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An assessment of corporate parenting between Cameroon Cooperative Credit Union League (CamCCUL) and its affiliated Credit Unions

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ABSTRACT
The study is designed to provide an assessment of corporate parenting between Cameroon Cooperative Credit Union League (CamCCUL) and its affiliated Credit Unions. A stratified random sample of 138 was selected for data collection and the main source was primary, done with the aid of questionnaire as the major instrument. The questions were structured to capture the competencies of CamCCUL and the opportunities available in affiliated Credit Unions. A five points Likert scale was used in this regard which was later summarised and quantified with the use of the STATA 14 statistical package. The questionnaire was submitted to researchers and econometricians both at the University of Calabar, Nigeria and University of Buea, Cameroon for scrutiny. Additionally, primary data was tested to be reliable with a 0.701 consistency coefficient using Cronbach alpha The findings revealed that CamCCUL adds value to 89.47 percent and 10.53 percent of the affiliated Credit Unions get their value destroyed due to their affiliation with the league. The researcher therefore recommends that the Ministry of Finance should facilitate the creation of additional leagues and classify Credit Unions according to relative sizes, and make it possible for Credit Unions with excess capacity to gain autonomy.
Keywords*: CamCCUL, corporate parenting, affiliated credit unions*

Introduction

Organisations that go by the name “Credit Union” have existed from time immemorial. In the past, they had alternative names like “the Peoples’ Bank”, “Credit Associations”, and “Cooperative Banks”. The main objective of early Credit Unions was to raise capital and do bulk purchases for the benefit of its members.

Credit Unions as the name implies, are associations that are focused on providing loans to members to enable them meet up with their financial requirements. Though the name may sound misleading, these associations provide both savings and loan facilities not credit exclusively as the name may imply. Asante [1] established the importance of these credit unions in mobilizing savings and making credit facilities highly accessible to its members.

Though earlier studies have measured the enormous importance of Credit Unions in the domain of credit provision in rural lending and high levels of rural development [2], with the prevalence of financial institutions one may not realise the need to establish Credit Unions in the same economy with major financial institutions like banks given their disparity. Acknowledging the fact that Cameroon, like any other developing country as revealed by the 2015 World Bank Report has approximately 78 percent of its population situated between the low and middle income class, the establishment of Credit Unions in such a society will thus fill some of the gaps created by the major financial institutions. According to Gaetan [3] though Credit Unions lack financial power, they have succeeded to reduce the poverty levels significantly.
The initiative of Credit Unions started around 1844 with weavers in Rockdale, England and in the early 19th century, similar institutions started spreading to other parts of the world. It was a common occurrence for loans to be given at no interest rate but with a limited number of days to refund the secured loan.

CamCCUL by 1993 witnessed a significant growth with an additional 262,000 membership attributed to: increased democratic structures and transparent operations, clear microfinance regulations, well-defined scope of operations, and increased oversight from COBAC [4]. The understanding of CamCCUL’s fundamental improvements, transformation and success story seems to have been distorted of recent. In 2008, there was a heated argument between the management of CamCCUL and the representative of Credit Unions over the outright refusal of CamCCUL’s management to adopt the OHADA law which had been in force since 2004. The uncountable public scandals led to a ban on public meetings and activities both to the league and its affiliated Credit Unions by the then North-West (NW) Governor, Abakar Ahamat. The government official’s decision was attributed to the fact that CamCCUL officials had violated Cooperative Law No. 92/006 of August 1992 which required the Management of CamCCUL to produce reports according to the standards stipulated by the OHADA law and also backed by complaints from member Credit Unions and security threats received [5].

More so, there had been heated debates and infighting within management over a change of constitution as recommended by the COBAC and OHADA Law which made top management feel as though their positions would come under threat if the new regulations were enforced. The lack of democracy within CamCCUL led to the boycott of some Credit Unions which rightly refused to discharge their credit union dues as expected for some years [6]. Furthermore, Oceanic Bank with which CamCCUL had engaged in some joint ventures had been taken over by Ecobank and Credit Unions appeared to be very uncertain in terms of their liquidity status [7]. This view complements Ambongwi[8] recommended the need for authorities to check respective regulatory bodies for close oversight and examination if the microfinance institution epidemic is to be reduced at its barest minimum. Similarly, Akume and Annicet [9] have questioned the effectiveness of regulations on MFI in Cameroon cognisant of the fact that MFIs were originally established to roll back poverty.

