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CREDIT UNIONS AS COOPERATIVES:
Achievements and Potential

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I. INTRODUCTION

A credit union is a cooperative financial organization owned and operated on a not-for-profit basis by its members according to democratic principles (Annex 1). Its purpose is to encourage savings, to use pooled funds to make loans, and to provide other related services to members and their families.

Credit unions, as private sector financial intermediaries, play significant roles in urban and rural financial markets in both developing and developed countries. At the end of 1988, there were nearly 15,600 credit unions in developing countries with over US$5 billion in total assets serving about 8.8 million member-owners in 72 national movements affiliated to the World Council of Credit Unions (Annex 2).

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. As a result, locally generated 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 social change and development, just as it does for economic development. Through innovation and adaptation, credit union leaders have been able to build on indigenous resources to develop their own credit union institutions.

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.

II. THE UNIQUE NATURE OF CREDIT UNIONS

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

A. 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 developed countries, typically limit membership to persons employed in the same workplace or who share membership in a particular association. 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 area of residence or employment.

Credit unions operate in both urban and rural areas in the developed and developing countries 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 countries. In Africa, of nearly 4,000 credit unions, about 45% are classified as rural or predominantly rural. In nineteen territories of the Caribbean with 476 credit unions, 47% have a mixed rural-urban membership. Data collected since 1980 indicate that approximately 40% of credit union members in Latin America live in rural areas.

B. Member Incomes and Occupations

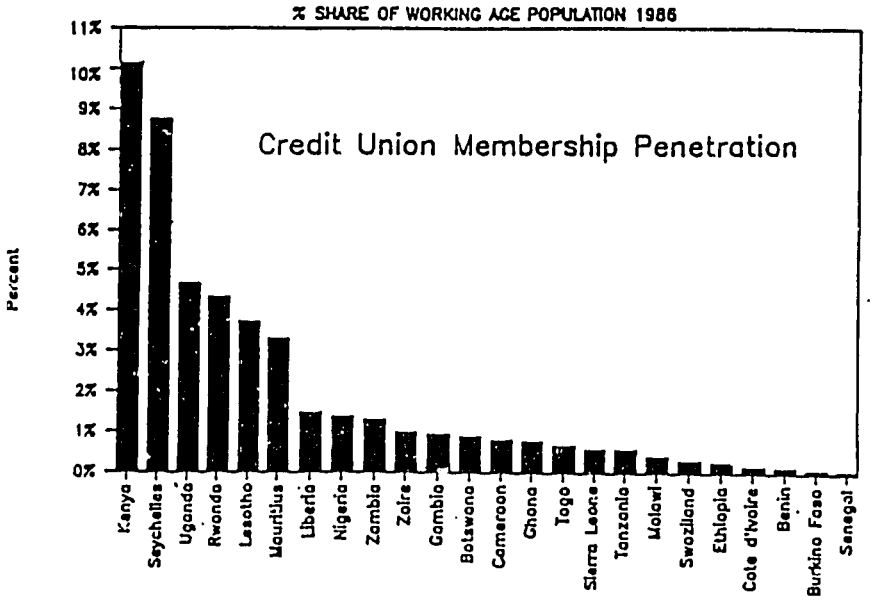
Credit unions provide financial services to sectors of the population that would otherwise have limited or no access to these services. Although few income studies have been conducted, the limited data available confirm that credit union members are generally below the median income level. Even where 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-scale farmers, traders, shopkeepers, artisans and other producers, and a limited number of teachers and other salaried employees. Urban credit union members are generally low-level wage and salary earners, the self-employed and housewives.

In spite of promotion efforts over the last 20 years, there are still large segments of the African population outside the credit union movement. Thus, there is a need to accelerate the promotion of credit unions. Through increasing promotion activities in both existing movements and emerging movements, more people can benefit from working together to attain common goals of economic advancement. (See Figure 1.)

Figure 1

POPULATION PENETRATION RATE-AFRICA



For example, Cuevas (1987) reports that in Niger the average access to an institutional loan was 22.4 percent of farmers surveyed. The average amount of these loans was about 10 percent of the average agricultural income. The percentage to agriculture output was 2.23 percent. A vast majority of the households (84 percent) has obtained loans or assistance from relatives (50 percent) and friends and neighbors (30 percent). Most of the informal borrowing was in the form of grains and seed.

Ghana also provides a good example. Given the wide-spread availability of banking facilities in urban and rural areas, savings deposits were found not to be an important part of the average asset portfolio. High transaction costs and a mistrust of the banking system had a negative impact on demand for these services. By comparison, informal savings arrangements were found to be significant within the subset of these financial savings and opportunities, although equally insignificant in comparison to total savings.

Ghana

Table 1: The Structure of Rural Savings (in percentages) According to the Household Survey (sample size: 377)

Total Savings	Real Savings	Value of Stored Produce	Total Fin. Sav.	Savings Kept in Banks	Informal Financial Savings	Cash
Overall:						
100	80.7	42.5	19.5	7.3	11.8	4.16

The term "value of stored produce" in Table 1 is a summary term for all real assets which can be considered to be comparatively liquid according to local standards. For the whole sample approximately 40 percent of total savings is held in liquid real assets which can be regarded as close substitutes for liquid financial assets such as bank deposits and cash. These, altogether, constitute only slightly more than 10 percent of total savings country-wide.

The structure of financial savings, in their totality, constitute only 20 percent of total savings. Normally — with some exceptions -- the banks do not refuse to take deposits, and therefore, it seems that these facilities are not attractive to the public. The data also indicated that approximately 50 percent of the adult rural population have, or have once had, a bank account. In other words, in Ghana, rural people are familiar with banks, and this may be the reason why they do not, on average, want to hold more than 7 percent of their total savings in the form of bank deposits.

Total savings are the sum of real savings and financial savings. Real savings are those real assets which are not currently held for consumption or production purposes. Cash is a part of informal savings. As Table 2 indicates, the total savings-to-income ratio appears to be quite high. It indicates that rural people, who are generally considered to be poor on average, have to save in order to survive.

Table 2: Average Income, Average Savings, and Average Savings Balance by Income Group (Alternate lines express quantities as % of average income)

Income Group	Sample Size	Average Income	Average Savings	Balance, Sav. Acct.	As % of Avg. Sav.
Low	145	113,861	93,272	7,761	8.32
(%)		100	81.9	6.82	
Middle	187	441,006	319,174	18,421	5.77
(%)		100	72.4	4.48	
Upper	45	2,473,753	767,564	73,922	9.63
(%)		100	31.0	2.99	

C. Credit Unions Operate on Cooperative Principles

-- 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 offices 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.

— **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.

— **Ongoing 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.

D. Credit Unions Have Unique Characteristics and Advantages:

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.

The key distinguishing characteristics of the credit union movement are summarized below:

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 are non-profit but earning based: net income is distributed to the members as interest/dividends on savings.

Credit unions adhere to both general cooperative principles as well as a set of specific credit union operating principles.

Voluntary, unpaid leadership reduces cost and makes community service an explicit objective of credit unions.

