

World Council of Credit Unions

**BUILDING SUCCESSFUL FINANCIAL SYSTEMS:
THE ROLE OF CREDIT UNIONS IN
FINANCIAL SECTOR DEVELOPMENT**

by

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Bureau of Science and Technology
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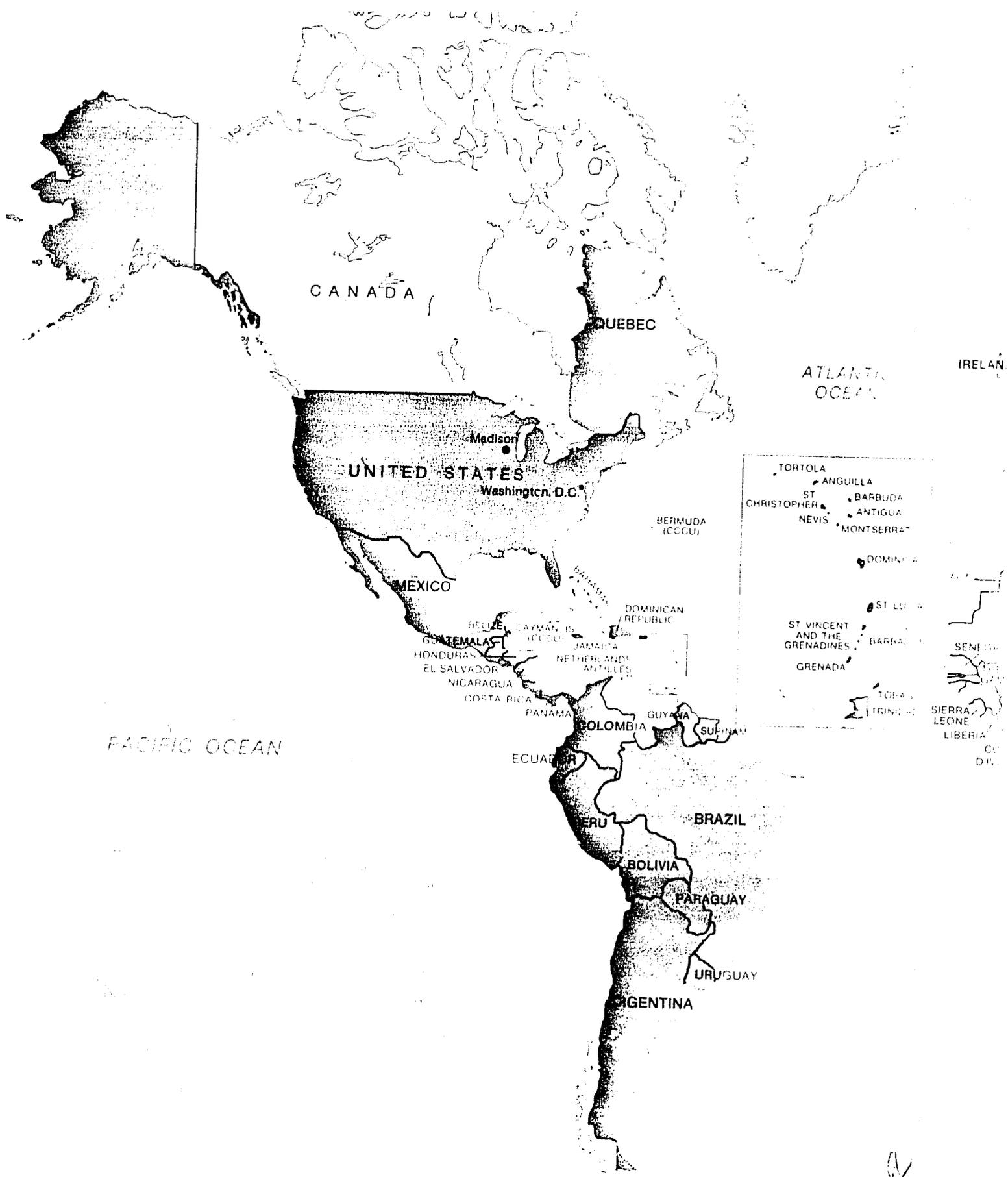
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CANADA

QUEBEC

UNITED STATES

Madison

Washington, D.C.

MEXICO

BERMUDA (CCCU)

DOMINICAN REPUBLIC

JAMAICA
NETHERLANDS ANTILLES

GUYANA

SURINAM

COLOMBIA

PANAMA

ECUADOR

PERU

BRAZIL

BOLIVIA

PARAGUAY

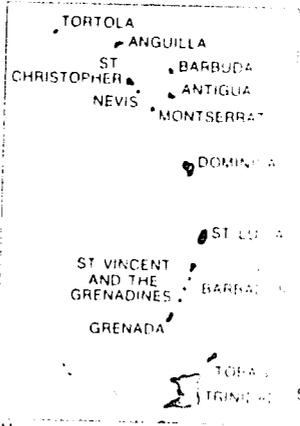
URUGUAY

ARGENTINA

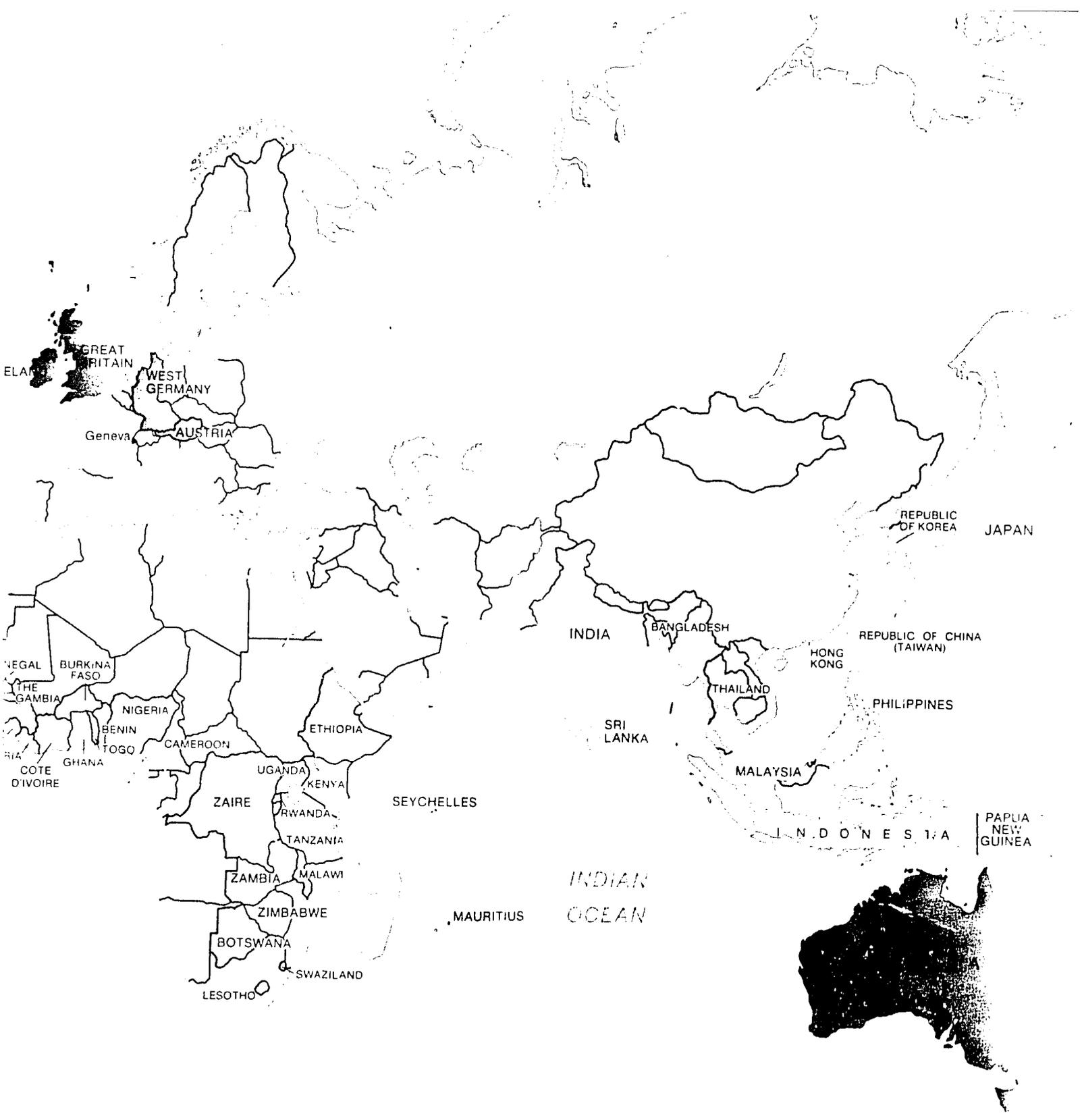
ATLANTIC OCEAN

IRELAND

PACIFIC OCEAN



11



ELAN
GREAT BRITAIN
WEST GERMANY
Geneva
AUSTRIA

NEPAL
BURKINA FASO
THE GAMBIA
NIGERIA
BENIN
GHANA
COTE D'IVOIRE
CAMEROON
ETHIOPIA
UGANDA
KENYA
ZAIRE
RWANDA
TANZANIA
ZAMBIA
MALAWI
ZIMBABWE
BOTSWANA
LESOTHO
SWAZILAND

SEYCHELLES

MAURITIUS

INDIAN OCEAN

INDIA
SRI LANKA
BANGLADESH
THAILAND
MALAYSIA
INDONESIA
REPUBLIC OF KOREA
JAPAN
REPUBLIC OF CHINA (TAIWAN)
HONG KONG
PHILIPPINES
PAPUA NEW GUINEA

1987

WOCCU

- Madison, Wisconsin, U.S.A.
- Washington D.C., U.S.A. ● Geneva SWITZERLAND

ACCOSCA/ACECA

Africa Confederation of Cooperative Savings and Credit Associations
Confederación de Asociaciones Cooperativas de Ahorro y Crédito de Africa
L'Association des coopératives d'épargne et de crédit d'Afrique

ACCU

Asian Confederation of Credit Unions
Confederación de Cooperativas de Ahorro y Crédito de Asia
La Confédération des coopératives d'épargne et de crédit d'Asie

Australian Federation of Credit Unions, Ltd.
Federación Australiana de Cooperativas de Ahorro y Crédito
La Fédération australienne de coopératives d'épargne et de crédit

CCCS

Canadian Co-operative Credit Society
Sociedad Canadiense de Crédito Cooperativo
La Société canadienne de crédit coopératif

CCCU

Caribbean Confederation of Credit Unions
Confederación Caribeña de Cooperativas de Ahorro y Crédito
La Confédération des coopératives d'épargne et de crédit des Caraïbes

COLAC

Latin-American Confederation of Credit Unions
Confederación Latinoamericana de Cooperativas de Ahorro y Crédito
La Confédération latino-américaine de coopératives d'épargne et de crédit

CUNA

Credit Union National Association
Asociación Nacional de Cooperativas de Ahorro y Crédito de los Estados Unidos
L'Association nationale des coopératives d'épargne et de crédit des Etats-Unis

ARCUL
Association of British Credit Unions, Ltd.
Asociación de Cooperativas de Ahorro y
Crédito Británicas
L'Association des coopératives d'épargne
et de crédit britanniques

FCUL
Fiji Credit Union League
Liga de Cooperativas de Ahorro y Crédito
de Fiji
L'Association des coopératives d'épargne
et de crédit de Fidji

ILCU
Irish League of Credit Unions
Liga Irlandesa de Cooperativas de Ahorro y Crédito
L'Association irlandaise de coopératives d'épargne et de
crédit

NZCUL
New Zealand Credit Union League
Liga de Cooperativas de Ahorro y Crédito de Nueva
Zelanda
L'Association des coopératives d'épargne et de crédit de
Nouvelle-Zélande

Associate Members Miembros Asociados Membres associés

Movements Movimientos Mouvements

- ☐ Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR)
- ☐ La Confédération des caisses populaires et d'économie Desjardins du Québec
- ☐ Osterreichischer Raiffeisenverband

Organizations Organizaciones Organisations

CUMIS Life Insurance Company, Burlington, Ontario, CANADA
CUNA Mutual Insurance Group, Madison, Wisconsin, U.S.A.
International Raiffeisen Union, Bonn, WEST GERMANY

AFRICAN

FIJI

NEW
ZEALAND

WOCCU

Credit Union World Totals
Totales mundiales de las cooperativas de ahorro y crédito
Totaux mondiaux des coopératives d'épargne et de crédit

ACCOSCA/ACECA

Country Pays País	Credit Unions Coopératives Cooperativas	Members Membres Socios	Deposits Dépôts Depósitos	Loans Prêts Préstamos	Reserves Réserves Reservas	Assets Actifs Activos
Belize	1	2,284	\$ 11,399	\$ 4,569	\$ 10,206	\$ 27,607
Botswana	24	4,218	6,133	430,430	19,135	651,167
Burkina Faso	43	4,713	613,205	249,541	36,447	602,090
Cameroon	251	62,443	33,298,293	23,750,711	1,469,249	34,831,461
Cape Verde	71	9,745	1,065,469	602,076	157,881	1,877,059
Chad	350	66,512	14,154,301	15,096,334	1,210,600	20,160,038
Ghana	63	3,795	47,353	49,322	291	55,009
Guinea	257	59,790	2,037,850	1,599,611	438,175	2,925,165
Kenya	1,374	76,1973	274,235,759	246,719,950	15,270,247	290,902,886
Lesotho	70	31,584	1,101,962	888,361	19,238	1,471,282
Liberia	58	18,009	7,622,898	5,792,313	—	8,947,801
Malawi	72	14,392	610,572	679,990	18,654	872,499
Mozambique	70	24,695	3,323,622	2,861,075	106,029	3,189,076
Nigeria	7,671	711,708	140,921,450	72,028,811	24,880,083	158,622,450
Rwanda	95	150,658	26,624,340	5,271,267	1,660,918	31,471,352
Senegal	21	2,610	11,030	7,173	200	115,000
Seychelles	1	3,050	1,020,302	787,989	40,429	1,171,045
Sierra Leone	129	11,922	131,023	104,621	26,051	134,263
Swaziland	301	3,505	251,826	219,564	18,456	331,321
Tanzania	271	74,632	2,427,966	2,277,711	61,944	2,539,508
Togo	110	11,950	2,196,208	1,718,049	172,263	2,585,169
Uganda	704	500,000	153,887	12,616	42,530	270,066
Zaire	113	155,511	3,991,198	642,278	185,420	4,360,357
Zambia	154	76,903	2,681,842	1,951,144	75,071	4,887,522
Zimbabwe	40	1,500	67,128	17,438	42,093	126,879
TOTAL	12,052	2,774,350	\$ 519,243,031	\$ 383,763,695	\$ 45,952,669	\$ 573,326,074

ACCU

Country Pays País	Credit Unions Coopératives Cooperativas	Members Membres Socios	Deposits Dépôts Depósitos	Loans Prêts Préstamos	Reserves Réserves Reservas	Assets Actifs Activos
Bangladesh	19	18,195	\$ 642,123	\$ 742,044	\$ 50,556	\$ 964,180
Hong Kong	48	29,017	11,888,392	9,267,274	570,829	13,505,701
India	136	174,656	63,832,114	50,262,782	4,580,272	51,939,194
Indonesia	1,312	155,580	6,128,158	6,846,303	313,066	8,050,327
Japan	60	9,508	4,056,857	2,716,537	470,704	4,527,561
Korea	1,251	1,321,893	1,633,815,424	1,316,057,802	20,524,170	1,781,634,482
Malaysia	220	14,066	1,604,499	1,504,212	80,225	1,684,717
Papua-New Guinea	115	114,883	45,654,324	48,390,000	13,100,000	23,700,000
Philippines	83	29,220	11,071,298	12,519,342	1,174,599	23,212,690
ROC Taiwan	320	75,930	102,634,044	97,607,600	7,750,211	121,484,808
Sri Lanka	3,685	269,375	11,447,317	18,301,206	390,079	20,003,000
Thailand	212	36,154	5,265,291	6,119,220	427,915	7,414,675
Total	7,477	2,242,818	\$ 1,904,035,470	\$ 1,581,844,852	\$ 58,438,626	\$ 2,057,118,335

AFCUL

Country Pays País	Credit Unions Coopératives Cooperativas	Members Membres Socios	Deposits Dépôts Depósitos	Loans Prêts Préstamos	Reserves Réserves Reservas	Assets Actifs Activos
Australia						
Total	351	2,333,554	\$ 3,233,193,683	\$ 2,776,436,006	\$ 222,010,192	\$ 3,508,362,998

CCCS

Country Pays País	Credit Unions Coopératives Cooperativas	Members Membres Socios	Deposits Dépôts Depósitos	Loans Prêts Préstamos	Reserves Réserves Reservas	Assets Actifs Activos
Canada Total	1,497	4,206,800	\$ 17,769,230,769	\$ 14,384,615,385	\$ 346,153,846	\$ 18,923,076,923

CCCU

Country Pays País	Credit Unions Coopératives Cooperativas	Members Membres Socios	Deposits Dépôts Depósitos	Loans Prêts Préstamos	Reserves Réserves Reservas	Assets Actifs Activos
Anguilla	1	65	\$ 741	\$ -	\$ -	741
Antigua	7	2,400	558,519	-	18,148	652,222
Bahamas	11	7,472	12,258,940	11,008,575	350,554	12,610,000 ^f
Barbados	6	28,148	33,237,734	29,131,896	913,736	34,317,235
Belize	21	15,242	2,811,000 ^f	2,872,487	173,333	4,182,835
Bermuda	1	3,118	2,321,777	2,055,135	334,871	2,389,619
Cayman Islands	2	1,695	3,151,561	3,063,459	100,103	3,378,980
Dominica	22	42,662	13,953,527	17,511,142	1,039,564	21,328,387
Grenada	29	9,414	3,893,802	4,143,060	216,567	5,037,543
Guyana	71	23,599	3,075,900	2,688,000	350,000	3,485,200
Jamaica	89	314,836	78,662,222	73,617,981	4,201,124	96,500,715
Montserrat	1	1,330	207,467	194,074	6,296	225,741
St. Christopher Nevis	3	3,087	921,863	826,279	22,319	1,119,545
St. Lucia	15	8,111	3,936,636	4,361,970	92,593 ^f	4,050,000 ^f
St. Vincent	8	8,453	3,156,376	3,369,689	258,744	3,817,778
Suriname	29	7,500	4,530,435	3,740,056	262,745	5,875,630
Tortola	1	80	47,000	-	6,000	45,000
Trinidad Tobago	108	180,000	135,761,111	-	10,541,233	138,472,222
Total	446	657,083	\$ 302,527,989	\$ 158,613,803	\$ 18,887,950	\$ 331,469,393

COLAC

Country Pays País	Credit Unions Coopératives Cooperativas	Members Membres Socios	Deposits Dépôts Depósitos	Loans Prêts Préstamos	Reserves Réserves Reservas	Assets Actifs Activos
Argentina ^f	36	279,000	\$ 88,738,613	\$ 46,396,441	\$ na	\$ na
Bolivia	215	385,000	2,676,066	1,947,724	752,628	2,401,931
Brazil	290	257,171	14,389,445	15,056,484	1,218,760	30,647,661
Colombia	262	306,185	63,291,644	65,130,747	2,082,107	108,186,737
Costa Rica	52	140,349	55,047,234	36,323,924	4,726,067	76,556,505
Dominican Republic	91	87,060	32,000,000	31,200,000	2,300,000	46,000,000
Ecuador	456	859,586	136,557,304	129,155,495	1,596,436	175,667,884
El Salvador	42	18,759	11,594,678	11,182,596	911,817	15,840,398
Guatemala	67	88,351	8,983,554	9,022,600	450,000	13,866,645
Honduras	83	49,317	40,477,240	38,785,569	916,604	42,310,448
Mexico	180	210,000	18,245,483	19,193,173	419,357	23,541,048
Netherlands Antilles	34	10,000	2,277,176	13,888,889	944,444	18,333,333
Nicaragua ^f	32	13,293	2,789,669	3,159,613	93,299	3,946,508
Panama	123	51,616	42,499,734	46,703,499	2,843,776	61,423,094
Paraguay	53	29,701	6,724,152	5,873,032	309,558	9,398,646
Peru	525	500,000	603,061,100	600,917,000	26,540,000	650,220,000
Uruguay	40	122,000	9,905,000	6,405,000	290,000	11,540,000
Total	2,575	3,407,334	\$ 1,139,145,197	\$ 1,080,341,786	\$ 46,394,853	\$ 1,289,860,838

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CUNA

Country Pays País	Credit Unions Coopératives Cooperativas	Members Membres Socios	Deposits Dépôts Depósitos	Loans Prêts Préstamos	Reserves Réerves Reservas	Assets Actifs Activos
United States Total	14,855	50,125,929	\$ 148,820,186,200	\$ 99,589,348,897	\$ 6,683,593,368	\$ 163,014,472,401

Free-Standing Leagues Ligas Independientes Ligues Indépendantes

Country Pays País	Credit Unions Coopératives Cooperativas	Members Membres Socios	Deposits Dépôts Depósitos	Loans Prêts Préstamos	Reserves Réerves Reservas	Assets Actifs Activos
Spain	146	20,535	\$ 7,505,173	\$ 7,841,917	\$ 330,466	\$ 9,067,990
Great Britain	77	23,793	10,386,622	8,772,945	1,631,297	12,219,919
Ireland	491	843,924	780,858,985	687,613,144	93,701,843	887,772,196
New Zealand	263	105,919	58,090,111	53,261,090	2,629,849	60,719,900
Total	917	994,071	\$ 856,842,891	\$ 757,488,806	\$ 98,493,455	\$ 969,780,003

WOCCU Credit Union World Totals Totales mundiales de las cooperativas de ahorro y crédito Totaux mondiaux des coopératives d'épargne et de crédit

Country Pays País	Credit Unions Coopératives Cooperativas	Members Membres Socios	Deposits Dépôts Depósitos	Loans Prêts Préstamos	Reserves Réerves Reservas	Assets Actifs Activos
ACCOSCA	12,052	2,774,350	\$ 519,243,031	\$ 383,763,695	\$ 45,952,669	\$ 573,920,174
ACCU	7,477	2,242,818	1,904,035,470	1,581,844,852	58,438,626	2,057,118,395
AFCUL	351	2,333,554	3,233,193,683	2,776,436,006	222,010,192	3,508,362,999
CCCS	1,497	4,206,800	17,769,230,769	14,384,615,385	346,153,846	18,923,076,923
CCCU	446	657,083	302,527,989	158,613,803	18,887,950	331,469,339
COLAC	2,575	3,407,334	1,139,145,197	1,080,341,786	46,394,853	1,289,860,828
CUNA	14,855	50,125,929	148,820,186,200	99,589,348,897	6,683,593,368	163,014,472,401
Free-Standing Leagues	917	994,071	856,842,891	757,488,806	98,493,455	969,780,003
Desjardins Group*	1,340	4,240,000	20,935,384,615	19,226,153,846	766,153,846	22,750,000,000
Total	41,510	70,981,939	\$ 195,479,789,845	\$ 139,938,607,076	\$ 8,286,078,805	\$ 213,417,466,965

(1) 1986 (2) 1984 (3) 1983 (6) 1985 (7) 1982 (8) 4/87 (10) Estimation
*Associate member

I. INTRODUCTION

Credit unions are, perhaps, the most widespread and rapidly growing single form of cooperative in the developing world. As private sector financial intermediaries, they play significant roles in urban and rural financial markets in both developing and developed countries. At the end of 1986, there were nearly 20,000 credit unions in developing countries with over US\$ 3 billion in total assets serving about 7.8 million member-owners in 71 national movements affiliated to the World Council of Credit Unions (WOCCU).

The significance of the worldwide credit union system for development planners, financiers and administrators lies in the fact that credit union development is often the first step in financial market development. Credit unions bring institutional financial services to rural and urban areas not generally served by formal sector financial intermediaries. This lowers the cost of borrowing and raises the yield on savings for major population segments in the developing countries. As a result, both savings and lending are increased substantially. Economic growth at the community level is stimulated by credit union lending for both productive and consumption purposes.

Credit unions also introduce democratic processes and structures to many places in the developing world where this experience has been lacking. The movement thus acts as a vehicle for far-reaching social change and development, just as it does for economic development.

This paper will discuss the credit union development process, quantify the movement's major achievements and describe the key operational and financial characteristics of its role in financial sector development. The paper concludes with a summary discussion of the critical development issues facing the movement, its development strategy and the major components of the credit union development model. The effectiveness of this model has been proven over the last 130 years by the successful operation of credit unions in all parts of the worldwide in developing and developed countries alike.

Definition of a Credit Union

A credit union is a cooperative financial organization owned and operated on a not-for-profit basis by its members according to democratic principles. Its purpose is to encourage savings, to use pooled funds to make loans, and to provide other related services to members and their families. A credit union is part of a cooperative financial system and adheres to the operating principles for credit unions as set forth by the World Council of Credit Unions (Appendix 1). Credit unions are known by a variety of names in the countries

where they operate, including: savings and credit cooperatives, thrift and credit societies, caisses populaires, banques populaires, cooperativas de ahorro y crédito, cajas populares, etc.

In this paper, the term "federation" will be used consistently to refer to national credit union associations, leagues, unions, etc.

A Brief History of the Movement

The credit union idea originated about 130 years ago in Germany. Friedrich Raiffeisen organized the first credit union there to provide low-income farmers and workers with a self-sustaining institution where they could pool their savings and make loans to each other at moderate interest rates. The borrower's character was the primary security for the loan, which was to be used for providential or productive purposes and repaid regularly and promptly.

The idea spread throughout Europe during the nineteenth century and reached North America in 1900, when the first modern credit union was organized in Canada. In 1909, the first U.S. credit union opened its doors in Manchester, New Hampshire. The establishment of the Credit Union National Association (CUNA) in 1934 provided an organizational base for promoting credit union growth and development throughout the United States.

In the 1950s, CUNA began to support international credit union development through its World Extension Bureau. Credit unions were organized in the Caribbean during that decade, in Latin America during the sixties and in Africa and Asia during the seventies. CUNA and WOCCU have worked closely with the United States Agency for International Development and other development agencies and institutions to expand the worldwide credit union system since the early 1960s.

Geographic Spread of the Movement

The success of these efforts is shown in the accompanying world map. Local, national and regional credit union organizations are now found on all continents of the globe. They are functionally integrated at the national, regional and worldwide levels into one of the largest membership systems in the world.

Rural and Urban Operations

Credit unions operate in both urban and rural areas in the developed and developing nations alike. Although credit unions are usually regarded by development planners as urban institutions, they are, especially in the developing countries, heavily involved in rural life. In many countries the movements are predominantly rural. Even in predominantly urban credit unions, a large percentage of the membership comes from surrounding rural areas and credit union services to urban members often benefit rural areas through the extended family structure common in many developing nations. In Africa, 1,526 of 3,429 credit unions (44.5 percent) for which the classification has been

reported are classified as rural or predominantly rural. In 16 territories of the Caribbean, 234 of 496 credit unions (47%) have a mixed rural-urban membership. Data developed in 1980 indicated that approximately 40 percent of credit union members in Latin America lived in rural areas.

The importance of the credit union as a rural institution in the developing countries, and the significance of its contribution to rural development, are often overlooked.

Member Incomes and Occupations

Credit unions provide financial services to sectors of the population that would otherwise have limited or no access to these services. Although few income studies have been conducted, the limited data available confirm that credit union members are generally below the median income level. Even where credit unions serve salaried employees, they are generally at the low end of the job classification and salary scales.

Most developing country credit unions, both rural and urban, have occupationally diversified memberships. Rural credit union members are primarily small farmers, traders, shopkeepers, artisans and other producers with a relatively limited share of teachers and other salaried employees. Urban credit union members are generally low-level wage and salary earners, the self-employed and housewives.

Types of Credit Unions

Credit unions are organized around a "common bond" of membership. This common bond unifies the group socially and defines the credit union's potential market. Common bonds are of two basic types: closed bond and open bond. Closed bond credit unions, the most common type in the United States, typically limit membership to persons employed in the same workplace or who share membership in a particular association. They are relatively uncommon in the developing countries, although this varies greatly. Open bond or "community" credit unions are the most common type in the developing countries and are generally open to people sharing a common geographical place of residence.

There is a tremendous variety of specific organizational forms in credit unions around the globe, but they all have similar membership, principles, purpose and structure.

World Council of Credit Unions

WOCCU is the worldwide representative organization of credit unions and similar cooperative financial institutions. As the international apex organization of credit union associations representing seventy-eight national federations/leagues around the globe, WOCCU possesses unique skills in the development of credit union systems. WOCCU provides developmental, communications, representational and resource mobilization services to organize, expand, improve and integrate the

international credit union movement, and it draws upon the technical skills and experience of its member confederations and national associations in the provision of technical services.

