

Private investment of churches: A study of selected cases in the Kumasi Metropolis of Ghana.

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Abstract:

In recent times, the Church has been seen to be involved in a number of private investments which in most cases is intended for profit to undertake its activities. Little has however be documented about these activities of churches and its viability. This research therefore sought to identify the major investments of churches, examine how the investment activities of churches are managed and operated, to assess the viability and demand of their investments or businesses and to assess the utilization of gains of these investments. The study has shown that churches get into a wide spectrum of businesses like any other organization

however with ethical and social considerations. Church based investments are tilted toward business investment in contrast with portfolio investment which is much more common in the western world. Again, although all the businesses have board of directors in place, the lack of boards established specifically to oversee to the activities of some of the businesses resulted in delay in decision making affecting business activities.

Keywords:

Private Sector, Investment, Christian Groups, Business Viability.

Introduction

The church considers itself as having a mandate to care for both the spiritual and material needs of its member and society at large. In the light of this, the church has positioned itself as a key development partner of the state through the provision of key social services such as Education, Health, Water and Sanitation. They believe that they risk becoming irrelevant if they do not deal with things that concern the larger community (Mpesha, 2003). The church however, requires money to be able to undertake its mandate of caring for both the material and spiritual needs of its members and society at large. This is to say that be it evangelism which is the core business of the church or the provision of social services such as water, education, or health services; money is needed to initiate and sustain these activities. To achieve this end, churches are moving more into the area of private investments to generate income to finance its activities.

The classical economist believes that for investment to take place there should be some amount of savings that can be translated into investment (Todaro, 2009). The church has the potential of being a major investor in that it has a great avenue for mobilization of financial resources through its collections. These monies can be transformed into investments that can yield higher returns to run the activities of the church and to meet some of the material needs of its members. One area of concern is that, lately the churches overly depend on its members to finance developmental project and coupled with growing levels of poverty the globally,

members are excessively stressed financially. This situation is further buttressed by an opinion expressed by the former moderator of the Presbyterian Church of Ghana, Right Reverend Dr. Yaw Frimpong-Manso, who said "I wish to restate that we move away from our over dependence on offerings and tithes in the light of current fatigue in giving and the poverty of most of our members" (Myjoyonline, 2010). It is therefore only prudent for the Church to invest into activities that has the potential of yielding returns which can eventually relief church members from numerous fund raising activities.

This research is highly important because although the church is moving into private sector activities, little research has been done with respect to this aspect of the churches activities. Little is therefore known or has been established in line with the impact the church is making in this area. The outcome of this research will provides insight on the performance of the investment activities of the churches. The outcome and recommendations from the research also give an indication to churches as to ways to maintain the status quo or make adjustments to facilitate their activities. This research again adds to the body of knowledge presently available on the subject serving as data base for further research. In addition, this research also helps to clear or prove certain perceptions about the profitability and relevance of the involvement of churches in investment activities whiles providing data to assist churches on future decision making. Again the government and other organizations may find the results of the research useful

to inform them on possible options of partnership or support.

Methodology

A case study approach was used to assess the different investment activities as operated by the different groups of churches in the Kumasi Metropolis (Ashanti Region of Ghana). A case study is adopted as the situation under study is not artificially generated specifically for the purpose of the research unlike experiments where the research design is dedicated to imposing controls on variables so that the impact of a specific ingredient can be measured. As Yin (1994) stresses, the case is a 'naturally occurring' phenomenon. It exists prior to the research project and, it is hoped, continues to exist once the research has finished.

Both quantitative and qualitative data were gathered mainly through desk study (as secondary source) and field survey (as primary source). The study was generally qualitative in terms of research approach. Burns and Groove (1993) suggest that qualitative research which is descriptive in nature is useful in providing detailed analysis of research attributes such as behaviour, opinions, perceptions and knowledge of a particular individual or group on the phenomenon. In this regard, the behaviour of churches with respect to private investments, their opinions and knowledge was assessed.

The major data categories required;

- Types and level of investments and capitalisation
- Business or investment philosophies

- General performance of the various investments in terms of production levels, income and expenditure and profitability
- Employment and clientele base
- Ownership and management structure and systems of operations
- Operational challenges

Study Variables

Variables are empirical properties that take on two or more values. The unit of enquiry is church based investments which include Guest House operation, book shops, Hostel Facilities, printing press, sachet water production and printing press. The study variables that were considered for the study of the various investments are Nature of Investment Activity, Management and Operation of Investment, Viability of the Investments and the Utilization of the Gains received from the investment activities.

