3.1 Colonial Policy and “Underdevelopment”

The Upper West region is often referred to as the poorest region of Ghana. According to Bakang (2000), it has remained the least developed region when measured in terms of gross regional product per capita and access to basic social infrastructures, notably education and health.

The socio-economic development of the Upper West Region has been influenced by a multitude of factors which have structurally hampered the development process. Given that the economy of the Upper West Region is entirely bound up with the agricultural sector, the climatic conditions, characterized by periods of drought and erratic rainfall, are an important constraining factor. Nevertheless, the problem of underdevelopment and poverty of the North in general and the Upper West Region in particular goes beyond unfavourable climatic conditions and can be traced to a large extent to historical roots (*cf.* Plange 1979; Bakang 2000).

As Plange (1979) has indicated, prior to the colonial period Northern Ghana had been situated on important trade routes. (Even now, the Upper West Region is still an important gateway through which trade takes place between Ghana and nearby countries, notably Burkina Faso and Mali). In comparison with such surrounding ethnic groups as the Wala, the *Dagaaba*, whose mode of production is dominated by subsistence farming and the production of domestic livestock and hunting, did not fully participate in trading and as such hardly benefited from the growing markets in the region.

In the pre-colonial days the *Dagaaba* people also had to contend with the slave trade. Oral history and recent studies by Der (1998) have noted that the *Dagaaba* were frequent victims of ruthless slave raiders and slave traders, chief among them two notorious villains known as Babatu and Samori who devastated the region in the last quarter of the nineteenth century. Der (1998) asserts that the slave raiders not only created insecurity and instability in the region, at a material level they also destroyed and looted villages and took away the little wealth local communities possessed in the form of livestock and agricultural products.¹⁷

Soon after this tragic, pre-colonial experience, the Northern Territories were subsumed by the colonial conquest which may be said to have continued with the exploitation of local resources and the suppression of such indigenous institutions as the *Tendaana*, imposing the alien system of chieftaincy instead (*cf.* Yelapaala 1983; Der 1989; Poda 1998). In the colonial period one of the roles allotted to the northern part of Ghana was that of producer of agricultural goods for consumption in the South, from where valuable commodities such as cocoa and gold were exported. Even more importantly, the Northern Territories served as reservoir of unskilled labour. Many young *Dagaaba* farmers were forced to migrate towards the South to work in the mines and on the railways (see also 7.2). This forced migration was but one of the obstacles which have hampered the developments taking place in the area. (*cf.* Bening 1975b). Moreover, the Colonial Government took control of the trade routes and the passage of goods through the Upper West Region, taking away the little benefit local communities had derived so far from the commerce which passed through their territory. The Colonial Government also extended its control to local markets and incomes. Traditional ways of trading goods, using gold and cowries as means of exchange, were officially forbidden. Instead, the use of the pound sterling as the colonial currency was enforced, notably through tax levies on local communities (*cf.* Geest 2004). These external interventions disrupted the

normal process of local socio-economic development. The Colonial Government also hindered indigenous institutions in the performance of their normal functions. Remarkable in this context is the imposition of the system of chieftaincy. This system contributed to the undermining of the indigenous institution of the *Dagaaba* known as the *Tendaana*, which had until then managed the communal land tenure system and taken care of the spiritual and social well-being of the local community (cf. Yelapaala 1983; Der 1989). The Colonial Government was not interested in investing in the development of infrastructure in the Upper West Region, as Governors invariably reported that investment in this part of the country would not deliver the Colonial Government any benefit (cf. Geest 2004). As a result, the number of schools and health-care facilities in the region remained very limited until the arrival of the Roman Catholic Mission.¹⁸

At the end of the colonial period, the Northern Territories of Ghana were floundering in a state of destitute poverty. Songsore (1979) states that during the colonial period disease, illiteracy and malnutrition degraded life in northern Ghana, where inhabitants were denied their basic human needs. A historical analysis of the colonial development policies for the region (cf. Bening 1975b; Songsore and Denkabe 1995), shows that there was constant neglect of the social and economic conditions of the *Dagaaba*.

Afflicted by the devastating impact of the colonial legacy, at independence economic and technical progress in northern Ghana, especially in the Upper West Region was far less than in the southern part of Ghana. Cogently, it was difficult to redress this imbalance in development. A pattern of development similar to that in the past continued, with the Upper West Region still being designated a source of unskilled labour, characterized by southward seasonal migration. As Songsore and Denkabe (1995) have noted, the area became the producer of such undervalued and underpriced agricultural products as sorghum, groundnuts and millet, even though it often had to depend on imports from other regions of the country for other agricultural goods.

Konings (1986) has remarked that the intervention of the post-colonial state in the local development of the Northern Region, notably through reforms in the agricultural sector focusing on large-scale commercial farms and the subsequent shifts towards peasant production, were not very successful. Since the 1980s other policy measures have been undertaken to resolve the underdevelopment of the Upper West Region, and alleviate poverty at the local level. These efforts have consisted of improving the local system of governance as part of the decentralization process, implementing rural development programmes and constructing local infrastructures (cf. Brown 1976; Aryeetey 1990).

6.3.2 Post-Colonial Rural Development Policies

Owing to such factors as the impact of colonial policies, adverse climatic conditions, geographical location and the asymmetric linkages with other regions, in many aspects the three administrative regions which constituted the former Northern Territories, i.e. the Upper West, the Upper East and the North, lag behind the other regions, not only in social and educational infrastructure but also in level of manufacturing and agricultural production. An extended study conducted by Songsore (1992: 37) found that: '*...The major failure of these innovations to bring about significant improvements in the output of production in the Upper West area includes the following: the technocratic, top-down rather than bottom-up style*

which proceeds on the premise that the peasants are objects of policy rather than initiators and participants in shaping and executing policy; the absence of improved technology based on what already exists in the area and the attempts rather to implement expensive alien technology beyond the reach of the majority of producers; and the partial rather than integrated, holistic strategies of development.'

Since the 1980s, when special attention was paid to intensifying rural development in Ghana, accelerated efforts were made to close the development gaps which had existed for decades. Besides agrarian production, currently efforts are being made to promote local cottage industries. According to RPCU (1994), there is now a variety of manufacturing and processing industries, such as blacksmithing, weaving and dressmaking, groundnut oil producing, *shea* butter processing, pottery and basket making, carpentry and masonry, and also *pito* brewing. *Pito* is a local beer made from either sorghum or millet, consumed by most people in the Upper West Region. This popular local drink plays an essential role in the socio-economic lives of the people. Most of the manufacturing and processing industries in the Upper West region are small scale and carried out using family labour.

The education system in the Upper West Region has had an adverse history in that under colonial administration there was no interest in educating the indigenous people in the North. The region was seen mainly as a source of unskilled labour and a recruiting ground for the army and police to serve in the South. (cf. Bening 1971, 1975b). Towards the end of colonial rule, Roman Catholic fathers established schools in some of their parochial areas such as Jirapa and Nandom. After independence, the government of Ghana paid some attention to the development of modern education in the area. According to a report of the survey provided by Upper West Regional Administration (UWRA) (1992), there were over 450 primary, secondary and vocational schools in the region with a total enrolment of about 50,000. The main problem in this sector was the limited capacity of these schools to cope with the increasing enrolment, as there is a shortage of trained teachers, textbooks and appropriate school premises (cf. UWRA 1992: 9-10).

A look at such social indicators of development as infant mortality, maternal mortality, literacy and access to clean water shows the region is also below average as compared to the other regions of Ghana. According to a 1994 report (RPSU 1994: 15), only 18.5 per cent of the rural community in the Upper West Region had access to modern health services compared to other regions like Volta with 77 per cent of access and 50 per cent in the Central and Eastern Regions. There are three hospitals and a few clinics in the region, but their provision of services is let down by faulty logistics, even though there is an increasing demand. This is one of the reasons a great majority of the people is dependent on alternative local health-care facilities such as the traditional medicine.

For a long time trading in the region has been limited in scope, an economic drawback ineluctably attributable to the poor condition of roads linking the various districts. Generally speaking, the required infrastructure for trade, namely proper roads, communication facilities and exchange services, has been limited in the region and also concentrated in the district capitals. The road connecting Wa to Hamile on the border with Burkina Faso plays a significant role in the business transactions within the region. Subsidiary roads linking-up the villages are limited in number and not in good condition. Most of the trade and exchange is characterized by petty trading, with an outward trade in agricultural produce and the import of manufactured goods from the South. The share of *Dagaaba* in trading activity is very minimal.

Within the boundaries of *Dagaaba* culture, engaging in trade and commerce has not been very popular (*cf.* Dasah en Der 1976). The *Wala* and people from the south dominate the import and export sector; only recently has the share of the *Dagaaba* in the petty trading sector started to increase.

6.3.3 Local Institutions and Financial Intermediaries

The financial institutions operating in the region are also few in number Table 6.1 shows the numbers of institutions providing financial services to the communities in the respective survey areas. Some of these, such as Agricultural Development Bank, Social Security Bank and the Ghana Commercial Banks, are located only in the regional capital Wa, fairly well cut off from any access for rural communities, The Commercial Bank and the Rural Bank have branches in some selected cities among them Lawra, Jirapa and Nandom, but their service to the majority of small farmers and petty traders is very limited.

Other local financial institutions are the ROSCAs and the Credit Unions whose popularity growing gradually in the Upper West region as not only are they widespread among the communities in villages and diverse districts, they also offer easy accessibility to the local population regardless of their financial and social status. Hence, while banks are represented only in Jirapa and Nandom, credit unions are found in all the survey areas.

Table 6.1 Inventory of Financial Institutions in the Survey areas

No.	Type of Institutions	Jirapa	Hamile	Ko	Nandom
1	Banks	1	-	-	1
2	Credit Unions	1	1	1	2
3	Private Money Lenders	6	11	3	7
4	Susu Societies	4	7	2	5
5	Susu Collectors	3	8	1	4

Source: survey conducted in 2002

It has been very difficult to identify private moneylenders, as they feel the Government disapproves of them and may charge them heavy taxes and fines. They fear being officially exposed and present themselves as local moneylenders. *‘...Credit unions have nothing to fear, they are legally registered as a non-bank financial institutions and operate according to the co-operative law of the country, but other societies and individuals who also providing financial services are not formal and as such they are not recognized by the government. If they are caught they may face serious charges.’*¹⁹

Even though they are classified under a collective name as ‘private moneylenders’, their objectives and procedures for giving loans and ways of recovering these are various. Some moneylenders give credit only to close family members and their fellow kinsmen, mainly to help them overcome a certain particular problem. This type of moneylender is to be found in such village areas as Ko where local communities are strongly interrelated. Less pressure is exerted to extract repayment and when the person who took out a loan suffers a period of

prolonged problems, there are possibilities in place to relieve them of their debt. The private moneylenders, those who say they are private Muslim moneylenders, claim they lend money only to their fellow Muslims and do not charge any interest. This type of private moneylender is found in the Muslim community among the *Dagaaba*. Hence they are located in Hamile and other Muslim vicinities. The remainder of the moneylenders charge interest and take advantage of other arrangements to earn as much as possible from their loans. These moneylenders have no scruples about religious or kingship affiliations, and use different methods to recover their money as well as the surplus which is often estimated to be double the original amount they lent out.

Susus, also known as ROSCAs, are formally organized groups but are not legally registered. Members bring a certain amount of money at an agreed interval of time, and give the sum total collected to a member on the basis of the agreed arrangement, until every member has had a turn. The more urbanized the areas, the more *susus* there are. The *susu*-collectors are located in the near vicinity of local markets, and serve as a custodians / safe keepers or deposit centres, where people with some extra money can deposit it and collect it at the end of the month, paying a day's savings to the *susu*-collectors.

As a more detailed investigation of local financial institutions has also indicated credit unions stand out by having more members, and by being more accessible and reliable. Their status is underlined by the fact they are legally registered institutions, democratically governed by their members. Most of the *susus* and *susu*-collectors which were been visited in the survey areas had between seven and seventeen members / clients, whereas the Rural Banks have around 150 clients.

6.3.4 Continuity and Change in Community Development

Written sources, discussions and interviews with key informants have clearly shown that for a long period, especially until around the eighteenth century, constant population movements were common in the area. The settlement of the *Dagaaba* - as they are now - in their current habitat is a result of a lengthy historical process, which involved, among other adjustments, changes in political and economic relations among the various ethnic groups. The *Dagaaba* have certainly occupied their current habitat continuously for at least the last three centuries. Economically, the region was and increasingly is a strategic area, situated on the trade and exchange routes linking the Sahelian countries and the coastal areas. Despite this, the *Dagaabas* have never benefited greatly from this advantage because of their engagement in a different mode of production, dominated by subsistence farming.

Under the colonial administration, the *Dagaaba* inhabited area was mainly used as a reservoir of labour which could be employed in the mining, agricultural and service sectors of the Gold Coast. After the independence of Ghana in 1957 and up to the 1970s, development in the *Dagaaba*-inhabited area remained relatively limited and the area was characterized by recurrent problems of food-shortages and limited social and infrastructural development. Since the formation of the Upper West Region in the early 1980s, significant attention has been paid to improving the social and economic situation in the area. As part of the overall Government development policy, a decentralized form of local administration has been introduced, and this has finally opened windows of opportunity for rural communities such as the *Dagaaba* to participate in development. In this regard, local institutions play an important

role. The patterns of change and continuity, and the current status and role of local institutions require a more specific investigation of and the historical development of local institutions. This will form the subject matter of the next chapter.

Notes

- 1 Although the different names will be referred to interchangeably in the parts which are extracted from secondary sources, in this study the term *Dagaaba* is considered the appropriate name for the community for two main reasons: first and foremost, all the informants I interviewed and talked to refer to themselves as *Dagaaba*; and secondly, in almost all official documents in Ghana, this people are called *Dagaaba*.
- 2 See for instance, Der (1989). He provides the historical background in which the various names, such as the *Dagaaba*, *Dagaara*, *Dagarti* and *LoDagaa* are used synonymously to refer to the *Dagaari*-speaking people of the Upper West Region of Ghana. In official Government documents and maps, this people are referred to as *Dagaaba*. My informants from Nandom (Dongyirie) and from Jirapa (Gandi) affirmed that the term *Dagaaba* is the name most commonly accepted by the people themselves.
- 3 From the interview conducted in Jirapa with Mr Maurice. Until his retirement in the early 1980s, he had worked as schoolteacher in various districts of the Upper West Region). He claimed that in the *Dagaaba* culture, ritual ceremonies are accorded an important place. In this connection, Alenuma (2002: 8) also states that practical work usually links human beings, where as rituals link human beings to god or gods.
- 4 Interview conducted with Mr Zu and Mr Hipo, Jirapa, March 8, 1995.
- 5 Discussion with Mr Maurice on indigenous co-operatives, Jirapa, March 9, 1995.
- 6 This may be one of the reasons the history of the origin of the *Dagaaba* people is little known and also controversial. See Yelapaala (1983: 352).
- 7 Discussion held with Mr Maurice on how the *Dagaaba* came to settle in the Upper West Region, Jirapa, March 10, 1995.
- 8 In an interview conducted with Mr Charles Dongyirie, Nandom, March 7, 1999. He was about seventy years old at that time. As a field officer he had actively participated in the local credit union movement.
- 9 For detailed analysis of the process of the *Dagaaba* separation from *Dagomba*, see Lentz (1993: 1-28).
- 10 This particular discontent which might have had diverse, albeit mainly political and economic dimensions can be properly understood from an inquiry into the rise and decline of the *Dagomba* Kingdom. For detailed analysis of this aspect, see Lentz (1993).
- 11 Group interview and discussion conducted at the residence of the Zenou family (Nandom-ser) on November 7, 1997.
- 12 Extracted from discussions made with Chief Gandi on May 5 and 9, 1994 at his residence in Jirapa. He is a well known and respected chief as well as Tendana, an indigenous *Dagaaba* leader. Other elderly informants such as Mr Maurice and Mr Zu from Jirapa also attended these discussions and confirmed the story presented by Gandi.
- 13 From extracted discussions made with Chief Gandi in Jirapa.
- 14 The ancient Mali Empire is different from the current Mali. After two centuries of persistent crises, the Empire collapsed in the fifteenth century. See Ogutu and Kenyanchui (1991: 60-68).
- 15 From extended discussions with Mr. Dongyirie, Nandom, June 5 1997.
- 16 This was narrated in an extended interview with Mr Zagua that took place in Jirapa, on 17 May 1995; other people attending the discussion were Mr Hipo and Mr Zu. Mr Zagua was educated at the Roman Catholic mission school.
- 17 Slave raiding and trading practices lingered on in Northern Ghana long after the abolition of the trans-Atlantic slave trade. Der (1998) has even argued that this practice was gradually consolidated into the seasonal labour migration from the North to the South.

- 18 Besides their religious role, the Roman Catholic missionaries also engaged in community development activities, building hospitals and opening schools around their pastoral areas. McCoy (1988) says that, years later, these schools produced the first generation of committed political elites and development workers among the Dagaaba.
- 19 From discussion held with Saido and Hassan, on 13 March 2002, in Hamile.

VII Local Institutions of the *Dagaaba*

The principal goal of this chapter is to examine the nature and structure of local institutions, decision-making processes and procedures of the *Dagaaba*. Looking back at pre-colonial history, in various studies the *Dagaaba* are often referred to as an acephalous society, people without institutions, who did not have a native State similar to that in the neighbouring communities. Contrary to this established assumption, current studies in the field of local institutions clearly show the existence and functions of diverse forms of organizations and social structures, focused on the central role of the *Tendaama*, elders and the chiefs. Although the *Tendaana* is an indigenous organization rooted in the socio-cultural history of the *Dagaaba*, over time the system of chieftaincy which was enforced by the colonial administration in the early twentieth century has also been domesticated in the local and national contexts.¹

This chapter consists of five sections. The first of these focuses specifically on the pre-colonial historical development process of the local institutions of the *Dagaaba*. It discusses the changing nature, characteristics and forms of indigenous institutions and decision-making processes in the context of the local socio-cultural development in general. This is followed by a description of the processes of transformation and continuity of local knowledge systems and institutions specifically the sequence of historical impacts and external influences. It is centred on the condition of local institutions under colonial rule. In Section Three the relationship between the Roman Catholic mission and local institutions and the influence of this on the formation and management of credit unions will be discussed. Section Four concentrates on the changing relations between the local institutions and the various post-independence Ghanaian regimes. The emphasis falls on the relationship and interaction between the post-colonial policy of the State and the changing roles, responsibilities and functions of local institutions. Finally, Section Five concentrates on the current decentralization policy of the Ghanaian Government. It describes and discusses the objectives and structures of this new policy, and analyses the relations and role of local institutions in the framework of decentralization.

7.1 Pre-Colonial Institutions and Processes

Until recently, little was known about the actual historical development of the pre-colonial local institutions of the *Dagaaba*. In almost all cases (*cf.* Lentz: 1993, Der 1989), the *Dagaaba* were referred to as a segmentary society and a people without a State. Unlike the other parts of Ghana, where almost every ethnic group was recognized as having been organized under the system of chieftainship or kingship for quite a long time, the *Dagaaba* were well known as an acephalous people, fragmented into communities, with no centralized institutions or institutional links which bound them together.

Few proper, systematic studies of the structure of local *Dagaaba* institutions were undertaken during the colonial period. However, the limited, brief investigations which were undertaken during those times by Eyre-Smith (1933), Manoukian (1952) and later by Goody (1967), and the publication of the personal memoirs of the first Roman Catholic priest, Father McCoy (1988), reveal the existence of various local institutions with ritual, socio-economic and political functions, before the *Dagaaba* were absorbed by British colonial rule.

Contrary to the previously established, extremely negative stereotype interpretation of the *Dagaaba*, namely that they were an uncivilized people devoid of any institutions of their own, currently this is being contradicted by tangible positive information, emerging largely on the basis on empirical data and studies of local oral history. These studies indicate that the *Dagaaba*, just as many of the other neighbouring ethnic groups, have operated with and currently still possess some of their own specific institutions, embedded in the values and norms of their community. Recent critical studies, conducted by such scientists as Bening (1975 and 1977) Der (1989), Yelapaala (1983 and 1992), Lentz (1993), Poda (1998), Kunbour (2002) and Hawkins (2002), have also clearly underscored that up until the direct imposition of the chieftaincy system by British colonial rule in 1910, the *Dagaaba* possessed a certain type of non-centralized form of social organization, in which practically every decision was taken by their respective local institutions, such as the *Tendaama* and the indigenous chiefs. There are various arguments to explain the persistent misconceptions, biases and limited scope of studies over the *Dagaaba* in general and their institutions in particular.

Lentz (1993: 180) argues that this scholarly oversight should not be seen just as the result of a lack of documents predating the colonial period; instead it reflects the tendency to maintain the already established dichotomy of State and Stateless societies. Yelapaala (1983: 352) explains the problem from a different perspective. He thinks it may not have been possible for everybody to possess authentic information, as the migration and the patterns of settlement of the *Dagaaba* may have been a closely guarded secret, passed on to the legitimate participants in a secret society by oral tradition during a ritual ceremony.²

7.1.1 *Tendaama*, Chiefs and Elders

In his publications, Yelapaala (1983 and 1992) explains that, throughout the entire history of the *Dagaaba*, the institution of *Tendaana* has been a constant factor. It is imbued with the authoritative power to allocate such important factors of production as land, handle any social irregularities, including law enforcement and the arresting and detention of people who shed human blood. Yelapaala (1983) insists that it is crucial to inquire why and in what form a centralized political system does not exist, rather than arguing that the absence of a central State is a legitimization for the non-existence of a coherent ethnic or tribe group. In this regard, statelessness was associated with absence of rules and rulers and also with the difficulty in identifying them.³

In delineating the various historical trajectories of the characteristics and structures of indigenous institutions in the northern region, Bening (1975a: 117) argues that: ‘... *Before the establishment of British rule, Northern Ghana consisted of disparate political entities, on the one hand communities that had their respective kingdoms, who were on the verge of collapse and disintegration due to dynastic disputes and the attack of slave raiders. On the other hand there were also the so-called acephalous societies without powerful potentates and easily identifiable political structures. These communities may properly be designated independent principalities or autonomous “village states” which managed their own affairs outside the territorial jurisdiction of the centralised political authorities of the kingdoms.*’

Bening (1975a) goes a long way towards closely associating the *Dagaaba* with the later categories of communities with some form of autonomous village states. Supplementing his arguments, he looks back to the organizational structure of the ancient Sudan States as follows (Bening 1975a: 117): ‘...*the state-organization of the Western Sudan is the village and not the tribe...everywhere one sees that the tribe degenerates into village-states, which live along side each other. The village is a sort of “state-cell” complete in itself and capable of*

existence, and constitutes the primitive state; under gifted individuals or under pressure, several state cells become united and assume another form'.

Rejecting the emphasis that the *Dagaaba* have had no overriding central authority and their political administration of every clan is segmentary and acephalous, both Manoukian (1952) and Yelapaala (1983, 1992) are convinced that, whatever the structure and procedures they followed, one fact is very clear: for centuries the *Dagaaba* had indigenous organizations, through which the *Tendaama* and the chiefs used to play a central role in their community. In his analysis of the social organization of the *Dagaaba*, Manoukian (1952) indicates two different patterns by which candidates for the institution of *Tendaana* could succeed one another: they succeeded by the right of seniority or they were chosen from among the heads of the segments of lineages linked by ties of kinship or ritual collaboration by divination. Traditionally the primary role of the *Tendaana* has consisted of the following aspects:⁴

- a) *Endowed with the ritual and moral authority of his office, he has a judicial capacity to act in the settlement of disputes between lineages of the clan.*
- b) *He offers sacrifices at earth shrines and performs the other ritual requirements which are linked to the earth in his area.*
- c) *He ensures the well-being and the prosperity of the community through his connection with the earth shrines.*
- d) *He can allot land which is not owned for farming, building and other economic activities or offer it to people from elsewhere who would like to settle in the boundaries of his territory demarcated by natural landmarks.*
- e) *He has a powerful blessing derived from the earth.*

From extended discussions with a group of village elders, it is very apparent that there was also a tendency towards the centralization of power at a village level. Albeit it was at an embryonic stage, in certain places chiefs were appointed under the authority of *Tendaana* and elders. As Yelapaala (1983) and Der (1989) have mentioned, this development took place in some *Dagaaba* villages, such as Han en Busi, towards the end of the nineteenth century.

In his studies, Rattray (1932) noted that before the Europeans came, in some towns, such as Wa, Busi, Funsi, Walembale and Hean, the *Dagaaba* had indigenous chiefs called *Nare*, *Sing*, *Na* or *Wa*. These chiefs were subject to the *Tendaana* and elders who elected them. The chieftaincy was not hereditary; it passed from one group to another. Explaining the nature of the *Dagaaba* chiefs, Manoukian (1952) says that the power of the traditional chiefs was dependent on the *Tendaana*. Normally, the chief collaborated with the *Tendaana*, who was the custodian of the earth and had a direct link with the earth shrines, giving him great moral and ritual authority.

Since the chief did not have a direct relationship with the earth shrines, he was presented to these by the respective local *Tendaana*. It was the custom that the *Tendaana* should welcome the chief ceremonially. Should the chief not be appropriately qualified, the *Tendaana* had the power to refuse him entry into the community. In the local structure of authority the two offices, that of the chief and of the *Tendaana*, were expected to work together in the interests of and for the prosperity of the community. To accomplish this, they had to collaborate fully with the acknowledged elders, who had very close ties with their respective lineages. The indigenous chiefs possessed some exclusive roles and privileges related to their judicial capacity consisting of the resolution of conflict between and within constituent lineages.

Manoukian, (1952: 52) says: ‘... *If a clansman was killed, the elders of the slayer’s segment begged forgiveness of the chief and Tendaana for an act that could soothe the community, and sacrifices had to be made to the Earth and the ancestors by the families of both the victim and the offender. These sacrifices served also to reconcile the hostile segments.*’ He also notes that the secular authority of both the chief and the *Tendaana* is derived from their ritual status and their supremacy in the hierarchy of lineage elders. Neither of the institutions of the *Tendaama* and the chiefs can enforce their decisions, but their consent and blessing are essential before a new settler may join and prosper in the community. Unquestionably, there is a clear distinction between the power and privilege of the *Tendaana* and those of a chief. The latter cannot allocate any farmland and has access only to the produce of trees in the clan settlement, of certain stretches of river and hunting bush; and the community relies absolutely on the *Tendaana* to performance sacrifices.

Other very important actors in the local power configuration have been the Acknowledged Elders who were often appointed by chiefs from among the lineage heads. They were intimately associated with chiefs, supplementing and implemented the duties of both the *Tendaana* and the chief. As oral and written sources on the pre-colonial indigenous institutions of the *Dagaaba* indicate, the *Tendaana* institution, albeit highly decentralized, was ever-present in the *Dagaaba* community. In some areas, the *Na* (chief) and the appointed local elders also had the authority to intervene in the management of their community.⁵

7.1.2 Importance of *Yir* and *Teng*

Any analysis of the local institutions of the *Dagaaba* would be incomplete without a proper interpretation of the concept of the *Dagaaba yir*, which literally means house or compound. A discussion with a group of local elders about this indicated that:⁶ ‘...*Yir is the pillar for our social and economic life and organization. Every Dagaaba belongs to a yir; these are houses or compounds found very near or scattered in the Dagaaba teng (villages).*’ This social building block is very important in understanding the intense relationships, the mutual co-operation and other types of interactions among the *Dagaaba*.

In this context, Yelapaala (1992) clearly identifies two very important units in *Dagaaba* society: the *yir* (house / compound) and the clan. Although there is some relationship, a *yir* is not the same as a lineage. Yelapaala explains that a *yir* is a basic unit in every *Dagaaba teng*; and it is a corporate entity. It includes diverse sub-group entities having one or more characteristics in common. Unlike a lineage, which consists of a descent group with agnates and cognates, people with a very different cognates and non-cognates can consider themselves members of the same *yir*. Although village matters are resolved collectively, depending on the issues at the stake, the interpretation of the exact rights and obligations within a *yir* are referred back to the sub-entities.

Similarly, the *teng* consists of clans, and in the *Dagaaba* culture dual clan systems are recognized, namely *yiiluu* (the patri-clan) and the *balu* (the matri-clan). Yelapaala (1992: 452) points out that in some cases it is not very easy strictly to categorize the *Dagaaba* as unilineal or patrilineal society, as some lineages have great difficulty tracing their common male ancestors. *Yiiluu* (a derivative of *yir*) is an open concept which permits the formation of coalitions and alliances, or can cause splits, depending on the exigencies of the time. Consequently, it has never been strictly determined by patrilinearity. Members of *yiiluu* may be from different *balu* and have a very remote connection with their ancestors, because they moved from their place when they married, Notwithstanding, these relationships still

determine the acquisition of, access or succession to property and property rights (cf. Dery 1987; Yelapaala 1992).

Clan names are subject to change, depending on a process of alliances and splits. Therefore not always does every clan name among the *Dagaaba* connote an ancestor. Group alliances can be based on various factors, among which totemic cults preponderate. Yelapaala (1992) stresses that since a *yiiluu* is not a closed entity; it can constantly absorb other groups or, conversely, be absorbed by others. Hence, it is not a permanent entity; it is fluid and changes over time.

A glance at this brief description of the interrelationship among the *Dagaaba* local institutions - a detailed study of this factor lies beyond the scope of this thesis – shows one fact is conspicuous: inter-group mobility within the *Dagaaba* community is one of the aspects which make it relatively complex to trace the origin, settlement and local institutions of the *Dagaaba* in pre-colonial days. (Yelapaala 1992). Yelapaala (1992: 464) articulates: ‘... individual or collective rights must be thoroughly understood within the framework of history and state transformation to be able to mediate and settle major inter and intra ethnic disputes ... It is apparent that among the *Dagaaba*, the obligation to obey the laws of the modern state is seriously complicated by the existing native concept of legal obligation which requires the evaluation of laws.’ Therefore, to understand the local legal rights and obligations, not to mention their practical implementation, it is important to know the history of mutual support and reciprocal services between various groups in the community. Collective responsibility must be seen within the framework of this type of social setting. Different affairs and matters within the community should be viewed simply by analysing the nature of the issue and the origin of the claim. It is also vital to know if it is to be handled inside the *yir* or outside of it. This clarifies where the legal responsibility lies, collectively or individually. In the field studies conducted by Yelapaala (1992: 455): ‘... the *Dagao* appeared to be collective, not just for the immediate group within the *yir* but also for their dispersed segments of the *yiiluu* all over *Dagao*. ... the group maintains its indivisible character, therefore, the claim is generally made against the *yir* within the territorial unit... any legal claim against individuals is made against the *yirilaadooh* as the head, and the elders’.⁷

In some cases, the internal dynamics in the *yiiluu* can individualize certain responsibilities. This includes a husband being responsible for his wife or a father for the immoral conduct of his son or the provision of bride wealth payments to his son. *Dagaaba* women have a dual *yir*, namely the *yir* of their fathers and that of their husbands, which makes the actual position of women very complex. In order to attribute them to either collective or individual responsibility, they are often placed in the collective responsibility or they help to discharge it (cf. Dery 1987; Yelapaala 1992; Poda 1998).

Even though, the status and the role of these local institutions varies somewhat from place to place in *Dagaaba* land, as such there are no solid arguments which challenge or negate their existence and functions. Interviews conducted among the *Dagaaba* elders on this issue clearly indicated that these local institutions still prevail and serve the local community in different ways and at different levels. In a discussion and interview conducted with a group of elders (Gandi and Maurice) in Jirapa, they expressed their views about local institutions as follows: ‘... Throughout our history and even today, we have respected and listened to indigenous leaders in our community, known as *Tendaana*, and he is supported by clan elders (who are around him). They have a legitimate authority to handle community matters brought to them. These are people of enormous knowledge, high moral value, trusted with responsibility to give fair judgement in their deliberations. More than this, our community trusts them, and accepts decisions they made.’ The opinion of local informants

unequivocally testifies that local institutions have far more than simply strong roots in the society, they are also legitimate and expected to deliver honest judgements for the society.

In a summary of current discourses (Yelpaala 1992, Poda 1998 and Hawkins 2002) on *Dagaaba* institutions, the *yir*, clan elders and the *Tendaana* are often presented as ever-present indigenous authorities and structures throughout *Dagaaba* land. Consequently, more consideration must be paid to these three interrelated, locally prevailing social institutions in which local management and decision making were and are still embedded. In a nutshell, (cf. Yelpaala 1992; Poda 1998; Hawkins 2002) these consists of:

- a) The *yir*, which literally can mean the extended family, the house. According to Tengan (1997: 48): ‘... the primary meaning of house is the social house, that is, the social web of relationships established by paternity and affiliation.’ A house can be a single unit or a conglomerate of several units; members of the house may live far away from each other, but still can come together for consultation. Its actual essence and function is broad and it can be seen as an immediate and localized structure of authority.⁸
- b) The elders of the clan. The group of elders drawn from all lineages exercises legitimate authority within each community; they have the moral authority to arbitrate and reconcile inter and intra community matters and also fulfil executive roles.
- c) The *Tendaana*, who has the highest, most extensive power, both political and ritual, and who in consultation with the clan elders manages all community affairs. Among his responsibilities are the allocation of land, mediating and protecting the interests of the lineage in internal and external matters.

The narratives and an analysis of data in different oral and written sources leave little doubt about the practical functioning of local organizations, authorities and structures in the pre-colonial period. Even though it is not directly visible, the local network of elders, the *Tendaana* and in some places also the indigenous chiefs can be regarded as legitimate local institutions. Indeed, they are solidly rooted in the local socio-cultural context of the *Dagaaba* community in which they evolved, and have managed the entire affairs of the community throughout its history. As Manoukian (1952) also points out, the indigenous authorities were respected and enjoyed the trust, co-operation and help of the whole lineage or clan in return for their services.

7.1.3 Institutions and Decision-Making Systems

In terms of decision-making systems, the structure of local institutions among the *Dagaaba* is not hierarchical in the sense that from his lofty position the *Tendaana* gives directives to the elders or to the community and they act accordingly. As Manoukian (1952) and Yelpaala (1983) have indicated, it tends to be circular and is based on mutual respect, consultation and co-operative working within each lineage. Almost every sort of local dispute, especially issues related to family, land allocation and inheritance, plus any conflicts over other resources among the *Dagaaba*, has been disputed and resolved locally, and has not been referred to higher authorities. Under this structure, local matters which were not settled within the family or at the level of the *yir* were normally brought to the attention of village elders, who discussed and resolved them by careful investigation and intensive arbitration (cf. Maunoukian 1952; Yelpaala 1992; Poda 1998).

It is not possible to draw predetermined, specific sets of socio-cultural mechanisms to show how problems were considered and handled, and disputes resolved. In a well-defined

general framework of reference, every issue had its specific interpretation and references, embedded in the local values and norms. This is common knowledge among the community as whole and consequently the interpretations and resolutions of problems are based on this common knowledge. In an interview with local elders in Jirapa about the fundamental principles of local organizations, the prevailing opinion was:⁹ ‘...*We have set of social rules and behaviour which governs the community in times of farming, hunting, cultural festivities or funerals, most of these are habitual and every one learns its upbringing or social surroundings.*

Among the *Dagaaba*, problems are conceived as a problem, as described by Yelapaala (1992: 443), when specific conduct is not in accordance with the *Dagaaba iibo* and may be considered as deviant, therefore causing problems: ‘... *The term iibo in Dagaare (the language) signifies the general normative value system covering established and accepted norms, principles, practices and procedures which govern life in general and disputing in particular.*’ His analysis reveals that the *Dagaaba* have a well-organized mechanism for influencing individual conduct. According to the *Dagaaba iibo*, good conduct and performance engender greater community respect, recognition and praise during public gatherings and funerals. Persons who do not reflect the *Dagaaba iibo* in what they do and misbehave, will find pressure is exerted on them either within the family or by the general public through such tools as disapproval, denunciation, shaming and, in very extreme cases, social sanctions. This social pressure is an obvious sign of the legal obligations embedded in the norms and rules of the *Dagaaba*. Yelapaala (1992: 443) states that among the *Dagaaba*, coercive sanctions are not a very popular way of influencing human conduct; they prefer to appeal to human reason and common sense.¹⁰

These values are not static. Many of the social structures of the *Dagaaba* have been subject to change because of the pressure generated by the external superstructure, and also as a result of developments in the socio-economic sphere. Unquestionably socio-economic development, contacts and interactions with other communities and external factors, especially the colonial intervention and the post-colonial State, have had an enormous impact on the structure and role of local institutions.

7.2 Institutional Changes under Colonial rule

With the advent of colonialism came a significant transformation in the organizational structure of the *Dagaaba*. Of its very nature, colonialism introduced an external political structure, superimposed on the native institutions, most visibly by creating chiefs and various local and district administrative structures including native tribunals. As indicated in the preceding chapter, the *Dagaaba*-inhabited region, which was part of what was then called the Protectorate of the Northern Territories of Ghana, came under British colonial rule long after the colonization of the Gold Coast was completed.

Biased by existing information, the British colonial rulers already had been influenced by a negative image of the *Dagaaba* community, documented in the reports of earlier missions to the region. Towards the end of the nineteenth century, colonial officers appointed to the Gold Coast, who considered the *Dagaaba* as one the savage and aggressive tribes, who were incapable of interacting with European powers, and who could only be civilized by force of arms (cf. Arhin 1985; Lentz 1994). In short, as far as their colonial rulers were concerned, the *Dagaaba* were a backward, wild people, who had neither kings nor a central power of Government and consequently were uncivilized.¹¹ Hence, the Colonial Government had no

interest in recognizing or considering the existence and the role of the local institutions which were then actively operating among the *Dagaaba*. The Colonial Government was also averse to the use of cowries as a means of exchange and immediately initiated measures to replace these with the colonial currency.

7.2.1 Under British Direct Rule

Between 1906 and 1907, soon after the Northern Territories was made a protectorate and the imposition of direct rule on the area, the Colonial Office appointed several paramount chiefs whose main commitment was to remain loyal to the colonial administration and to represent several territorial entities of native states. About thirty-eight native states were established in the Lawra, Tumu and Wa districts through the amalgamation of independent settlements (*cf.* Bening 1975: 118). After 1910, the Colonial Government persisted with the formation of stronger and larger paramount chieftaincies, starting the consolidation of numerous states into larger and more powerful chiefdoms.

This did not pass uncontested. There was increasing local opposition to the imposition of one chief as the paramount chief over the others and, despite this restructuring, most of the inhabitants of the Northern Territories remained loyal to their tribal chiefs, who in turn paid their allegiance to their paramount chief. Speaking about the choice and appointment of chiefs and paramount chiefs, Mr Dongyirie, a local elder from Nandom, stated: *'...Most of them were just those who initially built contacts with British or their representatives. They have not gone too far into investigating who were entitled; they just appointed those who in reality did not deserve. Even the community did not recognize them. Few were persons who were eligible for the position, but then the structure shifted their accountability to alien rule than the community'*

Initially chiefs were created as a channel of communication between colonial officers and the community. As the feet of the colonial administration on the ground, chiefs were instructed to organize labourers to work without any remuneration, to build a series of guesthouses for colonial officials, construct road networks and also to recruit and facilitate the forced labour migration towards the south.

7.2.2 Migration of Local Labourers

After British colonization, the Northern Territories were allocated the role of labour reservoir. Young *Dagaaba* farmers were forced to migrate to the South to work on the cocoa plantations and in the gold-mines. As it was not easy to get a regular supply of labour, company agents made arrangements with local chiefs, which entailed that the labourers would stay in the South to work during the dry season and could return back home in the rainy season to work on their own farms. Consequently, the chiefs exerted pressure on the different village communities to encourage their sons to go to work for companies engaged in commercial farming and mining. According to McCoy (1988), the young labourers had to travel from the Northern Territories to Kumasi, from where they were transported to different destinations and workplaces, journeying all the way on foot.

With the meagre wage the labourers could earn, they had to maintain themselves and set aside savings to take home. In discussions with a retired labourer some eighty years old, Mr Frank, he narrated how seasonally he used to go to the southern parts of Ghana. In response to questions about the living conditions of labourers and the level of the wage he used to earn for his own upkeep and savings, he replied: *'...When working there we tried to live as much as*

*possible at a low cost, so that we have some balance in hand when coming back home. Upon return, after the settlement of some of our local financial obligations, we finally ended up with a very little money left, which we also tried to put aside for a rainy day.*¹² This and similar cases in the neighbourhood of Jirapa indicated that the amount of money labourers earned was very small; albeit, how much the exact amount was and how it was allocated remain unspecified. This income primarily had to cover local obligations before it could be used to serve the direct needs of the labourer and his family

When they returned to their home villages for the cultivation season, the labour migrants first had to visit their Chief and submit their entire savings to him. Whatever amounts he returned would again be handed over to the head of the labourers' compound, and they would finally be handed whatever amount was given back to them by the head of the compound. (cf. McCoy 1988). Such complex arrangements left the final net amount the labourer received for himself to the discretion of both the Chief and the head of the compound. Besides the difficult living conditions in their places of employment in South Ghana and the insufficient level of the wages they earned, it was also difficult for the men concerned to leave their spouses and children behind. As *Dagaaba* are socially inclined, they prefer to remain with their family, which explains the limited enthusiasm displayed by migrant labourers to move to the South every dry season. Speaking of this, Mr Frank remarked that the *Dagaaba* labourers would have preferred to stay at home with their families and kin groups had there been other, alternative livelihoods in their neighbourhood, rather than going far away without their families.¹³

Through the intervention and mediation of the Roman Catholic missionaries, the old practice of forced migrant labour was abolished after some decades and migrant labourers were relieved of the obligation to hand their entire savings to the Chief. Instead, they could keep their money themselves and determine the allocation of their savings. Moreover, as their labour was in high demand, trucks organized by the companies started to come to the North to collect them and take them to their work places in the South (cf. McCoy 1988; Geest 2004).

With the progress of social and economic interactions and interdependences among the various regions, the migration of *Dagaaba* labourers which had started in the early twentieth century under pressure from the Colonial Government and its agents, did not stop after Independence. In fact, the process of labour migration has continued without any major interruptions up to today, with increasing numbers of young people migrating out of the Upper West Region in search of new opportunities, including those beyond the boundaries of present-day Ghana. A very remarkable development is that wherever they are, the *Dagaaba* migrants have remained in touch with the developments at home and also to their respective compounds, actively participating in local socio-cultural activities and processes in various ways and committing themselves to the development of their communities. As various scholars, among them Lentz (1989) noted, wherever they are, the *Dagaaba* migrants have maintained their home-ties and are supporting local socio-economic developments through the formation of ethnically *Dagaaba*-based associations.

There are various controversies related to the local socio-economic costs and benefits of the labour migration out of the Upper West. The influence and impact of this factor on local development are beyond simple interpretations of financial flows and impacts on local institutions. They should be seen from a broader perspective. Studies which have been conducted on the *Dagaaba* migration, by Songsore (1992) among others, indicate that the flow of able-bodied young *Dagaabas* to other parts has had a negative impact on the local production and services and has even contributed to greater underdevelopment. Others (Geest 2004) assume that the process has had positive aspects in terms of the financial flows which

could be used for development purposes and have enhanced access to new technological know-how, which gives a boost to local development.

While such divergent analyses provide plenty of fuel for debate, this study recognizes that the impact of labour migration on the local socio-economic situation cannot simply be generalized. The possible strengthening or weakening of local development processes and institutions depends on the way in which labour migration is regulated and for what purposes the financial in-flows are allocated or used. As recent studies show including that by the UN (2005), in general migrants can be seen as an important resource in local development, when they bring capital and skills to be used as an input in local production. Even so, despite this positive angle, disappointments are felt about the limited contribution of labour migration to the local development process. Songsore (1992) noted that in the case of the *Dagaaba*, the migration of labour in the earlier days, especially in the colonial period and even as recently as the 1970s and 1980s has brought about neither local development nor improvements in the living conditions of the community. Recently, however, the remittances from the labour migrants have gradually begun to constitute an important contributing factor to household savings and expenses, and has become a factor which is influencing the monetization of local economic development.¹⁴

As some cases in the survey area have indicated, *Dagaaba* labourers transfer money and have material goods delivered to their home villages and to their kinsfolk. Since many of these transfers take place through formal institutions and informal networks, it is difficult to establish their exact level. Some individuals who receive remittances have mentioned that they are spending the money for diverse purposes, varying from buying consumer goods to farm implements and small livestock, to saving part of it with local financial institutions, such as the credit unions in their neighbourhood. One local head of a family in Jirapa explained his experiences with money received from his son: *'...I was schoolteacher for more than forty years. I have now been retired for ten years. Had there not be other income the amount I get from my pension would not have maintained me and my family. I can survive only because I get money regularly from my son who works in Accra. With the financial support I get from him, I am able to buy all basic needs and maintain my family and sometimes, I can even save a small amount of money in the account, which I have with the credit union'*.¹⁵ As can be observed from this discussion and similar cases, no matter how little money has been brought or sent to the area, it has indubitably tended to add to the volume of cash flow and circulation of money. Although the exact amount is difficult to establish, this certainly has also impacted on and influenced local development and financial institutions.

7.2.3 Indirect British Rule and the Decline of the *Tendaama*

Despite local resistance and disagreements in the Colonial Office itself, in 1929 indirect rule or native administration was proclaimed in the protectorate. The underlying argument for this policy was that if any system of Government were to be successful, it must have roots in the political and social fabric of the society (*cf.* Bening 1975b). To implement indirect rule similar to the system pertaining in the Gold Coast in the Northern Territories, a hierarchy of chiefs, namely paramount, divisional and sub-divisional chiefs, was installed under the authority of the chief of Wa. The division of authority was based on either the lineage of the first settler's clan or that of a popular person. In some villages the *Tendaama* were considered to be chiefs. Whatever the precise details, a duality of institutions emerged, that of the *Tendaama* and that of the colonial chiefs, which remained an important factor in the further development of local institutions (*cf.* Bening 1975; Lentz 2000).

Even though the local community did not accept this structure or take it seriously, a whole series of proposed boundaries was drawn and redrawn in quick succession to reconcile the claims of ethnic groups to their tribal chief's council. In the process of forming larger units, a certain confederation of native states emerged. A good example are the 1936 boundaries / demarcations indicated by Bening (1975) as having been established in the Northern Territories by the native authorities.

As the new boundaries did not fully correspond to the areas governed by the diverse traditional authorities, the new chiefs who were installed were saddled with the difficult task of managing boundaries, including diverse antithetical clan compositions which were originally not under their authority. Sapped by such complexity, the authority of chiefs was increasingly tested and they were pressurized to become agents of the Central Government, rather than the representatives of their community. As the colonial administration took firm root, the new chiefs gradually became part of it. Structurally, the chiefs were now the executors of the silent violence of colonial tyranny.

The problems created by the process of indirect rule dispensed by illegitimate chiefs who abused power are well illustrated in a quote in Hawkins (1996: 206), taken from Eyre-Smith (1933): *'...British had imposed an autocracy in total ignorance of the existing social organization of the LoDagaa, which had consisted of elders as well as series of territorial priests responsible for local shrines, both of whom had provided very democratic land and religious organization... for centuries.* The Colonial Government was in dilemma as to whether to serve the interests of the chiefs it had set up or the local community. Before this was resolved, the period of direct rule officially came to an end in 1932. Indirect rule was officially implemented and this further institutionalized the position of colonial chiefs. The Colonial Government initiated the construction of a centralized system of administration, by placing tribes under the leadership of chiefs who often had no traditional qualifications for the office, but were appointed by the colonial administrators. Great credence was given to the chiefs as a native authority responsible for the maintenance of order and good governance in its given territory and protected by the Colonial Government. The chief could settle land issues with or without consultation with the *Tendaana*, who retained authority only in the ritual aspect of the land ownership. The rise of the authority of colonial chiefs led in effect to the decline of the power of *Tendaana*. The secular authorities of both indigenous chiefs and *Tendaana* were significantly altered by the colonial administration; and the indigenous chiefs whose office was in an embryonic stage of development by then, practically disappeared (cf. Yelepaala 1983; Eyre-Smith 1933).

This system of administration survived without significant change until independence. Despite its unfavourable role and thorny relationship with the community in the colonial period, after independence the chieftaincy obtained some recognition. Hawkins (1996: 215) argues this was because: *'... The imposition of a wider scale of political, social and economic relations, with the colonial chiefs at the centre of this system, exposure to the political traditions of neighboring states, and the eventual emergence of an indigenous need for representation of parochial concerns at regional and national levels, have meant that chieftaincy has acquired a spatial relevance far greater than any temporal legitimacy.'* The chieftainship, which was created for the *Dagaaba* by the colonial administration, gradually became part of them and superseded their indigenous institution, the *Tendaana*.

As Hawkins (1996a) has noted, local historians have commented that it was a pity that the *Dagaaba* had not evolved their own chieftaincy, leaving them vulnerable and disunited as a group. Hawkins (1996a: 216) claims: *'... The statelessness, or acephalousness, of the*

LoDagaa was far more difficult to defend in the 1980s than it would have been at the turn of the century, when the LoDagaa were very much isolated from surrounding political entities.’

Under the colonial administration, the *Tendaana* institution inexorably forfeited political status and the chiefs were incorporated into the colonial system to become its agents and support the judicial and executive authority. In essence, however, not much has changed: despite the decline in its political power, the *Tendaana* institution has never been deprived of its ritual role, which is very essential in the socio-cultural fields, as cases involving land still are resolved through traditional methods. Moreover, even though the institution of *Tendaana* had not been incorporated into the Government system and remained outside of the official structure, its office-holders were irrevocably bound to their clans and communities and continued to play an intermediary role in the settlement of local disputes which were thrashed out with the elders. The moral pressure which had always been exerted on a disputant to achieve a settlement of a dispute remained intact.

In an interview and discussion on the place and role *Tendaana*, local elders¹⁶ in Jirapa, responded as follows: ‘... *Even though they don’t have official authority and do not possess any of the modern office premises, everyone in the village knows who the Tendaana is and indeed who the clan elders are. Whenever there are matters which require their attention, we bring these to them. Even the chiefs in the village consult these indigenous authorities on matters concerning the local communities, especially when they have to do with the allocation of land.*’

Despite the fact that their roles were overlooked by the colonial administration, these statements unequivocally confirm that the indigenous institutions were at no time ever totally denuded of the recognition of their respective communities. Nevertheless, unquestionably they were forced to endure a regime which consciously undermined them and affected their traditional position and entitlement. Hawkins (2002: 22) summarized the various dimensions of external interventions and their impacts as follows: ‘... *For the LoDagaa, colonialism meant, among other things, foreign rule, the need for new identities, the creation of chiefs, the imposition of taxes and a money economy, extensive labour migration, Christian evangelism, and the attempted regulations of their social lives by courts. By the end of the twentieth century many of the conditions under which they lived their lives were much different from those their ancestors faced at the end of the nineteenth century.*’

As this statement indicates, there have been constant changes occurring in the *Dagaaba* community, which have had a direct bearing on their socio-economic development and local institutions. None of the numerous impacts has resulted directly in breaks and disappearances, but has introduced changes or adjustments which have demanded adaptation and continuity. In this, one very important factor, the intervention and influence of the Roman Catholic mission in the *Dagaaba* community, requires particular attention.

7.3 External Influences: The Roman Catholic Mission

Besides *Dagaaba* labour migration, another new dimension for and an undeniably significant influential factor on *Dagaaba* local institutions was the arrival of the Roman Catholic mission and the activities of Roman Catholic fathers who moved from the Upper East to the Upper West region. After having been settled in Navrongo, the north-eastern part of Ghana since 1906, the Roman Catholic mission extended its activities to the north-western part of Ghana to the *Dagaaba*-inhabited village of Jirapa in 1929. Legitimizing this westwards move, their mission as briefly stated by McCoy (1988:42) was: ‘... *to push back the frontiers of*

ignorance and bring the good News of God's love to places where it had never been proclaimed before.

Until the coming of missionaries, the *Dagaaba* had had their own indigenous belief, in which God was communicated with by offering sacrifices to the various spirits, for whom ritual activities were performed at regular intervals by the *Tendaana*, the earth priest. When the missionaries arrived, the people were in a quandary about how to respond, as one of the early converts reflected, (Hawkins: 2002: 192): '*... the missionaries were indeed a puzzle to the people. The people did not know where they came from and what to make of them.*'

The arrival of the missionaries introduced a host of new phenomena into the spiritual realm, and in the locally prevailing social relations in the community. As the missionaries engaged in expanding their religious activities, the existing indigenous belief systems, values and norms of the *Dagaaba* community were put under increasing pressure. The process of conversion to Christianity and the conscription of local catechists had an inevitable effect on the local spiritual sphere, by such actions as the prohibition on and belittling of the traditional offering of sacrifices, and it also irrevocably induced changes in such socio-cultural systems as the structure of family, the system of marriage, funeral rites and the like to suit the missionaries' perceptions and practices.

