


WCCU World Council of Credit Unions



Positioning Credit Unions as Builders of Sustainability


David C. Richardson
Senior Manager of Technical Development
drichardson@woccu.org

WCCU World Council of Credit Unions

Definition of Economic Sustainability

The capacity of a financial institution to completely cover (without subsidy) the following costs:

- Financial
- Operating
- Loan Provisions
- Capital



WCCU World Council of Credit Unions

What are Financial Costs?


- Interest on Savings Deposits
- Dividends on Shares
- Interest on Bank Loans



WCCU World Council of Credit Unions

What are Operating Costs?


- Personnel
- Governance
- Marketing
- Administration
- Depreciation



WCCU World Council of Credit Unions

What are Loan Provision Costs?


- 100 % of Delinquent Loans >12 months
- 35% of Delinquent Loans 1- 12 months



WCCU World Council of Credit Unions

What is the true cost of Capital for a Credit Union?

- Cost of Inflation
- Cost to maintain Capital/Asset Ratio at 10%



Definition of Social Sustainability

The capacity of an individual to become a responsible citizen in the community without the need for public or private assistance.



Why Are Credit Unions Builders of Sustainability?:

5 Reasons



#1

Credit Unions have a Dual Mission



Economic Mission

Social Mission

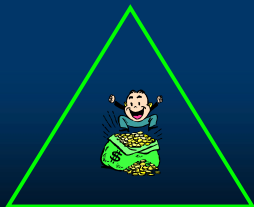


The Economic Mission

To become a safe and sound financial institution that above all else, has earned the trust of the Community in which it operates.

Economic Mission

“Create Dual Prosperity”



Institutional Wealth

Member Wealth





The Social Mission


To help members improve the quality of their lives by providing them access to quality financial products and services and by strengthening their moral values



Social Mission
 "Create Morally Strong Citizens"
 Community


 Self Family



How Can Credit Unions help strengthen the moral values of their members?

<u>Moral Value</u> <ul style="list-style-type: none"> • Self-Esteem 	<u>Policy</u> <ul style="list-style-type: none"> • Affiliation, Access to Services, Personalized Attention
---	---


How Can Credit Unions help strengthen the moral values of their members?


<u>Moral Value</u> <ul style="list-style-type: none"> • Equal Treatment 	<u>Policy</u> <ul style="list-style-type: none"> • Elimination of Preferential treatment • Attract different types of members • Offer specialized products to meet member's needs
--	--



How Can Credit Unions help strengthen the moral values of their members?

<u>Moral Value</u> <ul style="list-style-type: none"> • Self-Help 	<u>Policy</u> <ul style="list-style-type: none"> • Education Books, Handouts, Workshops, Seminars • Products that offer solutions... a ladder to greater prosperity
---	---



How Can Credit Unions help strengthen their members moral values?

<u>Moral Value</u> <ul style="list-style-type: none"> • Free Choice 	<u>Policy</u> <ul style="list-style-type: none"> • Never force anyone to do something against their will • Provide alternative products & services so members may choose
--	--


How Can Credit Unions help strengthen the moral values of their members?

<u>Moral Value</u> <ul style="list-style-type: none"> • Accountability 	<u>Policy</u> <ul style="list-style-type: none"> • Standardize Rules • Create incentives for good performance • Reward Member's responsible behavior • Penalize Member's irresponsible behavior
--	---

How Can Credit Unions help strengthen the moral values of their members?



<u>Moral Value</u>	<u>Policy</u>
<ul style="list-style-type: none"> • Cooperation 	<ul style="list-style-type: none"> • Leave something behind in the Community • Sponsorships • Strategic Alliances with other Organizations • Volunteer Service



How Can Credit Unions help strengthen the moral values of their members?



<u>Moral Value</u>	<u>Policy</u>
<ul style="list-style-type: none"> • Democracy 	<ul style="list-style-type: none"> • Informed Membership • Regular Member Feedback • Attendance at AGM and Voting



WOCU World Council of Credit Unions #2


Credit Union Members have a Dual Role

	
Owners	Member-Users

WOCU World Council of Credit Unions #2

Credit Union Members have a Dual Role

The role of ownership allows members to control the direction of the credit union to ensure that the institution is being properly managed.



Owners

WOCU World Council of Credit Unions #2

Credit Union Members have a Dual Role

The role of clients/users allows the members to control the development and quality of the financial products and services.



Clients/Users

The Socio-Economic Paradox





The more Commercially-Minded you become, the greater Social Impact you can achieve

Credit Unions Mobilize Savings



Mobilizing Savings Deposits has a dual impact:



Financially Strengthen the Credit Union



Raiffeisen on Savings:

“Many drops form first a Creek...

