

Credit Union Mission

Helping People Help Themselves



F.W. Raiffeisen

(1817 - 1888)



A Man Conquers Poverty

Raiffeisen is regarded as a social revolutionist and as a great pioneer by some people, whereas others consider him as a helper to humanity, a farseeing organizer of economic forces. The qualities which have placed Raiffeisen among the great personalities of all times make him appear to us first of all as a human being prompted by his Christian convictions. The human misery generated his ideas, the helpless individual was in the center of his supporting acts.

(A. Drusedau J. Kleinhans, Editors' Epilogue, F.W. Raiffeisen. The Credit Unions)

F.W. Raiffeisen



"I cannot offer you a miracle which will free you from poverty without any effort on your part. But one way I do know which anyone can follow and which, if all work together for the common good, can achieve its purpose – freedom from want. We must start from the fundamental principle that, by improving physical well-being, spiritual welfare also will benefit. By providing loans for the needy and industrious members of your parish (community), they will be enabled themselves to enjoy the fruits of their industry and thrift instead of labouring for the benefit of the usurer. In this way they will become independent of any form of outside help which can only reduce them again to poverty with all its bitter consequences."

F.W. Raiffeisen



Increasing and partially useless expenditures add to the evil: "The luxury of useless utensils as well as glittering dresses is not only growing in the neighborhood of the cities, but is also to be found in distant places high in the mountains. Money is spent for them and for public entertainment, even when no money is left for daily bread."

F.W. Raiffeisen



Direct help does not solve the problem: "Direct help of any kind without equivalent effort from the population is, however, highly detrimental. The limits of money to be paid, and the relative amount of aid granted to individual families in comparison with each other can never be treated exactly. Jealousy and discontent are the natural consequences. The worst effect, however, is the lack of incentive to save during favorable periods, due to the expectation that subsidies will be granted again if necessary."

F.W. Raiffeisen



Money is not an end in itself, but a means to an end: "Repeatedly we have pointed to the fact that money does not represent an end in itself, as far as the Credit Unions are concerned, but that it is the means to improve the condition of all participants (members) in every respect. The main target is the development of the moral and physical forces. This is the prerequisite of all progress. If plenty of money were to come to a newly established Union from the beginning, the leading bodies (Board) might employ it carelessly, and the result would be the contrary of what it should be. No greater security for creditors can be established than that offered by a Credit Union whose members are all family heads of a parish or community, united in mutual help, pledging to all their possessions to this end."

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Savings: "Two factors are relevant to the improvement of the economic conditions of the rural population as far as the material side of life is concerned: thrift and diligence. Both virtues are closely connected with each other. Diligence can last only when it leads to good results by which additional efforts are stimulated, whereas lack of success entails discouragement and enervation. The aid from Credit Unions calls forth increasing diligence. To assure its usefulness in every respect, the tendency to save must be incited, and the opportunity must be offered to invest the money earned by diligent work not only safely, but also so it is bearing interest."

Stated in a different way, the Credit Union Mission:

- Helps ordinary people to achieve financial freedom
- Enables people to grow
- Helps members take control of their finances

Credit Union Mission


We are in the business to provide financial services to members at the lowest possible cost.



Credit Union Mission




The credit union provides vehicle; the members use it to arrive at their financial destination.






The credit union role

- The Directors provides broad policy guidelines to the management to meet the financial goals of your members.
- They work together to define their financial needs.

F. W. Raiffeisen (1818 - 1888)


“Credit Unions must not confine themselves to granting loans. Their main objective should be to control the use of money, to improve the moral and physical values of people, and their will to act by themselves.”



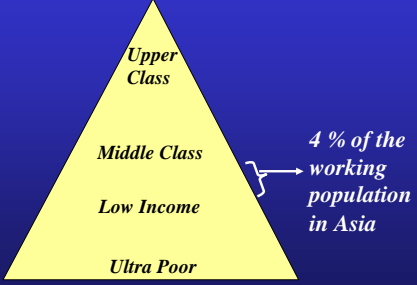
CREDIT UNIONS & POVERTY REDUCTION

What do we know about this? Here are some observations.

- The membership of CUs – mainly of the non-poor. However, in specific cases CUs can reach the poor and or almost poor.
- CUs and Rural Development – CUs can contribute to rural prosperity and this can help poor rural people.
- CUs and Social Values – historically cooperatives have contributed to progressive social change. You will know best if yours are simply talking about this or doing something practical in the real world.




What is the membership penetration in credit unions Asia?