The work of the missionaries placed the *Dagaaba* community in a real dilemma. On the basis of their recent past experience with external contacts, which in fact had damaged most of their social and economic bases, they were highly suspicious at their first meeting with these newcomers, the missionaries. This situation was summed up by McCoy (1988: 47) '*... Recent history, especially the devastating wars led by Babatu and Samouri across their lands and the forced recruitment of men, women, and even children by the British and French during the First World War, had left them scared and suspicious of foreigners, black or white. They were certainly not comfortable with the pressure on and suppression of their ritual and socio-cultural values, but, as the missionaries gained more influence, the community sensed this might be an alternative power which could ease their problems and protect them from the increasing hegemony of the chiefs under indirect rule (cf. Hawkins 2002).*

7.3.1 Provision of Health-Care and Education Services

Keeping pace with the introduction of the evangelical work from the 1930s the Roman Catholic missionaries in close co-operation with local authorities, threw themselves into such local development activities as the opening up of the first non-Government clinics and schools in *Dagaaba* villages and in the translation of educational and religious books into the *Dagari* language. In 1930, the Roman Catholic fathers opened clinics in Jirapa and introduced health-care work. Even though there were rampant diseases and many people suffered from Guinea worm, malaria, leprosy, dysentery and other ailments, initially the people were very reluctant to make use of the new medical services. The local community had a different perception both of the causes of and the remedies for these diseases. McCoy (1988) recalls they believed that evil spirits or the spirits of their ancestors whom they had disappointed caused all illnesses, and it was normal practice to go to such local healers as traditional medicine-men for treatments. Yielding to the constant efforts made by the missionaries, certain patients gradually began to attend the Roman Catholic health-care centres. As Hawkins (2002: 205) states: '*... In the early years, the missionaries functioned mainly as medical practitioners rather than as priests.*' The healing of sick people became very important, as this also opened up more possibilities for the missionaries to build closer relations with the local community and smooth the way for their evangelical work.

The influence of the Roman Catholic religion and the development *Dagari* as a written language emerged as important ethnic-boundary markers of *Dagaaba* identity.¹⁷ By engaging themselves in development activities and working together with the *Dagaaba* co-operatively, the missionaries did their best to bridge the growing development gap between the Gold Coast and the Northern Territories.

The opening of schools by missionaries initially met with resistance, as this has created conflicts between the new believers and the community on matters related to traditional beliefs and practices. The colonial administration also did not favour the promotion of education in the Northern Territories, fearing this might raise the national consciousness of the youth and incite them against the local administration and the growing power of the chief.¹⁸ The reluctance and prohibitive policy of the colonial regime has been succinctly elaborated by Der (2001: 131) as follows: ‘...*Mission schools were viewed as a political threat to the Native Administrations, which came into being in the 1930s, since they would not be educating future chiefs and other royals. The fear of the rise of an educated class from among the common people who were the target groups of mission schools, and who might be critical of British policies in the North, was another reason for smothering mission education*’.

While the schools of the Colonial Government tended to offer education to the children of the ruling classes, the missionaries were allowed to open more general schools around their mission centres in 1934. The first mission school among the *Dagaaba* was opened in Nanadom in 1935 and in the following decades these mission schools expanded to the villages and districts in the neighbourhood. (cf. Bening 1971; Songsore 1992; Der 2001).

7.3.2 Promotion of Co-operative Credit Unions

Besides social services, the White Fathers were engaged in promoting and supporting local co-operative activities. In the period leading up to the transition of Ghana to independence, going beyond such social services as the medical and education works, the missionaries were also interested in stimulating, collaborating with and assisting in local co-operative activities. In this regard, one very important landmark is their active collaboration with and participation in the formation and promotion of co-operative credit unions in the Upper West Region, which will be analysed in detail in the following chapters.

7.4 Post-colonial State and Local Institutions

Even though the administration of the *Dagaaba* under the colonial regime had been characterized by periods of direct and indirect rule, the power of the chieftaincy institution, the brainchild of the Colonial Government, remained in essence intact. Over the decades the power and authority of the chiefs steadily developed among the *Dagaaba*. Even though the chieftainship system had no indigenous roots in the community, the external support it enjoyed on the part of the Colonial Government ensured the popularity of this institution, and even strengthened it by granting it the authority to allocate local resources for development. Despite this intrusion, such other indigenous institutions as the *Tendaana* and clan elders were not uprooted. Albeit not officially recognized by the colonial rule, they continued to honour their traditional activities, and played a day-to-day social role among the *Dagaaba*. The Ghanaian national political parties, especially CPP which negotiated independence with the

colonial administration, had no desire to exclude the various local institutions, even though they were hesitant about the ways in which it should integrate them.

The post-colonial period was a challenging epoch for *Dagaaba* local institutions. They had in one way or another to adjust their relations with the newly emerging Nation - State and meet the demands for the promotion of local development, while preserving their ties with the *Dagaaba* ethnic identity rights. The *Dagaaba* elite, most of them with a Roman Catholic educational background, participated in the various forms of nation-building processes, while they were simultaneously trying to stimulate the development of their area, which had been neglected for a very long time. As in the colonial period, the existence and the role of the *Tendaana* institutions among the *Dagaaba*, was once again overlooked in the Constitution and remained beyond the knowledge of the new local power constellations. Its fate remained intrinsically tied to their community which recognized their relevance and role

During a discussion about the position of the *Tendaana* at independence, an elderly informant had this to say ‘...the *Tendaama* had already been put outside of the active political domain during the colonial period. At independence, it was the chiefs not the *Tendaana* who were actively negotiating with the new Government to maintain their positions. The *Tendaama* just remained closer to their community still performing some of their traditional roles. And as such they did not struggling either to extend political influence or formalize their relationship with the post-colonial State. As this narrative reveals, the institution of the *Tendaana* had been weakened during the colonial period, so that at independence they made no organized claims. Hence it was easy for the national Government to bypass them. In contrast, the chiefs whose power had been built up by the Colonial Government occupied centre stage and were included in the Chieftaincy structure of Ghana, involved in the determination of the Constitution of the new regime.

7.4.1 Government Policies towards Local Institutions

From the beginning, the institution of chieftaincy which had enjoyed enormous power under what was known as the native administration or indirect-colonial rule underwent a strained relationship with the newly independent State. Despite the fact that most chiefs were very loyal to the British colonial rule and hostile to CPP and its struggle for freedom, Nkrumah tried to rehabilitate them and entice them back in harmony with the new structure. Although there was this apparent rapprochement, Arhin (1985) says that the First Republic of Ghana under Nkrumah (1957-1966) lost little time in taking steps to subdue the power of chieftaincy institutions to avert office-holders taking advantage of their role and aggrandizing themselves. Arhin (1991) identifies two distinct phases through which the institution of Chieftaincy passed. In the first phase, a period of about five years immediately after independence, the representatives of the people minimized the power and authority the chiefs had been granted under colonial rule. Chiefs were forced to accept the new ‘one man one vote’ system, through which political power would pass from them to the elected members of the political party. Those chiefs who were not able to adapt to the changing circumstances and did not accept the supremacy of CPP were even subjected to de-stoolment. The growing tensions and clashes between the chiefs and CPP in various parts of the country left no doubt that the formation of a new balance of power was just a matter of time.

In the second phase, a period beginning in 1961, legal changes followed. Chieftaincy had been accorded a legal position in the Ghanaian Constitution of 1957. The Constitution made provision for the establishment of the House of Chiefs with power to consider any matter referred to it by a Minister or the Assembly. This arrangement was intolerable to CPP, which set

its face against the co-existence of other alternative forms of power. In 1961 a new Chieftaincy Act (Number 81) was introduced by the Government (cf. Arhin 1985, 1991). This placed the House of Chieftaincy under the directly control of the Minister of Local Government. This was a forcible attempt by the Nkrumah regime to integrate the institution of Chieftaincy into its new structure of Government.

After the fall of the Nkrumah regime in 1966, the recognition for and the importance of local institutions rose steadily, but this could not be said about institutions below the level of the chiefs. The 1958 Act had already affirmed that the traditional councils of the House of Chiefs could resolve disputes among traditional rulers (cf. Arhin 1985). This Act had also made it possible to establish a House of Chiefs in all the regions of Ghana. Therefore the National House of Chiefs consisted of elected representatives from the regional Houses of Chiefs. The Busia Regime's 1971 Act reaffirmed the authority of the House of Chiefs to deal with such matters as inheritance of property and marriage, and also delegated the authority to allocate one-third of the membership of District Councils to traditional rulers, but without giving them control of local revenue, the collection of which was the duty of the District Councils. (cf. Songsore 1992)

The Central Government had also taken upon itself the responsibility to pay salaries to the officials of the national and regional traditional councils. Thus, the process of change made the chiefs to be dependent financially and legally on the Government, and it simultaneously drove a wedge between them and their local community. As employees earning a Government salary, they were expected to support and co-operate closely with this Government. Again they had become representatives of the Government rather than, first and foremost, of their community, a situation which is likely to continue for as long as this institution is not capable of generating their own resources rather than simply depending on the National Treasury

Arhin (1985) claims that traditional rulers were also expected to be involved in the planning of the social and economic development of their community. Traditional chiefs, who were respected more than anybody else, could direct community development and mobilize the local community to participate in development activities, maintain law and order and resolve disputes at the local level. In addition to attending and addressing local cultural ceremonies, which are still held in high esteem by the village communities as Arhin (1985) notes, one very important role of the traditional rulers is: *'... that they preserve in the institutions of traditional rule the ideas and rooms of life that are the unique inventions of the people of Ghana, and separate them off from other people.'* Moreover, chiefs are also expected to serve as a bridge between their community and the Government, drawing the attention of the Government to the need to develop local infrastructures.

In the Constitution of 1991, the House of Chiefs was legitimized and officially granted a clear political, economic and social role. The strengthening of the House of Chiefs and the introduction of the decentralization policy in the 1980s reinforced the positive recognition of local institutions. All local stakeholders, chiefs, *Tendaama* and even local elders were encouraged to play their respective role in the socio-economic process as potential agents of development. Pondering the conditions of co-operation among the various local institutions, in an interview the Nandom *Na* (chief) states as follows: *'... as such here we don't have any fundamental contradictions that can separate us; any differences that might exist do not affect us. We must concert our efforts together, mobilize the scarce local resources we have for the development of our community. Every one of us here is aware of this. Individuals can have quarrels or conflict, but this should not be seen as a conflict between or within local institutions such as chiefs, Tendaama or elder.'* This is the opinion of a chief who attended a higher educational institution before he succeeded his father. Locally he is seen as a symbol, this does

not detract from the fact he is a person who actively participates in various affairs affecting the community.

In a manner similar to the Nandom chief, at present the children of the old chiefs and *Tendaama* are equipped equally with traditional knowledge and practices, and have also attended higher education. The new modern generation of chiefs and *Tendaama* have a combined knowledge and practice of the traditional and the modern at their finger-tips. These complement one another. They are knowledgeable about developments at the national and local levels, and understand the complexities of current international relations. They can play a conscious, balanced role in mobilizing local communities to take part in development process. Even though they are expected to remain impartial and distance themselves from political processes, in some cases chiefs and *Tendaama* have begun to assume an active role in local politics. This is unequivocal proof of a mutual interest which allows both sides to benefit from co-operation.

In close co-operation with their local elites, local institutions certainly play an intermediary role, keeping the balance between local and global interactions and mobilizing local communities to take part in development process. Having endured various ups and downs, these local institutions of the *Dagaaba* still shoulder valuable roles in modern Government plans and policies. An informant in the Nandom area had this to say:¹⁹ ‘... *Dagaaba indigenous institutions, especially the Tendaana have retained their good name and reputation in our community. They have neither associated themselves with any alien rule in the past, nor have they been closely related / linked to any of the post-colonial Governments. They always remained outside the hot spots of political engagements and Government policies.*’

Recently, mainly as part of the process of decentralization, a new trend is clearly visible in the official structure of development policy of Ghana. In this regard, in the context of the regional administration, that is the Upper Western Region, especially through the District Councils, there are processes under way to link up with and include all stakeholders, including local institutions, in the development process. (cf. Songsore 1992)

7.4.2 Changing Status of Chiefs

In post-colonial Ghana after 1957, the process of the formation of Ghanaian Nation-State and issues of development tended to predominate and exert influence. It was a challenge for the *Dagaaba* and many other ethnic groups, to preserve and maintain their local traditional institutions, while gradually merging into the new single nation. The *Dagaaba* elite, local institutions and elders all participated in various parts of nation-building process, simultaneously trying to accelerate the development of their area, which had suffered protracted neglect under the colonial administration (cf. Lentz 1991; 1993). At no time did they relinquish their local interrelations and consequently they continued to address local development issues, which had been neglected for a very long time, in the national context. The establishment of various ethnic-based mutual help associations which reinforced their ties to home, the promotion of co-operatives, their concern for the development in the Upper West Region (cf. Lentz 1991) and their efforts to obtain a fair share of the national resources for their community all irrefutably demonstrated their consciousness of and concern not just for their ethnic identity as *Dagaaba* but for the promotion of local development and revitalization of local institutions.²⁰

As analysed in previous sections, current local *Dagaaba* institutions are a product of historic processes. They are composed of various elements which have originated in periods ranging from pre-colonial times to the present day. References to their past, places of origin, their indigenous institution the *Tendaana*, the *Dagari* language, the chieftaincy system

imposed by Colonial Government, the migration of mass labour and conversion to the Roman Catholic religion (in some parts) are some of the important factors which have had an irrevocable impact on the current development in the region. Certain aspects of this ethnicity, the values and norms and their local knowledge have directly influenced the processes of local resource mobilization and the management of co-operative movements.

As decades pass, the chieftaincy which was implanted by the colonial administration has become an accepted local institution. Similarly, the Roman Catholic religion which came to the Upper West Region in the 1930s has evolved as one of the religions with a large number of adherents among the *Dagaaba*. What can now be thought of as present-day local *Dagaaba* institutions and authorities are in fact products of a historical process. The chiefs who were once introduced by the colonial Government have now been transformed into recognized institutions. The institutions of both *Tendaama* and clan elders are also very much alive. Having survived a historical process, which was unfavourable to them, they have not been totally eliminated. The development of *Dagaare* as a written language has emerged as an important ethnic boundary-marker of *Dagaaba* identity.²¹ On the national stage, in post-colonial Ghana after 1957, the process of the formation of Ghanaian Nation-State and the issue of development tended to be overwhelmingly influential factors. These have been some of the aspects which have proved to be challenging, creating circumstance in which the *Dagaaba* community has had to adapt to the new developments taking place, yet struggle to preserve their *Dagaaba* ethnic identity and institutions. The *Dagaaba* elite has participated in the various fields in the process of nation building, simultaneously trying to accelerate local development in the Upper West Region. They are knowledgeable about developments at the national and local levels, and understand the complexities of current international relations.

7.5 Decentralization, District Assemblies and Local Institutions

The policy of decentralization is not a new undertaking and has been in effect in Ghana for a quite some time. In fact, the formation of the UWR as a separate region in 1983 was a product of a dynamic development process generated by such factors as interactions and adaptations in the national context and by protracted attempts to implement a decentralization process.

The development in the Upper West Region is operating within the framework of the Government's decentralization policy and decentralized structure of local administration. The current decentralization process was initiated in 1988 with the PNDC Law 207 and was enshrined in the 1992 Constitution. The process got a real boost with the Local Government Act of 1993, which stipulated that Ghana should have a system of local government and administration which should be, as far as practicable, decentralised. The Act further described the features of the system of decentralized local government and reflected issues such as the composition of District Assemblies and the elections to District Assemblies. The Law also made provisions for up to thirty percent of all members of the district assembly to be appointed by the President in consultation with the traditional authorities and other interest groups in the district. The legal framework gives districts an important and growing role in the local development process and provides for the local population to be given an opportunity to participate effectively in development through the system of decentralized local government, which includes district assemblies and below that area councils as well as unit committees at the village level.

The National Development and Planning Commission (NDPC) Acts 479 and 480 have also given the District Assemblies more active roles. They are now empowered to co-ordinate local development efforts and also to prepare and implement their own respective

development plans within the guidelines formulated by the NDPC. In this, the office of District Administration has to function as a co-ordinating office for the preparation and implementation of district level development plans.

The implementation of the decentralization process in the Upper West Region is taking place through the structure of the following eight districts in the Region:

1. Jirapa / Lambussie District	5. Sissala West District
2. Lawra District	6. Wa East District
3. Nadowli District	7. Wa Municipal District
4. Sissala East District	8. Wa West District

Through the interconnections of unit committees, area councils and district assemblies the population should be involved in development plans and also in the stimulation and integration of community-based institutions in local development. Examining the underlying principles of decentralization, as Songsore and Denkabe (1995) and some others have noted, a democratic structure is a sine qua non for any decentralization policy. It has to be implemented in such a way that it includes the local community and their institutions in order to promote development efforts at the local level. They also remarked that as yet such conditions were not yet fully present in the process of decentralization in the Upper West Region of Ghana.

Even though the 1988 and later on the 1993 Laws were expected to improve relations between the local communities, their local governments and the Central Government, in practice its implementation is taking far longer than was expected. Since the mid-1990s, mainly under the Fourth Republic of Ghana, Government emphasis has been put on improving the local government administration. Obviously this is not an easy process as it has been dogged by continuous arguments about and discontent with the possible development opportunities, the resources available for development and the challenges in ensuring the effective participation of the local communities in the decentralization process. This was clearly stated in the Medium-Term Development Plan of the Jirapa / Lambussie District Assembly (1996: ii) as follows: ‘... *Local participation in government was nothing more than payments of levies, voting for members into the various local councils or parliament, but not in planning and setting of priorities for locally initiated projects.*’ The decentralization policy has been designed to give local communities and their local institutions more leeway to have a say in setting priorities and participating in development planning. Whether it will be able to achieve this objective will in fact depend on the outcome of the long drawn-out process of implementing the decentralization policy, which is not yet completed.

From an institutional perspective, important aspects to be observed in the decentralization process are not simply the formal linkages between the Central Government and the districts, but also the identification of the role of local development institutions in the district and their attachment to the *Dagaaba* community. These institutions are not confined to the modern local and international NGOs operating at the grassroots level, they also include indigenous institutions and authorities, among them chiefs and *Tendaama*, plus clan elders and other local stakeholders and opinion leaders who are capable of mobilizing local resources for development. It also includes the wider array of co-operative activities existing locally, performed in different sectors of the community, which revolve around diverse such pillars as youth, women and clan-and kinship-based units. Specific to the Upper West Region, this issue is raised by Songsore and Denkabe (1995: 89) as follows: ‘... *In the Upper West Region, quite apart from the traditional power structure, there has always been at the village level*

institutions or traditions of mass mobilization in support of community improvement schemes and even wider issues affecting the life of community.'

The analysis in this chapter has shed some light on the main pathways by which local *Dagaaba* institutions have undergone changes in the past century. An inquiry was made into the pre-colonial status and structure of these institutions and the way in which they have been affected under the different regimes which controlled the region and *Dagaaba* community.

Both written and traditional testimonies / memories have borne witness to the fact that the institution of *Tendaana* is among the oldest and has been present among the *Dagaaba* for centuries. The office of *Tendaana* is usually hereditary and not time-bound; holders normally succeed one another or, in certain exceptional cases, they are also chosen by divination from among the heads of lineage segments. As custodians of the earth shrines, their role consists of offering sacrifices at the earth shrines, allotting land to settlers and fulfilling a judicial role in community affairs. Local institutions take decisions on the basis of close connections and dialogues with their followers. Although they do not have any overriding power to enforce, they do have ritual and ethical means at their disposal to pressurize parties into accepting decisions.

None of the various sources can provide a real clue to the exact period of time in which these institutions emerged. However, one fact is glaringly apparent, in their current habitat the *Dagaaba* community were governed by the authority of the institution of *Tendaana* until they became subjects of the British colonial administration towards the end of the nineteenth century. Until this period, local socio-economic forces and demographic expansion were the main factors which determined the changes in local institutions endogenously, although the influence of external trade and warfare cannot be completely ruled out.

At the beginning of the twentieth century, disregarding both the institution of *Tendaana* and the emergence of indigenous chiefs among the *Dagaaba*, the colonial administration introduced a new system of Chieftainship and, anchored its roots among them in the half a century which followed. By imposing this system, colonial intervention was able to transpose large sections of the authority of the institution of *Tendaana* to that of the chief in order to increase control over local resources and development. Working hand in hand with the chiefs of its own creation, the colonial regime managed to mobilize thousands of young *Dagaaba* to work in the farms and mines of South Ghana. This process is still ongoing and is often referred to as one of the main causes of the stagnation and the slow process of development in the area.

After the British colonial conquest, another new external phenomenon was the coming of the Roman Catholic mission which was followed by the conversion of thousands of the *Dagaaba* from their local beliefs to Roman Catholicism. This did not signify an entire elimination of either their traditional beliefs or the institutions which fulfilled ritual roles and were the custodian of the earth shrines. Parallel to the external religions, the majority of the *Dagaaba* communities still periodically perform their local ritual ceremonies. The Roman Catholic fathers also played a part in the socio-economic development of the region, opening schools in village areas and promoting the emergence and dispersion of such co-operatives as credit unions among the *Dagaaba* community.

The relationship between local institutions and external interventions indicates the manner in which a complex set of factors is interacting and regulating the rise and decline or the changes and continuity in local institutions of the *Dagaaba*, giving way to and opening possibilities, the one for the other. Closely observed, *Dagaaba* institutions showed that they are not static or passive. Instead, they constantly articulated and reproduced themselves to participate and manage the changing circumstances and needs of the community.²²

Another important and at times also precarious factor has been the relationship between the State and local institutions. Ever since the emergence of the post-colonial national State, there

have been intervals of tensions which have transformed into confrontations and challenges, especially during the initial period under Nkrumah regime. These have been followed by periods of more harmonious relations, interdependence and co-operation. In theory, local institutions can remain neutral, either adapt or maintain themselves and refrain from active political processes, but in practice this balance cannot be maintained. The institutions of chieftaincy in Ghana are often coerced, if not directly then in rather subtle ways, into political activities, whereas the *Tendaana* and clan elders hold themselves very aloof from taking part in the active political processes.

Relations between the State and the local institutions tend to remain asymmetrical: the State indubitably has the control over and monopoly of violence / military force and external relations. By contrast, the local institutions have strong ties with the local community and its resources. Over time they have also developed some mechanisms (confrontations and dialogues, concessions and agreements) to maintain a certain balance between external interventions and developments at the local level. Currently, chiefs, *Tendaana* and other clan elders are among the very important local stakeholders who can determine the success and failure of any development efforts in the *Dagaaba* community.

The ongoing process of decentralization in Ghana has been slowly but surely bringing a rapprochement in administrative processes and in the development enterprises taking place at the community level. The greater out-reach of Government departments and the formation of district assemblies are among of the bridges which facilitate a close link between the State and the local community, allowing community-based institutions to play an important role as a major stakeholder at the local level. Co-operative organizations at the community level clearly reflect the interaction and forms of collaborations with the various institutions which are located at the national, regional and at district levels. These intricately juxtaposed phenomena and their intertwined relations will be examined in more detail in the following two chapters, which concentrate on the origin, development and the management of credit unions among the *Dagaaba* in the Upper Western Region of Ghana.

Notes

- 1 *Tendaana* also referred as *Tengansob* is an indigenous institution of the *Dagaaba*. *Tendaama* is the Plural of *Tendaana* (cf. Yelapaala 1983; McCoy 1988).
- 2 Yelapaala (1983) has not given any detailed analysis of the *Dagaaba* secret society or about how information and knowledge is transferred in this society.
- 3 The *Dagaaba* are referred to as people who had no State of their own in the past, for more details see Yelapaala (1983, 1992).
- 4 Manoukian (1952: 50-51).
- 5 The indigenous chiefs who began to evolve in the nineteenth century are always omitted from the picture of local institutions in the pre-colonial period. This is largely attributable to the fact that this indigenous chieftainship is not widely known as it was limited to some parts of the *Dagaaba* land.
- 6 From discussions with local elders, Mr Hipo, Mr Zu and Mr Maurice, on September 6, 1994 at Jirapa.
- 7 It has been a common practice in most African lineage relations for the individual not to have a separate legal personality outside the lineage. However, Moore (1978) claims there are also communities where co-residence, frequency of social contacts and history of mutual support are important in determining legal rights. As Yelapaala (1992) has also noted, among the *Dagaaba* lineage can hardly be the only source of legal rights.
- 8 *Yir* is the basic unit in every *teng* (village) and it is different from lineage, which is conceived as a patrilineal decent group. As clearly analysed by Yelapaala (1992: 451): ‘... *Yir* is a broader entity, under which sub-group entities having some of the characteristics of the corporate entities may co-exist.’
- 9 Interview conducted in Jirapa, on March 6 1997 with Mr Gandi and Mr Maurice on issues related to local institutions.
- 10 A very important aspect brought forward by Yelapaala (1992: 447) is: ‘... *to order or to command a person to do a thing but deny him the opportunity to assess the command is inconsistent with Dagaaba rationality and its normative system.*’
- 11 See Lentz (1994: 1-30).
- 12 Discussion held with a retired migrant labourer, Mr Frank, In Jirapa, June 1998.
- 13 Ibid., from extended discussion with Mr Frank.
- 14 In this context, monetization refers to sectors of economic activities in which money becomes the primary means of exchange.
- 15 Discussion held with Mr Emmanuel, Nandom, June 7, 1998.
- 16 Discussion and interview with Mr Maurice, Mr Zu and Mr Ema, conducted in Jirapa, on March 7, 1997.
- 17 See for instance McCoy (1988).
- 18 The education policy of the Colonial Government had emphasized the education of the children of chiefs and headmen of villages, who would have been their possible successors in the colonial administration. See also Der (2001).
- 19 Discussion with Dongyiri in Nandom, April 5, 2003.
- 20 See Songsore (1979: 1-21).
- 21 See, McCoy (1988).
- 22 Even though they have gone through various processes of fragmentation and adaptation, as the case studies indicate most local institutions have not entirely vanished.

VIII Co-operative Credit Unions among the *Dagaaba*

As many other traditional African societies and as elaborated in preceding chapters, the *Dagaaba* have a rich history of co-operative institutions. There are numerous types of co-operatives encompassing a wide variety of activities and aims. In most cases, among rural communities their primary goal is to provide services which are either beyond the range of the Central Government and NGOs or beyond the capacity of individual households to perform by themselves.

A co-operative savings and credit union is generally defined as a free association of people with a common bond, who save and lend money to one another at a low interest rate for productive and provident purposes. Since the 1950s, credit unions have operated among various groups of *Dagaaba*. These forms of co-operative institutions, which mainly engage in providing financial services to local communities, are linked to wider activities in various sectors.¹ As have many other co-operatives, credit unions have become well-established as a well-known, essential community mutual-help organisation.

The introduction of currencies and commodities into the local socio-economic life of the *Dagaaba* community and the gradual change in the local economy, shifting from age-old subsistence production towards a surplus production oriented towards exchange and commodity markets, has had an enormous influence on the rise of different forms of community-based financial institutions. Despite the sweeping changes which are taking place, as community-oriented financial institutions, the credit unions in the Upper West Region, especially in the rural parts, still uphold their original ideal: ‘... *not for profit, not for charity but for service*’, as one of their core principles. The main challenge ahead of these co-operative credit unions is to be able to adapt themselves to the developments taking place in the financial institutions which are engaged in local development, without sacrificing their community-based principles and practices.

This chapter analyses the historical development of the local co-operative credit unions among the *Dagaaba* in the Upper West Region of Ghana and investigates the factors which have contributed to the development, changes and continuities in the Co-operative Credit Union Movement in this area

8.1 Early Development of Credit Unions in the *Dagaaba* Area

The formation of co-operative credit and savings unions among the *Dagaaba* in the Upper West Region of Ghana was inextricably linked to developments in socio-economic conditions, created by the extension of trade relations, external interventions by the colonial administration and the influence of the Roman Catholic missionaries in the development activities of the area. The formation of the first credit unions in this part of Ghana was neither a historical coincidence nor the result of higher-level economic development; it was instead a response to the actual socio-economic need for the establishment of a local institution which could provide financial services and fill a vacuum which had prevailed in this area.

For centuries, the *Dagaaba*, who form one of the main groups of indigenous inhabitants in the area, had been engaged primarily in the production of subsistence agriculture for domestic consumption and had only a passing acquaintance with the exchange economy and the production of surplus goods for the market. This changed in the nineteenth century. The gradual forging of a connection between the long-distance trade routes from the coastal area and the already established trans-Saharan trade began to pass through the Northern Territories of Ghana (cf. Der 1998; Masonen 1995). During the last quarter of the nineteenth century, the expansion of the rule of the British Colonial Government was already engaged in controlling and protecting this trade route, and soon the Colonial Government declared that it would manage the Northern Territories as a protectorate.

8.1.1 Socio-Economic Development and the Cowry Currency

Despite the changing political environment, the centuries-old cross-border trade and communication continued unabated. The control of trade routes and market exchanges by the colonial power brought no sudden transformation to the local economy of the region. Instead it facilitated and swelled the outflow of young farmers towards the southern and western parts of Ghana. Over a protracted period, this weakened such local communities as the *Dagaaba* in the Upper West Region and oriented them towards surplus production and participation in the trade which passed through their territory.

As in most parts of Africa, the barter system, in which goods are exchanged for other goods, was common in the *Dagaaba* area. Apart from this, cowries were widely used among the *Dagaaba* for ritual and ornamental purposes, but also as a medium of exchange. While this had been a long-term, established practice, mainly when the colonial regime took control of the region, the *Dagaaba* were pressurized and strongly influenced to participate in the surplus production system and the exchange of surplus, thereby relinquishing the barter system and cowries, and turn to colonial currencies as a legal means of payment.

As indicated in various studies, including those by Johansson (1963) Einzig (1966) and Yiridoe (1995), before the introduction of coinage and paper money by the colonial administration, for quite a long time, even in the post-colonial era, cowries played a predominant role as a medium of exchange among the *Dagaaba*. As explained by a local elder: ‘...Over a long period of time cowries have fulfilled so many roles in our community, used not only as a store of value and a medium of exchange, but more importantly for social and cultural purposes, such as for the payment of dowry, adornments and decorations.’² From this and similar discussions, it can clearly be understood that, besides roles as a medium of exchange and a reservoir of value, cowries shells were imbued with cultural and spiritual functions as adornments or to decorate objects, besides being part of the bride-price (bride-gift) or marriage gifts, given by the groom to the family of the bride.

During the initial years of the colonial period, trade and exchange using money was assiduously encouraged and pressed upon local community in Northern Ghana. In his studies Bening (1977: 59) indicates: ‘... Central markets were established at the principal towns and existing markets improved for the sale of British goods to educate the people to trade and to the advantage of the use of money as a medium of exchange until merchants pushed into the area and carried trade to the doorsteps of the People. However, considerable difficulty was at first experienced in persuading the people to accept English silver as a medium of exchange for a

specified number of the cowry, the local currency. The coins were often converted into ornaments but the necessity of paying taxes and fines in coin and the desire to purchase European goods forced the people to accept and use it, especially at stations where troops were stationed.'

While mobilizing local communities into participation in the agricultural production process, which was oriented towards surplus production, under the Colonial Government constant pressure was exerted on the *Dagaaba* to use foreign (British) currency as an official medium of exchange, albeit this was not fully successful. The cowry money continued to operate as a legal tender and medium of exchange alongside the British currency, even surpassing the latter's use. After independence in 1958, Ghana introduced the Ghana Pound, and subsequently in 1965 the Government issued a new national currency known as the *cedi*, which was then declared to be the legal tender in Ghana. In his study, Yiridoe (1995) also underscores the fact that among the *Dagaaba* in the Upper West Region of Ghana, cowry currency is still used for both monetary and non-monetary activities and transactions. The non-monetary role of cowries in the ritual and cultural spheres of the *Dagaaba* has remained very essential. With the gradual extension of the circulation of coins and paper money in the *Dagaaba* community, the monetary role of cowries has begun to decline somewhat, but has not totally disappeared as it remains a supplement supporting local financial stability. In times of constant changes in the value of currency and devaluation, such as in the case of Ghana, cowries even help to maintain a certain level of stability. As Yeredoe (1995: 26) has stressed: '*... Among the Dagaaba, converting the cedi currency to cowries offers a secure form of maintaining 'cash' savings. This is more so with the very high inflation rates and the persistent devaluation of cedi against other currencies including the cowry currency. While in the 1960s ten cowries exchanged for C0.01, the current rate is ten for C20.00 – C40.00.*'

Even though it was not formally institutionalized, traditional savings and loans in cowry currencies have also been a well-entrenched common practice among the *Dagaaba*. As cowries were more than a means of exchange and measure of value, being strongly linked to social and cultural events, in rural areas it is still a normal practice in a small circle, mainly within the kinship group and among other relatives to keep and use it in the cultural and social spheres for such purposes as financing bride-price and other local festivities. An extended discussion with a local elder who has experience of and knows about the different values of the cowries among the *Dagaaba* revealed: '*... most Dagaaba families are still saving cowries, they are being saved in storage containers and pots and are kept at well secured places, could be lent out (usually among family members and within kinship groups) for those who need and cowries are also directly convertible into cedis and pesewa accordingly. The recent exchange rate was.*'³

Despite the strong affinity of the *Dagaaba* community with the cowry, the coin and paper money which was originally forced upon the community by the British Colonial Government was the formal, legal means of exchange. It has been the fate of cowry money to be constantly pushed aside to serve as a means of exchange in the cultural and social spheres.

8.1.2 Monetary Economy and Local Financial Services

As can be observed in this analysis, although the *Dagaaba* were connected to the money economy and well aware of the usefulness and role of money, given their structural attachment to other means of transactions, for a long time their trust and hearts remained closely bound up

with the cowry, continuing to keep and use them for transaction. The shift to paper and coin money was gradual. Initially this new currency was circulated and used in small cities and in districts alongside major roads, and it required decades for this means of exchange to gain acceptance as a legal tender. For quite a long time, the different forms of money and exchange intermingled and co-existed, without the one fully replacing the other and with the cowry and money supplementing each other. In colonial and post-colonial times, the Government's legal and financial arrangements and the extension of development funding has consistently narrowed the use of the barter trade system and stunted the role of cowry as a means of exchange.

When the Northern Territories were placed under Protectorate rule, the British currency, the pound, was imposed as the only legal tender and means of exchange and transaction. The salaries of civil servants and taxes were to be paid only in pounds. The *Dagaaba* seasonal migrant labourers, who were working in the mines and farms in the south and west of Ghana, earned their wages in pounds and brought their savings back home in this currency. Thus, stretching beyond the newly emerging urban areas, foreign currency and coins gradually infiltrated the Upper West Region.

All enterprises in the area, including development projects and programmes, had to be financed strictly with this currency. The mounting flow of new commodities in the local markets, which included clothing, household articles and farm implements, could be bought only with this new currency. Over and above this, unlike earlier periods when they were engaged only in subsistence farming, local farmers with the help of new inputs, farming tools and fertilizers had begun to produce a surplus to exchange in the market. Confronted with all these multidimensional socio-economic developments, the cowry and barter systems were unable to cope with an extended system of exchange, which forced the local communities to familiarize themselves with the new currency, transactions and institutions.

With the extension of markets and the monetization of the local economy of the *Dagaaba*, which was supplemented by currency brought home by returning *Dagaaba* seasonal labourers from the South, such units of currency as the *cedi* and *pesewa* penetrated into the local socio-economic process to a marked degree. This financial infiltration was accompanied by the emergence of different forms of formal and informal financial institutions.

8.2 Traditional and Modern Financial Institutions

The gradual engagement in and growing importance of cash transactions, and the rise and development of different kinds of private and collective arrangements for financial services has not happened overnight. As the pressure around issues related to finance and its management mounted, local communities responded in a way which was within their capacity. As Songsore (1992: 85) has critically analysed: '*... It is very often the belief that, through the organized collective action of communities at the local level, the poor can fashion a suitable response to their progressive marginalization by the normal workings of finance capital.*'

8.2.1 Customary Ways of Saving and Lending Money

With the exception of the fairly limited number of salaried workers (teachers, hospital workers, civil servants in district offices), it is difficult to arrive at the exact income of rural communities and the level of their savings. Essentially small farmers are not used to expressing their wealth in quantitative financial terms. Hence, it is necessary to see the agricultural produce and livestock - either in the vicinity of or far from the farm - and estimate this in market terms. No household has a record of income or expenditure, even though its members know what they have and do not have, and what they need. Another conspicuous hurdle is that rural communities are not used to disclosing their income to outsiders.

It is a common practice for most people, especially the small farmers in the rural areas, to keep their notes and coins in different places where they think they are safe. As investigations in the study area have indicated, when the money they have is to be used for regular purposes, they keep it a box with lock, or hide it somewhere in the house, where no one can easily find it. When they do not want to spend it immediately, preferring to save it, either they leave it with a family member where it will be safe, they hide it in the roof of the house or keep it in pot and bury it in the neighbourhood of their house, where they can retrieve it without any problem (cf. Dasa and Der 1976; CUA 1978).

Dakura, a local informant in Jirapa, emphasized the inherent difficulties in local ways of saving in which: *'...It is normal to hide money in different places. Some tie it up in cloth and put it some where in the roof; some place in a pot; or bury it inside or in the vicinity of their house. Others leave it with a family member whom they think is trustworthy. It is common to hear that many of our people often lose their savings either because of unreliable custody or just the difficulty after many years of tracing back the exact place where they hid their money'*.⁴

As is common practice elsewhere, among the *Dagaaba* it is women who take great care of the purse-strings and feel responsible for the proper management of family finances. As shown by the remarks of Maloney (1988:25): *'... womenfolk's treasury is not empty, if you want money from them it can be hard'*. *Dagaaba* women can also be relied upon completely to keep money safe and spend it wisely only on purchases which are well considered and they are responsible for the all transactions of wealth. In fact, all important items of wealth, such as land, livestock and the like, are often managed by them. However, when it comes to money, special care is required and *Dagaaba* women are often entrusted with this, because they are considered to have the extra discipline and the capacity to manage the family treasury. As one *Dagaaba* woman said: *'Most of our men have an easy come, easy go attitude to money. Often they might squander it on pito or any other social event and land the family in financial embarrassment. But women, they are very careful in handling money. You can always get money from them, even when you think everything which has been kept is already finished'*.

As Dasah and Der (1976) rightly assess in their studies about traditional money lending practices among the *Dagaaba*, there are diverse ways of obtaining informal loans.⁵ Most of the small farmers are subsistence producers, primarily concerned with maintaining their families and, when possible, their next goal is to save something from their crop to purchase farm input. When the weather is fairly clement and the harvest satisfactory, these needs are easily met and they do not have to worry about their next agricultural season. It is when the weather is bad and there is a crop failure that this type of farmer badly needs loans at any cost. The result is often a vicious cycle of poverty, as they often have to pay back twice the value of what they borrowed,

if this transaction has been conducted outside the bounds of their own kinship ties. Over and above this, they have to save for house maintenance, buying clothes and sending children to school, which costs them a huge amount of effort. Every village of the *Dagaaba* community tries its utmost to meet the economic needs of its people, mostly through local financial arrangements. Especially at the village level, there is a strong socio-economic interdependence and culture of mutual assistance. In times of financial need, villagers usually go to either their nearest family members or to those who are relatively well-to-do in their area, to help them with money or with a request for some other resource they require. Even though it is a loan to be paid back, both the giver and receiver consider it as sort of help, necessitated by the urgent need of the one and the willingness of the other to lend it. The reasons for these types of loan are often predictable. Mr Zu, an informant in Jirapa, says the most common reasons are for the payment or settlement of bride price, funeral expenses, purchase of agricultural seeds, school fees, medical expenses or payment of debts to outsiders.



Figure 8.1: Mr.Zu, research assistant, from Jirapa

The amount of this type of loan usually varies from 5000 to 100,000 *cedis* (about 1 to 20 Euros). He also noted which when a person requires such help or a loan, he or she must be able to persuade the person to sympathize with his or her predicament. This plight is not something a person is proud of; it is a reflection that all is not going well with that person. When such a need arises, the person in need will normally go to the house of the well-to-do person very early in the morning and wait at door or gate until the person wakes up, and then present the case with care and courtesy and ending with a request for the loan. The discussions conducted in the five study areas reveal that the great majority of the rural inhabitants are dependent on these types of loans to cover their sudden financial straits.

Even though the borrower is expected to pay back within an agreed period, this type of transaction is overwhelmingly considered to be help and care for a fellow-villager or kinsman, and no extra interest is charged when the loan is returned. Should the person not be able to pay it on the agreed date, he or she has to go to the lender beforehand, present the reasons why he or she is unable to return the money in time, and reschedule it to another agreed date. If this is the case, there must be a strong, convincing reason involving the death of a family member, sickness or unexpected events. Even though in such cases the duration of the repayment will be protracted, most of such inter-family or inter-kin loans will be paid back.

In order to manage the growing need for and multi-dimensional problems of financial services, various local initiatives - both collective and private - have emerged in the Upper West Region since the mid-nineteenth century. These solutions include the moneylenders, *sanduqu* or *susu*-collectors and ROSCAs.

Private moneylenders are a relatively new phenomenon in the Upper West Region, and somewhat against the grain in the socially and culturally acceptable practices in the village settings and among kinship groups. Until recently, there were no established or known private moneylenders in the rural parts of the Upper West Region, although in urban areas traders, shop-keepers or wealthy men have established themselves as private moneylenders. They require either a well-known person as a guarantor or a valuable asset as a pledge. Moreover, they also charge disproportionately high interest rates, often exceeding more than 50 per cent. As such, there are no full-time moneylenders, as this activity is just a side-activity alongside other work. The private moneylenders are also not interested in making a distinction as to whether the money is spent on productive purposes or just for consumption. Their main interest and concern is that their money is paid back with the agreed amount of interest. In contrast to this, as explained by a well-known local Muslim moneylender, among the Muslim communities of the Upper West Region the charging of interest is forbidden and considered a sin. An interview with a moneylender in Wa confirmed this: *'...I am a trader. I also give loans to the people in the community I know and I trust. I don't charge interest at all. It is forbidden to charge an extra amount according to my religion (Islam); it is a sin to charge them extra according to their belief.'*⁶

As expressed in this narrative, most well-known *Wala* moneylenders claim they do not charge any interest on the money they lend to the members of their community, because asking interest on loans is against Islamic principles and violates Islamic tradition. They just lend the money to help their fellow men solve their financial problems and to improve their lives. Even though this lending is motivated by religious scruples, the person who qualifies for a loan must be known to them, honest and above all has to pay the amount back on the agreed date. Should they fail to repay then, the moneylenders' experiences show that sooner or later people pay

back their debt and the percentage of defaulters is mostly insignificant. There are varied, often contradictory opinions about private moneylenders. Some consider them to be very selfish citing their high rate of service charges which often exceed more than 50 per cent of the amount borrowed. The negative image of the moneylender is portrayed by Saaka (1982: 21) as follows: ‘... a man of evil appearance and intent, always eager to squeeze the last ounce of life out of the jovial, good natured, charitable, innocent borrower.’ Others who took a loan from moneylenders perceive them positively: ‘...We go to money lenders when we are badly in need of money, especially when unexpected situations occur, such as bad harvest leading to hunger, serious sickness of close family members, and we have no possibility to get it from a close relative and family members. Most of our Wala moneylenders are hard working and respected individuals. When you go to borrow money from them and they know you are a trustworthy person you get the loan.’⁷

Even though the lenders always claim that private lending or borrowing are voluntary arrangements and there is little or no extra financial charge involved in the transaction, it is very clear that in addition to the service charges the lender is expected to uphold a certain degree of social status in the community. The moneylender is seen as a very rich, valued person to whom borrowers remain loyal. By providing loans, he or she fosters business good will and influences from whose shop the borrowers might like to purchase articles. In the urban areas and cities, money lenders tend to settle especially around market areas, where there is a relatively greater circulation and flow of money.

The second group of financial initiative-takers which has emerged is called *sanduqu* and it is a private or collective custody system. Such a service is organized by a trustworthy person who looks after money for petty traders. The latter deposit a certain amount regularly at such shop, mostly on market days, and at the end of the month he charges one day’s deposit from the total amount for the month and hands over the balance to the respective depositors. His duties are limited to keeping the money safe, and he can make use of the deposit to generate profit for himself. This type of service is utilized intensively by petty traders who regularly attend the market where they sell for cash. *Sanduqu* can be said to be very popular among the *Wala* petty traders, mainly in *Wa* and its vicinity but remain an unfamiliar institution among the *Dagaaba* community, and very few of them exist around markets in rural areas.

The third group of financial initiatives is the Rotating Savings and Credit Associations (ROSCAs). As Songsore (1992) has clearly stated in his studies, as in many other places the spirit of ROSCAs is still very common in *Dagaaba* villages. These have assumed different forms to meet local incentives for and efforts to regulate local finances through local institutions. These are a fairly common form of organization in various urban and semi-urban parts of Ghana. The *susu* societies in Ghana have been described by Saka (1982: 20): ‘... they give small income groups access to an informal capital market at the grass-root level which they would not otherwise have.’ *Susu* are formed voluntarily as an association dependent on the members’ financial capacity to save regularly, for example weekly or monthly. The life-cycle of *susu* depends on the both the number of members and the frequency of meeting.

Even though there are many such associations in the urban centres surrounding the *Dagaaba*, this type of informal financial institution has never gained much popularity in the *Dagaaba* villages. As village communities rely mostly on agricultural production which generates income during the harvest season, they do not have much cash at their disposal which can be saved at regular intervals. In comparison, in more affluent areas in South Ghana *sus*

operate widely and can be considered more or less an established institution providing financial services to millions of people. Currently the *susu* have started to penetrate the *Dagaaba* and been enthusiastically embraced by a small group of flourishing petty traders, civil servants and *pito* brewers, but the majority of the village communities and the small farmers are not interested. The very few ROSCAs which exist in the Upper West Region are concentrated in the regional capital Wa and in district capitals, and operate mainly among those who have come from the southern and western parts of Ghana and are engaged in different types of business in the Upper West Region.

Since the colonial period, when the Moneylenders Ordinance of 1941 was drawn up, the authorities in Ghana have always made an effort to regulate the activities of the various informal financial institutions, including private moneylenders. The Government has recognised the need to prepare new legislation and regulations for rural non-bank microfinance institutions, with which all financial service institutions will have to comply (*cf.* Saka 1982; Steel and Andah 2004). The legislation will set a standard for admission to the financial services sector and supervise the qualities and performances of respective micro-finance institutions.

8.2.2 Conventional Financial Institutions and their Limitations

Until the early 1960s, there were hardly any conventional financial institutions in the Upper West Region. Even the formation of the area known as the Upper West Region is a new development of the 1980s. Those banks which established branches there such as the Ghana Commercial Bank, the Agricultural Development Bank, the Ghana Co-operative Bank and the National Savings and Credit Bank are concentrated in the regional capital. Only the newly established Rural Bank ventured to open a branch in Nandom in 1981 and later also in Jirapa.

Most of these financial institutions service the minority of the population and have not been utilized by the great majority of the community, for whom the sophisticated procedures are beyond their ken and, even if they could understand these, they would fail to satisfy the conditions these banks require of a customer, either to save or to obtain a loan. For instance, the Ghana Co-operative Bank, whose primary objective was to mobilize the financial resources for the co-operative organizations and assist co-operative societies, did not succeed as such.

The Rural Bank, which still functions in Nandom, is referred to as the bank of the people, established for the purpose of mobilizing savings and providing credit to small peasant farmers and small-scale enterprises in the rural setting. Despite such clear and sympathetic objectives, only very few members of the rural community benefit from the services offered by this bank which is fairly conventional in its operations.

Almost all of these conventional financial institutions have not been very successful when it comes to mobilizing savings. The problem of savings goes far beyond simply the limited level of financial activities. As Munkner (1978) correctly analysed, even in such low income areas as the rural parts in the Upper West Region, there is a potential saving capacity, but even so the savings mobilization and loan delivery modalities on offer from conventional financial institutions do not suit the local community. Conventional financial institutions were available in the bigger cities, mostly in the southern part of Ghana and these did claim to provide services to all and sundry indiscriminately. In actual practice their service was limited to a small group of rich traders and higher ranking Government officials. This leads to the inescapable

conclusion that they were unable to cater for the needs of small income-earners and small farmers.⁸ In general, many of these conventional financial institutions were not very much interested in why the community saves and how they might have been able to build up local capital or strengthen their capital base. They involve various, somewhat complicated procedures most of them a replica of those which are followed in the more developed areas and cities. Hence, rural communities still have hardly any access to their financial services.

In the 1950s and 1960s, a new epoch for the rise and development of more conventional financial institutions and rural based co-operative savings and credit unions dawned. Dissatisfied with the narrow, services of conventional institutions which were beyond their reach and disenchanted with the inability of the informal local financial services and private moneylenders to supply the growing need for financial services, the rural community was forced to seek a solution in its own local social and cultural set-up. This engendered an alternative community / ethnic oriented financial institution, and also introduced a new channel in the form of a local co-operative organization to provide monetary services to rural inhabitants, an institution which emanated from the aspirations and objectives of the local community and primarily served its interests. To provide the missing link and close the growing gap between conventional financial institutions and the rural community, thereby redressing the anomalous socio-economic situation, it was essential to develop an appropriate community-based financial institution. The *Dagaaba* community in Jirapa, one district in the Upper West Region, were among the pioneers in taking the initiative to form a local based co-operative organization to provide such monetary services to rural inhabitants.

8.3 Establishment and Extension of Credit Unions

As the money economy and commodity markets spread among local communities, the absence of an appropriate financial institution stuck out like a sore thumb. Songsore (1992) says this lack had inevitably denuded the impoverished and underscored the need for inclusive local financial institutions. Decades after the introduction and use of currency and coinage among the *Dagaaba*, various private, collective, informal and formal financial institutions had taken upon themselves the task of providing such services. As discussed above, these financial institutions all had various limitations which precluded them becoming a community financial institution and filling the gaps in financial service delivery which had existed so far. The local community as yet had not been able to find a financial institution in which it could safely deposit its money and obtain loans. In current micro-credit terminology 'the majority of the community who could be bankable remained for a very long time unbanked'. A need for a community-based financial institution which could better serve the interests of the rural community grew acute. After numerous incidents involving financial loss and damages because of fallible custodianship, the dolorous experience of Mr Tenga, a *Dagaaba* Roman Catholic catechist, served as the launching pad for the formation of the credit unions in the Upper West Region of Ghana.⁹ It was a historically significant moment to discuss the problems communities were experiencing and give form to the idea for the formation of the first credit union in Jirapa.

It was in November 1953, when a newly appointed Roman Catholic priest by the name of John McNulty went on trek to Sabuli and met a local catechist whose name was George Tenga.

While discussing the situation of the village in general, Mr Tenga particularly emphasized his own personal experience and sadness about an incident which has involved his money: '*... He had just lost his life savings, ten pounds in all, not to thieves but to a voracious band of white ants. To protect the money, he had taken the precaution of placing it in empty players cigarette tin before burying it. When he had gone to dig it up, he had found the tin badly corroded (damaged) and the bills almost completely eaten up.*'¹⁰ After contacting a bank in Accra and through the intervention of Father McNulty, Mr Tenga's problem was resolved months later. The tin and its contents were forwarded to Accra and ten, brand new one pound notes, the then colonial currency, were given to him.

Beginning with this problem which was faced by one single individual, the absence of an institution to undertake this duty in the village grew into an important matter to be discussed among the wider village community and by the parish in particular. A consensus to form some sort of local co-operative which could provide a financial custody service and also help the community members to help themselves and one another was reached. This problem was not an incident in that it had a clear link with the development and extension of the monetized economy to this *Dagaaba* village, without the appropriate institutions to regulate and provide the required financial services. It represented a specific structural gap with which the local community was confronted and for which it had to find an appropriate solution.

The absence of institutions essential to the development of rural communities, as later succinctly analysed by various local scholars, among them Dasah and Der (1976) and Songsore (1982), and which were properly suited to the local needs was no coincidence. It was an inherent structural development problem which excluded the Upper West Region for a long period of time from equal participation in any form of the sustainable social and economic improvement efforts which had been taking place in other regions of Ghana.

As the money economy had difficulty finding its feet among the *Dagaaba*, discovering an appropriate form of local institution and establishing its procedures emerged as a primary issue to be discussed. Neither the Roman Catholic fathers nor the *Dagaaba* farmers had any inkling of how a credit union could be formed and operated. Hence interest grew in investigating options from other sources in greater detail. For the missionaries, who were interested in participating in the social and economic activities of the local community, the possibility of combining the Antigonish Movement with credit union activities seemed a convincing, attractive new solution. Before taking the plunge and establishing a credit union, the Roman Catholic fathers and the *Dagaaba* community in Jirapa entered upon an eight-month period of extended discussions and orientations about its structure, functions and benefit. (cf. McCoy 1988).

