When Cooperation *Makes* Business Sense


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Credit unions across the world face daunting competition. Some credit unions languish while others thrive in this competitive environment. What are the cross-country common factors that we find in those who thrive?

Two factors of success are basic and consistent everywhere: financial discipline and quality service. When a credit union performs with financial discipline, it takes a commanding presence in the marketplace. The maturity of financial discipline generates the public confidence that a credit union needs to grow.

These two factors are necessary, however they are not sufficient. A credit union standing alone may be strong in its financial discipline and competitive with its product offering. But it will remain as one community institution, limited in size and geographic scope, when compared to the growing national financial institutions.

So what comes next? What we observe in many countries —developed and developing—demonstrates the power of cooperation in today's competitive world. This is part of what makes credit unions unique.

While other institutions may have the advantages of rapid capital mobilization or deep pockets for research and development, credit unions have the greater advantage of being able to combine their resources and unite in their objectives to achieve more as a group than they can as individual institutions.

Credit unions have long pooled their liquidity for interlending or reinvestment, and they have often negotiated as groups to gain leverage with vendors. The successful capital issue by a group of 21 credit unions in Australia broke new ground in the cooperation of credit unions to mobilize resources. This achievement allowed credit unions, for the first time, to access the capital markets so that they could continue to grow and meet regulatory requirements.

Faced with aggressive competition for markets over which they once had sole domain, credit unions band together to form integrated business networks that enable them to offer higher quality services to more members.

These networks allow credit unions to compete not solely as individual institutions, but as a financial system. Electronic transfers and shared branching allow credit unions to offer hundreds of points of service throughout a country. A member of one credit union in Bolivia can now travel from the country's highlands to the Amazon rain forest, walk into another credit union that is part of the network and make deposits, transfers, loan payments and savings withdrawals.

The provision of transaction services, such as bill payment and remittance delivery, through business networks in countries like Mexico and Kenya has enabled credit unions to achieve some of the deepest outreach to the poor. The provision of transaction services through credit unions has allowed the poor to build savings in financial institutions for the first time in their lives and then, as they qualify, to access loans for the first time.

The formation of business networks also enables credit unions in countries such as Colombia and Ecuador to offer the convenient electronic transfers, card services and mobile banking that middle income members look for in their financial institutions.

Cooperation in the form of business networks requires vision and leadership. It requires a level of trust that is achieved only when all participating credit unions meet the same rigor of financial disciplines, governance ethics and policy consistency. It also requires solid information systems, communication infrastructure and security systems.

Business networks offer participating credit unions a competitive edge in a fiercely competitive marketplace. This is business. This is networking. This is the power of cooperation among credit unions. ■

Safe travels,

Brian Branch