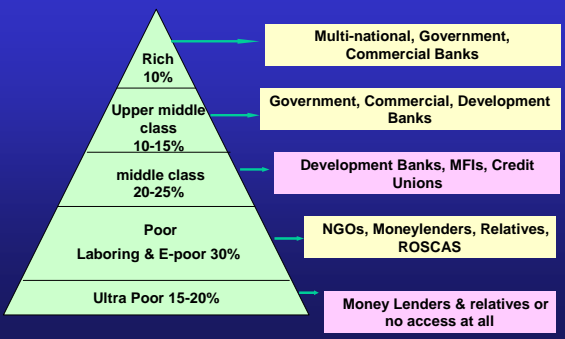


4 % of the working population in Asia


Credit union members in Asia: 48 Million
 Poor members – 5.8 million (estimated)
 Source: ACCU Statistical Report 2008



Access to Financial Services



Rich 10%	Multi-national, Government, Commercial Banks
Upper middle class 10-15%	Government, Commercial, Development Banks
middle class 20-25%	Development Banks, MFIs, Credit Unions
Poor Laboring & E-poor 30%	NGOs, Moneylenders, Relatives, ROSCAS
Ultra Poor 15-20%	Money Lenders & relatives or no access at all



International Poverty Line

Country	<1\$ a day	1\$ a day	<2\$ a day	2 \$
Bangladesh	36	8	82.8	36.3
Pakistan		13.4		65.6
Laos	26.3	6.3	73.2	29.6
Nepal	39.1	11	80.9	37.6
Mongolia	27	8.1	74.9	30.6
Malaysia	<2	<0.5	9.3	2
Indonesia	7.5	0.9	52.4	15.7
Philippines	15.5	3	47.5	17.8
Sri Lanka	7.6	1.5	50.7	15.2
Thailand	<2	<0.5	32.5	9
India		34.7		79.9

In millions Source: World Dev't Indicators

Why?



Fears:

- Poor can't save.
- Poor can't pay their loans
- Poor are not bankable
- Too much work for the credit unions

Result: remains complacent – no pro-poor programs

For CUs that implement MF



- When loan delinquency rates increased and donor interest shifted, co-ops that relied on donor resources to finance lending were left illiquid, unprofitable, and insolvent.
- Seen as failed models
- Stops the program and seen as failure

For CUs that implement MF



- Did not commit professional staff to manage the program
- Most of the time, the job is assigned to volunteers – no sustainability
- Unclear business plan targeting significant outreach and sustainability of the program
- Did not consider the program as another product offering (business) for the poor market segment

DIRECT ACTIONS BY CREDIT UNIONS TO CONTRIBUTE TO MDG ACHIEVEMENT 1



- Why can poor people not access credit union services?
 1. CU products are not appropriate for the poor – ask them and LISTEN to their answers.
 2. The geography of credit unions – rural areas and slums/informal settlements.
 3. Social exclusion and discrimination – gender, race, ethnicity, religion, class, disability.

Direct Actions of Credit Unions to Contribute to Poverty Alleviation



- What products and services do poor people want?
 1. Savings services
 2. Emergency loans
 3. Health and life insurance
 4. Micro-enterprise loans
- Key design features
 1. Simple terms and conditions
 2. Reliability
 3. Flexibility

Direct Actions of Credit Unions to Contribute to Poverty Alleviation



- How can credit unions provide these on a sustainable basis?
 1. Fees and interest rates
 2. Being efficient
 3. Being professional



Indirect Actions of Credit Unions and Members to Poverty Alleviation

Maybe the biggest contributions credit unions can make are indirect.

1. **Employment Effects** – encouraging CU members to be good employers: treat staff fairly, give staff shift leave, provide healthy and safe working conditions. Moral crusade and good business sense.
2. **Social Support** – more support from CU members to poor relatives and neighbours and plans for emergency/disaster responses.



Indirect Actions of Credit Unions and Members to Poverty Alleviation

3. **Lobbying and Advocacy for Pro-Poor Policies** – engage with Poverty Reduction Strategies (PRS) and monitor PRSs.
4. **Social Cohesion** – ask the question: ‘are we a truly inclusive organization in terms of gender, race, ethnicity, religion, age, class, disability or do we need to reform ourselves’?

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Conclusion



- **INEQUALITY** has become one of the biggest obstacles to rapid economic development

- NGO sector has grown to serve the poor by creating conducive environment & providing accessible financial services
- The credit union is the first community based financial institution in the world
- Did you lost your path?