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Capital Structure As A Determinant Of Financial Performance Of CCUs In Ghana.

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Abstract
This article investigates Ghanaian community-based (CCUs) credit impact on financial performance from 2017- 2021. Utilizing financial information and survey responses from 81 CCUs, the research examines how share capital and debt financing influence net worth and total assets. Findings reveal significant variability in net worth, a positive association between equity capitalization and total wealth growth, and a limited impact of debt capital. The study suggests prioritizing equity investment and reevaluating debt strategies to enhance financial stability and growth. Further research is recommended to explore long-term trends and regional differences.

Keywords: Capital structure, CCUs, Ghana, financial performance, share capitalization, debt capital

1.1. Introduction

Credit unions (CCUs) are widely recognized for their vital role in fostering economic and social development globally. With over a million active participants, CCUs are crucial tools for savings mobilization, poverty reduction, and meeting the financial needs of underserved communities (Amenya, 2016) (Moraa Amenya & Andrew Ombui, 2016). Central banks and financial sectors utilize credit unions to promote savings, finance viable investments, and manage risk, thereby contributing to national economic growth (Niyi Oladipo & Olusegun, 2020). CCUs facilitate efficient financial intermediation, allocating resources from those with surplus to those in need, thus enhancing community prosperity (Guinnane et al., 2001).

Financial performance of CCUs is critical to their ability to mobilize resources, create jobs, and enhance member well-being (Irumba & Alinaitwe, 2019). They emphasize expanding savings and loan facilities, improving business performance, and providing financial literacy (Coen et al., 2018). Understanding capital structure impact on performance of community-based credit unions is essential for ensuring their effectiveness and profitability. This study explores how different aspects of capital influence performance outcomes among CCUs, aiming to enhance their role in economic development and financial stability.

Capital structure decisions are critically important for the Board of Directors (BOD) and management, as these choices profoundly impact the operational success of CCUs. The capital structure includes a proportion of equity capital versus debt capital and plays a pivotal role in determining a firm's financial stability and growth potential. Debt capital includes loans, debentures, and bonds (short or long-term), while equity capital involves shares, retained earnings, and capital surplus. The decision to utilize all equity, all debt, or a combination of both depends on the current capital and money market conditions (Shibutse, 2019). In credit unions, capital is often mobilized through members' shares, reflecting the principle of equal ownership. Equity capital is essential for establishing ownership in credit unions, while debt capital serves as a secondary source of funding (Shibutse, 2019). The optimal capital mix, which is crucial for enhancing financial performance, is determined by a combination of quantitative and qualitative factors, including the timing of securities issuance, firm characteristics, profitability, industry nature, control considerations, competitive dynamics, and liquidity (Shibutse, 2019).

1.2. Research gap

Upon the crucial role credit unions (CCUs) play in economic and social development, significant gaps remain in understanding the factors that drive their financial performance. Major stakeholders are often unclear about how different aspects of capital structure influence CCU performance. The existing research categorizes performance determinants into pre-determinants, which affect financial outcomes but are not reflected in financial statements (such as capital structure and internal controls), and post-determinants, which are directly visible in financial statements (like liquidity and

profitability metrics). Given that capital structure—encompassing equity, debt, or a combination—can significantly impact financial performance, there is a pressing need to investigate how different financing choices affect the operational success and sustainability of CCUs. Unsound capital structure decisions could lead to operational inefficiencies and hinder the achievement of financial objectives, highlighting the necessity for a deeper exploration into how capital structure choices influence the performance of community-based credit unions.

1.3 Research Objectives

1. Examine the effect of equity capital on the Ghanaian community-based credit performance (Net and total assets)
2. Investigate the impact of debt capital on the Ghanaian community-based credit union performance (net and total assets).
3. Determine the relative impact of share capital versus debt capital on the Ghanaian community-based credit unions performance (net and total assets)
4. Explore how the combination of share capital and debt capital affects the overall financial performance of community-based credit unions in Ghana.