As confirmed by most members of the local community, both the followers of traditional beliefs and of the Roman Catholic religion, the presence of the Roman Catholic Mission in the area played an essential role in both the social development, in the fields of health care and education, and it also acted as a catalyst in the formation and promotion of the co-operative credit union. In the words of Ayel, a CUA field-officer in the Upper West Region: '*Since the inception of the idea of the credit union and up until today, they remain with us helping the development and continuity of our unions. Without their support and commitment, most of our unions might have perished long ago.*'

8.3.1 Co-operation and Support of the Roman Catholic Missionaries

The Roman Catholic mission stationed in different parts of the Upper West Region was inspired by the principles of *Antigonish* Movement. This was a movement which was primarily engaged in the spreading of the Gospel among the local community, but did not overlook opportunities for the improvement of the socio-economic situation of the community by stimulating local aspiring self-help associations. It was this goal, to which from the very beginning the Roman Catholic mission committed itself fully, and to achieve this participated in the development of credit union in its parish areas in the Upper West Region.¹¹

At the time when the missionaries came to the North Ghana, the material conditions of the local communities were in a sorry plight. It was clear that no one could listen to the Gospel preached by the missionaries without having at least some of their basic needs met. Aware that these problems had to be tackled structurally, the missionaries believed that a multiple-purpose type of co-operative, such as a credit union, would strengthen local solidarity and mutual assistance, and in doing so also improve the poor living conditions of the *Dagaaba*. As clearly stated by McCoy (1988:216): ‘... *In fact, until people’s stomachs have been filled, their bodies clothed, their troubles listened to sympathetically, their tears heard, it is often useless and even disrespectful to try to fill and cloth their souls. Saint Francis of Assisi himself no stranger to physical hunger, advised his brothers not presume to preach to the hungry.*’

The Roman Catholic missionaries used religiously inspired approaches to solve the local socio-economic problems, linking the condition of the local community with messages in the Gospels. This is patently obvious in a report written by the Rev. Gregory E. Kpiebaya (1991:1), who was member of a Credit Union Revival Committee in early 1980s. He underlined: ‘... *It is a God-sent movement and if properly managed it can change the face of this poverty-stricken area...we must aim at building a just and caring society, a society of peace and well-being.*’ The presence of Roman Catholic missionaries in the neighbourhood and their co-operation with the local community facilitated local initiatives to get off the ground. Unlike the Colonial Government, which passed measures to weaken local institutions, the co-operation and the assistance of the missionaries created a certain degree of optimism about the possibilities of promoting community development through the participation of local institutions.

The demand for local financial co-operatives was a very complex one. With the immigrant *Dagaaba* labourers bringing their savings home from the South to the North and the extension of the supply of commodities in the local market, the centuries-old system of transactions through the barter system and even the use of cowries was strained almost to breaking point as money gradually impinged on the communities’ way of life. As in this case, this need was presented simply and in a brief space of time, the matter grew into a cardinal political and economic issue requiring both a secure space for financial custody and an effort to obtain access to and organize the entire process, but above all to regulate and restructure new relations with the exchange and monetized economy.

After intensive discussions and with additional information from external sources as to how such societies could operate, a small building was arranged in the compound of St Joseph to start up the first primary credit union society. Later, the credit union built its own building (see figure 8.2 below). The first co-operative credit union had a foundation membership of seventy persons, most of whom were small *Dagaaba* farmers from the neighbourhood of Jirapa, and a share capital of 38 pound sterling. As the oral testimonies of those who were present and also

most of the literature on the history of the credit union in Africa underscore, the credit union established in Jirapa in September 1955 was the first co-operative savings and credit union of its sort in Ghana.¹²

8.3.2 Objectives of the *Dagaaba* Credit Unions

As analysed by Dasah and Der (1976), some of the primary objectives of the co-operative savings and credit unions envisaged from the beginning were to mobilize local savings for local development and to encourage and motivate the local community to save what financial resources they might have with the credit unions and, conversely, to make use of credit union loans. There was a fervent hope that the credit unions would inspire and strengthen the spirit of co-operation in the community and undertake collective action to help one another, and to assist people of the area to develop themselves through the financial services provided by the credit unions. These objectives did not bring a totally new message to the community, as its members had been used to co-operatives in their traditional form to perform various socio-economic activities. Now the formation of the co-operative credit union was considered an extension or the building of a local institution which provided a modern service based on traditional foundations.

The objectives of these credit unions as shown in their respective constitutions are usually twofold, namely savings and loans. The first objective is designed to promote thrift among members by providing a means of saving. The members are expected to save regularly. Since the 1980s, the minimum amount of savings for a member was about 500 *cedis*, but this amount has fluctuated from time to time depending on the economic conditions, the value of the currency and the decisions passed at the general meeting. Recently, the minimum amount saved has reached an amount of roughly 10,000 *cedis*. Importantly, the credit unions set limits on the savings of members. As explicitly indicted in their bye-laws, the savings of any one member should not exceed 20 per cent of the total savings of the credit union. The credit union management has the right to adjust this percentage from time to time. At the end of the financial year, if the credit union has a surplus, members can also be paid interest on their savings.

The second objective of the credit unions is to provide loans to their members for provident or productive purposes at a fair and reasonable rate of interest. Members are charged interest on loans which does not exceed 1 per cent per month on the unpaid balance. Loans given to members are secured by the savings of the borrower and, if the amount exceeds this, it could be guaranteed by the savings of one or more other members as the case may be. Should the amount borrowed not be repaid as agreed, credit unions can charge a fine not exceeding 10 per cent per annum. It is also clearly stated that the total amount of the loan given by a credit union should not exceed 75 per cent of the total funds of the credit union.

The third objective is to invest and keep a reserve fund. In order to build up a greater surplus, any amount of funds which is not actually used for the day-to-day business of the credit union may also be saved in banks to earn interest or else invested in surplus-providing businesses or used for various local items of social infrastructure, local sanitation and health-care purposes. A certain percentage of the total fund of the credit union, usually not exceeding 10 per cent, must be kept as a reserve fund.

8.3.3 Various Stages in the Formation of the Credit Union

As the practical experiences of the credit unions in the Upper West Region have shown, there are certain phases in the formation of the credit union, from the identification of the problem to the initiative to solve this, before this reaches fruition in the formation of a credit union. After discussions and reaching a complete consensus between the community and the Roman Catholic congregation, the formation of the credit union did not happen overnight. The process took months, until every one of the members was thoroughly acquainted with the goal and functions, and also with the organizational structure and decision-making process of the credit union.

In the history of the formation of the first credit union in Jirapa, three mutually interrelated phases can be distinguished (*cf.* McCoy 1988). The first was the preliminary phase. This was the preparatory period, in which the community would come together, discuss their problem and become better informed about the goals, objectives and possible relations with other community organizations. As the essentiality of local financial institutions emerged more visibly, more local communities, especially members of the parish, became involved in the discussion.

In order to provide viable advice and feedback in the case of the Jirapa Credit Union, Father McNulty took the responsibility for gathering information about how credit unions could be formed. His congregation endorsed the fact that, besides his principal missionary work, he actively participated in the credit union formation. He made contact with credit union institutions abroad and familiarized himself with credit union operations. Father McNulty and his religious institution formed a bridge in building local financial institutions inspired by local ideas and the needs of the community. McNulty, who came to Jirapa in the early 1950s, was Dasah and Der (1976) claim a staunch believer in the local self-help movement. He quickly mastered the *Dagaare* language and was able to communicate reasonably well with the *Dagaaba* people.¹³ One among many concrete events which drove McNulty to participate and take an active role in the formation of the first Credit Union was the story of Mr Tenga, already mentioned above. This event actually took place one day in 1953 when McNulty and Tenga were together in Sabuli, a village nearby Jirapa, to hold a religious service. While the sad story of Tenga had a relatively happy ending, there were similar stories about how hundreds of people in the community had buried their hard-earned savings in the ground and could not find these again. (*cf.* McCoy 1988).

In the process of discussions in Jirapa, while the community was preoccupied with how to solve the matter, Father McNulty had gone far in consulting such institutions abroad as the Catholic Social Guild in Oxford, to obtain information about how to form a local financial co-operative. Finally, he requested the approval of the local bishop in granting him a permit to form a credit union in his parish area. The bishop questioned whether McNulty had had any experience of or knowledge about credit unions in the past (McCoy 1988:210). The answer was unambiguous: ‘...*I don’t know. I’ve never tried but I’m willing to try.*’ Although rather sceptical, but with great sympathy for the ideal of implementing the credit union idea in a new environment in the framework of Antigonish Movement, the bishop granted formal approval to go ahead with the formation of the credit union. Thereafter nothing impeded either McNulty who was committed and now had a thorough orientation about the idea of credit unions, or the local community which had life-long practical experiences with running co-operatives.

The second phase was occupied with the identification of members, discussions of management structure and allocation of responsibilities. In order to ensure that the new but entirely untried institution was firmly rooted, a period of about eight months was spent in raising the awareness of the community and promoting its participation and dedication. The process of awareness building covered the functions of the financial institution and the criteria for membership, and more practically the structure and form of management to be adopted. Buttressed by the information gathered from different countries by Father McNulty and experiences with locally available co-operatives, the practices and principles, the successes and failures of credit unions were discussed. After a full consensus was reached by all potential members and the situation was sufficiently mature, an agreement to form the initial credit union to be based in Jirapa was reached.

This signalled the beginning of the third phase, the start-up phase. In September 1955, the first credit union was formed in Jirapa. Even though the initial structure had been borrowed from the dominant structure, which had begun abroad, to a large extent the substance and operation of the credit union was based on the socio-economic conceptions of the local community. The formation of the credit union can also be seen as a product of the interactive processes between the needs of the local community and the Roman Catholic fathers. Even though both partners had a different frame of references, with the fathers having a more external orientation, and that of the community focused on local needs, both shared a common belief in the relevance of the credit unions to local development. On 2 September 1955, the first Friday of the month, the first meeting of the credit union was held in Jirapa. McCoy mentions (1988: 211) that: *'... by the end of the first month of its formation, the credit union in Jirapa had about seventy members with a share capital of 38 Pounds.'* A year later, the savings had soared to £1700 and membership had risen to about one hundred.

Soon after the formation, matters related to new investment areas and the training of credit union management became urgent. On the suggestion of women members, a grinding-mill was built up with local labour in the first year. A purchasing co-operative for such essential commodities as soap, sugar, salt, kerosene and cloth was established. Members started taking out loans to improve their houses with corrugated iron roofs, timber and cement. The fathers sympathetically remarked that the traditional mud and thatched houses in Jirapa gradually began to make way for houses built with better construction materials and corrugated iron roofs. This early development shows how in its rudimentary phase, the credit union in Jirapa had already begun to contribute to an improvement in the living conditions of the local community.

Tackling the problem of the training of local credit union management, in 1957 Father Dery was sponsored by the Canadian Knights of Columbus to go to Canada to follow a two-year training on credit unions and the principles of the Antigonish Movement. On his return, especially after he was consecrated Bishop of Wa he assisted in developing relations with external co-operative agencies, including Misereor of West Germany and the Raiffeisen Bank of the Netherlands, and such volunteer organizations as the US Peace Corps. Members began to see credit unions as more than a purely economic institution or venture, they were also thought of as a co-operative venture which contributed to their socio-culture development. Further attempts were made to popularize and extend the credit union idea in the Upper West Region. Moreover, as indicated below, there are also numerous specific personal circumstances which motivate people to become members.

As discussed and as documented in the membership records held at the credit union offices, there are numerous situations and person-specific reasons inspiring people to join such an institution. Indubitably, most of prospective members were convinced by the objectives of the institution. However, some just wanted to join their fellow community members, and others were more interested in improving their socio-economic situation by gaining access to credit union services. The following cases reflect most of the considerations expressed by members about joining the credit union:¹⁴

Mrs Bassey, aged 49 and a petty trader, told the following story: *'...I buy and sell in the open market diverse articles, that include soaps, oil, kerosene, children clothes and stationery. One day after market, at a pito-bar I met a group of people talking loudly and enthusiastically about a credit union meeting, which they just attended, and about the speech of the chairman and the reaction of members. When I asked them what really a credit union is doing, and what makes it different from susu, they told me it is a trustable institution. It has an office and capable people are managing the money and petty-traders like me who regularly deal with money could benefit from their services and advice. The day after I went to the manager Mr. Dakura and asked more information and he gave a membership form to fill in and return back. All together it didn't take me more than a day to complete the requirements and become part of the credit union. Now I am a member for more than fifteen years. I save regularly and took also several times loan. I have also been more than three times elected in the Board of Directors'*.

The next story is of Mr Bayoo, who is 56 years old and a member through a farmers' group: *'...I am a farmer. I have six children, varying between the age of seven and twenty one. It was in summer 1985, when I went to a village nearby and met a group of farmers, who were sharing a lump sum of money among themselves. They told me it was a loan they took from the Jirapa Credit Union, to be paid back after six months and now they can use it to buy farm implements. I was highly inspired by the information and it didn't take me more than two weeks until I formed a group of twelve farmers and became a group member to the credit union and got access like the surrounding villages.'*

Mr Pascal, a retired teacher aged 69, became a member when he was a civil servant: *'... I am a retired teacher. I have four children and my wife passed away eleven years ago. I am a member of the credit union for more than fifteen years. It is like our village bank. Throughout this period, I have regularly deposited at the credit union the small money I saved monthly from my salary. I have taken loans several times and used it for diverse purposes, that included building my own house, covering school related expenses for my children. I have used the loan for planting fruit trees in my compound.'*

Mr Clents, aged 55 and a pastoral-worker, narrated his history as follows: *'...I work at the parish with the fathers and have been for more than twenty years a members of the Ko credit union. It is a self-help organisation which contributes to the welfare of our community. Here in the village we have no banks. The credit union is the only safe place to keep money. Most of our community have lost their life savings due to lack of proper custody of their money. Here at our credit union we can save , withdraw or get a loan to use for important purposes. My house is built with the loan from the credit union and several of my neighbours have extended their farms and increased their yields.'*

Mrs Neebo, aged 42, is a nurse in Jirapa: *'...I am a mother of three children. I work here at Jirapa hospital as a nurse. I have been a member of the credit union for more than ten years. I*

can save my salary safely and withdraw whenever I am in need. Even I can get loan whenever I want extra money either to cover unexpected expenses or to undertake any other activities. In the past I have used the loan from the credit union to improve my house, and also to start a small piggery.'

Mrs Elizabeth is a 58-year-old poultry keeper and a widow: *'... I am 58 years old, a widow and I am taking care of seven children. My husband who died five years ago was a founding member of the Ko credit union. Almost a year later after his death in 1985, I also became a member of the credit union. There were two main reasons for me to become a member. In the first place I wanted to maintain the relation my husband had with the members, continue meeting the members and become part of them. Secondly I wanted to save the small money I obtain from poultry. In the last years, I have regularly saved and also took a number of loans to buy school materials to my children and also to increase the size of my poultry.'*

Another story comes from Mrs Flomen, aged 54, a pito-brewer: *'...I am around 50 years age. I earn my living from brewing pito. Mary and a group of women in Nandom asked me to become a member. They told me the advantages of credit union for a women like me. They told me I could deposit my money with the union, and also can borrow money when I need. I was convinced and joined them. Even though most of the women have no formal education, the credit union encouraged women to actively participate in the management. Since I joined the Union I was elected and became member of the Board of Directors. I was also once nominated and served as a member of the supervisory committee. In the last fifteen years, I have always deposited my money at the credit union and took loans several times to extend my pito brewing and also build new houses.'*

Mr. Charles, aged 62 and a weaver, told the following story: *'... Quite for a long time I have been hearing about the role of the credit union in neighbourhood. Early 1980 I needed to buy various materials to improve my weaving work. I was unable to loan from my family and kinship like I used to get before. I was inspired by the local chief to go to credit union office and become a member which I immediately did as advised. Since then I am making use of the credit union services, even though at times our credit union is facing liquidity problem and we could not get loan as required.'*

Mr. Piyiri, is a farmer, aged 67, had this to say: *'...For years, we have been hearing about the Jirapa Credit Union, and the services it renders, but did not bother much to become a member. I have a big family with 6 children and five people from extended family living with us. We collectively work, produce enough agricultural products just enough to maintain the entire family. Our neighbour, just with similar household size, is a member of the credit union and actively involved in the activities. Their farm size is extending, they never talk about financial problem, they produce even surplus to sell on the local market. I was regularly encouraged by our neighbour like them to become a member of the credit union and joined them in 1989. A year later, after I saved small amount of money, I was able to get loan, could buy more seeds and cutlass and other materials which are required for our farm.'*

An elder, Mr. Bayele aged 70 provides the last story: *'... I am a member of the credit union, right from the beginning. Community members in the village look upon elders, how we react and our opinion about new institutions in our area. In order to show that this credit union organisation has a good intention and helps our community, I have to become not only a member but also participate in the meetings, give advice and also encourage local community to participate in the credit union.'* As can be observed in the cases presented, even though they all

became members, everyone had their own specific reasons and expectations which led them to join the credit union. For the great majority, it is seen mainly an alternative source of financial services and the creation of a new possibility to improve their socio-economic situation. For others, it is a crucial necessity to resolve their immediate, pressing financial problems and also assumes the guise of an arrangement of a safety-net for difficult days in the future. For another group it is just an experience, part of a local social process of which they have to be part and play their respective roles.

The main reason elders and chiefs become members of the credit union stretches beyond a need of financial services. Their choice should be seen and followed as a good example and a symbol promoting the function of the credit union in the community. As some of the members have already indicated, the reasons given for joining the credit union are far from static and change from time to time in response to their actual needs. Once they become a member of the credit union and fulfil the requirements, they have access to its services. It is up to each and every member to decide of which part of the available services he or she wants to make use and obtain benefit.

The general aim of the credit union and its success within a short period in Jirapa greatly influenced the surrounding local communities, which consequently also wanted to be closely involved in the activities of credit unions. It did not take long for the credit union idea to win more sympathy and extend beyond North Ghana, spreading throughout the country and beyond that to other African countries. As McCoy (McCoy 1988: 213) has underscored, it is from Jirapa, this relatively economically underdeveloped village in Ghana, that the credit union institutions have spread throughout Africa, leading to the formation an umbrella organization known as ACCOSCA in 1968.

8.4 Development and Expansion of the Credit Union

Having seen the innovative role which credit unions assumed, the *Dagaaba* community was fully convinced of the soundness of the credit union concept and its role in the improvement of living conditions. As Dasah and Der (1976) have pointed out, the historical spread of credit unions in Upper West Region involved the creation of the next credit union in Nandom, about 25 miles from Jirapa in 1957, and in Kaleo in 1959. In the period between 1960 and 1972, credit unions were formed in the Daffiama, Lawra, Ko, Tumu and Hamile parishes. Even though the movement was initially confined to the vicinity of the parish areas, later credit unions were extended to other village communities in Nadawli and Fielmuo, and to non-parish areas, notably to health workers and schoolteachers

8.4.1 The Establishment of Pioneer Credit Unions

As earlier indicated, the Jirapa Credit Union was the first local co-operative financial institution and was founded in 1955. In the wake of the success of this example, credit unions were established in Nandom, Ko and other areas (Dries, n.d: 25). Table 8.1 shows the data of three of these pioneer credit unions which were operational among the *Dagaaba* by 1964.

Table 8.1: Pioneer Co-operative Credit Unions in the Upper West Region

Credit union	Membership	Year of Establishment	Share Capital (pound sterling)
Jirapa Credit Union	442	1955	4503
Nandom Credit Union	502	1957	5614
Ko Credit Union	262	1964	161

Source: *Dries (n.d: 25)*

Though these credit unions are the oldest in the area, gradually the movement expanded into new areas when the usefulness of credit union impinged on the consciousness of such other neighbouring *Dagaaba* areas as Kaleo, Lawra, and Hamile (the border area between Ghana and Burkina Faso) As archival documents reveal, about seventeen years later an overview of these initial credit unions shows a tremendous increase.

Table 8.2: Selected Credit Unions among the *Dagaaba* as at 1976

Credit Union	Year Started	Membership	Total Saving (in cedis)	Total Loans (in cedis)
Jirapa Credit union	1955	2500	360,908	253,542
Ko Credit Union	1964	2000	256,679	130,980
Nandom Credit Union	1957	3500	442,921	262,571
Hamile Credit Union	1972	530	65,542	20,438

Source: *CUA, chapter office, Wa*

8.4.2 Credit Union Popularity and Development

From the *Dagaaba* area, the credit unions expanded to other parts of Ghana. As explained in Chapter Four, CUA was established as a national apex organization of all the credit union in Ghana in Accra in 1968. By then, the total number of credit unions in the Upper West Region had reached eight, which were legally registered with the Department of Co-operatives. All the credit unions in Upper West Region merged to form a regional league, which later was officially referred to as a chapter.

As the statistics below indicate, from the 1960s to the early 1980s the credit unions in the Upper West Region experienced uninterrupted growth and expansion. The archival sources in the Chapter Office in the Upper West Region show that in the 1970s and towards the mid-1980s the Upper West Chapter consisted of more than twenty credit union primary societies with a total membership of more than 20,000. The major credit unions were as follows.

Table 8.3: List of all Credit Unions in the UWR

No.	Name of Credit Union	Year Started	Membership
1	Babile Co-operative Credit Union	1978	220
2	Bole Co-operative Credit Union	1966	2100
3	Bugubelle Co-operative Credit Union	1983	200
4	Bussie Co-operative Credit Union	1981	350
5	Charia C-operative Credit Union	1977	255
6	Daffiama Co-operative Credit Union	1961	1874
7	Damongo Co-operative Credit Union	1965	2122
8	Eremmen Co-operative Credit Union	n.a	n.a
9	Fielmuon Co-operative Credit Union	1975	219
10	Funsi Co-operative Credit Union	1981	206
11	Hamile Parish Co-operative Credit Union	1972	n.a
12	Hamile Town C-operative Credit Union	n.a	n.a
13	Jirapa Co-operative Credit Union	1955	2003
14	Kaleo Co-operative Credit Union	1959	1238
15	Ko Co-operative Credit Union	1964	2102
16	Lawra Co-operative Credit Union	1969	1550
17	Nadali Co-operative Credit Union	1975	475
18	Nanadom Farmer's Co-operative Credit Union	1981	250
19	Nandom Co-operative Credit Union	1957	800
20	Pina Co-operative Credit Union	1973	600
21	Sawala Highway Workers Credit Union	n.a	140
22	Tumu Co-operative Credit Union	1969	1398
23	Tuna Co-operative Credit Union	1980	735
24	Wa Co-operative Credit Union	1968	1727
Total Membership			20564

Source: Upper West Region, Chapter office Wa.

As stated, credit unions are common-bond based organizations. In order to initiate and launch new credit unions in the region, a common-bond was a prerequisite. A common-bond literally means to have similar field of engagement and activity, a situation in which the members are properly acquainted with one another, as this generates reciprocal trust and simplifies financial arrangements. Common bond organizations in Ghana could be classified into a community, a parish and a work-floor type. Most of the credit unions in the Upper West Region are the first type. In the cities and urban areas of Ghana most are work-floor credit unions. Those which are partly or fully attached to churches are parish credit unions.

8.4.3 Factors Which Contributed to the Growth of Credit Unions

As indicated in the figure above, from their formation until the early 1980s, credit unions in the Upper West Region enjoyed a rapid success. From observations made and discussions with

various local stakeholders roughly four main factors can be abstracted which contributed to the early growth and speedy expansion of the credit unions.

First and very prominent among these was the local co-operative spirit and values. The inextricably linked local socio-economic conditions and the corresponding co-operative values were handed down from generation to generation, and this is precisely the basis on which co-operative credit unions were built. This co-operative spirit and values facilitated the early acceleration of development. The *Dagaaba* community, familiar for centuries with its local institutions, was used to organize all its activities through indigenous co-operative organizations, in which participation in and ideas of the local community in co-operative management formed the main pillar of local institutions. The link between credit unions and local organizational values, coupled with the norms applied in using the local organizational skills available helped the co-operatives to keep their feet firmly on the ground. In a nutshell, the *Dagaaba* had had a very long experience with co-operation and co-operative management which could be transferred to the management of local co-operative credit unions without any problems. Over and above this, the experience of dealing with informal financial organization also made a positive contribution to the rise of credit unions. In his studies, Songsore (1982) has clearly stated that the spirit of ROSCAs and other informal financial services in many place in Africa laid the foundations for a more structured credit union movement.

Secondly, the whole growth process was given a definite boost by Government policies conducive to burgeoning co-operatives. The mushrooming of credit unions in the 1960s and 1970s ran apace with the post-independence economic development and Government policies, which encouraged co-operatives to play an important role in rural development. The Department of Co-operatives, which itself has passed through different organizational phases and reorganizations, has been closely associated with the strengthening of various co-operatives and credit unions throughout the whole country.

Another vital factor has been the continuity and consistency of the support from the Roman Catholic mission and other external agencies. As one of the early promoters of the credit union in the Upper West Region, Mr Dongyirie, explained ‘... *the missionaries have helped as well, but it is we who have formed this credit union institution here. It is ours, based on local Dagaaba co-operative values and the norms of mutual support between kinsmen. Indeed, the Fathers helped us by guiding us carefully in its management and use for productive purposes.*’¹⁵ Such other external agencies as CUA, the Rabobank, and the Konrad Adenauer Foundation have provided technical and financial assistances in times of critical need. Right from the time operations were started up to the present, the respective credit unions have also worked harmoniously with diverse formal and informal financial institutions. They have deposited their surplus funds in various banks, including the Commercial Bank of Ghana and the Rural Co-operative Banks. The *susu* societies can also save their deposits with credit unions, thereby benefiting from the relations between credit unions and formal financial institutions.

The final decisive factor has been the success of credit unions and the visibility of their role. Within a short time after their formation, the credit unions were able to provide direct loans to their members for use in diverse sectors. They were able to produce evidence of conspicuous improvements in the socio-economic conditions in small villages, which were visible in different parts of the region. After the first three years of operations in the Upper West Region, according to Dasah and Der (1976:11), in all the towns of the area it was possible to see that

decent houses had been built, mostly with loans from the credit unions, metamorphosing the traditional houses built of mud and thatched with grass to brick houses roofed with corrugated iron. Some members had bought trucks and lorries to improve local transportation. Some secured a private vehicle or motor to be able to run their businesses smoothly. Undeniably, the credit unions had contributed directly and indirectly to the alleviation poverty in the region.

8.5 Credit Union Setbacks and Counter-Measures

In spite of constant, unremitting efforts and success stories, credit unions have not yet reached the great majority of the *Dagaaba* community. As Dasah and Der (1976) have clearly noted, despite the effort of the credit unions to increase their membership, by the mid-1970s only about 18 per cent of the total estimated population of the Upper West Region was a member. This is unequivocal evidence that the message had failed to reach the majority of the population. Especially those living in remote areas, far away from the offices of the credit unions, were likely to experience the risk of being excluded from joining and hence obtaining the services of credit unions.

Inquiries into this cardinal issue, discussions with credit union officials and some non-members have provided explanations for the failure of reaching a far higher rate of participation in such a promising institution. These relate to four categories of constraints. Perhaps the most glaring reason was that there are those who do not have any money to save. The overwhelming majority of the *Dagaaba* community lives within the narrow margins of a subsistence agrarian economy, with only an extremely limited surplus production to generate financial revenues. Unable to save, they can barely survive under current economic conditions. Secondly, some people fail to obtain appropriate information about credit unions. Despite their efforts making use of local media and informal communications, information about the credit unions and their role has not yet fully permeated the entire community. In some cases it is simply a matter of insufficient information, and hence they are not stimulated to make any active effort to join. This withholds them from becoming members. A third reason for not joining is that people, especially in remote communities, have access to other, alternative financial services. Most members of the community still rely on borrowing from their kin group or resorting to other informal services such as the private moneylenders, with whom they are acquainted and have had long-established contacts. These old ties and relationships are so strong they are in no hurry to break them abruptly. Lastly, there are those who are limited by non-financial factors. Admittedly, under the terms of the constitution of the credit union, it is in principle forbidden for young persons below the age of eighteen to become a member, membership is tacitly limited to those just above this minimum age limit. Nor do very old or sick people seem motivated to join the credit union, as membership demands active participation. The other side to this coin is the gender dimension; until recently when women-oriented credit unions have emerged, there is evidence that women and female-headed households were not actively encouraged to join credit unions. Currently this problem has been transformed into more of an opportunity, and several active members are women. Some have become members of the Board, and others of the different committees.

8.5.1 Liquidity and Management Problems

About two decades after their formation, most credit unions were running into difficulties. Between the beginning of the 1970s and the mid-1980s, most credit unions began to be confronted with chronic liquidity problems, precipitating their collapse and causing many of them to become dormant one after the other. The problems facing the credit unions in general and in the Upper West Region specifically were legion. Some were outside the organizational boundaries and beyond the control of the management of credit unions, but some hitches were quite simply attributable to wrong strategic choices and managerial problems. As most co-operative organizations, credit unions are adversely affected by political instability and changes in Government policies. Economic crises, inflation and devaluation may have a direct impact on credit unions. Hence, the growth path of the credit union movement was affected by such disturbances as the political upheavals and the economic recession in Ghana.

Even though the causes of credit unions problems were both endogenous and exogenous, in most cases they have been highly interrelated in that one of them could affect the other directly or indirectly (*cf.* Saka 1982: 135-142). The crisis situation harshly revealed that, despite their importance and effectiveness, credit unions are vulnerable to problems and difficulties. Even though they tried their utmost, several credit unions were faced with problems which challenged the achievement of their objectives, and indeed shook their very foundations, causing some of them to collapse. In some places various initiatives and rescue measures had to be taken to protect these financial institutions.

A close examination of the exogenous causes of the crises with which credit unions were confronted reveals that these were, unsurprisingly, related to the regular periods of political instability and shifts in Ghanaian development policies. The constant devaluation of the *Cedi* for which the credit unions were not prepared and adverse climatic conditions did not help. The endogenous factors of crises most often cited by credit union members and included in the internal reports of crisis management committee of the Upper West Chapter, consisted mainly of delinquency, inappropriate credit union management, inactivity and low level of participation of members, lack of education and incompetent employees. In his congratulatory letter to the Jirapa Credit Union on the occasion of Credit Union Day, the then CUA Regional Manager for the Upper West Region Mr Zaatoh briefly stated the problems besetting credit unions as follows: *'... The credit union idea all over the Upper West Chapter area has been declining due to the high loan delinquency in almost all the societies. Members no longer save regularly as they used to do, loans are no more given out to members as before due to lack of funds, the few loans given out in the past are not repaid accordingly to the terms, and for that matter most members and non members have lost faith in the whole credit union movement, but all is due to lack of education.'*¹⁶

The problems in which the credit unions were embroiled were complex, forming a sort of vicious circle from which it was not easy to extricate themselves quickly. The delinquency problem reached a level at which it could easily grind credit unions to a halt and bring their entire activities to a standstill, creating an unfavourable organizational environment. Mistrust and lack of faith in the credit union is a very serious matter in the local community, as trust and faith are the bases on which every activity in the rural areas is based.

The liquidity problem became acute about fifteen years after operations began when most credit unions were caught up in financial problems. The main causes according to such local

scholars as Songsore (1992) and Dasah and Der (1976) were the neglect of and non-adherence to the credit union rules and regulations. Songsore says that some huge loans, amounting to 300,000 to 1,500,000 *cedis* were given to some members, mostly from the higher social strata, without the normal collateral or guarantor, and were still unrecovered some five to ten years later. Secondly, the undemocratic political environment in the country also affected the seriousness of the management of the credit union adversely. The persistent political turmoil in the country, which brought economic recession in its wake and later led to the adaptation of the Economic Reform Program (ERP) in the 1980s, had a direct impact on the co-operative credit unions. To satisfy the conditions set by the IMF fully, the Ghanaian cedi was repeatedly devalued, reducing the real value of savings of credit unions in banks. Inevitably, most credit unions were plunged into a liquidity crisis; so much so that the members could not even withdraw their savings.

On the basis of the reports found in the archives of CUA, the Regional Chapter and primary societies, the problems which greatly affected the credit unions in the Upper West Region from the mid-1970s towards the end of the 1980s, were of a different nature but were none the less strongly interrelated. The crises also confronted the local managements of the credit unions with a challenging situation, for which they had to develop a new organizational strategy to overcome the looming problems. Trapped in the middle of such intense crises, the management of local credit unions was unable to take any practical steps to move farther ahead, by continuing to mobilize savings and promote the credit unions movement in their area as they had done before. For almost a decade, all activities in the credit unions in the Upper West Region stagnated. The serial crises created a situation in which the active members who used to save were unable to do so and those who took out loans failed to pay these back on the due date. Unquestionably this threw a large spanner in the operations of the credit unions. Instead of participating in the normal savings and lending, some members even began to withdraw their deposits, which plummeted the *Dagaaba*-based credit unions into severe liquidity problems. Quite a significant number of the members of the credit unions were either inactive or dormant. For example, about 300 members of the total of 900 credit union members in Jirapa did not activate their accounts, and about 250 of the total 850 members of the Ko Credit Union did likewise.

For a decade, credit unions in the Upper West Region experienced severe problems stemming from multi-dimensional causes, in which exogenous factors had a great role. As analysed by both Saka (1982), a local scholar, and Dassah and Der (1976), the difficult situation in which the credit unions were placed was exacerbated by endogenous factors. During the time the credit unions were in crises, the members of the Board of Directors did not fulfil their responsibilities. In contravention of the bye-laws, a gradual absence of checks and balances could be observed, causing a decline in responsibility and performance, plus a decreasing participation of members in decision-making processes. Murky organizational procedures were resorted to and irregularities were not unknown. Decisions to give loans were taking a longer time. Often these were granted to well-to-do traders, transport owners and civil servants, rather than to the grassroots, for whom the credit union was primarily intended. Under such circumstances, many members found it easier to withdraw their savings than to wait so much longer for a loan. There were also instances of credit union funds being left unutilized, or, where the credit union capital was invested in Government Bonds, which generated almost no benefit for the members. The rest of the capital of the credit unions was

locked up in the saving accounts of the Commercial Banks which granted these as loans to their own customers, who were often traders or members of the comfortable middle class in urban areas, and not the small farmers and village communities.

One of the resulting problems encountered by almost all the credit unions was loan delinquency. Most of the loans were locked up in delinquency. For some credit unions the level of delinquency exceeded normal levels and the loans could not be recovered for a very long time. Some had to be written off as bad debts, and different measures had to be taken to deal with others. This had a direct impact on the life of credit unions and led to the actual liquidation of some credit unions

According to previous studies conducted by Saka (1982) and other scholars in the Upper West Region, the main problem of the credit unions here was indeed the delinquency problem. The difficulty was not limited to credit unions in urban areas; it was also widespread among the credit unions in rural areas. From his investigations of treasurer's records in 1981, Saka (1982: 136) indicates that about 267 of the members of Jirapa Credit Union had a total loan delinquency of 253, 491.49 *Cedis*, whereas in Ko about seventy-three members had a total loan delinquency of 76, 635.12 *Cedis*. Saka's (1982) analysis shows the causes of the loan delinquency were manifold, but three main factors can be extrapolated. The first cause arose when some borrowers were confronted with unforeseeable circumstances. These might consist of a decline in farm production because of unfavourable weather conditions or health problems. In the second instance, there was some dishonesty among members, switching the use of the loan to other, often unproductive, purposes rather than for what had been officially approved. The third cause of the delinquency could be laid at the door of the credit union officials, who often granted loans to those who did not qualify, either on the basis of insufficient information or just as a favour stemming from the strong ties they had with certain members.

As indicated above, even though the causes of loan delinquency were manifold, some investigations and reports (Report of the Revival Committee of the Credit Union, Chapter Office, Wa) on this problem pointed the finger directly at the weaknesses in the credit union management: *'...giving of loan to those who are not serious or do not qualify – some of these loans are already during granting knowing that they are not paid back.'* This statement, clearly shows that the managers and the credit committee did not always discharge their responsibility properly or that they did not apply the procedures for the granting of loans as stated in the bye-laws of the credit unions. The management of respective credit unions in its turn often underlined the responsibility of the recipient of the loan, stressing the delinquent member had diverted their loan for a productive purpose and used it for some unproductive purpose, the upshot being they were unable to pay it back.

This plethora of problems at different levels and with different dimensions was, *inter alia*, the stumbling blocks which at a practical level began to hinder the credit unions being able to reach the full local savings mobilization potential and direct it towards the acceleration of local development. Towards the end of the 1980s, these problems reached a peak, and the fall-out from this forced some credit union either into crisis or liquidation. Songsore (1992: 90) says *"... There are a number of reasons for the shrinking of in capital base of credit unions in the study area. First, the high import content of manufactured items and the limited price support for food crops which were produced in the area worsened the terms of trade of rural producers and thereby made it more difficult for peasants to sustain and increase their*

savings. The second major reason was the decline in confidence the peasants had in the credit unions as seen in the declining number of active members for some of these credit unions.”

This assertion is clear about the fact that there were clear cases of a declining capital base of the credit unions, the worsening economic circumstances of the members, exacerbated by the inability of the credit unions to gear up the confidence of their members. These factors Songsore (1992) claims led to the sharp decline in credit union membership in the Upper West Region from 23,830 in 1983/1984 to 16,290 in 1986.

In certain credit unions those who had once been active members became inactive, among other reasons because of the liquidity problem. Especially in the towns of Hamile and Nandom credit union members were unable to withdraw their savings. This impasse finally led either to the stand-still or disintegration of these credit unions, leaving members in a complex situation in which they could neither recover their savings nor obtain loans.

One of the most serious cases was the decline of the St Theresa Credit Union in Nandom. It had once set a good example of a successful credit union in the Upper West Region, but after about two decades it fell victim to its own success. The decline of the once very active Nandom Credit Union was a big disappointment to members, and it also had a demoralizing effect on the members of other neighbouring credit unions. It had once been a highly developed credit union, involved in multi-dimensional activities including the improvement of farming, even to the extent of providing the use of a tractor on the farm, in an attempt to transform the traditional farming techniques which had up to then dominated by hoe farming. Even though the rural communities were very enthusiastic about the tractor, which helped to increase agricultural output for some time, local technical know-how about how to maintain it and how to obtain the requisite spare parts was not available. It was beyond local capacity to maintain the tractor, and one day it had stopped functioning. The problem of such technical predicaments was not limited to farming, but contributed directly to the accelerated collapse of the credit union, as it had a very adverse effect on the basis of trust in the surrounding community. The management of the St Theresa Credit Union consisted largely of members of the local elite, who in the light of the disappointing developments were seen as the cause of the problem rather than the solution. Gradually, the credit union froze and stopped functioning.

Credit union officials at different levels, regional and national, were involved in trying to stave off disaster but they were unequal to solving the problem. Local elders and institutions too have been involved in finding a solution. Uninterrupted attempts are still being made to find a solution to this particular credit union so that it can resume its activities, but so far there is little cause for optimism. Even youngsters seized the initiative and wanted to solve the problem of the St Theresa Credit Union:¹⁷ *“...We took the initiative to trace and meet the management and members and solve the problem of this credit union and revive it. We started to go around and meet some members, but at one stage we were discouraged and demoralized by an influential and elderly member of the management who said to us: You were not born at the time we started this credit union. Where did you get the information? Young boy, please leave me alone and go from here, you don’t know the problem very well.”* This youthful initiative to solve the problem proved unworkable. In a rural setting, normally it is the elders who are expected to deal with such a problem, not the other way round. So, even though the youngsters were well intentioned in wanting to do something about the local crisis and various

people and the community had blessed their initiatives and attempts, no tangible results were achieved.



Figure 8.2: Deserted premises of St Theresa Credit Union, Nandom

The St Theresa Credit Union proved beyond rescue. The credit union office, which was once a hive of credit activity, was deserted and standing empty during the time of the field-survey and nobody dared to go in. Members were greatly disappointed. When one of the founding, active members of the credit union was interviewed, he expressed his views in these words: *'This is a situation we have never expected. When we formed our credit unions in the 1960s, we thought we had solved our financial needs, that we finally got our own organisation where we could keep our savings and also could get loans when need arises. But now we have lost our savings not to termites like before in the olden days but to an invisible enemy, who mismanaged and misused our savings for selfish interests. The credit union building which*

*had been considered as a symbol of a successful community development turned into a sign of hopelessness and mistrust. It is rather better if it is quickly demolished and forgotten.*¹⁸

The decline of the Nandom Credit Union angered its members. The farmers especially lost all faith and trust in the management, drawn from the local educated people and elite, expected to be capable of running a credit union. Discussions and interviews relating to this particular credit union indicated that so far, even though no tangible result had been achieved, the tension and myths which had once clustered around this credit union have gradually dispersed, leaving a fertile environment for other credit unions to rise up from the ashes of such a bitter experience. Even though St Theresa Credit Union disintegrated because of external factors and internal managerial problems, the community was already familiar with the relevance of credit unions and the importance of an appropriate management which guarantees the continuity and sustainability of credit union.

Instead of waiting for the St Theresa Credit Union to be resurrected, the local community in collaboration with the Roman Catholic Mission came together and formed a credit union with the specific aim of improving the condition of the small farmers. Writing of the rise of this new Farmers' Credit Union in Nandom, Songsore (1992: 97) describes the situation as follows: *'... peasant confidence has been completely destroyed. From the mess has emerged a farmers' cooperative credit union, known as the Kuob-Langtaa Credit Union. The peasants have refused to admit any literates into the new union. Since the literate elite were blamed for the fraud in the Nandom Credit Union.'*

Besides symbolizing a moving ahead after the crises which had caused such disruption, the emergence of the new credit union is an explicit expression of the dissatisfaction of the small farmers with the management dominated by members of the local elite. A few years after the establishment of the Kuob-Langtaa for the small farmers, the foundations for a new women-centred credit union were laid in Nandom. Unlike other credit unions in the neighbourhood, its goal is improving specifically the situation of women by providing them appropriate access to credit

8.5.2 Practical measures Undertaken to Resolve Problems

To resolve problems of the credit unions which were multi-faceted, diverse measures taken from different perspectives were proposed. The discussions conducted and reports found at the regional office reveal the various methods employed to reverse the crisis situation swiftly and return to proper functioning credit unions. Very subtly, mainly through the mediation of elders and concerned groups, the local community continued to meet the different personalities in the management team to investigate and mediate a solution to the problems, especially to chart ways to recover the outstanding delinquent loans. Unquestionably, other stakeholders, such as the Roman Catholic diocese of Wa, likewise participated in looking for a solution to the local credit union's problems, commissioning a group to investigate the most pressing actual problems. The specific issue of dealing with loan delinquency will be discussed in detail in the next Chapter. Among the longer term solutions identified to prevent the problem of delinquency and many other credit union problems, special emphasis was given to education and training for credit union leaders and members. In the early years, members rather naively had good faith in the smooth functioning of the credit unions and the honesty of the members of the respective committees. During the start-up phase of the credit unions, some schoolteachers had taken

those positions in the credit unions which required clerical skills. Later this had changed. In fact, sympathy for the unskilled members of the Board of Directors was stronger than for their better qualified fellows.

Nor unsurprisingly credit union treasurers and their assistants are expected to know at least the fundamentals of bookkeeping and basic financial management, but these skills had often been lacking among the credit union managers in the Upper West Region. Dessha (1976) claims that quite a reasonable number of unskilled staff was represented in the credit union management. Most board members were re-elected without question or being challenged for not implementing the terms of reference for their position. Hence, the unskilled personnel saw no urgent need for and felt no pressure to demand training. Dasah and Der (1976:20) note that: *'... Members appoint irresponsible Boards and Committees who leave the control, direction and decision-making of the credit union in hands of untrained treasurers who are not responsible to any one'*. Often members who did not know anything about the credit union financial system were elected simply because they were the most trusted persons in the community. Some of the board members and treasurers were chosen on the basis of trust rather than merit and lacked a basic background in the keeping of the financial and administrative records of the credit unions. An old member of the credit union described this situation as follows: *'... It used to be simple to know who is who; who is honest and dishonest, but now in the institution it has become blurred and it is impossible to know who is indeed honest and who not. The so-called by-law has disillusioned us. Once somebody is nominated or elected, we trust the person blindly, we don't notice the change in the person.'* Perhaps overlooked or only dimly felt, the changes in the economy and the expansion of the market economy and money have also had an impact on the foundations of the traditional terms of trust. Certainly, there was a distance between committee members who were reasonably well informed about the complex role of finance, and ordinary members. Certainly, the impact of this new factor was not spotted in time and the knowledge gap continued to grow.

It is impressive that, despite the complexity of the problems of the credit unions in the Upper West Region, local scholars have given the highest priority to educational programmes (*cf.* Saka 1982, Dasah 1976). Such programmes tailored for credit union members and managements were definitely believed to reduce the delinquency problem. A proper educational programme was also expected to be useful to the credit committee, preventing it from granting loans to those who did not qualify, and ensuring that the borrowers requested loan for legitimate purposes and abided by the loan conditions. There was a great interest shown in such programmes by credit unions, anxious to integrate new aspects of management into their management systems, and eager that members not simply accept the credit union bye-laws and policies as something static, but as something which all should know and apply dynamically in the day-to-day activities of the credit unions. Knowledge of the bye-laws alone is not enough, as managers especially had to know the details of the laws and their translation into the organizational structure, and into the specific rights, responsibilities and privileges of members.

There were many reasons why significant importance was attached to education and training programmes for credit unions, of which there are three main ones. The first reason was that following these could lead to more participation and accountability. Education would help members to participate actively rather than delegate and leave all the responsibilities upon the shoulders of a few elected or appointed committee members, who often happened to be unable to carry the load of the entire work by themselves. The educational programme for the credit

union members was seen as a key factor, or indeed as some sort of a magic instrument, which could help transform the credit unions into modern local financial institutions.

Secondly, there was a conviction that education could facilitate the adaptation to changes and the integration of some aspects of modern management. Education is also an essential process through which to influence members to adapt the management structure and procedures of the conventional credit union, should this be necessary. It could help members to venture away from the traditional practices of management, which were oriented more towards trust and local networking, than towards qualifications and skills in the calculation of financial ratios.

Lastly, education was thought to support the effective mobilization of local savings and provision of financial services in a rapidly changing external environment. Even though the credit unions were able to continue to operate, even after two decades the co-operative movement had not yet reaped much success in mobilizing all the rural savings. In order to realize the objectives of the credit unions and permit the diversified use of loans for different purposes, it was believed that a change in the dominant traditional attitude towards savings and loans was required.

As the interconnectedness between local and the global processes tightened, the credit unions were no longer confined to the rural areas. They were forced to deal with developments which directly affected them, such as Government policies, changes in exchange rates, the devaluation of national currencies, or changes in market prices of local commodities in external markets, taking place elsewhere, beyond the local boundaries.

8.6 Transformations and the Rise of New Forms of Credit Unions

When closely observed, the development of the Co-operative Credit Union Movement among the *Dagaaba*, and even in Ghana, has passed through different but interrelated phases. The past decades can be categorized into roughly three phases marked by some sort of cyclical movement characterized by periods of growth and development, interspersed with periods of crisis and revival. It is obvious that currently credit unions are professionalizing and re-orienting themselves along new strategies in order to transform themselves into mature, competitive local financial institutions. The initial phase (1955-1976) was undeniably a period of establishment, growth and expansion. The second phase (1976-1990) was a period characterized by regular crises, subsequent decline and revival, whereas the development since 1990 to the present has been largely marked by a professionalization of the staff, a re-orientation towards the basic principles of co-operative credit unions, and the taking of financial regulatory measures and increased specialization.

8.6.1 Continuity and Change among the *Dagaaba* Credit Unions

Currently, the credit unions are in a process of transformation. This process involves comprehensive changes in organizational structure and management strategies, and there are also reformulations of principles and work methods. Having weathered severe crises, and conscious of the growing discontent and dissatisfaction among the members with the ways credit union have functioned, not to mention the global changes in economic relations and the close interconnectedness between local and global financial institutions, the credit unions have

been forced to restructure and reorient themselves to current developments. In order to remain viable, efficient and effective local financial development institutions, co-operative credit unions have had to adapt skilfully to both local needs and global developments.

In this context, three major changes have taken place in the credit union movement of Ghana, which can also be observed in the local credit unions among the *Dagaaba*. First, there has been a process of professionalization. For a long time a re-organization process has been underway in the Credit Union Movement of Ghana. Even though credit unions are still governed by a democratically elected body, in which in principle every member has access to participation in decision making, the organization is currently being run by professionals who can manage the complex changes in financial markets, deal with concerned stakeholders and also take the interests of the members into account. Second, credit unions have started to specialize in the needs of such specific target groups as women and farmers. This identification of the primary societies with different sectors and target groups will assist credit unions in handling specific development issues more effectively. Thirdly, there is the gradual shift discernible from the original basic principles of the common-bond between members. The credit unions have started to open up to everyone, which means fewer ties among members, and the original motto of “Not for profit but for service” is also weakening as credit unions have to become self-sustainable, competent institutions. They now also generate sufficient surplus to provide dividends to their members and pay a reasonable remuneration to professional managers. A shift from the previous idealistic orientation towards a less dogmatic and more practical approach is very apparent.

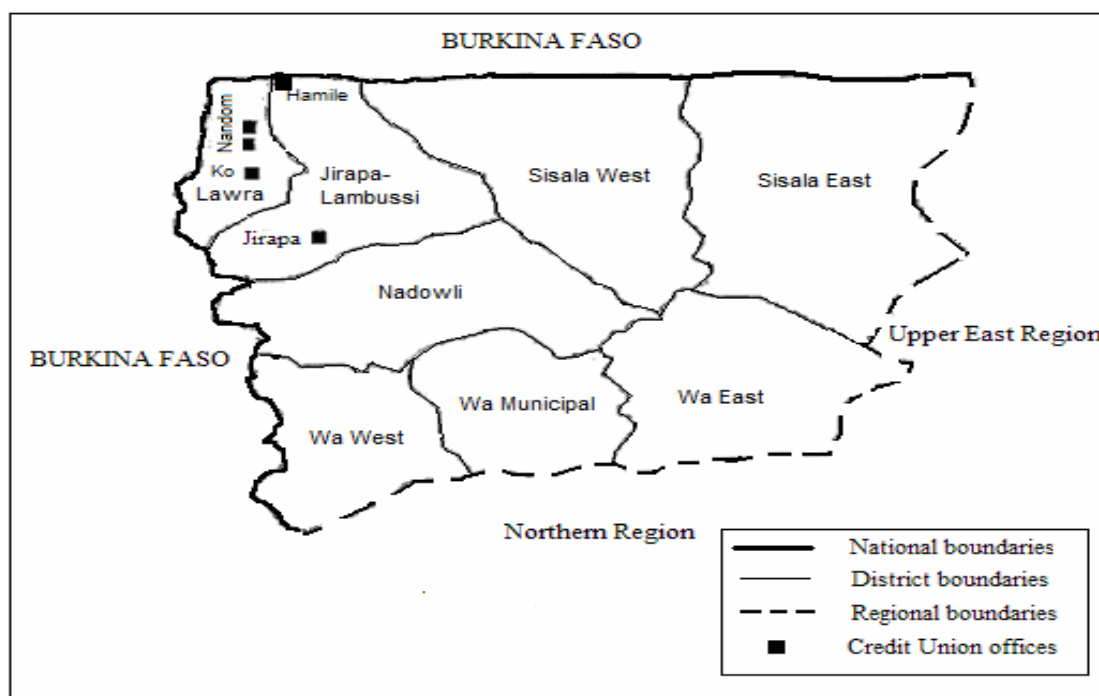
Having passed through many ups and down, many credit unions in the Upper West Region, especially among the *Dagaaba* community, have managed to hold their own and continued to provide the services expected of them, at least partially. Despite some changes in initial goals and the principles of the credit unions, they still retain their place in the hearts of the members and the community has high expectations of these relatively small financial institutions. Musing on this, an elderly member has expressed his ideas as follows: *‘By being a member of the credit union, we have a strong belief that it is our institution which ties us together, on which we can also depend in difficult times and which also improves our lives.’*¹⁹

As of June 2002, the statistics of the UWR co-operative credit unions affiliated to CUA (see Appendix) indicate a total of 2715 members, composed of 832 female, 1404 male and 481 group members. These group members are not classified into male and female, but usually each group is expected to contain more than ten persons. In this case, the total number of members who make direct use of the credit union services may be estimated to be over 7000 persons. As was observed empirically in the study area, the access to and benefits obtained from the credit unions by the members are often shared with relatives and kinsmen. It is obvious that in such a closely knit rural culture, where mutual help and co-operation predominate in the local value system, indirect benefit seems to be common.