WOCCU is an international organization whose members include seven regional credit union confederations and four free-standing leagues. WOCCU's members are:

ACCU, the Asian Confederation of Credit Unions

ACCOSCA, the Africa Confederation of Cooperative Savings and Credit Associations

AFCUL, the Australian Federation of Credit Unions

CCCS, the Canadian Cooperative Credit Society

CCCU, the Caribbean Confederation of Credit Unions

COLAC, the Latin American Confederation of Credit Unions

CUNA, the U.S. Credit Union National Association

Free-standing leagues: Fiji Credit Union League, Association of British Credit Unions, Irish League of Credit Unions and the New Zealand Credit Union League

Data Sources

Most of the data presented here have been extracted from WOCCU annual international statistical reports. These data are from our developing country movements only, which are shown on the International Credit Union System chart contained in Appendix 2. There are occasional discontinuities in the data due to movement restructurings, affiliations and disaffiliations at both national and regional levels. We have not tried to correct for this in order to show more clearly the development of the worldwide system of credit unions affiliated to the World Council. If all developing country credit union movements were included regardless of their affiliation status, the growth curves would be both smoother and higher. Nevertheless, the affiliated movement's development shows solid and largely continuous growth over the last fifteen years.

II. UNIQUE NATURE OF CREDIT UNIONS

Credit unions are unique institutions. They share important characteristics which set them apart from other financial institutions, both formal and informal. They are part of the financial sector and at the same time are typically the largest and most developed component of the cooperative sector. They are unique in the people they serve and the principles by which they operate. In sum, they are financial intermediaries which put people first, not as a marketing device, but

as a basic financial and operational objective. The key distinguishing characteristics of the credit union movement are summarized below:

Democratic control (one member, one vote) assures that the institution is responsive to the needs and condition of the membership as a whole.

Credit unions are membership organizations, owned and operated by the members for their collective benefit as both savers and borrowers. Membership is voluntary and open to all within the accepted common bond.

As privately owned, cooperative enterprises, credit unions are service oriented and market driven.

Credit unions adhere to both general cooperative principles as well as a set of operating principles specific to the WOCCU system. On-going education of the membership, leaders, staff and the public are critical elements of the credit union development strategy.

Voluntary, unpaid leadership reduces costs and makes community service an explicit objective of credit union institutions.

Credit unions are non-profit but earnings-based; net income is distributed to the members as interest/dividends on savings.

With few exceptions, credit unions are single-purpose cooperatives specialized in providing financial services.

Credit unions are system builders, applying in practice the principle of cooperation among cooperatives through both vertical and horizontal integration.

Based on these unique characteristics, the credit union movement has emerged as a successful, viable and growing cooperative financial system throughout the world.

III. CREDIT UNION ACHIEVEMENTS

By its example in the developing countries, the credit union movement has proven a number of key hypotheses regarding cooperative and financial sector development. These are summarized below, together with a brief discussion of the advantages of the credit union system to the member and to the national political and economic systems of the developing countries.

First, credit unions have clearly demonstrated that the rural and urban poor can save. Despite a high degree of financial repression and institutional barriers to growth, credit unions in developing countries have accumulated more than US\$2.6 billion in savings, as shown in Chart No. 1. This savings growth has generally outpaced membership growth and produced rising average savings per member, as shown in Chart No.

2. These findings have been validated by a variety of local studies conducted by the Ohio State University and by WOCCU and its member confederations at both the regional and national levels.

Second, the movement's expansion has proven that popular, democratic, cooperative institutions can survive and thrive in the face of both formal and informal competition. Total individual membership in the WOCCU system has continued to climb during the last fifteen years (see Chart No. 3), as has the number of affiliated credit unions (Chart No. 4). The regional distribution of total credit union membership and number of credit unions at the end of 1986 is shown in Charts 5 and 6, respectively.

Third, the movement's financial success has shown that rural and urban financial intermediation is a viable business. The relative growth of aggregate credit union savings and loan balances is presented in Chart No. 7. The movement is clearly capable of generating the savings needed to fund its loan portfolio as a whole. Nevertheless, there exists considerable potential for portfolio growth through the judicious use of external credit resources to complement movement generated savings. The regional distribution of savings and loans in each WOCCU-member region at year-end 1986 is shown in Chart No. 8.

Fourth, small-scale, rural and urban lending for productive purposes can be done successfully by locally owned and operated cooperative credit unions. As shown in Chart No. 7, credit unions have funded a constantly growing loan portfolio of which an estimated US\$440 million (20 percent) is for directly productive activities. The average size of these loans is probably under US\$ 1,000 and in many countries it is less than US\$ 250. These loans generally finance farmers' annual fertilizer and other input needs in agricultural zones and help meet the short-term working capital needs of small business persons and producers in both urban and rural areas. While loan delinquency has been and continues to be a problem for some credit unions, most are successful in collecting their outstanding credits.

Fifth, the movement's growth and expansion, as shown by the previous charts, has proven that foreign aid, focussed largely on institutional development, can produce a lasting, measurable impact on people's lives and behavior. In response to U.S., Canadian, German, Dutch, Swiss, French, Australian, New Zealand, Irish, and other governmental and private agency contributions to institutional strengthening at the national, regional and worldwide levels during the 1972-86 period, an additional 5.8 million people in developing countries "voted" with their money by joining and investing over US\$ 2.4 billion in their local credit unions affiliated to the WOCCU system. Total membership in these countries increased from 2 million to 7.8 million and savings from US\$ 218 million to US\$ 2.6 billion).

Advantages of the Credit Union System to the Member

First and foremost, credit unions make savings and credit services available to new sectors of society. Credit unions make loans to persons who could not normally meet the collateral requirements of

commercial bank and most development bank loan programs. Credit unions also provide secure places to invest savings, often in rural areas where no other financial institutions exist, and happily service small accounts that commercial banks and other formal financial institutions cannot economically handle.

Credit unions significantly lower the transaction costs of savings and borrowings to their members as compared with banks and development agencies.

Credit unions also lower the interest costs of credit to members who would otherwise have to borrow from moneylenders, landlords or shopkeepers. Interest rates on credit union loans, even calculating the implied cost of funds in compensating savings balances, are substantially lower than those charged by informal financial intermediaries.

Advantages to the National Political and Economic System

First, credit unions mobilize significant volumes of savings, particularly in rural areas. Since many credit union members are new entrants to the financial system, the growth of credit union savings is likely to reflect increased monetization of the economy, rather than reallocations of existing financial balances from one institution to another. These new savings fuel both investment and consumption through credit union loans at the local community level.

Credit unions also increase economic efficiency by reducing the costs of financial intermediation to the middle and lower income groups previously dependent on informal financial market services. This tends to increase even further the monetization of savings and the volume of financial transactions.

The credit union system does not depend on external capital and generally funds its domestic loan activities without increasing the international debt burden of the developing countries. External loans are a minor source of funds at the credit union level: about 7 percent in Latin America, less than 5 percent in the Caribbean and 2.1 percent in Africa.

The credit union system is a financially self-sufficient system. With rare exception credit unions do not require or receive government budget support and do not represent a continued drain on scarce national budget resources. While international donor support has often been instrumental in the development of national and regional credit union institutions, the amount of assistance in real terms has declined in recent years. This is in striking contrast with the experience of public sector agricultural credit programs, which require constant recapitalization from central governments or international donor agencies.

The democratic principles and practice of the credit union movement provide an important example for the political systems of many

developing countries. Democratically controlled national, regional and international credit union organizations provide a representational voice for the poor.

Finally, credit unions contribute to the social stability of many countries by improving living standards. As noted previously, credit unions are often the only sources of institutional finance for the rural and urban poor. Credit union savings and loan services help members help themselves through their own economic activities.

IV. ROLE OF CREDIT UNIONS IN FINANCIAL SECTOR DEVELOPMENT

The credit union approach to financial sector development is based on the principle that financial development begins with institutional development. Local initiative, responsibility and investment build the credit union system starting at the community level. This, in turn, is followed by the creation of a continuing institutional support and service structure at the national and regional levels. As these complementary institutions grow and mature, they become increasingly capable of mobilizing and managing an expanded share of the nation's financial resources. In this section of the paper, we will examine the role of credit unions from two perspectives: institutional development and financial services and performance.

Institutional Development:

Credit unions may appropriately be considered a new institutional form for the community in transition. They occupy a middle-ground between informal and formal financial intermediaries and have attributes of both traditional, informal community cooperative structures and modern, chartered financial institutions. The democratic structure, operating principles and social goals of credit unions blend with and build upon the implicit principles of mutual trust and cooperation that exist in rural communities.

In both rural and urban settings, credit unions are, to borrow from Malcolm Forbes, a legal "capitalist tool" of development for social groups previously excluded from the formal financial marketplace. They reduce dependence on informal financial market intermediaries and provide access to formal sector resources. Credit unions act as a bridge for both individual members and the community as a whole. They free members from usurious interest rates and are often the first step in the development of formal financial markets in rural areas.

Credit unions are "leading institutions" which group "early adopters" and community leaders and may form the organizational basis for subsequent cooperative and community development activities. Successful credit unions are almost invariably built from the ground up by committed, untiring volunteer leaders. The development focus is on strengthening technical and managerial skills, first of volunteers and later of paid staff.

System-building is a critical element of the institutional development process. Formal linkages are created between the local, national and international levels, based on collaboration rather than competition. These linkages include vertical systems (credit union to national federation to regional confederation to WOCCU) and horizontal systems (joining credit unions in chapters, districts and regions). These systems pool limited human, technical and financial resources to obtain access to technology and wholesa'e services; achieve economies of scale; diversify risks; centralize liquidity.

The structure and services of the international credit union system may be outlined as follows:

Credit unions provide:

Retail financial services tailored to the needs of their member-owners.

National federations provide:

Institutional development services to CUs (training, technical assistance, promotion of new units)

Wholesale financial services (savings mobilization, investments, lending, insurance)

Movement representation and defense

Regional confederations provide:

Institutional development services for federations

Wholesale finance (primarily in Latin America and the industrialized countries)

Resource mobilization and coordination (particularly external development assistance and credit funds)

Representation and defense

World Council of Credit Unions provides:

Institutional development services for confederations and federations

Publications and communications

Resource mobilization

Representation and defense

Despite the achievement of building this system, the movement's institutional development task is far from complete. At each level of the system there is a minority of units -- credit unions, federations

and regional confederations -- which are experiencing difficulty. These include both older institutions with continuing problems and new institutions struggling to reach technical self-sufficiency and financial break-even. Our development challenge is to strengthen and/or rehabilitate them so that current and potential credit union members can continue to benefit from the movement's unique services.

This development effort must be carefully tailored to the needs and condition of each particular institution. Credit union organizations and their specific development needs vary greatly, depending on whether they are young or old, large or small, closed or open bond, rural or urban, on the markets they serve (expanding or contracting, more or less repressed), business and economic cycles and the legal/regulatory environment in which they operate. The movement has developed a number of situational analysis techniques to aid this diagnostic process at the credit union and federation levels.

Monitoring and evaluation of credit union development has been aided in some countries by the recent emergence of credit union classification systems. These are based on key financial and institutional indicators which permit federations to assess the condition and risk of their member credit unions. Just as important, the systems permit the staff and leadership of credit unions to monitor and adjust their own performance in order to improve their rankings. While the systems are still in their formative stage, they do permit federations to classify credit unions into four broad categories:

- A -- Strong to excellent
- B -- Fair to strong
- C -- Weak, problem plagued, possibility of failure
- D -- Serious difficulty with probability of failure

Most developing country movement assets are probably managed by credit unions in the A and B categories, although data are too limited to reach firm conclusions at this time. The movement is developing a number of strategies to deal with type C and D credit unions, including interventions, specialized technical assistance, mergers, financial stabilization and, in extreme cases, closings.

Financial Services

Financial self-reliance is at the heart of credit union system development, just as self-help is a key part of the movement's philosophy. As primarily savings-based institutions, credit unions are largely independent of government and donors. External financial support has been largely successful, primarily for institutional development assistance at the national and regional levels.

As noted previously, external credit plays only a minor role in the credit union system as a whole, financing less than 10% of total credit union assets in developing countries and less in developed ones. As

can be seen in Chart No. 9, savings have been the primary source of movement funds during the last fifteen years. In 1986, they provided over 86 percent of total credit union funds, with reserves, other liabilities and other capital accounts supplying the balance (see Chart No. 10).

In assessing the movement's financial services and performance, it is important to distinguish between the retail or credit union and wholesale or federation levels.

Credit Union or Retail Level

Financial intermediation is the essential function of credit unions at the community level. They frequently are the only financial institution serving the members, especially in rural areas, and typically are rather small. The three basic services provided by credit unions to their members are: savings deposits, personal loans and life insurance.

Credit Union Size

In 1986, the "average" developing country credit union had 389 members and total assets of US\$151,000. This varied greatly by regions, however, as is shown below:

Table No. 1

Average Credit Union Membership and Assets, 1986

<u>Region</u>	<u>Average Membership</u>	<u>Average Assets</u>
Africa	240	US\$ 46,000
Asia	320	222,000
Caribbean	1,428	983,000
Latin America	1,313	394,000

Source: WOCCU Annual Statistical Report, 1986

Population Share Served by Credit Unions

At the retail level, credit unions are now serving a significant share of the working age population in many developing countries, as measured by the population penetration ratios shown in Chart No. 11. While the ratios are substantially less than that of the United States (shown for comparison purposes only), they are still important given the movement's far shorter period of operation in the developing

countries. The Caribbean credit union system is now serving 14 percent of that region's working age population, followed by 3.6 percent in Latin America, 1.5 percent in Africa and 1.4 percent in Asia. The ratios now exceed 5 percent in 23 developing countries, including 15 in the Caribbean. Individual penetration rates for member countries grouped by regions are included in Appendix 3.

Although we have no data on bank customers as a percent of the working age population in developing countries, it is probable that the number would be less than that of the credit union movement.

Savings Mobilization

Developing country credit unions have mobilized more than US\$ 2.6 billion total savings and grew at a compound annual rate of 19.5 percent during the 1972-86 period. Measured in constant value local currency terms, growth was probably even higher, since the U.S. dollar equivalents reported by WOCCU members were biased downward by the recent rise in the dollar relative to other currencies.

Credit unions generally service very small savings accounts, which are usually discouraged by other financial intermediaries. In 1986, the average account was US\$ 339; this more than tripled from US\$ 110 in 1972 and was growing at 8.4 percent per year.

Savings growth is basically fueling asset growth of the movement. Over the recent period the system has maintained a relatively stable savings to assets ratio of 82%, with both savings and assets growing at approximately the same rate.

The movement is apparently emerging as a net savings provider to the financial systems of developing countries, particularly in Africa and Asia. Overall, there appears to be a downward trend in the loan to savings ratio, from an average of 99.3 percent in 1972-76 to 89.4 percent in 1982-86 (see Chart No. 12). By year-end 1986 the aggregate loan to savings ratio had fallen to 84.2 percent.

Basic Savings Products

Credit unions in developing countries typically offer the following two types of savings account products:

Share savings accounts (traditional instrument; usually low yielding and not readily withdrawable in many developing countries; provides access to credit)

Deposit savings accounts (newer instruments; typically passbook savings and term deposits; competitively priced and structured; easily withdrawable)

In reporting total movement savings, WOCCU consolidates both types of savings accounts together, because the distinction between them is largely a matter of semantics and national or even local practice. The trend for at least the last 10 years in developing as in developed

country movements is toward what we are calling "deposit" savings. This is exemplified by Latin America data in Chart No. 13 for estimated share and deposit savings growth from 1975 through 1980 in constant 1975 U.S. dollar equivalents.

Savings Market Share

Credit unions have captured a small but significant share of the total savings market in developing countries, as measured by the sum of quasi-money (i.e., interest bearing liabilities of the banking system) plus credit union savings. Credit union savings as a percent of total savings ranged from a high of 6.2 percent in the Caribbean, to 4.3 percent in Africa, 1.2 percent in Latin America and 0.8 percent in Asia. This compares with the U.S. credit union movement's savings market share of 6.9 percent, achieved after 80 years of development. Chart No. 14 presents this information graphically. Twelve developing country movements had market shares approximating or exceeding the U.S. rate. Appendix 4 contains individual country data grouped by regions.

Savings Management

Credit unions actively mobilizing savings are often the better managed, more forward-looking institutions able to tap lower-cost retail savings and thus expand services and generate improved earnings without need for institutional borrowing. On the other hand, some aggressive credit unions have been successful in mobilizing savings, but have exceeded their asset management capabilities, resulting in liquidity difficulties and even losses to savers.

Interest Rates

Credit union interest rates tend to be "sticky" both upward and downward; rapid adjustment in the democratically controlled credit union movement is difficult and generally slow. In periods of rising market interest rates, borrower resistance tends to inhibit rapid upward adjustment of lending and savings rates. This slows savings growth and may lead to curtailment of lending activities in severe instances. On the other hand, after credit union interest rates have risen and market rates begin to fall, saver resistance tends to inhibit downward adjustment of savings and lending rates. This may lead to excessive liquidity and reduced earnings as members reduce their borrowing while savings continue to grow.

The difficulty of interest rate adjustment is also complicated by legal restrictions in some regions and countries. By-law amendments are often needed as is approval by a government agency. Rarely is rate-making in accordance with market conditions freely delegated to the Board of Directors and management.

Credit Services

Developing country credit unions had balances of US\$ 2.2 billion in loans outstanding at year-end 1986 which were growing at an annual compound rate of 18.3 percent since 1972. These credit unions granted

estimated total loans of some US\$ 8 billion in the 1972-86 period, of which perhaps 20 percent or US\$ 1.6 billion was for agricultural and small business purposes. This compares with an estimated total of US\$ 11.5 billion in agricultural and rural sector credits provided by AID, the World Bank and IFAD in the last 20 years, according to a recent AID study. Broadly-defined, cumulative World Bank/International Development Association agricultural credits probably exceed US\$15 billion.

Loans make up most of credit union assets, but the share is decreasing, from an average of 81.6 percent of total assets in 1972-1976 to 73.7 percent in 1982-1986. The growth of assets and loans for the 1972-1986 period is shown in Chart No. 15. Non-loan assets consist principally of cash and financial investments, fixed assets and non-financial investments. In some cases, the latter include investments in such non-financial services as medical clinics, consumer stores, recreational facilities, etc.

Credit Market Share

Developing country credit unions have attained relatively important shares of the total private sector credit market, as measured by International Monetary Fund statistics for claims on the private sector (monetary survey data). Chart No. 16 shows the market share held in each WOCCU-member region, with the U.S. movement included for comparison. The movement's share of total private sector credit ranged from a high of 6.5 percent in the Caribbean to 1.8 percent in Africa, 0.7 percent in Latin America and 0.6 percent in Asia. This compares with the U.S. share of 2.8 percent. Individual country market shares are included in Appendix 5.

Loan Products

In developing countries, credit union loans are typically small, unsecured, short-term, personal loans with uniform (or nearly uniform) fixed interest rates. Following are some of the key characteristics of these instruments and the lending process:

The member's personal character, savings record and future earnings potential are the prime considerations in loan approvals.

Collateral is only recently becoming an important factor, as credit unions expand their lending activities and increase loan sizes and terms; co-signers are the preferred form of guarantee.

Credit unions have simple loan application procedures and low transaction costs for the borrower. Most loans are approved by credit committees elected by the membership and functioning on an unpaid basis, although the use of paid loan officers is increasing and is widely practiced in the larger credit unions (these loan officers may or may not have actual approval authority).

The amount of the loan is traditionally based on a multiple of the member's savings balance (for example, 3 to 1). The savings balance is a convenient proxy variable for the member's earning and repayment capacity and assures that he or she has an equity share

in the activity being financed.

When necessary, credit is typically rationed by reducing loan size, stretching out disbursements or granting only the smallest loans first (the latter is often a by-law requirement).

In some countries, typically in Africa, loans must be fully secured by cosigners' savings accounts.

Ordinarily, only 1/3 to 1/2 of the members are borrowers at any given time.

Obligatory savings of 5 percent to 10 percent of the loan amount have often been required and are added to the loan balance. This increases the effective yield to the credit union (cost to the borrower) and has been a significant contributor to savings growth in many countries.

Relatively low nominal interest rates are still the norm, although they generally exceed rates for comparable loans from subsidized government development programs and intermediaries. 12 percent interest is still a traditional rate in countries where inflation has not been extreme, but many credit unions have added fees to increase their yields. Lending rates closer to private sector competitors' and/or inflation rates are now more common. Adjustable loan interest rates are only now being introduced in some credit unions.

Savings-secured or "automatic" loans are a typical method used by many members to meet their short-term cash needs without drawing down their savings balances. In some countries, these loans are used by members to withdraw their otherwise illiquid share accounts.

Portfolio Diversification

Loan portfolio diversification is a major strength of credit unions. Credit union loan programs and activities are demand driven. The members, not the credit union, determine the usage of credit, the timing of inputs and the production and marketing of their products. This greatly reduces risk to the credit union by limiting credit union involvement to a "credit" risk and dispersing loans over a wide variety of members and business activities. In contrast, the directed and planned nature of most agricultural cooperative projects, government-sponsored credit schemes and integrated rural development efforts concentrates all risk in the hands of the managers of the organizations and frequently makes them dependent on a single crop, market or business activity.

Competitive Position

Part of the reason for the success of credit unions is that they occupy a unique niche in financial markets. They complement and supplement, rather than compete directly, with the savings and lending activities of banks, savings and loan associations and government agencies. They

serve a different clientele with a different range of services, and can coexist within the same geographic area and market. Credit unions' natural competitors are moneylenders, shopkeepers and informal credit societies, but even there the size of the retail credit market permits all to serve different segments.

The market town location of most rural credit unions also contributes to their relative stability and success. The market town location effectively concentrates the geographical location of the membership and reduces the account servicing problems of low rural population density and dispersed membership. The market town location facilitates the occupational diversification of the membership and thus potentially the credit union's savings and loan portfolios, and the seasonality of its cash flows.

Loan Purposes

As noted above, credit union members determine the purposes of their loans. There is great diversity in loan purposes between individual credit unions, national movements and even regions, depending on the credit needs of the members within their particular economic environment. Credit unions finance both the demand (consumer) and supply (investment) sides of the economy, thus doubly stimulating local economic activity. The movement has traditionally classified its loans into two broad categories:

Provident loans for housing, education, health, social functions and other consumer uses. These help build human capital for long-term development through educational and health loans. Credit unions also contribute to improving the quality of their members' lives, particularly through housing and other consumer loans.

Productive loans for agriculture, land purchase and small business activities. While most of these loans contribute to increasing family cash incomes, this is not always so; in some cases agricultural loans are made for non-commercial farming purposes. These loans for the production of crops that are consumed on the farm enable farmers to balance their cash flows over the crop cycle and may contribute to raising the caloric intake and employment of rural families.

Data on loans granted according to purpose are available only through a variety of country studies and no aggregate statistics exist, even at the national level. Most individual credit unions do, however, record their loan-making activities and report to their annual membership meetings the volume and number of loans granted, classified by purpose. Based on a non-scientific sampling of these reports obtained through country studies, we offer the rough estimates of loan purposes presented in Table No. 2.

Table No. 2

Estimated Total Loans Outstanding Classified by Purpose

<u>Purposes</u>	<u>Percent Share</u>	<u>Total Balance</u>
Housing	25%	US\$550 million
Health and education	15%	330 million
Social and other consumer	40%	880 million
Agriculture and small business	<u>20%</u>	<u>440 million</u>
Total loans outstanding	100%	US\$2,200 million

Production Credit Programs

Credit unions have pioneered "production credit programs" combining credit and technical assistance with the rural outreach of the movement. The emphasis on production lending for both agricultural and non-agricultural activities has continued up to the present, with large-scale programs operating in Latin America and smaller pilot efforts in Africa (particularly Cameroon, Malawi and Lesotho) and the Caribbean (primarily Jamaica). COLAC, the Latin American Confederation of Credit Unions, has placed over US\$ 53 million in production credit loans to its member federations since 1972, with retail credits to individual members averaging slightly under US\$ 1,000.

Credit unions have been successful in these programs, but high leveraging and portfolio concentrations during the early years contributed to some problems in weaker credit unions and federations.

Channeling International Development Credit

Credit unions continue to provide an attractive institutional vehicle through which international development agencies can channel development finance. This is due to credit unions' basic financial self-sufficiency, their membership's socio-economic level, the movement's institutional experience in making and collecting wholesale and retail loans and its widespread urban and rural network of offices. The presence of the largely self-sufficient credit union network throughout the developing world means that donor-funded credit programs can be undertaken without the cost and risk of creating new institutions.

Loan Delinquency

Delinquency has been a problem for credit unions, just as it has been for most financial institutions and even governments in the developing countries. No aggregate delinquency data are available for developing country credit unions, due in part to different measurement systems and criteria and in part to the general difficulties of data collection and processing in the developing countries. Most credit unions do in fact periodically prepare delinquency analysis reports for their leadership and management. WOCU and confederation studies of these reports at the country and credit union levels suggest that movement delinquency rates may be roughly equivalent to commercial bank rates and are probably far superior to most development banks' rates.

Low delinquency, like successful savings mobilization, appears highly correlated with management quality, since poor lending policies and procedures are a major cause of collections problems. It is important to note as well, that delinquency rates are not equivalent to loan loss rates. Many delinquent credit union loan accounts are "slow pay," not "no pay." In addition, a significant portion of delinquent balances are offset by compensating savings balances, particularly the automatic loans described previously.

Credit union study data suggest that the strongest credit unions have delinquency rates of 5 percent or less while average credit unions may have rates up to 10 percent. The below average and problem credit unions may have delinquency rates ranging up to 20 percent or higher in extreme cases. Loan loss rates are probably less than half of delinquency rates in most cases.

Few credit unions write off uncollectible loans, due in part to concerns about setting precedents. Social pressure is a primary collection tool, particularly in rural areas, where it is believed that write-offs may be considered "forgiveness." In fact, relatively few rural credit union loans may be legally collectible at reasonable cost, given their low average size and the informality of security and documentation. To offset this problem, incentive systems for direct, non-judicial collections by staff, leadership and others are becoming increasingly common. "Delinquency Committees" made up of key members, leaders, and staff have been formed in many credit unions to monitor and direct the collections process.

"Insider dealing" (or loans to directors or staff and their family members and associates) has been, and continues to be, a contributing factor to delinquency. The lack of adequate regulatory supervision and external auditing of the movement complicates the problem by inhibiting the development of appropriate managerial discipline. Loan delinquency resulting from insider dealing may have been worsened in some cases by access to external credit funds provided without appropriate controls and monitoring.

Insurance services

Just as credit unions have been the successful initiators of institutionalized savings and credit services to the lower income segment of financial markets, so have they pioneered the delivery of

insurance services. Credit unions introduce the concept of insurance to population groups previously lacking any type of formal insurance coverage. Rural and urban credit unions typically offer term life insurance on savings and loan balances, both to benefit the member and to protect the credit union against loan losses due to the death or disability of borrowers.

While insurance coverage has contributed to increased costs at the credit union level, it has had an important effect in minimizing death- or disability-related loan losses and is frequently perceived as an important marketing tool.

Central Finance Services

Credit union federations, particularly in Latin America, generally offer wholesale, central finance services to their member credit unions. These services complement credit union retail services, contribute to intra-movement resource flows and usually provide net earnings to the federation to help offset the cost of training, technical assistance, promotion and other institutional development services. Subsidized wholesale credit provided by development agencies to the Latin American federations and relent by them to credit unions at near-market rates, provided the net interest income required to finance the movement's institutional development programs during its formative years. In Cameroon, West Africa, a similar approach has been used successfully, with the difference that the funds were provided by member credit unions themselves through below-market share investments in the federation. Similar capitalization methods have been used by the Latin American federations.

This section of the paper will briefly discuss the principal types of central finance services provided by the federations to their member credit unions. It will draw upon data provided by COLAC to illustrate key trends and magnitudes; unfortunately, similar data are not yet available on a consolidated basis for the other WOCCU member confederations.

Central Liquidity Facilities

Central liquidity facilities (CLFs) are key elements of the credit union savings mobilization system. Their purpose is to provide central banking services to credit unions for management of liquid reserves. The CLF can contribute to reducing the overall liquidity required in the system by pooling excess funds from individual credit unions and thereby reducing the total variance in movement cash flows. They can help increase yields to credit unions on their liquid funds by pooling small deposits into larger blocks of funds for investment in the formal financial market. The central liquidity facility usually acts as a lender of last resort for credit unions experiencing liquidity needs.

The CLF is typically capitalized by voluntary and/or required deposit and share savings investments. Share investments are based on both proportional and loan capitalization systems. In proportional systems, each member credit union is required to maintain a given percentage of its own share or savings funds invested as shares in the central fund. This percentage ranges from 5 percent to as high as 25 percent. In

loan capitalization systems, borrowing credit unions only are required to invest a given percentage, usually 5 percent, of loans received from the federation in its share accounts. Required deposits in CLFs are based on savings deposits in the credit union and have a role analogous to reserve requirements in the banking system. In credit union systems, however, there are no legal requirements and the deposits generally earn interest. 15 to 20 percent of credit union deposits typically must be maintained on deposit in the federation's CLF.