1.4 Questions

1. What is the effect of equity share capital on the net and total assets on Ghanaian community-based credit unions?
2. What impact does debt capital has on the Ghanian community-based credit union net and total assets?
3. How do equity share capital and debt capital compare in terms of their impact on the Ghanaian community-based credit union net and total assets?

1.5 Research Hypothesis

H1: The capital structure of community-based credit unions, defined by the proportion of equity shares and debt capital, significantly affects their financial performance, with variations in capital structure leading to changes in net assets and total assets. Specifically:

- **H1a:** An increase in equity shares positively influences Ghanian community-based credit union total and net assets.
- **H1b:** An increase on debt capital has a differential impact on net assets and total assets, potentially leading to varying degrees of positive or negative effects on these financial metrics, depending on the level of leverage and debt servicing capacity.

2.0 Related literature

The influence of equity shares capital and equity capital on firms' financial performance has been studied extensively across various industries and countries, revealing diverse insights into how different financing strategies impact organizational outcomes. This review synthesizes empirical findings from several key studies to provide a comprehensive understanding of how capital structure comprising debt and equity financing affects firm performance.

Many studies have been conducted to ascertain the influence of equity shares capital and debt capital on the financial performance of various companies especially (Ngoc et al., 2021) study investigated the influence of capital structure on the performance of Vietnam service providers. It revealed that the high cost of borrowing led to increased debt service costs, which in turn impacted negatively on the performance of service providers. The study further suggest that higher level of debt erodes profitability and also hinders operational efficiency.

Similarly, (Ullah et al., 2019) examined manufacturing firms in Pakistan, particularly focusing on cement manufacturers. They found that the reliance on expensive debt financing resulted in elevated service delivery costs. The study revealed that capital structure impacted negatively on the financial performance of Pakistan manufacturing firms. The study further underscored the detrimental effects of high-cost debt on the operational success of the Pakistan manufacturing firms. Furthermore, (Asif Khan et al., 2016), however, offered a contrasting perspective with their study on pharmaceutical companies in Vietnam. The study revealed that debt financing likely to be beneficial for firms with large capital investments. The study further concluded that debt financing and financial performance have a positive correlation. This suggests that while high-cost debt can be detrimental, strategically used debt can enhance performance in capital-intensive industries.

Additionally, (Singh & Bagga, 2019) explored the impact of debt capital on companies listed on the Nigerian Stock Exchange. Their findings indicated that debt capital proxies generally correlated negatively with performance. They noted that issues with the availability and accessibility of debt capital often led to performance challenges, reflecting the complex interplay between debt financing and firm outcomes.

Many other studies also examine the influence of equity share financing on various firms' financial performance. For instance, (Jain & Sharma, 2019) analyzed shareholding companies in the American stock exchange and discovered that an overreliance on equity could lead to positive performance outcomes. Their study emphasized that equity financing is significantly and positively related to firm performance, highlighting its role in providing financial stability and growth potential. Further studies by (Rahman et al., 2019) extended this perspective by examining trading companies in Bangladesh. The study found that both debt and equity shares capital are appropriate in investment financing, but a notable finding was that a cedi increase in equity shares capital led to equal rise in performance. The study further underscored the importance of equity as a driver of operational success and its role in enhancing firm performance.

Other researchers investigated the comparative analysis of shares financing and debt financing of various companies. Available literature reveals nuanced view of equity as well as debt financing on performance of firms. While high-cost debt can hinder performance due to increased service costs and financial strain, strategically utilized debt can support large investments and enhance performance. Conversely, equity financing tends to be positively correlated with firm performance, offering stability and growth opportunities.

These findings illustrate the importance optimal capital composition the ensure the benefit of shares capital with the strategic utilization of debt. Firms need to carefully consider their financing mix to align with their operational goals and industry-specific challenges.

2.4 Conclusions and Implications

The studies reviewed highlight the significant impact of capital composition on firm performance, though the impact symbolized cost of capital, industry sector, and geographic context. High-cost debt often negatively affects performance, while equity financing generally provides a positive boost. However, the effectiveness of these financing strategies can depend on the firm's capacity and ability optimize its capital options.

