

# Credit Unions In the Marketplace

## IN THIS MODULE

The module on Credit Unions in the Marketplace aims to develop among Credit Union Directors a broader sense and awareness of marketplace perspectives and develop their sense of Vision for institutional stability, competitiveness and strategic positioning of Credit Unions.

## SPECIFIC OBJECTIVES:

After completing Module 1, Credit Unions in the Marketplace, Credit Union Directors will be able to:

1. Acquire a broader perspectives of the marketplace in the Asia region
2. Develop heightened awareness and responsiveness regarding the challenges posed to credit unions in the marketplace
3. Gain knowledge on the approaches to exploit competitive advantage in positioning credit unions in the marketplace
4. Reinforce credit union operating principles as the core foundation and key differentiation of credit unions in the marketplace

## CONTENT:

1. Environment Scanning
2. Positioning Credit Unions in the Marketplace

## FORMAT:

The facilitator selects appropriate format for the presentation of this Module, considering the size and background experience of the participants and additional time available beyond that recommended for this Module.

**Pre-Course Work:**

- Credit Union EnviScan - Participants undertake a Credit Union Environmental Scanning as their pre-course assignment. This would require the involvement of other Directors of the credit union in completion of the Credit Union EnviScan Sheet. **Participants must complete the requirements of the Credit Union EnviScan before coming to the program.**
- Reading materials related to Changes in the Marketplace and People Helping People Help Themselves

**FYI**

*The facilitator should mail the Credit Union EnviScan and Reading Materials at least two weeks before the training. This would allow the participants adequate time to complete the assignment.  
**No excuse please!***



**At the workshop:**

The facilitator ensures highly interactive methods using exercises, structured and informal group discussions, brainstorming, presentation of information and summation.

**Post Course Project:**

Review of the Vision, Mission and Core Values of the Credit Union

**MINIMUM TIME:**

3 hours (180 minutes)

**LIST OF HAND OUTS AND MATERIALS**

**PowerPoint:**

1. Trends in the Marketplace, Macro Level Changes Across the Globe and the Asia Region
2. Image of Credit Unions in the Marketplace

## SESSION GUIDELINE

### 1. Preliminary Activity (10 minutes)

Break the participants into groups of 5-8 people sitting around one table. Explain that since the session is highly interactive, forming teams would help to facilitate an optimum learning process. Request the teams to take turns in reporting the results of discussions.

### 2. Preview of the session to include general and specific objectives (10 minutes)

Explain that the module on Credit Unions in the Marketplace aims to develop among Credit Union Directors a broader sense and awareness of marketplace perspectives and develop their sense of Vision for institutional stability, competitiveness and strategic positioning of Credit Unions.

Further: Give details that after completing the module; the participants would be able to:

- Acquire a broader perspectives of the marketplace in the Asia region
- Develop a heightened awareness and be responsive to the challenges posed to credit unions in the marketplace
- Gain knowledge on the approaches required to exploit their competitive advantage in positioning their credit union in the marketplace

### 3. External environment and challenges of Credit Unions in the marketplace (30 minutes)

#### Team Exercise 1

Explain that the teams will discuss the following questions for 5 minutes.

#### **Discussion points:**

- What is a financial market?
- Who are the players in the financial market?

Ask the teams to share their answers while the facilitator is summarizing them on a flip chart or white board. Common answers could be:

A Financial market is . . .

- Money market
- Demand and supply of money
- Financial intermediation
- Securities, stock market
- Financial instruments such as bonds, promissory notes, credit cards, charge cards, savings deposits, time deposits etc.
- Lending

Key players in the financial market are . . .

- Banks
- Stock brokerage companies
- Finance companies
- Pawnshops
- Lending investors
- Credit unions
- Microfinance institutions

Referring to the answers of the teams, explain further the financial market system. Highlight the following points in your explanation using a PowerPoint or OHP, if available:

*“The purpose of a financial market in the economy is to allocate savings efficiently to the ultimate users. Economic units such as households, non-financial business firms, governments and financial institutions have savings in excess of their real assets investments. These savings are allocated to other key players having a deficit to finance its capital assets. The key players (refer to the answers of the teams) are intermediating to attract the excess liquidity by creating financial instruments called financial liability to ensure that innovative loan package are available to those economic units in need of liquidity or capital.*

*For example, bank issues bonds or other debt certificates to generate fund with an assurance to the investors that maximum benefit could be derived. Like credit unions, savings products are the source of financing loans to those households in need of capital or liquidity.*

*The total demand and supply of fund in the financial market is the economy. The price of financial products should be competitive considering the financial market’s existing price and cost associated with the product. This however, considers the volatile inflation rate (present value of investment), demand and supply of funds which is the sum to a price that protects the real value of investment.”*

### **Team Exercise 2**

Ask the teams to examine the membership penetration of their credit union movement in their country. This could be determined by calculating the total number of members over the total working population of the country. Divide the total population by five to arrive at the estimated working population. **Five** is a conservative estimated number of members in a family. Use this formula:

$$\begin{array}{l} \text{Percentage of} \\ \text{Membership} \\ \text{Penetration} \end{array} = \frac{\text{Aggregate Membership of Credit Unions in the country} \times 100}{\text{Total Population}/5 \text{ members per family}}$$

Draw attention to credit union membership penetration of 0.38% of the total working population in Asia.

The facilitator asks the participants whether the achievement of the credit union is satisfactory. The result of the exercise would reveal a membership penetration of less than 5-10%. Highlight that a credit union can measure its relevance in the community by the number of people using its services. To gain competitive position, as suggested by the PEARLS Standards, a credit union should have at least 30% of the working population using its services. It is an indication that the community recognizes the response of credit union services to people's financial needs.