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

Dividends are calculated on the par value of the members shares. The by-laws of the credit union state the par value.

A credit union, also known in Africa as a thrift and loan society or a savings and credit cooperative, is a financial cooperative. Its business or commodity is money: money in through the members' contributions of shares, savings and deposits and money out in the form of loans to members.

Credit Unions Develop Initiative and Leadership Potential. When people are brought together and given a chance to work in a group, they express themselves and interact with each other. Ideas and experiences are exchanged. Their minds are stimulated and they seek to make decisions, not only beneficial to themselves, but also to the whole group. These opportunities are found through active members, being elected or appointed to committees, developing and/or participating in member education programs, members' meetings and seminars on various issues and topics. By increasing their leadership skills, the members are better able to confront the tough decisions inherent in managing the affairs of the society. They are also able to bring forth their ideas and experiences to representatives throughout the national movement and to the government cooperative officers.

Many credit unions in Africa provide life savings and loan protection insurance. Such insurance protection enables the "debt to die with the debtor" and for the member's savings plus an additional amount to be paid to the designated beneficiary. In Africa, often the credit unions are the only financial institutions providing such insurance coverages to the common people.

Since credit unions are member-managed, they are located in a convenient location for their members. They also provide services at hours convenient for the members. The societies conduct member education programs and member meetings at times which allow all members an opportunity to attend.

The savings philosophy of a credit union is for the member "to pay him/herself first" through regular savings, whatever the amount. This pay yourself first philosophy allows members to realize, often for the first time, that saving for tomorrow is better than borrowing for tomorrow.

Loans are Provided for any Worthwhile Purpose. The member's ability to secure a loan from a credit union is based on the three Cs of credit: character, capacity and collateral. Thus, the society's loan committee, composed of the member's peers, will determine his or her creditworthiness.

The credit union, with its simple structure, democratic practices, services to members and social goals, provides a bridge for people to use to make the transition from an informal financial sector to a formal financial sector. As the society grows, it will expand the

types of share/savings and deposit accounts available to members. Through providing a variety of savings and deposit accounts, the members can use the credit union as their primary financial institution.

III. CREDIT UNION ACHIEVEMENTS AND FINANCIAL DEVELOPMENT STRATEGY:

A. Developing Country Achievements

Despite a high degree of financial repression and institutional barriers to growth, credit unions in developing countries have accumulated some important achievements.

- Savings of more than US$4.2 billion - Figure 2.
- Increases in average member savings from US$218 in 1980 to US$470 in 1988 - Figure 3.
- A savings growth rate of 19.9% during the 1980-88 period.
- Increases in membership from 2 million in 1972 to 8.8 million in 1988 - Figure 4. Figure 5 reflects membership by region in 1988.
- Loans outstanding increased at an annual rate of 18.3% from 1972 to a 1988 balance of US$3.5 billion - Figure 2.
- During the 1972-86 period, US$8 billion in loans were granted.
- Credit union savings as a percent of total savings were (1988):
  - 6.2% Caribbean
  - 1.2% Latin America
  - .08% Asia
  - (Compared with 6.9% in the U.S.)
- Credit union loans as a percent of the total credit market were (1988):
  - 6.5% Caribbean
  - .07% Latin America
  - .06% Asia
  - (Compared with 2.8% in the U.S.)