8.6.2 Analysis of Selected Credit Unions

Even though the general political and economic conditions in the country can have a significant impact on the development of credit unions, it is still the local environment and the ways credit unions are managed, including specific procedures and practices, which most strongly affect the circumstances of the credit unions. As the example of the St Theresa case

clearly showed, the absence of participation of the members and stakeholders in the decision-making process certainly exacerbates any sort of credit union problem, leading to a situation which finally got out of hand. The general membership lost trust in the management, the number of members dropped quickly and the credit union fell into a decline. In its place, two new credit unions, namely the *Koub-Langta* and a women-centred credit union, have emerged in Nandom. To achieve a deeper understanding of the development of credit unions among the *Dagaaba* specific attention will now be paid to five credit unions in the centre of the *Dagaaba* areas (see Map 8.1), the Jirapa Credit Union, the Nandom Women-centred Credit Union, the Nandom Farmers' Credit Union, the Ko Credit Union and the Hamile Credit Union. The credit unions in Jirapa, Hamile, Ko and Nandom are in places where the credit union movement was launched more than four decades ago and have been subject to various forms of crises and changes. While Jirapa is a significant place where historically the Credit Union Movement in Ghana began, the two credit unions in Nandom are relatively new ones, established towards the end of 1980s.



Map 8.1: Location of selected credit unions

In terms of membership, it is no surprise that about 75 per cent of the members of these five credit unions in the *Dagaaba* area are small farmers, who depend for their livelihood first and foremost on subsistence agriculture. The other members are involved in respectively petty trading (10 per cent) and manufacturing (9 per cent) for their main source of income. The remaining 6 per cent of credit union members, grouped in the category “others” in Table 9.9, consists of civil servants, notably schoolteachers, nurses, employees of the district offices, and people engaged in local handicrafts. This distribution of membership in terms of occupation reflects the fact that the Upper West Region is a mainly agricultural region. As agriculture

constitutes the major economic activity in the *Dagaaba* area, it is evident which most people are engaged in farm work, if not permanently than at least seasonally

Table 8.4: Economic Activities of Members

Credit Unions	Number of Members	Main Economic Activity of members (in per cent)			
		Farming	Petty trading	Manufacturing	Others
Jirapa	110	70	15	10	5
Nandom Farmers	723	80	5	10	5
Nandom Women	200	45	35	15	5
Ko	300	85	5	8	2
Hamile	410	75	10	5	10
Total	1743	75	10	9	6

Source: Respective Credit Union Offices

Overall, women make up more than 50 per cent of the membership in these five credit unions, with female members forming the majority of two out of the five credit unions and being the sole members of the Nandom Women Credit Union.

Table 8.5: The Status of the Five Credit Unions as of January 2003

Credit Unions	Number of Members	Female Members	Male Members	Savings (mill. cedi)	Loans (mill. cedi)	Delinquent Members
Jirapa	410	165	245	200	n.a	15
Nandom Farmers	723	259	464	103.3	59	297
Nandom Women	200	200	0	6.5	4.6	10
Ko	300	250	50	6	2.5	n.a
Hamile	110	64	46	40	14	19
Total	1743	938	805	355.8		

Source: Chapter Office, UWR, Wa

(i) Women-Centred Credit Unions in Nandom and Ko

As in various rural communities in Sub-Saharan Africa countries, the *Dagaaba* women play an active, very extensive role in both the financial sector and the agrarian socio-economy. In addition to carrying such domestic responsibilities as maintaining the house and caring for children alone. Even though only recently some *Dagaaba* women have been taking part in trade, they have always brewed *pito*, a local drink, which is consumed by almost the entire community of the *Dagaaba*, for the local market. Women in these domestic trade sectors, who are exposed to the money economy, seem to have relatively easier access to resources than

women in the agricultural sector. *Dagaaba* women have always been intensively engaged in the agricultural sector. It is a well-known, common practice among the *Dagaaba* for men, who are considered the head of the family, to leave the village in search of a seasonal labour in other regions of Ghana. During such a period when the men are absent, it is the women who remain behind and bear the entire responsibility for the family and for the agricultural production on which they depend entirely for their livelihoods. Regardless of such a heavy burden, the traditional relationship in the ownership of property in general and land in particular favour men. They control the local factors of production and make decisions about the allocation of scarce resources. Undoubtedly, the main cause of such an unequal resource distribution lies in the socio-cultural relations, and it greatly hampers the participation of women engaged in the agriculture sector (cf. Goka: 1989) in such local financial institutions as the co-operative credit unions. All control over productive resources and decisions related to the distribution and allocation of these lie largely in the hands of men rather than women. This asymmetric position in the household also prevents women from equal participation in other local institutions.

Confirming what is known from various rural parts in Africa, practical experience in the *Dagaaba* region shows that for a long time rural women had the greatest of difficulty in gaining access to formal institutional credit. Although occupying an important place in both agricultural production and local trade, the *Dagaaba* women have never had proper access to financial services, certainly not from the conventional institutions which were based mostly in the urban areas and had no particular intention of providing financial services to women in agrarian areas. With the exception of the limited possibility of getting small loans from close family members and members of the kinship group, women in *Dagaaba* were starved for options, as even such informal financial institutions as the *sususu* were not abundantly available in the *Dagaaba* areas. Especially since 1980s, the importance of women obtaining access to credit has become one of the main concern for various development organizations. The provision of credit for rural women has been seen to contribute to the improvement of their economic status, and pertinently has led to their participation in active decision making.

Towards the end of 1980s when the unfavourable position and rights of women gradually became a serious issue to be tackled, the question of how to facilitate the participation of women in the credit unions was raised in the CUA Development Programme for 1993 to 1997, largely through pressure exerted by CCA. In the early 1990s, various women-directed programmes and projects were formulated and launched by CCA and CUA. In co-operation with CCA and other similar NGOs, special funds were mobilized for various women schemes in credit unions, for the WID (Women In Development) programme.

Some *Dagaaba* women who felt that the existing credit union movement was not only dominated by men, but also in crisis, saw the need to form their own separate local financial institutions and networks, both owned and run by women. In this framework in Nandom, a group of women came together and established a separate, women-centred credit union, which started to function independently, operating mostly outside the direct organizational ties and connections with CUA. This newly formed credit union wanted as much as possible to distance itself from the earlier credit unions in the vicinity of Nandom, which had collapsed. Instead of occupying the empty building left behind by the St Theresa Credit Union, they used office space in the premises of a Ghanaian NGO, the 31st December Women's Movement.

Even though *Dagaaba* women have been members of other credit unions, this credit union is somewhat unique in both its management and its relations with CUA. The Women-centred Credit Union's aim has been to improve the socio-economic status of women in rural areas, and expand their capacity for leadership development. It has roughly 200 members and an organizational structure more or less similar to its male-dominated counterparts, but the members conduct meetings and manage their credit union differently. The relationship between CUA and the Nandom Women-centred Credit Union has been ambivalent, with the latter not allowed proper access and not appearing in the statistics. Both the location of the office and the attitude of the management of the women-centred credit union were not highly appreciated by the Chapter Office of the Upper Western Region. Ignoring the tense relations, the field-officer from the regional offices visited them and oriented them in how to follow the standard credit union structure and management, as drawn up by CUA for all Co-operative Credit Unions in Ghana.



Figure 8.3: Nandom Women-Centred Credit Union

In an interview, when asked why they had formed a separate women's credit union, Mary, the secretary of the Women-centred Credit Union replied: *'...We have been motivated to form a women centered credit union for various reasons. Firstly, the men dominated credit unions are not only excluding women but they are also constantly in crises. Secondly, women are more economically active than men, they are involved in all domestic and farm activities, yet they don't have the opportunity to save and have access to credit services. Our union provides them not only with this crucial services but also encourages them to be active entrepreneurs and participate in the management of credit unions.'*

The Ko Women's Credit Union used to be a community-oriented credit union. Located in a rural area about five miles from Nandom, it has effectively served the small farmers for a very long time. After the demise of the St Theresa Credit Union, especially towards the beginning of the 1990s, it began to experience liquidity problems and sharp decreases in its membership. Even though at different times CUA tried to shore up the Ko Credit Union, it failed to achieve the desired result as the participation of the local members both in the management and the search for a solution was not an integral part of the operation.

When all further effort was out of the question, in 2000 the Ko Credit Union was transformed into a women-based credit union. Its services were re-oriented primarily towards serving small women farmers. It works in close co-operation with the Roman Catholic mission. While the Nandom Women-centred Credit Union is providing the bulk of its services to the petty traders based in Nandom and its surroundings, the Ko Women's Credit Union is engaged primarily with female rural peasants in Ko.

(ii) Small farmers / sector-oriented credit union in Nandom

The *Kuob-Langta* Credit Union was formed mainly to serve small farmers. It is supported by the Roman Catholic mission and is also directly linked with the farmers' co-operative which was formed in 1977 to improve the agricultural production, storage and distribution. This credit union is unequivocally part of the agricultural sector. Even though it is autonomous and managed in accordance with credit union bye-laws, this credit union is closely associated with the farmers' co-operative which of its very nature has diverse agricultural related functions. Most of the farmers in the neighbourhood have formed their groups and became members of the agricultural co-operative, and they are also expected to be members of the credit union. As part of the savings and credit scheme of agricultural co-operative, the credit union provides required financial services to those farmers who are members.



Figure 8.4: Nandom Koub-Langta, Farmers' Credit Union Office

As Brother Saantue has explained: ‘... The Koub Langta Credit Union is closely linked up with Nandom Small Scale Farmers Co-operative. This co-operative was established in October 1977, to protect farmers from traders and middle-men, who make an extreme profit from season-related economic situation of farmers. During the harvesting season (in October and November) it has been a common practice that the small farmers need money to settle their taxes, buy basic needs such as clothing and make payments school fees for their children. During this season, the market traders, who have relatively good cash flows, buy from the farmers at a very cheap prices and store them for months. In June, July and August, when the farmers often experience food shortages, the traders resell back to them with more than twice of the original price. In order to solve this vicious circle of problem, the Farmers co-operative was formed by small farmers and with the assistance of Catholic Mission in Nandom. Through the establishment of the Koub Langta Credit Union, the small farmers could easily get access to services and resolve their financial need with out being dependent on traders.’²⁰

(iii) Jirapa and Hamile Credit Unions

The Jirapa and Hamile Credit Unions both fall into the community category. Even though the activities of the members are heterogeneous, the majority are small farmers. The Jirapa Credit Union is the oldest. It has passed through several phases, characterized by growth in membership and savings and also recently a fall in its membership. Currently the credit union is actively engaged in strengthening itself by ensuring the proper election of the Board of Directors through the participation of members, involving more stakeholders and employing a professional manager. The Jirapa Credit Union is expected to transform itself and become an effective efficient credit union

The Hamile Credit Union was also affected by the crises of the 1980s and has been under severe strain for quite a long time. As its office is located on the premises of the Roman Catholic parish, for a long time it was considered to be related exclusively only to those who are associated with parish. Currently it has become more active, opening its membership to both the Roman Catholic and Muslim communities who live and work together peacefully. As the only financial institution in the border area between Ghana and Burkina, if properly managed with the full participation of the members and professional staff, it has the opportunity and potential to become a viable, effective credit union.

In looking at the effectiveness and survival of a credit union it is always important to discern which external institutions supplement the internal efforts. Saka (1982) says the success of the Credit Union Movement depends not just on the local dynamic alone but it cannot do without the constructive assistance and solidarity of both internal and external agencies. However, as time goes by as local institutions credit unions must fully rely on their own resources.

In this regard, other factors which have contributed towards developing a strong base in the initial development of credit unions in Ghana in general and specifically in the Upper West Region in the 1960s have been the infrastructure and financial assistances provide by the Catholic Relief Services, the Konrad Adenauer Foundation (KAF) of West Germany, the credit union movement in the Netherlands, known as the Raiffeisen Movement, and CCA from Canada.

In the 1960s, the Catholic Relief Services regularly helped the Upper West credit unions in organizing conferences and in providing office equipment and vehicles to be used by the regional office. In 1968, the Raiffeisen Bank of Utrecht donated USD 23,000 to cover the payment of staff salaries and the purchase of a car. In 1969, KAF covered the cost of training courses and seminars for credit unions in Ghana and later, in 1975, it was still one of the principal donors to CUA, organizing seminars and conference and in funding the purchase of premises for CUA, CUA House in the centre of Accra. Since the end of the 1980s, CCA has also provided funds for the implementation of the Women In Development Program, and credit unions in the *Dagaaba* area have also benefited from this externally provided assistance.

The foregoing discussions and analysis clearly reveal that after a series of transformations over a period of more than four decades, credit unions have anchored themselves in the *Dagaaba* community as important local financial institutions. The primary aim of the Credit Union Movement has been to serve as a focal point to mobilize local resources for local development in given socio-economic conditions and within the limits set by both national and international interplays. As Songsore (1992: 85) indicates: ‘... *It is very often the belief that,*

through the organized collective action of communities at the local level, the poor can fashion a suitable response to their progressive marginalization by the normal workings of finance capital.’ Credit Unions, as argued by McNulty and quoted by McCoy (1988: 215): ‘... are not the only answer to the social and economic problems of the people in Africa. But they do have a great role to play nevertheless and have already brought the hope of an improved material existence to many. ... In most areas of the Upper West Region, especially among the Dagaaba, where proper management and needed care has been taken of credit unions, societies at the grass root have been able to get access and benefited from it. In the process they have also constructed a strong basis of solidarity and mutual trust and preserved local self-esteem.’

The central issues which require detailed elaboration in this study are the organizational structure and the management of credit union and these will be analysed in the following chapter. In this context, the relationship between management, the role of credit union and local development will be investigated in greater detail.

Notes

- 1 For a detailed historical interpretation of credit unions, see (CUA), 1978: 1-60.
- 2 Discussion with Dongyirir in Nandom on 22 March 1997.
- 3 Interview conducted with Mr Moris in Jirapa on 28 March 1995.
- 4 Discussion with Jirapa Credit Union Manager, Mr Dakura, 7 June 1999, Jirapa.
- 5 These informal loans are also referred as 'traditional loans 'or ' non-institutional loans'. For details see Maloney and Ahmed (1988: 49).
- 6 An interview conducted with a well-known *Wala* money lender in Wa on February 2, 2002.
- 7 A narrative taken from discussion conducted with Mr Hipo, who had borrowed money from a private moneylender. Jirapa, August 3, 2001.
- 8 *Ibid.* See also Chapters 4 and 5 of this publication on the history and organizational structure of co-operative credit unions.
- 9 Mr Tenga is a catechist who worked in the dispensary in Jirapa.
- 10 Referred from CUA documents (not dated) in Accra.
- 11 In the activities of the Roman Catholic mission of Northern Ghana, there has been a close link between religion and economics. As McCoy (1988) has pinpointed, preaching the Gospel always goes hand in hand with helping to improve the material conditions of community.
- 12 In discussions about the origin of credit unions in Ghana, the Jirapa case is always mentioned as the starting point.
- 13 Late Rev. John McNulty was a Scottish Roman Catholic priest based in Canada, who served in the Jirapa Mission station in the 1950s. He has always been referred to in the history of the co-operative movement as one of the strong supporters of the formation of the early Credit Union in the Northern Ghana. In recognition of his continued effort and support to the credit union Movement in Africa, he was awarded a Certificate of Appreciation by the Board of Directors and Delegates of Credit Unions during the ACCOSCA conference held in Nairobi in August, 1978. For more details see McCoy (1988: 215).
- 14 From interviews with credit union members among the five selected credit unions, June 1998.
- 15 Discussion with Mr. Dongyirie in Nandom on 5 April, 2003.
- 16 This letter was written by Mr S. Zaatoh, on 3 February, 1987. He was then the regional manager of the Upper West Chapter.
- 17 Discussion with Dagaaba Youth in Nandom on 21 March, 1998.
- 18 Discussion with Mr Bawa, Nandom, 7 June, 1999.
- 19 Interview and discussion with an informant in Jirapa, March 1999.
- 20 Narrated from discussion with Brother Saantue in Nandom on 17 December, 1996.

IX Credit Union Organization and Management

This chapter analyses the organizational structure, procedures and practices of credit unions and discusses the role these co-operative organizations perform in the processes of local development. By dint of years of communications and interactions between credit unions and other similar co-operative organizations throughout the world, local credit unions have been able to adapt to and operate under a more or less common, standardized organizational structure. This standardized structure has also been adopted by the credit unions in the Upper West Region of Ghana, though greatly supplemented by Local Organizational Knowledge (LOK). Even though these local credit unions employ a more or less similar system of management, their uniqueness lies in the fact that they have their distinctive ways of applying the locally developed organizational knowledge systems which they have at their disposal in the planning and implementation of credit union activities, and in decision making.

After a detailed description of the organizational structure, the planning and decision-making process employed in the credit unions and the utilization of LOK in the Credit Unions' management will be discussed. Finally, the role of credit unions in the development process of local communities will be analysed.

9.1 Organizational Structure and Responsibilities

Officially registered credit unions in the *Dagaaba*-inhabited parts of the Upper West Region adhere formally to the conventional organizational structure of Co-operative Credit Unions (see Figure 9.1), albeit they implement it in their own ways and with the combination of locally accepted practices and procedures.¹

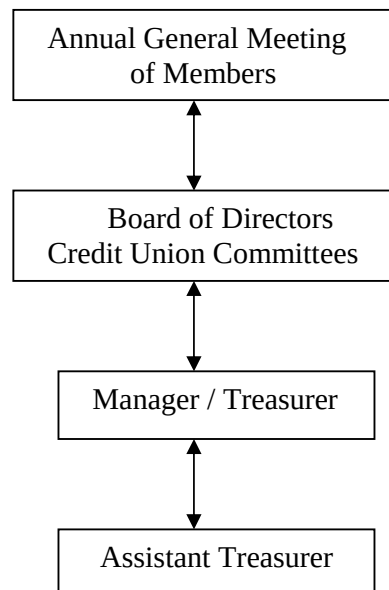


Figure 9.1: Organizational Structure of Credit Unions in Survey areas

This organizational structure of the credit unions is situated within the national legal framework for co-operatives in Ghana as laid down in the Ghanaian Co-operative Decree of 1968. All credit unions which are formally registered with the Co-operative Department of Ghana, are obliged to operate according to the bye-laws. In addition to the detailed structure of credit union organization, the bye-laws set out the rights, duties and obligations which respective co-operative organizations, among them credit unions, have to fulfil. These have also been adopted as the modal bye-laws and articles of the Co-operative Credit Union Association of Ghana (*cf.* Appendix I). As has been observed in the official documents of the credit unions in the *Dagaaba* area, the organizational structure and the credit union constitutions both comply with the standard co-operative structure, and the National Decree and Law Governing Co-operatives in Ghana.

In order to analyse and understand the entire landscape of the organizational structure of the credit unions and the different factors which influence the credit union decision-making processes thoroughly, in the final phase of the field study five selected credit unions, which are located in the Jirapa, Nandom, Hamile and Ko areas, were selected for special attention. The organizational structure, policy planning and decision-making processes are analysed in greater depth and discussed with special emphasis on these five primary societies.

9.1.1 Membership and the General Meetings

Credit Union membership is open to every individual in the community who is older than eighteen, regardless of gender and socio-economic status. By definition and also in practice, the credit union is a member-owned co-operative organization. Asked about the issue of ownership, all members interviewed believe that the credit unions are theirs and nobody else's. In spite of the various differences among the members in age, gender and amount of savings, more than 95 per cent of the eighty-six members interviewed responded that they feel attached to their respective credit unions and trust their fellow members. Even though sometimes members may misbehaviour unexpectedly, in general the members exhibit a strong trust among themselves and in the Board of Directors which represents them. Although rural credit unions are built upon a common bond, the interdependence and close ties and knowledge of each other's socio-economic background are additional factors which strengthen the trust within the common bond.

The relationship in the rural community is very intense, sharing a common bond beyond the tie of their similar activities. A woman, who is a member of a credit union and busy rearing goats, expressed the close relations within the community as follows: *'...we know each other very well; not only by name and as neighbours, but also more closely and importantly, how we live; we are aware of each other's socio-economic and health circumstances. We know who will provide or obtain help in our community.'*

As analysed in Section 8.3, the incentives which prompt people to become a member of a credit union are not always financial. When asked about their reasons for joining a credit union, the majority in fact responded simply that they wanted to save the little money they had for a rainy day, and have access to credit and any other facilities the credit union could provide. The rest become members just to belong to an institution which their fellow neighbours or kinsmen consider important.

The majority of the credit union members in rural parts of the Upper West Region are illiterate. The manager of Jirapa Credit Union says: *'... the great majority of our members have not gone to school. When they come and tell us that they want become a member of our*

credit union, we fill in the official membership form for them and ask them just to sign with a thumb of their fingers.’²

Except when there are severe crises or serious problems which could hinder the General Meeting of the co-operative, it is held once every year by all credit unions in the Upper West Region. The General Meeting, which is expected to be attended by the entire membership, is the highest organ of the credit union. After the date and the place of the General Meeting have been set by the Board of Directors (previously elected officials), the invitation is delivered to all credit union members and to observers, notably the local representative of the Department of Co-operatives, the field-officer of the CUA and other local dignitaries, whose presence and observance of its activities is important to the credit union. Among them might be the Chief, the *Tendaana* and distinguished local elders. To ensure that it reaches its targets, the invitation is distributed widely through various channels, which include the sending of written letters of invitation to the members and delivering the message through parishes, Chiefs and local gatherings, and by passing it on through members who come to the credit unions to organize their affairs. In the General Meetings for the year 2001-2002, the rate of participation was estimated to be as follows.³

Table 9.1: Participation in the General meeting of 2001-2002

No.	Credit Union	Total membership	Participation (in %)
1.	Jirapa	110	60%
2.	Nandom Farmers	723	60%
3.	Nandom Women	200	70%
4.	Ko	300	70%
5.	Hamile	410	60%

Source: field survey among five credit unions, Upper West Region

Observations have demonstrated that most such General Meetings are attended by the majority of the members. The degree of participation depends on family circumstances and other social and cultural activities which might happen to be scheduled for the same day. In short, attendance is good unless it co-incides with other important local social or funeral events. Often the agenda begins with a very joyful ceremonial ritual, which consists of prayers, traditional thanksgivings and the singing of credit union songs. The chairperson opens the meeting and presents greetings from the Board of Directors. The rest of the issues on the agenda normally include reports by the manager, the Credit Committee, the Supervisory Committee and the Education Committee. Problems related to delinquency are also raised and discussed, as is the progress of past activities. Future plans are proposed and elections are held to replace the existing Board of Directors. At the end of the meeting, traditional blessings, drinks, discussions and local jokes continue, as these constitute part of the local pattern of social harmonization and create a positive environment in the credit union.

One of the important issues in determining participation and accountability is the participation in and the system of election. Unlike similar meetings in the South of Ghana, where discussions tend to be intense and heated, the *Dagaaba* prefer to listen to what is presented and reported and ask questions only when there are issues which are not clear. As regards nomination for the Board, members with a good reputation and talent, trusted by the community, can be elected during the General Meeting and become a member of the Board.

In principle, membership is open to all members of the community, though –procedurally - it is still not possible for those who have no savings to become a member.

9.1.2 Board of Directors and Committees

Even though the composition and the process of decision making vary from one credit union to another, all have a number of committees which are expected to administrate the entire scope of their work. Examining the organizational structure of the observed five credit unions, unquestionably they have adapted the standard structure set out in the conventional organigram on page 29. The bye-laws of the credit unions enumerate the roles and responsibilities of each committee. As in other places, the various committees of the credit unions in the *Dagaaba* area are:

a) The Board of Directors

The Board of Directors, which is composed of nine persons, is elected by the Annual General Meeting of the credit unions. The board members are elected according to the principle of one man one vote. Directly below the Annual General Meeting, the Board is the highest organ in the credit union organizational hierarchy. Board members are elected for a maximum period of three years. From among themselves, they appoint a secretary for one year, a treasurer for two years and a president for three years. The members of the Board whose terms of office have come to an end will be replaced by election at the General Meeting. The Board is accountable for the overall proper functioning of the credit unions. Even though in practice it is not always the case, the Board of Directors is supposed to decide all credit union matters democratically in consultation with members. It is also responsible for giving general directives to the credit union and overseeing the work of the respective committees of the credit union. The Board is empowered by the General Meeting to undertake or approve all actions deemed necessary for the advancement and achievement of the objectives of the credit union. The Board in consultation with other committees, especially with the Credit and Supervisory Committees, draws up the policy guidelines and makes decisions affecting savings, loans and investments.

Table 9.2: Representation in the Board of Directors

No.	Credit Union	Male	Female	Total
1.	Jirapa	9	2	11
2.	Nandom Farmers'	6	5	11
3.	Nandom Women	0	7	7
4.	Ko	n.a.	n.a.	7
5	Hamile	7	3	10

Source: Field survey among five credit unions, Upper West Region

It is an inescapable fact that the gender balance in representation on the Board depends on the type of credit union. In the community credit unions in Jirapa and Hamile, women are less likely to hold office, while in the Women's Credit Union in Nandom the entire membership of the Board is female.

b) The Supervisory Committee

All five credit unions have a Supervisory Committee which is chosen by the Board Members from among themselves. It consists of three members, who are appointed for three years and are replaced one by one every year. Whenever a term of office for one finishes, he/she will be replaced by a member elected at the General Meeting who will be on the Committee for the following three years. This means that there are always two members in the committee who have one and two years' experience respectively. In practice, this Committee deals with all the paper work and goes through all the work carried out by the treasurer. It looks into the accounts and members' books when required. Saka: (1982: 109) states: '*... the Supervisory Committee appears to be the treasurers' best friend.*' Its main duties encompass the examination of the books and records of the credit union and seeing that everything is in conformity with both the decisions of the Board and the co-operative bye-laws. Should there be any irregularity or discrepancy, it has to report the matter to the Board.

The Supervisory Committee supports the treasurer in improving the recording systems. If there are any mistakes the members advise the treasurer, rather than just reporting them to the Board. In the Nandom Women's and the Ko Credit Unions, the members of the Supervisory Committees are women, and in the other three credit unions this committee is composed of male members.

c) The Credit Committee

As is the Supervisory Committee, the three members of the Credit Committee are assigned from the Board of Directors for three years and are replaced one by one every year. When their term expires, they are replaced at the Annual General Meeting by election. The role of the Credit Committee is crucial. The members have to work closely with the treasurer and deal with the approval of loans to those who have requested them. In principle no loan can be granted without its knowledge and approval. The Credit Committee has to pursue a thorough study to decide whether the loan request is genuine and the member fulfils all the requirements, and then pass its recommendations and decisions on to the treasurer.

Table 9.3: Membership in the Credit Committees

No.	Credit Union	Male	Female	Total
1.	Jirapa	3	0	3
2.	Nandom Farmers	2	1	3
3.	Nandom Women	0	2	2
4.	Ko	2	1	3
5.	Hamile	2	1	3

Source: Field survey among five credit unions, Upper West Region

Except in the Women-centred Credit Union, the majority of the members of Credit Committees are male. Unlike other posts, the position of Credit Committee requires a basic knowledge of bookkeeping. Most of the Credit Committee members have had a basic education, but do not have specific bookkeeping skills as such. In some cases the dearth of such skills has also contributed to the problem of delinquency. Mr Kamo, the District Co-operative Officer claims: '*...One of the reasons for our delinquency is the lack of qualified Credit Committees. Some times even those who have the basic knowledge are not serious about their responsibility and they just approve loans for those who do not qualify. If the*

*Credit Committees work following the bye-laws, the loan delinquency would be very much less.*⁴

d) The Education Committee.

The Education Committee, which normally consists of three members, is usually elected or else appointed by the Board of Directors. They are not members of the Board. It is responsible for raising the standard of knowledge of members and management about the objectives and services of their credit union. Officially, all the credit unions surveyed have an Education Committee, even though its members may finish their terms of office without ever implementing any of their duties. Despite repeated recommendations stressing that education is key to the progress and transformation of credit unions, studies conducted (Saka 1982) show the Education Committees of the various credit unions in Upper West Region have a reputation for being relatively dormant.

9.2 Office of the Credit Union and their Functions

The manager, often also referred to as the treasurer of the credit union, is directly responsible for the day-to-day activities of the credit unions. The principal duties of the management are to implement the co-operative policies as agreed by all members at the General Meeting. This includes, *inter alia*, recruitment of new members, mobilization of local savings and granting and recovering of loans.⁵

Managers are employed or appointed directly by the Board of Directors with the consent of credit union members. The employment of appointees to this position by the members of the credit union is not invariably based on merit; trust in and the capacity of this person to promote social cohesiveness carry more weight. They are supposed to be available to serve the members; they are the ones who directly process transactions of savings and loans. The treasurers are also called the managers in all of the credit unions. With the exception of Jirapa and Nandom Farmers, there are assistant treasurers.

Table 9.4: Office Personnel and their Qualifications

No.	Credit Union	Officers	Gender	Qualification
1.	Jirapa	1 manager 1 treasurer	Male Female	High School High School
2.	Nandom Farmers	1 manager	Male	High School
3.	Nandom Women	1 manager	Female	Junior School
4.	Ko	1 manager	Female	High School
5.	Hamile	1 treasurer	Male	Junior School

Source: Respective Credit Union offices.

Most of the treasurers are young, in their mid-thirties, and almost all have had a high school education. Women are relatively well represented as managers, including in the Women-centred Credit Union in Nandom whose manager acts as treasurer as well. Almost all of the treasurers of the credit unions are female. The preference for females in this post is not coincidental, as some interviews pinpointed. Its foundation is the high opinion the *Dagaaba*

have for the honesty of women, who enjoy a high degree of trust for safeguarding money and valuable goods. In the matter of accommodation, some credit unions own their own premises, while others are allocated space by different agencies. For instance, the Jirapa and Ko Credit Unions have their own buildings, where they have offices and guest houses.

9.2.1 Relationship between Managers and Credit Union Members

The foundation on which the credit union is based is the relationship between the community and the institution; consequently, it is the quality of this relationship which determines the functioning of the credit unions. Members are found spread over a wide area in different catchments, and the most salient overall determinant is the relationship between the community and the credit union to which all members belong. In fact, in this regard as Dongyirie has pinpointed: *‘...in the life of our Dagaaba people the community matters more than an individual affair.’*⁶

The credit union meetings are one of the best opportunities for members to come together, exchange ideas about their situation, be informed about the progress of the credit union and adapt their expectations. In the five credit unions observed, the level of attendance at meetings is relatively satisfactory. Discussions with Board members reveal that more than 60 per cent at least of the members attend the Annual General Meeting (see also Table 9.1). In general, managers know that fewer members may attend the meeting if this happens to coincide with an important socio-cultural event or other obligation. Therefore, as the manager of the credit union in Jirapa remarked: *‘... when we want to organize a meeting we take care that the date is not related with any other important event and also we make sure that every member gets information. We spread the invitation through all local networks, including church, Tendaama and Chiefs.’*⁷

As treasurers and assistant treasurers the members of staff occupied with the day-to-day activities, they have the closest contact with members, who come to save, take a loan or discuss their business and their intentions with the credit union officials. As the manager in Hamile Credit Union stated: *‘... We know those active credit union members who regularly come and save or take out a loan very well, but we don’t know the inactive and dormant members who do not come to the credit union office to make use of their account.’*⁸ Officials from such other credit unions as Ko and Nandom responded in a similar vein. As their line of work requires intensive financial services, relatively speaking petty traders visit the credit union offices at more regular intervals than do farmers. As small farmers find it hard to get away from their farms, they only go to the credit union office when there is some serious matter, either a General Meeting or when they are in desperate need of financial services.

9.2.2 Interactions between Committees and Members

Members of the respective committees meet regularly, at least once every two months, with the exception of the Education Committees which are not very active throughout the *Dagaaba* area. Educational and training programmes are highly recommended to credit union management and members by CUA, but in practice there are no properly organized manuals for this purpose. Although there is no direct or official meetings between members and the various committees, informally or socially the various members do have contacts with the committee members, and they are updated on what has been discussed in the committee. Commenting on this relationship, an elderly man who is a member of the credit union recounted his experiences as follows: *‘...From our regular and intensive contacts within the*

community, we know everything what takes place in this area. We often hear that when individuals and groups meet, what their intention is. In this regard we know when credit union committees meet, what they are going to discuss and what their decisions are and even who is for or against a certain issue.’⁹ As further discussion with members has indicated, in particular almost every member knows when the Credit Committee is going to hold a meeting, which loans are approved or not, including the reasons. Similarly, there is also a clear exchange of information about the events in other committees. These multiple interactions and exchanges of information are a good reflection of a certain form of transparency as to how the committee functions, with little or no confidentiality or organizational secrets.

Table 9.5: Number of Committee Meetings per Year

No.	Credit Unions	Board of Directors	Supervisory Committee	Credit Committee	Education Committee
1.	Jirapa	10	4	11	2
2.	Nandom Farmers	8	3	9	3
3.	Nandom Women	9	6	10	1
4.	Hamile	7	2	7	n.a.
5.	Ko	5	2	9	1

Source: Field survey among five credit unions, Upper West Region

The meetings of the credit union committees are held on respective credit union premises unless the space available is insufficient and more people are expected to attend. In that case the meetings can be arranged at a school or on church premises or outside under the shade of a tree.

The data about the meetings indicate that relatively speaking the Board and Credit Committee members meet more regularly than the other committees. Although not regularly, the Supervisory Committees hold meetings more often than the Education Committees, which had no meetings in some place like Hamile and just one a year in the Women-centred Credit Unions in Nandom and Ko. The Education Committees are, however, not criticized for their inaction, because the direct effects and benefits of education on the credit union operations are still a closed book to most of the members. Pondering the issue of education, the Jirapa Credit Union manager expressed his opinion in these words: ‘...*Our members do not consider education programmes for credit union very important. That is why they don’t mind if the Education Committee gets its act together or not.*’¹⁰ This seems to be one of the reasons the role of organizing trainings and education programmes for credit unions is assumed by CUA, the CUA Chapter Office and other external agencies such as CCA.

The holding of meetings at regular intervals has a positive impact on the motivation of members. Besides carrying out the organizational work for which they are responsible, the meetings and interactions of the various committees offer a greater opportunity to exchange views about matters concerning the credit union and the organizational environment and information circulating about the credit union. The more members attend regular meetings, the more they think and believe that committees are working hard for them.

Referring to the positive input of regular meetings of the management committee, Saka (1982: 110) has emphasized: ‘... *the more frequently persons interact with one another, the stronger the sentiments of friendship for one another are apt to be.*’ Even though the official meetings are important, as that they all live in the neighbourhood, committee members and

officials see each other more often and exchange whatever information they think valuable. In general, it is the collective or the group interest which has to be awakened and activated. In itself, any regular meeting between individual members and committees is not highly appreciated. In the past, such individually arranged or intensive contacts with committees has raised some doubts, as it might influence respective committee members or indeed induce them to agree to particular demands, such as loan approval to unqualified members (cf. Saka, 1982; Dasah and Der 1976).

9.3 Policy, Planning and Decision-Making Processes

Policy and planning are among the most important aspects to be discussed in the management of institutions. As a rule plans indicate the future direction, while the various policies strongly influence the choice of the diverse courses of actions an organization will take. Similarly, local institutions, such as the co-operative credit unions which are dealing with finance, are expected to keep documents containing certain patterns of planning and policy directives which indicate their immediate and future development direction and the courses of actions to be taken at a specific period of time.

Contrary to expectations, almost all of the credit unions which were closely studied have no written plans or policy documents at their disposal.¹¹ This does not mean that the respective primary societies do not know in which direction to go and what decisions to take to achieve their objectives. Even though they do not possess any written planning documents, all the credit unions observed do have explicit objectives which they are going to achieve in a given year. As the General Manager of the Nandom Women's Credit Union stressed: *'... The work of our credit union mostly remains the same. If there is any new thing we discuss on our General Meeting and every one of us including the members know what we do and are going to do in the year ahead of us. For instance, so as usual we want our union to grow and get more members, and we want give loan to our member who qualify for loan, and we do our best that there is no loan delinquency These are what we want to accomplish this year.'*¹² Commenting on organizational plans and policies, Ms Ernestina, the treasurer of Hamile Credit Union, stated: *'... know what we want and we do in order to get it; but we don't have a separate paper which gives a combined detail of our activities to be performed in the future and how we can co-ordinate the various actions and activities.'*¹³ Likewise, discussions with all the managers of the credit unions show that they are not really in urgent need of such documents. As also discussed with the rest of the unions in the study area, although they do not have a written plan or policy guidelines, they know what they have to do if their unions are to develop. They tend to believe that all the actions and activities required are included in the bye-laws, and that the important thing is to implement these in practice.

Both management and members are more interested in the practical work of the credit union than in having blue-prints, plans and policies. According to previous studies conducted by local scholars (cf. Saka 1982; Dasah and Der 1986; Songsore 1992), the unpopularity of official planning and policy makes it difficult for the credit union to co-ordinate their activities, and the absence of a specified period for the commencement and accomplishment of a certain activity hinders the various authorities and committees from functioning effectively.

9.3.1 Bye-laws as a Guideline for Policy and Planning

For the majority of credit union managements and members, the bye-laws provide sufficient grounds and adequate directives to serve as plan and policy to achieve the aims of the credit unions. The bye-laws and articles of the co-operative credit unions are therefore multi-purpose, exceeding the confines of a rule or a law, and providing a basis for guidelines and policy framework. As Saka (1982: 113) has clearly stated: *'... one could plausibly argue that the relevant portion of the bye-laws just cited could be interpreted to mean that the actions to be performed or authorized by the Management Committee could include planning'*

One manager's view of the bye-laws was that: *'... all practical work and decisions in the credit union are supposed to take place on the basis of our byelaw; it consists of everything we require, even though some of us do not fully comply with it. Activities are being undertaken according to the byelaws. In case there are some exceptional cases, we handle it according to our local values and norms. Based on this we can easily distinguish whether certain organisational manners and practices are acceptable or not, just or unjust.'*¹⁴

As explained by most of the managers of the credit unions observed among the *Dagaaba*, the bye-laws are generally used as a frame of reference when needed, but not entirely and strictly followed and implemented. Whatever the case, it is the only available document which gives a general guideline. It provides the rules and regulations by which to abide, and also describes the main components which will lead towards achieving the objectives of the credit unions.

The main objectives of credit unions, the mobilization of local savings and the provision of loans to promote members' needs, thereby contributing to rural development, can be achieved in various ways, including a proper savings and loan policy. Even though the savings policy strives to mobilize as much of local savings as possible, there are certain visions and principles which have to be followed. It is not as simple as an increase in the membership and the volume of capital. The bye-laws state that the people to be mobilized may be individuals or groups who have a certain common bond, who believe in and trust the members and the management and are concerned about community development. How does one know if someone who wants to become a member is trustworthy and committed to community development? One way is to look at the required minimum balance in a member's savings account, which must always be maintained. This amount was 5000 *cedis* a decade ago and has now risen to 10,000 *cedis*. This minimum is calculated and decided on the conditions affecting the income and expenditure prevailing in the local community.

In principle, credit unions do not accept untrustworthy persons, and also are not prepared to accept any huge amount which falls outside the given parameters indicated in the total capital of the credit union, as this may cause more harm than good. In the bye-laws, it is clearly stated that the maximum amount of savings of any one member should not exceed 20 per cent of the total savings of the credit union, albeit this is not determined and fixed by the credit union management (*cf.* Republic of Ghana: 1968). In discussions about the savings of members with credit union managers, they indicated that they *'...Encourage genuine savings and loans, not the other way round. This is a border area. There are many traders who have to deal with a huge lump sum of money, crossing borders to do business. We don't want to be simply a place of custody for this category. Their membership may also not serve the interests of local development, as they may have few or no ties with the local community.'*¹⁵ Although this could deliver some sort of income if service charges are made, generally speaking the local credit unions are not engaged in money transfer services. They do

encourage local petty traders who have ties with the community to become members, and make active use of the facilities, but their transactions should not exceed certain given limits.

Members are also entitled to interest on their savings. This can be honoured when any surplus income is generated. This has to be discussed and decided not by the management but by the Annual General Meeting. In most of the cases, the surplus in the credit unions surveyed has not been significant and the matter of interest has not arisen. Another area from which members may directly benefit is from buying shares and they are encouraged to do this. In most instances this is arranged through investment of funds in the CUA Central Fund. If the investment makes a surplus in the year, the following year the credit union is paid dividends, which it is expected to divide according to the savings balance of the members. In practice, the amount which the credit union invests in buying shares is very insignificant and hence this investment earns almost nothing. In the *Dagaaba* area based credit unions, the Jirapa and Ko Credit Unions have obtained a reasonable amount in dividends from their investments, either in shares or in community purchase centres or other interests which have accrued. As Saka (1982) has indicated, the Jirapa and Ko Credit Unions have been paid dividends from their savings, albeit fairly insignificant.

Turning to the withdrawal of savings, in principle a member can withdraw any amount from his/her own savings as long as the remaining balance does not drop below the required minimum. In practice, the credit unions tend to encourage members to take loans, as this can generate mutual benefit for both the institution and the borrower. When asked about the advantage of taking a loan, the manager of the Hamile Credit Union stated that: *'... We motivate members to take loans, because this gives us enough liquidity and activates the members. Loans make members think about using them wisely and also about paying them back before the due date.'*¹⁶

Granting loans is one of the main activities of the credit unions. The loan policy is guided by the bye-laws of the credit union. These clearly state that a loan is granted only to members. Members who want to take out a loan normally fill in a standard loan request form, in which they specify the amount and the purpose; should the savings of the person be less than the loan, then collateral is needed. After all the formalities have been fulfilled, the Credit Committee looks into whether the person's request for a loan is legitimate and, if this is so, approves. In principle, the loan is granted for such productive purposes as agriculture, trading, construction, vehicles, albeit some members still use loans for diverse activities other than provident purposes. *'Sometimes we realize earlier, but in most cases we only discover later, especially when it is not repaid at the given time, that the loan which was taken was used for purposes other than the one indicated on the request form.'*¹⁷ Loans are a source of income for the credit union, as members who take out loans are charged interest which is in most cases equal to about 1 per cent of the remaining unpaid balance per month. The total loan given should not exceed 75 per cent of the total funds of the credit union. If loans exceed this amount, liquidity can be at risk which might have some repercussions on the members' savings behaviour. There must be enough funds left in the credit union to carry out normal transactions, with some funds to invest and generate some surplus for the society.

In managing the investment policy, even though credit unions deposit their balance in the banks, ideally this should not remain there in the account. It has to be used for the benefit of the local community. Hence, it is a common practice by some credit unions, such as the one in Jirapa, to have a shop and sell commodities required by the local community, thereby making a certain profit. Alternatively, they buy crops in the market when they are cheap, store them and sell them later in the season when the prices are high. Some credit unions take a certain risk in their investment practices and venture beyond the given financial limits when

providing loans to their members. As critically remarked by Ms Mary, the treasurer of the Nandom Women-centred Credit Union: ‘... When you are operating on the margin it is not easy to abide by and adhere to the policies and maintain the level expected. There are always unexpected transactions which distort the balance we want to keep. Some members can suddenly withdraw money from their savings’.¹⁸

The loans are expected to be paid back within an agreed time-frame. This is often a short period of about twelve months and not exceeding two years. Should the debtor fail to pay as agreed, the member could be charged a fine of 10 per cent on the unpaid balance. Should the borrower approach the treasurer, explain whatever is hindering the due repayment of the loan and convince the treasurer, the credit union is in no hurry to impose the fine. As discussed with the treasurers, this fine is used to put pressure on the borrower to fulfill his promise rather than as a sanction to be implemented automatically. One treasurer responded: ‘...We hardly fined borrowers who in one way or another delayed their re-payment.’¹⁹ Sometimes certain steps are initiated during the General Meeting and the meetings of the various credit union committees and advisors to various local groups, including the chiefs, elders and the *Tendaama*. These are sometimes written down but are mostly just oral references.

9.3.2. The Credit Union Code of Ethics

Another very influential and important official document which is used as a guiding principle for credit unions is the Standard Code of Ethics for Co-operative Credit Unions in Ghana through which CUA influences respective credit unions. Upon becoming an affiliate to CUA, the Management Committee of respective credit unions in Ghana has to adopt the Code of Ethics for their credit union.

CODE OF ETHICS FOR CREDIT UNIONS IN GHANA

This Credit Union subscribes to the following Principles and Standards:

- *To maintain complete loyalty to the Credit Union we serve and pursue its objectives.*
- *To never violate the confidential relationship between the individual members of the Credit Union and ourselves and the confidential information entrusted to us through the office, which we hold.*
- *To serve all members of the Credit Union impartially and to provide no privileges to any individual members, nor to accept special personal compensation from an individual member.*
- *To neither engage in, nor condone, any exploitation of the individual member, the Credit Union or the movement.*
- *To recognize and discharge our responsibilities and those of the Credit Union to uphold all laws and regulations relating to the credit union activities.*
- *To exercise and insist upon sound business principles in conducting the affairs of the credit union.*
- *To issue no false or misleading statements to the public or to the Credit Union membership.*
- *To refrain from the dissemination of any malicious information concerning other credit unions and or other persons or organizations within the organized credit*

union movement.

- *To co-operate in a very reasonable and proper way with other credit unions and Credit Union officials.*
- *To subscribe to the principle and time-honoured philosophy of self-help, democratic control and member ownership.*
- *To maintain high standards of personal conduct.*

Source: CUA

The code consists of a summary of principles by which every credit union has to abide. The list of standard principles supplements the bye-laws and provides the values and norms by which the credit unions are supposed to act. Use of this code is advocated throughout the Credit Union Movement, even though in practice it is not necessarily fully applied and there is no process to monitor its application.

9.3.3 Directives and Services Rendered by CUA

Credit unions in the case study area do not seem to have any formally written plan or policy document. As a guide for their activities and objectives, they tend to refer to the bye-laws and decisions which have been made at the General Meetings. Besides these, the plans and directives passed on to the primary societies by CUA through the Chapter Office are important documents which exert a strong influence on the activities of the respective credit unions. Even at the national level, the drawing up of plans is a recent phenomenon with the first long-term development plan of CUA only being drawn up in the early 1990s. Even though CUA has not imposed its policies directly on the primary societies, in its working relations with them it regularly influences the courses of action of the credit unions.

On the basis of its policies CUA regulates its technical services and advice to the affiliated primary societies through Regional Field-Officers. The Chapter Office which co-ordinates the relationship with primary societies at the regional level also plays the role of a catalyst in channelling the services of and maintaining relations between CUA and the local primary societies. Discussions and interviews which were carried out with the Upper West Region Field-Officer, Mr Romanus, clearly reflect the CUA's efforts to transfer its policies to its affiliates: '*...We do our utmost best to develop the capacity of the primary societies by providing services such as keeping records, auditing their books, organizing trainings and courses, but we don't draw plans and policies for them. If they want they have to do it themselves based on the needs of their members and following the credit union's bye-laws.*'²⁰

Discussions with the management of credit unions demonstrate that the matter of planning and policy was not raised as an important issue at the time credit unions were functioning properly. It is quite a recent issue, associated more with a search for solutions to problems facing credit unions. Until the end of 1980s, the management of credit unions used to be fairly consistent and more standardized. It is only for the last decade and a half that credit unions have been expected to have a detailed plan. As liquidity problems began to confront credit unions and the external environment grew increasingly complex, such NGOs as CCA and others began to persuade credit unions to adopt clearer policies about how to combat their problems and become more effective. To make this possible, in co-operation with CUA various training programmes have been initiated and implemented. They have included gender-sensitizing trainings to increase the awareness of issues related to gender and to encourage the participation of rural women. Workshops on such topics as leadership

and management as well as on insurance and investments have been organized to strengthen the capacities of credit unions.

9.4 Challenges and Constraints of Credit Unions

In most of the credit unions among the *Dagaaba*, with the exception of Women-centred Credit Unions, loan delinquency is a pressing problem; one which has undermined their effectiveness. In the case of the St Theresa Credit Union, as discussions and observations in this particular study and other similar studies indicate, women are less delinquent than males. The explanation given is that they are more committed to honouring their agreements with the credit union. Some of them even borrow from a third party to pay their loan back before the due date, a commitment which they take very seriously. They are also very much afraid of the consequences which might ensue if they do not pay back on time. As Selfata, a member of the Nandom Women-centred Credit Union and a regular borrower said: *‘...I can’t sleep when I am not able to pay back. I go to the treasurer and explain the reason and if she is not convinced and insists I must pay, I go and I borrow from friends and pay back. Otherwise the consequences are very bad. They can come and confiscate my fixed assets, and also I lose some respect in my neighbourhood.’* As this statement reveals, the problem of loan delinquency and the consequences go beyond the financial dimension and involve socio-cultural factors. As observed in the Women-centred Credit Union of Nandom, the members take matters seriously and take measures immediately. There are also situations in which they temporarily confiscate the property of a member who has not paid her loan on time, if in the eyes of the management she could have paid if she had considered its repayment a priority. As Ms Mary, the treasurer of the Women-Centred Credit Union of Nandom explained: *‘...We have a very scarce resource, and every one of our members must have a fair access to it. We don’t get any other external assistance like other credit unions. We fully rely on ourselves. We have to use our savings in a very careful way. That is why we are strict and taking all possible care so that no delinquency can occur, because loan delinquency can kill our credit union.’*²¹ The credit unions in the Upper West Region have learned from bitter experience how delinquency can damage the credit union and can create a negative social environment.

Of course, there are various objective reasons why members are often unable to pay back their loans. According to the survey conducted in June 1999 among the five credit unions, from the side of the borrowers the most common causes, which are regularly noted, are crop failure caused by climatic conditions, market conditions, loss of livestock, health problems and such other unexpected events as accidents, death of family members or similar situations.

Table 9.6: Causes of Loan Delinquency

Causes	Jirapa Community	Nandom Farmers	Nandom Women	Hamile Community	Ko Community
Crop failure	23	12	2	3	3
Market condition	4	3	5	5	2
Livestock loss	6	4	2	3	3
Health and other problems	5	3	4	6	3
Total	38	22	13	17	11

Source: field survey among five credit unions, Upper West Region

The ability to and expectation held by members about paying back loans depend on the good outcome of the activity in which they are engaged. A crop failure in Jirapa, triggered by vulnerability to climate conditions or a decline in the prices of agricultural products in the market, will obviously affect the farmers' ability to pay back their loans straightaway. Similarly, petty traders such as those in the Women-Centered Credit Union of Nandom are directly affected by the fluctuations in the market prices which might go against them. These figures are just to provide a general view of the delinquency problem at a certain given moment. The causes are not fixed but can vary from time to time and also be interrelated. As can be seen from Table 9.6, in 1999 crop failure was the most important cause given by members for loan delinquency, with more than 40 per cent of the members giving this as main reason.

9.4.1 Methods Used to Resolve Credit Union Problems

As a rural financial institution, the provision of loans to their members is one of the principal functions of credit unions. Where there are loans, there is always a certain degree of uncertainty about whether these will be repaid on time, fully or partially. As observed in the documents and picked up from the discussions with the managements of the five selected credit unions, some loans given to members can simply remain outstanding after the due date, without repayment being claimed. This is what usually happens when the expectation is that the member will pay soon, but may be temporarily hindered by minor causes, but the slow reactions of the management also contribute to this situation. Once the repayment problem is recognized, the management of the credit union is usually busily engaged in charting an appropriate mechanism to recover the loans given to members.

Interestingly, the credit unions in the case-study area apply different methods for loan recovery; ones which seem to be effective to them. As can be seen in the diagram below, different stakeholders have different approaches, concepts and principles in resolving the delinquency problems. These encompass the following four methods:

- i. Credit Union Management: sending of letters or various sanctions (women);
- ii. CUA, Roman Catholic missionaries and other external agencies: training, educating members and management in solving the problem, moral appeal;
- iii. Co-operative Department: imposition of legal measures as resolution measure;
- iv. Local institutions: mediation and socio-cultural pressure and sanctions.

These different methods by which the loan delinquency problem can be resolved are not mutually exclusive. It is not an either this or that method situation, but rather a menu of options which continues to be used until the problem is resolved.