The impact of increased savings mobilization at the credit union level and the development of CLFs by the federations in Latin America, is shown in Chart No. 17. The growth of wholesale savings deposits by credit unions in their federations has greatly exceeded the growth of their share savings investments during the 1975 to 1985 period. Deposits grew from US\$ 1.6 million to US\$ 16.5 million, while shares increased from US\$ 5.9 million to US\$ 12.3 million. By 1985, deposit savings exceeded share savings by 34.6 percent and were growing rapidly while share savings growth was stagnant.

The development of CLFs has also had a significant impact on these federations' asset structure. CLF resources should be maintained in liquid investments which can readily be converted to cash to meet expected and unexpected withdrawals by the member credit unions. They should generally not be invested in loans to member credit unions which would not be readily convertible into cash in most developing country financial markets. The major exception to this is for liquidity loans to credit unions. As can be seen in Chart No. 18, the federations increased their cash and investments to US\$ 14.5 million in response to their increased deposit liabilities.

A vital collateral function of the CLF is to act as a movement "watch dog" to monitor credit union safety and soundness. Savings mobilization without adequate investment policies and managerial skills can be disastrous for the movement. A single credit union closing due to insolvency can inhibit movement expansion for years to come. Working with federation technical assistance personnel, CLF staff need to monitor movement liquidity levels, liability structure, earnings, capital and asset quality, and move rapidly to correct problems in their early stages. Improved approaches to this type of quality assurance using standard credit union classification systems and microcomputers are now being developed and implemented.

An important variant to the traditional credit union savings mobilization and intermediation model functioning in the industrialized and most developing countries has recently emerged in South America. This new approach involves direct federation mobilization of savings through retail offices, sometimes in direct competition with existing credit unions. Depending on the cost of these deposits and the level of credit demand, these funds are either lent to individual businesses or consumers or invested in the wholesale money markets. These programs have enjoyed considerable financial success, but the long term implications for the movement are as yet unclear.

Development Finance Facilities

Development finance facilities (DFFs) provide funds to credit unions for specific loan purposes (usually productive or income generating activities) and defined member groups. They are usually funded by external credits received from international development agencies. Chart No. 19 shows the recent growth trend of development finance in the Latin American federations. The volume of loans outstanding has closely tracked notes payable, the principal source of funds for these DFFs. Overall program growth has apparently slowed in current U.S. dollar terms, although the local currency impact may be substantially greater. Development finance clearly represents a significant activity at the federation level, with total loans outstanding of nearly US\$40 million at year-end 1985.

As noted previously, development finance programs have contributed significantly to the long-run financial self-sufficiency of credit union federations while at the same time expanding the volume of credit resources available at the member level. DFFs have thereby accelerated the processes of institutional development and vertical integration in the developing nations in close parallel to the evolution of national credit union and cooperative banking systems in the industrialized countries of North America, Europe and Asia.

In some cases, however, development finance support has had somewhat negative implications. These have resulted from donor constraints on credit union development activities inherent to the programs, implicit and explicit incentives to the participating organizations to modify their activities in order to qualify for funding or, more simply, the increased volume of the funding itself. Some of the critical areas of concern include:

Interest rate restrictions which have led to the pricing of credit services below the rates required to capitalize the institutions.

The availability of "cheap" funds from donor agencies may have inhibited a willingness to make the hard economic decisions that are necessary for efficient and effective operations.

The growth of some credit unions, federations and confederations may have been accelerated beyond their available managerial and other skills.

Excessive leveraging of federation and credit union equity capital (reserves and undivided earnings) has sometimes led to impairment of members' invested share capital.

Donor limitations on program activities and beneficiaries has distorted the natural growth of the credit union system in a few countries and lead to excessive portfolio concentrations and the initiation of money-losing, non-financial services.

Foreign assistance to development finance facilities is most effective when individual projects are designed and take place in the context of a broader strategy of system development. Although international donor agencies have the right to focus on individual aspects and programs within the credit union system (such as housing, small enterprise lending, or small-farmer development), support to these programs should not be implemented in such a way as to distort the effective functioning of the credit unions as financial institutions nor compete with the rational development of the system as a whole.

Commercial Credit Facilities

The increase in loanable resources in the federations, spawned by the success of credit union savings mobilization, has recently led to expanded interest in providing credit at commercial terms to credit unions, cooperatives and other types of borrowers. This type of lending differs from development finance in the simultaneous tightening of creditworthiness criteria on the one hand, and the relaxing of loan purpose restrictions on the other. The purpose of commercial lending by federations is, basically, to meet member demand and to increase net earnings and/or market share. Loan yields and guarantee requirements are substantially greater, but so are costs and potential risks. In addition to making wholesale loans to credit unions which then relend at retail to individual members, the federation's commercial credit facility (CCF) may enter into a direct relationship with the end borrower. This requires a variety of specialized mechanisms, including more stringent borrower analysis, detailed knowledge of the businesses to be financed and expanded documentation and collections activities.

Experience to date with CCF activities has not been overly positive, but the programs are still in their early, trial and error stages. WOCCU and COLAC, together with a consortium of other cooperative development organizations (Agricultural Cooperative Development International, ACIDI, and National Cooperative Business Association, NCBA), are currently working with the credit union federations of Guatemala and Honduras to implement cooperative movement-wide CCFs through specialized trust accounts. These lending facilities will finance development activities sponsored by a variety of rural cooperative federations and their affiliates.

Stabilization Facilities

Stabilization facilities (SFs) are currently operating in a tiny minority of developing country credit union federations. The purpose of a SF is to supply additional liquidity to credit unions experiencing severe financial difficulty, in order to prevent their forced closing and probable loss of savings to members. Normal creditworthiness criteria generally cannot be met by the credit union. Stabilization investments, loans or grants are made only under strict guidance and control by the federation over the distressed credit union to assure its return to safety and soundness and hence recovery of the funds.

SFs are generally funded by annual assessments levied on member credit unions. The experience of the facilities in developing countries is limited. By its very nature, financial stabilization is a difficult

task and long run profitability is dependent on the strength, size and number of viable credit unions. WOCCU and COLAC, together with ACDI and NCBA, are currently assisting the development of SFs in Guatemala and Honduras.

Insurance Services

Insurance services are, perhaps, the most profitable of federation financial services in the developing countries. Federations act as both agents for other companies and as direct insurers of their member credit unions. Federations may be among the largest of insurers, at least in terms of the number of insured persons, in many countries. They typically manage or underwrite group term life insurance and death benefit programs covering individual members and act as agents for credit union directors' and employees' travel accident coverage, individual whole life policies (in a limited number of countries) and credit union fidelity bonding. The latter is particularly important as a partial protection against losses leading to insolvency.

Savings deposit insurance is now emerging as an interest in a number of developing country movements and one Latin American federation has established a subsidiary to provide coverage to its top-ranked credit unions. This type of insurance is seen as an important tool for savings mobilization and increased competitiveness with the formal banking sector. WOCCU and COLAC will be evaluating the feasibility of establishing savings deposit insurance programs in the Guatemalan and Honduran credit union federations in the near future.

Non-financial Services

The provision of non-financial services has usually been pursued by federations using external development project finance. These non-financial business activities have included processing and marketing of basic grains, distribution and sale of agricultural inputs, cotton ginning, wholesale marketing of consumer goods, rice milling, operating urban bus services, fresh produce marketing and providing agricultural technical assistance and tractor services. While comprehensive data are not available, our finding to date is that these services have not been particularly successful. In fact, they may have contributed to a number of near failures of previously successful credit unions and credit union federations. These non-financial services have:

- Over-extended managerial and institutional capabilities;
- Increased and expanded risks;
- Tended to increase non-earning assets and reduce liquidity;
- Reduced earnings or produced losses.

Most significantly, these programs have diverted credit unions away from what they do best: develop financial systems.

Financial Performance

Developing country credit union systems generally operate in a safe and sound manner, although their levels of performance are, not surprisingly, below those of the industrialized nations. Using aggregate data for developing country credit unions (Appendix 6) and the Latin American federations (Appendix 7), we will show how the movement has performed during the recent past in a number of key operating areas. It is, after all, this successful performance which has enabled the movement to expand and grow.

Capital Adequacy

Credit union capital consists of two basic elements: members' invested share capital and institutional equity capital (reserves and undivided earnings). Together they probably account for at least 25 percent of total assets in even the most heavily deposit-oriented developing country credit unions.

In effect, share capital acts like a non-par value deposit base, forcing members to participate in the credit union's losses, if any, but also protecting it against complete insolvency. Share capital may become impaired, but the credit union is able to continue operating with minimal interruptions and generally without need for external capital infusions. Since the impairment is not realized (only a small percentage of members withdraw their shares at any given time) the vast majority of credit unions possess a substantial buffer to absorb both realized and unrealized losses.

This situation will, however, change over time as higher yielding deposit savings replace share savings. This will necessitate greater emphasis on accumulating capital reserves and undivided earnings (equity capital) to absorb losses and thus avoid impairment of par value deposit accounts. Credit unions with high notes payable to asset ratios are already in this position.

Credit union capital adequacy is generally measured through at least two key ratios: equity capital to assets and reserves to loans. Using reserves as a proxy variable for equity capital (given the limitations of our data), Chart No. 20 shows credit union performance for the last fifteen years. At year-end 1986, reserves to assets stood at 4.5 percent and reserves to loans at 6.1 percent and both ratios appeared to be rising from low points during the previous two years. Given the current level of share capital in most credit unions, this is probably adequate. However, as deposit liabilities increase, these capital ratios will also need to be increased. This will require increased net earnings and a widening of interest margins in many credit unions.

Capital at the federation level is substantially higher than it is in the credit unions. Total capital to assets (including share capital) stood at 23.3 percent at year-end 1986, while reserves and other capital accounts represented 8.5 percent of assets and 17.9 percent of loans outstanding. Substantial differences in asset structure, liquidity and concentration between the federations and the credit

unions, however, suggest that the federations' capital adequacy needs are substantially higher than for credit unions. The generally high levels of share capitalization achieved by the federations have been critically important to their weathering of the Latin American financial crisis.

Asset Quality

Asset quality is a measure of the value, risk and earning potential of the credit union or federation's assets. Three useful indicators of asset quality are the delinquency and loan loss rates and the level of earning assets in relation to funds bearing cost. As noted previously, aggregate credit union delinquency and loan loss rates are not available. However, experience suggests that the former may be in the range of 10 to 15 percent and the latter 5 percent or less for developing country credit unions taken as a whole. If this is true, then the quality of the loan portfolio is probably not a serious problem for the movement, given the level of reserves (6.8 percent of loans outstanding) and the quasi-permanent nature of member share capital. Growth and improvements in management can be expected to reduce the relative weight and financial impact of delinquency over time. Nevertheless, reducing loan delinquency is, and must continue to be, a key priority of the movement's development strategy at each system level: WOCCU, the regional confederations, the national federations and local credit unions.

A trend which credit unions will need to watch is in the area of investments in earning as opposed to non-earning assets. The share of non-loan assets in credit unions' total assets has increased substantially in the last fifteen years, rising from 16.6 percent in 1972 to 26.4 percent in 1986. While exact data are not available on the composition of these non-loan assets, they generally include cash and investments plus fixed and other non-earning assets. Since loans are the principal source of earnings for credit unions, and their share of total assets has declined from 83.4 percent to 73.6 percent, the movement may begin to experience increasing earnings pressures in the future which will require increased interest spreads.

At the federation level, a similar trend of increasing non-loan assets and decreasing loans is found. The ratio of earning assets to funds bearing cost fell from a high of 92 percent in 1979 to 80 percent in 1985. Like credit unions, federations will need to adjust their investment policies and interest rates to assure continued earnings during the years to come.

Management

Management is the key factor in credit union and federation financial performance. Maintaining and improving the quality of management is the key institutional development function of the movement. One of the greatest difficulties encountered by credit unions is attracting, training and retaining qualified staff and leadership. This problem is in large part due to the relatively small size and hence limited earnings potential of most developing country credit unions. With

estimated average total income of around US\$18,000 per year, they simply cannot afford, yet, to pay salaries competitive with formal financial institutions. However, the mystique and social prominence of voluntary or paid service in the credit union movement help to offset these economic difficulties.

Training and technical assistance provided by the federation are the principal vehicles for upgrading credit union operations and staff capabilities. This process, though slow and expensive for the federations, has proven successful over the long run.

The largely standardized structure and operations of the credit union system are powerful tools for developing managerial excellence in the educationally and economically disadvantaged sectors where the movement operates. Most credit unions are organized very similarly:

The annual general membership meeting which elects the board of directors and specialized committees, approves annual plans and budgets and votes on by-law amendments and critical issues affecting the credit union's development;

The board of directors which determines operating policies and supervises the paid manager, if there is one, or administers the credit union itself;

The credit committee which approves loans to members;

The supervisory committee which performs the internal audit;

The education committee which trains new members and borrowers in their rights and responsibilities and frequently directs membership promotion campaigns;

Paid management, if any, which operates the credit union on a day-to-day basis.

Model systems and operating guides for each of these organizational units are available to most credit unions through their federations. Standard workshops and training seminars on the role, functions and responsibilities of the board and each committee are given periodically by the federations to most member credit unions. Specialized training and model systems are provided to managers in the critical areas of accounting, financial management, loan-making, delinquency control and collections. The regional confederations provide technical guidance to federations in the design and documentation of these and other systems. For example, ACCOSCA has assisted virtually all of the African federations to codify their national credit union accounting and auditing systems through its continental training program.

Earnings

Credit unions are profitable financial intermediaries. This is due to such basic operating efficiencies as: unpaid volunteer leadership (and sometimes even volunteer management), low salaries, "humble" office

facilities and simple procedures. About 85 to 90 percent of credit union income is produced by the loan portfolio, other financial investments produce about 5 to 10 percent and the remainder comes from fees and occasionally non-financial services. Expenses are comprised of operating costs, interest cost of liability funds (deposit savings and notes payable) and bad debts. Generally 40 to 60 percent of income is consumed by operations, interest costs consume 10 to 20 percent and the remaining 20 to 50 percent is available for reserves, dividends on share savings and additions to undivided earnings (accumulated surplus).

Table No. 3 presents relatively recent earnings rates for over 400 credit unions in the Caribbean and Latin America, obtained through regional studies conducted jointly by WOCGU, CCCU and COLAC. They are the most comprehensive data available and show a good comparison of the effects of financial structure on credit union earnings. The table shows the income, expenses and net earnings of credit unions as percent rates on their average total assets (a spread analysis).

The Caribbean credit unions are funded almost entirely by shares, (about 80 percent of assets), with total liabilities of about 10 percent of assets and equity capital also about 10 percent. Loans outstanding stood at about 81 percent of assets and cash and investments at another 10 percent. Inflation rates in the Caribbean are relatively low and competition in the financial markets is minimal. The Latin American credit unions, on the other hand, were confronted with hyper-inflation and relatively competitive financial markets. Their capital structure showed shares at 33 percent of assets, liabilities at 60 percent and equity capital at 7 percent. Loans outstanding represented 70 percent of assets, cash and investments 6 percent and other assets 24 percent.

Gross interest yields differed markedly, with the Latin American credit unions experiencing nearly twice the yield as the Caribbean credit unions. At the same time, the Latin Americans' interest costs were some ten times higher and their net operating costs about twice as high. Operating spreads varied from 3.3 to 4.1 percent and estimated reserve additions from 1.2 to 1.4 percent. The net spreads were 2.1

Table No. 3

Estimated Credit Union Earnings
Percent Rates on Average Total Assets

	Caribbean <u>(1984)</u>	Latin America <u>(1980)</u>
Interest yield	8.8	15.5
Interest cost of funds	<u>(0.4)</u>	<u>(4.0)</u>
Net interest spread	8.4	11.5
Operating cost	(4.6)	(10.4)
Non-financial income	<u>0.3</u>	<u>2.2</u>
Net operating cost	<u>(4.3)</u>	<u>(8.2)</u>
Operating spread	4.1	3.3
Additions to reserves (estimated)	<u>(1.4)</u>	<u>(1.2)</u>
Net spread	<u>2.7</u>	<u>2.1</u>

Earnings at the federation level are substantially different from the credit unions. Many developing country federations receive external assistance to support at least a portion of their institutional development services to member credit unions, particularly in Africa, Asia and the Caribbean (where development of business operations by federations has only recently begun). Financial self-sufficiency has been achieved by most Latin American federations and a number of federations in other regions. Most of these self-sufficient federations operate at, or close to, the break-even point. Even where they offer central finance services, net operating expenses consume the bulk of their interest margins and non-financial income contributes a significant share of total income. The operating performance of the Latin American federations is presented in Table No. 4.

Table No. 4

Latin American Federation Earnings
Percent Rates on Average Total Assets

	<u>1975</u>	<u>1980</u>
Interest yield	8.9	13.1
Interest cost of funds	<u>(4.2)</u>	<u>(7.6)</u>
Net interest spread	4.7	5.5
Operating cost	(13.3)	(11.0)
Non-financial income	<u>9.1</u>	<u>6.0</u>
Net operating cost	<u>(4.2)</u>	<u>(5.0)</u>
Operating spread	0.5	0.5
Additions to reserves (estimated)	<u>(0.2)</u>	<u>(0.2)</u>
Net spread	<u>0.3</u>	<u>0.3</u>

Liquidity

Developing country credit unions are inherently highly liquid intermediaries. This is due to the nature of their asset and capital accounts. Credit union assets are primarily invested in short-term loans to members, whereas they are funded by nearly permanent or at least very long-term share savings. WOCUC estimates of loan turn-over and annual repayment rates for these credit unions are, respectively, 70 percent and 50 percent. This implies an average loan term of two years or less; in many cases the terms are even shorter. As a result, credit unions generally have cash loan recoveries which are more than adequate to meet share withdrawal requirements. In fact, share growth due to new accounts generally exceeds withdrawals, so that essentially all loan recoveries can be relent to members.

The expansion of deposit savings and institutional borrowing by credit unions from their federation central finance facilities has created greater need for liquidity management skills. Savings deposits and notes payable reduce the effective term of the credit union's funding. Matching the terms of loans and investments to the terms of the deposit savings and notes payable becomes necessary to assure that cash inflows will be sufficient to meet expected cash outflows. Careful term matching of these asset and liability accounts also minimizes interest rate risk of credit unions and federations.

The development of central liquidity facilities by the federations has been a response to the build-up of deposit savings accounts. The CLFs require member credit unions to track their deposit savings positions and maintain defined levels of liquid assets in the federation and other financial institutions. The declining ratio of loans to savings, a traditional liquidity measure in the movement, reflects in part the implementation of more disciplined liquidity management practices.

When credit unions do have liquidity deficit problems, they generally result from a few basic problems: mis-matching the terms of funds by source and use; excessive delinquency; savings or share withdrawals due to lack of confidence or better financial opportunities elsewhere; and, excessive loan demand. The latter may be caused by too-low loan interest rates.

Excess liquidity can also be a problem for credit unions. If the condition is due to excessively high interest rates on savings, the credit union may be tempted to invest in high yielding, long-term or risky loans and investments in order to maintain its earnings levels. This may lead to high delinquency and asset write-downs. Excess funds may also be invested in non-financial service activities, frequently reducing liquidity and earnings in the longer term. Some WOCU studies show strong correlations between high non-financial asset positions and low solvency indicators.

V. DEVELOPMENT ISSUES

The credit union movement in the developing countries is still in its formative stage. Credit unions are growing successfully, developing their operating methods and systems and reaching an ever larger proportion of the financial marketplace. Federations in most regions are well on the way to achieving technical and financial self-sufficiency in providing wholesale institutional development and financial services to their member credit unions. Regional confederations have developed their own special capabilities to serve their member federations. In Latin America, COLAC is specialized in regional financial services. In the Caribbean, the CCCU provides resource coordination and technical development services. In Africa, ACCOSCA is implementing a regional training strategy and in Asia, ACCU concentrates on promotion and organization.

The credit union movement will need to address a number of key issues affecting its development programs during the coming decades if the system is to continue its successful growth and expansion. Each of these issues is briefly discussed below.

Improve Quality of Management, Leadership and Membership

The technical and managerial skills of managers and leaders will need to be constantly upgraded to keep pace with growth, the increasing complexity of operations and a rapidly changing environment. Salaries will have to be improved and training efforts enhanced.

Policies will have to be modernized to guide these ever more complex operations and enable credit unions to respond flexibly and rapidly to changing market conditions.

Better planning techniques will be required to guide individual credit unions, federations and confederations as they reach an ever wider sector of the population and enter into increased competition with formal financial intermediaries.

Effective use of new technologies will be necessary if credit union cost advantages are to be maintained while their size increases.

Increased member education, particularly in the area of personal financial counseling, will be necessary to assist new entrants to institutional financial markets to use credit and savings opportunities effectively.

The technical consolidation of federations will be required if they are to keep pace with the growth and development of leading credit unions.

Build Adequate Capital

Continued growth of credit union deposit savings will increase the need for equity capital. The movement will need to develop new operating standards and disciplines to assure that equity capital grows in balance with liabilities. This will include setting minimum requirements in the areas of: equity capitalization, transfers to capital reserves and undivided earnings, formation of bad-debt allowances and limitations on deficit operations.

Products and Pricing

Increased penetration of the financial market will require greater diversity in product offerings at both the credit union and federation levels. Functional cost analysis, break-even analysis and cost accounting systems will be required to determine appropriate prices for new products. Increased equity capital requirements will necessitate wider spreads.

Marketing

Credit unions cannot be all things to all people; improved techniques will be required to define the markets served by the movement and identify the financial products that they require and which can be delivered at competitive prices by the system. Expanded promotional efforts will be necessary to sell these services.

Preserve Cooperative Ideals

The movement will need to maintain its unique combination of democracy, social goals and economic efficiency. Leadership, staff and membership development programs must focus on maintaining the movement's philosophical tradition and culture. This is indispensable if the

movement is to retain its close identification with and service to members as primary institutional goals. This service relationship will continue to be the basic competitive advantage of credit unions even as they grow beyond the stage of personally knowing all of their members.

Regulation and Supervision

Improvements in both self-regulation and external regulatory supervision are needed to maintain system discipline and prevent abuses such as insider dealing. The development of savings deposit insurance and stabilization facilities will help protect members from losses due to insolvency. Expanded links between the developed and developing movements at both the governmental and credit union system levels will be required. Experience in credit union regulation and supervision available from the industrialized nations will need to be adapted and made available to the developing countries. Governments in developing countries will need to specialize in their regulatory functions and leave promotion and development to the movement.

Access to Central Banking Systems

The rapidly expanding role of credit unions in financial markets requires that the movement gain access to central banking services. Access to rediscount and lender of last resort facilities are required to assure that national credit union systems have sufficient liquidity support to withstand financial market crises.

VI. DEVELOPMENT STRATEGY

The development strategy of the international credit union system is to repeat, duplicate and reproduce the institutional and financial development processes which have made the movement successful for the last 130 years. These processes have built a rapidly growing, multi-billion dollar financial system circling the globe which brings institutionalized financial services to millions of families previously excluded from the formal financial sector. The importance of this strategy to development planners, financiers and administrators lies in the fact that in many parts of the world, credit union development is the first step in formal financial market development.

The key activity components of the global credit union development strategy are summarized below:

- * Concentrate on the institutional development of existing credit union organizations at the local, national and regional levels. Avoid the "top-down" creation of new, externally financed institutions. Utilize the vast human resource base of experienced credit union professionals and the proven technical tools of both developing and developed movements, to design and implement programs tailored to the needs, condition and potential of each member country. Target external donor resources on building the technical and financial capabilities of the federations and

confederations to manage and sustain their own institutional development programs.

- * Create conditions for the emergence of new credit unions, federations and confederations, based on the principles of self-help, local initiative and private capital investment. Stimulate demand for credit union services at the local level and a desire to emulate the movement's success at the national and international levels. Build the movement from the bottom up and rely on democratic decision-making to guide the development process.
- * Implement integrated organizational and financial development strategies focussed on:

Institutional strengthening and human resource development at the member, leader and employee levels within the movement and in complementary government regulatory and central banking systems as well;

Improvement of capitalization, savings mobilization and financial stabilization mechanisms; and,

Enhancement of asset quality and credit management capabilities.

VII. THE CREDIT UNION DEVELOPMENT MODEL

The credit union is one of the most widely tested model vehicles for socio-economic development in the world. The credit union model has shown itself to be highly adaptable to a variety of legal, cultural and economic environments and, unlike many approaches, it has been proven successful during 130 years of operation throughout world.

The foundations of this model are:

Principles and philosophy

The unique nature of credit unions as democratic, politically independent, member-owned, non-profit cooperative financial intermediaries specialized in providing low-cost, retail financial services to consumers and producers.

Institutional structure

An integrated national, regional and worldwide credit union system providing:

Financial services;

Technical assistance, development and support services; and,

Self-regulation and quality assurance.

Market

A strong market position and extensive rural and urban networks serving persons lacking access to the formal banking and insurance sectors.

Finance

A self-financing movement, capable of generating adequate capital resources through savings mobilization and covering financial and operating costs through earned income.

Building on these foundations, the international credit union movement has established successful financial systems and democratic representational structures in over 71 developing countries during the last 40 years. These national and regional credit union systems provide vital access to institutional financial services for nearly 8 million families in developing countries around the globe. This network of some 20,000 individual financial institutions possesses total assets exceeding US\$ 3 billion and growing over the last 15 years at over 19 percent annually.

Standardized organizational structures and operating systems facilitate the creation of new credit unions and guide the institutional development of existing ones.

An increasing array of savings, loan and insurance products are being offered to the membership at prices which produce reasonable net income. Basic operating efficiencies of the system maintain relative competitive advantages for the movement. Financial operations are being managed in a safe and sound manner and improved institutional development and monitoring systems are strengthening the movement's financial condition. Specialized approaches are being developed and implemented to resolve problems where they exist.

The World Council of Credit Unions and its member organizations are continuing to build successful financial systems through expanded technical assistance, training and resource mobilization efforts using time-tested strategies and techniques. The movement in developing countries is becoming increasingly capable of operating and sustaining its own institutional development and financial service structures. The role of credit unions in financial sector development is passing from the formative, introductory phase into a period of broadening and enhancing the financial service options available to its current and potential membership.