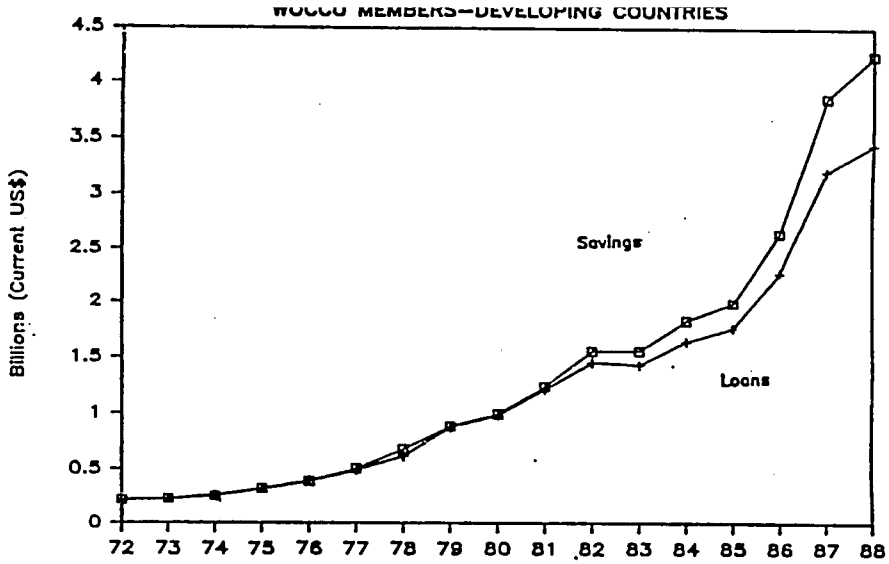


Figure 2

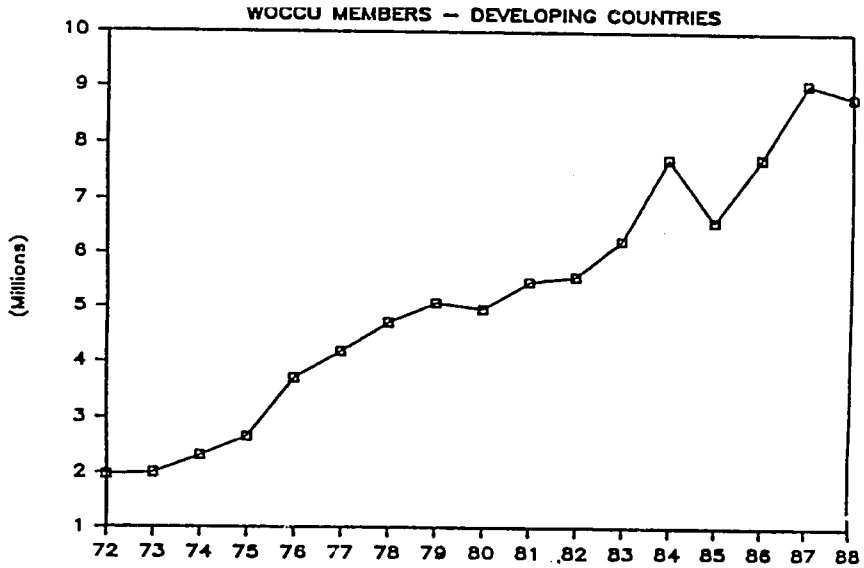


Figure 4

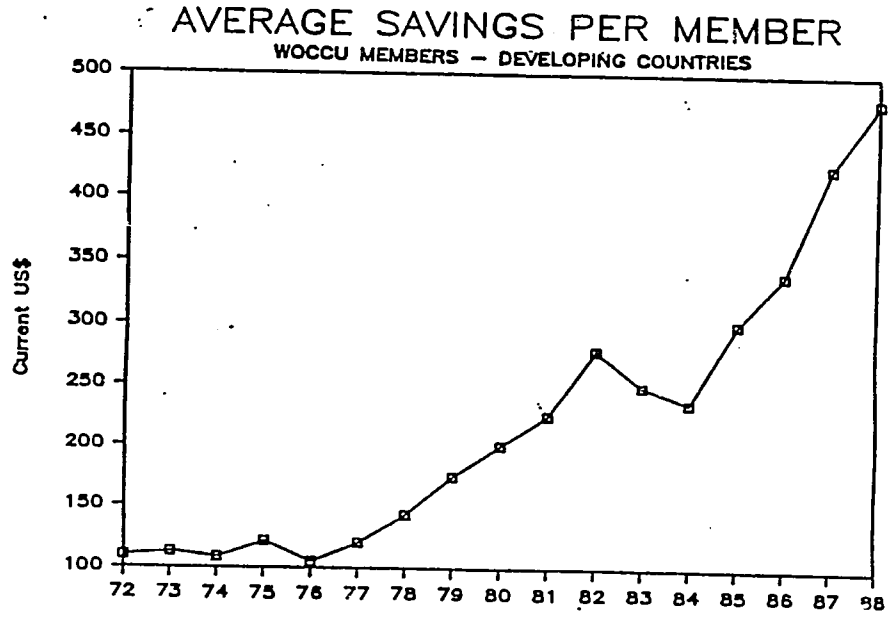


Figure 3

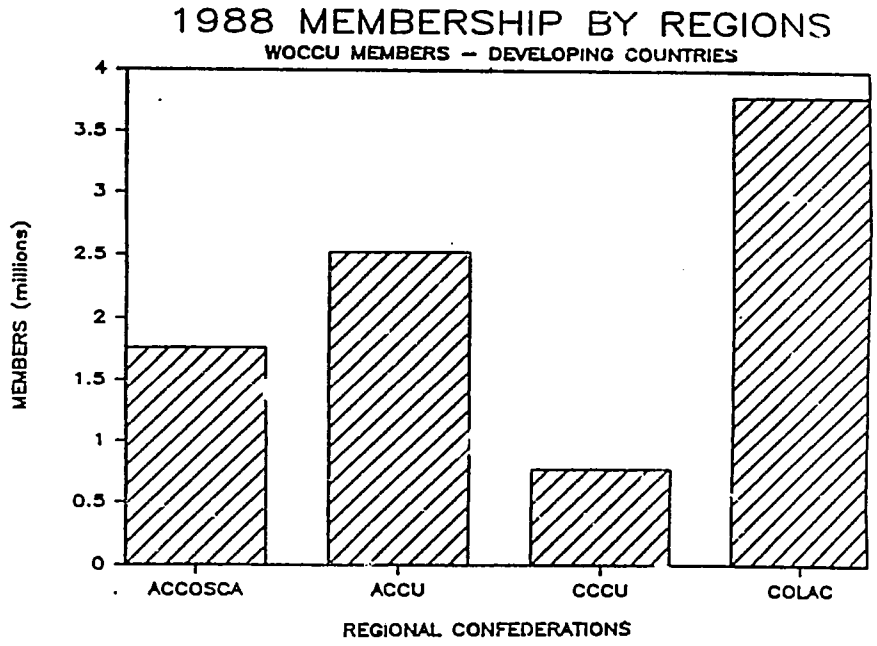


Figure 5

These figures demonstrate that credit unions are clearly capable of mobilizing sufficient savings to fund their loan portfolios. Nevertheless, there exists considerable potential for portfolio growth through the judicious use of external resources to accelerate movement generated savings. Chart 5 reflects the regional distribution of savings and loans in each WOCCU-member region at year-end 1988.

Overall, membership in WOCCU-affiliated credit unions in the developing countries is just under 1% of the total working age population. By reaching an overall 5% share of the working age population in these countries, credit union membership will grow by some 50 million in the coming years. At the movement's current membership growth rate of about 10% per year, this will take about twenty years.

At the current annual growth rate of about 19.9%, savings will grow to nearly US$100 billion over the next twenty years. The average savings account balance will exceed US$1,600 by the end of that period. In twenty years, loans outstanding will reach some US$65 billion at their current annual growth rate of 18.3%. Annual loan volume may exceed US$40 billion and productive lending some US$8 billion per year.

B. Achievements in Africa:

The African Confederation of Cooperative Savings and Credit Association's (ACCOSCA) and the World Council of Credit Union's (WOCCU) 25 member countries are drawn from the 46 countries of sub-Saharan Africa. Of the 25 member countries, 14 are classified by the World Bank as low-income economies of less than US$400 per capita GNP. Despite this barrier, credit unions from these 25 countries achieved the following:

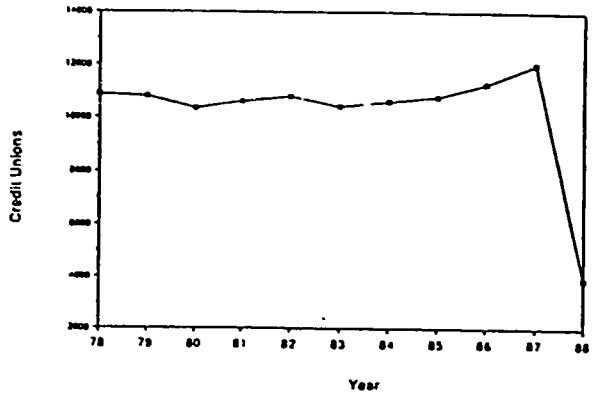
Membership increased from 30,000 in 1972 to 1.76 million by the end of 1988.

Savings increased from US$150,000 in 1972 to US$305 million by 1988.

During the same period, loans outstanding increased from US$120,000 to $232 million.

African credit unions provide financial services to sectors of the population that would otherwise have limited or no access to savings and loans. As of 1986, rural credit unions served roughly 1.5% of the working age population in Africa. Saving to loan ratios have declined from 1980 to where approximately 76% of all savings were loaned out in 1988. This trend is an indication that the movement is emerging as a net savings provider to the financial system in Africa. Overall, there is a downward trend in the loan savings ratio. Credit union savings as a percent of total savings stand at 4.3% as of 1986, comparing rather well with the United States' credit union movement's 6.9% -- achieved after 80 years of development. Credit unions have attained an increasing share of the private sector credit market. As of 1986, the movement's share increased to 1.8% in Africa.

ACCOSCA Credit Unions: 1978-1988



Note: The sharp decline in 1988 reflects the National Association of Co-operative Credit Unions of Nigeria's decision to list only currently affiliated member credit unions.