The conventional, legal method to be used is enshrined in the bye-laws of the Co-operative Credit Unions as laid down by the Department of Co-operatives. These state that the management can enforce the recovery of the delinquent loans by taking legal action. However, according to local practices, this has not proved to be the only or best solution. Loan defaulting and other problematic situations are also resolved by the local mechanisms of constant mediation and persuasion or by involving external agencies. When this proves inadequate, local elders, the Chief or even the *Tendaama* are requested to intervene. In small towns and rural areas, local mechanisms have proved an effective tool in solving some of the credit union problems.²²

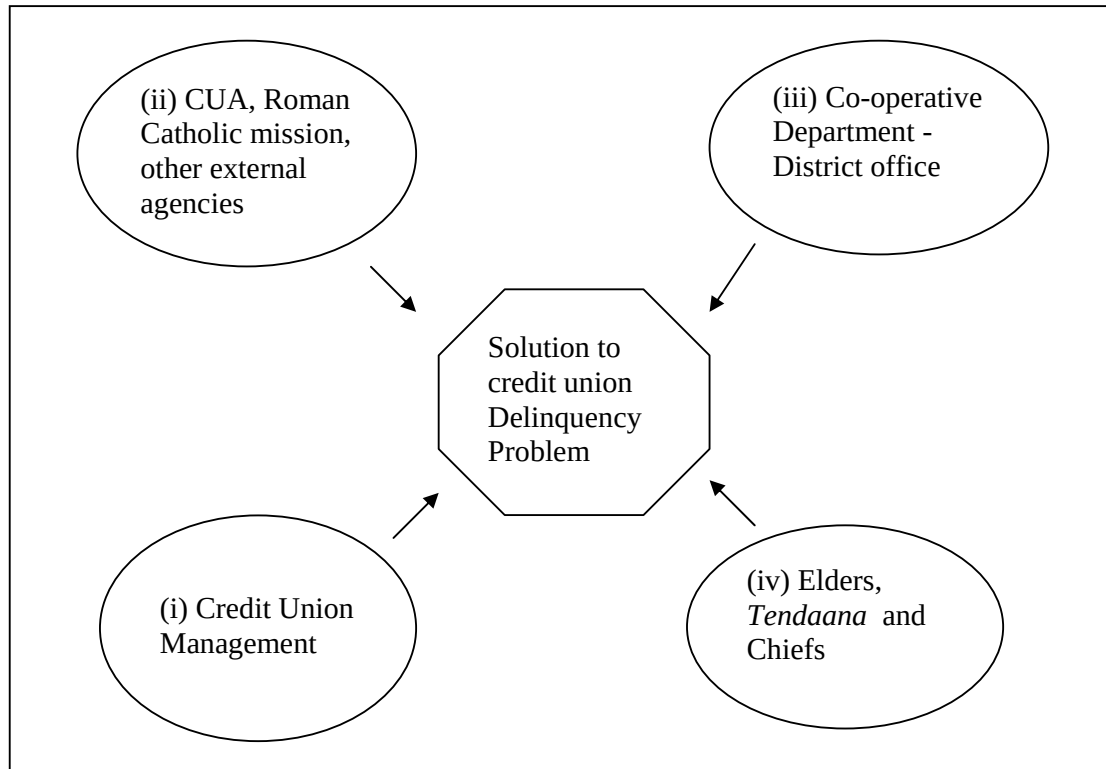


Figure 9.2: Different approaches to solve Credit Union Delinquency Problems

(i) Credit Union Management

In normal organizational processes, it is expected that loan delinquencies be recovered through normal credit union administrative measures. This includes such routine procedures as insisting that members who have not paid the loan in time comply with the agreement made. After regular tests, when no progress is made by adopting this line and especially when the member concerned does not even bother to come to the credit union office to explain his or her situation, the manager sends a letter reminding him/her of the urgency for immediate repayment of the loan, indicating that otherwise legal action will be taken. In response, after receiving reminders from the management, more than 50 per cent of the delinquents react to the measures taken by management. Aware of the consequences which may follow, some pay immediately, others pay in part and those who are unable because circumstances beyond their control to repay at that moment reschedule their loan in consultation with the management. When the delinquent member does not respond or does not explain the situation which has hindered him/her from repaying, the management is obliged to take further steps, especially when it thinks the member could pay the loan. These measures include either referring it to local institutions or using legal enforcement.

In certain special cases, such as the Women-Centred Credit Union in Nandom, the management is prepared to go quite a long way in putting pressure on members to pay back their loans. This credit union has a more or less similar organizational structure to other credit unions, but in comparison with other credit unions, there is relatively less loan

delinquency in the Women-centred Credit Union. When a woman, who has taken out a loan, does not repay this, one of the measures taken by the society is to visit her. The group which visits her consists of women from the staff of the credit union. The length of the visits depends on the responses on the part of the woman who took the loan. Since she herself is aware of the visit, she has to take an initiative to give an explanation and also promise the exact time she is going to repay it. The visitors must be fully satisfied with the responses given by the loan delinquent; otherwise they stay longer which has very negative consequences both for the woman herself and her family. A long stay by uninvited visitors has a negative impact on the spirit of the family, as this can result in conflict between them and their neighbours, and it is even believed to bring the family very bad luck. The delinquent woman, a reluctant hostess caught unawares, has to get rid of the visitors as soon as possible. In some cases, when regular defaulters or a member of low social integrity is involved, the team of women can go to her house and take direct practical measures. This can involve the provisional confiscation of her means of production; in the case of local beer-brewers, this means the taking away of cooking pots and storage barrels made of clay.²³

(ii) CUA, Roman Catholic Mission and other External Agencies

In its capacity of and its responsibility as an apex organization, to which almost all credit unions are affiliated, CUA is attempting to tackle the delinquency problem by providing management with guidelines, and also reacting actively to individual members who are delinquent. In its Five Year Development Plan 1993-1997, CUA drew up a delinquency recovery policy to be implemented through the Regional Chapters to reduce the problem to 5 per cent; it also imposed a review and strict application of the loan policy. This supported and stimulated the local Credit Union Management to take managerial actions and act against delinquency. CUA in co-operation with such other international NGOs as CCA and CUSO has organized trainings for the management and officials of credit unions to help them improve the quality of their management and their capacity to manage loans effectively. This concurs with the CUA Development Plan (1993-1997), which was designed to consolidate the Credit Union Movement and achieve financial and technical self-sufficiency (*cf.* CUA, 1993).

Since the inception of credit unions in the *Dagaaba* area, the Roman Catholic priests have invariably been involved directly or indirectly in the credit union management. There have been times, especially in the first two decades after the formation of the credit unions, when the Roman Catholic priests have been members of the Board and have actively served on the various committees. Speaking of the relationship of the Catholic priests to credit union management, Saka (1982: 147) says: *'...Today, even though the Catholic Priests are divesting themselves of the detailed operations, they continued to act as advisors to the democratically elected managements of many credit unions; in fact, some of the credit unions ensure that a priest is always a member of the credit union. Indeed, the priest is held in high esteem in the Upper West, whose opinion is often sounded on important issues in the community.'*

In tackling the delinquency problem, they used to provide advice to both the management and the members. Besides practical involvement, the priests have always believed profoundly in providing education about credit unions. In this context, in the 1970s they granted scholarships to local officials to attend the Coady International Institute at St Francis Xavier University in Canada. Many of those who participated stress the value of education to both the management and the members in their search for solutions to the credit union problems which mounted in the 1970s and 1980s. The priests are strongly convinced that regular

education programmes could remove constraints and promote the use of credit unions in the area.

In this context, in an address to the Jirapa Credit Union Father McNulty stressed the importance of education to credit unions as follows: *'...the credit union is an ongoing process of education in community development, the Education Committee should be educating the General membership in their rights and obligations and in particular teaching them how to question the board and the various committees at the general meeting as again we indicated.'*²⁴

(iii) Co-operative Department

The local office of the Department of Co-operatives, which is based at the office of the District Administration, holds audits in the case of irregularities, especially when the co-operative bye-laws are not being applied in practice. The Department of Co-operatives, under the 1968 Co-operative Decree (Government of Ghana, 1968), has the right and responsibility to monitor official records normally once a year and oversee the proper operation of the credit unions. When credit unions hold their Annual General Meetings, a representative of the local Co-operative Department has to be present to observe how organizational matters are handled and discussed and also to witness that the elections of respective members to the Board of Directors are free and fair. Elections held without any observer from the Co-operative Department, may easily be disqualified and have no recourse to legal redress.

In the past, the Co-operative Department has often kept a low profile, hampered mainly by political and administrative constraints, but it has now gradually begun to perform its duty of supervising and assisting local credit unions. This was stated in an interview with Mr Kamo, District Co-operative Officer: *'...We are not controlling co-operative societies, we are assisting them. Our job is beyond auditing and going to the general meetings. Most of the officers have not gone to school or do not have enough knowledge of financial management. We are helping them to maintain their records and we orient them to adhere to the co-operative principles.'*²⁵

(iv) Mechanisms Employed by Local Institutions

Local institutions are always ready to participate in matters arising within the community. When meetings are to be held, they bless these; when the management requires advice, they share their wisdom; and also when there are problems in the credit union, they are ready to participate to help resolve them. In the last instance, especially in delinquency matters, they play an active role in handling the issues. When matters are not resolved through the normal management model, they are referred either to elders, to the *Tendaana* or to the Chief, depending on the closeness of their co-operation with the credit union officers. A number of prolonged delinquency problems were solved through the arrangements made by these local mechanisms. They make enquiries from both the credit union and from the member and arbitrate as intensively as possible until the problems are resolved. Almost all the difficulties referred to local institutions have been solved, even though this often requires a long series of consultations.

9.4.2 Use of Local Organizational Knowledge in Management

When the loan default problem reaches a stalemate and credit unions are unable to solve it using normal administrative procedures or involving other external agencies, two possible options remain: one is to take legal action and the other is to look for a local solution

mechanism. In most cases, as experience in the Upper West Region of Ghana shows, the latter model is considered more constructive and has the merit of being relatively effective. Although legal measures are a normal instrument accepted in the constitutions of credit union, the community at large is against its application on moral grounds, as such measures can fan heightened tension and dislike in the community. The local mechanism, which may consist of various approaches, takes the position of loan defaulters into consideration. When the official credit union administrators are unable to resolve the problem, they pass the case informally to the village elders, who investigate the matter thoroughly, reviewing the current circumstances of the loan delinquent, holding due reckoning with the background history, the family conditions and the actual economic situation into account.

The ways in which a delinquent loan is recovered can usually be categorized into three situations. These are not exclusive in that other measures can be used when one fails.

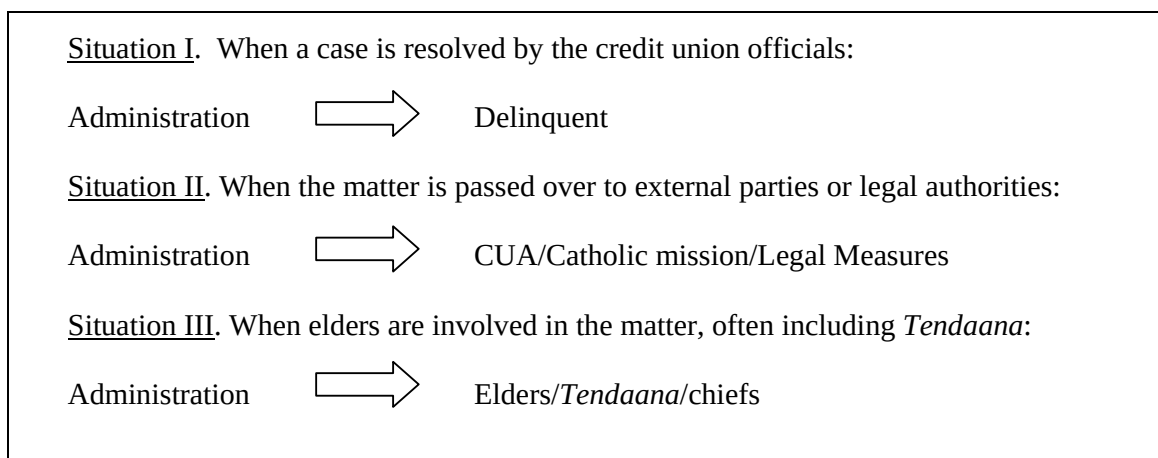


Figure 9.3: Alternative Pathways of Solving Loan Delinquency Problem

In Situation I, no special pattern will be followed. This is merely the implementation of the normal organizational procedure, as written down. The delinquent will be given notification and if no proper response is forthcoming, the officials of the credit union will pay the delinquent a visit and discuss the matter, exerting all possible pressure available to them, possibly arranging a new repayment timetable to recover the delayed repayment.

In Situation II, credit union management passes the matter over to external parties or legal authorities. Taking legal action against the delinquent, is only the final step which is studiously avoided and delayed as long as possible, as it will indubitably create disharmony and tension in the credit union and may even push the delinquent to withdraw from the credit union. When a person is in a position to repay if a certain arrangement is made, but unwilling to do so after utilization of all possible means at their disposal, including the interventions of such external agencies as CUA or the Roman Catholic mission, and the credit union is still unable to reclaim the outstanding loan, legal action can be taken against the delinquent member. Nevertheless, in consideration of the unfavourable consequences this might generate in the credit union, delinquent members are seldom or never brought to court.

Situation III: When attempts at loan recovery via formal procedures fail or turn invasive, the officials of credit unions normally are not quick to turn to such harsh methods as the confiscation of valuable property belonging to the debtor, or take swift legal action. They

tend to employ other local mechanisms which involve a third party, an influential person from the area, for instance an elder, *Tendaana* or Chief. These local mechanisms for resolving the problem are based on broad consultation, during which the opinions of the various known actors are taken into account in informal discussions and interactions. Sometimes this can take months or even years, but it has the immeasurable advantage of preserving the social harmony which is the basis of local co-operatives and resolves the problem in a way which can be fully understood by the local community.

These three situations can also be described in terms of their use of Local Organizational Knowledge (LOK) and External Interventions for Organizational Development (EIOD) to address the delinquency problem. Depending on the nature of the cases of delinquency, that is whether it can be settled by its own administrative resources or needs to be bolstered by additional supplementary enforcement measures, the credit union administration refers the matter to different authoritative bodies in seeking assistance to find a solution. In doing so it utilizes the following model or a mix of models to restore equanimity.

- I Credit Union administrative measures are the primary step to which all credit unions turn.
- II Measures set out in the National Co-operative Law, including legal action, or approaching the delinquent member through the parish or Roman Catholic priests, thereby exerting spiritual and moral pressure. This reflects measures which are part of EIOD.
- III. Through LOK which means directing cases to Chiefs, *Tendaana* or elders.

As observed in the five credit unions and summarized in Table 9.8, different mixes of methods are employed to resolve cases of delinquency.

Table 9.7: Methods Employed to Resolve Cases of Delinquency 1998-2000

No	Credit Unions	Total Number Delinquency	Methods Employed	Resolved Cases	Unresolved Cases	Perc. resolved
1.	Jirapa	38	I, II, III,	33	5	87 %
2.	Nandom Farmers	22	I, III	19	3	86 %
3.	Nandom Women	13	I	9	4	69 %
4.	Ko	11	I, II	7	4	64 %
5.	Hamile	17	I, II	9	8	53 %

Source: Field survey among five credit unions, Upper West Region

As the Table 9.8 indicates, both the Jirapa and the Nandom Farmers' Credit Unions employ a combination LOK and EIOD in their management of delinquencies, whereas the Hamile, Ko and the Nandom Women-centred Credit Unions rarely make any use of prevailing local institutional mechanisms to recover their delinquent loans. In the Nandom Farmers' Credit Union, a bit less than half the delinquency cases have been solved by active administrative measures. Some eleven cases have been referred to the Chief and eight of these were resolved, while the remaining three cases are situations in which it will be impossible for the loan to be repaid soon. The Nandom Women-centred Credit Union recovers most of the delinquencies through its own administrative measures, and also takes such *ad hoc* actions as temporary confiscation of certain assets of the delinquent member.

Even here, there are about four cases outstanding, remaining unresolved, and the assets of the delinquent members are kept as a guarantee until they repay their loans. The Ko Credit Union has just transformed itself from an all inclusive to a women-specific credit union. After the application of administrative measures, there are still four unresolved delinquency cases, which the sisters in the parish have taken in hand so that repayment may be made soon. Besides taking administrative measures, the Hamile Credit Union also exerts the influence of the parish on respective delinquent members who have parish contacts, as the union is itself located on parish premises.

This situation can be summarized and categorized as follows: in these five credit unions, the most effective method for ensuring repayment, with repayment rates higher than 85 per cent, seems to be a combination of the LOK and EIOD methods, as used in the Jirapa and Nandom Farmers' Credit Unions. Less effective methods, with repayment rates of below 70 per cent seem to be used by those credit union which use only EIOD methods.

9.5 Changes and Continuity in Credit Union Management

Since their formation, the organisational structure, mission, and method of operations of credit unions in the Upper West Region, for that matter even in almost all parts of Ghana remained relatively stable. However, since the beginning of the 1990s credit unions have regularly been placed under pressure and felt the influence of new developments that have emerged from different directions. The construction of roads and extension of electricity in the Upper West Region, the development of other infrastructure and markets, the need for competition and diversifications of services, complexities in financial markets all constituted pressure from different directions and opened up a mixture of new challenges and perspectives for the agrarian farmers and petty traders, which also have directly affected the local financial institutions. The infrastructure not only enabled the small farmers to take active part in the trade and exchange, but also made it easy for an increasing number external people to come to the region and take advantage of the flourishing local markets. The gradual extension of markets and commodities has created not only competition, but has also brought a need for the local credit unions to adapt their policies, principles and activities. This development had a great impact not only on the organisational structure and functioning, but also on the conventional principles and practices some of which are indicated here in the following parts.

9.5.1 Membership of Credit Unions

An important facility by the credit unions in the rural area is the possibility to open a group account. A group of people having similar activity or common interest can become a member of a credit union, save and get a loan based on their group account. This is a common practice in most parts of the *Dagaaba*-inhabited area, that is used, among others, by those engaged with farming, handicraft, trade and related activities who have very cohesive relations with one another. Small-scale farmers, who as individual in most cases are not able to deposit the initial amount that is required to become a member of the credit union, dominate the agricultural sector among the *Dagaaba*. These small farmers together could form a strong group, which would allows them to become an independent member or officially communicate with credit union officers as a single member, pull together their resources and collaborate not only in saving but also in obtaining loans. This self-

responsible groups scheme, which is closely linked to its members, gives the possibility for a large sector to become involved in credit union activities. In the Jirapa credit union alone they are about forty of such group-run credit union accounts. Without going deeply in who saves and gets loans, the credit union management observes in particular as to whether this group has fulfilled the required conditions. The group within itself arranges the savings and the allocation of loans.

The group manages its affairs according to its wishes, without the direct involvement of the credit union. These are groups of people who have tight relations with each other and trust each other. As discussed with few of these groups, their management systems are very simple and transparent with direct democratic arrangements. They just appoint very trusted and able personalities in the village to open a credit union account on their behalf and they make some agreement to save regularly, even though that is not too easy to do since finance in the rural areas is scarce. The small amounts gathered from the group members are often sufficient to run a reasonable account and become a full membership of the credit union. The group representative attends the credit union meetings and disseminates credit union information to the other group members. Whenever they need a loan, the group members discuss this with their group representative, request a loan and the loan is distributed to those who need and demanded for it. Even though there is a group responsibility for running such account, the group has a local mechanism to hold the particular person who obtained the loan responsible for using the loan for the agreed upon purpose and settle the loan before the due date. By encouraging group credit union membership, rural savings could be mobilized to a wider extent, and poor farmers were included more easily in the credit union movement, thus thereby permitting the credit union to reach more people regardless of class and gender. The possibility of being member as a group gives the opportunity to poor farmers to become involved in the credit union, and get access to the services of the credit unions, which otherwise they could not have been able to obtain.²⁶

The views of the credit union management about the group member scheme are quite ambivalent. They handle them carefully without being closely involved into the structure and the distinct role and responsibilities of the various individuals in the group. When enquired, the Jirapa credit union manager gave details about the group membership, mainly their size and composition, and explained as follows: *'...We keep their records properly, handle their savings and loan request according to our law, but we don't know about their exact size. We assume this group could consist of between five to fifteen people. As far as they adhere to the rules and regulations of our credit union, we provide them all possible services and we don't indulge into their domestic affairs, given the location of these groups scattered in different villages.'*²⁷ Such reserved and distant relation seems appropriate. In fact the credit union managers do not have adequate human resources to closely observe these groups in various villages.

This group membership, which relatively offers opportunities to a wider array of the community to be connected to credit union, is an important dimension which indicates how a group of people could participate in a local institution in their own desired way and keeping their own structure. The group becomes a supportive mechanism to overcome inequality in accessibility to credit union loans. Moreover, through their representative they could also participate in the meetings and influence the decisions of credit union management. Without directly being exposed to credit unions, groups members, gradually could adapt and develop themselves, and even could be transform into a full flagged credit union by themselves.

The group membership has got an in-built dynamic in it: even though they have internally their own procedures of savings and taking and distributing loans, for the outsiders they are

like a black box: no one exactly knows what their internal rules are, where the money comes from or how it is managed. When there is some misunderstanding or problem, the group members rather bring it to their own local elders, rather than to credit union management and thus resolve their problem internally with available local mechanisms.

9.5.2 Common-Bond and Open Membership

Passing through the crises in the 1980s the credit unions started to adapt themselves to the socio-economic changes that took place in their environments. The Upper West Region became more and more attractive to the Ghanaian traders from the south, not only to cross to the bordering countries to Burkina Faso and Ivory Coast, but also to settle and start with various forms of economic activities, which comprised opening of shops, bars and restaurants. These activities were further encouraged with the developments that have taken place quickly in the region. In the 1990s under the rural development program of the government, renewed attention was given to the Upper West Region. The construction of the highway connecting the Northern Region and the Upper West Region, and the extension of the electricity power supply until Hamile on the border with Burkina Faso opened new avenues for local economic activities. Small farmers could easily bring their farm products to the market more and exchange them for money, and by the same token foreign commodities spread into the local markets. As the process continued, markets began to expand having great impact on the way of life of the local community.

To be viable institutions, credit unions were also forced to provide their services not only to indigenous communities, but also to open their doors for those who recently came and settled in the region. Local credit unions could no more hold or abide by the old principle of the common bond; they have to open their doors to the new comers, who are visibly engaged in different forms of local economic activities. While the credit unions in the region have for a long time embedded mainly in the local socio-cultural values, the new comers do not know of this process. Still, due to their residence and economic tenements they have to be incorporated in the local credit unions. As some older credit union members has critically remarked: *'... Credit union in rural area is formed for the rural poor. This does not mean a door has to be closed to others. In fact credit union should not discriminate, others could also participate, but also the poor small farmers must be given proper attention and priority.'*²⁸

The new situation brought a sort of ambivalent development within the local credit unions. On the one hand they have to apply a non-discriminatory approach, a globally accepted and appreciated value and norm, whereas on the other hand this certainly weakens the local principle of common bond on which these local credit unions have for a long time been based.

9.5.3 From Voluntary Management to Professional Employment

The logic of the new socio-economic development has further demanded that certain changes to be carried out in the field management structure, or at least in the profile of the office of the credit unions. In previous days, the Board of Directors of the credit union, which was elected at the general meeting, had the sole responsibility to administer the office of the credit union. Most work was done voluntarily by the Board members or by someone whom they appointed largely on voluntary basis. The development of local markets, and the increasing complexities in the financial services required well-trained professional

administrators. In line with a development already started in the early 1990s, the apex organisation CUA began an organisational reform process, employing more professionals. CUA further extended this trend of professionalisation to its affiliates. Currently almost all managers of credit unions in the Upper West Credit have undergone studies related to co-operatives. Today the co-operative credit unions have two management bodies, the first made up of those who are directly elected, the Board of Directors, and the other made up of those professionals who are employed to administer the office of the credit union. An important question to be asked here is the implication of this organisational restructuring on the members and on other local institutions who informally are involved in the decision-making processes. While the members directly elect the board to represent their interest in the credit union, as such they do not have structural ties with the professionals who are employed mainly to carry out the day-to-day activities of the offices and are expected to serve the interest of the members to the best of their ability. When this was discussed with the chairman of the credit union in Jirapa, he stated: *'... the position of the manager of the credit union is very crucial: he or she can genuinely promote the credit union movement, and also on the opposite, he/ she can also cause problem. In the past we have had experiences with both the situations, in selecting an appropriate manager who really takes every thing into consideration, not only some one who has the profession, but also who has a commitment to the co-operative principle and also closely works with the members and honour the local values and norms.'*²⁹

The pressure on the general manager is enormous. Based on the credit union byelaws and within the policy framework that is agreed upon by the Board, the managers are expected primarily to serve the interests of the members. Even though they are not employed by the members, there is an indirect democratic control on the managers. In case of misconduct or failure to perform their duty, the Board of Directors can take appropriate measures against employed officials of the credit union. In an interview with the new manager of the Jirapa Credit union, he stated: *'... The credit unions has passed through various ups and downs. Especially the experiences of members with the manager and some officials in the recent past have not been so good. Some officials have been charged, some members left the unions and some have also become dormant or inactive. Currently I am engaged in encouraging members to return back and participate actively. I am also using all local means, including the radio, to promote the activities and the good name of the credit union. I hope soon to have more members and activities.'*

Even though they are new to the local organisational environments, the new professional managers are trying to accelerate the development of the credit union movement. They emphasise more the formal structure and the legal framework, whilst not losing sight of the local influences and feedbacks. In reality they try to glue the policies and plans directed from CUA from the local organisational environments.

As a result of misconduct, some local credit union officials were brought in front of the district court and were punished, but they were immediately released through the community involvement. This clearly shows that any hard measure based on rational and legal action in the credit union is not welcomed by the local community.³⁰ This particular event shows, that a rational measure which is considered as appropriate in the modern co-operative management and laws, is not always accepted by the community, who often sees and judges situations differently from a local perspective.

9.5.4 Shifts from a Three-Tier to Two-Tier Organisational Structure

For a long time the chapter offices played a very important role in the organisational relation of credit unions with CUA. Credit unions were officially linked through their respective regional office to CUA. This formal structure through which every credit union was represented in CUA was referred to as a three-tier system. In this context, the regional offices drawing their own byelaws operated more or less autonomously. Regional offices as representatives of credit unions in the region managed and transmitted information between CUA and credit unions. Such structure and role gradually distanced the respective credit unions from active participation in CUA. Despite becoming a hindrance and a blocking stone to organisational efficiency, financing of such structure also gradually became too burdensome. To overcome the problems faced by such three-tier structure, regional offices have been more and more integrated into the administrative system of CUA to perform a professional role, especially in the effective delivering of the quality services of CUA to credit unions.

This process led in 1991 to the adoption of a two-tier system, whereby credit unions could be affiliated directly to CUA and also be represented in the biennial meetings, while maintaining working relations with the chapter office. Even though in reality the chapter office is more linked CUA and its administrative processes, the Board of Directors of the chapter in the Upper West Region is not yet abolished. It still holds office and consists of both elected and employed officials.

From the current functioning of the chapter office, it is clear that it plays both horizontal and vertical roles. Thus, the chapter office became not only an office where credit union activities are horizontally co-ordinated but also where the national policies are transmitted to the credit unions, and also an office which provides information and feedback to CUA on the actual situation and needs of the credit unions in the region.

9.6 The Role of Credit Unions in Development

Due to persistent environmental constraints and a long period of exclusion from development efforts, almost all sectors of rural development in the *Dagaaba* area have been lagging behind the overall level of development in Ghana. Still, local efforts and initiatives, such as the credit unions, albeit small in size, have contributed in various ways to local development. The essential role of credit unions in development has been investigated through interviews with members and the management, consultation of the archives and direct observation of activities. This investigation of selected credit unions concentrated on the five selected credit unions in the *Dagaaba* area, namely Jirapa, Nandom Farmers, Nandom Women-centred, Ko and Hamile. These credit unions give a representative picture of the actively operating credit unions in the Upper West Region, even though there were some anomalous tensions which influenced them.

9.6.1 The Role of Credit Unions in Local Development

The main objectives of co-operative credit unions are to mobilize local savings, give loans and improve the socio-economic conditions of their members. They are therefore not to be seen just as a safe place to keep and withdraw money; their scope of activities is broad and multi-dimensional. Especially in the agrarian area among the *Dagaaba*, they play an essential role in rural development. Credit union members are encouraged to take out loans and utilize

them in the various sectors in which they are engaged. The credit unions therefore pave the way for small farmers, petty traders and others to expand the size of their economic activity and the volume of their output.

From the records of the regional office it is confirmed that about 71 per cent of the members are taking out loans from their respective credit unions. An indication of the total amount of the loan for the period 2000–2002 can be found in the statistics summarized in Table 9.10, which were extracted from the regional office.

Table 9.8: Upper West Region Co-operative Credit Unions Chapter: Statistical information for the years
2000-2002

General information	Year		
	2000	2001	2002
Total number of credit unions	14	11	14
Total membership	2,453	2,591	2,785
Total savings (in million cedis)	445	1,213	1,521
Total loans (in million cedis)	136	622	806
Total assets (in million cedis)	548	1484	1890
Percentage loans over savings (in %)	31%	51 %	53 %

Source: CUA statistics

Table 9.8 presents an overview of general information for all credit unions in the Upper West Region, registered with the Department of Co-operatives and affiliated to CUA. As indicated in the table, the number of credit unions has remained constant between 2000 and 2002. The overall membership shows an upward trend in the three years period. Membership increased with 5.6 per cent between 2001 and 2002 and 7.5 per cent between 2002 and 2003. As explained by the management of some of the credit unions, the growth in membership of the credit unions is influenced by various factors, of which the ones most often mentioned are the organizational reputation of the credit union, efforts made by management to reach more community members and a favourable local economic situation. Even though the nominal increase in amount of savings and loans is very large, this increase is somewhat less in real terms given the enormous decrease in the value of cedi during period under consideration.³¹ The percentage of loans over savings shows that the members made relatively little use of loans from the credit union in 2000, after which this figure moved to more than fifty per cent in the following two years.

Besides the loans which are obtained from the credit unions, numerous other factors are important for the success of local socio-economic activities. This makes it difficult to separately indicate the impact of credit union loans on the socio-economic well-being of members. However, from interviews and discussions with credit union members various conclusions can be drawn as to how they perceive the difference that access to credit has made in their socio-economic condition.

Internal reports and discussions reveal that there are differences in terms of level of activity among the fourteen credit unions. A few credit unions have been less active and are even not able to present details of their activities and financial records in a timely manner. Still, as long as they remain operational, there is hope that they will improve performance in the years to come.

It is rather difficult to measure the impact of credit union membership on the socio-economic situation of the members. The table below summarizes the results from the field survey of the five credit unions. Overall, most of the members (70 per cent) who made use of the loan services of their respective credit unions indicated that generally speaking they have improved their socio-economic situation. Access to the credit union services has, however, not always had a positive impact on the socio-economic situation of its members. About 19 per cent indicated that they do not think they have derived socio-economic benefits from the services of which they made use, whereas a small number of members (4 per cent) indicated that they have even been detrimentally affected by the loans they obtained from the credit unions. Taking account of various factors, which encompass unfavourable climate conditions for agriculture, changes in market or personal conditions, many of the members in the last category were not in a position to pay back their loans before the due date, and were reduced to being unreliable debtors or even delinquent members. This situation affected their social status in the community, and saddled the management of the credit union with the additional task of resolving such recurrent problems. Finally, though not insignificant, 7 per cent of the members studied indicated that, though they used the services of the credit union, they would not be able to pinpoint the impact it has had on their situation.

Table 9.9: Impact of Credit Union Loans on Socio-economic Status

Credit Union	N=125	Impact on Status			
		positive	no change	Negative	don't know
Jirapa	25	18	4	1	2
Nandom Farmers	25	21	2	0	2
Nandom Women	25	17	6	1	1
Ko	25	16	6	1	2
Hamile	25	15	6	2	2
Total	125	87	24	5	9
Percentage		70	19	4	7

Source: field survey of five credit unions, Upper West Region

As shown in Table 9.9, a larger number of the members who took out loans from their respective credit unions have been able to improve their socio-economic well-being in various ways. Only a few did not succeed in deriving any benefit from the loans they obtained. In conjunction with this, the following narratives, extracted from discussions with credit union members, reflect their experiences with loans from the credit unions:³²

Mr. Tengan, aged 59, a farmer from Jirapa presented his experience with the credit union as follows: *'...I am a farmer, married with four children and also another three adults from the extended family who live with us. I have taken out a loan once a year for the last five years for an amount varying between five hundred thousand to one million cedis. With these loans, I have been able to finance seeds and fertilizers, and my harvests of sorghum have increased yearly with a value of about two million cedis (about two hundred US dollars). I have also been able to buy the items of food and clothing required for my family without any worries'.*

Mrs. Agnes, aged 52, a petty trader from Nandom, explained her situation: *'... I am a widow, my husband died seventeen years ago. I take care of a household of six children. Two of them have completed high school and are now in Kumasi following higher*

education, three are still at Nandom secondary school. I buy and sell diverse articles, clothing and agricultural products at the market. I take out loans regularly, an average of one million cedis (about hundred US dollars) from the credit union per year, both for trade and also to finance the school expenses for my children. I have engaged my entire family in petty trading activities, got more surplus and improved my housing conditions. As one of my daughters is even working full time trading with me, in the last years I have expanded the size of my business.'

Similarly, Mr. Clement from Nandom, aged 48 married and a father of three children, told how he used his credit union loan: '*...I am farmer, and a long-time group-member of the credit union. I get a loan at least once a year. As the result of the loan from the credit union, I have extended the area I farm. Relatively the yield I harvest has also increased, even though the revenue I get is not big as such. I have been able to satisfy the nutritional needs of my family adequately*'.

Mr. James, aged 46, who has been a member of the Hamile Credit Union for more than ten years, wanted to stress how the loan he got from the credit union has helped him and his family solve a transport problem. '*...As you can see there is a big transport problem around here. We live a long way from the road which connects Hamile with other market areas. We were able to buy a motor and a bicycle with the loan from the credit union. We paid it off slowly; we have already settled our loan, without feeling the burden of debt. Now we can bring or take things to and from market easily. The bicycles and motors you see over there have solved a great many of our problem.*'

Mrs. Cecilia, a 52-year old healthcare worker and member of the Jirapa Credit Union since early 1980, narrated how she has often taken out loans from the credit union: '*...I am married to a schoolteacher. We have four children and we also support a number of children from the extended family. I am a member of the Jirapa Credit Union. I have also twice been elected a member of education committee. I save part of my salary which remains as balance after covering some fixed living costs. I also take out a loan from the credit union at least about three times a year. I use these loans for diverse purposes, from buying school material for children to farming and guinea-fowl breeding; all these generate us extra income to buy the things we need for our family. I am not making an enormous profit, but if you want all the things from the market, it is very expensive and with the salary you are paid you cannot afford to cover all the cost of living. Here everyday things are getting more expensive.*'

Mr. Turi is a trader aged 46, married and father of four children. He said that: '*... Without a loan from credit union I would not have been able to continue with my business. I normally buy clothing, soaps and other locally needed small articles from Kumasi and sell them here in Nandom. Mostly, I do make a profit but it takes a long time for me to finish selling my goods. Here in Nandom there is not much money in circulation; people do not have much ready money, they buy on credit and also need a longer time to pay me back in full. Now, more than half of my working capital is tied up in the goods which have been sold on credit. Most of my clients are farmers; they will pay me back, but it will take time; as the harvest of this year is not successful, it will take time before I recover my money. When I face such problem, I can just get a loan from my credit union and close the time gap, and continue with my business*'.

Mrs. Felomen is a trader who buys and sells clothes and shoes. She is 47 years old, married and has four children. She stated: '*... I have been a member of credit union for the last fifteen years, even though the credit union is sometimes inactive here. I save my money and also take out loans when I am in need. I buy from Kumasi, but sometimes I also go to*

Ouagadougou to buy my commodities. I sell here in Hamile and in the neighbourhood villages. People around here are engaged in farming, and they don't have enough money. I sell mostly on credit. Even though they are trustworthy, they are not able to pay me back within a short time, and it takes time for me to collect the money from my clients. I still have some purchases as yet unpaid. Sometimes it takes weeks before I sell all my stock. During the time I have less money, I take out a loan from the credit union to be able to continue my trading. The credit union does not have a great deal of money to hand out. I often take about a million cedis (about hundred US dollars) and pay back before the due date. When I make a small profit, I also save for a while with the credit union. There is no bank hereabouts, so the presence of the credit union helps me a lot, especially to continue with the petty trading in which I have been engaged for more than twenty-five years. I have built my house and bought all the things I have needed from the income of this trade.'

Mr. Emmanuel is a teacher from Nandom, aged 61, married and father of six children; two children from the extended family also live with him. Commenting on the services he has obtained from the credit union he stated: *'...My basic income is the monthly salary from school. I was a member of the St Teresa Credit Union here from 1960s, but unfortunately the credit union became inactive. In earlier years I used to save, and also take out loans regularly, but since the decline of the credit union we have lost this facility. ...I have really improved the living conditions of my family. With the loans I could rear goats and guinea fowl as income-generating side-line. I even built my house with a loan from the credit union to supplement my savings. I was also intensively busy with the credit union. I was appointed to the credit union committees; more than twice I was a member of the education committee. The credit union was like a big family.'*

There are also members who use the services of the credit union less frequently. The following cases show that some members who have access to credit try to avoid taking out a loan as much as possible. Mrs Elizabeth, farmer from Ko, married and mother of three children, makes use of credit union services as follows: *'... I have been a member of the Ko Credit Union, for a very long time, about ten years at least. I know I have a right to take a loan from the credit union and this encourages us to save and to take loans to use for improving our conditions. But in all these years I have taken out loans only a few times; when I had serious problems and I had nothing at hand. Apart from that, I just save small amounts of money for rainy days. You know in our tradition, we are very reticent about borrowing or just asking for a loan. The last time I took out a loan was when my daughter was seriously ill, and I had no money at hand. With the loan I covered the cost of the hospital and her medication. The other time I took out a loan was when my son finished high school and had to go to follow advanced courses in Tamale. Other than that, I have tried to manage with the money I have'.*

The loans from credit unions cannot always and at all places deliver the expected benefits. There are cases, even though fewer in number, of members that have not succeeded in converting the loan they obtained into socio-economic benefits. Mr Peter, aged 67, a farmer and member of the Jirapa Credit Union, reported a deleterious impact of a loan from the credit union: '... The last time I took out a loan was about ten years ago. I borrowed a sum of ten thousand cedis, which I used to buy farm implements and fertilizers. Because of the prolonged drought, the harvest was very bad that particular year. I was not able to produce enough food for my family and also I had not earned any money to settle my loan. I begged the credit union to extend the repayment term. Even though I finally settled the loan after quite some time, I haven't felt like asking for another loan, as

the previous one affected my socio-economic situation negatively. Currently, I am not an active member of the credit union.'

There are also cases where members have not seen any significant change in their socio-economic life, in spite of the fact that they have taken and used loans. One example is the case of Mr Goki, a farmer from Hamile aged 55, married with six children, who was a member of Hamile Credit Union for more than fifteen years. He stated: '...On numerous occasions I took out a loan from the credit union and used it mostly for consumption purposes but also to buy farm implements. ... The loan from the credit union, as such, did not change my socio-economic condition, but I am very happy that we have a credit union here; it is the only financial institution in Hamile.'

As the above narratives indicate, there are considerable differences among credit union members in terms of the benefit they have derived from credit union membership. Some members generate more benefits from the loans they have taken out; others less. There are also cases, even though few in number, of members who did not feel they benefited and of members who did not make active use of the credit union services. Though, it is difficult to measure the entire impact of the services of the credit union in local development, the information gathered in diverse ways, formal interviews, discussions and archive research, provides sufficient indication that for most members the loans from the credit unions have had a positive impact.

From the interviews conducted and the archival sources, it is possible to identify the major development sectors for which the loans have been taken.³³ As indicated in Table 9.11, in four of the five credit unions studied the largest single purpose for taking out a loan was for agricultural purposes. The exception is the Nandom Women-centred Credit Union, in which petty trading was the most often cited reason for members to take this step. Petty traders are also making intensive use of the credit unions, mostly for depositing and withdrawing money, rather than actually saving and taking out loans. Overall, loans used for trading come in at second place in terms of percentage of loans used for this purpose, whereas loans taken for house construction or improvement and for transport occupy the third and fourth place respectively.

Table 9.10: Purposes for which loans are used (30 June 2000- 31 December 2002)

Credit Union	No.loans	Purpose for loans						
		agri-culture	trade	housing	transport	cottage industries	Social	Other
Jirapa	185	80	26	21	17	13	16	12
Nandom Farmers	260	170	21	11	15	16	18	9
Nandom Women	98	17	37	9	13	9	7	6
Ko	73	26	9	9	7	6	11	5
Hamile	127	32	29	17	14	8	13	14
Total	743	325	122	68	66	52	65	46
Percentage	100	44	16	9	9	7	9	6

Source: field survey of five credit unions, Upper West Region

Below each of the different purposes for taking a loan is explained in further detail. Still, it is clear from the interviews with members that many members take out loans for different purposes and sometimes not even for their own use. One concrete example of this was

provided by one small farmer from Tiza, a village nearby Jirapa, and a member of the Jirapa Credit Union. When he was asked for what purpose he used the loans he took, he stated: *'...This year I took loans three times and I have paid these back. The loans I took were not just for my personal use: the first loan was for my family-in-law to buy fertilizer, the second was loan was for my mother to do some petty trading in Tiza market and the third loan I took was for myself to buy school materials for my daughter.'*

(i) Agriculture

As explained in detail above, the economic life of the *Dagaaba* community is highly dependent on agriculture. About 75 per cent of the credit union members are small farmers whose main economic activity is almost without exception subsistence farming. Hence, it is no surprise that the single biggest purpose for taking a loan is normally related to agriculture, 44 per cent in Table 9.12. Even though most credit unions have a mixture of loan schemes, the Nandom Farmers' Credit Union, as its name implies, is primarily engaged in supplying the needs of small farmers.

The loans taken out for agricultural purposes are used to buy agricultural implements, including seeds and fertilizers, tractor services, and such other required farming inputs as livestock, hoes and machetes, even irrigation and storage facilities. Even though the mechanization of farming, to which the support of credit unions has made a large contribution, is now well entrenched in the region, the majority of small farmers still rely on the local farming tools such as hoe and machetes. The pattern of the utilization of loans varies from season to season and is dependent on weather conditions. As a well-known farmer in Jirapa and an active member of the credit union stated: *'When the weather is favourable to agriculture, we are motivated to take out more loans, whereas when weather conditions are adverse we don't dare to take loan as this may increase the chance of not being able to pay back our loan in an agreed period of time. Among us the unpredictability of weather condition and the sudden collapse of our harvest often causes a food shortage.'* The loan granted for agriculture is also referred to as a farm-loan and is used intensively during the farming (April to June) and harvesting seasons (November to January). It is also possible that small farmers take a loan during the lean season, when they are short of consumer items.

The credit unions among the *Dagaaba* have also brought tractors to the regions to help both members of the credit unions and the entire community. In the early 1970s the Jirapa and Nandom Credit Unions purchased tractors and made them available to small farmers, who could otherwise not have afforded to buy a tractor. The credit unions also encouraged particular members whose savings were quite healthy to acquire their own tractors. As most members and officials of the credit union recall, the main problem centred not on the technical aspects of tractor maintenance, but on the management of these tractors owned by the societies. Although tractors brought improvements and increases in agricultural production, they also generated new tensions and problems. Among these, the inability to manage problems related to this type of major credit union investment, undermined certain credit unions. The low level of performance in agriculture can be attributed mainly to the unpredictability of the weather. Various studies, including that by Goka (1989), show small farmers run a big risk when taking out a loan, one which is often incalculable. The prevalence of such risks is what prompts the emphasis on the fact that agricultural loan schemes must be linked up with other development programmes which offer extension, training, input supply and mechanized services.³⁴

From the over eighty respondents who worked in the agricultural sector, about fifty had actively participated in credit unions; that is to say that they had saved at least once every

three months and had also taken loans for at least half a year. The majority of the loans was used to purchase farm implements. About 45 per cent responded that their output had increased. In most cases this meant that they could maintain their family and also store the seeds required to sow again the following farming season. The increase in production was generally not large enough to generate a marketable surplus and consequently the increase in the financial income of most small farmers remained unsatisfactory. For those small farmers who were hovering on the margin, a slight shift in the weather could cause damage and lead directly to a decrease in their production.

As most of the work on the farms is carried out with family labour, it is not easy to indicate the amount of employment created as a result of the financial services provided by the respective credit unions. Given the intense dependence on members of the kin group, the farm owners are responsible to maintain the family labourers, though their labour is often considered to be free and unpaid. As one of the small farmers in a village near Jirapa, Tiza, mentioned '*... there can be no mistake that the number of people working on the farm increases when the sowing and harvesting activities are extended. Specially when there are sufficient inputs and the farming season is favorable, the number of people on the farm increases, going beyond family labour and kinship, and even includes plenty of people living in the surrounding area.*'

In the agrarian economy, where finance and money alone do not play a decisive role, the labour relations are regulated by socio-cultural relations rather than economic rewards. Almost all of the work on the farms is labour intensive. In this context, the loans obtained from credit union can have a positive impact on the farm output, but as such the loans do not directly determine the number of labourers working on the farm. Hence, the farm output is limited more by scarcity of labour than by the loans from the credit unions. In some cases there is no visible correlation between the size of the loan and the number of labourers, whereas there is a strong correlation between the level of farm labour and the increase in farm output (Goka 1989: 122).

(ii) Trade

The making of a profit through trade and exchange has not been readily welcomed as part of the socio-economic process among the *Dagaaba*, as only recently have they been integrated into the market- and exchange-based economy. Hence, for a long time the participation of the *Dagaaba* in the market and trading sector was very minimal. Almost all the trade sector in the Upper West Region was in the hands of the *Walas* of the Upper West Region. Even these days, most large-scale trading in the Upper West Region involving commodities imported from elsewhere rather than petty trading is still largely controlled by non-*Dagaaba*. It has only been since the 1960s that some local traders in the central parts of the *Dagaaba* districts have gradually tested the waters of commerce. Only recently some have tried their hand at petty trading as an actual occupation. Consequently, only a small portion of all loans is being directed towards trading. It is still easier for credit union members to decide to take a loan for other familiar purposes, such as for house construction and agriculture-related activities, than for trade. Currently, there is an increase in the participation in the traditional trading sector, mostly related to small-scale agricultural products, which is leading to a steady increase in the number of local traders who make good use of the loans from the credit unions.

In co-operation with CUA and international agencies such as CCA and CUSO, the credit unions are implementing a number of programmes and projects directed towards local small farmers and women in an effort to encourage and stimulate local entrepreneurs. In the context of these schemes, a growing number of the credit union members is undertaking local

entrepreneurial activities and obtaining loans. For instance, most of the members of the Women-centred Credit Union in Nandom are petty traders. They are active in taking out loans and using the larger portion of the loans for trading in garments and agricultural products. In an interview with Mary, the Manager of the Credit Union, she indicated: *'Our credit union has a different character to the others. Most of our members, 90 per cent, are traders. Most of the loans are short term and are used for trading. Money circulates very fast and we hardly can invest savings in some more surplus-generating activities. The types of trade in which members are engaged include the sale of clothing, household articles, agriculture, consumer goods, and oil.'*

While in Jirapa and Ko the percentage of loans granted for trading remains relatively constant and below average, in the border area of Hamile the number of loans for commercial purposes is steadily rising. From what the managers have said in discussions, credit unions must actively encourage the local community to participate in trading, otherwise the local surplus will keep on flowing to neighbouring communities equipped with relatively better commercial knowledge and more daring.

The local petty traders interviewed recorded an increase in their turnover and the volume of their trading activities thanks to the loans granted by the credit unions. More than 63 per cent of the respondents indicated a positive increase in their turnover. Credit union managers also expressed the opinion that loans given for trading purposes are less prone to delinquency than loans such as those for the agricultural sector.

(iii) Housing

Quite a large proportion of the amount provided in loans goes towards the construction of dwellings or house improvements. Right from the beginning, the credit unions were significantly associated with loans used to construct houses. In all the five credit union sites, a great number of houses has been constructed or renovated with loans obtained from the credit unions. Quite a large number of the traditional mud houses in the area have gradually been transformed into corrugated iron-roofed houses. A member of the credit union in Jirapa had this to say: *'Houses are very important social and cultural symbols in our community. We use the loan either to improve our house or construct a new one. When your compound looks good, you also earn certain social status. Neighbours and kin members look up to you. Even though we often construct our houses through traditional co-operatives, for buying materials such as zinc for the roof we take loans and we pay back when we sell our harvest.'* In the urbanized parts of Jirapa and Nandom, some members have even erected more modern, second houses with loans from the credit union; these houses have been let out to generate extra family income.

Some credit unions in the *Dagaaba* area have constructed relatively modern premises for their offices. The Jirapa Credit Union is a good example, boasting a large office next to the main road linking Hamile with Wa; it also has also a big shop and a guest house which it rents out.

(iv) Transport

The transportation sector is another very important component of rural life, on which loans from credit unions have had a big impact. In most of the rural areas until recently there was no regular transportation, as people were hugely dependent on trucks which passed by irregularly. To a certain extent the credit unions have directly contributed if not to solving at least to easing this situation. Saka (1982) says the first lorry which came to Jirapa to play an important role was brought by the credit union. The early examples in Jirapa opened a path

for other private and community enterprises to obtain trucks and private vehicles through loans from the credit unions. The proportion of loans which were obtained for the purchase of means transportation has increased, with 9 per cent of the loans in 2001-2002 being used for this purpose.

The numbers of lorries, trucks, bicycles and motor-bicycles which have been purchased with a loan from the credit union swells every year. Since larger parts of the *Dagaaba*- inhabited areas are flat, bicycles are used intensively in the rural parts. Most of the small farmers rely on them, even for transporting their produce to the market. Almost every member confirmed that their bicycle was financed with a loan from the credit union. Therefore such loans have played an important role in the social and economic activities of the community. As Saka (1989) has indicated, for many of the community members the bicycle will remain their sole means of transport for a long time to come.

Even though the contribution of credit unions to this sector is enormous in rural and semi-rural areas, the transportation sector is still dominated by lorries, trucks and commercial buses from such urban areas as Wa. Even there, the relevance of credit union loans may not have been limited to the poor peasants in rural areas as Saka (1989: 124) pinpoints: '... *Many of the big transport owners would admit that the credit union has been the secret behind their success in business.*'

(v) Cottage Industries

Cottage industries have not really developed in the *Dagaaba* area. Those which are operational are very small and owned by family units; concurrently the capital invested in this sector is very small. The most common activities in this sector consist of grinding mills, handicrafts (weaving, woodwork) and local brewing. Right from the early days of their emergence, the credit unions have been actively engaged in organizing grinding mills for their members and the community at large. The first grinding machine was placed in Jirapa. The first such mills in almost all the site areas were assisted by loans from the credit unions or are directly owned by the credit unions themselves. As most women recall, the grinding mills have relieved the work load of women who for centuries had traditionally been tied to the work of grinding with stones. Even though a great number of women in the *Dagaaba* community still use traditional grinding stones, the mills now offer an alternative, if not for poor families at least for those who can afford it.

Another important business sector for *Dagaaba* women is *pito*-brewing, the preparation of a traditional drink made of sorghum. Local *pito* bars are many; they are extremely busy and regularly visited by community members regardless of gender and age. *Pito*-brewing women, who own these local bars, are relatively better off than other community members. They use loans for such purposes as increasing their input, scaling-up their production and replacing such old or broken equipment as pots and barrels. This category of local enterprises makes intensive use of loans from their credit unions. The work in the *pito* bars is very intensive, requiring far more labour than that of the main owner. Often more than eight people are engaged in the running of a small *pito* bar, busy with such activities as processing the brew and serving the beer. Even though members of the extended family often perform these tasks, other individuals from more distant kinship groups are also involved for a small remuneration which may include consumptions, drinks and accommodation.

(vi) Health, Education and Other Socio-cultural Activities

Outside the economically productive sectors, the sources in the credit union offices indicate that loans are equally important for socio-cultural purposes, including education, health care

and such cultural events as the organization of weddings and funerals. The number of loans for health and education purposes has gradually been rising. Although loans for education were possible right from the beginning, those asking for them were few in number. Besides the barrier of the limited number of schools, most children in the rural areas were engaged in farm work and not sent to school. Those rural farmers who did choose to send their children to school, normally take loans to cover school-related expenses. This type of loan is often taken at the beginning of the academic year.

Another very irregular demand is loans for health matters. When members or their family fall ill or have an accident, they request loans and credit union officials grant these on the basis of the seriousness of the problem and the level of actual expenses required.

In rural areas such cultural events as weddings and funerals are seen as equally important to, if not even more significant than economic activities; these are events in which every member of the society must participate and perform the role allotted them according to prevailing values and norms. Discussing this with members, it seems that quite a reasonable proportion of their time and income is spent on financing social and cultural activities, and meeting such obligations as funerals and marriages. Despite their pivotal social role, the credit unions do not encourage their members to take loans to organize weddings, give bride price or arrange the funeral of a family member. In this sphere, there is a common local understanding that such activities must be financed from other sources to be obtained from family or kinship group members. The problem is that, under the increasing demands of the money economy, these requirements have soared beyond the capacity of the traditional network of the rural setting. Not knowing which way to turn, some members demand and obtain loans under a different pretext, such as house improvement. This transaction is a public secret, and although both the community and the officials of credit unions know the truth, they often do not reject these.

The dilemma of the credit union managers is that, according to the bye-laws, the granting of loans for non-productive purposes is forbidden. Yet, in practice, it is difficult to implement this rule, as the managers know that even if certain loan demands are for such goals, they are badly needed. Since the managers do not want to offend their members, they often grant the loan. As the local economic possibilities are very limited, such loans are often not paid back on time and become a delinquent loan. Local scholars, among them Saka (1982), who have conducted studies on credit unions have clearly indicated that loans which have been taken for social and cultural purposes are the most difficult for borrowers to repay on time.

(vii) Other - Material Well-Being

The basic aim of credit union, as Goka (1989) among others has pinpointed is to meet production needs and generate more output and income. Increases in production and income in some cases do improve material well-being and the quality of nutrition. Some members have transcended their traditional needs and acquired materials which would once not have been on the list of their primary needs, notably radios, watches, new household furniture and better clothing for their family members.