CHARTS

CHART 1

SAVINGS GROWTH 1972 - 1986

WOCCU MEMBERS - DEVELOPING COUNTRIES

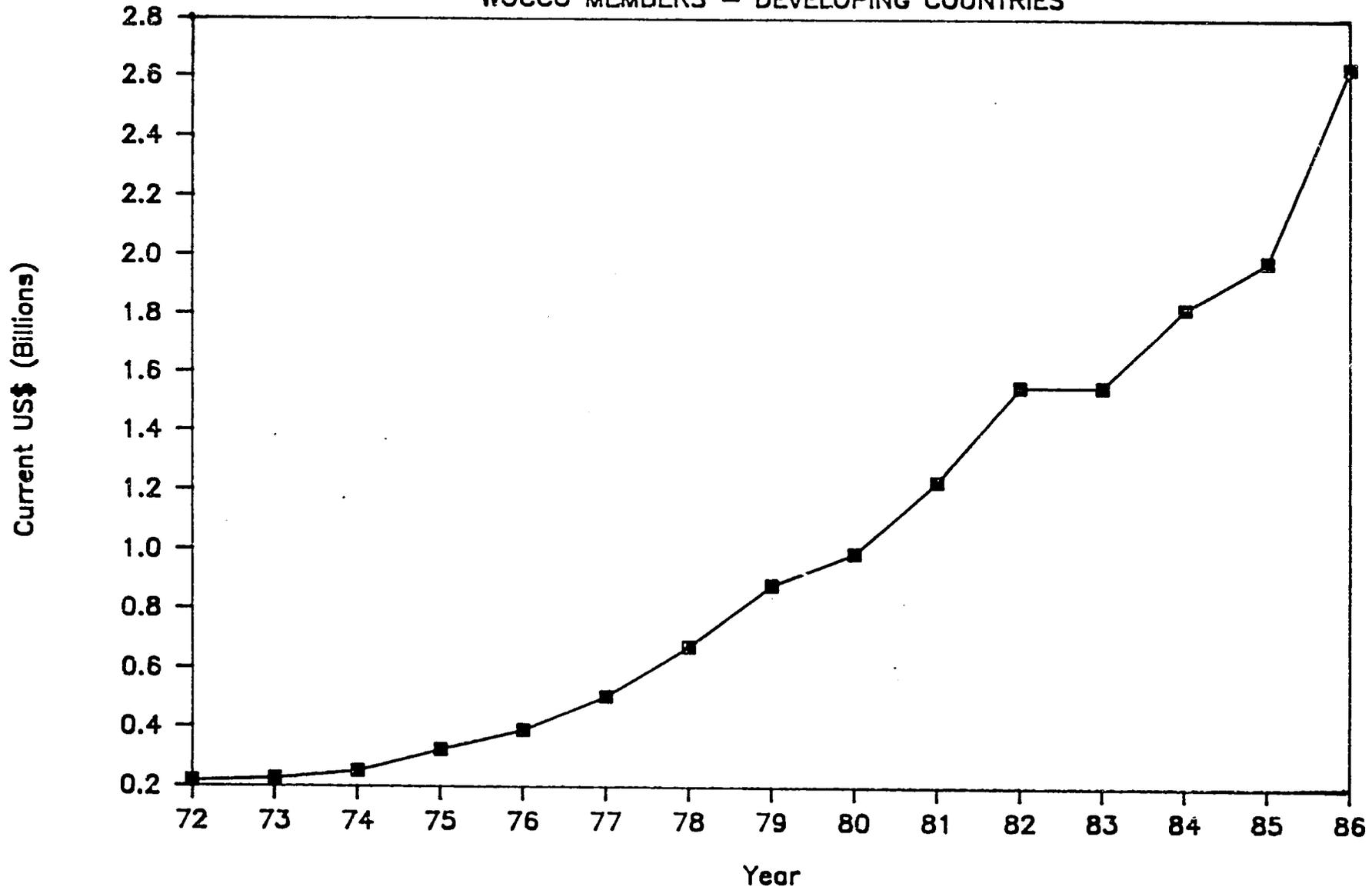


CHART 2
AVERAGE SAVINGS ACCOUNT BALANCE

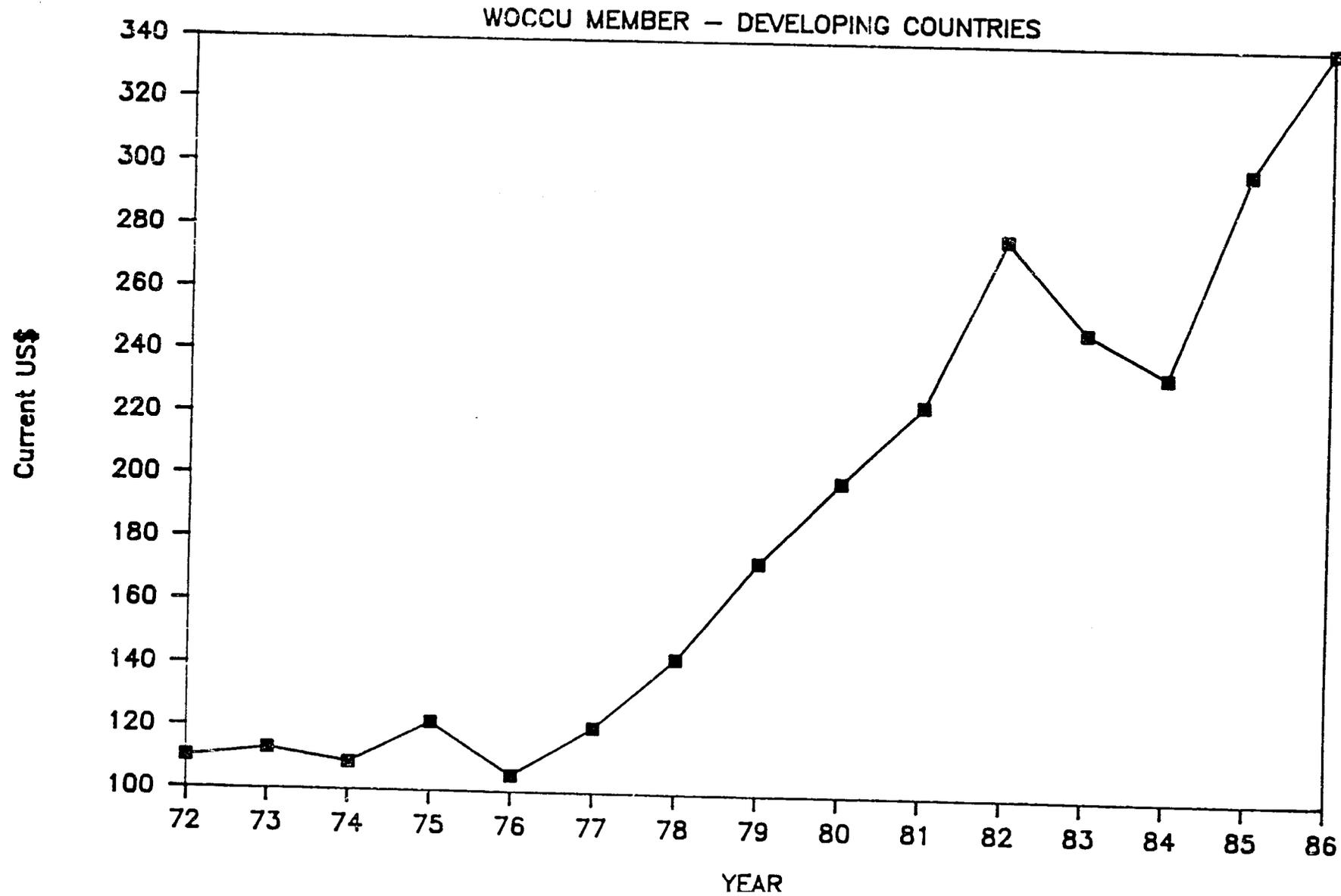


CHART 3

MEMBERSHIP GROWTH 1972 - 1986

WOCCU MEMBER - DEVELOPING COUNTRIES

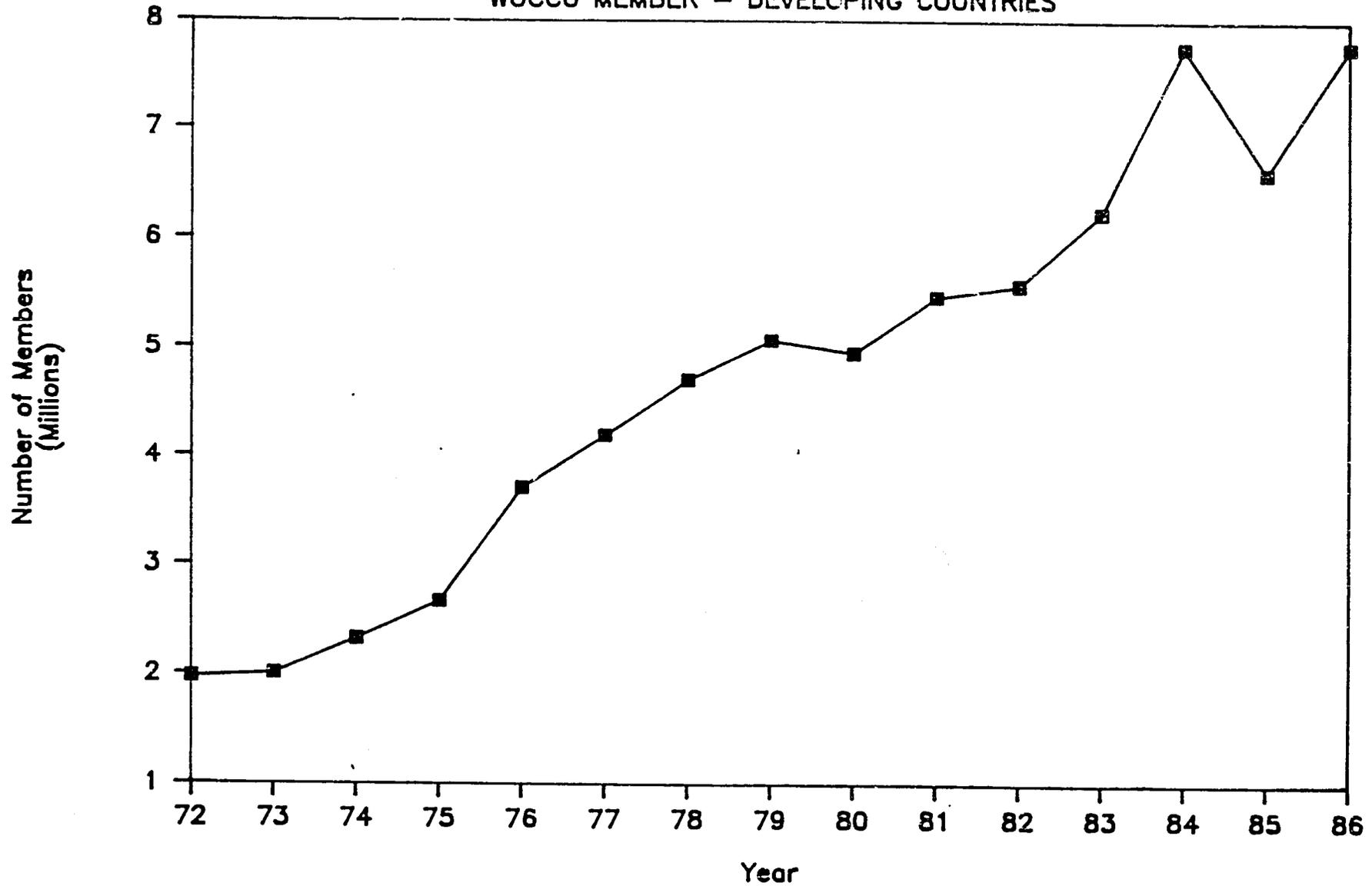


CHART 4

NUMBER OF CREDIT UNIONS 1972 - 1986

WOCCU MEMBER - DEVELOPING COUNTRIES

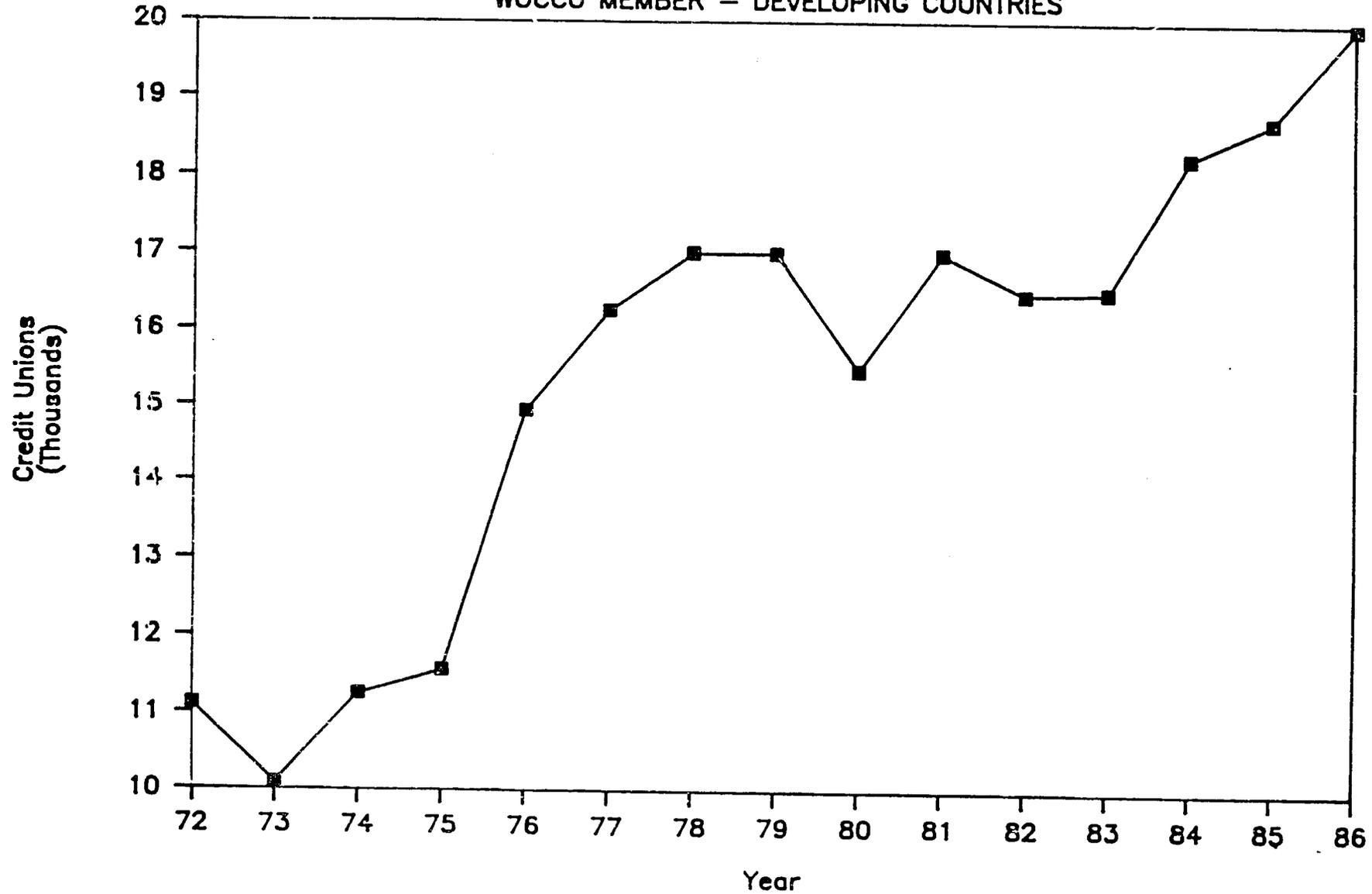


CHART 5

1986 MEMBERSHIP BY REGIONS

WOCCU MEMBER - DEVELOPING COUNTRIES

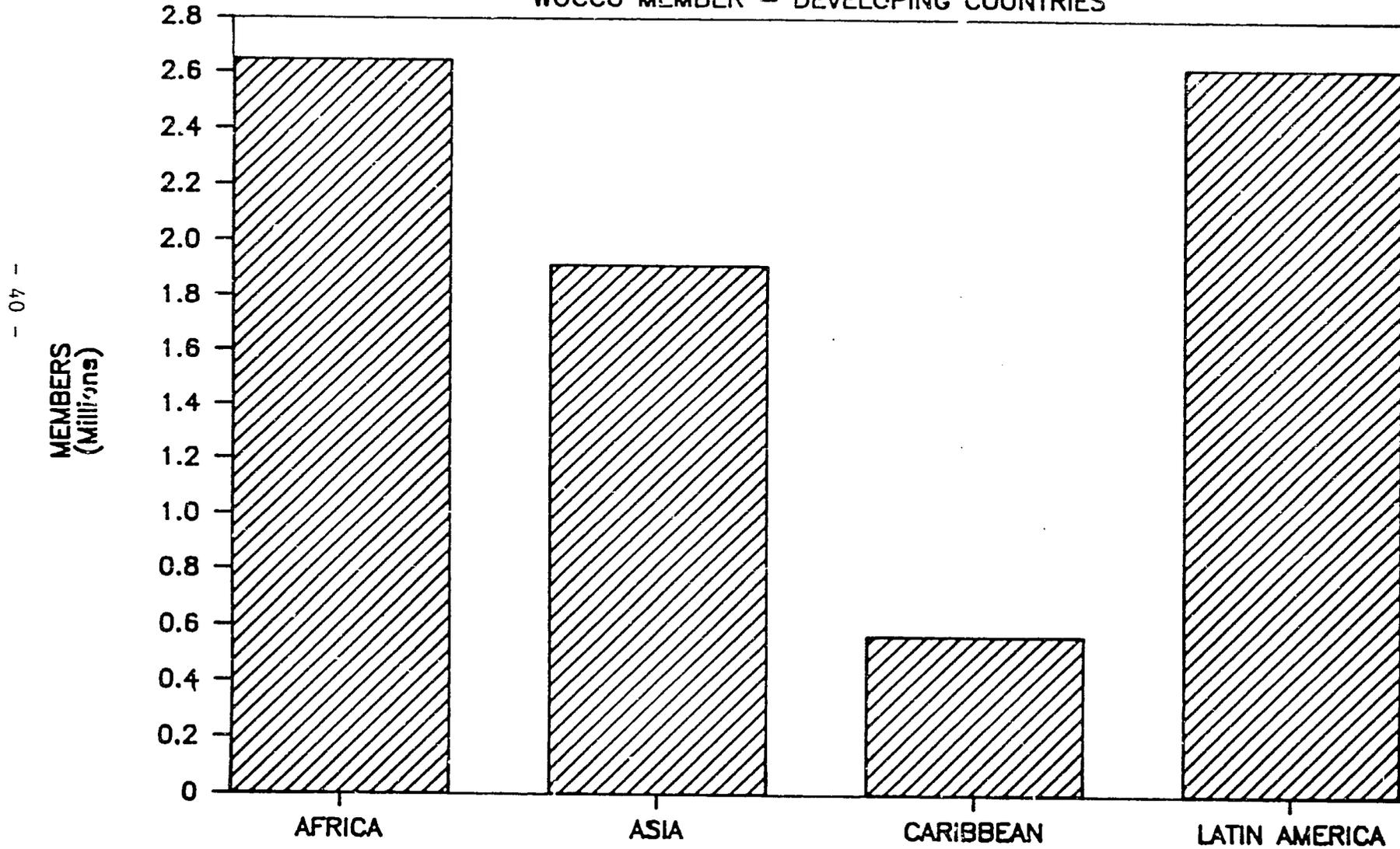


CHART 6

NUMBER OF CREDIT UNIONS 1985

WOCCU MEMBER - DEVELOPING COUNTRIES

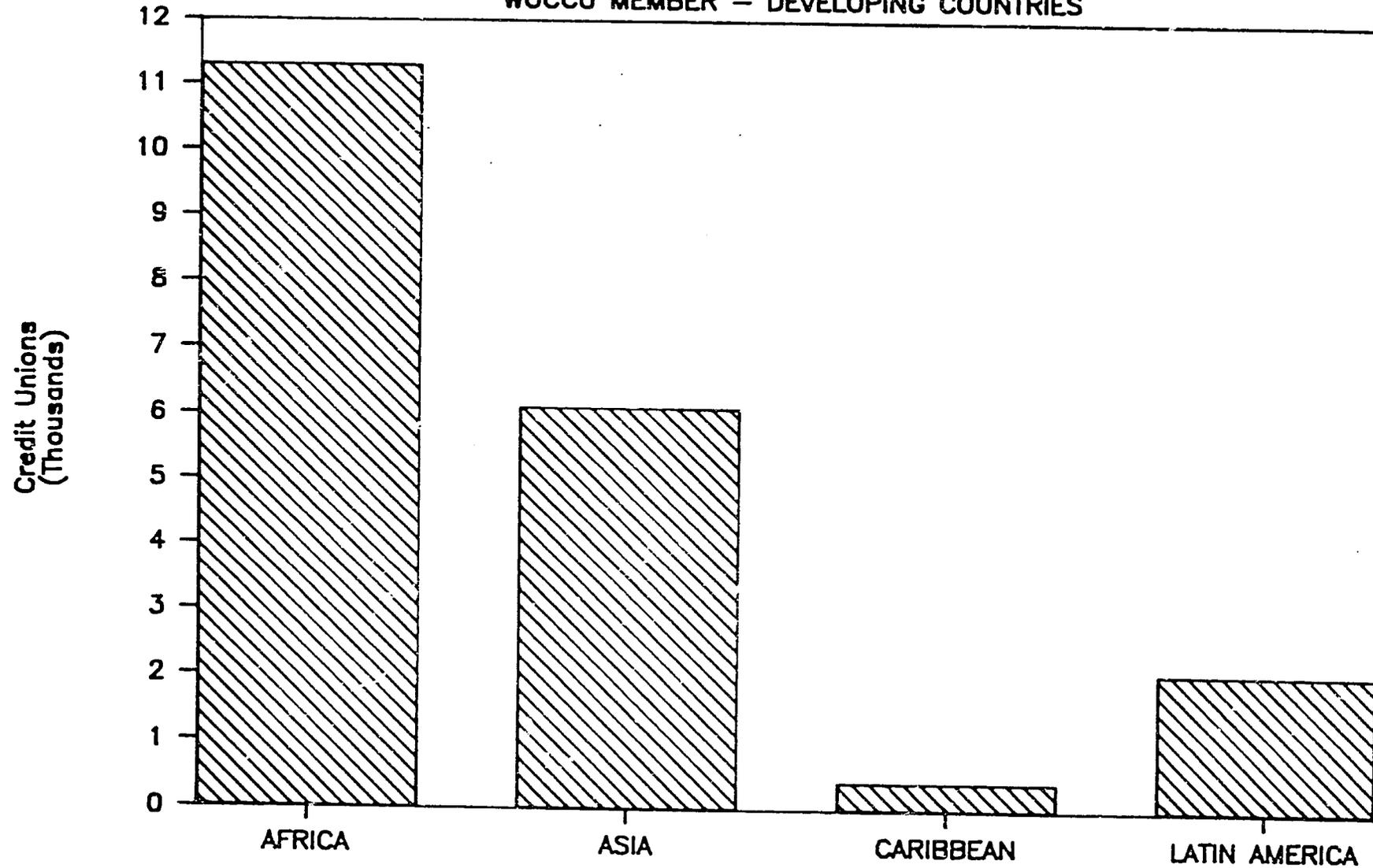


CHART 7

GROWTH OF SAVINGS AND LOANS

WOCCU MEMBER – DEVELOPING COUNTRIES

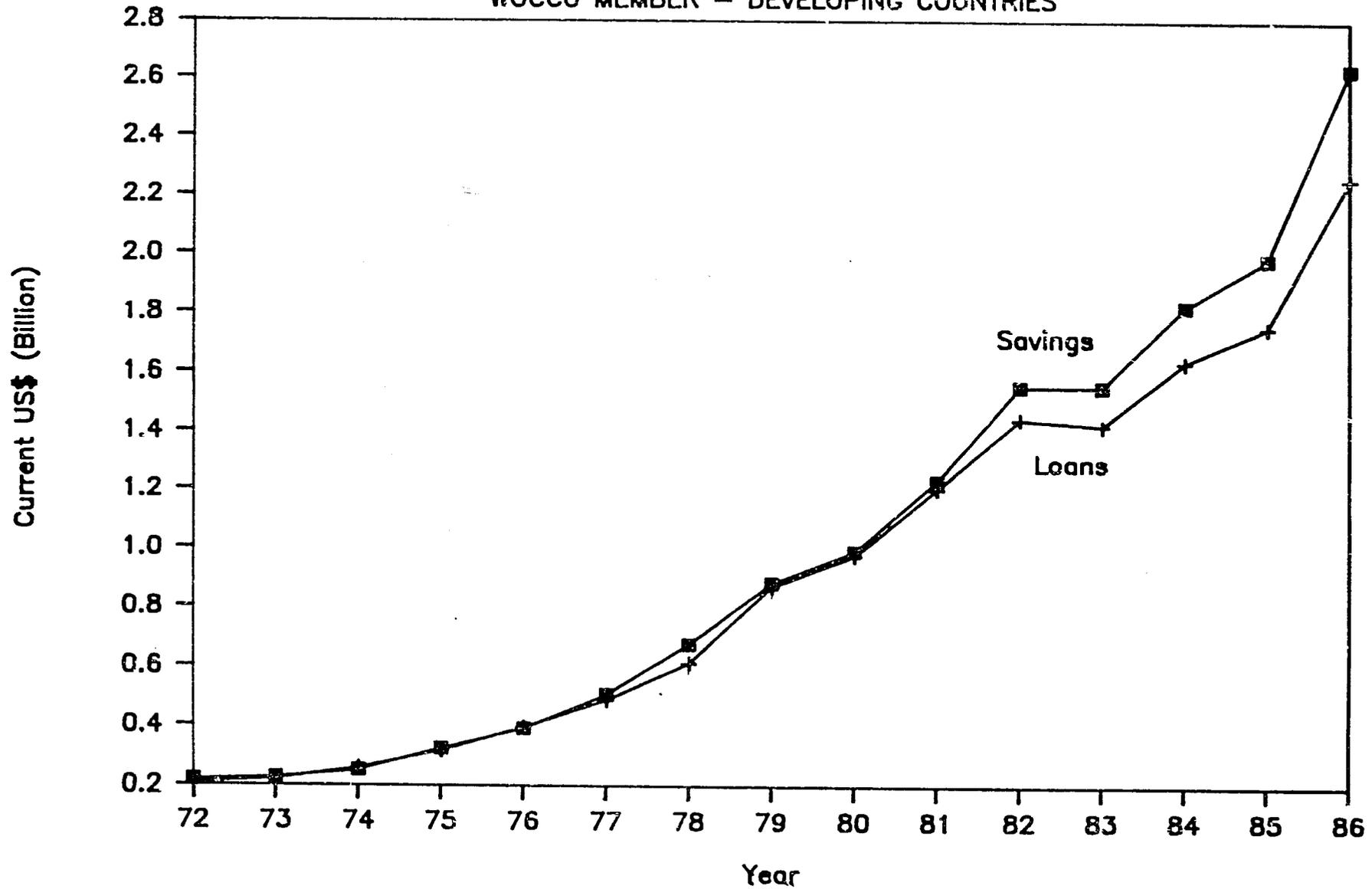


CHART 8
SAVINGS AND LOANS - 1986

WOCCU MEMBER - DEVELOPING COUNTRIES

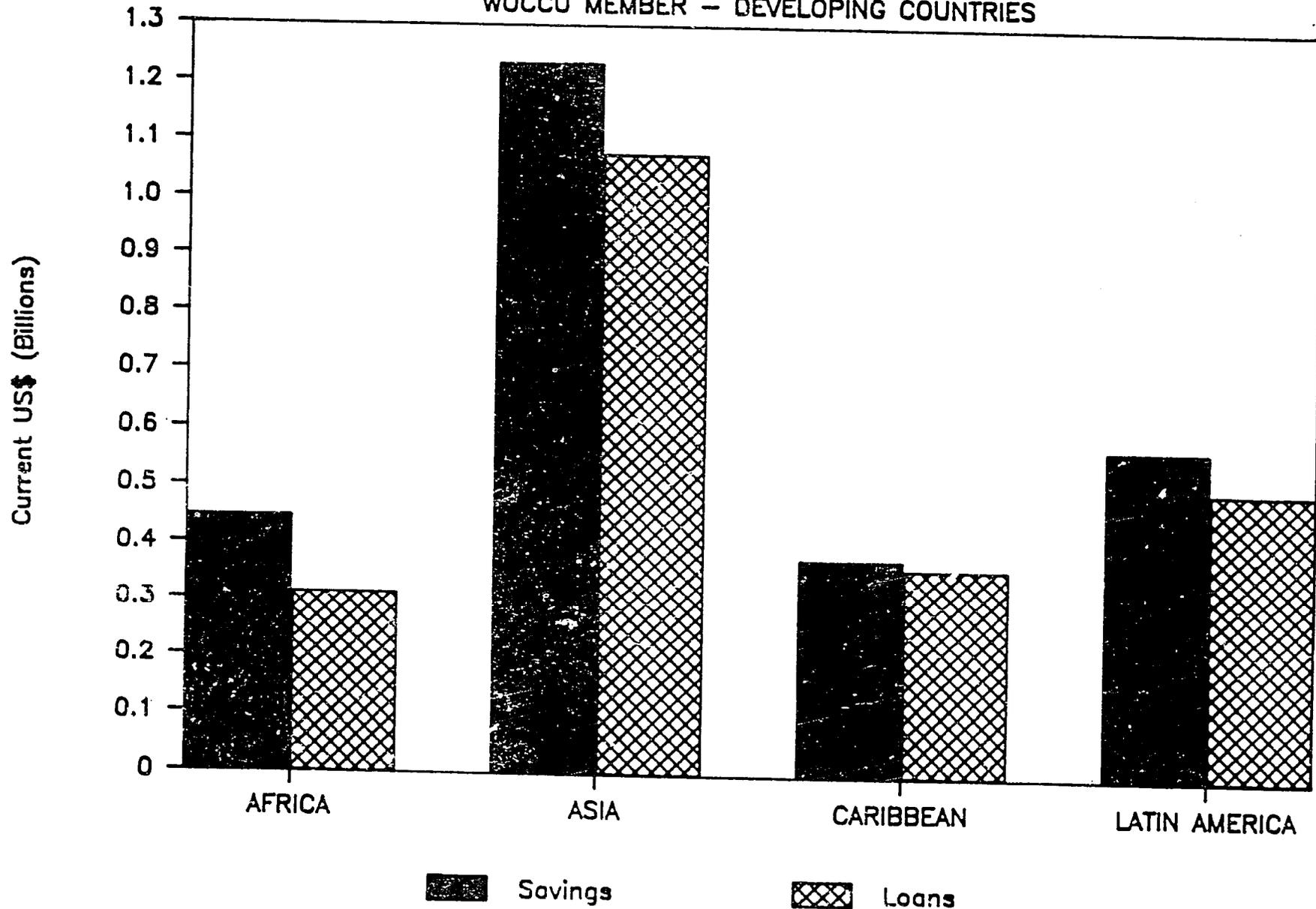