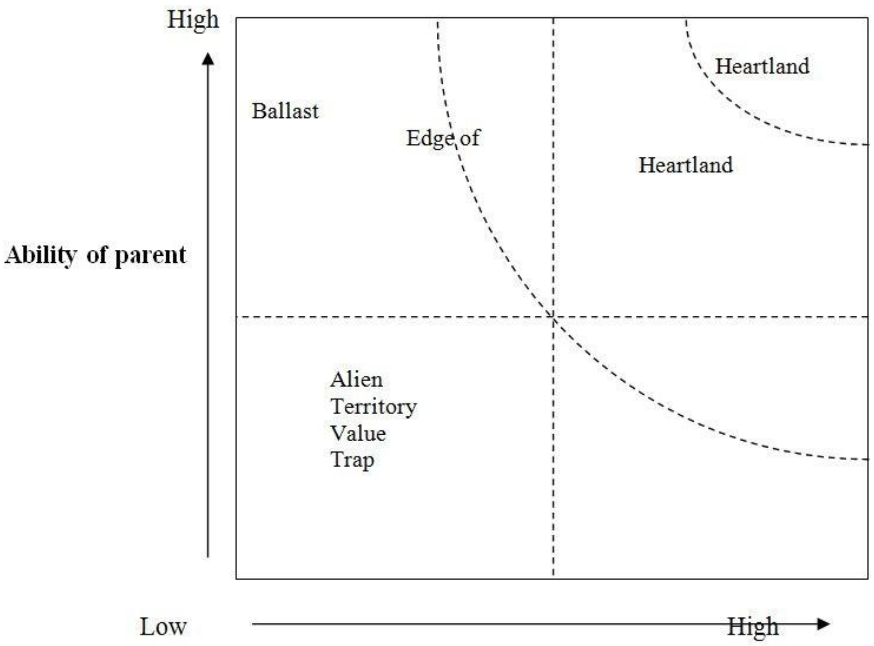
It is against this backdrop therefore that study seeks to assess corporate parenting between Cameroon Cooperative Credit Union League (CamCCUL) and it's affiliated Credit Unions.

Theoretical and empirical framework

Corporate parenting and framework

Human beings have or seek parents, so do corporations. Institutions that could serve like parents to other smaller institutions undertake relationships which are described as "corporate parenting". Goold, Campbell and Alexander [10] advanced the concept of corporate parenting. Corporate parenting is however justified only if, through the influence of parents, the smaller institutions achieve more value than if left independently.

High



Opportunity in business

FIG.1: Ashridge corporate parenting portfolio matrix
Source: Association of Certified Chartered Accountants: Business Analysis, (2011)

As presented on FIG. 1, there are five (5) broad classifications of parenting outcome, explained as follows;
"Heartland"is a zone on the parenting matrix which is made up of businesses with available opportunities that the parent is well placed to help the businesses exploit. Heartland businesses, as their name implies, are those businesses that are at the heart of the corporate strategy because they yield maximum benefit both to the parent and to the business, thus the parent should make them her priority.

Parents must be keen to differentiate between heartland businesses and "edge-of-heartland" businesses. While the former may be the most valuable, the latter needs additional assessment and techniques to transform them to heartland business. The businesses need to identify or create more opportunities that the parent could help them exploit likewise the parent needs to develop more ability to exploit the identified business opportunities.

Directly opposite to heartland businesses are "alien territory" businesses. As the name depicts, such businesses are in a completely strange territory. They are yet to identify where they are expected to belong. There are not well understood by the parent at inception and consequently the parent has little or nothing that could be offered to such businesses to improve them. There is the high likelihood that there would be value destruction on both businesses as such the best strategy is for the parent to divest business found in the “alien territory”.

The “ballast” businesses are said to be more problematic than the alien territory business. The parents have sufficient knowledge about the needs and opportunities that exist in such businesses, but unfortunately the parent does not have what it takes in terms of ability to add value to them. They may have been good synergies in the past, contributed profitably to the ballast businesses, but the changing nature of the business environment has rendered their profitability unsustainable. Many a time, managers are deeply resistant to divest such businesses probably because their level of investment into them is so high for management to easily divest until there is complete assurance that they are fast approaching the alien territory.