To conclude, generally speaking the impact of credit union as a local financial institution on the material well being of community is positive. Even though it not possible to give accurate figures of the impact of the credit union membership on the well-being of members, from the data gathered in various ways it can be established that there is a significant relationship between those who have taken loans and increases in their output. Nevertheless, it is also an undeniable fact that credit unions provide services to only a proportion of the community and also that there is unequal access to credit union loans. Traders and those who

live very near the market and are dealing with commodities which are easily exchangeable benefit more than those small farmers who are taking loans on a seasonal basis.

(viii) Other Non-Financial Benefits

There are also other, non-material benefits associated with credit union membership that members and managements expressed during group discussions, notably the strengthening of the solidarity and feeling of connectedness among the members of the credit union. Regarding this very valuable social capital, Ms. Mary, the Manager and Treasurer of Nandom Women-centred Credit Union, elaborated as follows: *'...Through participation in credit unions, local women could learn to present their opinions confidently and also become leaders and managers. For women in our community credit union meetings are a nice opportunity, not only to discuss about savings and getting loans, but also to exchange ideas on, among others, local, social and market conditions and even family life. It strengthens our relationships and we help each other'*.³⁵ As she has pinpointed, the non-financial role of credit unions is also very important especially in rural settings, as it gives an opportunity for members to strengthen their networks and exchange information, which enables them to carry out their activities in a more efficient and beneficial way.

9.6.2 Management of Credit Union and Development

As Songsoore (1992) has clearly underscored, the foundation on which a credit union is built is primarily that of local values and norms, mutual trust and confidence. The absence of any one of these factors in the organizational culture can cause the credit union to disintegrate and decline. In the local management setting, the relationships between the different stakeholders in the credit union, which include both the formal and informal interactions, tend to operate smoothly. This interactive co-operative management machinery demands the honesty and mutual trust of the participants.

The participation of members in the management is motivated by both the organizational structure and the honesty of the management itself. In various ways the local organizational values and instructions influence the managements of the credit unions to discharge their responsibility accountably and in a locally acceptable manner. As Saka (1982: 112) strongly stresses *'... without trust and confidence, a vital part of the credit union machinery breaks down.'* The links with local institutions and the participation of the elders strengthens and cements these values.

When a gap between credit union officers and members grows in terms of trust and confidence, even a slight problem may have a great impact on the credit union. The local community, especially the members, must have an unshakeable belief in the objectives of the credit union and in its organizational procedures and practices. Otherwise no member will be ready to save or those who have taken loans will not be willing to pay these back. This situation befell some of the credit unions, especially the former credit union in Ko, the credit union in Hamile and in a more severe form in Nandom

Even though the volume of the credit union finance is very small, in the rural areas of the *Dagaaba area*, the credit unions are playing a very important role. In the absence of any other alternative, they offer financial services which regulate local monetary transactions, all the while stimulating the various social and economic sectors. The data gathered from the study areas show that the credit unions have been contributing directly to the development of

local transport, house construction and improvement, agriculture, and various socio-cultural activities.

Despite changes in the local socio-economic conditions, in the past few decades, the credit unions and their organizational structure have proved to be constantly effective in the rural development process. Arguments to explain this are that in the first place that they are institutions which have close ties with the community. The credit union has various management components integrated into its operations, which regularly interact and respond to problems occurring. The various sectors of the community, the learned, traditional elders and local chiefs and authorities have a great influence, in the policy and planning processes and in the solution of such practical problems as the recovery of delinquent loans and the settlement of other irregularities in the credit union. In addition, the credit union institutions have always been open to such external technical input as trainings, programmes and projects which are designed for the improvement of the situation of a specified group, such as women or small farmers.

Notes

- 1 The conventional organigram of the co-operatives indicates that the Board of Directors is elected and subsequently appointed by the members at the General Meeting of the members. The Board manages the co-operative. This is a very old structure, developed by ICA (International C-operative Alliance) in the nineteenth century. It is still a well accepted organizational structure (see CUA 1989). This organizational structure was also adopted by WOCCU as an appropriate structure for the management of co-operative credit unions throughout the world. (For detailed analysis see also ACCOSCA 1991).
- 2 Interview with Jirapa Credit Union Manager, Mr Dakura, 7 June 1999, Jirapa.
- 3 This figure is extracted on the basis of the discussions with the District Co-operative Officer and the managers of the respective credit unions.
- 4 Discussions with Mr Kamo, on 12 July 1999, Jirapa
- 5 In general, all credit unions in the Upper West Region are of the community type; most of the members are small farmers.
- 6 Interview with Mr Dongyirie, 5 June 1999, Nandom.
- 7 Interview with Jirapa Credit Union Manager, Mr Dakura, 7 June 1999, Jirapa.
- 8 Interview with Hamile Credit Union, Mr Waka, 4 June 1999, Hamile.
- 9 Interview with Mr Bayo, 13 July 1999, Jirapa.
- 10 Interview with Jirapa Credit Union Manager, Mr Dakura, 7 June 1999, Jirapa.
- 11 The credit union managements are engaged in the immediate and practical activities of savings and provisions of loan, and they are less interested in and concerned with the preparation of conventional planning and policy processes. There are quite varied reasons why most credit unions do not have a written plan and policies. The main reason is that many of the officers have not acquired the requisite knowledge; whereas others think such documents could alienate members and make the simple management system of the credit union more complex. They just want a simple democratic organization in which members can participate fully (*cf.* Saka 1982; Dasah and Der 1986; Goka 1989; Songsore 1992).
- 12 Interview with Ms Mary, the Manager and Treasurer of Nandom Women-centred Credit Union, 8 August, 1999, Nandom.
- 13 Interview with Ms Ernestina, 13 August, 1999, Hamile.
- 14 From an extended discussion with Mr Dakura about the views of credit union managers, 9 September, 1999, Jirapa.
- 15 This information is extracted from case studies related to credit union management practices in Jirapa and Nandom.
- 16 Interview with Ms Ernestina, 17 September 1999, Nandom.
- 17 Interview with Jirapa Credit Union Manager, 18 September 2000, Jirapa.
- 18 Interview with Ms Mary, the Treasurer of Nandom Women-centred Credit Union, 8 August, 1999, Nandom.
- 19 From discussion with the treasurer of the Jirapa Credit Union, 18 September 2000.
- 20 Discussions with Mr Romanus, CUA Field Officer in the Upper West Region.
- 21 Interview with Ms Mary, the Treasurer of Nandom Women-centred Credit Union, 8 August 1999, Nandom.
- 22 All credit union managers in the survey area consider the roles of Chiefs, *Tendaama* and elders absolutely essential, especially their co-operation in resolving problems.
- 23 Ibid. See also a Survey of Women's Credit Needs, CUA (1992: 1-34).
- 24 Extracts from a paper presented by Father McNulty at the occasion of the 20th Anniversary of Jirapa Credit Union.
- 25 Discussions with Mr Kamo, 12 July 1999, Jirapa.
- 26 Interview with a farmer, Mr Hipo, 28 September 2000, Jirapa.

27 Interview with Jirapa Credit Union Manager, 18 September 2000, Jirapa.
 28 Discussion with a group of elderly members of the credit union, 13 November 2001,
 Jirapa.
 29 This opinion, given by the Chairman of the credit union in Jirapa (on September, 12,
 1998), was confirmed in the consequent discussion with Mr Zu, a local informant.
 30 Among the officials accused, the purchaser and storekeeper of the Jirapa Credit Union was
 charged at the local court of being found guilty of some embezzlement of money belonging
 to the local *susu*. The local community immediately got involved and he was released. In
 an interview (Jirapa, April, 2, 2002) I conducted with him, when I asked him whether he
 was guilty or not, without giving a direct reply, he said that: ‘. *The community knows*
everything about me. I was born and raised here. I worked in the credit union and helped
them with all my capacity. When I was put in prison, they became involved and helped me
and I was released within a few days.’
 31 History of exchange rate shows that 1US\$ was in 2000: 6750 cedis, in 2001: 8450 cedis
 and in 2002: 8900 cedis.
 32 Extended discussion conducted with some credit union members concerning the impact of
 credit union loans on their socio-economic conditions, December 2002.
 33 The data indicated here were gathered from the Upper West Region Co-operative Credit
 Union Chapter office, April 2003, Wa.
 34 Discussion with Dongyirie, who has been a CUA Field-Officer and is very well informed
 about the tractors and St Theresa Credit Union.
 35 Participation in credit union strengthens local solidarity and contacts among members.
 Discussion conducted in Nandom, December 2002.

X Discussion, Conclusion and Implications

Co-operative Credit Unions are well-known community-based financial institutions which have a long history in Ghana, and have played a significant role in the process of development. Their achievements far exceed the mobilization of local savings and provision of loans, they have brought about improvements and development in various sectors, such as agriculture and rural infrastructure.

On the basis of the theoretical approaches and methods described in Chapter Two, this research project has investigated the factors which contributed to the origin, the development and the management of the Co-operative Savings and Credit Unions in the Upper West Region of Ghana. Concentrating on the Co-operative Credit Unions in the *Dagaaba*-inhabited part of Ghana, an inquiry was made into the historical development of the local community institutions and their socio-economic conditions, and the utilization of Local Organizational Knowledge in the management processes of the credit unions. This led to an assessment of the role of the credit unions in local development. The research project was carried out using multiple research (triangulations) methods and practices which consisted of a literature study, field survey, research studies and participant observation as outlined in Chapter Two.

This study was designed to link up with the general debate and research in the field of local development institutions. Its particular concern was making a thorough inquiry into the ways in which Local Organizational Knowledge systems could be incorporated into the management of institutions. Its aim was to generate an alternative approach to the management of community-based Co-operative Credit Unions that is, promoting participation from the bottom-up and generating sustainable local community-based financial institutions which can play an effective role in the local development process.

After discussing the main research findings in relation to the different elements in the theoretical framework, this chapter will present the conclusions related to the overall aim and specific objectives of the study. Subsequently, it indicates the theoretical and practical implications generated by this study which are intended to contribute to an improvement in the management and the development of Co-operative Credit Unions.

10.1 Discussion of Results

In rural parts of Africa where there are few financial institutions, credit unions remain one of the most popular options for obtaining access to such financial services as the provision of saving facilities and credit for a wide variety of purposes. The development of co-operative savings and credit unions in rural Africa has gone hand-in-hand with the monetization of the economy and the expansion of commodity markets. Gradually, credit unions have become an integral part of the socio-economic development process of the local community.

Still, as in most African countries, the long-term trends in the development of the Co-operative Credit Unions in Ghana indicate that their path has been by no means a smooth one and these institutions have experienced fluctuating periods of rise and decline. The effectiveness and success of such rural financial institutions as the credit unions in the development process of a local community depends greatly on the actual socio-economic conditions in the community and their organizational structure and management. An appropriate, successful style of management and organizational structure enables credit unions

to mobilize high levels of savings, so as to provide credit and create multi-dimensional avenues for further investments. It also helps to ensure that credit unions are sustainable institutionally and in a position to contribute on a continuous basis to local development.

Although in the overwhelming majority of the cases, the organizational structure of these rural financial institutions has been imported from abroad, they also utilize local organizational knowledge alongside the formal management methods. In attempting to analyse the appropriate model of organizational management for credit unions, this study has therefore looked – in theoretical and empirical terms - at both local organizational knowledge and organizational structures and procedures promoted by external parties.

The theoretical discussions in Chapter Two were concentrated on three main areas, namely: the development of credit unions under the aegis of the Co-operative Movement; the emergence of the Local Knowledge Systems as a new field in the sphere of development studies with relevance to credit union management; and the conceptual framework, including an Integrated Management System, used in this study. These theoretical discussions can now be compared to the empirical findings of the research in the case-study area in the Upper West Region of Ghana.

The research findings were obtained by the application of multiple systems of research methods and techniques which have been used consistently throughout this study. In the collection and analysis of the data for this study, qualitative methods were supplemented by quantitative methods. As indicated in the section on methodology, an extensive literature study was undertaken both in Ghana and the Netherlands. Field surveys were carried out in the Upper West Region of Ghana among the *Dagaaba* credit unions. To obtain empirical data, discussions and interviews were conducted with the management and members of credit unions, and with local chiefs and *Tendaama* as well as respected elders who keep regular contact with credit unions in their respective localities. For more than nine months, participant observation of the functioning of credit unions management systems took place, including attending local credit union meetings and day-to-day observation of the activities of the various members and management. Among the selected credit unions, extensive archive studies of the organizational records were highly important. Finally, in order to test information gathered through both secondary data and observation, structured interviews were carried out with leaders of credit unions and other local institutions and selected members. The results have been analysed quantitatively.

Given the point of departure of this thesis, the first area in which the results of the empirical findings are compared and contrasted to the theoretical framework is that of Local Organizational Knowledge. A point essential to the present study is to examine in which ways the local knowledge and practices are applied in the context of community-based credit union institutions, and how this indigenous expertise can be used fruitfully in promoting participation in rural co-operative development programmes.

Over many generations, local communities have developed their own institutions and knowledge systems to identify prospects and tackle problems, set their priorities and implement activities. In the past few decades, many anthropologists have documented a number of indigenous organizations though, as Uphoff (1995) argues, their particular potential for accelerating development is still not properly analysed and documented. Recent studies of development organizations have unequivocally shown that local institutions are an essential and dynamic factor which has been able to transform and adapt to serve the changing needs of the community in its process of interaction with outside interventions.

One of the crucial areas of emphasis identified in searching for efforts to encourage local development is the need for community participation and empowerment. Drawing attention

(Chambers 1989 and 1993; and Soones and Thompson 1994) to key concepts of participatory development, empowerment and sustainable ways of community development, a broadly based recognition of the close and harmonious relationship between communities and their local institutions has gained momentum. These robust relationships are expressed in the full participation of these institutions in the activities and decision-making processes of communities.

In his study, Songsore (1992) has also drawn greater attention to local forms of co-operatives in Sub-Saharan Africa, especially the Co-operative Savings and Credit Unions in the Upper West Region of Ghana. These are now considered one of the best examples of programmes based on the new strategy of 'development from within'. A clear distinction is drawn between indigenous organizations which are primordial - with their origins stretching back many centuries - and such organizations as the Co-operative Credit Unions which are quite contemporary, in their establishment and in most of their activities. They are part of a local initiative seeking to find alternative, grassroots-oriented solutions to key development needs in the provision of savings and credit, by building upon community-based financial institutions. In this case, although by virtue of their close association with the modern monetary sector, local Co-operative Credit Union Associations are not immediately regarded as indigenous institutions, their foundation, inspiration, mode of operation and decision-making systems do indeed warrant their classification as in harmony with local community values and norms.

Local institutional knowledge is part and parcel of the ways of life of the local communities and is not an option which they can use or leave out as they wish. This being accepted, the application of the Local Organizational Knowledge perspective to the study of Co-operative Credit Unions has provided deeper insight into their historical background and their socio-cultural environment, as well as into their organizational structure, methods of management and decision making. In their studies, Blunt (1996), Dia (1996) and Uphoff (1986) have indicated that local institutions select different forms of planning and decision-making processes chosen primarily to respond to the actual needs of local communities. These institutions unquestionably fulfil a significant role in various social, economic, cultural and political activities, and in some cases, they have also provided rural communities with protection from the interventions and domination of organizational structures conceived by external agencies. Although not explicitly mentioned in the formal constitution and structure of organizations, Local Institutional Knowledge is able to continue to insert itself into the transplanted organizational structures and management, and in so doing it reflects and protects the community interests.

It is as clear as day that credit unions provide financial services, but viewing them purely as financial institutions without considering their relationship with other local community organizations will strengthen neither their effectiveness nor sustainability. In this connection, as the study conducted by Gegeo (2002) on the credit union-community relationship has revealed, orienting communities about the basic principles and objectives of credit unions, stressing their role in the eradication of rural poverty and acceleration of development, as most development workers, NGOs and Department of Co-operatives officials often do, is not enough on its own. If credit unions are to be effective and sustainable, right from their inception they must be connected structurally to the community and its institutions. This cardinal issue of micro-finance institutions and their relationship with their community is championed by Snow (2005) who underscores the need for rural financial institutions to be embedded in the network of existing local institutions and fill a niche which banks are invariably unable to fill. One of the salient causes of the failure of most micro-finance

programmes is the scant attention paid to the local institutional environment in which these programmes operate.

In a nutshell, the assessment of the theoretical literature is that Local Organizational Knowledge is very relevant to credit unions. Without linkages to local institutions and being embedded in local values and norms, credit unions and many other recently introduced institutions operating at the community level would find it difficult to function effectively in the community (*cf.* Gegeo 2002; Snow 2005)

The empirical research has definitely shown that, for centuries the *Dagaaba* institutions under the leadership of the *Tendaana* - as explained in Chapter Seven - have managed their public affairs and interacted successfully with other communities. Investigating the credit unions in the *Dagaaba* area, the data on both historical development and current practices ineluctably demonstrate that they are strongly linked to the community and its local institutions, namely the chiefs, the *Tendaana*, the Roman Catholic missions, the local opinions leaders and elders, not to mention the district-level offices of Government departments. The net socio-economic benefit deriving from these individual and institutional relations is highly significant. Because of their established relations, local popularity and positive image, credit unions are able to obtain local co-operation on a wide range of issues.

As in most rural areas of developing countries, the *Dagaaba* credit unions have close ties with the community's needs and ways of thinking and acting. The majority of the credit union members among the *Dagaaba* are persons who have not enjoyed a formal school education or undertaken formal training. As observed in this study, the members have their own perceptions of and practices for credit union management and the role of credit unions, based largely on their own local institutional knowledge.

As the example of the credit union has shown, right from the inception of the credit unions by the community and afterwards in conducting meetings and taking important decisions, and indeed while finding solutions to such organizational problems as the management of delinquent loans, Local Organizational Knowledge is incorporated in different ways and plays an effective role in the credit union management. As this study has indicated, the Co-operative Credit Unions of the *Dagaaba* have been shown to benefit from active community participation, delivering essential services to various sectors which can generate self-sustained development.

The second area in which it is essential to compare and contrast the empirical findings with the theoretical framework is that of External Interventions for Organizational Development. External influences and interventions have not always proved benign to the local institutional environment. Both in the colonial and post-colonial periods, most of the local institutions in rural communities tended to remain outside the sphere of active involvement in development programmes transplanted by external agencies. This form of relative exclusion and isolation can perhaps be interpreted as a policy of marginalization leading to poverty and deprivation of development assistance. Fortunately, it has certainly allowed the survival and continuity of traditional institutions which have not faltered in providing their services to the rural population to the present.

In developing countries such as Ghana, where the influence of the colonial and post-colonial interventions were felt profoundly, the local production systems and the corresponding institutions was forcibly re-organized and reconstructed in order to slot in with the needs of the capitalist market economy. In contrast, in such rural communities as the *Dagaaba*, located far away from the metropolitan centres, such penetration was never strong and local production systems have to a certain extent been able to retain their traditional patterns of community-based development. Caught in such a situation, the *Dagaaba*

community has been able to preserve partly, if not fully, its institutions and Local Knowledge Systems, which can now be brought to bear to achieve sustainable development in these 'neglected' areas.

While local relationships are a valuable asset and essential to managing various credit union issues and supporting their smooth running, on their own these should not be seen as a guarantee to protect credit unions from the repercussions of crises and assure their continuity. Various problems, such as liquidity issues, have often been caused by exogenous factors beyond the control of local networks. As the case studies show, despite a proper local institutional linkage, there were credit unions, such as the St Teresa Credit Union in Nandom, which were dysfunctional and finally ceased to operated.

In the last few decades, one of the most common problems confronting local communities in developing countries has been the growing distance or even absence of structural links and relations with organizations which are formally supposed to serve them. Most organizational structures and development policies in Africa are either the legacy of the colonial past or they have been transplanted willy-nilly from highly industrialized countries and imposed on the mainly agrarian societies of Africa. As numerous studies, including those by Dia (1996), Mireku (1989), Molnar (1988) and UNESCO (1982), have demonstrated, most of these exogenous institutional structures and procedures are not tailored to suit the socio-economic and cultural environment of the local communities and their cosmology; quite the reverse in fact, they create more tension and misunderstanding.

Relatively speaking, even though the organizational structure of Co-operative Credit Unions was initially developed by the external co-operative movement, they have adapted themselves to the socio-economic conditions of the local community. They appear to be democratic and structured bottom-up, with all decisions taken by their members. Yet, the inexorable truth is that most important decisions, especially those related to the legal framework and financial regulations, are in the hands of the Central Governments and the apex organization of co-operatives at the national level.

The co-operative structure and constitutions in most African countries resemble each other fairly closely. This implies that they are *de jure* autonomous community organizations which operate under the guidance of the formal co-operative laws and principles. However, *de facto* they are inevitably influenced by Government policies and by Non-Governmental Organizations which maintain technical and financial relations with these local co-operatives. Similarly, through the Department of Co-operatives the Co-operative Credit Unions among the *Dagaaba* also have relations with various stakeholders: the Government, their apex organizing CUA and several other local institutions which in one way or another exert influence on them.

Even as credit unions are adopting Local Organizational Knowledge, they cannot escape adjusting to external changes. Credit unions are not dealing with a closed system. They are managing financial services and handling transactions which cut across local boundaries. In addition to their local organizational environment, knowledge of modern management is greatly desired in order to acquire a broader understanding of the complex financial markets and institutions to which they are directly related and with which they must deal. In recent times, in order to manage deepening global interdependence and interactions, the necessity to adapt modern techniques and organizational skills to local conditions has featured prominently in various discussions about local development. Now there is a growing consensus among development scholars and workers that local communities have to harness the forces of modern science and technology, otherwise the gap in development between the industrialized world and African countries, especially the rural areas, will grow too enormous and be unbridgeable. On the basis of his experiences of decades of practical efforts in charting

alternative development strategies, Nyerere (1990) of Tanzania encouraged African scholars and development workers to make a determined effort to absorb and adapt new organizational skills and technological innovations as part of their development strategies.

In this context, the common organizational structure local credit unions share with Co-operative Credit Unions operating elsewhere, nationally and internationally, and the regular organizational trainings and workshops can assist them in extending their knowledge beyond the local perspective. The situation of credit unions among the *Dagaaba* reveals how these unions, which were established by the aspirations of the local community, appropriated the general organizational structure of Co-operative Credit Unions developed exogenously, and were infused with their local values and norms which are the basis of their organizational knowledge.

The third area in which theory is compared with and contrasted to empirical findings is that of the interaction of local knowledge and external influences. Local Organizational Knowledge is often deprived of the recognition which it deserves. Although the Co-operative Credit Unions maintain harmonious relationships with various local institutions and use local organizational know-how in the management of their problems, they are often overwhelmed by the modern, formal, organizational principles for “proper” management and financial bookkeeping, which have not yet incorporated Local Organizational Knowledge. As recent studies, among others those by Gegeo (2002) and Brohman (1996), have indicated, an increased use and incorporation of indigenous knowledge heightens the appropriateness of development programmes to local conditions and provides innovative solutions to development problems. At a deeper level it contributes to a sense of self-worth and collective self-esteem among local people. This enhances the participation and empowerment of the local communities in the development process. However, it has been a normal practice for, development experts to overlook indigenous organizational knowledge, despite its relevance, in their search for solutions to development problems and the setting up of development programmes.

J. Brohman (1996) and many other scholars have been vocal in their suggestion to start from the premise that local communities are knowledgeable and skilful managers of their own environment. Similarly, various advocates of the extension of rural co-operatives (Bouman 1977) have forcefully argued in support of the idea that credit unions benefit enormously from greater community participation and the use of local knowledge and institutions, combined with the co-operation with various grassroots associations and the prevailing social control systems. Paradoxically, despite the practical usefulness of Local Organizational Knowledge which binds the credit union strongly to the community, as such the constitutions of the credit unions accord Local Organizational Knowledge no legal recognition.

Rural credit unions, such as those among the *Dagaaba*, have empirically demonstrated a marked propensity to integrate their local organizational knowledge into their management system. Through the combination of their internal dynamics and interactions with exogenous factors and institutions, it is this Local Organizational Knowledge which enables credit unions to change and adapt to keep pace with the processes of development and change.

As described in Chapter Two, the conceptual interpretations would seem to indicate that credit unions associations, especially in rural parts of the Upper West Region, are indeed interacting with various local institutions and are practising an integrated form of management which incorporates both the local and the modern organizational structures and concepts transferred from the industrialized countries as a single organizational model.

The fact that development efforts regularly fail in African and other developing countries brought a reconsideration of the often overlooked but crucial factor that the local communities

which are classified as beneficiaries must participate in the development effort. Therefore they should be closely involved in its design and implementation through formal participation in organizational meetings and as an active determinant in the development programme. Naturally this involves the incorporation of their knowledge and organizational visions. Especially since the 1990s, various established international development organizations which have appreciated the importance of LOK, have strongly encouraged the incorporation of this know-how into the main development concepts and practices. According to a UNDP publication (1992), what is needed is not a stand-off between the two entirely different systems, namely the Western system of management supplemented by modern science, and the local knowledge of management which is transmitted over generations. Instead a broader approach which allows and respects the contribution of each should be adopted. Consequently, the real challenge to science and technology is to find mechanisms which allow these two separate, but highly complementary systems to coalesce and work together. In a similar vein, Agenda 21 of the UN Earth Summit (1992) pinpointed the recognition and strengthening of the role of local communities and their knowledge of resource management, which are acknowledged to promote environmentally sound and sustainable development. The challenge to the co-operative systems is to recognize the potential merits of the other side. The key to co-operation rests in the shaping of a framework which integrates both systems.

The research findings from the case study of the *Dagaaba* credit unions have indicated that the socio-economic development is an important factor in creating the demand for financial services and also in forming the basis for the offer of such services by local financial institutions. In a similar manner, the socio-cultural values impinging on the organizational environment, especially the Local Organizational Knowledge, are a second driving force behind the Co-operative Credit Unions.

10.2 Conclusion

In the half century since their formation, credit unions have anchored their roots in the communities of the Upper West Region, extended their outreach, developed and captured the position of a familiar rural financial institution. Undeniably the history of these financial institutions is not one of unbridled success but has been characterized by ups and downs, at times flourishing and at times declining. But despite all this they still continue to perform their roles, which are crucial to their rural setting. In a nutshell, the overall contribution of these institutions to local development remains pretty significant.

As explicitly presented in the introductory chapter, this study has undertaken a comprehensive inquiry into the factors which have contributed to the development of credit unions among the *Dagaaba* in the Upper West Region of Ghana; the manner in which these credit unions are managed; the extent to which Local Organizational Knowledge (LOK) is used in the management; and the role which credit unions play in local development.

The *general aim* of this study was to assess and document the historical development of co-operative savings and credit unions and analyse their organizational dynamics, adaptations and changes in order to develop insights that will permit the construction of an integrated model of organizational management that could promote more local participation and could contribute as such to sustainable development. Therefore, developing an organizational approach (model) appropriate to credit unions is an essential part of this study. As discussed in Chapters Two and Nine, the integration of the structures and concepts of indigenous as well as exogenous agencies in the management of the local credit unions can be seen as a process of

cross-fertilization of various concepts within one organizational model. This process has led to the introduction of a new management paradigm, with which local Co-operative Credit Unions are expected to achieve their organizational goals and become more sustainable local financial institutions. Certainly, as observed from the case study of the *Dagaaba* credit unions, this management system is an integrative management model which accommodates conventional management principles and practices as well as Local Organizational Knowledge, thereby maintaining an interface and synergy among local and global management principles.

In this new integrated form of management, elements of both traditional and modern organizational management are readily identifiable. In combination these supplement each other and forged the dynamic management of local credit unions. This has allowed local communities to construct a modern form of local institution, which interacts constructively with local values and norms. The interactive management model envisaged is basically constructed by a combination of local and global decision-making processes.

As analysed in Chapter Two, this hybrid system of management is built up of a variety of components, nurtured under different socio-economic conditions and integrated into a new, synergic management system. The Integrated Management System consists of a combination of local and global management principles and practices and strives to use local resources optimally to promote self-sustained development. As such, this hybrid system contributes to participatory decision-making processes and this also eventually will lead to the development of sustainable management systems in Africa. As mentioned earlier, Local Organizational Knowledge continues to form a key element in the new integrated management model and the related day-to-day practices in the local Co-operative Credit Unions.

The Integrated Management System (IMS) consists of both the legal or formal organizational structure, emphasized by the co-operative support organizations and legitimised by the Government, and the Local Organizational Knowledge (LOK), which is embedded in the local values and norms, and strengthens credit union cohesion with the community. The IMS plays a dynamic regulatory role; it unquestionably stimulates the participation of members and transparency in the management and encourages collective co-operation and accountability. By dint of intensive dialogue, negotiations and mediation it regulates operations, nurtures more trust between members and management, and importantly responds accurately to the demands and requirements of the other stakeholders. By keeping the balance between the members and their management, it also fulfils the legal requirements of the Department of Co-operatives, as well as the guidelines of WOCCU, to which the credit unions are affiliated through their apex organization, CUA.

Related to both the general aim and the central questions posed in this study, *six specific objectives* have been determined. On the basis of the research findings, the major results concerning these specific objectives - which are directly related to the three dimensions of the study, namely: the historical development; the organizational structure; and the role of credit unions in local community development – can be summarized as follows.

Firstly, an overview was presented of the development policy of Ghana and specifically the co-operative policies of the Government. In addition, the policy changes under the different Governments, especially the policies with regard to co-operatives, have been delineated as they have inevitably affected the development of co-operative credit union organizations in Ghana, either directly or indirectly.

As described in the preceding chapters, the colonial administration used the co-operative policy in Ghana as an instrument to step up agricultural production and promote market-related services. The co-operatives were formed primarily to serve the interests of the colonial regime. In every sector, the surplus generated by co-operatives came under State control; consequently

the members and the local community were not the primary beneficiaries. The co-operatives were organized in a top-down fashion, and such basic principles of co-operatives as member ownership, participation and democratic decision making were omitted from the co-operative policies of the State. The members were aware that an increase in the production of the co-operative sector had no direct bearing on an improvement in their socio-economic situation. Among the reasons for this, the growing local detachment meant that often the successes of co-operatives were short-lived. In the Northern Territories, which fell under the protectorate, besides the formal co-operative organizations under the Government, the representatives of the colonial administrators encouraged the indigenous forms of co-operatives as vehicles to mobilize small farmers to produce a surplus to feed the labour force, which was engaged in the production of cash crops in the South. Although this mechanism worked for short time, the efforts to mobilize local institutions to perform for the colonial interest were not very successful.

At independence in 1957, development policies oriented towards co-operatives were placed in the limelight. Nkrumah's party wanted to implement co-operative policies with a different approach, oriented in the direction of Socialist ideology, under which co-operative societies would be centrally planned and controlled by the State. In short, co-operatives were linked up to politics and this deprived them of sufficient autonomy. In rural parts of the country, far away from the centre, such local communities as the *Dagaaba* could continue to use their own indigenous co-operatives unhindered. With the weakening of the power of the chiefs, who were appointed during the colonial administration, and given the limited outreach power of the post-independence State, co-operatives and such indigenous institutions as the *Tendaana*, once again began to fill in the gaps in undertaking local development.

The first Co-operative Credit Union, which was begun in Jirapa two years before independence, was able to increase both its membership and savings as well as extend into the neighbouring villages of Nandom, Hamile and Ko. After 1966, the Second Republic of Ghana abolished the Socialist model-oriented co-operatives in the country and encouraged the liberal-oriented West European models of co-operatives to play a more active role in the development process of Ghana. The sudden shift in co-operative ideology and orientation towards a new way of thinking only created more contradictions and weakened the Co-operative Movement in the country. Nevertheless, despite such a restrictive environment, the Co-operative Credit Union Movement in the Upper West, with the close assistance of the Roman Catholic missionaries and other external agencies, formed more new credit unions and reached more local communities.

In the 1970s, the Co-operative Movement was placed under severe strain for almost a decade. This tense situation was mainly attributable to general instability and a regular series of *coups d'états* and subsequent changes in Government. The political instability was dogged by economic crises, which were exacerbated by a persistent devaluation of the Ghanaian currency. This adverse development had an enormous negative effect on the entire development process in Ghana, and of course on the Co-operative Movement. The currency devaluation had a severe impact on the Co-operative Credit Unions. Most of them were faced with an enormous, seemingly insurmountable liquidity crisis. Some credit unions lost many members, while others waned and became totally inactive.

Under the PNDC Government led by J.J. Rawlings, especially after the late 1980s, co-operatives have again been stimulated to play an active role, especially in rural development. Now that Ghana is actively implementing its policies of decentralization, the Department of Co-operatives is strengthening its presence at both regional and district levels. In order to distinguish declining or dormant primary societies from their active counterparts, the Department has also carried out a re-registration process and is adapting itself to the current

debate on co-operatives and to the changing political environment. As currently there are ongoing debates and discussions on how best to link the Co-operative Movement up with efforts to achieve the objectives of the Poverty Reduction Strategy Paper and the Millennium Development Goals, the Department of Co-operatives is busy adjusting its policies designed to help the Co-operative Movement work more actively at district level in a closer relationship with the community, the goal being sustainable development at the community level. To translate this into practice, the Department is working closely with all primary societies operating at the district level. In such a stimulating environment, credit unions in the Upper West Region and other parts of the country have begun to pick up the threads in the wake of the past crises and increase their numbers of members, bolster their savings and expand the boundaries of their activities.

Secondly, in Chapter Five the study analysed the factors which contributed to the formation of CUA, its working relations with the Government and with external, international organizations, as well as its internal working relations with affiliated credit unions. This showed how the process of globalization has had an impact on the relations and policies of local Co-operative Credit Unions.

When the number of credit unions in Ghana, albeit geographically scattered, began to grow, the necessity of having a central co-ordinating body arose. An effective co-ordination of the scattered primary societies under one umbrella was to the benefit of the primary societies and also to the Government and other external institutions which were supporting the Co-operative Credit Union Movement. Both the Department of Co-operatives and the Roman Catholic mission threw their weight behind and endorsed the idea. At the Lesotho Conference of Co-operative Credit Unions, attended by representatives of credit unions and Thrift and Loan Societies, the idea of strengthening credit unions in Africa and also the need to have an apex organization at the national level was discussed. This conference, the first of its sort, was organized under the auspices of CUNA which was looking for strong partners in Africa with which to collaborate.

To this end and also as a follow-up to this conference, in the same year a combined meeting of Ghanaian credit unions and Thrift and Loan Societies was convened in Tamale. At this a plan was made to form an apex organization, gathering all community-based financial institutions under one roof. After a period of negotiations and discussion between the Co-operative Credit Unions from the North and Thrift and Loan Societies from the South, an agreement was reached and the apex organization was established. Initially it was named the "Ghana National Credit Union and Thrift Association" (GNCUTA), but two years later, in 1968, it was renamed the Credit Union Association, CUA.

Since its establishment in 1968, as the representative of its affiliated credit unions, CUA has been engaged in the development of these institutions in Ghana. In the last few decades, besides supporting and co-ordinating credit unions in Ghana, it has also played an intermediary role between the Government and credit unions, and maintained and co-ordinated the international contacts and relations with both co-operative organizations and other agencies which have been working with credit unions.

As an apex organization, CUA began to hold a general meeting of representatives of all primary societies once every two years, also referred to as the Biennial General Meeting. It also adopted an organizational structure similar to that of the primary societies. The Biennial General Meeting, at which the representatives of primary societies are represented, is the supreme governing body of CUA. The Board of Directors which is composed of eleven members is the highest governing body and the General Manager is the official who steers the whole organization.

The major objective of CUA is to promote the organization and development of credit unions in Ghana. In a recent development plan, CUA also underscored the main role of credit unions in improving the standards of living of the rural and urban poor, and stated that to this end the Credit Union Movement has to be able to mobilize savings and provide credit and technical assistance to benefit its members.

Under CUA the credit unions are divided into eleven chapters, representing the various regions of Ghana. The credit unions in the *Dagaaba* area constitute the Upper West Regional Chapter. To regulate the relationship between CUA and the primary societies, a three-tier structure was used for a long time. Under this structure, the primary societies are seen as affiliates to their respective chapter offices and are represented at the CUA Biennial Meetings by through chapter office. In short, most of the organizational relations between CUA and primary societies were regulated through the respective chapter offices and the services of CUA were provided via these chapter offices. During the mid-1980s, when credit unions were faced with crises, the three-tier structure became the target of criticism. It was seen as inefficient, and bureaucratic. Charges were even levelled that it was expensive to have to make business arrangements through the chapters. Even more vexing, there was an unclear division of labour and a duplication of roles between CUA and the chapters. The three-tier system was therefore replaced by the two-tier structure, which is currently in use (see Chapter Nine). Under the two-tier structure, which flattens the organizational relations, the primary societies are direct affiliates of CUA, and have direct representation at the Biennial Meetings or any other gatherings, without the intervention of chapter offices. The role of the chapter office has transformed into a management support unit at the regional level, through which administrative communications and technical support from CUA to respective credit unions are channelled.

The services which CUA is providing to respective credit unions may be categorized into five areas. In the first place, through its field officers and audit unit, CUA encourages credit unions to apply the standard organizational practices and monitors the proper implementation of their activities according to the formal procedures of Co-operative Credit Unions. To homogenize the administration of all credit unions in the country, CUA is selling standard format stationery to all its affiliates and gives orientations on how to use these forms. Through its reports from its field officers, CUA is updated on the status of every credit union, even though sometimes these reports may be delayed for months. In its efforts to educate, it organizes seminars, workshops and trainings to raise the organizational quality of the credit unions. Secondly, it assists primary societies by regulating their relations with the Department of Co-operatives. As an apex organization, it participates in discussions on the Government's co-operatives policies and matters directly relating to these and other development finance institutions. It assists credit unions to satisfy their legal requirements and act in accordance with the co-operative law. Thirdly, beyond the national boundary, CUA has contributed vigorously to the formation of and worked actively with ACCOSCA, an association which represented credit unions at the level of the African continent. Unfortunately, after about three decades of active operations, beset by financial and managerial problems ACCOSCA had to renounce its mission, and was abolished in 2002. CUA also represents the credit unions in various international credit union forums and disseminates information from these forums to credit unions. Fourthly, in co-operation with international NGOs, CUA prepares programmes and projects which are implemented with the participation of credit unions in selected areas. Finally, CUA also deals directly with financial investments, notably buying bonds, which every credit union is expected to buy to obtain some surplus.

Credit unions also have certain obligations which they have to fulfil to become and remain a CUA affiliate. They have to pay dues for CUA services and are expected to deposit a certain amount in the CUA central fund, and buy shares. This obligation is balanced by the fact the primary society representatives have the opportunity to vote for and also to be elected to the Board of Directors to govern CUA. As shown in this study, as the oldest credit union region with years of experience in credit union work, the Upper West Region has produced many leaders and managers who have been on the CUA Board of Directors and in the management of CUA.

When the history of CUA is analysed, this reveals that the credit unions in the Upper West Region played an important role in its formation. This intensive working relationship is a product of long and constant interactions. CUA has exerted an enormous influence on all Co-operative Credit Unions, including those which are *Dagaaba* based. This influence and co-operation encompasses diverse areas, including legal aspects, organizational development, relations with markets and intermediation of externally assisted development programmes. As indicated in its own development programmes, through its respective primary societies CUA upholds the definite aim of improving the capacity of the primary societies simultaneously contributing to the sustainable development of communities. Its overall goal is raising the living standards of the poor people in Ghanaian society. These objectives can be realized by making concerted efforts, working closely with diverse stakeholders, the Government and NGOs, and the full participation of respective local credit unions.

Thirdly, this study set out to assess the historical development of the *Dagaaba* and their local institutions, and interpret the various trajectories through which these institutions have passed in the context of the local development process.

A good picture of the origin and development of the Co-operative Credit Unions among the *Dagaaba* can be obtained from the detailed analyses of the socio-economic development and the local institutions of the *Dagaaba* community. With a population of about half a million, the *Dagaaba* occupy the larger part of the Upper West Region of Ghana. There are various controversies surrounding the historical interpretation of their origin. Local oral history collected in Jirapa, Nandom and their surrounding villages claims that the *Dagaaba* people came from the ancient kingdom of Mali a long time ago. In contrast, in the recent written history of Ghana, the *Dagaaba* are thought to have been part of the *Dagomba* Kingdom, which disintegrated after it had been undermined by persistent internal conflicts.

Oral history and research investigation show that for centuries the *Dagaaba* derived their livelihood from hunting, rearing cattle and to a limited extent from agrarian pursuits. In pre-colonial times, they were largely governed by their local institutions led by the *Tendaana*, which played an important role in the organization of their social and economic activities. Such important community affairs as the allocation of settlement areas and the resolution of disputes and clan conflicts were always first drawn to the attention of the *Tendaana*, who would direct the matter to the respective village elders. They in their turn would spend hours or days (as the case may be) discussing the matter until it was settled.

The *Dagaaba* took part in diverse forms of local co-operatives, both for agricultural activities, including sowing, weeding and harvesting, and for such other tasks as the construction of houses. Indigenous co-operatives, known as *Langta*, *Sunta*, and *Kepta*, were and are still familiar types of local co-operative organizations, through which communities work together on a reciprocal basis for their mutual benefit.

With the advent of colonialism, the *Tendaana* system was subjected to constant strain, and put under pressure to make way for the system of chieftaincy, another indigenous form of institution followed by the Ashanti in the southern and other parts of Ghana. In the course of

time, a form of co-existence and co-operation between the systems of the *Tendaana* and the Chief has gradually evolved. In some villages the *Tendaana* were also appointed as Chiefs. As part of the system of co-existence, some sort of division of labour developed, under which locally relevant and culturally sensitive matters were preferably referred to the *Tendaana*, while contacts with the Colonial Governments were maintained through the office of the Chief.

For the Colonial Government the Upper West Region, which was then part of the Northern Protectorate, especially the *Dagaaba*-inhabited area, was not considered essential to the extraction of raw materials. Concerted efforts to cultivate agricultural products for the labour force in the South were also not successful. The region therefore served primarily as a pool of cheap labour and as a trade route connecting Ghana to neighbouring countries, linking up with the earlier trans-Saharan caravan trade. Local economic life and conditions began to change gradually in the 1920s, when young *Dagaaba* were forced to go to the South to work as wage labourers in the mines and on cacao farms. In 1930s, Roman Catholic missionaries were given permission by the colonial rulers to establish their mission posts and operate in the *Dagaaba* area. The migration of labourers to the South, the opening of trade routes and the coming of the missionaries all played a part in exposing the *Dagaaba* people's way of life to the unstoppable growth of the money economy and other outside influences.

Fourthly, the study had as its specific objective an analysis of the socio-economic background, the origin and development of the Credit Union Movement among the *Dagaaba* against the background of the historical development of the Upper West Region of Ghana.

Until the beginning of the last century, all types of trade and exchange in the Northern Territories of Ghana were either in the form of barter or carried out using cowries as a medium of exchange. Among the *Dagaaba*, the use of paper money and coinage was a relatively late development. With the extension of the commodity markets into the rural areas and the introduction of currency brought back by wage labourers, the utilization of money as a medium of exchange became inevitable, albeit it did not entirely replace the local forms of exchange.

Formal financial institutions from which local communities could obtain financial services were not extended to the rural settings to keep pace with the spread of the money economy. In places where formal institutions operated, notably in relatively urbanized or administrative centres such as Wa, these services were limited to a small group of urban traders and high-level Government officials, and did not reach small farmers and rural communities at large. Other informal financial institutions such as *susu* and *sandugu* were not widespread either. Even private moneylenders, who were common in other neighbouring communities, were not popular among the *Dagaaba*. As a result, the *Dagaaba* were highly dependent on either their family or kin ties for obtaining any form of financial services.

As the commodity markets and the money economy began to penetrate, the need for financial intermediaries in the Upper West Region grew urgent. At the beginning of the 1950s, the local communities in the Upper West Region were interested in forming a locally based co-operative organization which would provide financial services to rural inhabitants. The first initiative was taken by the *Dagaaba* community in Jirapa, which came together to discuss the problems related to the absence of financial custody and the possibility of forming a local financial organization. Consequently, the first Co-operative Credit Union, with a foundation membership of seventy persons and a share capital of £38 sterling, was established in Jirapa in September 1955. Within a few years, similar co-operative organizations had extended to other villages such as Nandom, Ko and Hamile in the *Dagaaba* areas.

Whereas in comparison with banks and other modern financial institutions Co-operative Credit Unions quickly expanded through the rural areas and reached thousands of inhabitants,

until recently as an effective financial institution credit unions failed to capture the attention of the Government, which only deigned to take special notice of commercial banks and other formal financial institutions. In the Upper West Region alone, the Co-operative Credit Unions are now estimated to reach one-eighth of the population in the rural areas and certainly fill part of the gap left by the formal banks in the supply of financial services. Over and above this, they are familiar with the people's culture and the rules and regulations are very easy to implement, making it easy for the community to participate in them.

It is obvious that the development of Co-operative Credit Unions among the *Dagaaba* was heavily dependent on the process of the socio-economic development of the community and their local institutional and cultural values. This was supplemented simultaneously by the external co-operation provided by the Roman Catholic mission, which was disseminating its spiritual operations in the area and saw the Co-operative Credit Unions as an opportunity to link up religious activities with economic support. It fitted the mission's principle that, without tackling the socio-economic needs, preaching the Gospel alone could not bear any fruit. Right from the time when credit unions emerged, the role played by the Roman Catholic mission was very significant. One of the main contributions of the Catholic priests was to link up this local initiative with the International Co-operative Movement. Thanks to their vision from the outset, the Co-operative Credit Union in Jirapa was established with an orientation towards similar co-operatives which had been started up in Canada. The missionaries also saw to it that most of the early credit union volunteers were sent abroad for further studies in credit union management. The access to training facilities in Canada at the Coady International Institute at St Francis Xavier University was made possible through the intervention of the local missionaries. This training possibility has not only well and truly anchored the credit unions in the area; it has also given local *Dagaaba* officials the chance to become experts who can combine the local view of co-operatives with their more modern concept. For a long time, it was this local expertise from the *Dagaaba* which was in the forefront of the national Credit Union Movement in Ghana and managed CUA for decades. Every parish was encouraged either to form its own credit union or to become a member of the existing ones. After church services, discussions of matters related to credit unions have been an accepted and normal topic for a long time.

Another external factor which contributed to the development of a strong base for credit unions in Ghana in general and specifically in the Upper West Region in the 1960s, was the technical and financial assistance provided by such organizations as the Catholic Relief Services, the Konrad Adenauer Foundation of West Germany and the Credit Union Movement of the Netherlands, known as the Raiffeisen Movement.

At that time, it was clear that if the Credit Union Movement were to be effective and survive, it was important that external institutions supplemented the internal efforts. The success of the Credit Union Movement had a two-edged dependency: on the local dynamic and on the constructive co-operation and solidarity of both internal and external agencies. However, with the passing of time, credit unions, as other local institutions, have been able to rely more fully on their own resources.

Fifthly, the study set out to depict the organizational structure of Co-operative Credit Unions and show the various agencies which have influenced their decision-making and policy-planning processes. By making an inquiry into the organizational structure and management processes, the study has assessed the various interactions between the local and external organizational practices and procedures.

The official organizational structure of the Co-operative Credit Unions among the *Dagaaba* has been constructed on the basis of the by-laws to which all registered credit unions

are obliged to subscribe. This structure originated with the International Co-operative Movement, which has gradually expanded to become a universal structure to be applied by all credit unions, especially by those affiliated to WOCCU. It is also the structure officially recognized by the Department of Co-operatives in Ghana. From a practical point of view, although the structure is heavily influenced and steered by external forces, especially by the Government and external technical assistance agencies, it is usually classified as a bottom-up structured, autonomous, community-based financial institution. The organizational structure consists of three interrelated parts, namely: the General Meeting of members; the Board of Directors; and the office of the credit union.

The Annual General Meeting of the members is the highest and supreme governing body of the credit unions. This meeting, which is attended by the entire membership, is held once every year. It usually commences and ends with religious prayers and traditional blessings by the elders. As observed, most credit union meetings reflect a community spirit, a sphere of oneness, where songs, jokes and feasts are also the order of the day. At the General Meeting the progress of past activities is presented for discussion. The bulk of this consists of reports on total savings, loans, outstanding loans and any other related activities such as relations with CUA and other local institutions. After an extended discussion, in which everyone is encouraged to take active part, although outspoken members may take the lead, lobbying and nominations begin as a prelude to the elections to replace the existing Board and committee members.

The General Meeting of a credit union is attended not only by its members, but also by representatives of the Department of Co-operatives and the local elders, who come to observe and give advice. Elections for board members are based on the democratic principle of one-member-one-vote, in other words amount of savings or the social-status play no role, at least not explicitly. Integrity, honesty and concern for the community are the characteristics emphasized in those who are nominated for the Board. The organizational structure and the participation of members as well as the local organizational values both require the management of the credit unions to discharge their accountability in a locally acceptable manner. Members demand integrity and the honesty from their management above all else.

The Board of Directors usually consists of nine to eleven members, who are assigned to work on the respective committees, such as the Credit, Supervisory and the Education Committees. The Board of Directors is expected to meet regularly, at least once a month, to discuss all credit union affairs, but in practice meets when the treasurers or the manager comes with a list of agenda items for discussion and requests this be done. As observed and also extrapolated from discussions with the Board of Directors, with the exception of abiding by the by-laws and having a view on mobilizing savings, providing loans and the recovery of repayments, as such the Board does not have any extended vision or strategic plan for its credit union.

An examination of the activities of the various committees reveals disparities between the responsibilities of the committees and the actual implementation. Under credit union by-laws, Supervisory Committee members are expected to monitor the records of credit union regularly and prepare and present reports to the Board of Directors. The task of the Credit Committee is to discuss and authorize loans, whereas the Education Committee is responsible for organizing educational programmes for members and management. As was observed in all the credit unions, some of these committees are just a formality, whose members end their term of office with little or no practical implementation of their attributed duties. For instance, the Educational Committees have no training programmes or education materials to use, except perhaps once in a while when they facilitate workshops or seminars organized by CUA from

the Head Office. Once in their entire term of office, the Supervisory Committees may go through the books of their credit union. Relatively speaking, the Credit Committees are more active, as they review and authorize some of the members' loan applications when these are referred to them.

Under the supervision of the Board of Directors, the office is headed by respective managers, who play an active, central role in the credit unions. In addition to their day-to-day work, they communicate directly with members and interact with all the stakeholders in the credit union. They maintain relations with both the regional and the Head Office, and communicate with the district co-operative department and local institutions which exert an enormous influence on the operations of credit unions. For the most part, the management of credit unions is dynamic and actively undertake its duties, even though at times it is not in a position to discharge its minimal responsibilities, including conducting regular management meetings and notifying members who have not paid their loans by the due date immediately.

The standard organizational structure which all credit unions are supposed to implement is neither static nor fixed. It is flexible and adapts to specific local organizational environments. It is negotiable, as there is room for various local actors, institutions and know-how to be integrated in the organizational structure and play a subtle role in the management.

The integrated management approach which is applied in this study includes the roles of essential actors, mainly the local institutions and organizational knowledge, which remain useful but hidden in the formal organizational structure. As clearly indicated in the analysis of the organizational history of the *Dagaaba* credit unions, the Roman Catholic mission and individual fathers have constantly participated in and supported the credit unions right from their formation up to the present. Likewise, the local organizational values and norms, in which the credit unions are embedded, and the local institutions and knowledge systems should be taken into account. The credit unions in the *Dagaaba* areas have a strong tendency to involve local institutions and knowledgeable elders, and they make use of locally available organizational know-how. The various sectors of the community, the learned, traditional elders and local chiefs and authorities have their respective places and roles in the management, going beyond influencing the policy and planning process, but also providing practical solutions to problems with which the credit unions are confronted, such as the recovery of delinquent loans and the settlement of other conflicts and irregularities in the credit union. Hence, the management of the credit unions overcomes most of its constraints and problems by referring to both the formal structure and involving locally available organizational skills.

This is unequivocally exposed to the broad light of day when an analysis is made of how the greatest recurrent problem of credit union, namely loan delinquency, is tackled practically. In most of the five case-study credit unions, with the exception of the Women-centred Credit Union, this is the overriding problem. It is also the area where the Integrated Management System applies its comprehensive instruments to the management of loans. Credit unions in the Upper West Region have both loan-granting and loan repayment policies. Although all members are urged to obtain loans for their diverse needs and become active members, they are not encouraged to take loans for what are considered unproductive purposes. Once a loan has been granted, when the loan has to be paid back is explicitly agreed both orally and in writing. Should there be any impossibility or difficulty in repaying by the due date, members are asked to approach the credit union, explain the reasons and request an extension of the repayment period. Upon analysing the problems and the time required to pay back, the Credit Committee has to make a decision. By and large, loans which are repaid on the due date are declared delinquent loans.