Figure 6

ACCOSCA Savings and Loans: 1978-1988

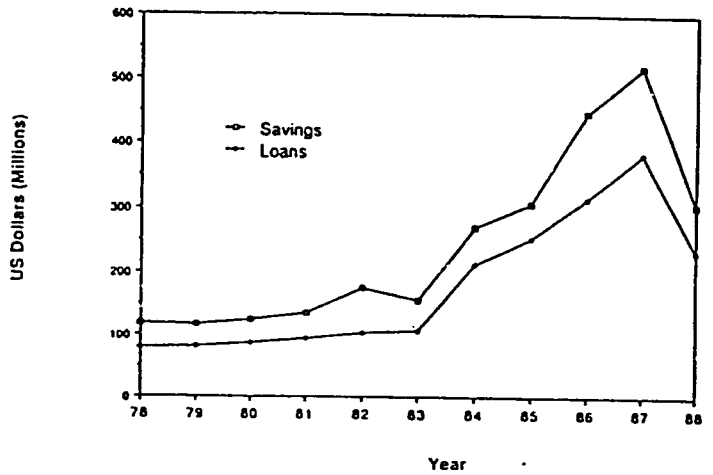


Figure 8

ACCOSCA Membership: 1978-1988

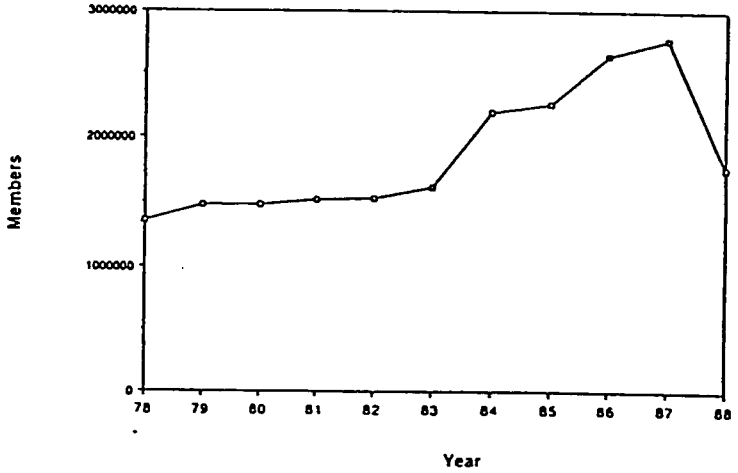


Figure 7

Average Savings per Member: ACCOSCA 1978-1988

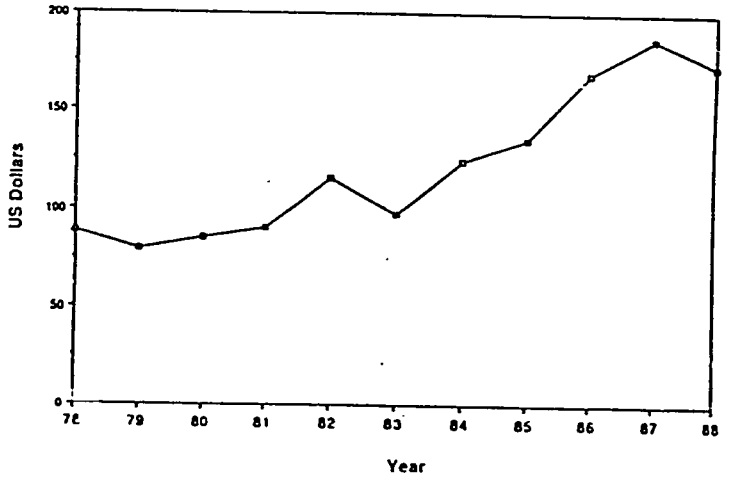


Figure 9

Figures 6-9 show ACCOSCA's credit union, membership, savings and loans, and savings per member growth from 1978-88. Despite these achievements, the credit union movement is still in its formative stage. However, credit unions are growing successfully, developing their operating methods and systems, and reaching a larger proportion of the financial market place.

IV. CREDIT UNION OPERATIONS

A. 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 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. 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 far less in developed ones.

Savings have been the primary source of movement funds during the last fifteen years. In 1986, they provided over 86% of total credit union funds, with reserves, other liabilities and other capital accounts supplying the balance. Financial intermediation is the essential function of credit unions at the community level. The three basic services provided by credit unions to their members are: savings deposits, personal loans and insurance.

Frequently, credit unions are the only legal financial institutions with both savings and loan services in rural areas. The African credit union movement is largely rural. Of the nearly 4,000 credit unions which are ACCOSCA members, about 45% are classified as rural or predominantly rural. In Malawi, 80% of credit union members are small-scale farmers. In Lesotho, nearly 70% of the movement's 30,000 members are rural women.

The average African credit union has about 450 members, and has assets of about US$92,000. About 25% of the credit unions will have a paid manager, with the remainder depending on volunteer officers. Larger credit unions generally operate out of their own building, while smaller and/or developing credit unions may provide services from donated or rented facilities or from the home of one of the leaders. Small credit unions frequently offer services two to three days a week, usually on market days and weekends.

The guiding principle of credit unions is that as member owned cooperatives, they are governed by member needs. Thus, credit unions almost always start small, with volunteer workers contributing their time and talent to build up the credit union's assets. Saving is encouraged; amounts range from ten cents to hundreds of dollars and,

unlike banks, no amount is too small. These member savings make up the capital of the credit union. External government or donor development capital is not generally sought and rarely plays a role in the growth of a credit union.

Members use loans to meet basic needs and priorities. In 1986, samples indicated that social and consumer loans received the largest attention, representing 40% of all loans outstanding. Others included housing (25%), health and education (15%), and agriculture and small business (20%). Credit is often rationed during times of inadequate capital by reducing loan size, stretching out disbursements, or granting only the smallest loans first. Frequently, from one- to two-thirds of members are borrowers at any given time.

B. Basic Savings Products

Credit unions in Africa 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 data consolidate both types of savings accounts, because the distinction between them is largely a matter of semantics and national or even local practice. The trend for at least the last ten years in Africa is toward "deposit" savings.

C. Loan Products

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

* 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 which function 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).

* Ordinarily, only one-third to one-half of the members are borrowers at any given time.

* Obligatory savings of 5% to 10% 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. Twelve percent annual 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 those of private sector competitors' and/or inflation rates are now more common. Adjustable loan interest rates are only now being introduced in some credit unions.

* Interest rate limitations (fixed by law in a majority of statutes at a 7 percent maximum dividend on savings, and 12 percent annual interest rate on loans) are inconsistent with inflation rates in the region and sound financial management practices. These uneconomic rates provide inadequate earnings to the societies, which are unable to cover expenses and provide a realistic return on savings. This discourages voluntary savings, with the result that growth in the past few years has been relatively stagnant.

  Many African movements are acting to raise interest rates in spite of restrictive laws. For example, Ghana's credit unions are increasing interest charges from 12% to 30%, 12% to 18% in Malawi and Lesotho, 10% to 15% in Liberia and to 18% in Togo.

* 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.

D. 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.

E. Loan Purposes

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. 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 African country studies, we offer the rough estimates of loan purposes presented in Table 3.

Table 3
Estimated Total Loans Outstanding
Classified by Purpose (1986)
(Africa)

Purposes	Percent Share	Total Balance (Million US$)
Housing	25%	$ 58
Health and education	15%	35
Social and other consumer	40%	93
Agriculture and small business	20%	46
Total loans outstanding	100%	$ 232

Loan purpose varies depending on the nature of the credit union movement. Rural credit unions use credit for agriculture and related needs. Nevertheless, even in semi-urban areas, many Africans own land and loans which may be for basis consumer needs indirectly support agriculture production as more cash is made available for all purposes.