CHART 9 SOURCES OF FUNDS 1972 - 1986

WOCCU MEMBERS - DEVELOPING COUNTRIES

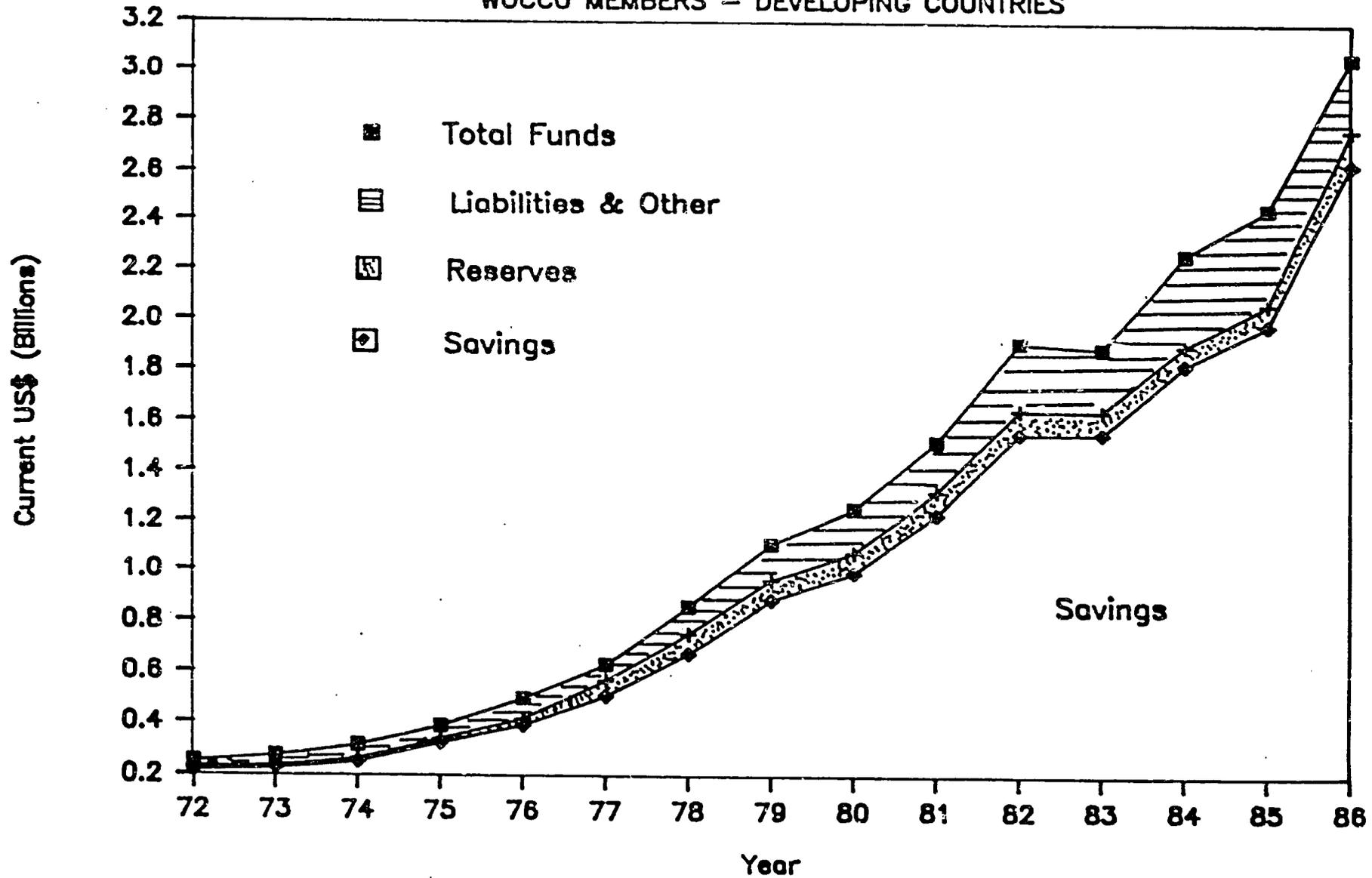


CHART 10
TOTAL CREDIT UNION FUNDING – 1986
WOCCU MEMBER – DEVELOPING COUNTRIES

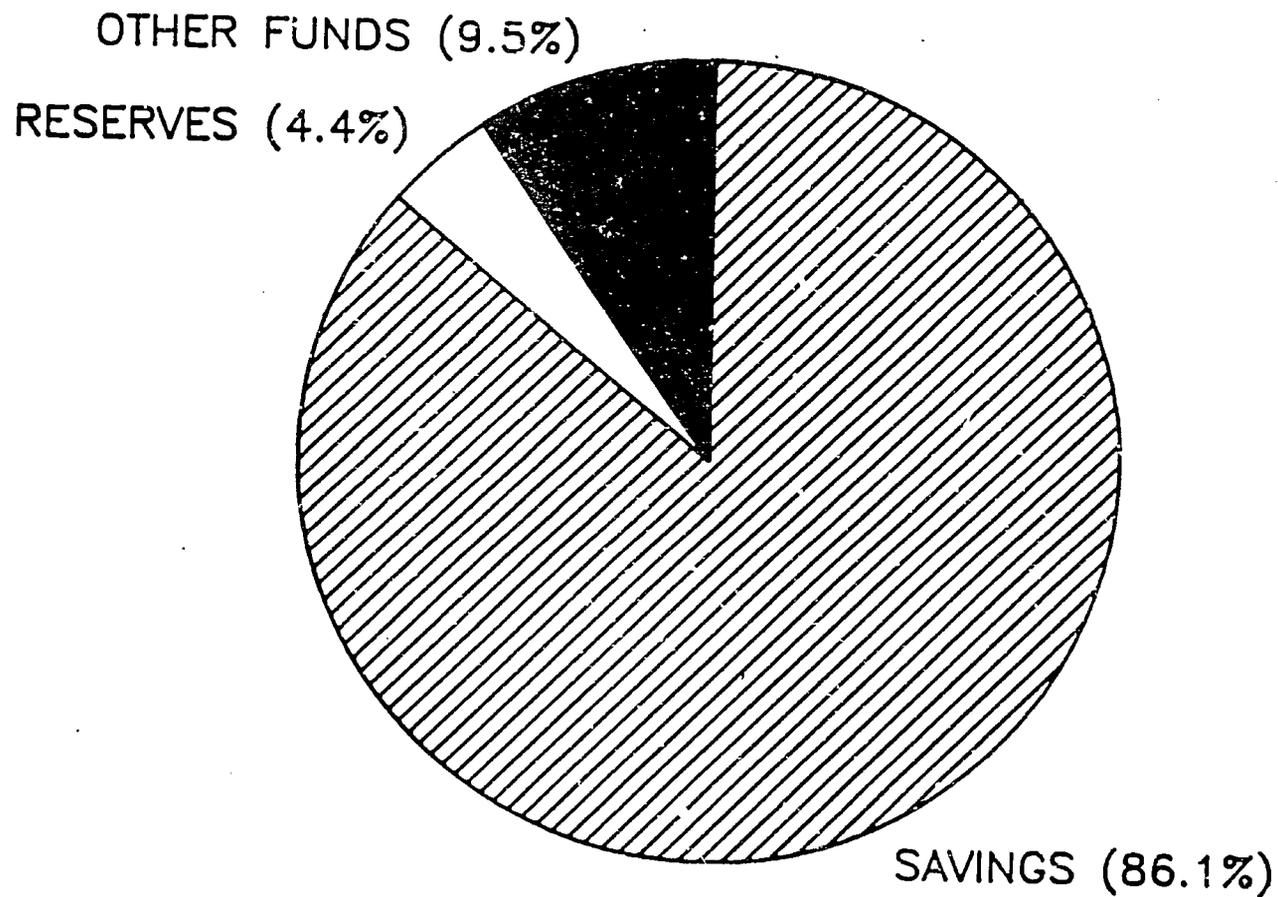


CHART 11

POPULATION PENETRATION RATIOS—1986

PERCENT SHARE OF WORKING AGE POPULATION

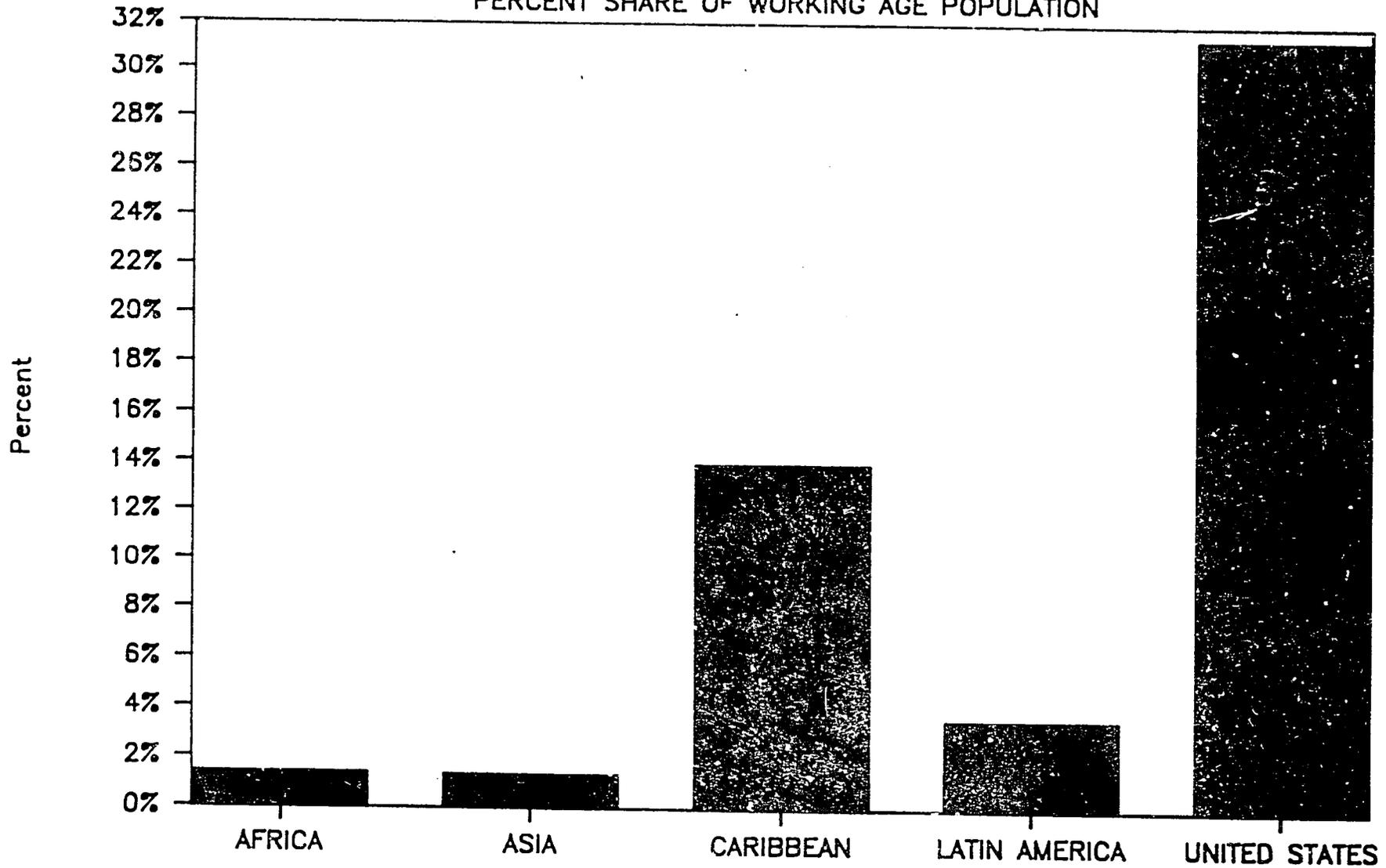


CHART 12
LOANS TO SAVINGS RATIOS 1972-1986

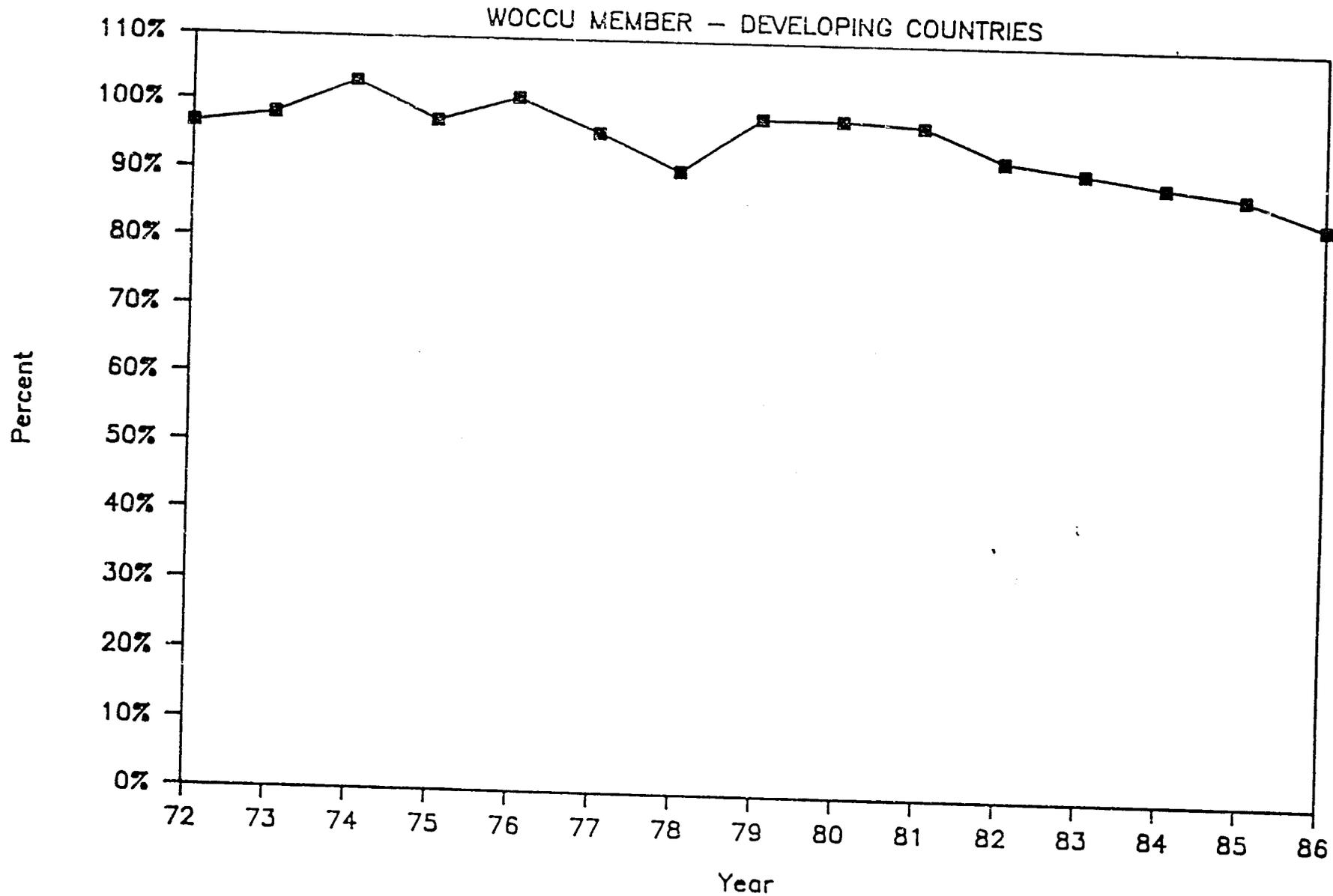


CHART 13

ESTIMATED DEPOSITS & SHARE SAVINGS

LATIN AMERICAN CREDIT UNIONS 1975-1980

- 48 -

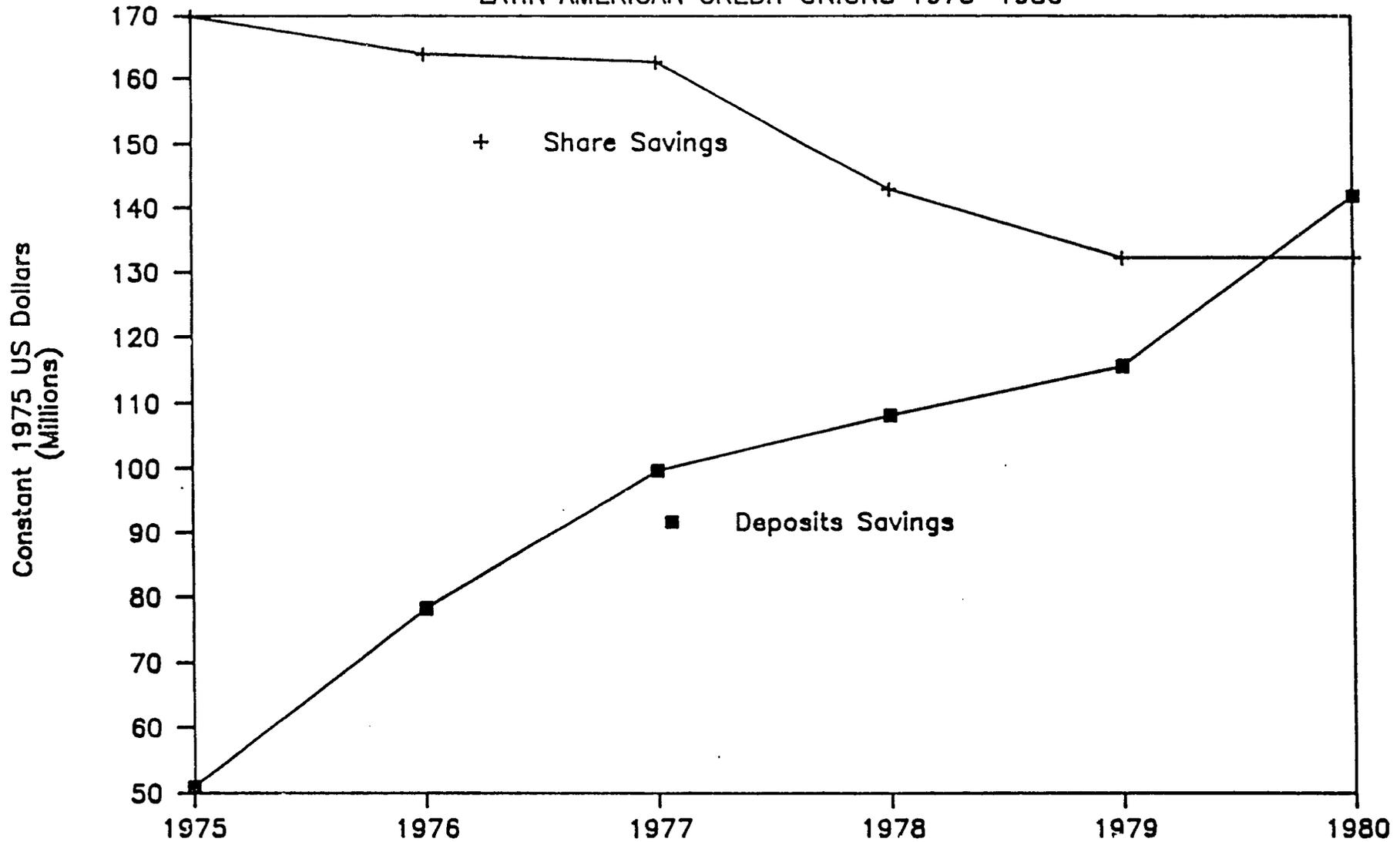
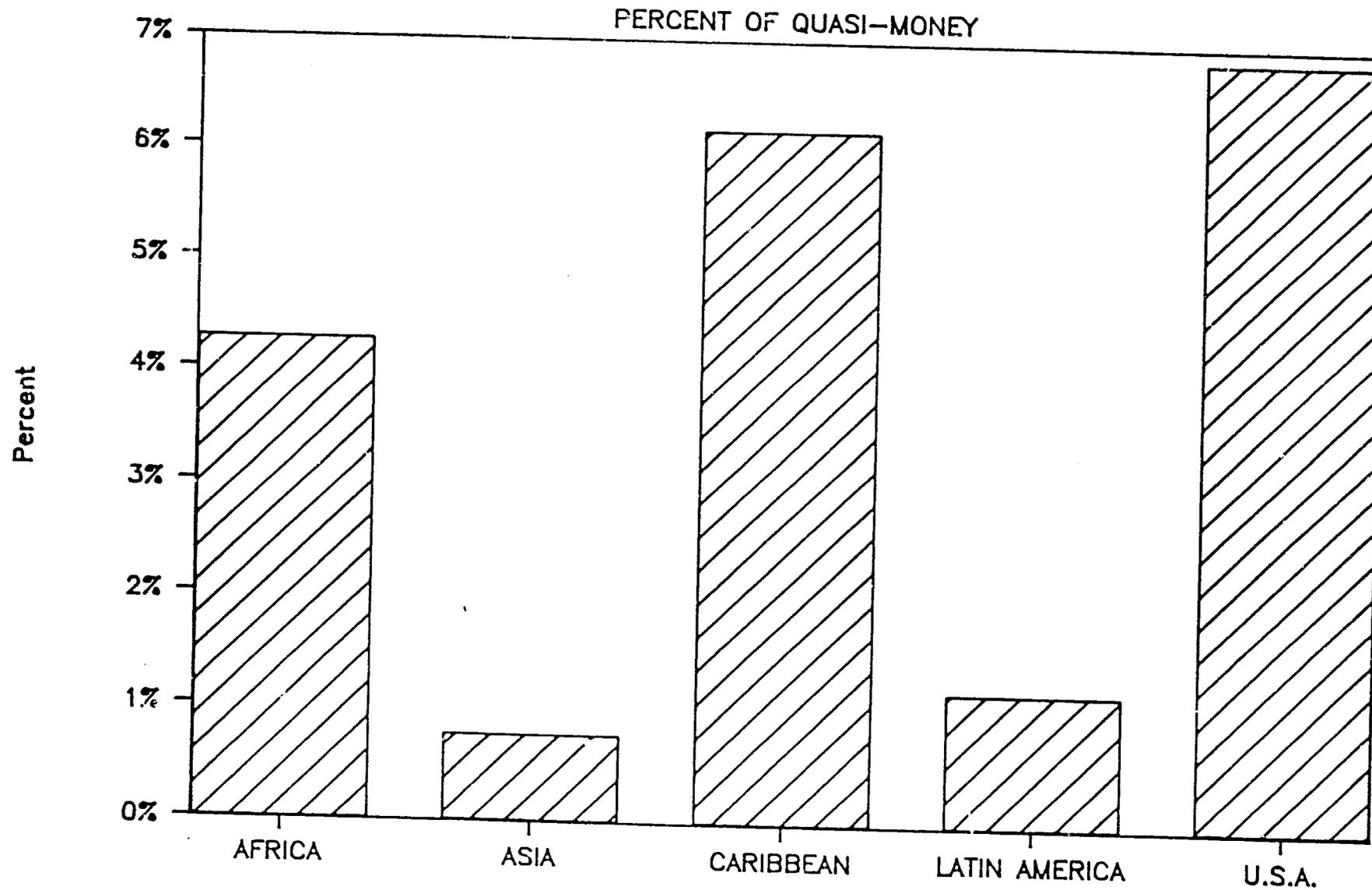


CHART 14
CREDIT UNION SAVINGS MARKET SHARE—1986



Note: Quasi-Money obtained from line 35, IMF Intl Statistics 7/87

CHART 15

GROWTH OF LOANS & TOTAL ASSETS 1972-86

WOCCU MEMBER - DEVELOPING COUNTRIES

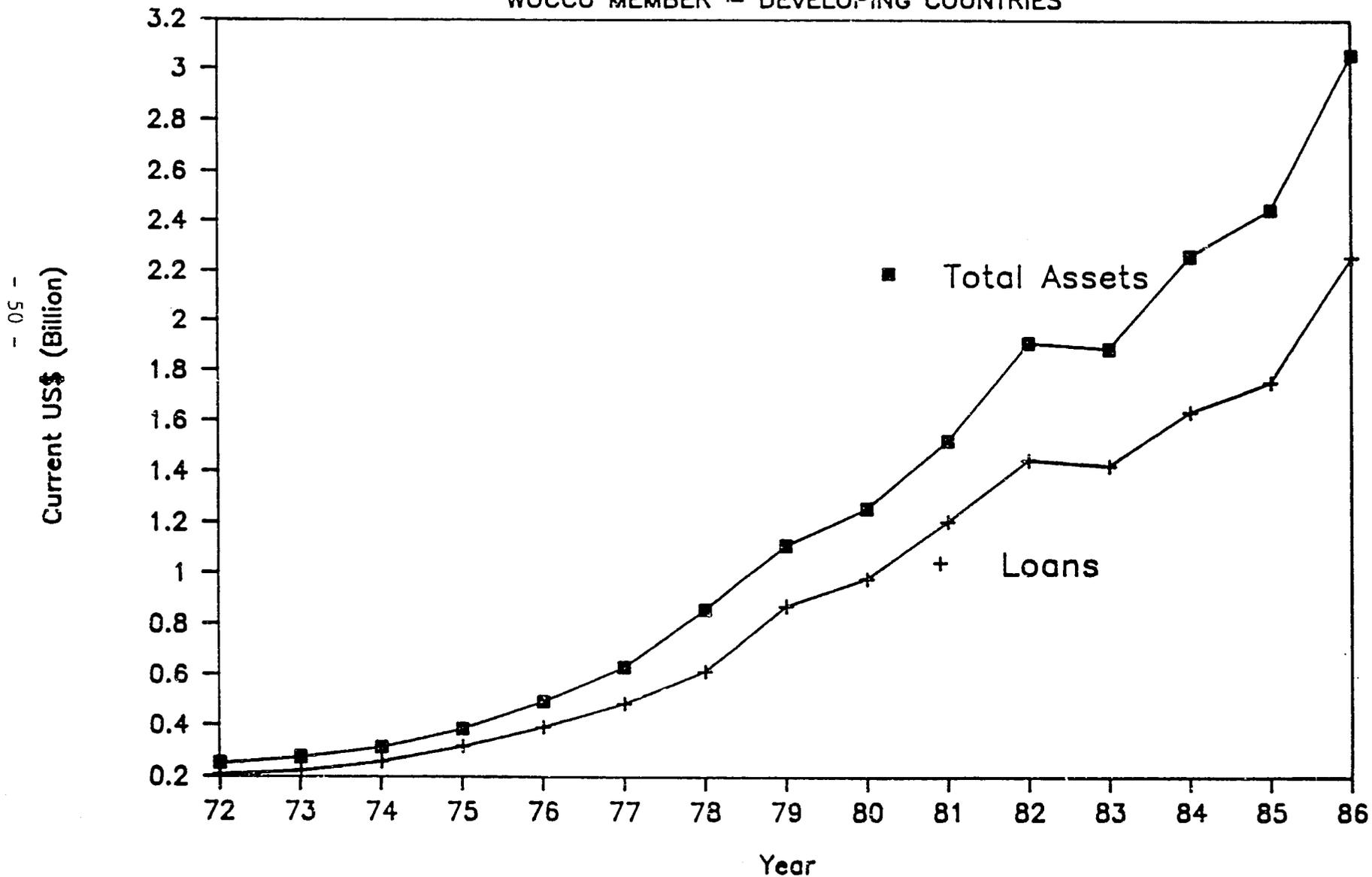
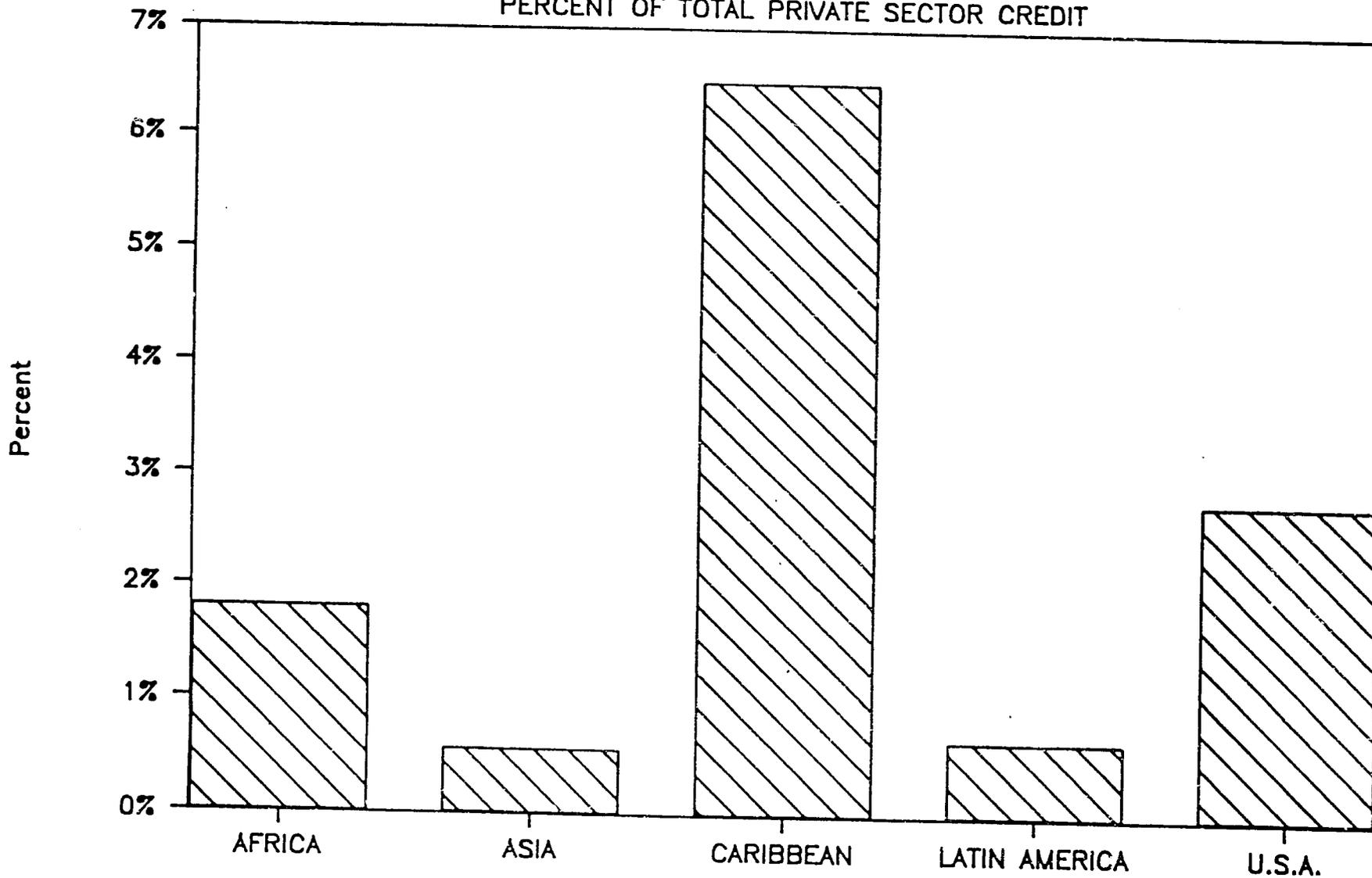