Future research could benefit from exploring sector-specific dynamics and the impact of evolving financial conditions on capital structure decisions. Additionally, a deeper investigation into the interplay between debt and equity in different economic environments could provide further insights into how firms can utilize their capital options to enhance performance.

In summary, understanding the complex interrelationship among capital composition and firms' performance as well as operational optimization and efficiency is crucial for managers and policymakers aiming to foster sustainable growth and operational efficiency.

Study Methodology

Design of the Research

This study adopted explanatory research design and examine the cause-and-effect relations between capital composition and community-based credit unions (CCUs) financial performance in Ghana. Explanatory research design was chosen to assess how variations in capital structure impact performance metrics, such as net and total assets. This design facilitates a deeper understanding of how independent variables (capital structure) influence dependent variables (credit union performance).

Population and Sample

This study population consisted of community-based credit unions in Ghana.To ensure comprehensive coverage and inclusivity, Ghana was divided into three segments namely the Southern, northern and middle Belt. The stratified sampling approach aimed to represent the diverse geographical and operational characteristics of the credit unions.

From each belt, twenty-seven credit unions were selected—nine from each of the following categories: large, medium, and small. In total, 81 credit unions were included in the study. Within these credit unions, only managers or their representatives were chosen as respondents due to their direct involvement with capital structure decisions and performance outcomes.

Data Collection Instrument and Procedure

The study utilized both primary and secondary data.

- **The Primary Data**: well-structured 5 Likert scale instrument (questionnaire) was developed and administered to the managers of the selected credit unions. The questionnaire focused on various aspects of capital structure and financing practices. Managers provided insights into their credit unions' capital composition and their thought on how it impacted on the financial performance of their community-based credit unions.
- **Secondary Data**: Financial performance data were sourced from five years of audited financial statements, obtained from the Credit Union Association (CUA), the regulatory body overseeing credit unions in Ghana. This data provided quantitative measures of performance, such as net and total assets.

The instruments (questionnaires) were self-administered by selected managers as respondents, with follow-ups conducted to clarify responses and gather additional information as needed.

Analysis of research data.

The study employed both descriptive and inferential statistics techniques to critical examine the relationship between capital composition and financial performance.

- **Descriptive Analysis**: The initial analysis involved examining and coding questionnaire responses to ensure completeness. Descriptive statistics, including frequency distributions, were used to summarize and present the data. Thematic sectional and content analysis was adopted to structure qualitative information and further identify major themes in connection to capital composition and firms' performance.
- **Inferential Statistics:** the study adopted this design to establish the cause-and-effect position among capital composition and performance, inferential statistical techniques were utilized. Regression analysis was adopted on the independent variables to establish the direction and resilience of the independent's variables (capital structure

components) and dependent variables (performance metrics such as net and total assets). This analysis aimed to identify significant predictors of performance and quantify their impact.

By combining descriptive and inferential methods, the study provided a comprehensive assessment of how capital structure predict financial performance of community-based credit unions in Ghana. Outcomes aimed to offer actionable insights for improving credit union management and strategic financing decisions.

4.0 Results

The study analyzed capital composition as a predictor of financial performance of community-based credit unions (CCUs) using their annual financial statements from 2017 (the reference year) to 2021. The key metrics assessed were total assets and net worth, expressed in Ghanaian Cedis.

4.1 Key Findings:

Growth and Decrease Calculation:

- **Annual Change:** The growth or decrease in financial performance was calculated matching previous year's total assets and net assets figures with current year's total and net assets values starting from 2018 financial year to 2021 financial year.
- **Percentage Change:** To determine the percentage change, the annual growth or decrease was divided by the base year's value (2017) and multiplied by 100%. This method normalized the annual changes for comparison.

Descriptive Statistics:

- **Minimum Value:** The lowest financial value recorded during the period from 2017 to 2021.
- **Maximum Value:** The highest financial value recorded during the same period.

Mean Value: The average financial performance across the years.

- **Standard Deviation:** The extent of variation or dispersion in the financial performance values.

Table 1 provides a detailed summary of these results, highlighting the trends and variations in financial performance of the CCUs over the analyzed fiscal years.

