

# Fostering Global Credit Union



# Growth

## Gates Foundation-Funded Survey Measures Need in Pilot Countries

*By John Ikeda*

Serafín Ríos, a laborer from La Punta, a small town near Bogotá, Colombia, describes himself as a poor man. Ríos, 73, makes his living collecting and bundling scrub brush to sell as cattle feed. The deep, sun-etched lines on his face speak to a lifetime of hardscrabble work.

On a good day, Ríos may earn US\$3, enough to buy some beans and oil so his wife can cook a simple dinner. More likely, he'll earn US\$1 and may go days without bringing home a single peso. For Ríos and more than a billion people worldwide, life is constant struggle. Finding food and shelter is never guaranteed, income fluctuates widely and the simplest setback can have catastrophic consequences.

Disaster nearly struck for Ríos when he became ill several years ago and found himself in the hospital. His meager savings were quickly depleted by hospital bills. Unsure of where to turn, Ríos visited Cooptenjo credit union and became a member at age 68. It was his first experience with any financial institution. With a loan from the credit union, Ríos repaid his hospital bills while continuing to save.

Now, five years later, Ríos has seen a marked improvement in his quality of life, something for which he credits Cooptenjo in large part. He's now thinking of applying for a second loan to purchase a machine for baling feed, which will save time and help him earn more money.

Almost half the world's population of 6.6 billion people live in the same grinding poverty as Serafín Ríos. From Colombia's rural communities to Kenya's urban slums, one of every two people on earth live on US\$2 or less per day. Many live on much, much less. Despite poverty's pervasive nature, there's more cause for optimism now than ever before. Several years of strong global economic growth is helping lift millions out of poverty, while researchers are learning what types of foreign aid have the greatest impact in addressing poverty.

### **Growing Beyond US\$2 Per Day**

For more than 150 years, credit unions have provided affordable financial services to millions around the globe, including many from the ranks of the very poor. Now, with funding from the Bill & Melinda Gates Foundation, the World Council of Credit Unions (WOCCU) is developing an entirely new way of helping the world population's poorest members. Through its Credit Union Growth Program, WOCCU is developing a step-by-step plan for credit unions in the developing world to increase growth, attract new members and serve the very poor.

WOCCU is working with 25 credit unions in Colombia, Kenya and Rwanda to pilot this program. By the end of 2009, WOCCU will have doubled the membership of these institutions, helping recruit more than 690,000 new members, many of them just like Serafín Ríos, scraping by on less than US\$2 per day.

Eli Maina Mbogo, 97, is one of the oldest members of Kenya's Muramati Tea Growers SACCO, one of the credit unions participating in the WOCCU program funded by the Bill & Melinda Gates Foundation. Mbogo, who has been planting tea since 1959, now employs 60 workers and farms 80 acres.

JOHN IKEDA



# Colombia



Involvement by the Gates Foundation brings a strong focus on creating measurable impact for each dollar invested. As part of its commitment, WOCCU is conducting annual surveys of members at each partner credit union. The 2007 survey involved more than 60 staff working over a two-month period to interview nearly 6,500 credit union members. Survey results contributed to a detailed member profile, providing information on member income, assets, net worth, employment, education, member satisfaction and financial services use.

## Groundbreaking, Heartbreaking Results

The results of the first year's surveys have been groundbreaking. Across all three countries, 24 percent of all credit union members – nearly 167,000 people – live in desperate poverty. Additionally, half of all members in the 25 pilot credit unions live below the poverty lines of their respective countries.

Members surveyed often have multiple and highly variable income sources that change frequently. Across the three countries, about 70% of all households have someone in the family who earns a salary. Most of these members are employed by small businesses or the government. However, many of these households supplement their low salaries with microenterprises, small businesses or farming. Among pilot credit unions, one in three households surveyed owns a small business, while a quarter of them farm or have livestock.

Pilot credit union members, in many cases, are new to the financial sector. Compared to industrialized countries, where the market for retail financial services is typically heavily saturated, many developing countries see as few as 10% to 20% of the adult population with bank accounts. Results from the 2007 survey indicate that, like Ríos' experience with Cooptenjo in Colombia, one out of every two members in the program are completely new to the financial sector. Over the next two years, WOCCU's Credit Union Growth Program will work to further increase this involvement, bringing safe savings and affordable credit to people previously excluded from the formal economy.

In 2008 and 2009, WOCCU will repeat these surveys, with results used both to benchmark the progress made in reaching the program goals and identify and refine specific program aspects with the greatest impact.

Around the world, credit unions are making a difference in the lives of the 2.5 billion people surviving on US\$2 a day. Through the Credit Union Growth



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Serafín Ríos is among 15% of Cooptenjo credit union's membership living on less than US\$2 per day. He joined the credit union just five years ago to pay hospital bills.



JOHNI IKEDA

Jose Baldion, a bamboo furniture maker and father of four, has been a Congente credit union member for six years. He makes up to two pieces of furniture a day and sells them at an average of US\$20 each.

Program, WOCCU is working to ensure that even more of the world's poorest become credit union members. From rural laborers in Colombia to small business owners in Kenya, credit union membership means a better life for the half of the world living in poverty. That's something that will help members like Serafín Ríos not only survive, but thrive. ■

For more information, please visit [www.woccu.org](http://www.woccu.org).



# Rwanda



# Kenya



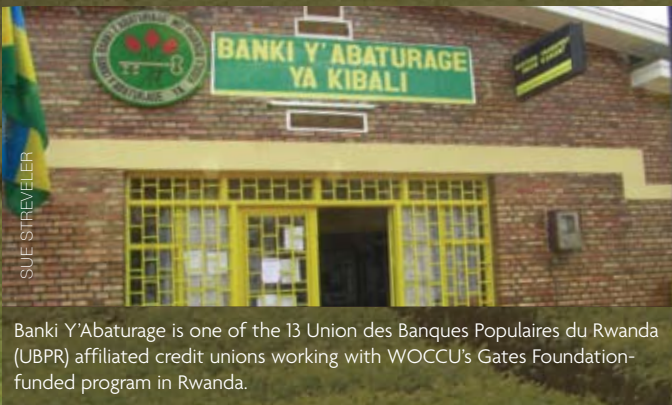
SUE STREVELLER

Nearly 90% of Rwanda's population lives on less than US\$2 per day. WOCCU's Credit Union Growth Program seeks to provide these people the opportunity to climb out of poverty through access to affordable financial services.



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Tea farmer Milka Gathona, a member of Muramati Tea Growers SACCO, used to carry 10 kilograms of tea on her back for 30 kilometers to the nearest processing station. She is a widow living on less than US\$1 per day.



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Banki Y'Abaturage is one of the 13 Union des Banques Populaires du Rwanda (UBPR) affiliated credit unions working with WOCCU's Gates Foundation-funded program in Rwanda.



JOHN IKEDA

Kenyan construction workers mix concrete for a building project made possible by a credit union loan.

*World Council of Credit Unions (WOCCU) is developing the Credit Union Growth Program in partnership with credit unions in Colombia, Kenya and Rwanda, with funding from the Bill & Melinda Gates Foundation. During the three-year program, WOCCU is working with participating credit unions to double their membership and expand outreach to very poor members. Based on the Credit Union Growth Program experience, WOCCU will develop a comprehensive toolkit to enable credit unions worldwide to reach more and poorer members while maintaining prudent standards.*