Sampling

Sampling refers to selecting a part to represent a whole. It allows the researcher to draw inference from all the members based on a relatively small number (Descombe, 2007). The population is the entire set of relevant unit or cases or individuals which fit a particular specification. In this case, the sampling population looks at churches in Kumasi Metro of Ashanti Region under the broad categorization of Catholic and Christian Council churches. The sample unit which is a simple member of the sample population is church based investments. The sample frame which is a complete listing or compilation of the sample units was therefore a list of all church based

investments of Catholic and Christian Council churches in Kumasi Metro.

Table 1. Sample frame

INVESTMENT	CHRISTIAN COUNCIL		
	Anglican	Presby	Assemblies
Transport	✓	✓	✓
Book Store	✓		
Guest House		✓	
Printing press			
Satchet water			✓
Hostel	✓		

INVESTMENT	CHRISTIAN COUNCIL		CATHOLIC
	Baptist	Methodist	Catholic
Transport		✓	✓
Book Store	✓	✓	
Guest House		✓	
Printing press			✓
Satchet water			
Hostel			

Apart from the Baptist church, all the other churches were into two or three other investment, therefore an investment that was unique to a particular church and had a comparative advantage was chosen.

Transport business was selected for the Methodist church because all the other investments it is into were selected for the other churches. The sample size below was therefore arrived at.

Table 2. Sample size

Sampling Design

For the interview, non- probability sampling was adopted, specifically purposive sampling in the collection of data. This method was adopted because there are some key people such as management, board or church leaders who can give information about the performance, management and viability of church based investments. According to Nachmais (1992), purposive sampling is adopted when the researcher has a specific purpose in mind and the issues or objects selected have relevance to the topic of investigation. Purposive sampling was adopted because it helps to zero on people who are believed to have good grounds critical for the research. It also makes the research focused, economical and informative in a way that conventional probability sampling cannot be. The key informants for this study therefore are; a Management Member, a Board Member and a Church Leader for each investment to be studied.

Methods of Data Analysis and Presentation

This research generated mostly qualitative data and therefore the use of qualitative methods of analysis. Content analysis was adopted as the tool for analyzing the issues coming out of the field work. In addition to the content analysis, a comparative analysis (assessment and evaluation of the relationship between two or more

variables) and Data triangulation (cross validates to ensure completeness and confirmation of findings) were used in the analysis.

Results and Discussion

In line with the variable set to achieve the objectives of the study, the major findings of this research are reported below;

Major findings

The major findings of this research were grouped under four key variables; Nature of Investment Activity, Management and Operation of Investment, Viability of the Investments and the Utilization of the Gains received from the investment activities. The finding of each variable is outlined below.

Nature of Investment Activity

From the sample businesses selected, it came to the fore that in Ghana, churches are into business investments rather than portfolio investment and that the life of the business and that of the church were one and the same as the churches were directly involved in the day to day operations administration of the business and interesting 50% (3 out of 6) of the business were registered with the Registrar Generals Department as existing business entity. The scale of operation of the business was basically small resulting in a relatively smaller rate of employment generation. With a minimum of 5years and a maximum of 43 years of operation the staff strength of the business ranged from 2 to 15 people. Evidently only 1 representing 16.7% of the businesses studied employed 15 people and it was the highest for all cases studied. The implication is that growth of business owned by churches is generally stunted.

Table 3. Nature of investment activity

Variable	Transport	Guest House	Hostel
Investment Type	Business	Business	Business
Resgis- tration	No	Yes	Yes
Business Size (staff strength)	2-Small	10-Small	7-Small
Years of Existence	10	20	5
Variable	Book Store	Printing Press	Sachet Water
Investment Type	Business	Business	Business
Resgis- tration	No	Yes	No
Business Size (staff strength)	3-Small	15-Small	5-Small
Years of Existence	42	23	5

The table above has serious indications for churches into this investment activity as well as those yearning to do same. The pictures is gloomy and it is relatively impossible for business operating at this scale to generated the necessary funds and income as expected thereby defiling the very purpose for venturing into such investment activities.