Table 1 Descriptive Statistics on CCUs financial performance

Performance (Net & total assets	No	Minimum GH¢	Maximum GH¢	Mean (x)	Std(X)
Year 2017 Net Assets	81.00	-90961	65093549	4082283	12448634
Year 2018 Net Assets	81.00	-1947126	14434470	2027575	3125538
Year 2019 Net Assets	81.00	-210501	308771109	13784236	59067318
Year 2020 Net Assets	81.00	-451034	18314438	2825288	3977264
Year 2021 Net Assets	81.00	-253352	18822598	3403941	4336617
Net Assets Year 2018 Growth/Decline	81.00	-64321097	2657179	-2054708	12465328
Net Assets Year 2019 Growth/Decline	81.00	11907	305941633	11756661	58797631
Net Assets Year 2020 Growth/Decline	81.00	-305514047	1544970	-10958948	58869066
Net Assets Year 2021 Growth /Decline	81.00	22665	3316961	578653	760674
Net Assets Year 2018Growth/ Decline (%)	81.00	-83	95.330	22.790	30.120
Net Assets Year 2019 Growth/ Decline (%)	81.00	-82.5	99.080	17.210	28.230
Net Assets Year 2020 Growth/Decline (%)	81.00	-93.8	53.330	14.670	24.760
Net Assets Year 2021 Growth/ Decline (%)	81.00	-78.0	45.280	16.3400	21.950

Year 2017 Total Assets	81.00	214788	30518146	6461958	8000156
Year 2018 Total Assets	81.00	287553	37869282	7700891	9254693
Year 2019 Total Assets	81.00	399183	42296266	9680391	10764083
Year 2020 Total Assets	81.00	871519	596525750	33807109	113162886
Year 2021 Total Assets	81.00	1242775	57178737	14183602	13795275
Total Asset Year 2018 Growth/ Decline	81.00	72764	7351136	1238933	1543839
Total Asset Year 2019 Growth/ Decline	81.00	43334	8966569	1979499	2285231
Total Asset Year 2020 Growth/ Decline	81.00	117859	591663666	24126718	113444176
Total Asset Year 2021 Growth/ Decline	81.00	-588535318	7483357	-19623506	113712414
Total Asset Year 2018 Growth/ Decline (%)	81.00	5.80	40.210	19.550	10.580
Total Asset Year 2019 Growth/ Decline (%)	81.00	1.280	72.110	20.540	13.320
Total Asset Year 2020 Growth/Decline (%)	81.00	5.340	99.180	25.550	18.890
Total Asset Growth/ Decline (%)	81.00	3.770	74.040	19.330	13.320
Valid N (listwise)					

Source: The study survey results, 2022

4.2 Net Worth Analysis (2017-2021):

2017: The analysis revealed considerable variation in net worth among community-based credit unions (CCUs). In 2017, some CCUs had negative net worth values (minimum = -90,961.21 Ghanaian Cedis), while others reported positive net worth (maximum = 65,093.00 Ghanaian Cedis). The average net worth for CCUs was positive (mean = 4,0825.68 Ghanaian Cedis) with a high level of variability (standard deviation = 12,448.53 Ghanaian Cedis), indicating significant disparities in financial health among the CCUs.

2018-2021: Throughout the years 2018 to 2021, net worth continued to show substantial variation among CCUs. The results indicate that CCUs experienced proportional growth of 22.79% in 2018 (standard deviation = 30.12%). In comparison, the growth rates for subsequent years were lower: 17.21% in 2019 (standard deviation = 28.23%), 14.67% in 2020 (standard deviation = 24.76%), and 16.34% in 2021 (standard deviation = 21.95%). Notably, the growth rate in 2021, although positive, was less significant than the growth observed in 2018. The data also showed that while some CCUs experienced declines in net worth from 78.03% to 93.80%, others achieved growth ranging from 45.28% to 99.0%.

4.3 Total Assets Analysis (2017-2021):

The analysis of total assets revealed a generally positive growth trend among CCUs from 2017 to 2021. The growth rates in total assets showed progressive improvement over the years: 19.55% in 2018 (standard deviation = 10.58%), 20.54% in 2019 (standard deviation = 18.89%), and 25.55% in 2020 (standard deviation = 18.89%). However, in 2021, despite continuing positive growth, the overall asset growth rate decreased from 25.55% in 2020 to 19.33% in 2021.