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 pilot efforts in Africa (particularly Cameroon, Malawi and Lesotho).

Since 1975, CamCCUL has operated an agricultural credit program. Starting as a pilot program, it was expanded in 1980 into the Small Farmer Productive Project (SFPC) program under Phase I of a 5-year Credit Union Development Project supported by external funds. By 1985, 28 credit unions had met the qualifications to enter the SFPC program, which provided technical assistance and funds from the CLF for lending to farmers.

Seeing that the number of agricultural loans given by SFPC credit unions was small compared to trade or business loans (see Table 4), the CamCCUL board of directors decided to expand the program under Phase II of the Credit Union Development Project. CamCCUL now manages the Productive Credit Program (PCP), and provides technical assistance and funds for lending to small manufacturers, traders, and other entrepreneurs, as well as to farmers. Technical assistance includes training credit union bookkeeper/managers to evaluate loan requests and monitor existing loans. CamCCUL's next priority in the area of productive credit is to develop the capacity to provide business counseling to potential borrowers. Currently, 39 credit unions are active in the Productive Credit Program.

Table 4

LOAN PURPOSE FOR SFPC CREDIT UNIONS
1981-1985
Percentage of Total Loans

Year	Loan Purpose					
	Farming	Housing	Trade	Education	Medical	Other
1981	3.5	30.0	42.0	16.0	2.0	6.5
1982	3.0	21.0	42.0	18.0	3.0	8.0
1983	11.0	25.0	38.0	16.0	3.0	7.0
1984	7.0	33.0	24.0	21.0	3.0	12.0
1985	8.0	25.0	21.0	22.0	10.0	14.0
Average	7.5	26.8	33.0	18.0	4.0	9.5

Source: SFPC records, project reports, credit union loan registers

A survey conducted in 22 of Lesotho's production credit unions found that after six years in the program, 38 percent of the members were borrowing for improved agriculture inputs. Loan uses were as follows:

Agriculture	38%
Other business	10%
School fees/medical	25%
Housing	20%
Local/consumer	7%

It is interesting to note that in Lesotho most agriculture loans were for seasonal production loans. In this country the agriculture development loans in this category were up to 60% delinquent.

F. Loan Delinquency

Delinquency has been a problem for credit unions, just as it has been for most financial institutions and even governments in the African 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 gathering and processing in the developing countries. Most credit unions do in fact periodically prepare delinquency analysis reports for their

leadership and management. WOCCU 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, is highly correlated with management quality, because poor lending policies and procedures are a major cause of collection 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% or less while average credit unions may have rates up to 10%. The below average and problem credit unions may have delinquency rates ranging up to 20% or higher in extreme cases. Loan loss rates are probably less than half of delinquency rates in most cases.

Examples of Loan delinquency rates from selected countries highlight this problem.

Country	Average Delinquency
Malawi	27%
Lesotho	30%
Liberia	22%
Ghana	20%

Causes for loan deliquency vary; poor collection effort on the part of credit unions is a major contributing factor. Ultra-conservative loan policies may also contribute, as 1 to 1 ratios in some countries result in members borrowing their own money.

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. Some credit unions form Delinquency Committees made up of key members, leaders and staff to monitor and direct the collection process.

Some of the collection measures taken are:

- Payment of commission on delinquent loans collected to staff or loan collectors.

- Deliberate exposure of the debt to the other members in the community to achieve peer pressure.

- Use of the traditional system of Chiefs to extract payment.

G. 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 have introduced 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.

H. 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 CLF 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% to as high as 25%. In loan capitalization systems, borrowing credit unions only are required to invest a given percentage, usually 5%, 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. Between 15% and 20% of credit union deposits typically must be maintained on deposit in the federation's CLF.

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. 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.

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 some financial success, but the long term implications for the movement are as yet unclear.

I. Financial Development Strategy

Achievement of this potential will be accomplished through continuation and enhancement of three key development processes now ongoing in the movement. WOCCU is actively working with its member regional confederations, national federations and local credit unions to strengthen these processes. They are:

Widening and deepening of the market at the local credit union level. Better managerial skills and microcomputer-based accounting and information systems will enable credit unions to expand total membership at both the lower and higher ends of their market. A wider array of financial services and products is being offered to attract new members and new business from existing members, including:

- Deposit savings accounts with a variety of term and interest rate structures;
- Differentiated loan accounts with security, interest rate and payment options better suited to both consumer and business borrowers;
- Payment system services, particularly checking accounts.

Development of Central Liquidity Facilities (CLFs) at the national and regional levels. National credit union federations are increasingly specializing in mobilizing and managing the surplus savings funds generated at the credit union level. Some of these funds are relent to savings deficit credit unions and some are invested in national money markets. These CLFs are the normal vehicle for access to central bank services.

Strengthening financial stabilization, regulation and supervision. Assuring the safety and soundness of credit unions depends on a cooperative partnership of both the movement and government. Institutional vehicles are being developed for protecting members' savings against loss and establishing strong financial management discipline within the movement.

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.

Successful credit unions are almost invariably built from the ground up by 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 wholesale services; achieve economies of scale; diversify risks; and centralize liquidity.

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 top down creation of new, externally financed institutions. Utilize the vast human resources base of experienced credit union professionals and proven technical tools of both the developing and developed credit union movements, to design and implement programs tailored to the needs, conditions 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.

Build the movement from the bottom up and rely on the democratic decision-making to guide the development process.

Promote the principles of self-help, local initiative and private capital investment.

Implement integrated organizational and financial development strategies focused on:

Development and application of performance standards and related incentives;

Human resource development at all levels of the movement and in the complementary government regulatory and central banking systems;

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

Enhancement of credit management and asset quality.

The credit union development model being applied in Africa is described in Annex 3.

J. Other Systems of Discipline

The Malawi Federation has developed a classification system for evaluating the credit-worthiness of credit union applicants for loans from the central finance facility. Class A credit unions can receive credit equalling 50% of their member deposits. Class B and C get less, while Class D cannot receive credit (the classification system is included in the appendix). A new rating, Class AA, has been proposed as an award to credit unions with full-time qualified management who have the ability to administer all loan and deposit services. Credit unions can upgrade their classification, and are given tangible rewards for achieving Class A: a better interest rate, a certificate, and their photo in the annual report.

One credit union developed its own system to classify members and several others have expressed interest in trying this. To become a Class A member, one has to attend all credit union meetings, have all loans paid, and a percentage of salary must be deducted to a savings account. Once a member has reached Class A, he can receive a loan equal to 200% of savings on deposit.

The Malawi credit union movement has grown substantially and steadily from 1978-88. The number of credit unions increased from 24 to 51, an 89% increase over the projected 51, savings only grew to US$478,669 (55% of the projection) and loans outstanding increased to US$539,959 (69% of the goal).