Table 4. Qualifications of Key Management and Board Members

Name of business	Management team	Qualification	Board members	Qualification
Basel mission guest house	3 member team -Manager -Secretary -Accountant	-Degree holder -Degree holder -ICA holder	5 member board -chairman -Secretary -3 other members	-Director of social services -hospitality oriented person -accountancy background, Presbyter and any church member
Baptist convention book store	3 member team -manager -operations manager -sales attendant	-degree holder and business man -degree holder -secondary school certificate holder	5 member board of finance and administration -chairman -secretary -3 otherMembers	Individuals with economic and finance backgrounds
Catholic printing press	6 member management team -director -operations manager -assistant operations manager -3 unit heads	-priest and publisher -degree holder in publishing -it technician -certificate holders in management	5 member board	-2 priest - a lawyer - a catholic sister -managing director
Bethel Methodist Transport business	7 member transport committee	Church members who have experience and are willing to render their services to the church	Church leaders meeting	Church members in good standing and are leaders of various organizations of the church
Anglican hostel	-manager -accountant -2 porters -3 cleaners	-degree holder -ACCA holder -secondary school certificate holders -basic school certificate	5 member board -chairman -secretary -3other members	-bishop of diocese -synod secretary -a lawyer, architect/marketing officer and a business man
Sachet water production	5 member management team -manager -sales personnel -marketing personnel -production personnel -cleaner	-steward and degree holder -secondary school certificate holders -secondary school certificate holders -secondary school certificate holders -basic school certificate	Church leadership	Church members in good standing and are leaders of various organizations of the church

Management and Operation of Investment

In terms availability of Board to provide vision and direction for the businesses, it was realized that only three out of the six businesses had Boards specifically appointed to play this role. One thing worth noting is that all these churches had some kind of leadership groups that the businesses reported to, however these bodies were not specifically appointed for the specific business activity. This situation comes with it a lot of disadvantages as decision making especially in terms of vision and direction are delayed mostly. Again, in terms of staff recruitment, management did not necessarily follow due process as some employees were employed without going through any recruitment process. Finally in the area of management and operations, the businesses that had management and staff with the requisite skills for the particular business were more efficient and productive, suggesting a positive relationship between efficiency levels and quality of management and staff members. The table below gives an indication of the qualification of key management and staff.

From Table 4, the Basel Mission Guest House, Catholic Printing Press and the Anglican Hostel seem to have a full complement of management and board members with requisite qualifications which is quiet acceptable. This gives an indication of the seriousness attached to these businesses. It is not surprising, therefore that these three businesses comparatively were able to provide more records including better accountability. This also reflected in better levels of efficiency in their businesses as discussed under Business Viability below. Others like the

Baptist Convention Book Store and LIWAT Ltd, although had well structured management teams in place, lacked boards established specifically to see to their operations. This situation, seriously affected these businesses in the area of swift decision making and also in the area of business efficiency discussed much later. The Bethel Transport System however, has the least constituted management and board membership. The management team is made up of a committee of which the drivers of the vehicles are not even members. It also does not have a specific constituted board and uses its church leadership meeting as its board. It is no wonder that its activities are beset with so many challenges.

Viability of Church Based Business

Viability here looks at the capability of existence and development of the businesses as independent units. In looking at the viability of these enterprises, two key factors being market and economic/financial viability were used. With regards to market viability; size, sustainability, potential market and target market, competitors, similar products, pricing, packaging and promotion or advertising are looked at. Economic or Financial viability assesses capitalization, and overall profitability as presented by Thompson (2005).

Market Viability

Considering size, all six businesses are rated as small scale as they employ a maximum of four people to fifteen persons. A small establishment is easier to manage compared to a large operation. This is because the dealings are usually local and

small scale. Keeping track of inventory, cash flow and transactions is easily manageable. The advantage of simplicity of management, with regards to small scale enterprises, is not telling on the businesses studied as they are set back with challenges such as records keeping, accountability and recruitment challenges. With regards to target market, no special group had been targeted by the businesses. They saw their church members and the general public as their key target group. Considering similar products on the market, none of the enterprises which were studied had unique products to it alone. There are similar enterprises on the market with similar products, doing quite well. This situation seriously affects the competitiveness of the businesses resulting in lower profit margins.