These findings reflect the varied financial performance of CCUs over the study period, with significant fluctuations in net worth and a generally positive but slowing growth rate in total assets.

Capital Composition Influence on Net and Total Assets of CCUs

This research aimed to assess how different aspects of capital structure—specifically equity capitalization and debt/leveraged capitalization—affect CCUs financial performance. The effect of shares capital composition elements on CCUs' performance is detailed in the tables below.

Table 2 Share Capitalization

Share/equity Capitalization	Strongly disagree n (%)	Disagree n (%)	Neutral n (%)	Agree n (%)	Strongly Agree n (%)
CCU has adequate share capital from members than debts capital	18 (22.2)	18 (22.2)	3 (3.7)	21(25.9)	21(25.9)
CCU has enough retain earnings	24(29.6)	12 (14.8)	6(7.4)	21(25.9)	18(22.2)
CCU has adequate disclose reserves	30 (37.0)	9 (11.1)	12(14.8)	12(14.8)	18(22.2)
CCU investments are financed by equity capital	21(25.9)	24(29.6)	6(7.4)	15(18.5)	15(18.5)
CCU control is not diluted through equity of equity shares	21(25.9)	12(14.8)	24(29.6)	15(18.5)	9(11.1)

Source: The study survey results, 2022

The survey results for share capitalization are summarized as follows:
Adequacy of Share Capital: Responses were mixed regarding whether community-based credit unions (CCUs) have adequate share capital from members compared to debt capital. Specifically, 22.2% strongly disagreed, 22.2% disagreed, 3.7% were neutral, 25.9% agreed, and 25.9% strongly agreed.

Retained Earnings: Opinions varied on whether CCUs have sufficient retained earnings. Among respondents, 29.6% strongly disagreed, 14.8% disagreed, 7.4% were neutral, 25.9% agreed, and 22.2% strongly agreed.

Disclosure of Reserves: There was a significant level of disagreement regarding the adequacy of reserve disclosures by CCUs. Specifically, 37.0% strongly disagreed, 11.1% disagreed, 14.8% were neutral, 14.8% agreed, and 22.2% strongly agreed.

Equity Financing of Investments: Responses were varied concerning whether CCU investments are financed by equity capital. The distribution was 25.9% strongly disagreeing, 29.6% disagreeing, 7.4% neutral, 18.5% agreeing, and 18.5% strongly agreeing.

Control Dilution through Equity: There was also a range of opinions about whether CCU control is diluted through the issuance of equity shares. Of the respondents, 25.9% strongly disagreed, 14.8% disagreed, 29.6% were neutral, 18.5% agreed, and 11.1% strongly agreed.

Table 3 Debt Capitalization by CCUs

Debt Capitalization	Strongly disagree N (%)	Disagree N (%)	Neutral N (%)	Agree N (%)	Strongly Agree N (%)
CCUs rely on debt finance for operations	27(33.3)	33 (40.7)	9 (11.1)	12(14.8)	-
Debt level financing makes CCU strong and facilitate growth	30 (37.0)	30(37.0)	9(11.1)	12(14.8)	-
Investments are financed with debt capital	27(33.3)	33(40.7)	6(7.4)	15(18.5)	-
Debt capital are more accessible than equity	21(25.9)	30(37.0)	9(11.1)	16(18.5)	6(7.4)
CCUs use debt finance because is cheaper	33(40.7)	30(37.0)	9(11.1)	6 (7.4)	3 (3.7)

Source: The study survey results, 2022

The results from Table 3 reveal the following insights:
Leverage and Strength: A significant portion of respondents, 37.0%, believe that leverage does not enhance the strength or promote growth of community-based credit unions (CCUs).
Debt Reliance: Additionally, 33.3% of respondents strongly disagreed with the notion that CCUs do not rely on debt for their operations or make financial investments using debt.
Debt vs. Equity Accessibility: About 25.9% of respondents disagreed with the statement that debt is more accessible than equity.
Cost of Debt Financing: Furthermore, a modest 40.7% of respondents strongly disagreed with the view that CCUs prefer debt financing due to its lower cost.