CHART 16
LOAN MARKET SHARE - 1986

PERCENT OF TOTAL PRIVATE SECTOR CREDIT



Note: Private Sec Credit obtained from line 32d, IMF Intl Statistics 7/87

CHART 17

FEDERATION SAVINGS GROWTH

COLAC—MEMBER FEDERATIONS 1975—85

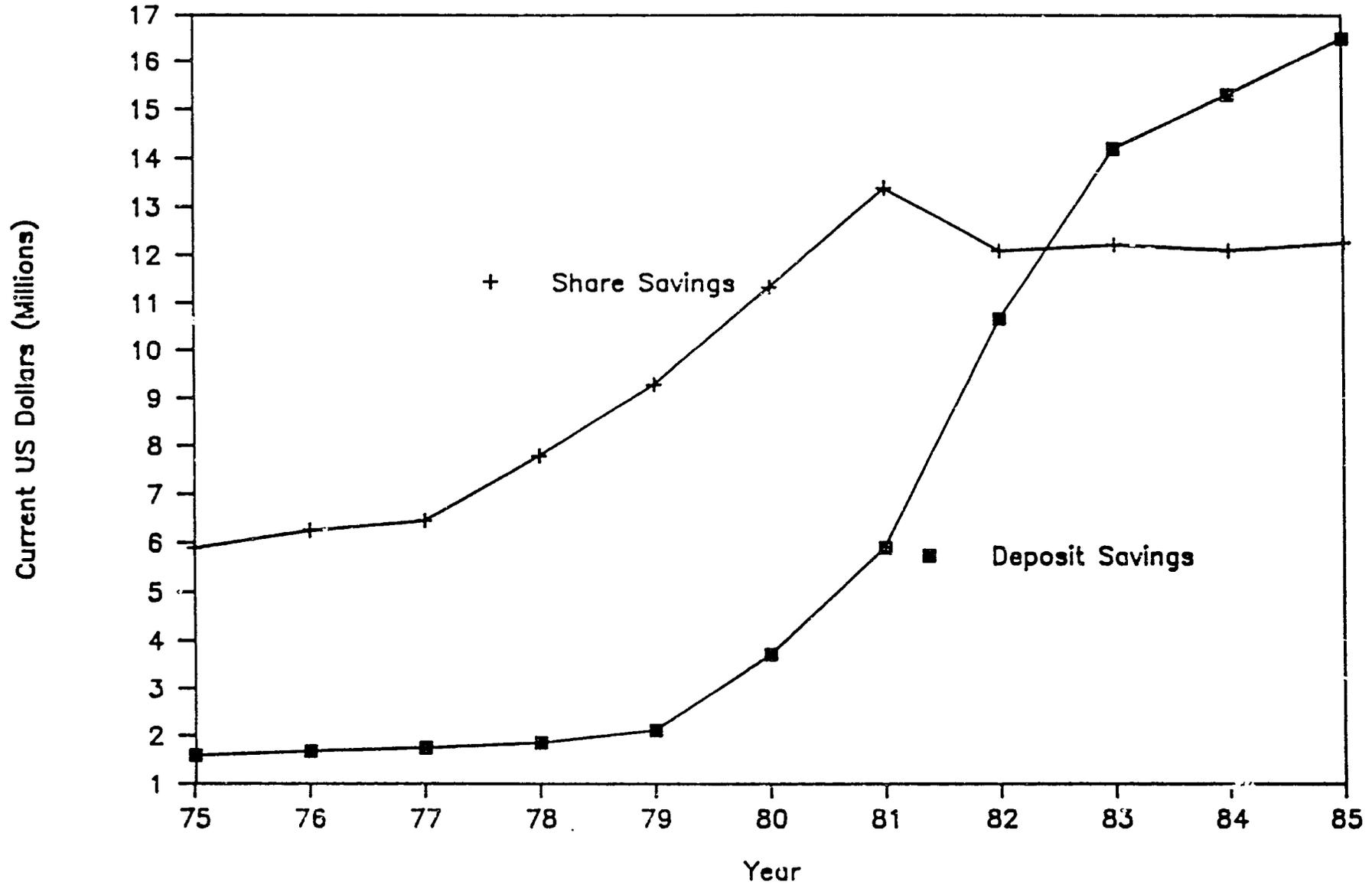


CHART 18
FEDERATION CASH AND INVESTMENTS

COLAC-MEMBER FEDERATIONS 1975-85

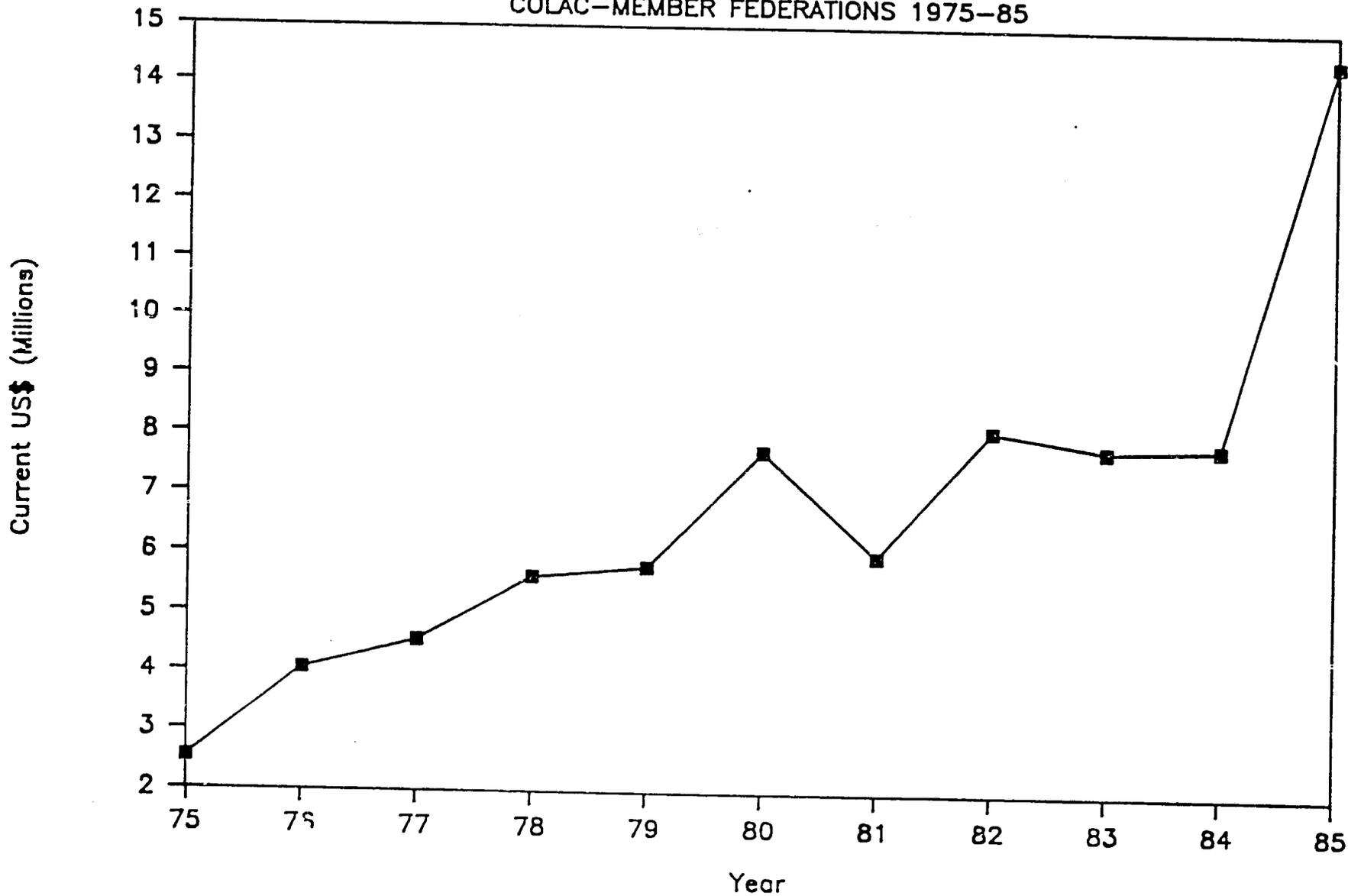


CHART 19
FEDERATION DEVELOPMENT FINANCE

COLAC-MEMBER FEDERATIONS 1975-85

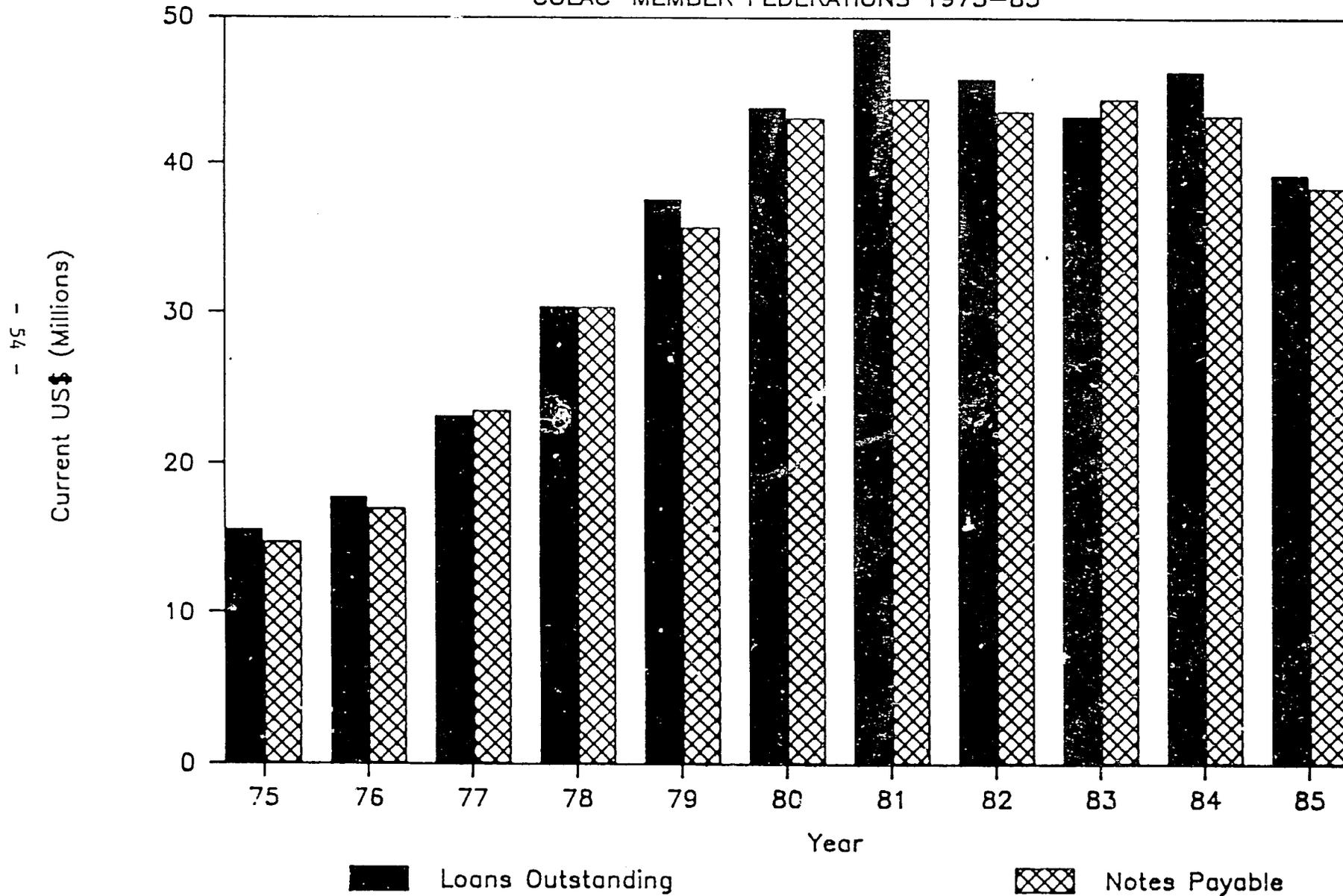
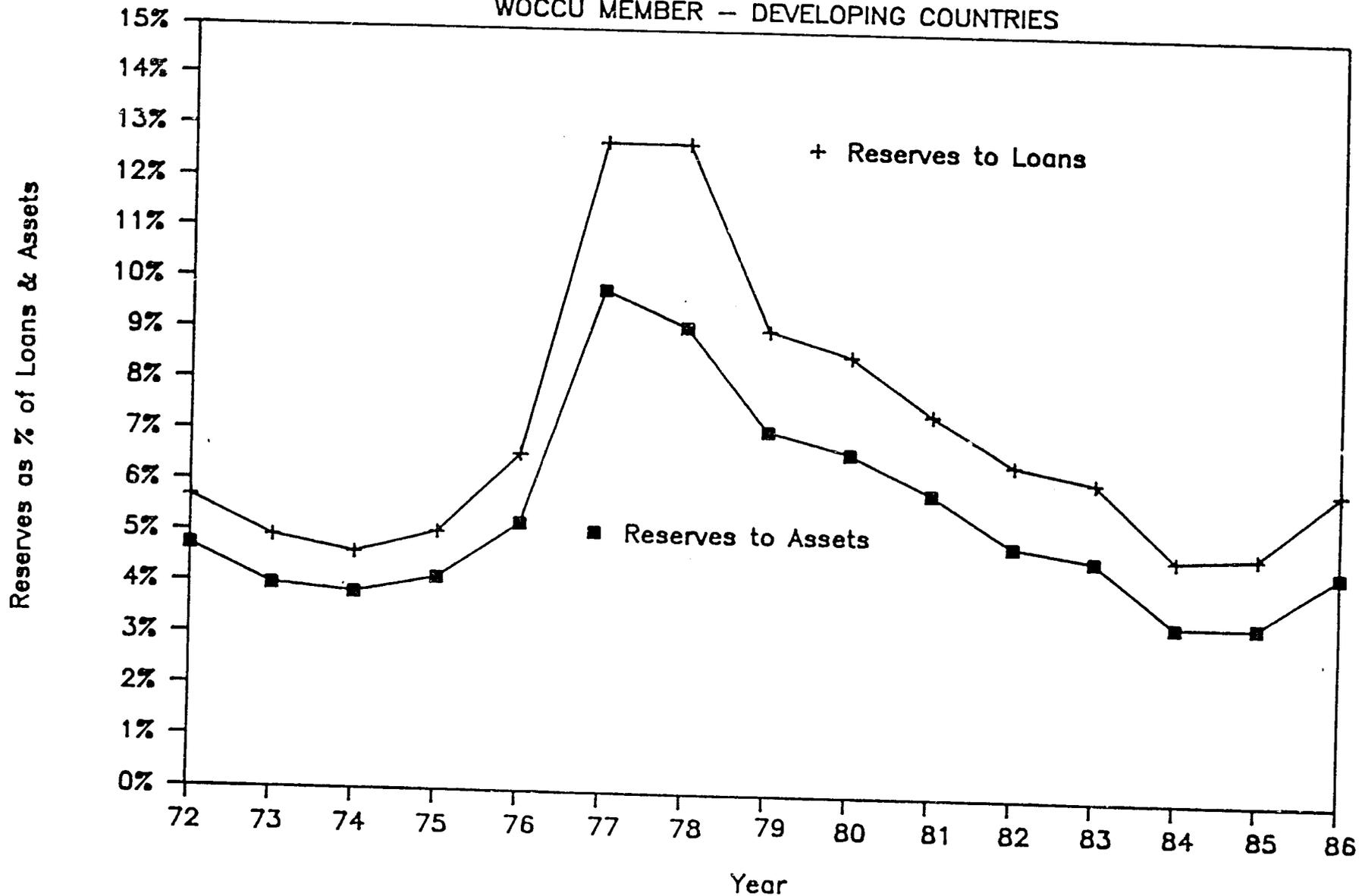


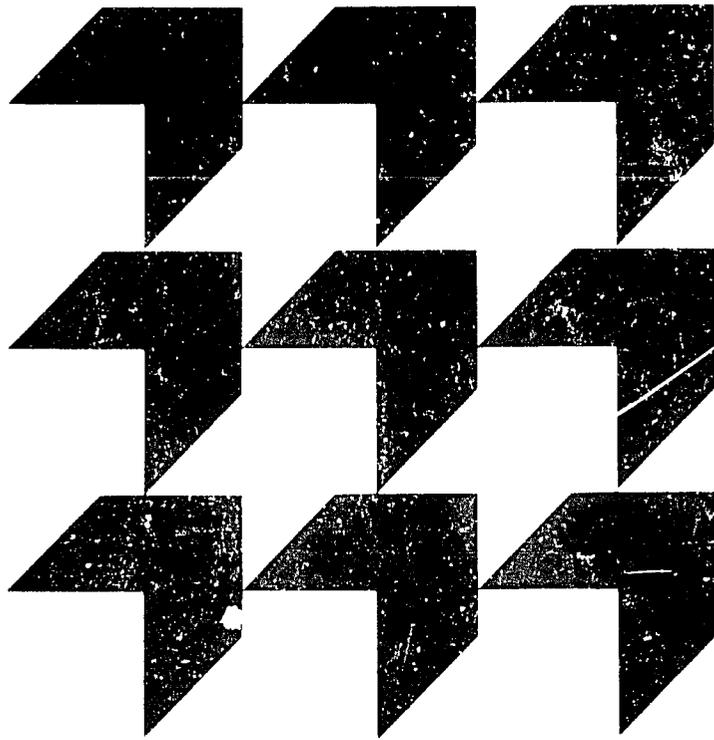
CHART 20
MEASURES OF CAPITAL ADEQUACY

WOCCU MEMBER - DEVELOPING COUNTRIES



APPENDICES

1. Credit Union Operating Principles



Democratic Structure

Open and Voluntary Membership
Membership in a credit union is voluntary and open to all within the accepted common bond of association that can make use of its services and are willing to accept the corresponding responsibilities.

Democratic Control
Credit union members enjoy equal rights to vote (one member, one vote) and participate in decisions affecting the credit union, without regard to the amount of savings or deposits or the volume of business. Voting in credit union support organizations or associations may be proportional or representational in keeping with democratic principles. The credit union is autonomous within the framework of law and regulation, recognizing the credit union as a cooperative enterprise serving and controlled by its members. Credit union elected officers are voluntary in nature and incumbents should not receive a salary. However, credit unions may reimburse legitimate expenses incurred by elected officials.

Non-Discrimination
Credit unions are non-discriminatory in relation to race, nationality, sex, religion and politics.

These Credit Union Operating Principles are founded in the philosophy of cooperation and its central values of equality, equity and mutual self-help. Recognizing the varied practices in the implementation of credit union philosophy around the world, at the heart of these principles is the concept of human development and the brotherhood of man expressed through people working together to achieve a better life for themselves and their community.



INTERNATIONAL

CREDIT UNION OPERATING PRINCIPLES

Service to Members

Service to Members
Credit union services are directed to improve the economic and social well-being of all members.

Distribution to Members
To encourage thrift through savings and thus to provide loans and other services, a fair rate of interest is paid on savings and deposits, within the capability of the credit union.

The surplus arising out of the operations of the credit union after ensuring appropriate reserve levels and after payment of limited dividends on permanent equity capital where it exists, belongs to and benefits all members with no member or group of members benefiting to the detriment of others. This surplus may be distributed among members in proportion to their transactions with the credit union as interest or patronage refunds, or directed to improved or additional services required by the members.

Building Financial Stability
A prime concern of the credit union is to build the financial strength, including adequate reserves and internal controls that will ensure continued service to membership.

Social Goals

On-Going Education
Credit unions actively promote the education of their members, officers, and employees, along with the public in general, in the economic, social, democratic and mutual self-help principles of credit unions. The promotion of thrift and the wise use of credit, as well as education on the rights and responsibilities of members, are essential to the dual social and economic character of credit unions in serving member needs.

Cooperation Among Cooperatives
In keeping with their philosophy and the pooling practices of cooperatives, credit unions within their capability actively cooperate with other credit unions, cooperatives and their associations at local, national, and international levels in order to best serve the interests of their members and their communities.

Social Responsibility
Continuing the ideals and beliefs of cooperative pioneers, credit unions seek to bring about human and social development. Their vision of social justice extends both to the individual members and to the larger community in which they work and reside. The credit union ideal is to extend service to all who need and can use it. Every person is either a member or a potential member and appropriately part of the credit union sphere of interest and concern. Decisions should be taken with full regard for the interest of the broader community within which the credit union and its members reside.

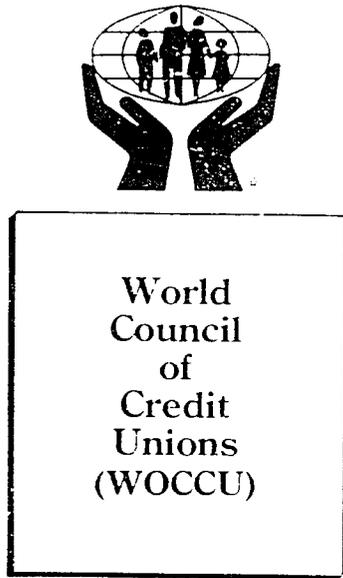


WORLD COUNCIL OF CREDIT UNIONS, INC.

Approved 24 August, 1984
by WOCCU Membership Council

2. International Credit Union System Chart

The International Credit Union System



Regional Confederations	National Federations	WOCCU Totals			
		Credit Unions	Members	Savings ¹	Loans Outstanding ¹
Africa Confederation of Cooperative Savings and Credit Associations (ACCOSCA)	Botswana Lesotho Mozambique Namibia Rwanda Swaziland Tanzania Togo Zambia Zimbabwe	11,307	2,648,717	\$118.3	\$313.1
Asian Confederation of Credit Unions (ACCU)	Bangladesh India Indonesia Japan Korea Malaysia Philippines Singapore Sri Lanka Thailand Türkiye Vietnam	6,158	1,929,411	\$1,237.7	\$1,011.1
Australian Federation of Credit Unions, Ltd. (AFCUL)	United Kingdom	372	2,198,547	\$6,851.0	\$3,924.0
Canadian Cooperative Credit Society (CCCS)	Switzerland	1,446	3,878,600	\$14,590.0	\$11,281.0
Caribbean Confederation of Credit Unions (CCCU)	Anguilla Antigua Bahamas Barbados Belize Bermuda Cayman Islands Dominica Grenada Guyana Jamaica Montserrat St. Kitts-Nevis St. Lucia St. Vincent Suriname Trinidad and Tobago	433	571,244	\$378.0	\$363.7
Latin-American Confederation of Credit Unions (COLAC)	Argentina Bolivia Brazil Chile Colombia Costa Rica Dominican Republic Ecuador El Salvador Guatemala Honduras Mexico Netherlands Antilles Nicaragua Panama Paraguay Uruguay	2,082	2,627,161	\$570.3	\$503.4
Credit Union National Association — U.S.A. (CUNA)	United States, the District of Columbia and Puerto Rico	15,447	48,803,964	\$134,846.9	\$85,384.1
Free-Standing Leagues	Finland Great Britain Ireland New Zealand	924	906,552	\$582.7	\$529.6
TOTAL		38,199	63,560,296	\$156,508.8	\$103,340.2

Source: World Council of Credit Unions 1986 Statistical Report

Notes: Amounts in millions of U.S. dollars. These figures have been rounded off.
This table includes data only on member institutions of the World Council of Credit Unions.

Sistema Internacional de Cooperativas de Ahorro y Crédito

Confederaciones Regionales

Federaciones Nacionales

Totales del Consejo Mundial



Consejo Mundial
de Cooperativas
de Ahorro
y Crédito

Confederaciones Regionales	Federaciones Nacionales	Cooperativas	Socios	Ahorros ¹	Préstamos en curso ¹
Confederación de Asociaciones Cooperativas de Ahorro y Crédito de África (ACCOSCA)	Burkina Faso, Gambia, Guinea, Sierra Leona, Botswana, Ghana, Guinea-Bissau, Liberia, Malawi, Namibia, Nigeria, Rwanda, Senegal, Seychelles, Sierra Leona, Swazilandia, Togo, Uganda, Zaire, Zambia	11.307	2.648.717	\$448,3	\$313,1
Confederación de Cooperativas de Ahorro y Crédito de Asia (ACCU)	Bangladesh, Corea, Formosa, China, Hong Kong, India, Indonesia, Japón, Malasia, Filipinas, Nueva Guinea, Sri Lanka, Tailandia	6.188	1.926.411	\$1.237,7	\$1.041,1
Federación Australiana de Cooperativas de Ahorro y Crédito (AFCCF)	Estados Unidos y Territorio	372	2.198.547	\$3.851,0	\$3.924,0
Sociedad Canadiense de Crédito Cooperativo (CCCS)	Organizaciones provinciales	1.446	3.878.600	\$14.590,0	\$11.281,0
Confederación Caribeña de Cooperativas de Ahorro y Crédito (CCCFC)	Anguila, Aruba, Bahamas, Barbados, Belice, Bermudas, Dominica, Islas Caimanes, Granada, Guayana Francesa, Jamaica, Montserrat, San Cristóbal Nevis, Santa Lucía, San Vicente, Surinam, Trinidad y Tobago	433	571.244	\$378,9	\$363,7
Confederación Latinoamericana de Cooperativas de Ahorro y Crédito (COLAC)	Antillas Neerlandesas, Argentina, Bolivia, Brasil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, México, Nicaragua, Panamá, Paraguay, República Dominicana, Uruguay	2.082	2.627.161	\$573,3	\$503,4
Asociación Nacional de Cooperativas de Ahorro y Crédito de los Estados Unidos (CUNA)	Estados Unidos y Distrito de Columbia, Puerto Rico	15.447	48.803.084	\$134.816,9	\$55.384,1
Ligas independientes	Irlanda, Gran Bretaña, Islandia, Nueva Zelanda	924	906.552	\$582,7	\$529,6

TOTAL 38.199 63.560.296 \$156.508,8 \$103.340,2

Estas estadísticas han sido tomadas del Informe Estadístico de Posición del Consejo Mundial de Cooperativas de Ahorro y Crédito

Notas: Monto en millones de dólares de EE.UU. Los totales han sido expresados en millones.
Sólo se incluyen datos de cooperativas afiliadas al Consejo Mundial de Cooperativas de Ahorro y Crédito

DEVELOPING COUNTRY MEMBERS OF WCCU SYSTEM

MEMBER CONFEDERATIONS:

ACCOSCA= Africa Confederation of Cooperative Savings
and Credit Associations
ACCU= Asian Confederation of Credit Unions
CCCU= Caribbean Confederation of Credit Unions
COLAC= Latin American Confederation of Credit Unions

Note: Data presented in this report are for the developing countries listed below for each regional confederation. The initial year of each country's data series is shown. Unless otherwise indicated, each country was affiliated to the World Council of Credit Unions through the end of 1986.