The Federation's most visible service to credit unions is to its fieldworkers. Fieldworkers visit each credit union in their area an average of once a month. This ensures continuous on-site training of boards of directors, committee members, and bookkeepers. Such supervision generally leads to accurate accounting, enabling members to more easily monitor their society's operations. The Federation also sponsors promotional campaigns involving radio programs, posters, pamphlets and film presentations.

V. A REGIONAL APPROACH TO SUSTAINING CREDIT UNION DEVELOPMENT

A. ACCOSCA

As the Pan-African credit union development organization, ACCOSCA continues to be a catalyst for credit union development throughout Africa. ACCOSCA is responsible for the following:

Ensures that appropriate skills, knowledge, and attitudes are developed throughout the continent to encourage strong, efficient credit union institutional development at national levels. This

is done primarily by training national credit union leaders and staff.

Facilitates the transfer of appropriate credit union technology in a uniform and standardized approach. In addition to providing training, staff work with national staff to develop, document, and apply systems of accounting, auditing, management, and standards which meet the needs of each country.

Works to create the legislative and regulatory environment that allows credit unions to function democratically.

Continues to promote and develop new movements in sub-Saharan Africa.

Within the credit union structure, only the credit union itself is principally a financial institution. Accordingly, almost by definition, it is financially self-supporting. If operated properly, the income generated from its lending activities will be adequate to cover all administrative and financial costs. This is true even in the early stages of development because of the high degree of volunteerism at every level of the credit union system.

At the continental level (in this case, ACCOSCA), the association is a development service organization, not a financial institution. It must rely on dues, service fees, and externally mobilized development assistance until the movement at the local and national levels can sustain itself.

Bilateral programs to assist the development of a credit union system in a single country can be effective in generating major credit union growth in that country. But, not all of the movements in Africa are in a position to effectively utilize such assistance. Nor are all countries in a position to receive bilateral government development assistance. Some are strong movements that need only periodic assistance to introduce new techniques, develop more effective growth strategies, and deal with specific problems. Others are still too new or too weak to effectively use bilateral projects.

ACCOSCA has conducted extensive surveys of each of its 25 national association's development needs. This enables them to assist in mobilizing the financial and technical resources required to accelerate movement development. The regional approach permits continuous assistance on an as-needed basis, thus assuring some continuity of promotion, modernization, systems and skill development, and consistency of services and operational policies within each national environment.

B. Savings Mobilization

The most appropriate vehicle to attract local savings is one that users can trust. Such trust is best engendered if this vehicle is an institution that they own, operate, and direct--in other words, a

cooperative. Furthermore, when a cooperative's activities are limited, in this case to mobilizing savings for relending to members, operations will be simplified and more easily lend themselves to member participation.

The most effective saving mobilizations program is to provide good services through a well managed credit union. Savings mobilization occurs when:

- Professional management provides full service to the members.
- When adequate and competitive dividends are paid on savings.
- When member education is carried out by the credit unions and members participate in the credit union management through the democratic process.
- When physical facilities are safe and instill confidence.

In addition, special promotion programs such as the one undertaken in Togo have had impressive results. In this case, the objectives of each credit union's annual promotion program were to obtain at least 50 new members and at least 1 million CFAF in new deposit savings. To generate these results, three different types of activities were undertaken:

1. Placing posters in public places and holding public meetings, both of which announced the goals of the promotion program, the prizes available, and how they could be won.

2. Payment of modest cash prizes (the largest was 5,000 CFAF) for certain desired behaviors:

   * Joining the credit union (500 F);
   * Bringing a new member to the credit union (500 F);
   * Depositing certain sums of money (500 F for a 5,000 F deposit up to 3,000 F for deposits of at least 100,000 F); and
   * Regular deposits to savings (the one making the most number of deposits of at least 500 F during the period won a 5,000 F prize).

3. Holding a raffle at the end of the promotion period. Each new member received a raffle ticket, as well as the person who brought him, and members received a ticket for each deposit of at least 500 CFAF. The grand prize here was a choice of a bicycle or 50,000 CFAF, according to the winner's preference. A number of lesser cash prizes (varying from 1,000-15,000 CFAF) were paid, too. All prizes except for the bicycle were credited to the credit unions' CLF account to avoid carrying around large sums of cash. Winning raffle tickets were always drawn by neutral persons, generally small children.

A maximum of 200,000 CFAF (up to 84 separate prizes) was available to each credit union during each of the two 1988 annual promotion programs held. Only one credit union was able to win the entire amount (although several came close). The promotion program was repeated in the first quarter of 1989. Nearly all credit unions greatly exceeded savings and, to a lesser extent, membership goals.

C. Criteria for Determining Success

There are many reasons why cooperative credit unions succeed or fail and considerable disagreement on the criteria for success. Study of successful cooperative credit unions and national movements have highlighted a number of common denominators. The successful cooperative:

Is an economically viable business enterprise. It continues to mobilize new members, increase member deposits, cover operating costs from earnings, and return surplus earning to members at levels adequate to attract continued investment.

Affords member participation in decision-making related to the sharing of financial gain, risks and the planning and achievement of its organizational objectives.

Provides the services members are seeking and responses to member needs.

Has or develops the capacity to adapt to changing economic conditions and member expectations.

Practicies operations and institutional behavior that are consistent with established cooperative principles.

D. Factors Contributing to the Success and Failure of Cooperative Credit Unions

There are a number of conditions which are prerequisites or must be established to ensure the success of cooperative credit unions. Absence of these conditions generally lead to failure.

Successful cooperatives have strong leadership. The ability to motivate and lead while avoiding excessive control is essential to initiate and maintain a cooperative. It is also essential to continue to expand this leadership base.

There are many examples of cooperative credit union failures resulting from the exit of a key leader. There simply was not other leaders available. The presence of board members for long periods of time who develop vested interests, often contributes to cooperative decline.

Cooperative credit unions initially evolve under volunteer leadership and management until they become large enough to pay professional staff. In many countries in Africa this process may take many years before the credit unions reach the "take-off stage under professional management. Nevertheless, credit unions with professional management capable of providing a full service to its members is important to the eventual growth and development of the credit union. Development efforts in Togo, Lesotho and Cameroon which supported the selection, training and support of local managers obtained dramatic membership and savings growth (40 to 80 percent annual increases) rates compared to those credit unions with out professional management. A key element of these programs was the recruitment and training of managers from the community and membership base.

Many credit unions have failed due to selection of leaders and managers who failed to reflect the values and common bond of the majority of the membership. Frequently, boards of directors are unwilling or unable to employ managers at a salary greater than they themselves receive, hiring unqualified managers. The lack of expertise in cooperative management is the most frequently cited cause for failing credit unions.

Successful credit unions result from a continuous flow of information to members, leadership and staff through cooperative education. This education leads to understanding of membership responsibilities and ownership and to commitment to the success of the cooperative. A recent study of the credit union movement in Liberia illustrates the importance of continuous education. The Liberian Credit Union Association experience a period of financial difficulty, during which, education and training was severely reduced. At the same time, there was a corresponding increase in mismanagement, misappropriation and mistrust. As new and intensified education efforts were re-established,membership control was re-established resulting in the election of new leaders and appointment of more effective staff.