Table 4: Pearson Correlations of the influence of capital structure on CCUs financial performances

Factors	Net Assets 2017	Net Assets Growth / Decline 2018	Net Assets Growth / Decline 2019	Net Assets Growth / Decline 2020	Net Assets Growth / Decline 2021	Total Assets 2017	Total Assets Growth / Decline 2018	Total Assets Growth / Decline 2019	Total Assets Growth / Decline 2020	Total Assets Growth / Decline 2021

Share capitalization	Pearson Correlation	-.203	.254	.079	-.077	.184	.106	.393*	.384*	-.260	.269
	Sig. (2-tailed)	.309	.201	.696	.704	.358	.598	.042	.048	.191	.175
	N	81	81	81	81	81	81	81	81	81	81
Debt capitalization	Pearson Correlation	-.048	.032	-.117	.116	-.110	-.161	.010	-.104	-.078	.069
	Sig. (2-tailed)	.812	.872	.563	.565	.587	.422	.961	.607	.701	.734
	N	81	81	81	81	81	81	81	81	81	81
Total Capital Structure	Pearson Correlation	-.191	.224	.003	-.001	.093	.002	.326	.259	-.253	.256
	Sig. (2-tailed)	.339	.261	.989	.994	.646	.993	.097	.193	.203	.198
	N	81	81	81	81	81	81	81	81	81	81

Source: The study survey results, 2022

The analysis in Table 4 indicates that capital structure overall had no significant impact on net worth (p-value = 0.05) or total worth (p-value > 0.05) when assessed on a combined scale. However, share capitalization as a component of capital structure demonstrated a significant, albeit modest, positive association with total wealth growth in 2018 (R = 0.393, p-value = 0.042) and 2019 (R = 0.384, p-value = 0.048). These findings suggest that increases in equity capitalization were associated with improved total asset performance for community-based credit unions (CCUs). Conversely, leverage did not show any influence on CCUs net and total assets during the assessment year.

Discussion of Findings

The analysis of financial performance for community-based credit unions (CCUs) from 2017 to 2021 reveals significant information on the effects of capital composition on key financial indicators.

Net Worth Analysis (2017-2021)

In 2017, there was a notable variability in net worth among CCUs. Some reported negative values (minimum = -90,961.21 Ghanaian Cedis), while others showed positive figures (maximum = 65,093.00 Ghanaian Cedis). The average net worth was positive (mean = 4,0825.68 Ghanaian Cedis) but with high variability (standard deviation = 12,448.53 Ghanaian Cedis), indicating significant disparities in financial health across CCUs.

From 2018 to 2021, the data showed continued substantial variation in net worth. In 2018, CCUs experienced a proportional growth of 22.79% (standard deviation = 30.12%). However, growth rates decreased in subsequent years: 17.21% in 2019 (standard deviation = 28.23%), 14.67% in 2020 (standard deviation = 24.76%), and 16.34% in 2021 (standard deviation = 21.95%). Although net worth showed positive growth in 2021, it was less significant compared to 2018. The analysis also revealed that some CCUs saw declines in net worth ranging from 78.03% to 93.80%, while others achieved growth between 45.28% and 99.0%.

Total Assets Analysis (2017-2021)

The analysis of total assets indicates a generally positive growth trend over the years. Growth rates in total assets were as follows: 19.55% in 2018 (standard deviation = 10.58%), 20.54% in 2019 (standard deviation = 18.89%), and 25.55% in 2020 (standard deviation = 18.89%). However, in year 2021, though a positive growth, the grand asset growth rate decreased from 25.6% in the year 2020 to 19.30% in the year 2021.

Share Capitalization Survey Results

The survey results provided mixed opinions on various aspects of share capitalization:

Adequacy of Share Capital: Responses were split, with 22.2% strongly disagreeing, 22.2% disagreeing, 3.7% neutral, 25.9% agreeing, and 25.9% strongly agreeing on whether CCUs have adequate share capital compared to debt capital.