Economic / Financial Viability

All six investments had their initial source of capitalization from the churches coffers through various appeals from church members. Bank loans, were later sourced for investments such as the Baptist Book Store, the Anglican Hostel and the Catholic Printing Press to revamp them. It is important to note that the Baptist Book Store and the Catholic Printing Press through hard work and prudent management have been able to pay off their loans. Profitability which is the ability of a company or a business to generate earnings in comparison to its cost and expenses over a period of time is important as it a long way to tell on its

competitiveness and efficiency. However most of the investments studied were not able to provide financial details while others were generally not willing to release this information. This goes to reinforce the point made earlier that, the basic principles of records keeping and book keeping not strictly adhered to when it comes to church based businesses. This situation is a recipe for leakages, fraud and a limitation to business progression as growth cannot be measured adequately. Three of the churches representing 50% however indicated that, they made profit over the past three years. These profits, they indicated, has helped them in undertaking other projects for their respective churches. They also indicated that, they have been able to pay off the loans which they took earlier and other financial obligation which had been outstanding.

Level of Efficiency

A five point Likert scale ranging from highly efficient to not efficient was used as a tool for measuring the efficiency of the six investments under study. Based on the information gathered, the various businesses were ranked using the following; quality of management and staff, quality of board, capitalization, records keeping, profit, audit and competitiveness. Ratings were then shown to church leadership to assess its fairness, the outcome of which is shown in Table 5.

Table 5. Level of Efficiency of the Various Businesses

Business/variables	Quality of staff & management	Quality of board	Capitalization	Record keeping	Profit	Audit	Competitiveness	Total hori. score
Guest House	4	4	4	3	3	3	3	24
Book Store	3	3	2	2	2	2	2	16
LIWAT	3	2	2	3	2	4	2	18
Transport	2	2	2	2	2	2	3	15
Hostel	4	4	3	4	2	3	3	24
Printing Press	4	4	3	3	3	3	4	23
Total vertical score	20	19	16	17	14	17	17	

Where	poor:	1 X 7 = 7
	Fair:	2 X 7 = 14
	Good:	3 X 7 = 21
	Very good:	4 X 7 = 28
	Excellent:	5 X 7 = 35

From the analysis it is evident that the least efficient business is the transport business of the Methodist Church while both the Printing Press of the Catholic Church and the Guest House of the Presbyterian Church are the most efficient. Comparing with the Qualification of key staff, the businesses with full complement of key staff (The Guest House, The Anglican Hostel and Printing Press) were more efficient than

those without the full complement of key staff. Again it is evident that the scores of the businesses range from a minimum of 16 to a maximum of 24. On the Likert scale, this range falls within the category "Good" which is an average score. This gives an indication that that there is more room for improvement and these church based businesses need to sit up to get to the very top.

Utilisation of Gains

The gains made by church based businesses are both monetary and non monetary in nature. With respect to *monetary gains*, *four (4)* out of the *six (6)* investments indicated that they had received profits which have been beneficial to their respective churches. These financial gains have enabled the churches reinvest into their businesses and also invest into other church based projects such as the construction of schools. The Basel Mission Guest House for instance has been able to invest finances in the construction of the Presbyterian Girls Senior High in Kumasi. The Catholic Printing Press also indicated that it had made substantial financial contributions to the Diocesan Administration to facilitate other church related activities.

In terms of non monetary returns, all six (6) investments indicated accruing some benefit especially in the area of the availability of their respective services to their churches at a very low or nil price. These services include publication, availability of facilities such as accommodation and transport for church use as. All six investments studied indicated that, they were creating some kind of employment to church members and the general public at large. Church members were the major beneficiaries as all the churches had preference on employing their members. The highest employer is the Catholic Printing Press with a staff capacity of fifteen with seven of them being members of the church. In totality, each of the investments has yielded gains one way or the other and these gains according to

leadership have been utilized to benefit the church, its members and society as a whole.

Challenges of Churches in Private Investments

Each of the investments studied indicated one challenge or the other militating against its growth and development. In fact, most of the businesses seem to have a challenge as they were in a dilemma whether to run the enterprises as real businesses or to attach some social service to them. As expressed by Ritchie (2011): the popular image of a church is that of a selfless organization unconcerned with financial gain, this image seem to cloud the churches visited and hence an uncertainty whether these investments should be run purely as an investment or not focus on profit. This was particularly true for investments such as the Bethel Transport system and LIWAT sachet water production. The Catholic Printing press and the Baptist Book Store though run for profit seem to lack the churches support and commitment to pursue these investments to make them more profitable and vibrant.