Most difficult of all the businesses in the Ashridge portfolio are “value trap” businesses.With such businesses, the parent has sufficient knowledge of what could be done to get them improved, though there are fundamental elements that make both parties not fitted to affiliate with each other. If the parent is capable to restructure and change some of its fundamental attributes, it may have the ability to add value to its businesses; otherwise the parent should divest them. However, the parent must exercise caution not to significantly deviate from those fundamental aspects that create value for its heartland businesses.

Empirical literature on Credit Union studies

Gaetan [3] carried out a research titled “analysis of microfinances’ performance and development of informal institutions”. This study was an unpublished dissertation carried out on Cameroon by a student studying in India. The researcher used an exploratory research design witha sample size of 70 out of a study population of 431 microfinance institutions and collected but both quantitative and qualitative performance measures by reviewing the studies of previous researchers while complementing them with financial ratio analysis. Asante [1] did a research titled “the impact of credit unions on community development: a case study of Ramseyer Credit Union”. The study was carried out in Ghana being an unpublished Master thesis in Kwame Nkrumah University of Science and Technology, Kumasi.The data used by Asante [1] for the study was obtained from both primary and secondary sources using a convenience sampling method on selected customers. The population for the study was indefinite customers base and six employees of the Credit Union out of which 196 customers where sampled and all the six employees where part of the sample. The survey research design was employed and the major instrument used for data collection was the interview.

Another study by Gwasi and Ngambi [11] was focused on “competition and performance of microfinance institutions in Cameroon”. The research is published in International Journal of Research in Social Science.The population for the study was 143 microfinance institutions out of which a sample of 25 was used to collect data. The respondents were managers of these microfinance institutions. The study adopted a survey research design and the major instrument for data collection was a questionnaire.

Despite the significant research endeavours in the domain of MFIs with an extension to regulatory mechanisms, the role of Credit Unions, contribution to Small and Medium Size enterprises and particular focus on the women not leaving out their contributions towards socialand economic developments in rural communities. As investigated, nothing has actually been done to investigate the corporate parenting that exist between leagues and affiliated Credit Unions which seems to be a common practice in many countries.

Methods

This study employed the exploratory survey research design. The survey method for the study is field experimental and statistical in nature thereby combining both quantitative as well as qualitative approaches. This study is conducted in the Republic of Cameroon with particular focus on CamCCUL and its affiliated Credit Unions.

The number of Credit Unions affiliated to CamCCUL has been fluctuating over the years. The study covers all the Credit Unions which are currently found on the list of affiliated Credit Unions to CamCCUL, which total 210, making the study population. The study employed a probabilistic sampling procedure. In particular, a stratified random sampling method has been used such that each of the Chapters of CamCCUL is represented. The total population is 210 and the sample for the study has been determined by employing the Taro Yamane formula which is not different from the Michael Slovin’s formula for determining sample size (n) when the study population (N) is known.

$$\text{Required Sample size } (n) = \frac{N}{1 + Ne^2}$$

Where: n is the required sample size,N is the population size, and ***e*** is the tolerance limit. At the tolerance limit of five percent, the required sample size was:

Therefore $n = \dfrac{210}{1 + (210 \times 0.05^2)}$

$n = 138$ Credit Unions

The research instrument used for this study includes copies of questionnaire which were distributed to the management of the sampled affiliated Credit Unions. The instrument was structured by the researcher but endorsed by the supervisor, research consultant and statistician. There was need to ask questions related to skill and resources of CamCCUL while assessing the needs of Credit Unions which were necessary variables for assessing corporate parenting. These questions employed a five point Likert scale quantified into: Strongly agreed (SA) as five (5), Agreed (A) as four (4), Undecided (U) as three (3), Disagreed (D) as two (2) and Strongly disagreed (SD) as one (1). The five point Likert scale is employed as the scaling factor for the X and Y coordinates of the Ashridgeportforlio matrix.