Successful cooperative credit unions are most often found where favorable climate for their development exists including:

- A legal frame work which enables cooperative development rather than control and regulation.

- Policies and regulation allowing open competition and pricing of products.

- Agreement between government, other organizations and cooperative credit unions on objectives and the time necessary to reach them.

- Access to sources of finance and investment.

- Functioning legal processes.

Successful cooperative credit unions have provided for active participation by groups of members defining problems, taking action, learning, readopting and changing. Government and outside agencies responsible for the promotion of cooperatives often define participation as merely coming to meetings, listening and voting. Participation of members in informed decision-making seems to be essential to the long term success of the cooperative.

Experience indicates that a broad membership base is beneficial to sustaining cooperative credit union development with membership open to all persons within the common bond. Cooperatives which have been limited to one economic group, for example the poor, have generally failed after a short time.

Governments and development agencies have sometimes imposed accelerated growth on cooperatives in an attempt to meet other development objectives. As a result, cooperatives have frequently been introduced into situations where the risk factors were great and where circumstances were unfavorable, such as disastrous economic or legal or political conditions. As these cooperatives failed, typically, more resources and control was applied, destroying member ownership and participation.

E. The Role Of Governments and Development Agencies

Successful cooperative credit unions have been and are being developed in a number of African countries where the movement has worked to raise the level of understanding of government and community leaders about the role and nature credit unions. Where informed government leaders have used government resources to strengthen the ability of the members to lead and direct their own organization, credit unions have thrived.

Governments, and often development agencies, have looked on cooperative credit unions as a vehicle in the overall development process. Resources are not applied to develop the cooperatives' capability, but rather are passed through it to achieve other objectives, such as using external funds for credit toward increased food production. This top-down initiative often has led to excess government control and greatly reduced roles for the member owners. In The Gambia, this control stifled credit union growth and resulted in most members withdrawing their membership. Once Governments exercise the initiative in determining a credit union's activities, they are reluctant to withdraw and give up control.

Government and donor programs which have attempted to meet credit needs rather than creating debt capacity have often resulted in failure, not only for the project, but for the credit union as well. For example, in Lesotho external funds were passed through the credit unions to meet credit needs as perceived by the agency, with the ultimate goal being the production of vegetable crops. Credit funds, in which the credit union's owner, the member have no investment stake, were not weighted equally with member savings, resulting in poor collection and repayment. Abundant credit tended to drive up

borrower spending, reducing potential profit margins and the member's ability to repay the debt. Members' equity in the credit union was reduced and eventually transferred, to the capital provider. As dependence on external financing increased, the credit unions became subject to outside manipulation.

The proper role of government in relation to cooperative credit unions is that which would be beneficial to business undertakings in general. The role of government should be consultative, rather than directive. Government should encourage cooperators to work with them in defining policy on cooperatives, legislation and the role of government. Government should facilitate the development of cooperative legislation from the movement itself, but has no role in imposing its own rules; otherwise it will subvert the membership process. In other words, government's role should be one of "enabling" cooperative development. Governments, as well as development agencies, should avoid using cooperatives as development tools, to achieve specific purposes such as financing credit needs; they should rather focus development resources on the process of development a sound cooperative system.

Domestic capital formation should be the focus of development through cooperatives. External capital should be used to help capital formation domestically, to reinforce the capitalization process. On the credit side, the variation in credit needs should be accommodated. Beneficiaries (members) should be allowed to decide their own needs, which the credit union helps them to meet. Interest rates should be comparable with the general market conditions in the country. External funds should not be used to subsidize interest rates. Market rates of interest should be charged by credit unions and net profits returned to the members as dividends. Cooperatives need to be allowed to respond to competition. Fixed prices and government controls will not enable a cooperative to function as a business by responding to the market.

F. Supervision and Control

Audits are a part of the democratic process protecting the interest of the members. Most African cooperative laws set forth when and how the audit is to be made, and usually depend on the government cooperative department personnel to conduct the audit. Audits and the resulting reports to membership and their actions in response to the audits are the principle form of control. The basis of the cooperative audit is financial.

Yet the lack of regular audits has perhaps been the most important factor that has led to the dormancy of many cooperatives. In many cases, the default in conducting adequate and timely audits appears to have left room for various malpractices in defalcation. Cooperative departments generally are short of financial resources and properly trained auditors. In many countries, such as Lesotho, Ghana, Gambia and others, government budget reforms have left these departments virtually without the manpower to conduct audits. In other countries,

such as Liberia, untrained department personnel attempt to conduct audits, resulting in confusion, incorrect reports and sometimes deliberate covering up of defalcations.

Nevertheless, credit union organizations in many of these countries have found ways of improving the audit process. For example, in Lesotho, the national association of credit unions has appointed its own credit union auditors and authority has been delegated by the Registrar. In Liberia, national association auditors have turned up defalcations and illegal loans in 60 percent of the credit unions, none of which were reported by department of cooperative auditors. In this case, the national association conducts the audit and the government simple approves through signature. These audits have led to removal and dismissal of board and committee members and professional staff responsible for mismanagement and misappropriation.

When cooperatives are organized in a vertical structure and when their objective is to promote the economic interests of their members, audits are now frequently conducted by a cooperative auditing unit, operating out of the national association. At the national association level, audits should be carried out private auditing firms. In Africa, ACCOSCA, has worked with most of its 25 member countries to develop comprehensive credit union audit manuals which are appropriate at any level within the credit union system and provided audit training to at least one person within each of these countries.

This experience indicates that cooperative audit and inspection should be transferred to the national cooperative associations as they acquire the necessary competence, as in almost all cases, governments have proven that they do not have the required resources and trained manpower and have not provided effective audit services. As cooperative become financially able, national associations of cooperatives should work with private audit firms to develop the firms capability to carry out effective cooperative audits.

VI. 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. The regional confederation, ACCOSCA, has developed its own special capabilities to serve its member federations and is implementing a regional training strategy and 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.

Build Adequate Capital: Continued growth of credit union deposit savings will increase the need for institutional capital (institutional and retained earnings). The movement will need to develop new operating standards and discipline to assure that institutional capital grows in balance with liabilities. This will include setting minimum requirements in the areas of: institutional capital ratios, 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 institutional capital requirements may 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.

Regulation and Supervision: Improvements in both self-regulation and external regulatory supervision are needed to maintain system discipline and prevent abuses. The development of savings deposit insurance and stabilization facilities will help protect members from losses due to insolvency.

VII. CONCLUSION

Building on these foundations, the international credit union movement has established successful financial systems and democratic representational structures in over 72 developing countries during the last forty years. These national and regional credit union systems provide vital access to institutional financial services for nearly nine million families in developing countries around the globe. This network of some 15,600 individual financial institutions possesses total assets exceeding US$5 billion and growing over the last fifteen years at over 19% annually.

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.

The World Council of Credit Unions and its member organizations are continuing to build 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.

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Annex 1

1) 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). 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" is used to refer to national credit union associations, leagues, unions, etc. These second-tier organizations provide representational, developmental and financial services to their member credit unions.