Documentation and accountability is another big challenge for these church based investments, as shown with the provision of details on finances. This situation is so due to the so-called 'trust system' among church members. This situation seriously limits the ability of church based businesses to grow as they should, since information that will help them strategies is almost not available. Another challenge identified was that, innovations and suggestions are not readily accepted by church leadership who are mostly members of boards. This situation,

served as a disincentive for management to give off their best. Again, the attachment of the investments to their respective churches makes decision making laborious and lengthy. This is so as some major decisions have to pass through the churches decision making body which meets sometimes quarterly or yearly or even biannually. This bureaucratic nature of decision making causes undue delays and hence affects the growth and progression of church based business. Like public institutions, church business seemed to be “nobody’s business”, hence the dedication and commitment needed to run it as a pure business was almost absent for most of the businesses visited. Certain prompt actions and decisions that a private person will take to propel its business such as proper documentation, advertisement and strict supervision was a challenge. Most of the businesses also indicated having problems with staff dedication, as most staffs are members of the churches they represent, affecting strict adherence to discipline. Again it was indicated that the church members and the church itself sometime do not patronize the services offered by the various businesses, limiting its clientele base. Finally, high government taxes were another challenge sited by the registered businesses who pay taxes. They indicated that, since the returns from their investments are used for the betterment of society, a tax rebate would help them do more for society.

Recommendations

Major investment activities of churches

Church based investments identified in the metropolis were more of business investment instead of portfolio investment.

With all the challenges associated with churches being involved directly in business, portfolio investments should also be considered. Churches should seek more information about this to minimize risk and maintain their ethical values. Church businesses that operate as separate entities do better. This therefore should be the way forward for church businesses. Church based businesses should also seek to maintain a healthy balance between professionalism, economic and social motivational objectives by having a good mix of professional who can represent each of these values.

Management and operation of church business

Businesses which had boards set specifically for them were doing better than those with generalized boards. If churches want to seriously operate businesses and make the required profit, they should consider having boards that will specifically be responsible for vision building and decision making and approval of plans. This will facilitate business activity. Again to make church based businesses a force to reckon with, staff recruitment procedures such as putting up advertisements, going through interviews and selecting the right professionals for the right job as well as supervision should be strengthened. This will afford them the best of staff that can be more productive.

In addition, Business Registration and Proper Records Keeping should be encouraged among Church bases businesses as those who did this diligently were doing better than those who were not. Church members should be advised to serve as pressure groups to ensure that the

right things are being done to make church based investments very profitable. Records keeping and accountability are key to get investments to where they ought to be. Board members should therefore ensure that this is done regularly. Furthermore, the use of information communication technology (ICT) by key management should be encouraged, to make church based businesses more competitive and Annual General Meetings should be organized for the church members to receive Annual Reports and to hold Managers and Directors accountable. Finally, there is a need for regular staff appraisal and training to address the gaps identified. Board training is also needed.

Viability and demand for church business

It is recommended that business plans are drawn for all businesses as well as effective promotional activities to make them more competitive. Church based businesses are also advised to provide quality products and services to compete and enhance their image. For church based businesses to be more viable, parameters / variables such as profit, audit, capitalization and competitiveness should be looked at. The ability of church based investments to be efficient hence viable will go a long way to reduce the monetary burden on church members.

Utilization of gains of church based business

From discussions done, it is clear that numerous benefits, both monetary and non monetary, have accrued from church based businesses. For those who have operated their businesses very judiciously, the gains made have had ripple effect on their finances and church projects such as the

Presbyterian Girls Senior High School of the Presbyterian Church. The Basel Mission Guest House and the Catholic Printing Press should be used as examples on how successful church based business can be and should be encouraged to do more. Church members should also be informed about the benefits from the businesses in order to whip up their interest.

Conclusion

The Church is not far from wrong in its pursuit of investment activities that turn to reduce the pressure meted out on it members in fulfilling its mandate. As partners of development, Churches assist the nation in areas like employment generation, establishment of schools, hospitals, orphanages and the like. These activities come with its huge financial implication on the church through the continuous collection of monies from church members to fund church projects. However like government, some may say that, the business of the church is not to do business. This is very subjective as literature has shown that churches in the advanced world are involved in direct business with a proportion of them moving towards portfolio investment where they invest into the financial market and stocks. Although there are a lot of challenges regarding the strategies employed by the churches in managing their investment activities, it still presents a better option than consistently burdening the membership; a phenomenon which gradually drive people away from the church. Churches should therefore separate church from the businesses, employ the right strategies in the management of their investment activity whiles adopting the

attitude of entrepreneurs while the government create the enabling environments by formulating and implementing the right macroeconomic policies.

Finally, although the story of churches running business is not the best so far, it still have the potency to be better

and is recommended that all come on board as it can create employment and assist in overall nation building.

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