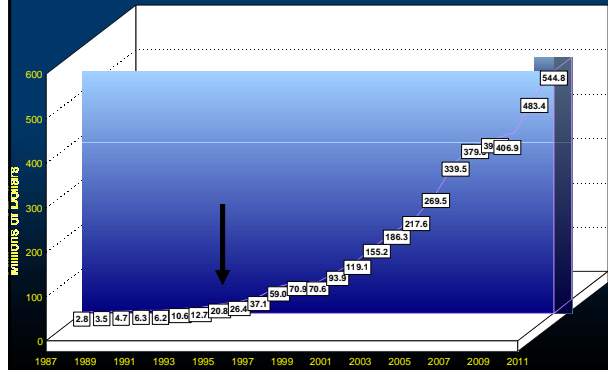
Then a Stream....

And finally, a River”



Total Savings Deposit Growth in Dollars

Consolidated 20 Guatemalan Credit Unions



Mobilizing Savings Deposits has a dual impact:



Teach Members how to Save & Overcome Poverty



Personal Savings



Financial Journal

Date	Item	Income	Expense	Balance
1/3/65	Beginning Balance			\$35.93
1/3/65	Lunch	\$0.20	\$0.05	\$36.08
2/3/65	Lunch	\$0.62	\$0.32	\$36.38
3/3/65	Lunch	\$0.22	\$0.10	\$36.50
4/3/65	Lunch	\$0.62	\$0.36	\$36.76
5/3/65	Lunch	\$0.24	\$0.00	\$37.00
6/3/65	Car Wash	\$1.15		\$38.15
8/3/65	Lunch	\$0.27	\$0.07	\$38.35
9/3/65	Lunch	\$0.63	\$0.31	\$38.67
31/12/65	Various Items	\$122.52		\$161.19

#4

Credit Unions Diversify their Loan Portfolios



Improve Profitability & Meet Member's Needs



How can Credit Unions improve profitability and satisfy the temporal needs of their members through loan diversification?

Temporal Need

- Work



Policy

- Productive Credit Loans to provide employment to the unemployed or underemployed



How can Credit Unions improve profitability and satisfy the temporal needs of their members through loan diversification?

Temporal Need

- Housing



Policy

- Housing Loans for Purchasing, Remodeling, or Refinancing Personal Dwellings



How can Credit Unions improve profitability and satisfy the temporal needs of their members through loan diversification?

Temporal Need

- Health



Policy

- Personal Loans to pay for Doctor's fees, Hospital Costs, and Medicine purchases



How can Credit Unions improve profitability and satisfy the temporal needs of their members through loan diversification?

Temporal Need

- Education



Policy

- Educational Loans to pay for upgrading Professional or Technical knowledge and skills



How can Credit Unions improve profitability and satisfy the temporal needs of their members through loan diversification?

Temporal Need

- Transportation



Policy

- Automobile Loans to pay for purchasing new or used vehicles for business or home

WCCU World Council of Credit Unions #5

Credit Unions Attract Diverse Members with different economic needs

Have Less Have More

Demographic Distribution of Membership - Nicaragua

Occupation	Number	%	Volume	%
Salesman	3,525	31.4%	495,307	32.9%
Farmer	1559	13.9%	150,504	10.0%
Professional	1078	9.6%	168,299	11.2%
Employee	1411	12.6%	148,269	9.8%
Small Business	271	2.4%	36,949	2.5%
Services	1239	11.0%	208,191	13.8%
Retired	74	0.7%	19,965	1.3%
House wife	1284	11.4%	202,385	13.4%
Student	564	5.0%	34,319	2.3%
Laborer	145	1.3%	12,981	0.9%
Institutions	83	0.7%	30,364	2.0%
Grand Total	11,233	100.0%	1,507,531	100.0%

Savings & Share Mobilization

85 Credit Unions

Range	# Accts.	%	Volume (\$US)	%	Avg.
\$0-\$300	2,300,414	94.2%	75,006,221	26.0%	33
\$301-\$1000	98,473	4.0%	53,613,432	18.6%	544
>\$1000	44,365	1.8%	160,325,772	55.5%	3,614
Totals	2,443,252	100.0%	\$288,945,425	100.0%	118

5 Countries: Guatemala, Ecuador, Bolivia, Romania, Philippines

The Credit Union Ideology is the secret to Sustainability

End Benefit	Means
Access	Membership
Ownership	Shares
Power	Voting Rights
Freedom	Choices
Prosperity	Products & Services

WCCU World Council of Credit Unions

Thank you

David C. Richardson
Senior Manager of Technical Development
drichardson@woccu.org