Retained Earnings: Opinions varied, with 29.6% strongly disagreeing, 14.8% disagreeing, 7.4% neutral, 25.9% agreeing, and 22.2% strongly agreeing about the sufficiency of retained earnings.

Disclosure of Reserves: There was significant disagreement on the adequacy of reserve disclosures, with 37.0% strongly disagreeing and 11.1% disagreeing.

Equity Financing of Investments: Responses were also varied, with 25.9% strongly disagreeing and 29.6% disagreeing that investments are financed by equity capital.

Control **Dilution through Equity:** Opinions on control dilution were mixed, with 25.9% strongly disagreeing and 29.6% neutral.

Analysis of Leverage and Debt Reliance

Leverage and Strength: A substantial 37.0% of respondents believed that leverage does not enhance the strength or promote the growth of CCUs.

Debt Reliance: 33.3% of respondents strongly disagreed with the idea that CCUs do not rely on debt for operations or investments.

Debt vs. Equity Accessibility: About 25.9% of respondents disagreed that debt is more accessible than equity.

Cost of Debt Financing: A modest 40.7% of respondents strongly disagreed that CCUs prefer debt financing due to its lower cost.

The influence of Capital compositions on Net and Total Assets.

Findings from Table 4 show that capital composition overall had no significant impact on net worth (p-value = 0.05) or total worth (p-value > 0.05) when assessed on a combined scale. However, share capitalization showed a significant, albeit modest, positive association with total wealth growth in 2018 (R = 0.393, p-value = 0.042) and 2019 (R = 0.384, p-value = 0.048). It suggests that increases in equity capitalization were associated with improved total asset performance. Conversely, leverage did not impact the financial performance of CCUs during the assessment period.

Discussion Based on Objectives and Hypotheses

1. **Influence of Share Capital on Net and Total Assets:** The positive association share capitalization has with total wealth growth in 2018 and 2019 supports the hypothesis that increases in equity shares positively influence net assets and total assets of CCUs. This indicates that equity capitalization plays a role in improving financial performance.
2. **Effect of debt capital on Net and total assets:** Lack of significant influence from debt capital on performance metrics suggests that debt levels have a differential and potentially less consistent effect on profitability, liquidity, and financial stability for CCUs.
3. **Comparison of Share Capital and Debt Capital:** This study revealed that share capital has more significant positive influence on performance (Net and total assets) compared to debt capital. This supports the view that equity capitalization is a more influential factor in enhancing financial outcomes for CCUs.
4. **Interaction Between Share Capital and Debt Capital:** The findings suggest that while equity capitalization positively affects total asset performance, leverage does not contribute to financial performance. This highlights the importance of equity in driving financial growth, while debt does not provide additional benefits during the assessment period.

Hypothesis Testing:

- **H1a:** The data support the hypothesis that an increase in equity shares positively influences net assets and total assets of CCUs.
- **H1b:** The hypothesis that an increase in debt capital has varying effects on net assets and total assets is supported by the lack of significant impact of debt on financial performance, indicating that debt does not uniformly influence financial metrics.

These findings underscore the importance of equity capitalization in enhancing the financial performance of CCUs while highlighting the limited impact of debt capital.

Conclusions and Recommendations

Conclusions

1. **Variability in Financial Performance:** Financial performance of CCUs exhibited considerable variability from 2017 to 2021. Net worth and total assets showed significant fluctuations, with some CCUs experiencing notable declines while others achieved substantial growth. This variability highlights the diverse financial health among CCUs during the study period.
2. **Impact of Share Capital:** The result revealed a significant positive connection between share capitalization thus total wealth growth in 2018 and 2019. This suggests that increased equity capitalization is positively correlated with improved financial performance, particularly in terms of total assets. Equity capitalization contributed and ensuring financial growth and stability of CCUs.
3. **Limited Impact of Debt Capital:** This study analysis revealed that debt capital had no significant influence on net worth or total worth during the study period. Despite varying levels of leverage, debt financing did not consistently contribute to better financial outcomes for CCUs. This indicates that debt capital might not be as effective in improving financial performance as equity capital.
4. **Growth Trends in Total Assets:** Total assets of CCUs generally exhibited positive growth from 2017 to 2021, although the growth rate slowed in 2021 compared to previous years. This progressive improvement underscores the overall positive trend in asset accumulation, even though the rate of growth diminished over time.
5. **Diverse Opinions on Capital Structure:** Survey responses regarding share capitalization and debt financing were mixed. While some respondents felt that share capital was adequate and investments were financed by equity, others expressed concerns about the adequacy of retained earnings and the potential dilution of control through equity issuance. Similarly, opinions on the impact of leverage and debt accessibility varied.