As observed, in most cases the reasons behind the delinquent loans are related to unforeseen circumstances. Farmers are in a very precarious position, as they are vulnerable to unpredictable weather which may lead to the failure of their harvest and a loss of income. Just as the petty traders, the small farmers are also subject to the whim of market prices, which can fluctuate depending on supply and demand, with the potential result of a decline in income from the sale of agricultural produce. In the happy conjunction when the harvest is good and market prices remain favourable, the situation is ideal and loans are paid by the due date. Leaving aside these major problems, unexpected events or health problems can affect the capacity of members to pay back their loans. In most of the cases, the credit union management is very tolerant and not overeager to take harsh measures. When the explanations given are satisfactory, it is even willing to reschedule the repayment for another given period of time. Most of the explanations are related to general causes, known to everyone in the village. When the management is not convinced by a given explanation, it pulls out all administrative stops to regain the loan. In cases in which the savings of the delinquent members are enough to cover the loan, this is no problem.

Problems really begin to accumulate when a loan due for repayment is not repaid despite the management efforts, and when the delinquent, implicitly or explicitly, refuses to co-operate. The time has then come to call upon alternative local mechanisms. Under the co-operative by-laws, the management can enforce the recovery of the delinquent loans by taking legal action. The local practices run counter to this and it has not proved to be the best solution. Instead, such other external parties as the CUA office, Roman Catholic priests or the Department of Co-operatives may be called upon to exert pressure. Empirical findings show that loan defaulting and other problematic situations are resolved more effectively through the local mechanisms of constant mediation and persuasion. In the small towns and the rural areas, these local mechanisms have proved to be very effective. These may include passing the matter over to the local elders, Chiefs and *Tendaana*, who can exert strong influence to exact compliance, or calling upon regular consultations with and interventions by the close kinship group, which it is hoped will settle the matter as soon as possible. Speaking of this, credit union managers from Jirapa, Nandom and Hamile have underlined the usefulness of local methods in having a loan repaid. As the chairwoman of the Farmers' Co-operative Credit Union in Nandom plainly stated, this credit union has no significant delinquency problems because the Paramount Chief actively participates in resolving such problems. In general, less than 2 per cent of delinquency cases ever results in legal measures. As these are not welcome to the community, its members are usually willing to do their bit and settle the loan on behalf of the delinquent members, instead of seeing legal sanctions being taken against them.

One long-term trend in the development of the credit unions in the *Dagaaba* area deserves some comment. In some periods, the role and performance of credit unions reaches a high level, when they are contributing to almost all sectors of local development; and then, their performance gradually tails off to a level at which they are struggling to survive and face the threat of extinction. Having weathered this, they soon begin to revive and continue to provide services. The effectiveness of the management of the credit unions follows a more or less similar trend. Certain groups of stakeholders become important in a specific period and raise credit union performance; conversely other groups display a reticence towards the credit union and withhold themselves from active participation, though they still remain loyal to and supportive of the existence of these institutions.

In all these different stages of development, the formal structure and management system of the credit union are invariably teamed up with the local ideas about management. In normal times, when credit unions function properly, local institutions and knowledge play a

supplementary role and create an environment of trust and harmony, which provides support to the office-holders. In times of crisis, when modern management methods lose their efficacy, it is the Local Organizational Knowledge of indigenous authorities and elders which offers possible solutions. As the experiences of most of the credit unions demonstrate, whether there is an active or passive participation of Local Knowledge Systems in the management and maintenance of credit unions depends on the stage of development at which the credit unions find themselves.

The value of the Local Knowledge System goes far beyond crisis prevention. Local Organizational Knowledge is an ineluctable part of the local organizational environment which co-exists with and constantly watches over credit unions and all local institutions, stepping in to provide assistance as and when required. The role of Local Knowledge System in organizations is not formalized in the structure or institutionalized by legal procedures. It is part of the local value system which is applied in the management of an institution, implicitly or explicitly, as required. In the meantime, it is also a *sine qua non* if any locally operating institution is to survive and perform its formal duties. Without the involvement of the local community and its system of knowledge and values, effective development will find itself in a shaky and parlous position.

As investigated and analysed in this study, the role of Local Organizational Knowledge is not only crucial it is complex, as it is only one of the numerous factors which affect credit unions. As the case studies of the Co-operative Credit Unions among the *Dagaaba* indicated, the most important of these factors are notably the local socio-economic development, which has its own dynamics and need for viable institution to serve its interests; the local appreciation and knowledge of co-operatives which have played a part in the community for the centuries; the co-operative concepts and structure which have been introduced by the Roman Catholic missionaries; and the legal framework of the co-operatives drawn by the Government. The organization and the management of the credit unions plainly reveals how these various factors supplement and complement each other in the successful running the Co-operative Credit Unions. The local initiatives taken by the *Dagaaba* were laid on the foundations of the local organizational norms, and these were augmented by the co-operative concept and the co-operative structure imported from abroad. The first pioneer credit union in Africa which was launched in Jirapa was a local initiative, founded on local co-operative values and sentiments, but from the beginning necessarily had an organizational structure which was transplanted from the International Co-operative Alliance, for which the missionaries were the intermediaries. As time passed, the participation and the co-operation of other agencies have also lent a stimulating impetus to the growth of the Credit Union Movement. In the initial stage the Colonial Government did not militate against the development of this type of co-operative organization, even though it did not go out of its way to encourage them. After independence, the various national Governments of Ghana have also promoted co-operative policies encompassing the various activities.

In any examination of the organization and management of the credit unions it is readily visible how various factors supplement and complement each other in the successful running the Co-operative Credit Unions. All these factors have had to be reconciled in the development and in the management process of the credit unions. The combination and the incorporation of these factors drawn from different origins over time have become an integrated whole providing a template for the local management of the Co-operative Credit Unions in the *Dagaaba* area. After more than three decades, it is difficult to differentiate or distinguish these factors clearly as they have become fully integrated and fluid, up to the point that credit unions have been transformed into institutions with more of a hybrid form of management.

Finally, the case study assessed the role and contribution of Co-operative Credit Unions to the various sectors in the local development process among the *Dagaaba* and discussed the relationship between organizational management and development at the community level.

The investigation has shown that the objectives and the role of Co-operative Credit Unions in development are wide-ranging and multi-dimensional. Their purpose is not limited to financial affairs exclusively managing the savings of and loans to members. They are institutions which have emerged from the co-operative spirit married to the values of the community in order to improve the prevailing socio-economic conditions. Both written organizational documents and discussions with credit union managers clearly stated that the objective of credit unions was to mobilize local savings and make loans accessible to their members at a low interest rate, to be used for productive purposes and improve their socio-economic condition, which would ultimately contribute to community development. Right from the beginning in Jirapa in 1955, the objective of credit unions was to alter the old habit of hoarding and hiding money in unsafe places, keeping it instead in a more secure and safer custody, and to make credit accessible to members of the co-operative to use for productive purposes. In addition, as clearly stated in historical documents, credit unions were not a charity organization, but a co-operation of community members prepared to help one another and develop their local community, without the objective of generating a surplus. Right up to today, old catch phrases still hang in front of credit union office in Jirapa, boldly declaring: '*...credit unions are for services and not for profits.*' However, even though co-operatives are non-profit organizations, this principle does not exclude the generation of a surplus.

When viewed from the perspective of these objectives, both official records and outcomes of observations and discussions permit the conclusion that since their emergence, credit unions in the Upper West Region have been able to mobilize savings and also provide loans to their members. Certainly this has contributed to the socio-economic improvement of their members and had a positive impact on local development.

In building up a more precise picture of the role of credit and its concrete impact, the inquiry into the socio-economic backgrounds of the members and the analysis of use of the loans has yielded some salient pointers. The credit union members in the Upper West Region are predominantly farmers but also include a small proportion of members who earn their livings from other sectors. In all the places studied, namely in Nandom, Jirapa, Ko and Hamile, the majority of the members are small farmers, who mostly still keeping faith with the traditional method of farming using the hoe. The remainder are petty traders, people running small cottage industries with a small number of local civil servants, including teachers, nurses and those who work at the district level. All the credit unions include people from diverse sectors of the local community, except the Nandom credit unions, of which one is made up of farmers and the other of women, most of the latter petty traders.

The source of the savings of the members is the incomes they earn from these sectors. Although socio-economically seen, the Upper West Region is a less developed area compared to other regions, the volume of members' savings in credit unions is relatively above the average. In fulfilling such CUA requirements as paying dues, making deposits in the central fund and buying shares, the performance of the Jirapa community and the Nandom farmers are better than the other credit unions in the study area.

As data from the archives of the credit unions reveal, the majority of the members, an estimated 70 per cent, have taken out loans and used them for diverse socio-cultural and economic activities. As observed in the five case-study credit unions, the loans which members obtained have been used for buying seed and farm implements, for house construction and renovations, for petty trading, for buying such means of transport as bicycles and small motors,

for paying children's school fees and covering medical expenses, and also for household consumption, and organizing weddings and funerals.

The information gathered from the credit unions indicates that the larger percentage of loans has gone towards buying farm inputs, house construction and petty trading. There is plenty of evidence of housing loans, starting right from the early 1960s many galvanized-iron roofed houses were built in Nandom, Jirapa, Ko and Hamile with loans from the credit unions. The local community saw with pride and admiration how the credit unions, their own local financial institutions, made a concrete contribution towards the condition of housing in the remote rural areas. With the loans obtained for agricultural purposes, small farmers were able to buy seed, fertilizers, farm implements and equipment such as hoes and machetes. The loans for cottage industries were used for several grinding mills, which relieved local women of the burden of grinding crops manually on a grinding stone. Mills were erected in different areas, with the preponderance around local market places and small business centres. *Dagaaba* women who are engaged in trading, weaving and brewing *pito*, a local beer, have benefited from the credit union loans to expand their enterprises and obtain more income.

Credit unions have also had to cope up with the growing local demand from the members who now want an improvement not just in their economic conditions, but also in their socio-cultural status and social well-being. From time to time, credit unions are pressurized into giving loans for consumption purposes and to honour socio-cultural obligations. Some loans have been used to organize such socio-cultural rituals as weddings and funerals. Another important reason for borrowing has been the payment of school fees and medical expenses. Apace with the growing number of children from the small farmers' community going to school, the demand for loans for school fees has also risen. Credit unions have become a local source of loans for school fees for those members who are sending their children to school in the hope of providing them with a good basis for future activities.

Credit needs of the members depend on the level of their economic activity. The small farmers who live and produce in a constant battle with harsh climatic conditions require small loans. Most of their loans are in the range of from 10,000 to 500,000 *cedis* (currently the equivalent of 1 to 50 US\$). As there is a limited amount of cash circulating in the villages and because the credit unions are often troubled by liquidity problems, there are times when it is not easy to obtain small loans. Faced with this situation, farmers have to fall back on the customary services of borrowing from relatives and, when that is not possible, they have to sell their seed or other possessions, such as cattle.

The credit unions also have an impact on local employment. Direct employment by credit unions is not significant, as most of this work is carried out by volunteers. Of late, however, every credit union has employed one or two trusted persons, a manager and/or a treasurer, who run the day-to-day activities. Undoubtedly the indirect impact is far larger. The loans from credit unions for petty trading, grinding mills, farming, brewing and house construction have also increased the volume of work and hence boosted the demand for labour. As most of the people work together on the basis of family relationships or kinship ties, they are rewarded in kind with the provision of meals, accommodation and clothing. The extra people who are employed by *pito*-brewing women or assisting petty traders, or taking part in farming and house construction can hardly be classified as being in formal employment.

As the interviews and discussions with those who have taken out loans clearly demonstrate the access to and the use of credit union loans has unquestionably impacted on their activities. Those *Dagaaba* subsistence farmers who are members of credit unions have been able to increase their crop production beyond consumption needs and sell some surplus in the market, thereby generating more income. Similarly, petty traders who have used credit

union loans for buying and selling clothes and *pito*-brewers who have taken loans are generating some surplus with which they have improved their economic conditions and well-being. From the data gathered in different ways, including archives, interviews and participant observation, there is a visible relationship between those who have taken out loans and those who increased their output and improved their socio-economic situation. Similarly, the vast majority of members interviewed indicated that generally speaking they had improved their socio-economic situation.

It is an undisputable fact that credit unions provide services to only a small portion of the community and access to credit union loans is somewhat unequal. Traders and those who live very near the market and are dealing in commodities which can easily be exchanged benefit more than small farmers who reside in remote areas and take out loans only seasonally. From the records of credit unions, it is also clear that not all members make use of all the services of the credit unions. About a quarter of those who have access to the lending facilities do not make use of them; they do become a member and save but do not activate their accounts. This shows that having access to credit alone does not automatically lead to members using this part of the credit union services. Overall, the impact of credit unions as local financial institutions on the material well-being of the members and the community is positive.

For micro-finance institutions, sustainability is about creating institutions which can provide services to their members and the local community on a continuous basis. If the members use the financial services and improve their socio-economic conditions through their savings and credits, and are able to pay back their loans, the credit unions can be seen as successful, and can become sustainable. As a sustainable institution, they can be embedded in the local community and continue to provide effective services; if they are effective and sustainable, the credit unions will become entrenched in the local community and people will go on using them and benefiting from their service. The credit unions which have been studied are striving, slowly but surely, towards achieving this institutional sustainability. Although they are able to continue to perform their duties, financially they have not reached a level of self-sufficiency and are still at a very vulnerable stage. They are just on the margin at which the savings and any extra surplus can meet the demand for loans, cover organizational costs and fulfil their obligations to CUA. Wary of not becoming entangled in an unexpected cash flow problem and jeopardize their sustainability, the credit unions among the *Dagaaba* manage the small loans to their members carefully.

In the Upper West Region, the credit unions are more heavily represented than any other formal financial institutions. Even so, some five decades after their first formation among the *Dagaaba*, credit unions have not yet reached many villages and the community at large. Even though credit unions might claim to be the best rural financial institutions for the *Dagaaba*, they have not yet reached the status of being inclusive financial institutions. They are limited in number and cannot yet go beyond satisfying the micro-needs of members and participate in funding local development projects which encompass the community at large. In order to obtain any sort of financial services, many villagers still have to go to the regional capital, Wa, or to neighbouring districts. In most cases, they remain dependent on the customary way of securing the services of families and kinship groups. In a nutshell, admittedly currently credit unions do not encompass the entire community and the growth in membership is very slow, but in the longer run they are expected to reach a reasonable portion of the community. This will gradually generate more self-sufficiency in terms of financing the local capital needs in various sectors. It may also enable the credit unions to reduce costs and become stronger, more sustainable institutions which may extend their outreach and step up their contribution to the local development process. A sustainable and successful Co-operative Credit Union in this

particular case will achieve its objectives, which include providing financial services to its respective members on an ongoing basis; it will also make consistent, continuous efforts to expand membership and embrace those members of the community who could benefit from its services, but have not yet been reached.

Under normal circumstances, especially when there are no political upheavals or economic crises, community-based Co-operative Credit Unions are expected to remain soundly based institutions which operate optimally. Although the credit unions in the Upper West Region have savings and surpluses which could meet the demands for loans, in the event of there being more demand for loans from members, they may not be able to satisfy these. For example, should the majority of the members, the small farmers, want to diversify their activities or engage in agri-business, the capital at the disposal of the respective credit unions would not be enough to cover the increased demands for a loan. In such cases, when they are in need of extra financing, they can also borrow from the CUA Central Fund, but they have to pay relatively higher interest rates. In order to expedite matters, external assistance programmes like the Canadian-supported Women In Development programme and other social developments are augmenting the supply of capital. The entire financial structure of the Co-operative Credit Unions reveals that they have not yet reached the status of being self-reliant and self-sufficient local financial institutions. Nevertheless, despite the constraints they are encountering, as the case studies of the five primary societies have indicated, the Co-operative Credit Unions have been able to continue and provide the services expected from them with varying degrees of success.

There are various factors which have contributed to the achievement of the objectives of the credit unions among the *Dagaaba*. The most overriding factor in this relative success is that the credit unions are community-based financial institutions; they were conceived and driven primarily by the community themselves. The socio-cultural development in the Upper West Region, especially the strong linkages with a culture of co-operatives and the local institutions, has given credit unions a firm base. As the credit unions started earlier in the Upper West Region, by the time the idea spread throughout the country, they had already reached the phase of maturity in that region. For instance, the Jirapa Credit Union is currently more than fifty years old. Through its financial role it has contributed enormously to the local development in various fields, sometimes with periodic ups and downs. In the second place, their relations and close co-operation with exogenous organizations have also provided a positive impetus. In addition to the strong roots they have in the community, the relationship with the Roman Catholic mission and CUA, and the Government interventions in the co-operative sector have also been supportive factors. The Integrated Management System of Co-operative Credit Unions has been able to absorb all these factors and transform them into effective services and sustainable credit unions.

The actual condition of Co-operative Credit Unions in the Upper West Region, specifically among the *Dagaaba*, reflects a satisfactory performance. Assuredly, almost all the Co-operative Credit Unions found there at present have to a certain degree achieved their objectives. They have mobilized local savings, given loans and improved the socio-economic condition of their members. By attracting such external inputs as training and projects, the situation of specific members, notably women and small farmers, has been helped immeasurably. In all the sectors, namely farming, trade, cottage industries, education, health and cultural activities in which loans from the credit unions are used they have contributed to a rise in the socio-economic status of the members. Importantly, there has been no indication of any negative impact on the local environment. Cogently, the benefits accruing from these rural institutions have had a chain effect, spreading beyond their members, their families and their

kinship groups. Through the investments in different sectors in which the members are located, consequently increasing outputs and services, the credit unions have stimulated the various social and economic sectors and their benefits have reached the different sectors of the community.

To conclude this section, by dint of their small-scale activities, credit unions have proved to be an appropriate institution to serve the needs of small farmers and petty traders, who without this would have had no good alternative to satisfy their need of financial services effectively. They have been able to convert the small local savings of the *Dagaaba* usefully into productive capital and transform the lives of members and their families and their kinship groups. They have been operational in areas which formal financial institutions have neglected for a long time and in the Upper West Region are still better represented than banks. They are highly respected as institutions and widely recognized as being integrated in the local environment. While they have advanced first and foremost the well-being of their members, they have in the meantime delivered a positive contribution to the development of community.

Having made enormous strides in accumulating positive performance, the sustainability of credit unions and their services is very dependent on how they mobilize local savings and provide loans, and more importantly on how they incorporate the Local Organizational Knowledge and adapt their management and services to the growing demands and changing requirements. Maintaining a proper balance between the interaction of the endogenous and exogenous factors relevant to the organization will always remain a challenging role for the management of community-based Co-operative Credit Unions; and any inability to adapt to changing situations could place Co-operative Credit Unions in peril.

The current trend in Ghana shows that credit unions have to satisfy a dual set of laws, namely those of the Co-operative Department which emphasize democratic principles, member participation and the well-being of members, and those of the Bank of Ghana which is concentrating on the proper regulation of micro-finance within the financial market. Placed under such pressure, the success and sustainability of Co-operative Credit Unions also depends on how they can continue to address the demands from these external institutions and provide better services to enhance the development of local community to which they are structurally attached.

10.3 Theoretical Implications

First and foremost, both the analytical and empirical analyses of the study reveal the existence of an integrated system for the management of credit unions. As outlined in the figure below, the Integrated Credit Union Management consists of Local Organizational Knowledge supplemented by external interventions in the form of co-operative policies and regulations, a formal organizational structure and interventions of the co-operative support organizations. Even though the procedures and practices provided by LOK can be differentiated and analysed as has been done in this study, the borders which separate them from the modern co-operative organizational processes are blurred. In such concrete organizations as the credit unions studied, the two systems are intermingled and intertwined into a single set of management processes which ensure the effective management of specific organizational issues and decisions, including the extension of loans and the recovery of delinquent loans.

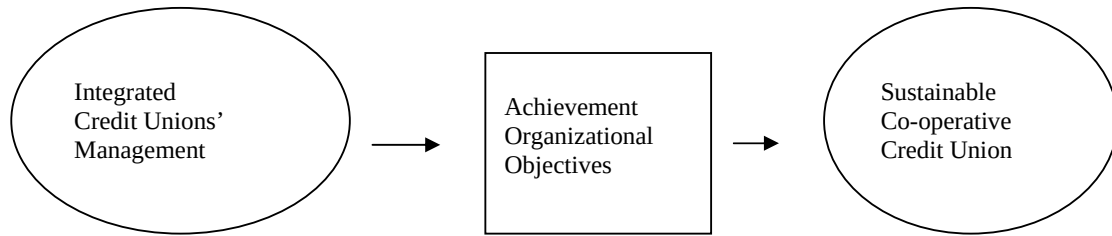


Figure 10.1: Interrelations CU Management and Sustainability

The Integrated Management System (IMS) approach can be applied to other contexts and sectors as well. Generally speaking, it encourages organizations to assess their total organizational environment and incorporate relevant elements into their vision and management. Depending on the context in which an organization (or an enterprise) operates, IMS can have extended and diverse components (*cf.* Jackson 2004). The IMS can combine various management systems under a single structure, for instance an environmentally friendly management system which aims to attain the overall objective of an organization and also generate an environmentally sustainable institution.

In this specific study, the Integrated Management System (IMS) means the recognition and use of more than one standard of management system in an organization. Consequently, elements of the official co-operative management system which prescribe the formal and legally recognized organizational structure of co-operatives and elements inherent in standard Local Organizational Knowledge are adopted in the management of Co-operative Credit Union. Therefore, IMS can be seen as a system of management which incorporates different organizational principles and practices into one single coherent management system for local Co-operative Credit Unions. This is then used to realize their objectives (*cf.* Flinchbaugh 1998).

To be successful, organizations need to change and adapt constantly. From a practical point of view, the IMS approach is a dynamic management model, which can be adapted to the changing times and interests of its stakeholders. The main benefits of the system are that it enables the management of an organization to respond flexibly to the often diverse interests promoted by different stakeholders. As observed in this study, this is one of the prime objectives of the Co-operative Credit Unions. Thanks to IMS, the management of the Co-operative Credit Unions is able to respond effectively to the diverse needs of its members, and simultaneously satisfy the external requirements of such organizations as CUA and the Co-operative Department, plus such other local and external stakeholders as WOCCU. Whatever the differences in the positions and interests of stakeholders, in order to operate optimally, IMS maintains and enforces the common elements shared by all stakeholders, which are the democratic values in credit union organization, in which participation, accountability and transparency form the common core organizational values shared by all.

As the development of the credit unions in the case studies has indicated, those primary societies which have adopted some sort of form of integrated management and have incorporated their Local Organizational Knowledge into the management have been able to continue to offer services and achieve some of their objectives. This is in stark contrast to

those primary societies which are over-dependent on the official co-operative structure and disregard Local Organizational Knowledge, which is the bedrock of community-based financial institutions. These have often encountered more difficulties in order to be able to continue providing their services.

The managements of the Co-operative Credit Unions which are applying the Integrated Management System properly, keeping the fluid balance between the LOK and the formal co-operative structure, have indicated that they have obtained most of their organizational goals, although they are sometimes challenged by such unforeseen circumstances beyond their control as crop failures or fluctuations in local market prices. The five credit unions scrutinized in this case study have shown that they are mobilizing savings and providing loans to their members, that they have improved the socio-economic condition of their members and simultaneously generated a sustainable credit union organization which accords with the diagram above.

Having sketched the historical development and organizational analysis, this study went on to analyse how credit unions benefit from the interactions and integration of different knowledge systems. It has ineluctably indicated the usefulness of Local Organizational Knowledge in such local institutions as the credit unions, and has also expanded upon the crucial role of Co-operative Credit Unions in local development. This study, however, does not pretend to encompass all aspects of the life of Co-operative Credit Unions. Credit unions will indubitably benefit from a study investigating the dynamics which should be used to stimulate their contribution to local development and to building an inclusive financial sector in Ghana. This study has been able to assess a potential basic role for credit unions in savings mobilization and the provision of credit services, and this can extend into the promotion of new financial services and the exploitation of possible areas of local investment. All this can help create more local development potential. Consequently, it cast a favourable light on how the role of credit unions in financial service provision may be expanded to include the entire community and transform the often difficult socio-economic conditions of the local community into a better standard of living by expanding the range of financial services.

Since the Brundtland Report (1986), sustainability has been established as an important yardstick to test the effectiveness of development. In this context, sustainable local development can be viewed as encompassing the building of a local social and cultural infrastructure and the enhancement of local socio-economic activities, while maintaining the local environment. Pursuing self-reliance, participation and a democratic manner of decision making, giving a higher consideration to community values and the well-being of people and their environment, are among the basic principles of co-operatives, which Co-operative Credit Unions are also expected to live up to. Credit unions among the *Dagaaba* have proved to be institutionally sustainable and to have accomplished their goal of providing credit on a sustainable basis. However, from the perspective of environmental sustainability, it would be interesting to consider the relationship between credit union loans and the environmental impact of the use of these loans. This would permit a more rounded analysis of whether credit unions have contributed to sustainable local development.

10.4 Practical Implications

This study indicates six practical implications for the improvement of both the management and the chances of sustainability of credit unions, which could prompt the various stakeholders in the promotion of credit unions to apply different measures. As this study patently shows, Co-operative Credit Unions and other similar contemporary local financial institutions must

have an unclouded organizational vision and an incisive organizational strategy to deliver their services effectively; they must co-operate properly with other financial institutions in the neighbourhood; strengthen relations with the district development planning units involved in development projects and programmes; stimulate new local investment avenues; and constantly renew and strengthen their capacities. Practical implications arising from these aspects will be outlined in the following paragraphs.

The first matter the results of this study underscore is the importance of an appropriate organizational vision and strategy. To remain efficient and effective as an institution, the organizational vision of a credit union must be linked to Local Organizational Knowledge. Conversely, the local organizational values and norms have to be able to adapt to and integrate modern organizational values. It is through the proper integration and synergy of these sets of knowledge and values in an Integrated Management System that credit unions can reach their objectives more effectively, namely: to mobilize savings and provide loans for both productive and consumer purposes.

It goes without saying that Co-operative Credit Unions are expected to have objectives or an organizational mission as outlined in Chapter Two, that is: to mobilize local savings and provide loans to members; but over and above this it is expected that they have a clear organizational vision and strategy about how they plan to achieve their mission. This organizational vision and strategy must be based on an explicit and conscious effort to integrate both the local organizational vision and the views promoted via external interventions for organizational development. Its success in integrating these two factors on a continuous basis in a dynamic process could enhance the chances for the sustainability of the credit union and for its ability to provide services to its members on a continuous basis.

As observed in this study, almost all the local credit unions lack comprehensive policies and planning guidelines setting out details about what to do: how and when and by whom. As presented in the organizational analysis, credit unions which do not have their own planning or policy practices tend to fall back on their constitution for guidance. The inherent disadvantage is that the constitution is just a general document, generic for all credit unions, and does not give specific details about dealing with the actual local conditions. Besides the formal general constitution, credit unions must set their own organizational vision and strategy which is also oriented towards and inspired by the Local Organizational Knowledge and the environment. It would also be beneficial if they were to have a comprehensive planning document which sets out details of activities and integrates the interests of the various stakeholders.

In order to monitor the performance of credit unions and discover whether the organizational objectives are being achieved, one option would be to develop through participation appropriate, local-oriented indicators for effectiveness, which can be monitored to assess the performance of the Integrated Management System. If these mechanisms are built into the management of the credit unions, all stakeholders can follow the management process more easily, and the credit union and its management are immediately made more transparent and accountable.

In the second place, there is no doubt that the Credit Union Movement needs to ensure that the essential organizational capacity of Credit Unions is built. As this study has shown, credit unions are providing financial services for a wide range of activities in which their members are engaged. In order to be able to respond to the local demand for their services and provide the quality of work required, credit unions have no choice but to develop and strengthen their capacities. In comparison to other financial institutions, local credit unions enjoy a high level of community participation and support, which are important in terms of the provision of basic human and infrastructural resources. However, this is not enough. If they are to maintain their

comparative advantage and sustain their position as a financial institution in a competitive environment, credit unions must acquire the physical infrastructure they need to function properly and employ staff who are appropriately qualified.

Although their brief is to provide financial services locally, credit unions have to deal with fast changing financial markets, which interact across borders and are subject to lightening changes. Credit unions, as any other financial institution, require day-to-day and up-to-date information on the financial markets, without which they might easily run into severe financial problems. Their Achilles heel is that they are often less than well equipped with the modern technology and know-how which these markets require. Consequently, the efficiency of the credit unions in the Upper West Region was affected by insufficient stationery and a lack of such infrastructure as telephones, type-writers and calculators.

The local social-economic changes and the unremitting globalization process, which links the interdependence and interconnectedness of the *Dagaaba* communities to other communities, regions and countries, mean that the professionalization of credit union management is inevitable. Local managers have to continuously update their knowledge if they are to cope with changing market conditions and be able to visualize the credit union from different dimensions beyond local socio-economic development in order for their union to remain sustainable and to enhance their services. NGOs, multilateral or bilateral donors, or even the Government could be important partners in supporting credit unions and enhancing their capacities. As part of the plans for local institutional capacity development and the integration of new values, periodic seminars and workshops could be organized for all stakeholders at which the appropriate local knowledge of management can be analysed and integrated into the overall management system of the credit union. Credit unions in the *Dagaaba* area will need to take into account the reality that they cannot prevent more probing external interventions and increasing complexities. The local development process is not static; it is in a constant state of flux. Hence, in order to encompass the possible changing needs of various sectors and communities, the management of credit unions should not limit itself to the classical services, savings and loans, but be constantly charting ways in which the existing services could be adjusted to the changes in external environment and to the changing needs of their members in terms of financial services.

In the third place, the study shows the need to pay attention to the relationships between credit unions and other financial institutions. With the growth of the interconnectedness between communities and regions, credit unions inevitably become part of a wider financial system to an ever greater extent. This necessitates a clear strategy to pave the way for co-operation and partnership building, not only with the regional neighbourhood credit unions with which they have relations but also with other similar financial service providers. As shown in this study, besides the Co-operative Credit Unions, there are also other types of formal and informal institutions and programmes which are providing financial services in the Upper West Region. In the interests of their members, Co-operative Credit Unions have to develop a mechanism to work together with both such mainstream financial institutions as the co-operative and rural banks, and with informal financial institutions such as the *susus* and *sandugus*. Co-operative Credit Unions could organize platforms for local financial institutions and identify areas in which they could co-ordinate their activities and work together. Such close horizontal linkages with other bank and non-bank financial institutions will facilitate the local exchange of experiences and the transfer of knowledge and skills, and also has a great potential to extend and improve the financial services for local communities. Importantly the increased 'competition' among financial service providers can also provide an incentive to credit unions to reduce their costs, improve their services and increase efficiency.

Fourthly, there is a deeper latent potential to strengthen the relationship with the District Development Unit and analyse the local investment ventures together. Almost five decades after their formation, credit unions are currently involved, either directly or indirectly, in a wide array of local community activities. The formal relationship with the local Department of Co-operatives alone is insufficient to encompass all these growing activities. Under its legal relationship with credit unions, a district or regionally based official of the Department of Cooperatives attends the meetings of credit unions, periodically reviews their financial records, monitors the entire activities of credit union and writes informative reports.

The Co-operative Department could also provide expert advice guiding credit unions in ways in which they could extend their services to other co-operatives registered with the Co-operative Department. This Department could easily work out such links. In addition to providing services to their members and improving their socio-economic condition, credit unions must also think about linking their services to wider community development programmes. In this regard, through their members the credit unions are already connected to such different sectors as agriculture, health, cottage industry, petty trade, and education. What is often missing is a structural relationship with institutions in these sectors.

In view of its multi-sectoral mandate, the District Development Unit is in a unique position to involve credit unions in local development programmes and channel project funds earmarked for these sectors through them. Finances for local development purposes can be channelled through credit unions and they can be allotted more roles to play in the community development process.

One cogent problem is the flight of capital saved by credit union members to urban areas. Capital is very scarce in the rural areas and it is badly needed for the rural development, but credit unions are obliged by CUA to invest in the central fund to a certain extent. This fund then puts this into such options as Government bonds. While the idea of the central fund is to increase the volume of capital through investment in Government bonds which yield dividends, the possibilities of using the capital in the rural areas for relevant local investments need to be explored systematically. Under the present central fund mechanism, credit unions can borrow from the fund or can earn dividends from their capital. However, instead of legally transferring the scarce capital, it could be more advantageous to rural credit unions to invest prudently in avenues which promote local economic development. To achieve this goal, the local credit unions, working in closer collaboration with local governments and the district development units, could identify appropriate measures to improve the local investment climate. This would help to increase the number of opportunities in which the available small capital of credit unions can be invested in combination with other sources. Such a local circulation of local capital within the local environment will indubitably improve employment, and also contribute to local economic growth and general sustainable community development.

Lastly, the research findings underline the importance to the Credit Union Movement of considering the issue of broadening and deepening access to financial services. The stumbling block is that there are no standard ways of either mobilizing savings or providing credit, which are valid for all credit unions everywhere. Certain organizational environments require their own specific ways of undertaking these activities. As the case study among the *Dagaaba* has clearly indicated, given such local barriers as the absence or unsatisfactory quality of physical infrastructure, certain locations and members are hardly reached. As a result, the key benefits of credit union membership, namely the provision of savings and credit facilities to its members, may not be easily available to a substantial proportion of the local population. In coming up with an organizational strategy, credit unions should consider the importance of expanding credit union membership to give more people access to financial services and to

improving the quality of the services offered. Specific activities could be undertaken to market the benefits of credit union membership and get in touch with potential new members by visiting them on their farms, or providing information about credit union on market days and at community meetings. The knowledge of such points as the values and norms of the local community is very important in ensuring that new members pass an appropriate selection process. Methods to be used to screen potential new members might need adjustment to make sure that they do not unduly exclude people on the basis of criteria which are not relevant to the success of the credit union. LOK can be used as one of the sources for determining which potential members would actually be able to become reliable credit union members.

Credit union management should also analyse the demand for financial services and consider the type of services required by those who would like to become members, as an individual or as a family. If, over time, credit unions succeed in extending their outreach and increase their membership, they could become more inclusive financial institutions and have a greater beneficial impact on the socio-economic life of the community.

Appendix I

Model Bye-Laws and Articles of Association for Ghana Co-operative Credit Unions

Part I Preliminary

1. Interpretations

In this bye-laws, unless the context otherwise requires “Decree” means the Co-operative Societies Decree No 252 of 1968 and regulations of 1968, and such amendments as apply from time to time. When no express mention is made these bye-laws are meant to be read subject to such Decree, Regulation and the amendments. Bye-laws means the registered bye-laws of the societies. Registrar means the registrar of co-operative societies.

2. Title

The name of the Society, address and Its area of operations.

3. Objectives

Objectives of the society are: (a) to promote thrift among its members by providing them a means of saving. (b) to provide loans to its members for provident or productive purposes at a fair and reasonable rate of interest.

Part II General Provisions

4. Funds of The Society

The funds of the society shall be derived from:

- (a) Entrance fees
- (b) Savings of members
- (c) Loans to society
- (d) Interest income
- (e) Donations
- (f) Miscellaneous income

5. Other Funds

The society shall maintain such funds from its net surplus as it may deem necessary.

6. Regular Savings

- (a) Members of the society shall save regularly.
- (b) The General meeting may have the power to decide on the least (smallest) amount to be saved regularly by members.
- (c) Members who cannot fulfill their obligation to save regularly must consult the Committee of management.

7. Minimum Savings

The minimum savings for any one member in the balance column of the individual ledger card C 500 This amount cannot be withdrawn in whole or in part without loss of membership.

8. Maximum Saving

The savings of any one member in the balance column of the individual ledger card shall not exceed 20 % of the total savings of the Society or as determined by the Committee of management from time to time.

9. Withdrawal of Savings

- (a) Savings may be withdrawn at the time when the office of the Society is open for business
- (b) Amounts exceeding the usual cash on hand of

10. Restriction of Withdrawal

Savings cannot be withdrawn if they are frozen into guarantee a loan. Neither can savings be withdrawn if, and in so far as the member is indebted to the society for any other reason.

11. Interest on Savings

Members may receive interest on their savings at the end of the financial year, If so decided by the Annual general meeting in accordance with paragraph 42 (c) of these bye-laws.

12. Liability of Members

The Liability of members for debts of the Society shall be limited to the member's minimum savings with the society as determined in Paragraph 7.

13. Financial Year

The financial year of the society shall end on 30th of June each year.

14. Accounts of members

The accounts of the society shall be kept in such book shall be kept in such book and in such form as may be approved from time to time by the Registrar and by the Ghana Co-operative Credit Union Association (C.U.A.).

15. Register of members

A register shall be maintained at the registered office of the Society which shall contain:

- (a) The name and address of each member;
- (b) The date on which each member was admitted to membership;
- (c) The date on which a person ceased to be member.

16. Sale of the Society

The Society shall have a seal on which its name and registered number shall be engraved in legible characters with or without any other device, the whole of which shall have been approved by the Registrar. The seal shall be in the custody of the Secretary and shall be used only by him, in the presence of the President or the Treasurer or the Assistant Treasurer and at least one elected Committee member when directed by resolution of the Committee duly recorded in the minutes book.

17. Loans to Members

- (a) The Society shall grant loans only to its members
- (b) At any given time the total of all loans to members shall not exceed 75% of the total funds of the Society or as determined by the Committee of management from time to time.

18. Purpose of Loans

Loans shall be granted only for provident or productive purpose.

19. Application for Loans

Application for loans must be in writing and on prescribed forms.

20. Loans to New Members

For the first 3 months of membership, members shall receive loans only to the extent of their savings.

21. Maximum of Loans to Individual

Members shall not be allowed to borrow more than their own savings.

22. Security for Loans

- (a) Loans shall be secured by the borrower's own savings and, if necessary, the savings of one or more members.
- (b) The Guarantors shall indicate the amount of their savings to be pledged as security for a loan.
- (c) Savings of a borrower or guarantor pledged as security for a loan may be pledged as security for another loan only after such savings have been released as security for the first loan.

23. Security for Loan (Wage Assignment)

- (a) A wage earner, when applying for a loan which is greater than his savings, can use as security an amount up to the equivalent of one month's salary through a wage assignment.
- (b) (Such a wage assignment is a written agreement between the borrower, the employer and the credit union whereby the employer agrees to reimburse the credit union for any amount of the employee's salary pledged against any unpaid or overdue loan balance).
- (c) In all other aspects, paragraphs 20, 21, and 22 shall apply also to the loan of a wage earner.

24. Release of Security

- (a) When a loan is being repaid, the security pledged by the guarantor(s) is released before the security of the borrower himself.
- (b) In case of more than one guarantor for a loan, repayment of the loan release the security of the guarantors proportionately to the amount so guaranteed.
- (c) In case a wage assignment is used as a security, the guarantor(s) saving, if any, are released first, the wage assignment is released next, and finally the borrower's own savings.

25. Interest

Members shall be charged an interest on loans at a rate not to exceed one per cent per month on the Unpaid balance.

26. Collection of Loans

- (a) In case a loan is not repaid according to the terms of the loan bond, the borrower shall be liable to pay the collection expenses.
- (b) In case a loan is not repaid according to the terms of the loan bond, the borrower may be liable to pay fines not exceeding 10% per annum on the unpaid balance.

27. Interest Rebate

Members may receive a rebate on interest paid on their loans at the end of the financial year, if so decided by the Annual General Meeting in accordance with paragraph 42© of these bye-laws.

28. Power to Borrow

The Society shall have the power to borrow money up to 40% of its assets not already pledged outside the Society.

29. Investment of Funds

All monies not needed for the day-to-day business of the Society shall be invested in any safe manner as provided for by paragraph 26 of the Decree.

30. Reserve Fund

- (a) The Society shall maintain a Reserve Fund which shall serve to protect the Society in case of loss.
- (b) In case of loss the General Meeting shall decide on the disposition of reserve fund.
- (c) The Reserve Fund shall not exceed with at least 25% of the net surplus at the end of each financial year. This fund shall not exceed the equivalent of 10% of the outstanding loans subject to the approval of the Registrar.

31. Signatories

All cheques, notes and other obligations of the Society shall require two signatures and a counter signature, the signatures to be appointed by the Committee of Management. The Registrar, if he considers it necessary, or an officer appointed by him shall, in the exercise of his function of control, countersign before payment of all cheques issued by the Society.

32. Publication of Names

Name of any person(s) empowered to receive or pay out cash on behalf of the Society shall be published preferably by written notice at a conspicuous place in the office of the Society.

Part III Membership

33. Qualifications for Membership

- (a) Membership is open only to person within the common bond
- (b) Membership is limited to persons of good character.

34. Application for Membership

- (a) Application for membership shall be in writing on a prescribed form.
- (b) The application shall state the name(s) of the person(s) to whom the savings of the members shall be paid in the event of the member's death.

35. Admission to Membership

- (a) An application shall be admitted or re-admitted to membership by a 2/3 majority vote of the Committee of management.
- (b) Membership shall only be effective when: (i) The membership application has been approved by the Committee of management. (ii) The entrance fee has been paid. (iii) The minimum savings as determined in paragraph 7 is maintained.

36. Withdrawal from Membership

- (a) A member may withdraw from membership only by giving at least 3 months notice in writing.
- (b) Such withdrawal cannot become effective until all debts of the member have been settled and he has ceased to be a guarantor for any loan.

37. Expulsion from Membership

- (a) A member may be expelled from the Society by a 2/3 majority vote of the General meeting.
- (b) Reasons for expulsion shall be: (i) Arrears in savings, (ii) Misuse of loans and (iii) Behaviour detrimental to the interest of the Society.

38. Death of a Member

Upon the death of a member his savings shall be paid to the person (s) whom he has nominated in his application form, as in paragraph 34(b)

39. Payment after Termination of Membership

If a person has ceased to be a member because of death, withdrawal or expulsion, his savings shall be paid to him, his nominee(s) or heir(s) only after all his debts have been deducted and all his guarantees for loans have ceased.

Part IV General Meetings

40. Supreme Authority

The supreme authority of the Society shall be vested in the members who exercise their power through voting at Annual and Special General Meetings.

41. Annual General Meeting

- (a) The Annual General Meeting shall be held every year within 4 months after the close of the financial year.
- (b) The member shall be informed of the Annual General Meeting at least two weeks in advance.

42. Business at Annual General Meeting

The Annual General meeting shall:

- (a) Confirm the minutes of the previous Annual General meeting and any intervening special General Meeting.
- (b) Receive the report of the past year's work, the statement of accounts for the same period and any auditor's report.
- (c) Decide on the manner of disposal of the net surplus gained in the last financial year; provided that the proper amount has been credited to the Reserve Fund.
- (d) Consider appeals against the expulsion of members.
- (e) Elect members of the Committee of management, the Loans Committee and the Supervisory Committee.
- (f) Fix allowances or honoraria, if any, for voluntary work done for the society by officers or members.
- (g) Amend the bye-laws in accordance with paragraph 67 of these bye-laws.
- (h) Conduct any other business.

49. Special General Meeting

- (a) A special General Meeting shall be held when requested by:
 - (i) a 2/3 majority vote of the Committee of management; or
 - (ii) a Unanimous vote of the Supervisory Committee; or
 - (iii) a written request from at least 20 or one-fourth of the members whichever is the lesser.
- (b) A Special General Meeting shall be announced to members at least two weeks in advance.

44. Business at Special General Meeting

- (a) The business of a special General meeting shall be made known to members in the announcement of the meeting.
- (b) A special General meeting shall consider only the announced business.

45. Voting at General Meeting

- (a) Each member shall have one vote.
- (b) Voting may be by ballot.
- (c) A member must be present to vote.

46. Quorum at General Meetings

- (a) The Quorum at Annual and Special General Meetings shall be forty or one half of the members whichever is the lesser.
- (b) In case a quorum has not been reached, the meeting shall stand adjourned for one week, and until such time as the adjourned meeting is held the affairs of the

society remain unchanged in so far as that is possible and consistent with justice, equity and commonsense.

Part V Committee of Management (Board of Directors)

47. Committee Members

- (a) The Committee of management shall consist of a minimum of five and a maximum of eleven members.
- (b) It shall include the Chairman, (President), Vice Chairman (Vice-president), Secretary, Treasurer, Assistant Treasurer, other officers as may be required, and other members; provided that not such person shall be an employee of the Society.

48. Election of Committee Members

- (a) The members of the Committee of management shall be elected by the Annual General Meeting.
- (b) Vacancies occurring during the year shall be filled by the Committee of Management.

49. Loss of office

If a member of the Committee of Management fails to attend, three consecutive Committee Meetings, his office may be declared vacant by the Committee.

50. Meetings and Quorum of Committee

- (a) Meetings of the Committee of Management shall be held regularly at least once each month and other times when necessary.
- (b) The Committee of Management shall invite the members of the Loan Committee and Supervisory Committee to its meetings.
- (c) The Quorum at meetings of the Committee of management shall be a majority of the members of this Committee.

51. Duties of Committee of management

- (a) The Committee of Management is the Executive organ of the Society. Subject to the authority of the General meeting and these by-laws, the Committee of management shall perform or authorize all actions necessary to achieve the aims of the Society.
- (b) It shall in Particular:
 - (1) Represent the Society in its dealings and transactions;
 - (2) Appoint part time or full time employees and fix their remuneration and conditions of employment;
 - (3) Decide on the bond which may be required of employees or officers handling the funds and property of the Society;
 - (4) Open bank accounts in accordance with the provisions of the Decree, and decide on the investment of funds;
 - (5) Appoint at least 3 signatories for cheques, notes drafts and other obligations of the Society;
 - (6) Decide on the person(s) empowered to receive or to pay out money on behalf of the Society;

- (7) Decide on the amount of cash which may be held on hand by the person(s) handling the cash;
- (8) Authorise borrowing by the Society in accordance with paragraph 28;
- (9) Ensure that true and accurate records and accounts of all transactions of the Society are kept;
- (10) Make rules and policies concerning the granting of loans to members;
- (11) Take action against delinquent borrowers;
- (12) Impose fines on delinquent borrowers, if necessary.
- (13) recommend to the Annual General meeting the Interest rate on savings and the rebate rate for interest paid on loans;
- (14) Be empowered to suspend from membership for valid reasons, and until a general membership decision is reached any member of the society.
- (c) The Committee of management shall have the power to delegate to an officer or employee of the Society such of its own power as it may deem necessary.

Part VI Loans Committee

52. Members of Loan Committee

- (a) The Loan Committee shall consists of at least three members, elected by the Annual General meeting.
- (b) The members of the loan Committee shall not be members of the Committee of Management.

53. Meeting and Quorum of Loan Committee

- (a) The Loan Committee shall meet frequently to conduct its business.
- (b) The quorum at meetings of the loan Committee shall be a majority of the members of this Committee.

54. Duties of Loan Committee

- (a) The loan Committee shall grant loans only in accordance with these bye-laws and the rules and policies laid down by the Committee of management.
- (b) It shall decide on loans only as proper meetings and if the required is present.
- (c) It shall in particular:
 - (1) Consider all loan applications. The Treasurer may however have the power to approve loans completely secured by the borrower's own savings which are not already pledged as security for another loans, if loan committee so wishes.
 - (2) Ensure that loans are properly secured.
 - (3) Determine reasonable conditions of repayment.
 - (4) Follow up delinquent loans.
 - (5) Make recommendations to the Committee of management for action to be taken against delinquent borrowers.

56. Loans to Members of Other Committees.

Loans to members of the loan and Supervisory Committees shall be granted only with the prior approval of the Committee of Management. And of the loans bond.

Part VII Supervisory Committee

56. Members of Supervisory Committee

- (a) The Supervisory Committee shall consist of three members elected by the Annual General Meeting.
- (b) The members of the Supervisory Committee shall not be members of the Committee of Management, or the Loan Committee, signatories or persons handling cash or accounts on behalf of the Society.

57. Duties of Supervisory Committee

Supervisory Committee shall have the following duties:

- (1) To check whether the Committee of management has fulfilled its functions properly.
- (2) To check whether the Loans Committee has followed the prescribed procedures in granting loans particularly with regard to security.
- (3) To see that the Treasurer or another authorized person prepared a monthly financial statement.
- (4) See that the Treasurer or another authorized person prepares a balance sheet and an income and expenditure account at the end of each financial year and sends them to the Registrar and the national Credit Union Association (CUA) headquarters.
- (5) See that a complete audit of the books of account is made at least once a year.
- (6) Check each member's passbook against his personal ledger card at least once a year.
- (7) Check the cash on hand, bank accounts and investment securities at least once every three months.
- (8) Make a report to the Annual General Meeting.
- (9) Meet monthly to check and sign the financial report.

58. Other Committees

The Committees of management shall establish an Education Committee and each such other Committees as it may deem necessary.

Part VIII Officers of the Societies

59. Officers

The officers of the Society shall be a Chairman (President), a Vice-chairman (Vice-President), a Secretary, a Treasurer, an Assistant treasurer and such other officers as the Society may require.

60. Election of Officers

- (a) The Officers shall be elected by the Committee of Management from among its own members.
- (b) Officers need not be present to be elected.

61. Term of Office

Officers shall hold office for one year and can be re-elected.

62. Chairman

The Chairman shall preside at all General meetings and meetings of the Committee of Management.

63. Vice-Chairman

The Vice-Chairman shall perform the duties of the Chairman in the absence of that officer.

64. Secretary

- (a) The Secretary shall keep the minutes of all General Meetings and all meetings of the Committee of management, and shall perform such other duties as are regularly performed by a Secretary.
- (b) The Secretary may delegate part of his duties to a qualified person with permission of the Committee of management.

65. Treasurer

- (a) The Treasurer shall keep a full and complete record of all financial affairs and monies of the Society.
- (b) He shall prepare a monthly financial statement and post it in conspicuous place at the office of the Society. He shall also prepare a Balance Sheet and an income and expenditure account at the end of each financial year.
- (c) He shall also perform such other duties as are regularly performed by a Treasurer.
- (d) The Treasurer may delegate part of his duties to the Assistant Treasurer or to another qualified person with the approval of the Committee of Management.

66. Assistant Treasurer

The Assistant Treasurer shall assist the Treasurer in the performance of his duties.

Part IX Miscellaneous**67. Amendment of Bye-laws**

- (a) These Bye-laws may be amended by a $\frac{3}{4}$ majority vote of members present at a General meeting; provided that one-half or not fewer than 40, whichever figure is lesser, of the members of this Society are present.
- (b) No amendment of the bye-laws can be made unless the proposed amendment was specified in the notice calling members to meeting.
- (c) An amendment duly passed at a General meeting can only become effective when it is registered according to paragraph 9 of the Decree.

68. Affiliation

The Society shall have the power to affiliate with any Regional or national Association established with the objective of facilitating the operations of saving and credit societies in accordance with co-operative principles.

69. Disputes

All disputes within the Society which cannot be settled by the Committee of Management or a General Meeting shall be referred to the Registrar in accordance with paragraph 46 of the Decree.

70. Liquidation

The Society shall be liquidated only by order of the Registrar in accordance with the Decree, paragraphs 54-63.