COUNTRIES YEAR CREDIT UNION DATA REPORTED STARTING IN:

ACCOSCA

Benin	1977
Botswana	1982
Burkina Faso	1975
Cameroon	1972
Cote d'Ivoire	1976
Ethiopia	1976
Gambia	1984
Ghana	1972
Kenya	1972
Lesotho	1972
Liberia	1972
Malawi	1973
Mauritius	1972
Nigeria	1972
Rwanda	1983
Senegal	1972
Seychelles	1975
Sierra Leone	1972
Swaziland	1972
Tanzania	1972
Togo	1972
Uganda	1972
Zaire	1972
Zambia	1972

ACCU

Bangladesh	1982
Hong Kong	1972
India	1986
Indonesia	1972
Korea	1972
Malaysia	1980
Papua New Guinea	1976
Philippines	1972
Rep. of China	1972
Sri Lanka	1984
Thailand	1973

COUNTRIES YEAR CREDIT UNION DATA REPORTED STARTING IN:

CCCU

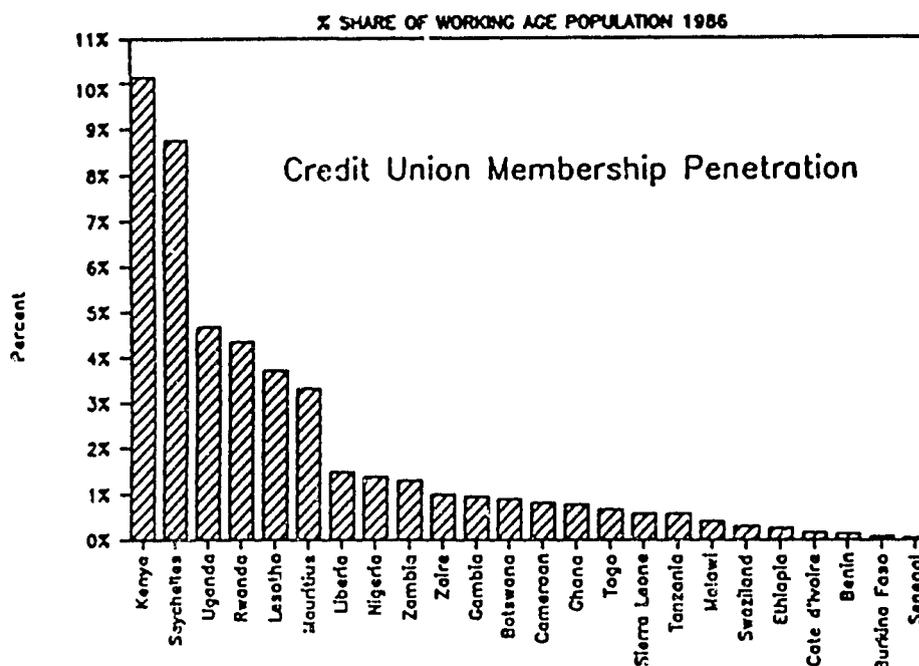
Anguilla	1986
Antigua	1972
Bahamas	1983
Barbados	1972
Belize	1972
Bermuda	1975
Cayman Islands	1982
Dominica	1972
Grenada	1972
Guyana	1972
Jamaica	1972
Montserrat	1972
St. Christopher	1972
St. Lucia	1972
St. Vincent	1972
Surinam	1976
Tortola	1984
Trinidad & Tob.	1972

COLAC

Argentina	1984
Bolivia	1972
Brazil	1972-1986 except 1985
Chile	1979
Colombia	1972
Costa Rica	1972
Dominican Rep.	1972
Ecuador	1972
El Salvador	1972
Guatemala	1972
Honduras	1972
Mexico	1972
Netherland Ant.	1972
Nicaragua	1972
Panama	1972
Paraguay	1972
Peru	1972-1986
Uruguay	1977

3. Population Penetration Rates by Regions and Countries

POPULATION PENETRATION RATE—AFRICA



AFRICAN CONFEDERATION OF COOPERATIVE SAVINGS AND CREDIT ASSOCIATIONS

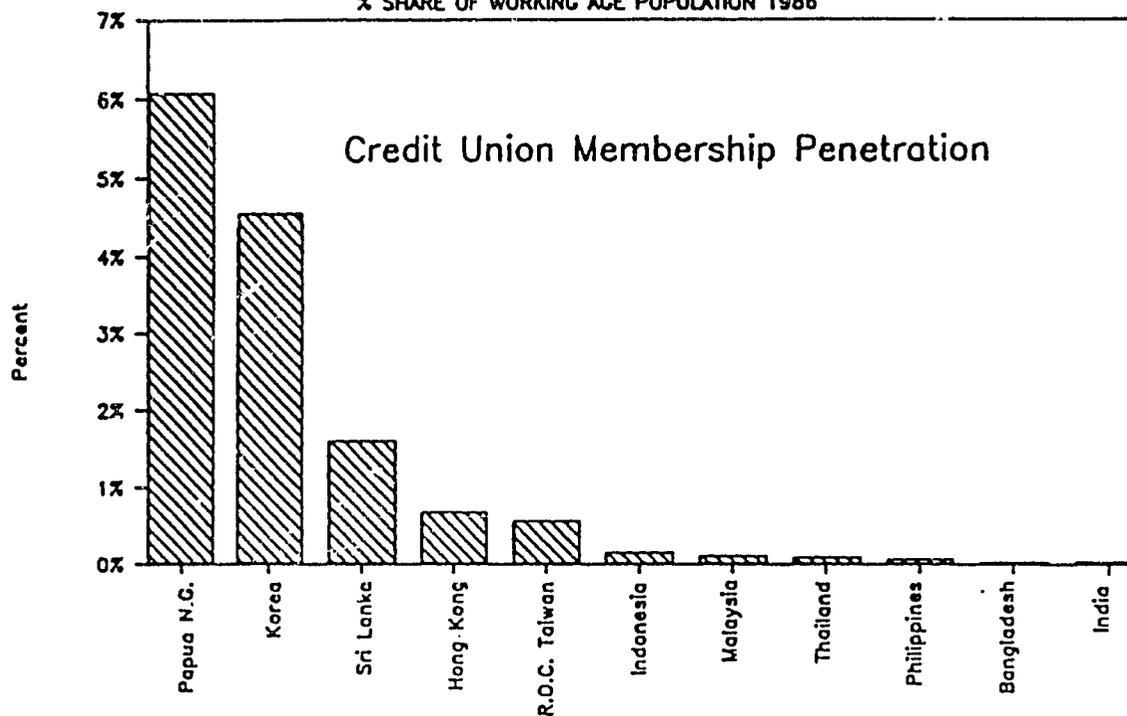
COUNTRY	(1) MEMBERS 1986	(2) POPULATION Mid-1985 (millions)	(3) % POPULATION OF WORKING AGE	(4) POPULATION OF WORKING AGE (millions)	(1)/(4) PENETRATION RATIO
1 Kenya	932,000	20.40	45%	9.18	10.15%
2 Seychelles	2,635	0.06	50%	0.03	8.78%
3 Uganda	364,000	15.50	50%	7.75	4.70%
4 Rwanda	128,226	6.00	49%	2.94	4.36%
5 Lesotho	29,026	1.50	52%	0.78	3.72%
6 Mauritius	20,951	1.00	63%	0.63	3.33%
7 Liberia	17,020	2.20	52%	1.14	1.49%
8 Nigeria	677,818	99.70	49%	48.85	1.39%
9 Zambia	41,536	6.60	48%	3.17	1.31%
10 Zaire	155,511	30.50	51%	15.56	1.00%
11 Gambia	3,546	0.74	50%	0.37	0.96%
12 Botswana	4,319	1.00	48%	0.48	0.90%
13 Cameroon	41,580	10.10	50%	5.05	0.82%
14 Ghana	47,837	12.70	48%	6.10	0.78%
15 Togo	10,335	3.90	50%	1.50	0.69%
16 Sierra Leone	12,073	3.70	55%	2.04	0.59%
17 Tanzania	65,841	22.20	50%	11.10	0.59%
18 Malawi	13,994	7.00	47%	3.29	0.43%
19 Swaziland	1,222	0.76	50%	0.38	0.32%
20 Ethiopia	60,437	42.30	51%	21.57	0.28%
21 Cote d'Ivoire	9,745	10.00	54%	5.40	0.18%
22 Benin	2,984	4.00	49%	1.96	0.15%
23 Burkina Faso	3,481	7.80	44%	3.43	0.10%
24 Senegal	2,600	6.50	52%	3.38	0.08%
TOTAL	2,648,717	315.26	57%	181.20	1.46%

Source: World Development Report 1987, World Bank.
e=estimate

b4

POPULATION PENETRATION RATE-ASIA

% SHARE OF WORKING AGE POPULATION 1986

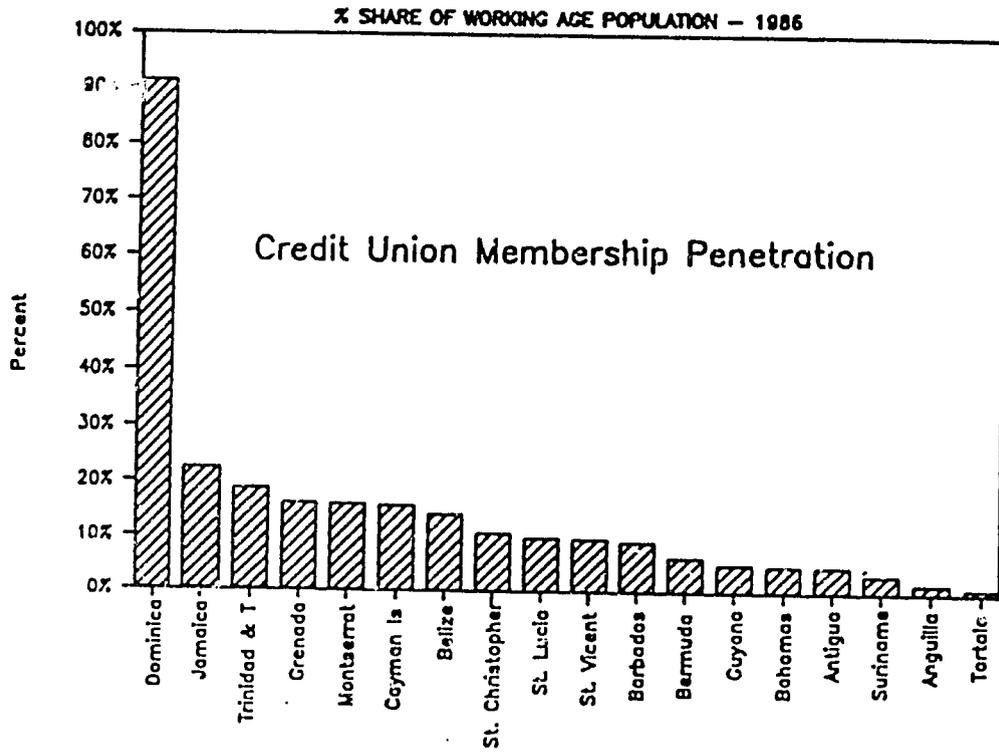


ASIAN CONFEDERATION OF CREDIT UNIONS

COUNTRY	(1) MEMBERS 1986	(2) POPULATION Mid-1985 (Millions)	(3) % POPULATION OF WORKING AGE	(4) POPULATION OF WORKING AGE (Millions)	(1)/(4) PENETRATION RATIO
1 Papua-New Guinea	114,883	3.5	54%	1.690	6.078%
2 Korea	1,184,254	40.6	64%	25.984	4.558%
3 Sri Lanka	162,000	16.1	62%	9.982	1.623%
4 Hong Kong	25,219	5.4	68%	3.672	0.687%
5 R.O.C. Taiwan	67,656	19.3	61%e	11.773	0.575%
6 Indonesia	145,563	162.2	56%	90.832	0.160%
7 Malaysia	11,000	15.6	59%	9.204	0.120%
8 Thailand	29,733	51.0	59%	30.090	0.099%
9 Philippines	22,783	54.7	56%	30.632	0.074%
10 Bangladesh	17,874	100.6	53%	53.318	0.034%
11 India	135,989	765.1	59%e	451.409	0.030%
TOTAL	1,916,954	1,234.1	59%	718.786	1.28%

Source: World Development Report 1987, World Bank.
e=Working force estimate

POPULATION PENETRATION RATE—CARIBBEAN

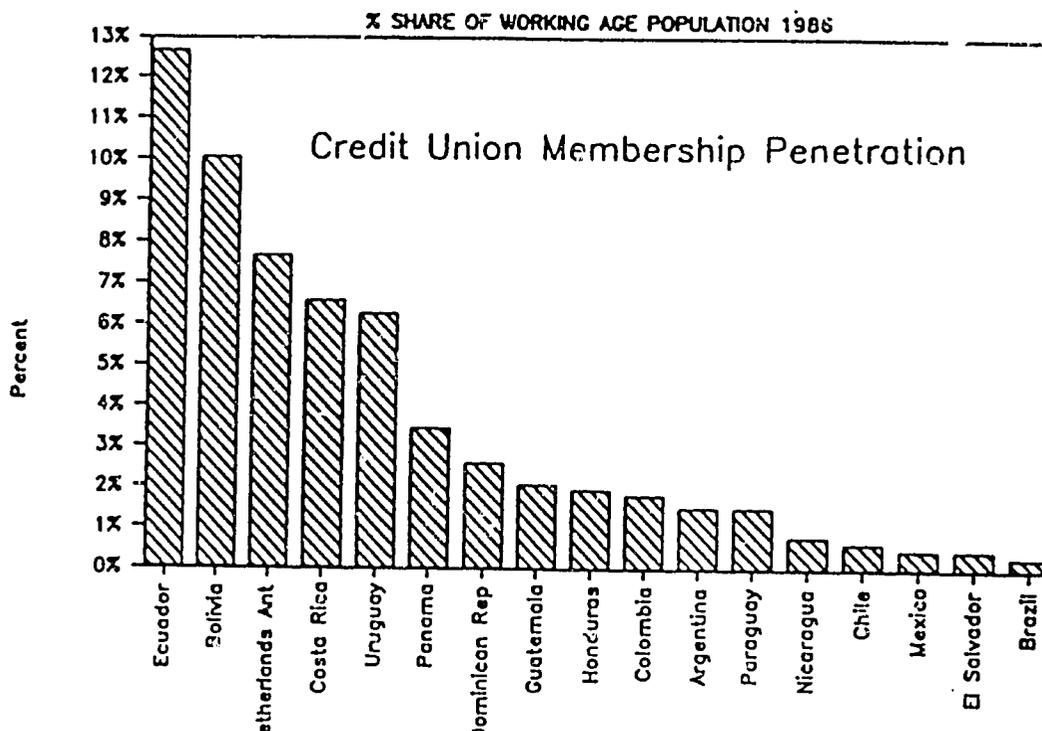


CARIBBEAN CONFEDERATION OF CREDIT UNIONS

COUNTRY	(1) MEMBERSHIP 1986	(2) POPULATION Mid-1985 (thousands)	(3) % POPULATION OF WORKING AGE*	(4) POPULATION OF WORKING AGE (Thousands)	(1)/(4) PENETRATION RATIO
1 Dominica	39,218	78	55%	43	91%
2 Jamaica	298,527	2,270	56%	1,271	23%
3 Trinidad & Tobago	136,617	1,187	61%	724	19%
4 Grenada	8,573	96	55%	53	16%
5 Montserrat	1,060	12	55%	7	16%
6 Cayman Islands	1,566	10	55%	10	16%
7 Belize	12,459	159	55%	87	14%
8 St. Christopher & Nev	2,580	43	55%	24	11%
9 St. Lucia	7,569	136	55%	75	10%
10 St. Vincent	6,504	119	55%	65	10%
11 Barbados	13,076	252	55%	139	9%
12 Bermuda	2,890	79	55%	43	7%
13 Guyana	24,000	806	55%	443	5%
14 Bahamas	6,621	234	55%	129	5%
15 Antigua & Barbuda	2,194	79	55%	43	5%
16 Suriname	7,650	393	55%	216	4%
17 Anguilla	65	7	50%	4	2%
18 Tortola	75	12	55%	7	1%
TOTAL:	571,244	5,980	55%	3,383	15%

* Population data and working force estimates for Jamaica and Trinidad and Tobago from the World Bank Atlas 1987, World Bank. Working force estimates for other countries based on assumption of a 55% working force ratio.

POPULATION PENETRATION RATE - LATIN AMERICA



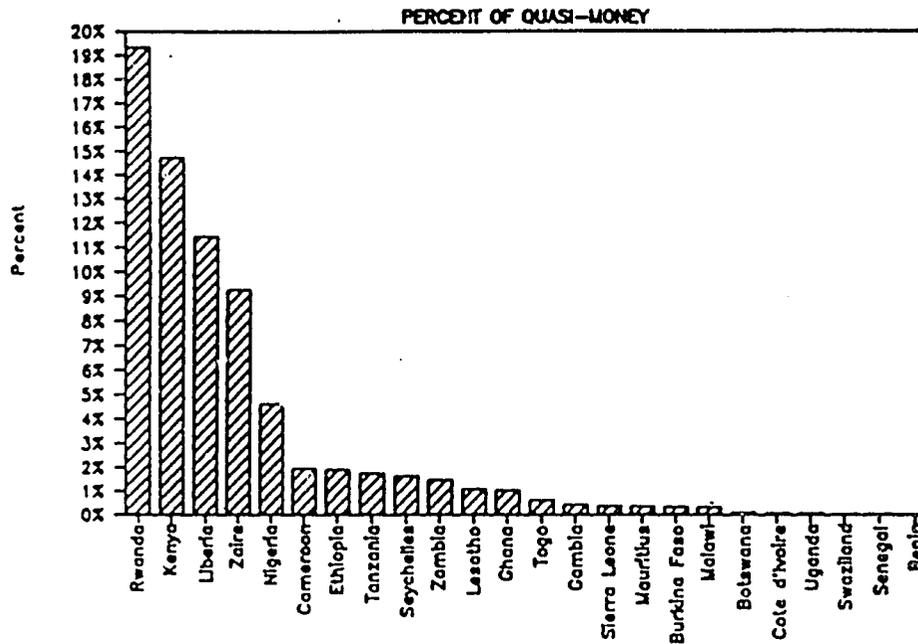
LATIN AMERICAN CONFEDERATION OF CREDIT UNIONS

COUNTRY	(1) MEMBERS 1986	(2) POPULATION Mid-1985 (millions)	(3) % POPULATION OF WORKING AGE	(4) POPULATION OF WORKING AGE (millions)	(1)/(4) PENETRATION RATIO
1 Ecuador	632,000	9.4	53%	5.0	12.69%
2 Bolivia	342,231	6.4	53%	3.4	10.09%
3 Netherlands Ant.	12,945	0.3	56%	0.2	7.71%
4 Costa Rica	101,318	2.6	59%	1.5	6.50%
5 Uruguay	118,700	3.0	63%	1.9	6.28%
6 Panama	44,239	2.2	58%	1.3	3.47%
7 Dominican Rep.	87,000	6.3	53%	3.3	2.61%
8 Guatemala	60,351	8.0	53%	4.2	2.08%
9 Honduras	43,000	4.4	50%	2.2	1.95%
10 Colombia	306,185	28.4	59%	16.8	1.83%
11 Argentina	279,000	30.5	60%	18.3	1.52%
12 Paraguay	26,366	3.4	51%	1.7	1.52%
13 Nicaragua	13,293	3.3	50%	1.7	0.81%
14 Chile	43,800	11.9	63%	7.5	0.65%
15 Mexico	210,000	78.8	54%	42.6	0.49%
16 El Salvador	16,556	5.6	60%	3.4	0.49%
17 Brazil	257,177	135.5	59%	79.9	0.32%
TOTAL	2,627,161	340.0	56%	194.8	3.59%

Source: World Development Report 1987, World Bank.

4. Savings Market Shares by Regions and Countries

SAVINGS SHARE-1986-AFRICA



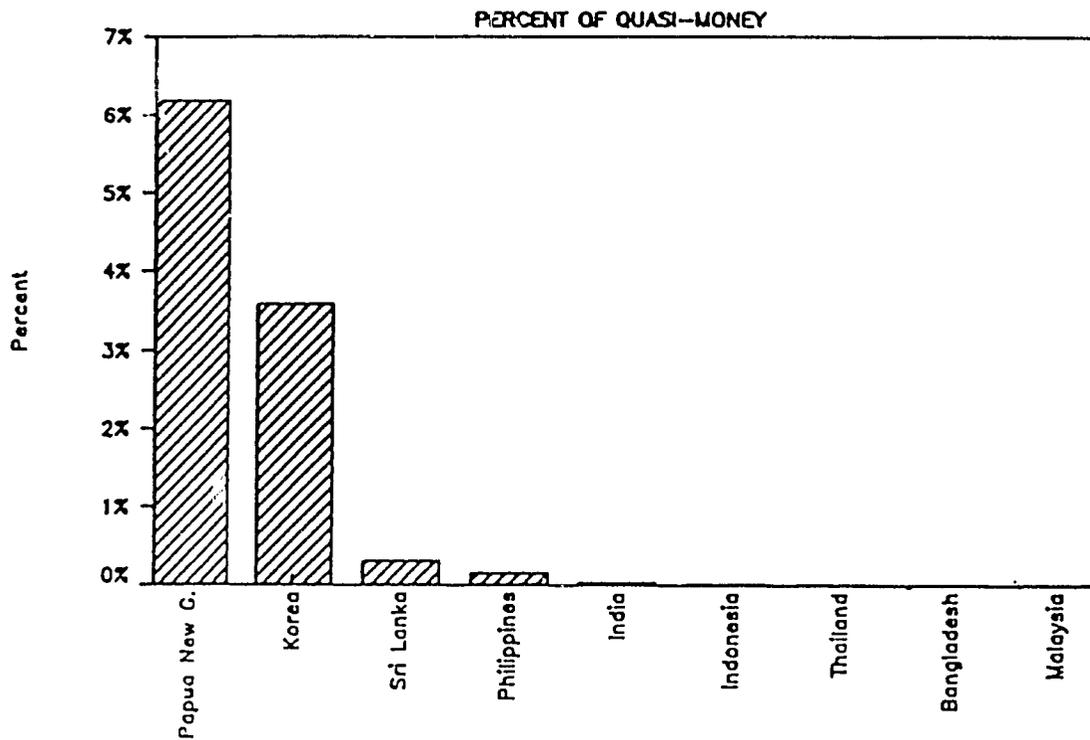
Note: Quasi-Money data obtained from IMF Int'l Statistics 7/87

ACCOSCA *****	QUASI-MONEY (US\$ Million) (A)	CREDIT UNION SAVINGS (US\$ Million) (B)	TOTAL SAVINGS (US\$ Million) (A)+(B)=(C)	CREDIT UNION SHARE OF SAVINGS (B)/(C)
1 RWANDA (1)	103.4	24.8	128.3	19.36%
2 KENYA	1,132.8	196.2	1,329.0	14.76%
3 LIBERIA	53.9	7.0	60.9	11.46%
4 ZAIRE	39.0	4.0	43.0	9.28%
5 NIGERIA	3,299.0	159.8	3,458.8	4.62%
6 CAMEROON	1,186.9	23.8	1,210.7	1.97%
7 ETHIOPIA	577.3	11.3	588.6	1.91%
8 TANZANIA (2)	595.5	10.6	606.1	1.76%
9 SEYCHELLES	40.0	0.7	40.6	1.64%
10 ZAMBIA (3)	105.9	1.6	107.5	1.48%
11 LESOTHO	90.4	1.0	91.5	1.11%
12 GHANA	154.9	1.6	156.6	1.04%
13 TOGO	234.9	1.5	236.4	0.64%
14 GAMBIA	14.7	0.1	14.8	0.46%
15 SIERRA LEONE	12.2	.0	12.2	0.40%
16 MAURITIUS	494.5	1.9	496.3	0.38%
17 BURKINA FASO	89.1	0.3	89.5	0.36%
18 MALAWI	137.3	0.5	137.8	0.35%
19 BOTSWANA	197.9	0.3	198.2	0.14%
20 COTE D'IVOIRE	1,014.7	1.1	1,015.8	0.10%
21 UGANDA	75.4	0.1	75.5	0.10%
22 SWAZILAND	96.5	.0	96.6	0.04%
23 SENEGAL	330.5	0.1	330.6	0.03%
24 BENIN	93.9	.0	94.0	0.02%
TOTAL:	10,170.8	448.3	10,619.1	4.22%

NOTES:

- (1) Source: International Financial Statistics, IMF, Vol. XL, No. 7; July 1987, Line 35.
- (2) Quasi-Money: Comprises the time, savings and foreign currency deposits of residents of a country.
1. Data from Aug. 1986.
2. Data from 2nd quarter 1985.
3. Data from Nov. 1986.

SAVINGS MARKET SHARE—1986—ASIA



Note: Quasi-Money data obtained from IMF Intu Statistics 7/87

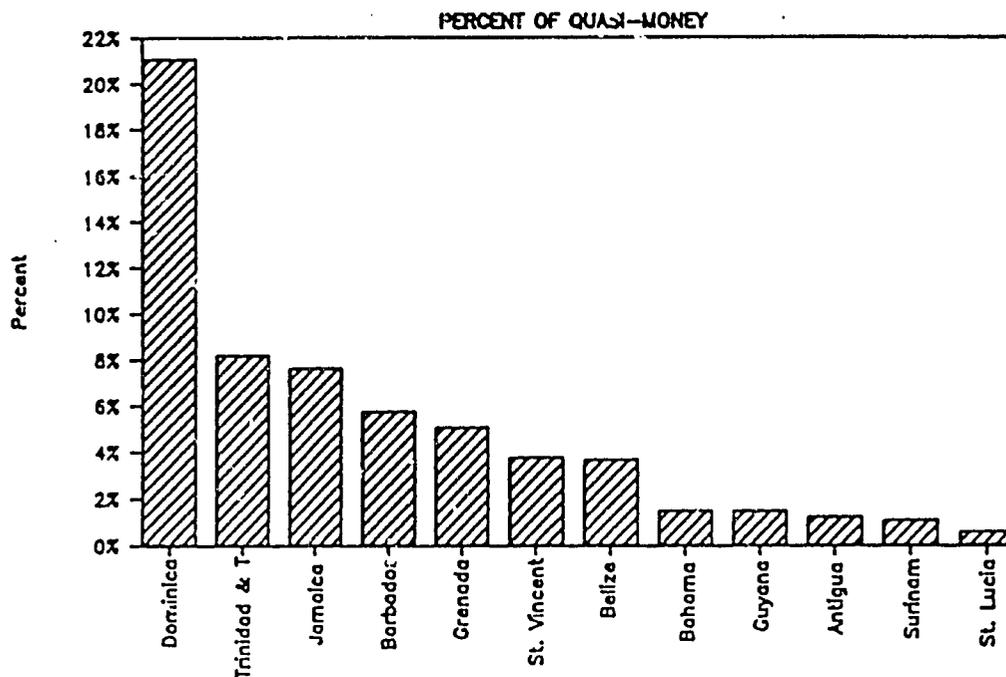
ACCU ****	QUASI-MONEY (US\$ Million) (A)	CREDIT UNION SAVINGS (US\$ Million) (B)	TOTAL SAVINGS (US\$ Million) (A)+(B)=(C)	CREDIT UNION SHARE OF SAVINGS (B)/(C)
1 PAPUA NEW GUINEA (2)	690.9	45.7	736.6	6.20%
2 KOREA, REP. OF	29,050.4	1,084.8	30,135.1	3.60%
3 SRI LANKA	1,098.4	3.6	1,101.9	0.32%
4 PHILIPPINES	4,571.8	7.6	4,579.5	0.17%
5 INDIA	67,980.5	5.2	67,985.7	0.01%
6 INDONESIA (1)	12,374.0	6.4	12,380.4	0.05%
7 THAILAND (3)	21,303.0	3.9	21,306.9	0.02%
8 BANGLADESH	2,688.1	0.7	2,688.8	0.02%
9 MALAYSIA	15,282.0	1.4	15,283.4	0.01%
HONG KONG	n.a.	8.4 n.i.		
R.O.C. TAIWAN	n.a.	67.3 n.i.		
TOTAL:	155,039.1	1,159.2	156,198.3	0.74%

(A)Source: International Financial Statistics, IMF, Vol. XL, No. 7; July 1987, line 35.
Quasi-Money: Comprises the time, savings and foreign currency deposits of the residents of a country.