Recommendations

1. **Strengthen Equity Capitalization:** Given the positive impact of equity capitalization on financial performance, CCUs should prioritize increasing their share capital. Strategies such as encouraging member contributions and retaining earnings can enhance equity levels, thereby improving financial stability and growth prospects.
2. **Re-evaluate Debt Financing Strategies:** Since debt capital did not show a significant positive impact on financial performance, CCUs should carefully evaluate their debt financing strategies. It may be beneficial to focus on optimizing debt levels and ensuring that any borrowed funds are used efficiently to support growth without adversely affecting financial stability.
3. **Enhance Financial Management Practices:** To address the variability in financial performance, CCUs should implement robust financial management practices. This includes regular monitoring of financial metrics, effective budgeting and forecasting, and strategic planning to manage both equity and debt effectively.
4. **Improve Transparency and Communication:** CCUs should enhance the transparency of their financial disclosures, including reserve disclosures and retained earnings. Clear communication with members and stakeholders about financial health and capital structure can help build trust and support.
5. **Focus on Sustainable Growth:** While the overall growth in total assets is positive, CCUs should aim for sustainable growth by balancing asset accumulation with effective management of capital structure. Regular assessment and adjustment of growth strategies can help maintain a healthy financial trajectory.
6. **Further Research:** Additional research is recommended to explore the specific factors influencing the effectiveness of equity and debt capital in different contexts. Comparative studies across various sectors or regions could provide deeper insights into optimal capital structures for enhancing performance.

By pursuing these recommendations, CCUs would strengthen their financial performance, increase and ensure stability, further achieve sustainable growth, ultimately benefiting their members and enhancing their overall impact in the community.

5.9. Limitation

1. **Sample and Representation:** The size of the study sample consist of 81CCUs in Ghana, may limit the generalizability of the findings. The relatively small sample size and the specific focus on CCUs may not fully represent the broader financial landscape of all similar institutions in Ghana or other regions.
2. **Data Scope and Timeframe:** The study relied on financial data and survey responses from a specific period (2017-2021), which may not capture long-term trends or external economic factors that could influence financial performance. Additionally, the data were constrained to available financial statements and survey responses, potentially missing other relevant factors affecting CCUs.
3. **Survey Subjectivity:** The study's reliance on survey responses introduces the possibility of subjective biases and variability in opinions. Different perceptions among respondents regarding capital composition and performance may affect results or finding accuracy, especially concerning qualitative aspects such as adequacy of share capital and debt financing strategies.

5.10. Areas of further studies

1. **Longitudinal Analysis of Capital Structure Impact:** Future research could extend the timeframe beyond 2021 to analyze long-term trends in the impact of capital composition net and total assets. A longitudinal study could provide deeper insights into how changes in equity and debt capitalization influence CCUs' financial health over extended periods and under varying economic conditions.
2. **Comparative Studies Across Different Regions:** Further studies could explore how capital structure affects financial performance in community-based credit unions across different regions or countries. Comparative research could identify regional differences and similarities, offering a broader understanding of how geographical and economic factors influence the effectiveness of equity and debt financing.
3. **Qualitative Research on Financial Management Practices:** Additional qualitative research could investigate the underlying reasons behind the varying perceptions of capital compositions and performance among CCU managers. In-depth interviews or case studies could reveal insights into the decision-making processes, management practices, and challenges faced by CCUs, enhancing the understanding of how capital structure decisions impact financial outcomes.

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