

GLOBAL TRENDS

AN ANALYSIS OF THE GLOBAL CREDIT UNION MOVEMENT

In a world that is figuratively “smaller” today than it was 20, 15 or even five years ago, it’s amazing how little information flows across international borders or, at times, even across a state or province. That’s why events like WOCCU’s World Credit Union Conference are so valuable to credit union leaders.

Participants at the recent conference in Dublin, Ireland, cited information sharing and networking opportunities as a major benefit of such events. Attending a gathering like the World Conference, an outsider might wonder how much credit union movements in different countries actually have in common. But as an organization that studies and interacts with national credit union movements, World Council sees amazing similarities across borders.

Usually we reserve this column for addressing specific global marketplace trends, but in this issue we’ll identify global strategic trends. World Council gathered this data through questionnaires, interviews and observations. We received responses from 22 national movements and 22 credit union regulators around the globe. World Council’s intention in collecting the data was to better understand activities in various markets as a way to better serve member organizations. However, in analyzing the data—despite the large variation in country development and credit union system maturity—certain indisputable patterns arise.

SWOT Analysis

Utilizing a basic analysis of strengths, weaknesses, opportunities and threats (SWOT), the following strategic issues surface for credit unions globally.

Strengths

Dedication of staff and volunteers: World over, credit union movements are generally blessed with a dedicated staff who derive great satisfaction in working for an institution seeking to improve the lives of others. While there is a growing amount of divergence as to whether or not board members and other volunteers receive compensation for their service, their commitment to the credit union and its ideals is a significant advantage credit unions have compared to other financial institutions.

Member trust: Statistically demonstrable in many of the advanced credit union systems, members have strong feelings of trust and generally believe credit unions look out for their best interests. Credit unions can and should build on this major strength.

SWOT Analysis

• Strengths

- Dedication of staff and volunteers
- Member trust

• Weaknesses

- Restrictive legislation
- Aging membership
- Weak loan demand

• Opportunities

- Young members
- Small business lending
- Untapped markets

• Threats

- Competition

Weaknesses

Restrictive legislation/regulation:

Nearly every country surveyed identified a restrictive legislative and/or regulatory environment as a weakness the movement is facing. While non-denominational and non-discriminatory, most credit union movements have historical roots as part of a religious organization's drive for social justice. With that common ancestry came common legislative provisions, and many movements remain saddled with those outdated rules today.

Aging membership: It's evidence at credit union gatherings worldwide, there is an aging membership and volunteer base. These individuals have and continue to provide a bedrock of leadership to their credit unions, but we cannot deny demographic trends. In more mature markets, World Council is seeing limited membership growth and, in some cases, declining market share. While the World Council statistical survey revealed strong asset growth,

we see a clear trend of limited membership growth—often general population growth.

Weak loan demand: As a corollary of aging membership, many—but not all—movements are seeing depressed loan demand. This seems to be a function of membership life cycle needs, competition from new market entrants and weak marketing of credit union products.

Opportunities

Young members: The positive side of having an aging membership base is the opportunity to engage and attract young members. This may require movements to offer innovative products younger consumers require or desire from their financial institutions. One such example might include sending automated cell phone text messages when account balances dip below a set dollar amount.

Small business lending: While most credit union systems offer some degree of small business loans, in general it remains a minor piece of aggregated loan portfolios. This may require credit unions to acquire new skill sets for assessing the risks of such programs.

Untapped markets: In developing markets more so than developed ones, World Council continues to see low penetration rates of credit union members across economically active populations. While developed markets are much better positioned in this respect, few credit union movements have reached half their countries' populations.

Threats

Competition: World Council's surveys of credit union movements and their regulators made it abundantly clear that competition, competition and competition are the top three threats to credit unions. Some referred to this as "bank versus credit union" competition, some as

"non-bank financial institution versus credit union" and admittedly, some viewed the threat being "credit union versus credit union." Clearly, there is a widely shared perception in credit unions around the world that competition is the major threat. It should be no surprise the feature article for this issue of *Credit Union World* centers around this very topic.

So What?

The logical question is, "So what can or should credit unions and movements do with this information?" At World Council, we are convening the leadership of various movements to review and discuss the implications. However, the adage "Think Globally, Act Locally" is applicable. Don't wait for others to provide guidance. Seek out credit unions and movements that have dealt with or are dealing with similar issues.

For example, if you're struggling with the impact of credit union demutualization in Australia, the United States or Mexico, understand the experience of demutualization among Great Britain's building societies in the 1990s. If you're in India, New Zealand or Nepal seeking to maintain or regain tax exemption, study the formidable lobbying machines in the United States, Ireland and Poland. For movements in Trinidad and Tobago and Jamaica grappling with what happens if credit unions are no longer supervised by cooperative ministries but rather by banking and financial sector regulators, look to Great Britain, Ecuador and Bolivia to learn from their recent experiences. Lastly, credit union movements in New Zealand and Ireland wrestling with the transition of large saving protection schemes can learn from experiences in British Columbia and other Canadian provinces.

Like with any change, you can either embrace it or resist it. A smaller world—and ongoing efforts to reach out to colleagues across borders—may help you embrace it a tad easier! 🌐

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