NOTES:

1. Data from end of 2nd quarter 1986.
 2. Data from end of 3rd quarter 1986.
 3. Data from Nov. 1986.
- n.a.= not available
n.i.= not included in total

SAVINGS MARKET SHARE—1986—CARIBBEAN



Note: Quasi-Money data obtained from IMF Int'l Statistics 7/87

CCCU *****	QUASI-MONEY (US\$ Million) (A)	CREDIT UNION SAVINGS (US\$ Million) (B)	TOTAL SAVINGS (US\$ Million) (A)+(B)=(C)	CREDIT UNION SHARE OF SAVINGS (B)/(C)
1 DOMINICA	40.8	10.9	51.8	21.11%
2 TRINIDAD & TOBAGO	2,599.1	233.7	2,832.8	8.25%
3 JAMAICA	829.8	68.9	898.8	7.67%
4 BARBADOS	397.5	24.4	421.9	5.77%
5 GRENADA	58.4	3.1	61.5	5.10%
6 ST. VINCENT	60.7	2.4	63.1	3.81%
7 BELIZE	64.0	2.5	66.5	3.71%
8 BAHAMAS	538.3	8.3	546.6	1.53%
9 GUYANA	365.4	5.6	371.0	1.52%
10 ANTIGUA (1)	107.7	1.4	109.1	1.26%
11 SURINAM (2)	378.6	4.3	382.8	1.12%
12 ST. LUCIA	116.5	0.7	117.2	0.61%
ANGUILLA	n.a.	0.001 n.i.		
BERMUDA	n.a.	2.1 n.i.		
CAYMAN ISLANDS	n.a.	3.9 n.i.		
MONTSERRAT	n.a.	0.1 n.i.		
ST. CHRISTOPHER	n.a.	0.7 n.i.		
TORTOLA	n.a.	0.02 n.i.		
TOTAL:	5,556.9	366.2	5,923.1	5.18%

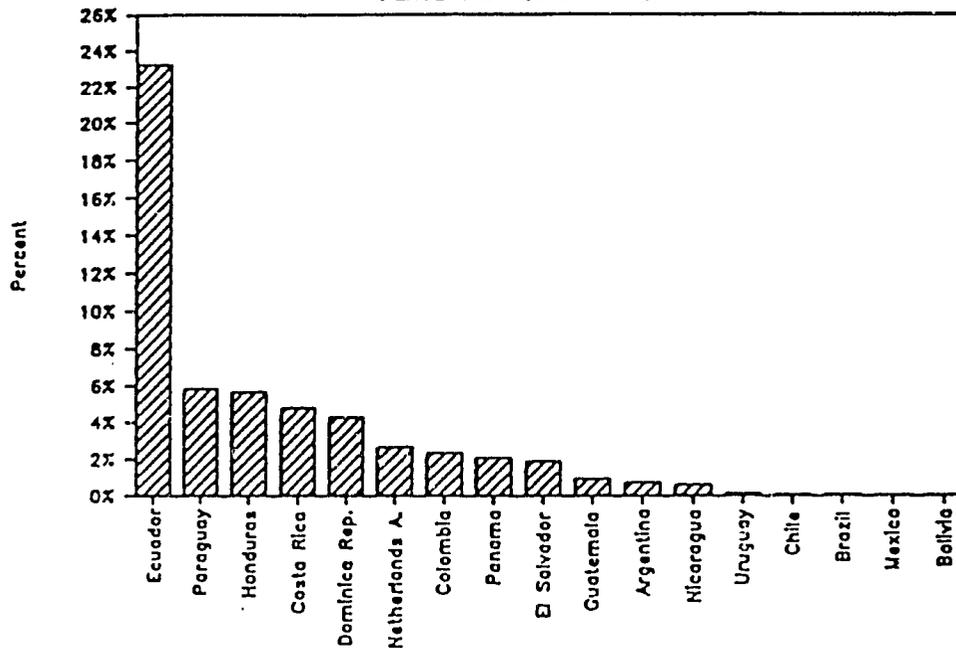
(A) Source: International Financial Statistics, IMF, Vol. XL, No. 7; July 1987, Line 35.
Quasi-Money: Comprises the time, savings and foreign currency deposits of the residents of a country.

NOTES:

1. Figures are for Antigua & Barbuda
2. Data are from Oct. 1986.
n.a. = not available
n.i. = not included in total

SAVINGS MARKET SHARE—1986—LATIN AMERICA

PERCENT OF QUASI MONEY



Note: Quasi-Money data obtained from IMF Int'l Statistics 7/87

COLOC *****	QUASI-MONEY (US\$ Million) (A)	CREDIT UNION SAVINGS (US\$ Million) (B)	TOTAL SAVINGS (US\$ Million) (A)+(B)=(C)	CREDIT UNION SHARE OF SAVINGS (B)/(C)
1 ECUADOR (6)	598.8	181.8	780.6	23.29%
2 PARAGUAY	343.6	21.5	365.1	5.90%
3 HONDURAS	548.4	33.3	581.7	5.73%
4 COSTA RICA	843.7	43.0	886.6	4.85%
5 DOMINICAN REPUBLIC (11)	704.1	32.0	736.1	4.35%
6 NETH. ANTILLES	455.3	12.8	468.1	2.74%
7 COLOMBIA (5)	2,569.8	63.3	2,633.1	2.40%
8 PANAMA (5)	1,645.6	35.8	1,681.4	2.13%
9 EL SALVADOR	829.4	16.4	845.8	1.94%
10 GUATEMALA	906.7	9.0	915.7	0.98%
11 ARGENTINA (1)	9,543.4	76.0	9,619.4	0.79%
12 NICARAGUA (7)	423.2	2.8	426.0	0.65%
13 URUGUAY	2,194.3	5.0	2,199.2	0.23%
14 CHILE (4)	3,543.3	6.2	3,549.5	0.18%
15 BRAZIL (3)	9,248.1	14.4	9,262.5	0.16%
16 MEXICO	16,779.6	19.7	16,799.4	0.12%
17 BOLIVIA (2)	370.9	0.4	371.3	0.10%
TOTAL:	51,548.2	573.3	52,121.6	1.10%

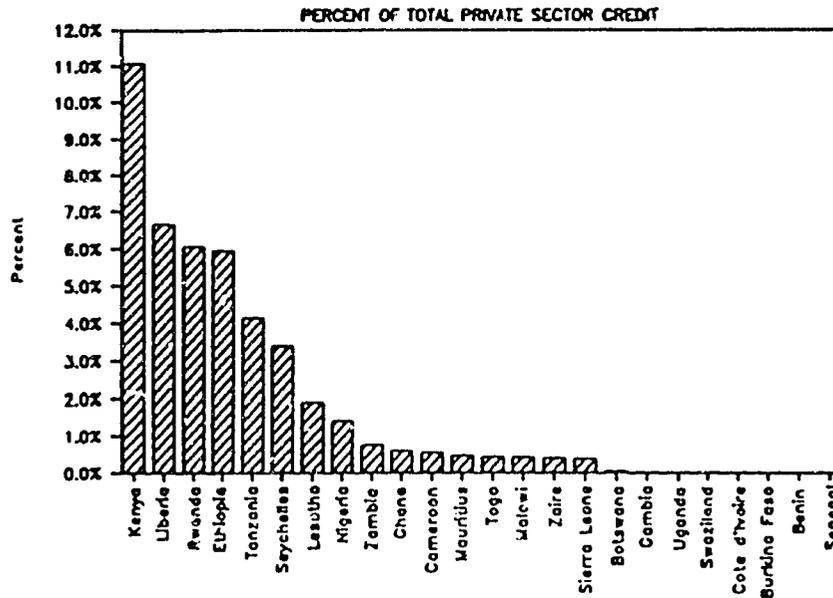
(A) Source: International Financial Statistics, IMF, Vol. II, No. 7; July 1987, Line 35.
Quasi-Money: Comprises the time, savings and foreign currency deposits of the residents of a country.

NOTES:

1. Data from Nov. 1986.
2. Data from end of 3rd quarter 1986.
3. Data from year-end 1985.
4. Data from 2nd quarter 1985.
5. Data from 2nd quarter 1986.
6. Data from year-end 1984.
7. Data from year-end 1983.

5. Loan Market Shares by Regions and Countries

LOAN MARKET SHARE - 1986 - AFRICA



Note: Private Sec. Credit obtained from IMF Int Statistics 7/87

ACCOSCA *****	CLAIMS ON PRIVATE SECTOR (US\$ Million) (A)	CREDIT UNION LOANS (US\$ Million) (B)	TOTAL CREDIT (US\$ Million) (A)+(B)=(C)	CREDIT UNION SHARE OF LOAN MARKET (B)/(C)
1 KENYA	1,417.0	176.600	1,590.6	11.102%
2 LIBERIA	75.1	5.381	80.5	6.685%
3 RWANDA (1)	177.4	11.498	188.9	6.087%
4 ETHIOPIA	180.7	11.487	192.2	5.978%
5 TANZANIA (2)	272.2	9.657	281.9	4.164%
6 SEYCHELLES	14.7	0.519	15.2	3.408%
7 LESOTHO	41.4	0.810	42.2	1.916%
8 NIGERIA	5,032.0	73.007	5,105.0	1.430%
9 ZAMBIA (3)	131.4	1.040	132.5	0.785%
10 GHANA	205.9	1.280	207.2	0.618%
11 CAMEROON	3,055.6	17.709	3,073.4	0.576%
12 MAURITIUS	335.2	1.669	336.9	0.495%
13 TOGO	270.1	1.231	271.3	0.454%
14 MALAWI	121.0	0.540	121.6	0.444%
15 ZAIRE	151.6	0.642	152.2	0.422%
16 SIERRA LEONE	12.0	0.049	12.1	0.405%
17 BOTSWANA	118.1	0.112	118.3	0.095%
18 GAMBIA	26.1	0.010	26.1	0.037%
19 UGANDA	218.1	0.047	218.1	0.021%
20 SWAZILAND	75.7	0.014	75.7	0.019%
21 COTE D'IVOIRE	1,273.1	0.602	1,273.7	0.047%
22 BURKINA FASO	291.3	0.010	291.3	0.003%
23 BENIN	304.7	0.006	304.7	0.002%
24 SENEGAL	1,159.8	0.007	1,159.8	0.001%
TOTAL:	16,907.6	313.9	17,221.6	1.82%

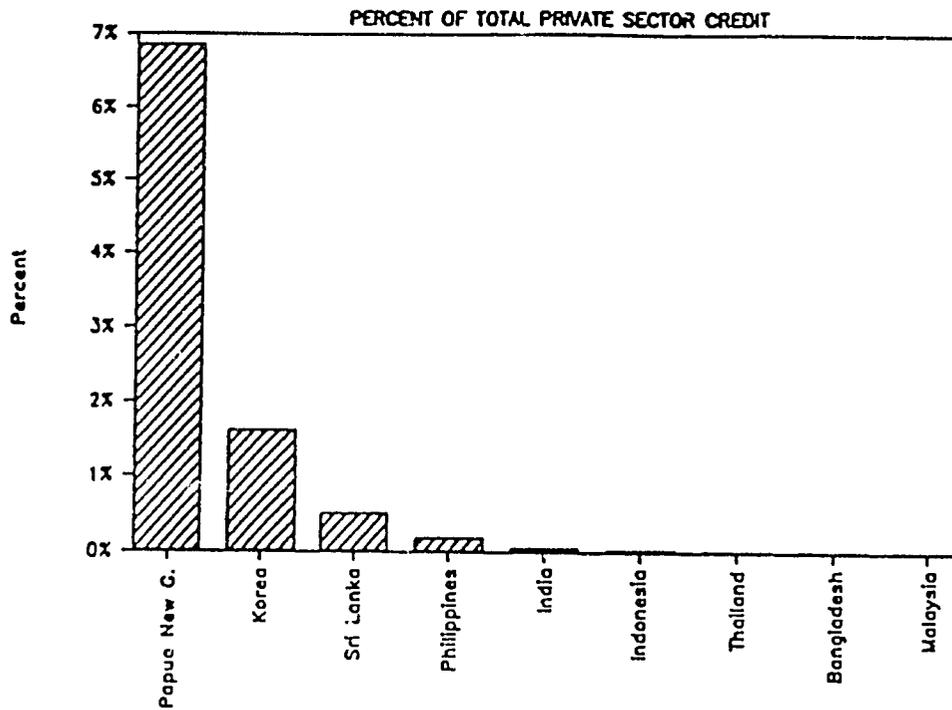
(A) Source: International Financial Statistics, IMF, Vol. II, No. 7; July 1987, line 326.

NOTES:

1. Data from Aug. 1986.
2. Data from 2nd quarter 1985.
3. Data from Nov. 1986.

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LOAN MARKET SHARE-1986-ASIA



Note: Private Sec Credit obtained from IMF InU Statistics 7/87

ACCU ****	CLAIMS ON PRIVATE SECTOR (US\$ Million) (A)	CREDIT UNION LOANS (US\$ Million) (B)	TOTAL CREDIT (US\$ Million) (A)+(B)=(C)	CREDIT UNION SHARE OF LOAN MARKET (B)/(C)
1 PAPUA NEW GUINEA (2)	656.2	48.3	704.5	6.86%
2 KOREA, REP. OF	54,164.2	892.9	55,057.0	1.62%
3 SRI LANKA	1,515.2	7.7	1,522.9	0.51%
4 PHILIPPINES	4,344.9	8.2	4,353.1	0.19%
5 INDIA	58,616.8	39.8	58,656.6	0.07%
6 INDONESIA (1)	17,530.5	6.8	17,537.3	0.04%
7 THAILAND (3)	18,759.9	4.4	18,764.3	0.02%
8 BANGLADESH	2,702.7	0.6	2,703.2	0.02%
9 MALAYSIA	19,698.4	1.2	19,699.6	0.01%
HONG KONG	n.a.	6.1 n.i.		
R.O.C. TAIWAN	n.a.	62.7 n.i.		
TOTAL:	177,988.8	1,005.8	178,998.6	0.56%

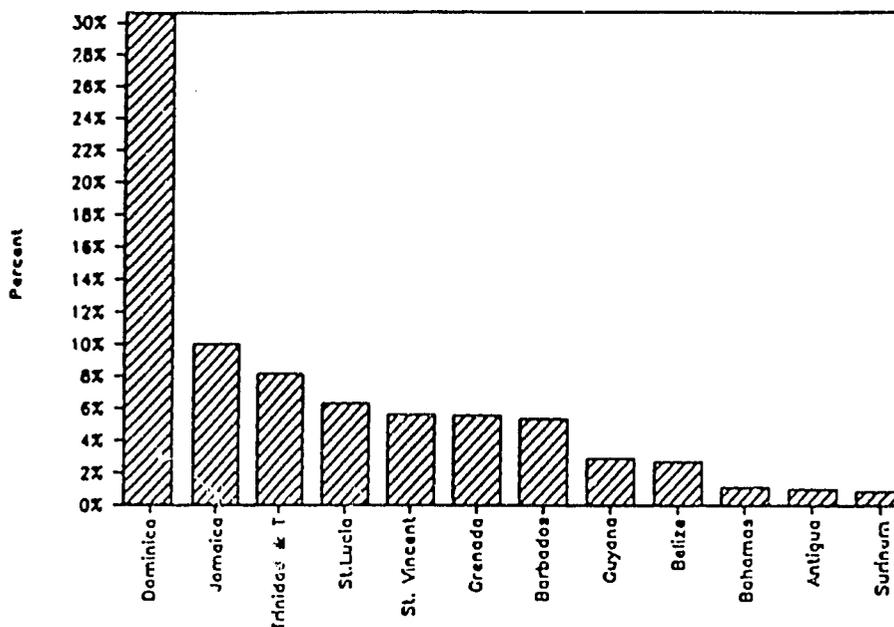
(A) Source: International Financial Statistics, IMF, Vol. 11, No. 7; July 1987, line 32d.

NOTES:

1. Data from end of 2nd quarter 1986.
 2. Data from end of 3rd quarter 1986.
 3. Data from Nov. 1986.
- n.a.= not available
n.i.= not included in total

LOAN MARKET SHARE-1986-CARIBBEAN

PERCENT OF PRIVATE SECTOR CREDIT



Note: Private Sec Credit obtained from IMF MU Statistics 7/87

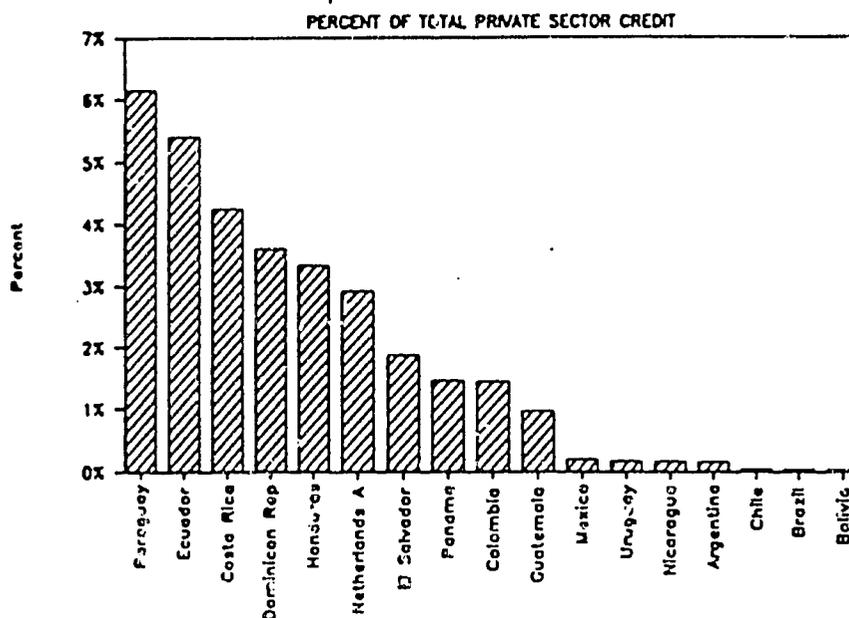
CCCU ****	CLAIMS ON PRIVATE SECTOR (US\$ Million) (A)	CREDIT UNION LOANS (US\$ Million) (B)	TOTAL CREDIT (US\$ Million) (A)+(B)-(C)	CREDIT UNION SHARE OF LOAN MARKET (B)/(C)
1 DOMINICA	31.9	13.9	45.8	30.33%
2 JAMAICA	574.1	64.3	638.4	10.08%
3 TRINIDAD & TOBAGO	2,471.0	221.7	2,692.7	8.23%
4 ST. LUCIA	101.9	6.9	108.8	6.37%
5 ST. VINCENT	40.1	2.4	42.5	5.68%
6 GRENADA	56.3	3.4	59.7	5.63%
7 BARBADOS	422.5	24.2	446.7	5.41%
8 GUYANA	153.0	4.7	157.7	2.97%
9 BELIZE	59.9	1.7	61.6	2.76%
10 BAHAMAS	677.1	8.2	685.3	1.20%
11 ANTIGUA (1)	109.4	1.2	110.6	1.07%
12 SURINAM (2)	419.7	4.0	423.7	0.94%
ANGUILLA	n.a.	n.a.	n.i.	
BERMUDA	n.a.	1.6	n.i.	
CAYMAN ISLANDS	n.a.	4.7	n.i.	
MONTSERAT	n.a.	0.1	n.i.	
ST. CHRISTOPHER	n.a.	0.6	n.i.	
TORTOLA	n.a.	0.02	n.i.	
TOTAL:	5,116.8	356.5	5,473.4	6.51%

(A) Source: International Financial Statistics, IMF, Vol. XL, No. 7; July 1987, line 32d.

NOTES:

1. Data for Antigua & Barbuda
 2. Data are from Oct. 1986.
- n.a. = Not available
n.i. = Not included in total

LOAN MARKET SHARE-1986-LATIN AMERICA



Note: Private Sec Credit obtained from ILO Statistics 7/87

COLAC	CLAIMS ON PRIVATE SECTOR (US\$ Million) (A)	CREDIT UNIONS LOANS (US\$ Million) (B)	TOTAL CREDIT (US\$ Million) (B)+(C)	CREDIT UNIONS SHARE OF LOAN MARKET (B)/(C)
1 PARAGUAY	317.0	20.8	337.8	6.1%
2 ECUADOR (6)	3,004.4	172.0	3,176.4	5.4%
3 COSTA RICA	682.6	30.4	713.0	4.2%
4 DOMINICAN REPUBLIC	833.1	31.2	864.3	3.6%
5 HONDURAS	897.6	31.1	928.7	3.3%
6 NETH. ANTILLES	435.7	13.2	448.8	2.9%
7 EL SALVADOR	996.2	19.1	1,015.3	1.8%
8 PANAMA (5)	2,652.5	39.6	2,692.1	1.4%
9 COLOMBIA (5)	4,414.7	65.1	4,479.8	1.4%
10 GUATEMALA	912.6	9.0	921.6	0.9%
11 MEXICO	9,688.1	20.7	9,708.9	0.2%
12 URUGUAY	2,295.9	4.3	2,300.2	0.1%
13 NICARAGUA (7)	1,738.3	3.2	1,741.4	0.1%
14 ARGENTINA (1)	12,991.5	22.7	13,014.2	0.1%
15 CHILE (4)	8,581.7	5.8	8,587.5	0.0%
16 BRAZIL (3)	23,889.0	15.1	23,904.1	0.0%
17 BOLIVIA (2)	316.6	0.2	316.8	0.0%
TOTAL:	74,647.4	503.5	75,150.9	0.6%

SOURCE:
International Financial Statistics
Vol. II, No. 7; July 1987, line 32d.

NOTES:
1. Data from Nov. 1986.
2. Data from end of 3rd quarter 1986.
3. Data from year-end 1985.
4. Data from 2nd quarter 1985.
5. Data from 2nd quarter 1986.
6. Data from year-end 1984.
7. Data from year-end 1983.

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6. Aggregate Developing Country Credit Union Data and Analysis

WOCU AGGREGATE STATISTICS FOR DEVELOPING COUNTRY CREDIT UNIONS

Monetary Amounts in Millions of Current U.S. Dollars

Year	Total No. of Credit Unions	Total Members (Millions)	Uses of Funds			Sources of Funds		
			Total Assets	Total Loans	Other Assets	Total Savings	Total Reserves	Other Funds
1972	11,116	1.981	\$253	\$211	\$ 42	\$218	\$ 12	\$ 23
1973	10,089	2.010	277	223	54	227	11	39
1974	11,257	2.322	314	260	54	252	12	50
1975	11,569	2.664	387	317	70	325	16	46
1976	14,948	3.707	496	394	102	390	26	80
1977	16,264	4.192	630	486	144	506	62	62
1978	17,009	4.712	855	612	243	674	78	103
1979	17,005	5.076	1,109	870	239	882	79	148
1980	15,484	4.957	1,254	976	278	990	84	180
1981	16,998	5.476	1,520	1,203	317	1,230	90	200
1982	16,477	5.577	1,910	1,443	467	1,552	94	264
1983	16,510	6.232	1,885	1,420	465	1,552	88	245
1984	18,248	7.751	2,261	1,635	626	1,822	77	362
1985	18,295	6.601	2,450	1,753	697	1,984	84	382
1986	18,943	7.764	3,016	2,219	797	2,635	135	246

Compound Annual Growth Rates

1972-86

4.3% 10.2% 19.4% 18.3% 23.4% 19.5% 18.9% 18.4%

Source: World Council of Credit Unions Annual Statistical Reports

FINANCIAL ANALYSIS OF DEVELOPING COUNTRY CREDIT UNION DATA

Year	<u>Liquidity</u>	<u>Asset Structure</u>		<u>Capital Structure</u>			<u>Savings Mobilization</u>			<u>Capital Adequacy</u>	<u>Average Credit Union Size</u>	
	Loans to Savings	Percent of Assets Loans	Other	Percent of Assets Savings	Reserves	Other	Savings per Member	Annual Increase Amount	Percent	Reserves to Loans	Number of Members	Total Assets
1972	95.8%	83.4	16.6	86.2	4.7	9.1	\$110	NA	NA	5.7%	178	\$22,760
1973	98.2	80.5	19.5	81.9	4.0	14.1	113	\$ 3	2.7	4.9	199	27,455
1974	103.2	82.8	17.2	80.3	3.8	15.9	109	(4)	-3.5	4.6	206	27,894
1975	97.5	81.9	18.1	84.0	4.1	11.9	122	13	11.9	5.0	230	33,451
1976	101.0	79.4	20.6	78.6	5.2	16.1	105	(17)	-13.9	6.6	248	33,182
1977	96.0	77.1	22.9	80.3	9.8	9.8	121	16	15.2	12.8	258	38,736
1978	90.8	71.6	28.4	78.8	9.1	12.0	143	22	18.2	12.7	277	50,258
1979	98.6	78.4	21.6	79.5	7.1	13.3	174	31	21.7	9.1	299	65,216
1980	98.6	77.8	22.2	78.9	6.7	14.4	200	26	14.9	8.6	320	80,987
1981	97.8	79.1	20.9	80.9	5.9	13.2	225	25	12.5	7.5	322	89,422
1982	93.0	75.5	24.5	81.3	4.9	13.8	278	53	23.6	6.5	338	115,919
1983	91.5	75.3	24.7	82.3	4.7	13.0	249	(29)	-10.4	6.2	377	114,173
1984	89.7	72.3	27.7	80.6	3.4	16.0	235	(14)	-5.6	4.7	425	123,904
1985	88.4	71.6	28.4	81.0	3.4	15.6	301	66	28.1	4.8	361	133,916
1986	84.2	73.6	26.4	87.4	4.5	8.2	339	38	12.6	6.1	389	151,231

Source: World Council of Credit Unions Annual Statistical Reports

7. Aggregate Latin American Federation Data and Analysis

LATIN AMERICAN CREDIT UNION FEDERATION DATA
Monetary Amounts in Thousands of Current U.S. Dollars

Credit Union Data		FEDERATION DATA											
		Assets					Liabilities				Capital		
Year	Number of Credit Unions	Total Assets	Total Assets	Loans Outstdg.	Cash & Invest-ments	Other Assets	Total	Savings Deposits	Notes Payable	Other	Total	Shares	Res. & Other
1974		\$199,687											
1975	1,975	236,112	\$25,032	\$15,635	\$2,539	\$6,858	\$17,514	\$1,601	\$14,750	\$1,163	\$7,517	5,908	1,609
1976	1,988	274,543	28,450	17,769	4,059	6,622	20,532	1,693	17,035	1,804	7,917	6,256	1,661
1977	2,138	296,852	35,825	23,197	4,539	8,089	27,024	1,760	23,564	1,700	8,801	6,463	2,338
1978	2,068	387,000	45,166	30,476	5,618	9,072	34,362	1,870	30,439	2,053	16,804	7,799	3,005
1979	1,997	494,000	54,481	37,627	5,791	11,063	40,852	2,134	35,758	2,960	13,629	9,301	4,328
1980	2,415	633,978	67,201	43,826	7,725	15,640	50,044	3,725	43,109	3,210	17,157	NA	NA
1981	2,469	666,097	82,068	49,280	5,989	26,799	56,658	5,919	44,478	6,261	25,410	13,395	12,015
1982	2,394	430,147	80,757	45,837	8,115	26,805	61,632	10,671	43,589	7,372	19,125	12,084	7,041
1983	2,377	573,180	88,993	43,223	7,789	37,981	68,646	14,215	44,462	9,969	20,347	12,215	8,132
1984	2,115	551,215	82,816	46,413	7,847	28,556	65,105	15,314	43,302	6,489	17,711	12,093	5,618
1985	1,717	571,085	82,873	39,320	14,462	29,091	63,583	16,506	38,476	8,601	19,290	12,264	7,026

Compound Annual Growth Rates

1975-85

1.4%	9.2%	12.7%	9.7%	19.0%	15.5%	13.8%	26.3%	10.1%	22.2%	9.9%	7.6%	15.9%
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Source: COLAC and WOCCU studies 1975-80. COLAC annual reports 1981-85.

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FINANCIAL ANALYSIS OF LATIN AMERICAN CREDIT UNION FEDERATION DATA

Year	Asset Structure			Capital Structure							Capital Adequacy	Asset Quality
	Percent of Assets			Percent of Assets							Reserves to Loans	Earn. Assets to Cost. Funds
	Cash & Investments	Loans	Other Assets	Savings	Notes Payable	Other Liabilities	Total Liabilities	Total Capital	Shares	Reserves		
1974												
1975	10.1%	62.5%	27.4%	6.4%	58.9%	4.6%	70.0%	30.0%	23.6%	6.4%	10.3%	81.6%
1976	14.3%	62.5%	23.3%	6.0%	59.9%	6.3%	72.2%	27.8%	22.0%	5.8%	9.3%	87.4%
1977	12.7%	64.8%	22.6%	4.9%	65.8%	4.7%	75.4%	24.6%	18.0%	6.5%	10.1%	87.3%
1978	12.4%	67.5%	20.1%	4.1%	67.4%	4.5%	76.1%	23.9%	17.3%	6.7%	9.9%	90.0%
1979	10.6%	69.1%	20.3%	3.9%	65.6%	5.4%	75.0%	25.0%	17.1%	7.9%	11.5%	92.0%
1980	11.5%	65.2%	23.3%	5.5%	64.1%	4.8%	74.5%	25.5%	NA	NA	NA	NA
1981	7.3%	60.0%	32.7%	7.2%	54.2%	7.6%	69.0%	31.0%	16.3%	14.6%	24.4%	86.6%
1982	10.0%	56.8%	33.2%	13.2%	54.0%	9.1%	76.3%	23.7%	15.0%	8.7%	15.4%	81.3%
1983	8.8%	48.6%	42.7%	16.0%	50.0%	11.2%	77.1%	22.9%	13.7%	9.1%	18.8%	72.0%
1984	9.5%	56.0%	34.5%	18.5%	52.3%	7.8%	78.6%	21.4%	14.6%	6.8%	12.1%	76.7%
1985	17.5%	47.4%	35.1%	19.9%	46.4%	10.4%	76.7%	23.3%	14.8%	8.5%	17.9%	80.0%