The questionnaire was presented to econometrician and statisticianat the University of Buea (Cameroon) and University of Calabar (Nigeria) respectively for validity assessment. Additionally, a pilot sample of 50 copies of questionnaire was first administered to randomly selected Credit Unions of various Chapters, the essence of which was for a manual check for consistency in the responses obtained with the final questionnaire. Only a period of one week time lapse was given to avoid significant change in human behaviour if given a longer time lapse between the pilot administration and the final questionnaire. After summarising the responses from the questionnaire on STATA version 14, the researcher employed Cronbach Alpha to test for reliability based on the ratio of consistency depicted by the responses.

Reliability Statistics for primary data

Cronbach's Alpha	No of Items
0.701	18

Source: Computed by Author, 2017

Results

The responses were summarized on a statistical package worksheet, particularly STATA version 14. Based on the numerical values attached to the Five point Likert Scale, values with respect to the opportunities available to Credit Unions and the ability of CamCCULwere used to plot on the X and Y coordinates of the Ashridge corporate parenting matrix respectively as presented on FIG. 2

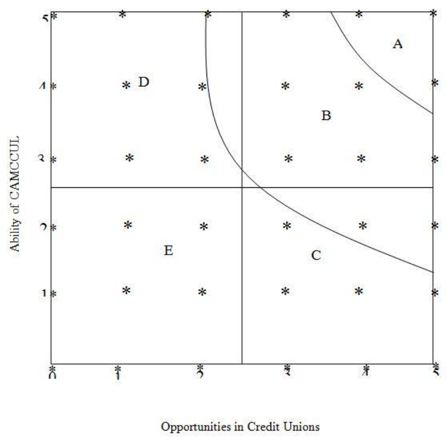


FIG. 2: Ashridge Corporate Parenting Matrix for affiliated Credit Union Opportunities and CAMCCUL's Ability
Source: Computed by Author, 2017

Based on the findings as presented on FIG. 2, there was a clear view of the Credit Unions that CamCCUL adds value to and those thatCamCCUL destroys their value as reflected by the quadrants in which they fall on the matrix. According to the Ashridge's corporate parenting matrix, the Credit Unions which fell on the "Heartland" and "Edge of heartland" regions were experiencing value added from the parent company (CamCCUL).

In the context of CamCCUL and its affiliated Credit Unions in Cameroon, the affiliated Credit Unions that were found in regions "A" and "B" regions on FIG. 2 are benefitting by having CamCCUL as their parent. The Credit Unions were made up of 22 (16.54 percent) Credit Unions found in "A" – the Heartland region and 97 (72.93 percent) Credit Unions found in "B" – the Edge of heartland region. These two groups of Credit Unions formed a total of 89.47 percent of Credit Unions. According to the recommendations of the Ashridge corporate parenting matrix, these group of Credit Unions should be those affiliated to CamCCUL as it yields benefit to the Credit Unions.

An analysis based on the Kumba, Kumbo, Nkambe, and Mamfe Chapters respectively, all had 100 percent of value adding on its Credit Unions by CamCCUL. The Bamenda Chapter despite being the largest has a total of 96.67 percent value adding, followed by the Maroua Chapter with a 93.75 percent value adding and next by the Fako Chapter with 93.33 percent value adding. The Douala Chapter being the economic capital of Cameroon and the second largest Chapter had a total of 80.95 percent Credit Unions experiencing value adding. Fundong Chapter though being one of the smallest scored an 80 percent Credit Union value adding and the Bafoussam Chapter had the lowest value adding of 73.33 percent on its Credit Union.

Though the Credit Unions expected to remain with CamCCUL fall under two broad categories of "A" and "B", all these Credit Unions do not have equal potential. The Credit Unions that had (X,Y) coordinates of (5,5) do present a situation whereby CamCCUL had all the resources and qualified staff capable of exploiting the abundant opportunities available to the Credit Union. However, in management there is always room for improvement, probably to maintain the competitive edge, achieve growth or simply to withstand changes inherent in the business environment.