2) The direct members of the World Council are the following seven confederations and four free-standing leagues:

   Confederations:

   ACCOSCA: Africa Confederation of Cooperative Savings and Credit Associations (25 countries)
   ACCU: Asian Confederation of Credit Unions (12 countries)
   AFCUL: Australian Confederation of Credit Unions
   CCCS: Canadian Cooperative Credit Society
   CCCU: Caribbean Confederation of Credit Unions (18 countries)
   COLAC: Latin American Confederation of Credit Unions (16 countries)
   CUNA: Credit Union National Association (USA)

   Free Standing Leagues:

   ABCUL: Association of British Credit Unions, Ltd.
   FCUL: Fiji Credit Union League
   ILCU: Irish League of Credit Unions
   NZCUL: New Zealand Credit Union League

3) Most of the data presented here have been extracted from World Council of Credit Unions (WOCCU) Annual International Statistical Reports. These data are from our developing country movements which are affiliated with our organization. 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.

The International Credit Union System

World Council of Credit Unions (WOCCU)

Regional Confederations	National Federations	WOCCU Totals: Credit Unions	Members	Savings[1]	Loans Outstanding[1]
African Confederation of Cooperative Savings and Credit Associations (ACCOSCA)	Benin, Botswana, Burkina Faso, Cameroun, Ethiopia, The Gambia, Ghana, Ivory Coast, Kenya, Lesotho, Liberia, Malawi, Mauritius, Nigeria, Rwanda, Senegal, Seychelles, Sierra Leone, Swaziland, Tanzania, Togo, Uganda, Zaire, Zambia, Zimbabwe	3,936	1,764,496	$304.9	$232.0
Asian Confederation of Credit Unions (ACCU)	Bangladesh, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Papua-New Guinea, Philippines, R.O.C. Taiwan, Sri Lanka, Thailand	8,676	2,520,871	$2,801.8	$2,336.5
Australian Federation of Credit Unions, Ltd. (AFCUL)	7 States and 1 Territory	410	2,636,746	$5,096.8	$4,524.1
Canadian Co-operative Credit Society (CCCS)	8 Provinces	1,365	3,863,516	$19,546.1	$15,286.7
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, Surinam, Tortola, Trinidad and Tobago	476	766,440	$484.8	$363.0
Latin-American Confederation of Credit Unions (COLAC)	Argentina, Bolivia, Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Netherlands Antilles, Nicaragua, Panama, Paraguay, Uruguay	2,306	3,797,401	$650.5	$520.3
Credit Union National Association — U.S.A. (CUNA)	50 States, the District of Columbia and Puerto Rico	14,380	52,810,328	$160,632.1	$112,204.5
Free-Standing Leagues	Fiji, Great Britain, Ireland, New Zealand	928	1,060,162	$1,283.3	$1,206.4
TOTAL[2]		32,477	69,219,960	$190,803.8	$136,673.5

...e World Council of Credit Unions 1988 Statistical Report

... [1]Amounts in million... ...dollars. [2]These figures have been rounded off.
...table includes data o... ...nber institutions of the World Council of Credit Unions.

Annex 2

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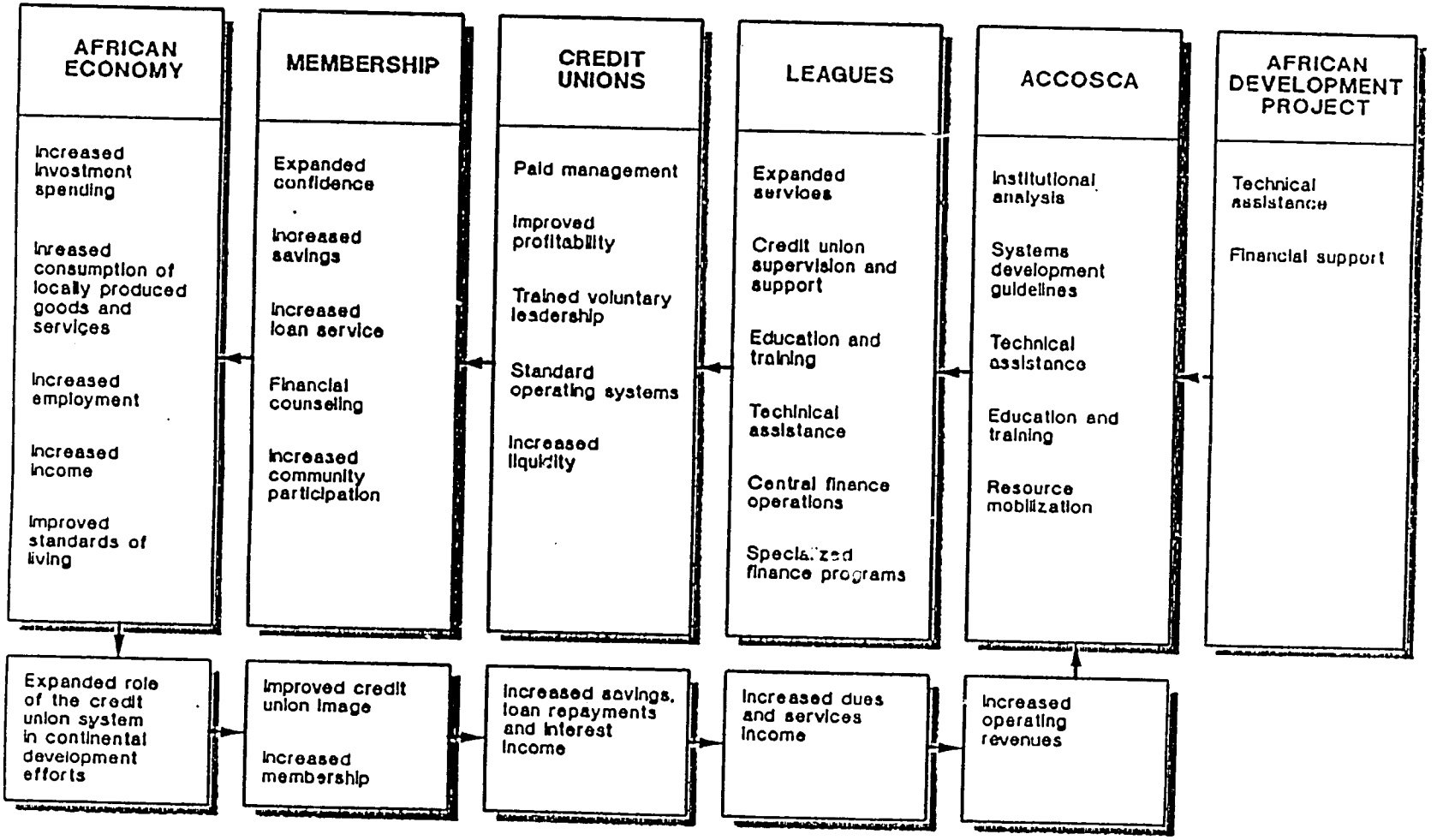
ACCOSCA AFRICAN CREDIT UNION DEVELOPMENT MODEL