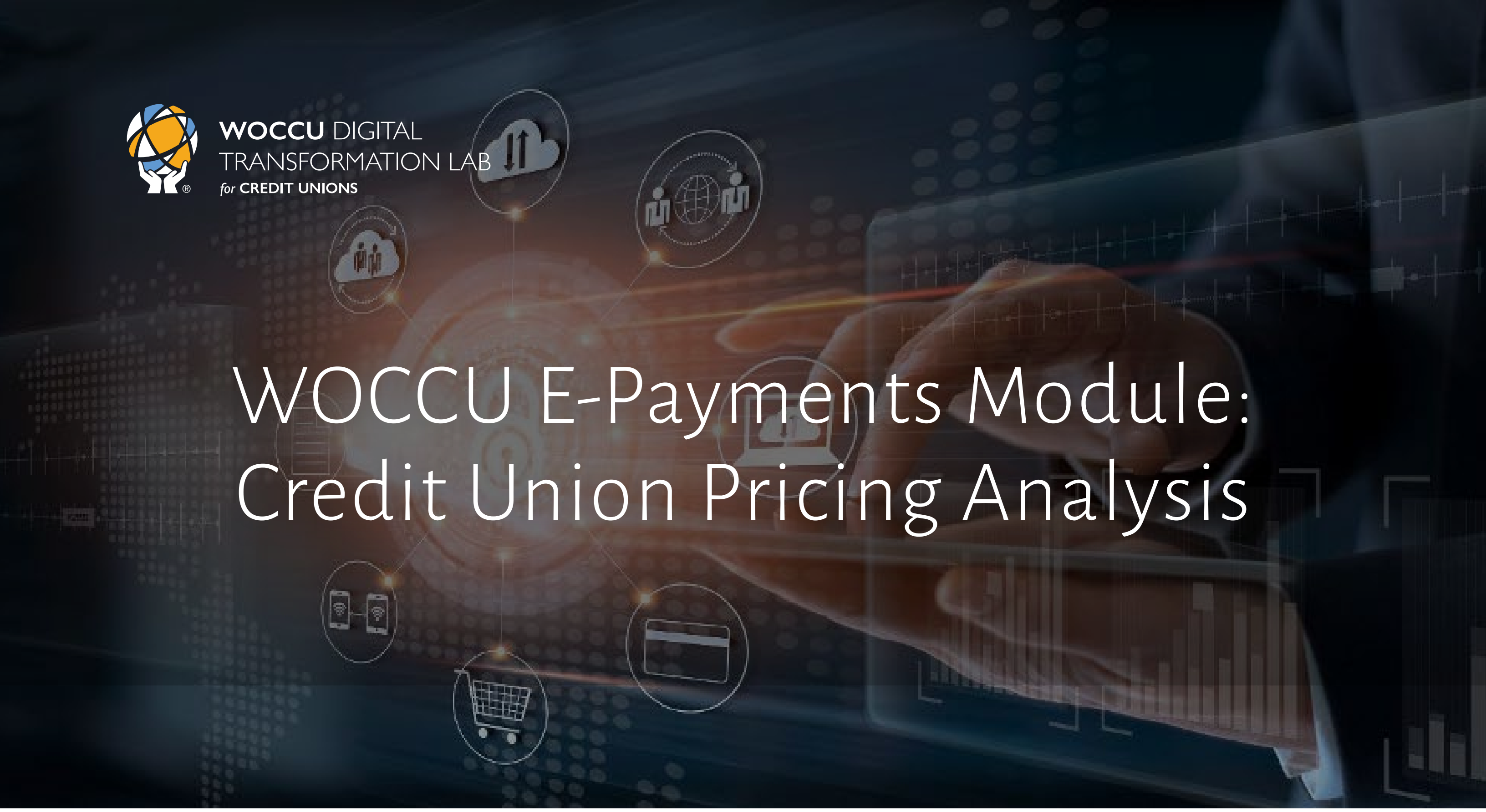

WOCCU DIGITAL TRANSFORMATION LAB
for CREDIT UNIONS

WOCCU E-Payments Module: Credit Union Pricing Analysis

"Are larger credit unions more efficient? How has the adoption of technology impacted the operation costs to serve your members? How costly is it for you to provide your services compared to other financial institutions in your country? How much should a credit union invest in technology?

This assessment methodology analysis of the drivers of costs and inefficiencies and demonstrate actual use cases that support the of adoption of digital channels across credit unions of **various sizes** (small, medium, large) and by **technical sophistication** (use of core banking systems and digital channels).

The Assessment Methodology

The assessment is divided into four primary lines of inquiry; **State of digitization; Costs (Opex/Capex); Revenues; Use cases.**

The World Council of Credit Unions combines our technical expertise and intimate knowledge of the credit union movement to provide such a tool and are constantly looking for opportunities to support our network of credit unions expand their digital capacities and reach their desired level of digital transformation.

1 State of digitization

- Core banking system – shared, owned or proprietary; centralized or decentralized?
- What digital channels do you offer to your members?
- Have you incorporated digital devices for field work?

2 Capex and Opex Costs

- Opex and Capex expenses from the previous three years
- Expenses related to current digital channels from the previous three years
- Costs related to branch or satellite branch operations

3 Credit union revenues

- Segmentation of revenue by financial product
- What revenues does the credit union make through digital channels?
- What other sources of revenue are captured through current channels?

4 Use Cases

Segmented across three use cases; loans, savings; and bill payments/other payment services; the assessment analyzes how members interact with primary credit union services and products and by what means.

When completed in conjunction with our **Member Pricing Analysis**, we can develop an analysis of how credit unions can target their investments to improve their services offerings and decrease the related costs of serving their members.

Snapshot: Indonesia and the Philippines

In Indonesia and the Philippines, WOCCU conducted an assessment of nine credit unions in each market segmented by the technical sophistication (has core banking system (CBS) and digital channels; has CBS but no digital channels; does not have a CBS); and by size (100,000+ members; between 25,000 and 99,999 members; and those with less than 25,000 members).

The assessment found the following:

INDONESIA

The average cost to serve per member per year = **USD 33 (ranges from $10 to $71).**

CUs with the highest cost to serve (USD 49 and USD 71) are medium-sized; costs are high due in part to their geographies, which are less developed. Nonetheless, there is potential to improve efficiencies and bring costs closer to the exemplar CUs.

The two large CUs (> 100K members) interviewed have a large branch network and use digital channels.

PHILIPPINES

The average cost to serve per member per year = **USD 67.38 (ranges from $14 to $142)**

Credit unions that have been able to reach scale all use digital channels, but even among the largest credit unions, **there are opportunities to decrease the cost to serve**

Staff efficiency appears to be a key driver of cost to serve; the lower the staff efficiency (number of members per staff member), the higher the cost to serve