Apart from Credit Unions at the extreme position of "Heartland" regions with coordinates of (5,5), every other Credit Union though experiencing value addition from CamCCUL, still had to improve its position one way or the other. This improvement could either be as a result of CamCCUL improving in ability or the Credit Unions identifying more opportunities to be exploited in its target market. The general qualification of being a Credit Union experiencing value addition from CamCCUL simply signifies that the Credit Unions are on the right path. Thus, the management of these Credit Unions are still expected to work extra hard by urging CamCCUL to acquire more resources, improve on the quality of its staff. Complementarily, the affiliated Credit Unions must continually scan their external environment in order to identify more opportunities that could be exploited with the upgraded resources and skills expected to be acquired by CamCCUL.

Though a majority of the Credit Unions were experiencing value adding by affiliating to CamCCUL, a few Credit Unions of 10.53 percent of Credit Unions were actually experiencing their value destroyed by affiliating to CamCCUL. Credit Unions in this broad category fell in the "C", "D", and "E" regions called "Value trap", "Ballast" and "Alien territory" respectively. A total of 1.5 percent of Credit Unions fell on the Value trap region on FIG. 2. These were Credit Unions that had identified many opportunities in their business environment but CamCCUL did not have the necessary resources and qualified skills to help these Credit Unions exploit these identified opportunities to enable them improve their performance. On the contrary, 6.02 percent of Credit Unions belong to the Ballast region which represented Credit Unions with fewer opportunities at their disposal though CamCCUL had abundant resources and qualified skills that these Credit Unions could tap from. The remaining 3.01 percent of Credit Unions fell within the "Alien territory" region. These were the worst class of corporate parenting relationship and as the name implies, these Credit Unions were in unfamiliar territory, where nothing appears related. The Credit Unions do not have identified opportunities that could be exploited and CamCCUL equally lacked the resources and qualified skills in the required area of business.

As revealed by the findings, this corporate parenting rationale is favourable to 89.47 percent of affiliated Credit Unions as it results in value addition and unfavourable to 10.53 percent of affiliated Credit Unions as it results in value destruction. These findings complement the summarized responses in Table 4.8 with 11.3 percent of respondents who strongly agreed to quit CamCCUL if given the slightest opportunity to do so and another 11.3 percent who just agreed to quit CamCCUL if presented with such an option.

According to the respondents' response,CamCCUL provides a variety of services to its affiliated Credit Unions though at varying degrees across the various Credit Unions. CamCCUL renders supervision and control services to 100 percent of its affiliated Credit Unions, training/education, publicity and promotion services to 100 percent of its Credit Unions. Only 17 percent of CamCCUL's affiliated Credit Unions benefit from agricultural finance and 24 percent projects are managed by CamCCUL. One hundred percent of affiliated Credit Unions obtained loans from CamCCUL while only seven percent of Credit Unions actually benefit from financial education and liquidity management. However, 100 percent of the affiliated Credit Unions were audited by CamCCUL and 11 percent obtained tax counselling while 31 percent benefitted from money transfer and 68 percent of Credit Unions used Automated Teller Machine (ATM) services.

The result obtained from the corporate parenting assessment about 27percent of attest that CamCCUL have not be performing according to their expectation while 76percent attribute their current performance to be fair enough though there is need for managerial improvement. The remaining 17 percent are highly satisfied with the performance of

CamCCUL. It is highly likely that the 27 percent of respondents are experiencing value destruction as presenting on the Ashridge Corporate Parenting matrix while the 17 percent of satisfactory performance could be attributed to those Credit Unions who fall between the Heartland and Edge of heartland zones on the corporate parenting matrix.

The financial sector in every economy is often said to be inherently risky, reason why most governments put in place necessary measures to protect citizens from being exploited. The phenomenon of setting federations or leagues to oversee the operations of cooperatives should not be assumed to be effective and efficient in itself, the government in collaboration with the management of Credit Unions should institute necessary measures to ensure that the leagues uphold the highest level of corporate governance.

Recommendations

The researcher recommends that the government, through the Ministry of Finance, should relax the requirements of affiliating or disaffiliating from the CamCCUL, so that Credit Unions whose value is being destroyed as a result of corporate parenting to CamCCUL should have the opportunity of disaffiliating from CamCCUL since it will make them better off.

The researcher also recommends that, the ministry should encourage the establishment of multiple leagues of different categories and sizes. In so doing Credit Unions have the opportunity to choose the league to affiliate to, based on the compatibility in the availability of resources and competencies of the leagues and the opportunities available to the Credit Unions.

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