Source: CUA

Appendix II:

CUA Affiliated Credit Unions Classified under Regional Chapters

As at 31st December, 2000

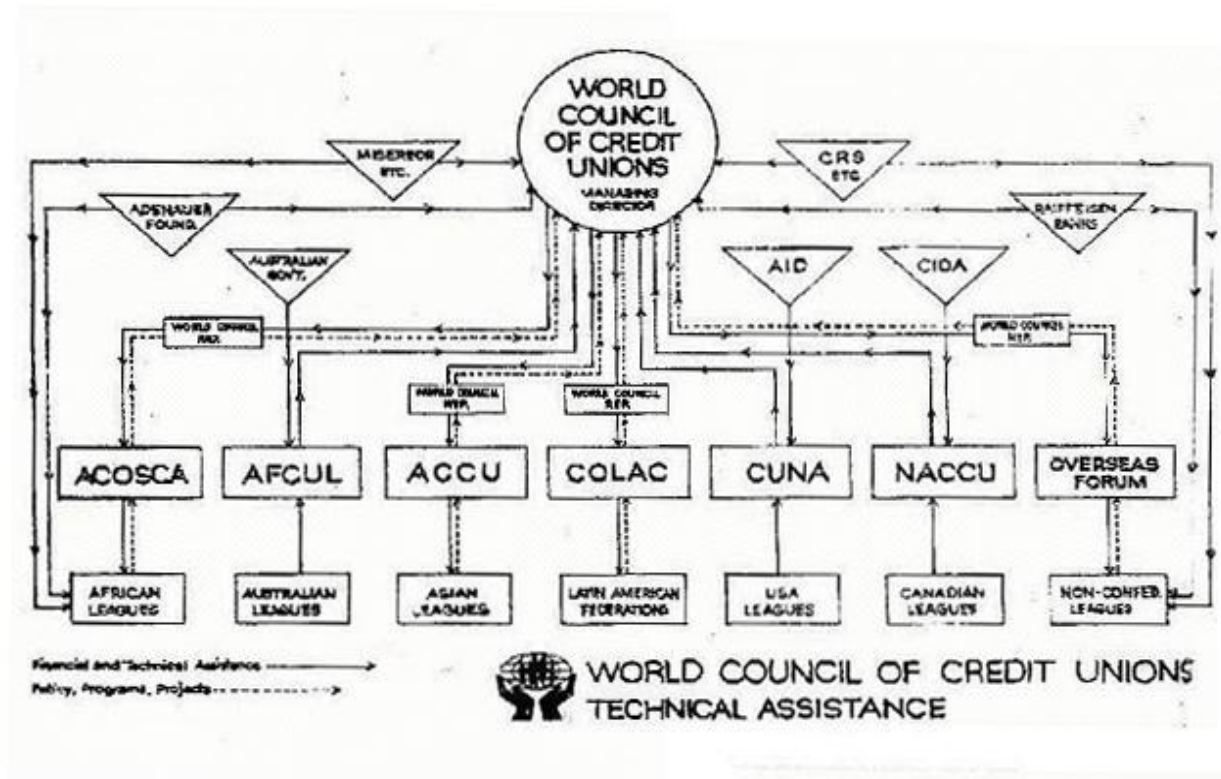
Chapters	No. of Credit Unions	Total No. Members	Savings (in million cedis)	Loans (in million cedis)	Assets (in million cedis)
1. Ashanti	27	9,461	5,978.9	4,977.4	7,530.3
2. Brong Ahafo	30	7,612	4,765.4	2,999.1	4,583.8
3. Central	23	11,805	6,334.2	4,706.8	7,201.7
4. Eastern	16	4,833	2,574.1	1,877.4	2,989.5
5. Greater Accra	68	22,001	19,853.8	14,957.4	23,642.0
6. Northern	6	1,736	351.0	248.4	474.7
7. Upper East	9	1,187	358.4	223.8	358.1
8. Upper West	14	2,453	444.8	135.6	548.4
9. Volta	10	2,873	926.1	660.7	1,012.3
10. Western	24	6,085	2,253.8	1,540.8	2,458.1
Total	227	70,046	43,840.5	32,327.4	50,798.9

As at 31st December, 2001

Chapters	No. of Credit Unions	Total No. Members	Savings (in million cedis)	Loans (in million cedis)	Assets (in million cedis)
1. Asanti	26	14,010	17,130.6	12,651.1	22,353.4
2. Brong Ahafo	17	9,669	8,245.3	5,882.9	9,638.7
3. Central	21	15,457	14,336.3	11,121.3	18,136.3
4. Eastern	14	7,478	9,153.2	6,792.8	11,870.6
5. Greater Accra	21	27,641	23,757.6	15,982.2	29,688.7
6. Tema	7	4,333	12,045.2	9,845.3	15,863.1
7. Northern	4	2,238	1,477.1	1,136.8	1,840.8
8. Upper East	5	1,235	1,210.1	8,414.1	1,517.4
9. Upper West	11	2,591	1,212.9	622.2	1,483.9
10. Volta	8	5,996	4,033.8	3,530.7	5,259.3
11. Western	15	6,649	7,002.1	5,390.2	8,474.3
Total	149	97,297	99,604.2	81,369.6	126,126.5

Appendix III

WOCCU Relations with National and Continental Credit Union Leagues



source: CUA

The relations between ACOSCA and WOCCU is not functioning any more. In the year 2000 ACOSCA was disbanded.. Since then most of the national credit unions in Africa, such as CUA has maintained direct relations with WOCCU.

Abbreviations and Acronyms

ACCU	Asian Confederation of Credit Unions
ACCOSCA	African Confederation of Co-operative Savings and Credit Association
AFRC	Armed Force Revolutionary Council
AGC	Alliance of Ghana Co-operatives
CBO	Community-Based Organization
CCA	Canadian Co-operative Association
CDCU	Community Development Credit Union
CDFI	Community Development Financial Institution
CDR	Committee for the Defence of the Revolution
CF	Central Fund
CFF	Central Finance Facility
CIKARD	Center for Indigenous Knowledge for Agriculture and Rural Development
COLAC	Latin American Confederation of Credit Unions
CPC	Cocoa Purchasing Company
CPP	Convention People's Party
CUA	Credit Union Association of Ghana
CUNA	Credit Union National Association
CU	Credit Union
DA	District Assembly
DC	Department of Co-operatives
EIOD	External Intervention for Organizational Development
ESA	Ethnosystems Approach
FAO	Food and Agriculture Organization of the United Nations
FF	Farmer First
GCC	Ghana Co-operative Council
GCCF	Gold Coast Co-operative Federation
GCMA	Ghana Co-operative Marketing Association
GCMB	Ghana Co-operative marketing Board
GCU	Ghana Co-operative Union
GFAC	Ghana Federation of Agricultural Co-operatives
GNCUTA	Ghana National Credit Union and Thrift Association
HDI	Human Development Index
IBRD	International Bank for Reconstruction and Development
ICA	International Co-operative Alliance
IFAD	International Fund for Agricultural Development
IFLIP	Impact of Financial Sector Liberalization on the Poor
IFPRI.	International Food Policy Research Institute
IKS	Indigenous Knowledge Systems
ILO	International Labour Organization
IMS	Integrated Management System
IMF	International Monetary Fund
INDAKS	Indigenous Agricultural Knowledge Systems
INDISCO	Indigenous Knowledge Resource Centre
IPDP	Individual Primary Development Planning
IRD	Integrated Rural Development
LA21	Local Agenda 21

LEAD	Leiden Ethnosystems And Development
LKS	Local Knowledge Systems
LOK	Local Organizational Knowledge
MFI	Microfinance Institution
NBFI	Non-Bank Financial Institution
NDPC	National Development and Planning Commission
NGDO	Non-Governmental Development Organization
NGO	Non-Governmental Organization
NIEO	New International Economic Order
NIO	Association for a New International Development Policy
NLC	National Liberation Council
NPC	National Planning Commission
NRC	National Redemption Council
PAMSCAD	Programme of Action to Mitigate the Social Costs of Adjustment
PDC	Provisional Defence Council
PEARLS	Credit Union Monitoring and Evaluating System
PNDC	Provisional National Defence Council
PNP	People's National Party
PRA	Participatory Rural Appraisal
PTD	Participatory Technology Development
RCC	Regional Co-ordinating Council
RMF	Rural Micro Finance
ROSCA	Rotating Savings and Credit Association
RRA	Rapid Rural Appraisal
SAP	Structural Adjustment Program
SARD	Sustainable Agriculture and Rural Development
SCD	Sustainable Community Development
SD	Sustainable Development
SDN	Sustainable Development Network
SMC	Supreme Military Council
SNV	Stichting Nederlandse Vrijwilligers
SRD	Sustainable Rural Development
TEK	Traditional Ecological Knowledge
TEK	Traditional Ecological Knowledge
TKS	Traditional Knowledge Systems
TOT	Transfer-Of-Technology
UGCC	United Gold Coast Convention
UGFCC	United Ghana Farmers Council Co-operatives
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UWR	Upper West Region
WDC	Workers Defence Committee
WID	Women In Development
WOCCU	World Council of Credit Unions
YOM	International Year of Microcredit 2005

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SUMMARY

This study has focused on the historical development of local co-operative credit unions, their organizational structure and management dynamics and the ways in which they assist local development by providing access to financial services and contributing to poverty reduction. The research analysed the co-operative credit unions in Ghana and studied in detail five credit unions in the *Dagaaba*-inhabited part of the Upper West Region in Ghana.

Credit Unions are community based co-operative institutions which provide financial services to their members who own and democratically manage them. These are an important means through which local savings are mobilized, financial intermediation takes place, credit is provided and transformed into productive and development activities. The local credit unions are generally oriented towards the internationally well-recognized structure of co-operatives and are part of the global Co-operative Movement. Albeit they are relatively autonomous from direct government control, they have to operate according to the legal guidelines drawn by governments.

In addition to the formal organizational structure and external influences, most credit unions are strongly anchored in the socio-economic and cultural dynamics of their local communities. They are linked up with local institutions and make use of locally developed institutional knowledge systems in their management. The relations they maintain vary from the indigenous institutions of local communities, NGOs and banks, to religiously inspired organizations and knowledgeable experts committed to the development.

In the process of globalization and the concomitantly increasingly interconnected world, local institutions are faced with the challenge of constant adaptation. They need to integrate the relevant aspects of external influences into local socio-economic structures and their own operations while keeping focused on the overarching goal of promoting local development. Moreover, there is often a local concern that home-grown institutions are threatened and being forced into homogenization and that the neglect of the local organizational knowledge can make it more difficult for the local community to participate in its own development.

Government policies towards co-operatives and decentralization reforms can certainly provide ample room for local institutions to perform their roles in serving their respective communities. However, the concentration of legal authority in the hands of Government institutions can lead to a top-down model of prescriptive actions imposed on local institutions without a complete knowledge of the local dynamics, thereby possibly hampering institutional efforts to advance development at the community level.

The general aim of this study is threefold: (1) to assess and document the historical development of co-operative savings and credit unions; (2) analyse their organizational interactions, adaptations and changes; and (3) gain more insights into the dynamics of an integrated model of organizational management which promotes local participation and as such contributes to sustainable development. In order to attain this general aim and the related specific objectives, the study has assessed the co-operative credit unions from the three interrelated dimensions: historical, organizational, and developmental. As specific objectives, the study focused on the local socio-economic development and other interrelated factors which gave rise to credit union, the formation of the Credit Unions Association in Ghana, and the linkages of credit unions with local institutions.

In terms of methodological orientation, in this study, both quantitative and qualitative methods of data collection and analysis have been applied, and extensive readings and field surveys have been carried out. In Ghana, local publications and archival documents have been studied, and interviews and discussions held with officials involved in the Credit Union Movement. After obtaining insightful information about the credit unions at the national and regional levels, the case study focused on five local credit unions operating among the *Dagaaba* in the Upper West Region of Ghana, specifically the credit unions located in: Jirapa, Nandom, Ko, and Hamile. The practical activities of these five credit unions and their managements, the experiences of members, the views of the local community and institutions and the role and influence of district authorities have been scrupulously observed and thoroughly studied through a combination of various research methods and techniques which among others included participatory observations, open and structured questions and group discussions.

The case-study area, the *Dagaaba*-inhabited part is situated in the Upper West Region, a young region of Ghana established in 1983. Although Ghana overall is classified to be in the category of medium human development countries, the development in the Upper-West lags far behind that of the other regions of Ghana. Before the independence of Ghana in 1957, the British administration used the Northern Territories mainly as a source of supply of cheap labour for the plantations and mines in the south. As part of the post-independence efforts to accelerate development in Ghana, great emphasis was put on industrialization and urban development in the early post-independence years. It was only after the formation of Regional, District and Local Councils in the 1970s and more importantly the launch of a decentralization plan in Ghana in the 1980s that gradually power and financial resources were shared with district assemblies and an appropriate structure was put in place to promote local development at regional and district levels. This has been combined with an increased emphasis on rural development from the early 1990s. The co-ordination of development efforts between district assemblies and the network of local institutions, including decentralized sectoral ministry structures, and also local institutions and traditional leaders, has enabled an accelerated development in the Upper West Region during the last decade.

Historical evidence bears witness that before the colonial conquest various forms of local co-operatives existed in different parts of Ghana. In the 1920s the British Administration launched relatively successful measures to introduce modern co-operative societies in the Gold Coast part of Ghana to accelerate the production and marketing of cash crops. Efforts to expand the idea of modern co-operative movements in the Northern Territories came only in the early 1930s, when colonial rule expressed its interest in encouraging the co-operative movement in the food crop sector. In the early post-independence period, Government control of modern co-operatives tightened considerably. It was only with the reformation of the Department of Co-operatives in the late 1960s and the proclamation of a Co-operative Societies Decree in 1968 that the Ghanaian Government began to provide support and guidance to the entire co-operative movement in Ghana.

The *Dagaaba*, often also referred to as Dagaara, together with two other ethnic groups, namely the Waala and the Sissala, constitute the large majority of the population of the present-day Upper-West Region of Ghana. Most of the *Dagaaba* are dependent on subsistence agriculture and their involvement in such other activities as trading has been rather limited. The agricultural sector in the *Dagaaba* area is heavily dependent on the often

unfavourable climatic conditions and the mobilization of local labour which is crucial during the farming seasons.

The studies on the pre-colonial development of the societies in the Upper-West Region are very divergent in their opinions and often put forward contrary views on the exact origin of the *Dagaaba* and their settlement into their present habitat. Still, it is clear that the *Dagaaba* perceive themselves as an indigenous community proud of their ethnic identity and their traditional institutions. The *Tendaana* is the most important indigenous local institution of the *Dagaaba* which pre-dates colonial era by many centuries, the council of elders, and even the *yir* (house or compound), are the most outstanding local institutions. Albeit highly decentralized, they were found everywhere among the *Dagaaba* community. Disregarding the local processes of such institutions as the *Tendaana* and also the emergence of indigenous chiefs among the *Dagaaba* at the beginning of the twentieth century, the colonial administration superimposed its own external political structure by creating chiefs and various local and district administrative structures and tribunals. This resulted in a duality of local institutions, namely that of the *Tendaana* and the colonial chiefs, which remained an important factor in the further development of local institutions. Their complex processes have also put the chiefs in a dilemma: whether to serve the interests of the higher authority who had set them up or the local community.

In the post-colonial period, all local stakeholders, chiefs, *Tendaama*, and even local elders have been encouraged to play their respective roles in the development of the socio-economic process. They were increasingly recognized as legitimate local institutions which could determine the success or failure of any development effort in the *Dagaaba* community. They were also included in, among other areas, the decentralization process which allowed local communities and their institutions the opportunity to take part in development planning and in setting priorities for their districts. Local institutions play a key role in mobilizing community participation, help in problem solving, and in maintaining an appropriate balance between the local dynamics and external interactions. What can be seen as present-day *Dagaaba* local institutions and authorities are therefore products of a historical process.

The theoretical discussions and discourses relevant to this study are notably those related to co-operative theories and credit unions, the process of globalization and localization, supplemented by the notion of local institutions and Indigenous Knowledge Systems. As this study has indicated, from the interfaces and the combination of theoretical analysis, the synergy in concepts is combined into the Integrated Management System (IMS), which is developed in this study to describe, analyse, and record the development and organizational management of credit unions.

Various forms of co-operative institutions existed in Ghana, long before the Rochdale form of co-operative emerged in the nineteenth century, which was subsequently transplanted to their colonies by the colonial powers. Similarly, diverse forms of indigenous financial institutions – notably money-lenders, *sususu* and *sandugus* – with their own management systems - operated in Ghana before the Raiffeisen Society- oriented Co-operative Credit Unions emerged in Ghana in the mid-1950s. As all co-operatives are based on the principles of community ownership and democratic management, it did not take long time for local communities to incorporate the co-operative concepts into their own socio-economic setting and local institutions.

The current intensive process of globalization has not eliminated the importance of local institutions. Through ongoing interplays and interactions with exogenous agencies, most

local institutions have been able to restructure themselves to adjust to the changing needs of their community. The modern chiefs in Ghana are highly qualified persons with a deep knowledge of institutional management and the local dynamics of development. The continuity and success of most of the credit unions which were observed among the *Dagaaba* is largely attributable to their ability to combine the practice and procedures which they obtain from their external stakeholders selectively into their local system of management.

Credit Unions can be viewed as an institution in which the amalgam of diverse stakeholder works together in an organizational structure with extended local and global networks. The analysis of the organizational process of the five case study credit unions has revealed a diverse set of external stakeholders with which the credit unions are interacting and which together constitute the External Interventions for Institutional Development (EIOD). First, among them is Credit Union Association (CUA), the apex organization of credit unions in Ghana, which also serves as communication channel between other credit unions at national level and the *World Council of Credit Unions* (WOCCU) at global level. CUA assists credit unions to get registered, provides management advice, and organizes training. Second, the local district Co-operative Office monitors the credit unions regularly to see if they apply all the Government regulations. Finally, there are also international NGOs and religious organizations which support the Credit Union Movement through projects. All these external actors have an input in terms of ideas and guidelines into the local co-operative development and credit union management. At the same time, the credit unions are constantly interacting with local institutions which utilize local organizational knowledge in their close ties and co-operations with the credit unions.

The analytical structure (see Figure 2.2) reflects the complex network, interaction and influences of the various agencies which constitute the Integrated Management System of the credit union. Even though not all processes of all the five credit unions studied fully comply with IMS, the general pattern and tendencies in the management of credit unions matches the IMS approach.

An integrated credit unions' management utilizes both the modern institutional structure and the Local Organizational Knowledge in order to mobilize and manage local resources effectively. By combining modern and indigenous organizational knowledge through the Integrated Management System's approach, credit unions have been able to transform themselves into effective and self-reliant organizations. In this context, Indigenous Knowledge Systems in general and institutional knowledge in particular have shown substantial potential for improving local community livelihoods and socio-economic conditions.

The main findings can be summarized in relation to the three main factors set out in the general aim of the study. Firstly, the study found that the main factors which have contributed to the emergence of the credit union in Ghana in general and among the *Dagaaba* in particular were the local socio-economic development, external interactions and the assistance of the Roman Catholic mission in the Upper West Region. At a certain stage in the local socio-economic development, the barter system and use of cowry currency were no longer able to cope with the complex commodity- and money-oriented economy which began to extend into the area. When currency money commenced circulating, there were no established institutions which could provide the financial services required. The problem was brought to the attention of the Roman Catholic mission which had been established in the area in the 1930s. The priests assisted in analysing this urgent problem and threw their

weight behind the creation of the first credit union. Endogenous factors and such specific events as the story of one farmer whose savings in bank notes were devoured by termites played a role in explaining the rise of credit unions in the research area. After the first credit union was formed in Jirapa in 1955, the initiative to form credit unions caught on in the Upper West Region and from there extended to the rest of Ghana.

Secondly, the management of the credit unions is governed by the guidelines laid down by the Co-operative Department. All credit unions observed have adapted the conventional organigram of Co-operatives, which implies a bottom-up structure in which the highest authority is vested in the hand of the General Meeting of members. The Board which heads this organization is democratically elected by majority vote through a one-person-one vote system. The Government does have a direct influence through its legal framework and co-operative policies. All credit unions have to be regulated by the co-operative rules drawn by Government. The local officials of the Co-operative Department observe adherence to this structure and audit credit unions financial records. Since 1990s, the Bank of Ghana has also had financial regulations for non-bank financial institutions with which credit unions have to comply. CUA, the national apex organization of credit unions, co-ordinates and regulates the co-operative credit unions in the country. It also facilitates relations with the global Co-operative Movement and supports credit unions to adhere to various national as well as international standards. Besides these official connections with external institutions, there are also linkages with other local institutions and governmental organizations which directly and indirectly influence the management of credit unions. Findings derived from interactions with credit union managements and local institutions of *Tendaana*, elders, and chiefs have revealed that local intuitions make their local organizational skills available whenever the credit unions need it. Through the relationship with these local institutions, the credit unions benefit practically from the local organizational knowledge available. Such inveterate credit union problems as loan delinquency are often resolved through the involvement of local institutions. In practice, the credit unions management utilizes an integrated management in terms of planning and decision making which combines diverse procedures and practices. This dynamic management model determines the organizational capacity of credit unions to obtain their goals.

Thirdly, one of the aspects of the general aim of this study was to study the role of credit unions in development. As the official records, discussions and interviews conducted with members and the management indicated, most of the members who have made use of the services of credit unions have improved their socio-economic situation, but a few certainly did not derive such benefit. Members have made use of loans for diverse purposes, including farming, cottage industries, transport, housing, education and medical expenses. Even though the general impact is difficult to ascertain, the larger part of the loans obtained from credit unions have been associated with a positive impact in economic and social well-being. Although credit union loans are primarily meant for productive purposes, they are also used for such social cultural activities as organizing weddings and funerals. In a rural economy oriented towards subsistence agricultural production, the financial services contribute to sustainable local development, in which the socio-economic development does not negatively affect the local environment.

Overall, the study has found that the Integrated Management System practised by the credit union in different contexts has helped the credit unions achieve their overall objective. If not all, at least some credit unions have been successful in that members are participating

not only in meetings but also in credit union activities on a wider scale. In relative terms the Credit Union Movement has extended its geographical coverage and made contributions to the improvement of the socio-economic conditions of the members. Furthermore, most of the credit unions have continued to operate over a long period of time, naturally not without their ups and downs in terms of numbers of members and size of financial portfolio, but are still able to continue providing services. Though not yet entirely self-reliant, credit unions have proven to be viable institutions and have contributed to sustainable community development on a small scale.

The study has outlined a number of theoretical, methodological and policy implications. The credit union specific Integrated Management System implies a synergy of various theoretical approaches. The structural strength of this Integrated Management System lies in its capacity to incorporate different management procedures, views and practices into a single organizational structure which is appropriate to a specific credit union. The notion of IMS gives due consideration to relevant concepts and practices which have indigenous and exogenous origins and backgrounds. In this regard, the Local Organizational Knowledge with its procedures and practices is incorporated into the management of the credit unions. The effective use of LOK creates a structural link with indigenous institutions which strengthens the institutional capacity and continuity of co-operative credit unions. This also enhances sustained local community development. The Integrated Management System approach has proved it can be replicated and could contain more stakeholders than those specifically described in this study. With this multi-dimensional approach, the credit unions could mobilize the required local and external resources, if not entirely at least optimally.

The methodological implications of this research relate to the shown merits of the combination of a variety of research methods. Besides a comprehensive theoretical approach, the study of the integrated management of credit unions has also indicated the need to combine a mixture of research methodologies and techniques of data collection and analyses, suitable to the different aspects and phases of credit union. Those historical and ethnographic research methods which systematically combine qualitative and quantitative methods and have been developed and applied in identifying, recording and analysing Indigenous Knowledge Systems tend to be effective in studying the management of credit union.

The study has outlined a number of practical policy implications. First, the integrated management method should incorporate the Local Organizational Knowledge, as this facilitates not only the smooth functioning of credit unions, but also stimulates communities to participate in institutional activities. When co-operative institutions are able to mobilize Local Organizational Knowledge, they have a better chance of strengthening the confidence of community members in the institution and stimulating active participation, including in the benefits of co-operative membership.

Secondly, in order to achieve their objectives of expanding membership and mobilizing more local savings, credit unions could make use of local networks and means of communications, whether this be community members in their work place or attending local ceremonies, to popularize the relevance of credit unions, rather than remaining at the premises of the credit union and waiting for communities to come to them.

Thirdly, the network of local institutions (elders, *Tendaana* and chiefs) forms an effective means in endorsing the legitimacy of credit unions and resolving organizational problems; moreover, these local institutions need to be updated on changes in credit union policies and

enabled to channel their views so that they remain engaged in their local financial institutions.

Finally, Government co-operative policy should not be limited to the drawing-up of legal frameworks and the auditing of credit unions. Rather, the Government should consider more closely the needs of rural communities for financial services and stimulate financial institutions, including credit unions, to be active in the rural areas and help the local population to reinvest resources in their localities, thereby successfully stimulating sustainable local community development. Furthermore, this study recognizes the need for a comprehensive research which will encompass the relationship between microfinance institutions and agrobiodiversity within the context of sustainable community development and poverty reduction within the local community. Such extended research could benefit from the approaches and applications which have already been developed in this study.

SAMENVATTING

Dit onderzoek richt zich op de historische ontwikkeling van lokale coöperatieve credit unions, hun organisatiestructuur en bestuurlijke ontwikkeling en de manier waarop ze het lokale ontwikkelingsproces bevorderd hebben door toegang te verschaffen tot financiële dienstverlening en door hun bijdrage aan armoedebestrijding. In dit onderzoek werden de coöperatieve credit unions in Ghana geanalyseerd, in het bijzonder vijf coöperatieve credit unions in het gebied van de Upper West Region dat bevolkt wordt door de *Dagaaba*.

Credit unions zijn plaatsgebonden coöperatieve instellingen die financiële diensten verlenen aan hun leden. De credit unions zijn in handen van de leden en worden door hen op democratische wijze bestuurd. Ze vormen een belangrijk kanaal voor de mobilisatie van lokale besparingen, voor financiële bemiddeling en voor het verlenen van kredieten die worden aangewend voor productieve ontwikkelingsactiviteiten. De lokale credit unions spiegelen zich in het algemeen aan de internationaal erkende coöperatiestructuur en zijn onderdeel van de mondiale coöperatieve beweging. Hoewel ze relatief onafhankelijk zijn van directe overheidsbemoeienis, moeten ze zich wel houden aan de wettelijke richtlijnen die zijn opgesteld door de overheid.

Los van de formele organisatiestructuur en de externe invloeden zijn de meeste credit unions sterk verankerd in het socio-economische en culturele krachtenveld van hun lokale gemeenschappen. Zij zijn verbonden met lokale instituties en maken bij het beheren gebruik van organisatorische kennissystemen die lokaal ontwikkeld zijn. De relaties die ze onderhouden variëren van inheemse instellingen van lokale gemeenschappen, NGO's en banken tot religieus geïnspireerde organisaties, en ervaren experts die zich toeleggen op ontwikkeling.

Lokale instellingen worden voortdurend uitgedaagd zich aan te passen aan globalisering en toenemende mondiale vervlechting. Zij moeten de relevante aspecten van externe invloeden inpassen in lokale socio-economische structuren en in hun eigen werkzaamheden terwijl ze daarnaast gericht moeten blijven op de algemene doelstelling, namelijk het stimuleren van lokale ontwikkeling. Bovendien heeft men op lokaal niveau vaak het idee dat plaatselijke organisaties bedreigd worden en dat deze gedwongen worden tot standaardisering en dat het veronachtzamen van lokale organisatorische kennis het moeilijker kan maken voor de plaatselijke bevolking om actief deel te nemen aan haar eigen duurzame ontwikkeling.

Het beleid van de overheid ten aanzien van coöperaties en decentralisatie kan lokale instellingen voldoende ruimte verschaffen om hun eigen gemeenschappen te dienen. Evenwel kan het feit, dat het legale gezag vrijwel geheel door de overheidsinstellingen wordt beheerd, leiden tot een 'top-down model waarbij van bovenaf handelingen aan lokale instellingen worden voorgeschreven zonder dat men de lokale situatie volledig kent. Op deze manier zou men zelfs pogingen van de organisaties om lokale ontwikkeling te bevorderen kunnen belemmeren.

Het algemene doel van deze studie is driedelig: (1) het evalueren en documenteren van de historische ontwikkeling van coöperatieve credit unions; (2) het analyseren van hun organisatorische interacties, hun aanpassingen en veranderingen; en (3) het verwerven van meer inzicht in de dynamiek van een geïntegreerd model van organisatiemanagement dat plaatselijke participatie stimuleert en op deze manier bijdraagt zowel aan duurzame ontwikkeling als armoedebestrijding. Teneinde dit doel en de gestelde sub-doelen te bereiken evalueert dit onderzoek de coöperatieve credit unions vanuit drie samenhangende dimensies,

namelijk de historische, organisatorische en ontwikkelingsgerichte dimensie. De specifieke doelen van het onderzoek zijn gericht op de lokale socio-economische ontwikkeling en andere daaraan gekoppelde factoren die leiden tot de opkomst van de credit unions, de totstandkoming van de Credit Unions Association in Ghana en de betrekkingen van de credit unions met lokale instituties.

In methodologisch opzicht worden in dit onderzoek zowel kwalitatieve als kwantitatieve methoden gebruikt voor dataverwerving en analyse, en daarnaast werd uitgebreid literatuur- en veldonderzoek uitgevoerd. In Ghana werden lokale publicaties en archieven bestudeerd, en werden interviews gehouden en gesprekken gevoerd met respondenten die betrokken zijn bij de credit union beweging. Na het verkrijgen van relevante informatie over de credit unions op zowel regionaal als landelijk niveau, spitst het onderzoek zich toe op vijf lokale credit unions die functioneren onder de *Dagaaba* bevolkingsgroep in de Upper West Region van Ghana, met name de credit unions in de plaatsen Jirapa, Nandom, Ko en Hamile. De dagelijkse gang van zaken van deze vijf credit unions en hun management, de ervaringen van leden, de zienswijze van de lokale gemeenschap en instituties en de rol en invloed van de districtsautoriteiten zijn uitgebreid geobserveerd en bestudeerd met behulp van een reeks van onderzoeksmethoden en technieken, waaronder participatief onderzoek, open en gesloten vragenlijsten en groepsdiscussies.

Het gebied dat onderwerp is van dit onderzoek is het door de *Dagaaba* bewoonde gebied van de Upper West Region van Ghana, een relatief nieuwe regio in Ghana die in 1983 gecreëerd is. Hoewel Ghana in zijn totaliteit gerekend wordt tot de categorie van ontwikkelingslanden met een gemiddeld niveau van ontwikkeling ('human development'), is de ontwikkeling in de Upper West regio ver achtergebleven bij de andere regio's van Ghana. Vóór de onafhankelijkheid van Ghana in 1957 gebruikte de Engelse regering de Northern Territories vooral als bron van goedkope arbeid voor de plantages en mijnen in het zuiden. Bij de inspanningen om de ontwikkeling in Ghana te versnellen in de eerste jaren na de onafhankelijkheid is grote nadruk gelegd op grootschalige landbouw en stedelijke ontwikkeling. Pas na de vorming van de Regional en District Councils in de zeventiger jaren van de vorige eeuw, en nog belangrijker na de lancering van een decentralisatieplan in de tachtiger jaren, werden macht en financiële middelen gedeeld met zogenaamde District Assemblies en werd er een passende structuur gecreëerd om de lokale ontwikkeling te bevorderen op regionaal en districtsniveau. Dit ging gepaard met een toegenomen nadruk op de ontwikkeling van het platteland vanaf het begin van de negentiger jaren. De wederzijdse afstemming van ontwikkelingsinspanningen tussen de District Assemblies en het netwerk van lokale instituties, met inbegrip van gedecentraliseerde sectorale ministriële structuren, evenals lokale instituties en traditionele leiders heeft een versnelde ontwikkeling mogelijk gemaakt in de Upper West Region tijdens het afgelopen decennium.

Historische bronnen bevestigen dat er voor de koloniale overheersing verschillende vormen van lokale cooperaties bestonden in diverse delen van Ghana. In de twintiger jaren van de vorige eeuw kondigde de Britse regering met relatief succes een aantal maatregelen af ter introductie van moderne coöperatieve maatschappijen in de Goudkust van Ghana. Dit vond plaats om de productie en verkoop van cash crops te stimuleren. Pas in de dertiger jaren werden pogingen ondernomen om het gedachtengoed van de moderne coöperatieve beweging naar de Northern Territories uit te breiden, nadat de koloniale overheerser kenbaar had gemaakt om de coöperatieve beweging in de food crop sector'' te willen stimuleren. Vlak na de onafhankelijkheid kreeg de overheid de moderne coöperatieve beweging steviger in haar greep. Pas na de hervorming van het Department of Co-operatives aan het einde van de zestiger jaren, en vooral na de afkondiging van het Co-operative Societies Decree in 1968

begon de Ghanese regering de gehele coöperatieve beweging in het land te ondersteunen en te begeleiden.

De *Dagaaba*, ook wel Dagaara'' genoemd, vormen samen met twee andere ethnische groepen, namelijk de *Wala* en *Sissala*, de meerderheid van de bevolking in de huidige Upper West Region van Ghana. De meeste *Dagaaba* zijn voor hun levensonderhoud afhankelijk van de landbouw. Ze houden zich maar beperkt bezig met andere activiteiten zoals handel en dienstverlening. De agrarische sector is erg afhankelijk van klimatologische omstandigheden, die vaak ongunstig zijn, en van het mobiliseren van lokale arbeidskrachten die van cruciaal belang zijn gedurende de oogsttijd.

Studies naar de pre-koloniale ontwikkeling van gemeenschappen in de Upper West Region laten niet alleen een veelheid van interpretaties zien, maar ook controversiële visies op de juiste herkomst van de *Dagaaba* en hun vestiging in hun huidige leefomgeving. Echter hetgeen onomstreden is omvat de perceptie van de *Dagaaba* van zichzelf als een inheems volk dat trots is op hun ethnische-culturele identiteit en hun traditionele instituties. De *Tendaana* is de belangrijkste inheemse instellingen van de *Dagaaba* die dateert uit de pre-koloniale periode. Samen met de Raad van Ouderen en zelfs de *yir*, (huis of compound), vormen zijn de lokale instituties. Hoewel deze instituties door een vergaande decentralisatie werden gekenmerkt, waren ze overal binnen de *Dagaaba*-gemeenschap aanwezig. In het begin van de twintigste eeuw legde de koloniale regering externe politieke structuren op onder meer door het aanstellen van *Chiefs* en door het oprichten van verschillende plaatselijke en regionale besturen en tribunalen. Hiermee ging zij echter voorbij aan de lokale werking van instituties zoals de *Tendaana* en de opkomende inheemse Hoofden uit de *Dagaaba* zelf. Hiermee was een dualistisch stelsel van lokale instituties gecreëerd, namelijk die van de *Tendaana* en die van de koloniale *Chiefs*; een stelsel dat een factor van belang bleef bij de verdere ontwikkeling van lokale instituties. De complexiteit van hun processen plaatsten de *Chiefs* bovendien voor een dilemma: moesten zij het belang van het hogere gezag dat hen had aangesteld dienen, of dat van de lokale gemeenschap?

In het post-koloniale tijdvak werden alle lokale belanghebbenden - *Chiefs*, *Tendaana* en zelfs de lokale Raad van Ouderen - aangemoedigd om hun respectievelijke bijdrage te leveren aan het sociaal-economische ontwikkelingsproces. Zij werden erkend als legitieme lokale instituties die cruciaal waren voor het succes of het falen van alle ontwikkelings-inspanningen binnen de *Dagaaba* gemeenschap. Zij werden onder meer betrokken bij het decentralisatieproces dat de lokale gemeenschap en haar instituties de mogelijkheid verschafte om deel te nemen aan ontwikkelingsplanning en aan het opstellen van prioriteiten voor hun regio's. Lokale instituties spelen ook een sleutelrol bij het activeren van de gemeenschap; zij dragen bij aan het oplossen van problemen en zorgen voor een juiste balans tussen lokale en externe belangengroepen. Uiteindelijk zijn de hedendaagse *Dagaaba*-instellingen en hun autoriteiten het resultaat van een complex historisch proces.

Theoretische discussies en het wetenschappelijk debat, die zich richten op zowel theorieën over coöperaties en *credit unions* als op het proces van globalisering en lokalisering in samenhang met de benadering van lokale instituties en inheemse kennissystemen zijn van groot belang voor dit onderzoek. Zoals deze studie aantoonde aan de hand van een combinatie van theoretische analyse en praktisch veld onderzoek, komen deze concepten synergetisch samen in het *Integrated Management Systems* (IMS), zoals dat is ontwikkeld in deze studie teneinde de ontwikkeling en het organisatorische management van *credit unions* te documenteren, beschrijven, en nader te analyseren.

Verschillende vormen van coöperatieve instellingen bestonden in Ghana reeds lang voordat de *Rochdale Variant* van de coöperatie in de belangstelling kwam in de negentiende eeuw.

De koloniale heersers introduceerden vervolgens deze variant in hun koloniën. Eveneens bestonden er verschillende vormen van inheemse financiële dienstverlening en instituties – met name de geldschietters, *susūs* en *sandūqus* – die met hun eigen managementsysteem al in Ghana functioneerden, voordat de op de Raiffeisen-society georiënteerde coöperatieve *credit unions* opkwamen in Ghana in het midden van de vijftiger jaren van de vorige eeuw. Aangezien coöperaties gebaseerd zijn op het principe van gemeenschappelijk eigendom en democratisch bestuur, duurde het niet lang voordat lokale gemeenschappen de coöperatieve principes verwerkten in hun plaatselijke socio-economische context en in hun lokale instituties.

Het huidige versnelde proces van globalisering heeft het belang van lokale instituties verder vergroot. Immers, door voortdurende wisselwerkingen en interacties met externe organisaties zijn de meeste lokale instituties in staat gebleken zich te herstructureren om zich te kunnen aanpassen aan de veranderde behoeften van hun gemeenschappen. De moderne *Chiefs* in Ghana zijn hooggekwalificeerde deskundigen met een diepgaande kennis van institutioneel management en van de lokale ontwikkelingsdynamiek. De bij de *Dagaaba* waargenomen continuïteit en het succes van het merendeel van de *credit unions* is grotendeels te danken aan het vermogen om de praktijk en de procedures van externe *stakeholders* te combineren met het lokale managementsysteem.

Credit unions kunnen gezien worden als instituties waarbinnen de verschillende *stakeholders* samenwerken in een organisatiestructuur met uitgebreide lokale en mondiale netwerken. De analyse van het organisatorische proces van de vijf onderzochte *credit unions* heeft aangetoond, dat er een groot aantal externe *stakeholders* is waarmee de *credit unions* betrekkingen aangaan en die samen de *External Interventions for Institutional Development* (EIOD) vormen. Allereerst is er de *Credit Union Association* (CUA), de overkoepelende organisatie van *credit unions* in Ghana die tevens als communicatiekanaal fungeert tussen *credit unions* op nationaal niveau en de *World Council of Credit Unions* (WOCCU) op mondiaal niveau. De CUA ondersteunt de registratie van *credit unions*, voorziet in management adviezen en organisatie trainingen. Op de tweede plaats controleren de *Co-operative Offices* op lokaal niveau regelmatig de *credit unions* om er op toe te zien dat de regelgeving van de overheid nageleefd wordt. Tenslotte zijn er ook nog de internationale Non-Government Organizations (NGO's) en religieuze organisaties die de *credit union* beweging via projecten ondersteunen. Al deze externe actoren hebben met hun ideeën en richtlijnen invloed op de lokale coöperatieve ontwikkeling en het management van *credit unions*. Tegelijkertijd onderhouden de *credit unions* voortdurend contacten met lokale instituties, die op hun beurt gebruik maken van de lokale organisatorische kennis in hun nauwe samenwerkingsverbanden met de *credit unions*.

De analytische structuur (fig. 2.2) geeft de complexiteit weer van het netwerk, de interactie en de invloeden van de verschillende factoren die tezamen het *Integrated Management Systems* (IMS) vormen van de *credit unions*. Hoewel niet alle processen van de vijf onderzochte *credit unions* volledig overeenkomen met de IMS structuur, valt het algemene patroon hieronder, en vertoont het management van de *credit unions* overeenkomst met de IMS-benadering.

Een geïntegreerd *credit union* management past zowel de moderne institutionele structuur toe als de lokale organisatiekennis om zo op effectieve wijze lokale hulpbronnen te mobiliseren en te gebruiken. *Credit unions* zouden effectieve en duurzame organisaties kunnen worden, indien zij globale en lokale en organisatiekennis en praktijken zouden combineren door middel van de geïntegreerde management-benadering. Binnen dit kader hebben lokale kennissystemen in het algemeen - en institutionele kennis in het bijzonder - de

potentie om het dagelijks bestaan en de socio-economische omstandigheden van de lokale bevolking te verbeteren.

De belangrijkste bevindingen kunnen worden samengevat in relatie tot de drie belangrijkste factoren zoals weergegeven in het hoofddoel van dit onderzoek. In de eerste plaats heeft dit onderzoek uitgewezen, dat de belangrijkste factoren die bijgedragen hebben aan de opkomst van de *credit unions* in Ghana in het algemeen, en bij de *Dagaaba* in het bijzonder, zijn: de lokale socio-economische ontwikkeling, externe interactie en de hulp van de Rooms-Katholieke Missie in de *Upper West Region*. Op een gegeven moment waren in de lokale socio-economische ontwikkeling de ruilhandel en het gebruik van *cauwri* als inheemse valuta niet in staat om tegemoet te komen aan de complexe goederen- en geld-economie die zich steeds meer in het gebied verbreidde. Terwijl er steeds meer modern geld in omloop kwam, ontbrak het aan bestaande organisaties die de vereiste financiële diensten konden verschaffen. Deze lacune werd onder de aandacht gebracht van de Katholieke Missie die zich in dat gebied gevestigd had in de dertiger jaren van de twintigste eeuw. De Missie hielp mee om dit urgente probleem op te lossen en ondersteunde de totstandkoming van de eerste *credit union*. Zowel endogene factoren als specifieke gebeurtenissen, zoals de spaargelden van lokale boeren die door termieten werden opgegeten, droegen bij aan de opkomst van *credit unions* in het onderzoeksgebied. Nadat de eerste *credit union* was opgericht in Jirapa in 1955, kreeg dit initiatief navolging, eerst in de *Upper West Region* en daarna in de overige gebieden van Ghana.

In de tweede plaats wordt het management van de *credit unions* bepaald door de richtlijnen van het *Co-operative Department*. Op alle onderzochte *unions* is het gebruikelijke organogram van coöperaties van toepassing, hetgeen een *bottom-up* structuur weergeeft met het hoogste gezag bij de Leden van de Algemene Ledenvergadering. Het Bestuur dat de leiding heeft is democratisch gekozen door alle leden aan de hand van het meerderheidsbeginsel. Via de wettelijke kaders en het beleid ten aanzien van coöperaties oefent de overheid verder invloed uit. Alle *credit unions* zijn gebonden aan de regelgeving voor coöperaties zoals die is opgesteld door de regering. De lokale ambtenaren van het *Co-operative Department* voeren regelmatig controles uit en auditeren de financiële gegevens van de *credit unions*. Vanaf de negentiger jaren van de twintigste eeuw kent de *Bank of Ghana* financiële regels voor *non-bank* financiële instellingen, waaraan ook de *credit unions* zich dienen te houden. De CUA, de nationale koepelorganisatie van *credit unions*, coördineert en reguleert de coöperatieve *credit unions* in het land. Deze organisatie vergemakkelijkt de contacten met de mondiale coöperatieve beweging en ondersteunt *credit unions* in relatie tot de diverse nationale en internationale normen. Naast deze officiële banden met externe instellingen zijn er ook contacten met andere lokale instituties en overheidsinstanties die het management van *credit unions* beïnvloeden. De resultaten die zijn afgeleid uit de contacten tussen *credit union* management en de lokale instituties van *Tendaana*, Ouderen en *Chiefs* wijzen uit, dat de plaatselijke instellingen zonodig hun lokale organisatiedeskundigheid inzetten ten behoeve van de *credit unions*. Door de relaties met deze lokale instellingen profiteren de *credit unions* feitelijk van de beschikbare lokale organisatiekennis. De voornaamste problemen van de *credit unions*, zoals leenschuld, worden vaak opgelost door bemiddeling van lokale instituties. In de praktijk zet het *credit unions* management een *integrated management* in vanuit planning en besluitvorming; een vorm van management dat diverse procedures en praktijken verenigt. Dit dynamische management-model bepaalt uiteindelijk het vermogen van de *credit unions* om hun doelen te bereiken.

In de derde plaats vormde het afgeleide doel van deze studie bestudering van de rol van *credit unions* met betrekking tot het ontwikkelingsproces. Volgens de officiële stukken, de gesprekken en interviews die gehouden zijn met zowel leden als met het management blijkt, dat de socio-economische situatie van de meeste leden verbeterde toen zij gebruik gingen maken van de diensten van de *credit unions*, terwijl slechts enkelen geen profijt hiervan hadden. Leden sloten leningen af voor verschillende doeleinden, zoals landbouw, huisnijverheid, transport, huisvesting, onderwijs en medische zorg. Hoewel het moeilijk is om het algemene rendement vast te stellen, lijkt het grootste deel van de leningen van de *credit unions* een positieve uitwerking te hebben gehad op het economische en sociale welzijn van haar leden. Leningen van *credit unions* zijn primair bedoeld voor productieve doeleinden, maar zij worden ook gebruikt voor sociaal-culturele activiteiten zoals bruiloften en begrafenissen. In een rurale economie, die gericht is op landbouwproductie om te voorzien in het eigen levensonderhoud, dragen financiële diensten aanzienlijk bij aan duurzame lokale ontwikkeling, terwijl de betreffende socio-economische ontwikkeling nauwelijks enig negatief effect heeft op het lokale milieu.

Over het geheel genomen komt de studie tot de conclusie, dat het IMS, zoals dat onder verschillende omstandigheden door de *credit unions* wordt toegepast, de *credit unions* zelf heeft geholpen om hun doel te bereiken. Sommige, zo niet alle *credit unions* zijn erin geslaagd om hun leden actief te laten deelnemen aan een veelheid van *credit union* activiteiten. Over het algemeen heeft de *credit union* beweging haar geografische bereik vergroot en bijgedragen aan de verbetering van de socio-economische omstandigheden van haar leden, en als zodanig aan armoedebestrijding. Bovendien zijn de meeste *credit unions* reeds geruime tijd blijven functioneren, ondanks tegenslagen in hun ledental en financiële middelen. Desalniettemin zijn zij nog steeds goed in staat om hun dienstverlening te continueren. De *credit unions* zijn niet geheel zelfvoorzienend, maar hebben zij bewezen zeer levensvatbare instituties te zijn, en hebben zij op kleine schaal bijgedragen aan de duurzame ontwikkeling van de betreffende gemeenschappen.

De studie komt tot een aantal conclusies op theoretisch, methodologisch en toegepast, beleidsgericht gebied. Het *Integrated Management Systems* dat specifiek geldt voor de *credit unions*, veronderstelt een synergie van verschillende theoretische benaderingen. De kracht van de structuur van dit *Integrated Management Systems* ligt in het vermogen om verschillende management-procedures, visies en praktijken te verenigen tot een enkele organisatiestructuur, die passend is voor de specifieke *credit union*. Het concept van IMS houdt voldoende rekening met de relevante ideeën en praktijken die van oorsprong zowel een inheemse als een externe achtergrond hebben. In dit opzicht is de *Local Organizational Knowledge* (LOK) met haar procedures en praktijken ingebed in het management van de *credit unions*. Doeltreffend gebruik van LOK leidt tot een structurele relatie met de inheemse instituties, waardoor de institutionele kracht en continuïteit van de coöperatieve *credit unions* versterkt worden en waardoor tevens een verbeterde lokale ontwikkeling van de gemeenschap wordt waarborgd. De benadering van het *Integrated Management Systems* is met succes herhaalbaar gebleken en kon meer *stakeholders* aan zich binden dan de meeste voorbeelden die specifiek in deze studie beschreven zijn. Met deze multidimensionale benadering konden de *credit unions* de benodigde lokale en globale middelen zo optimaal mogelijk mobiliseren.

De methodologische resultaten van dit onderzoek hebben betrekking op de bewezen meerwaarde van de combinatie van een veelheid van onderzoeksmethoden. Naast een veelomvattende theoretische benadering vereiste het onderzoek naar het *integrated management* van *credit unions* ook een combinatie van onderzoeksmethoden en technieken

van dataverwerking en data-analyse die geschikt is voor de studie van de verschillende aspecten en fasen van de *credit union*. De historische en etnografische onderzoeksmethoden combineren op systematische wijze de kwalitatieve en kwantitatieve methoden. Zij zijn ontwikkeld en toegepast om inheemse kennissystemen te identificeren, documenteren, en te analyseren. Deze onderzoeksmethoden zijn zeker doeltreffend gebleken bij de studie naar het management van de *credit unions*.

Het onderzoek schetst in hoofdlijnen ook een aantal praktische implicaties voor beleid. In de eerste plaats zou de *integrated management* methode ook lokale organisatorische kennis dienen te omvatten. Dit maakt niet alleen een optimaal functioneren van de *credit unions* mogelijk, maar stimuleert gemeenschappen ook om deel te nemen aan institutionele activiteiten. Gebleken is, dat indien coöperatieve instituties in staat zijn om lokale organisatorische kennis te mobiliseren, zij meer vertrouwen winnen van de leden van de gemeenschap en zo zij actieve participatie stimuleren. Daarmee delen hun leden in de voordelen van het lidmaatschap van de coöperatie.

In de tweede plaats zouden *credit unions* gebruik kunnen maken van lokale netwerken en communicatiemiddelen om hun doelen - een groeiend ledental en het verwerven van meer lokale besparingen - te bereiken. Daarbij valt te denken aan leden van de gemeenschap die op hun werkplek of bij plaatselijke ceremonieën bredere bekendheid geven aan de voordelen van *credit unions*, in plaats van binnen de muren van de *credit union* te wachten op mogelijke nieuwe leden.

In de derde plaats vormt het netwerk van lokale instituties (Ouderen, *Tendaana* en *Chiefs*) een effectief middel om de legitimiteit van de *credit unions* te benadrukken en om organisatorische problemen op te lossen. Deze lokale instituties moeten bovendien op de hoogte gehouden worden van veranderingen in *credit union* beleid en zij moeten in staat gesteld worden om hun visie in te brengen, zodat zij betrokken blijven bij hun lokale financiële instituties.

Tot slot zou overheidsbeleid met betrekking tot coöperaties niet beperkt moeten blijven tot het opstellen van de wettelijke kaders en het auditeren van *credit unions*. De regering zou veeleer de behoefte van plattelandsgemeenschappen aan financiële dienstverlening nader moeten beschouwen en zij zou financiële instellingen zoals de *credit unions* moeten stimuleren om actief te zijn op het platteland om aldus de plaatselijke bevolking te helpen bij het herinvesteren van hun middelen op lokaal niveau. Op die wijze zou duurzame lokale ontwikkeling van de gemeenschap met succes aangemoedigd worden. Verder onderkent deze studie het belang van verdergaand onderzoek naar de relaties tussen instellingen die zich bezighouden met microkrediet aan de ene kant en agrobiodiversiteit aan de andere kant, binnen de context van duurzame ontwikkeling en armoedebestrijding binnen de lokale gemeenschap. Een dergelijk onderzoek kan profiteren van de benaderingen en toepassingen die zijn ontwikkeld in dit onderzoek in Ghana.

Curriculum vitae

Yeshanew Gheneti was born in Naqamte, Ethiopia, where he completed primary and secondary education. In 1981 he joined the Catholic University of Nijmegen, the Netherlands, from where he obtained a 'Kandidaats' diploma in Social Sciences with specialization in Development Studies. In 1988 he completed his 'Doctoraal' in Policy Science at the same university with special emphasis on development and political economy. Since then, he has been engaged in development research and activities in both East and West Africa. He carried out various community-based development research activities and baseline surveys in Ghana and Kenya, and worked on research and development programmes with various Non-Governmental Organizations in the Netherlands. He is the co-founder and programme coordinator of the Netherlands based Local Institutions Development.

Drs. Gheneti has also been engaged in indigenous knowledge and resources-oriented research under the auspices of Leiden University's Faculty of Social Sciences and, as a Junior Researcher under NOW/WOTRO, he conducted research in the Upper-West Region of Ghana on local co-operative savings and credit unions. He was attached to the Center of Non-Western Studies of the Leiden University from 1992 to 1996, and until present he is affiliated to the Faculty of Social Sciences, Department of Cultural Anthropology and Development Sociology, Leiden University.

Over the last ten years he has regularly lectured on local institutions and sustainable development in Africa and supervised students of the Faculty of Social Sciences conducting fieldwork training in Sub-Saharan Africa. As a Senior Member of the Leiden Ethnosystems and Development (LEAD) program, he developed several research proposals on, among others, alternative pastoral livelihood strategies and integrated management of community development in the Horn of Africa. He is currently preparing a follow-up research program on local institutions and sustainable agrodiversity development in East Africa, which will be implemented under the joint auspices of the LEAD program and the Leiden University Branch of the National Herbarium of The Netherlands.

Propositions

- 1 Integrated management systems incorporating both local and global knowledge into the delivery of micro-credit services are essential to ensure the sustainability of credit unions in Africa [*this thesis*].
- 2 Global management principles transplanted into local organizations without adaptation to the socio-cultural context tend to be counter-productive to the achievement of organizational goals [*this thesis*].
- 3 The local *Dagaaba* institutions of *Tendaana* and *Chieftaincy* have not only survived prolonged suppressions, but also substantiated recent “bottom-up” approaches towards sustainable community development in Ghana [*this thesis*].
- 4 Access to micro-credit services alone is insufficient to generate adequate socio-economic benefits for African small-scale farmers and entrepreneurs, but it needs to be complemented by access to other production factors [*this thesis*].
- 5 The expanding application of micro-credit management theory to different sectors of society requires an interdisciplinary approach towards the development of advanced micro-credit management education and training.
- 6 The success of micro-financing projects for members of credit unions is based not only on the availability of funds, but also on the provision of guidance and training how to manage these funds appropriately.
- 7 The process of building an inclusive financial sector in Africa can only succeed if governments create a policy environment which stimulates the expansion of access to microcredit, while leaving the actual provision of financial services to the private sector, credit unions and NGOs.
- 8 The increasing cultural differentiation of present-day societies around the globe requires a multi-cultural perspective on the theory and practice in the field of microfinance management.
- 9 The large amounts of money spent on fireworks in The Netherlands on New Years’ Eve 2006 would have been of tremendous help in establishing rural clinics and schools in local African communities such in *Hamile* and *Ko* in the Upper West Region of Ghana.
- 10 The recent experience in the Gorilla Unit of Blijdorp Zoo in Rotterdam shows that prolonged eye contact could not only lead to unexpected consequences of inter-human communication, but also of human-animal relations.

Y.Gheneti, Leiden, 27 June 2007