### **FYI**

*Asia has a membership penetration of 0.38% in 2003 according to the statistical report published by the World Council of Credit Unions.*

### ***A broader perspective of credit unions:***

The facilitator ensures that the participants develop a broader perspective of credit unions. It is possible that many participants are coming from a credit union with a large membership base. They may think that their position today is very satisfactory. In this topic, the facilitator should underline that:

- “Credit Union” is an international **“Brand”** and thus the performance of a credit union affects the image of another credit union in another province and country.
- The Board should look at the big picture and should not only limit its strategic thinking within its own perimeter. The responsibility of the Board extends beyond its own credit union. E.g. The credit union movement in its own country and throughout the Asia region.

### ***Prelude to EnviScan:***

As a prelude to the EnviScan exercise, present the PowerPoint on Trends in the Marketplace, macro level changes across the globe and the Asia region. Clearly explain changes in the environment. Your explanation should lead participants to think about the effects of the environmental changes to credit unions.

- Political pressures
- Economic Conditions – globalization and liberalization
- Technology
- Employee Attitudes
- Social Values and Lifestyles
- Market Demographics



### **Note to Facilitator**

*Reading material on Trends in the Marketplace was sent to participants prior to the training. Do not lecture. Make sure participants shared their opinions in an objective manner.*

#### 4. Processing of Pre-course Assignment on EnviScan (45 minutes)

The facilitator should ensure that the participants have completed the pre-course assignment. In this allocated time, summarize and synthesize the output of the participants.

##### Team Exercise 3:

Ask the teams to summarize the SWOT on a Flip Chart for 10 minutes. Each team will be given 3 minutes to share their report to the group. Summarize and analyze the Environmental Scan (*Refer to the Facilitator's Note on EnviScan*).

##### Team Exercise 4:

Ask the teams to discuss “How credit unions could respond to the Threats and Weaknesses and how to exploit Opportunities and Strengths?” Give them 10 minutes to quickly respond to the discussion point.

The following answers may come from the participants:

- offer products and services based on the need of the members
- be a customer oriented organizations or provide good services
- professional staff
- aggressive growth or expansion of business
- to become operationally efficient
- dedicated board of directors

#### 5. Image of Credit Unions in the Marketplace – 60 minutes

Present the PowerPoint on: “Image of Credit Unions in the Marketplace.”

Slides 8-12 are a summary of the major issues captured from the SWOT Analysis earlier made in this module. Review this again with the participants.

**Ask the teams:** Can you visualize the kind of credit union that can cope with the challenges?

The facilitator elicits “sound and safe or sustainable” as an answer. Explain that a sound and safe credit union can stand the test of time, ensures its continuity and relevance, and is able to cope with the changing market environment.

**Ask the teams:** What is the character or measurement of a sound and safe credit union then?

Give them five minutes to write their answers on a sheet of paper. Ask the teams to share their answers while the facilitator writes them on the flip chart or white board. The teams may have lists of enumerations. Thank the participants for their brilliant answers. Summarize the answers continuing the PowerPoint from slides 13-21 on the Key Success Factors of a sound and safe credit union:



##### Note to Facilitator

*This will be your jumping board in the succeeding PowerPoint presentation on the Image of Credit Unions in the Marketplace. It is advisable that participants internalize the topic before providing an input.*

- Financial viability
- Operational efficiency
- Competitive position
- Members' satisfaction
- Employee satisfaction

The facilitator explains the components of each key indicator. Use practical and realistic examples for each indicator. The common problem in Asian credit unions is delinquency; low savings, high ratio of non-earning assets and low ratio of Institutional Capital. These are operational problems related to financial viability. Draw out issues or challenges in each key indicator.

Continue with slide 22 to 24 explaining the problems that cut across credit unions in the country and Asia:

- **Lack of Professional approach in credit union operations:** Credit unions currently lack appropriate policies, standards, systems and procedures. In this absence, the credit unions largely depend on what the Board or Manager has to say on day-to-day operations. Clear-cut policies and procedures establish responsibility and accountability on the actions and decisions made for the credit union.



### **Note to Facilitator**

*Do not break your communication with the participants. Always throw questions to the teams. You can ask them to interpret the Key Success Factors and confirm them by flashing the slides. This would depend on the time and the background of the audience.*

*On the other hand, the facilitator can also flash all the slides, explain the definition and ask about issues or challenges.*

Emphasize that it is critical for a credit union to institutionalize policies, standards, policies and procedures to run a professional organization. This will ensure its safety, soundness and continuity of the credit union even when the leadership and management change. Highlight cases where the Manager is saying:

- “Our members said they will withdraw their shares from our credit union if I resign.”
- “I do not know if there is a person who could replace our President. He is very good.”

It is important to underline that the above comments were due to the absence of a policy. Even replaced, the system could ensure the prudent behavior, competence, and relationship of Manager with members. Explain that policies can also ensure the right competence and vision of the Chairman and Board of the credit unions.

Show slides 25-27 on “Translating the Key Success Factors to Credit Union Operations?” These slides highlight the tools necessary to achieve the Key Success Factors. Briefly outline the tools and inform the participants that you will explain the tools in detail through the succeeding modules of the CUDCC.

Show Slide 28 and distribute handout on the “Credit Union Operating Principles.” Explain that credit unions should maintain and translate the Core Foundation Principles in its operation. Highlight that the principles are the key differentiation of a credit union compared with other financial institutions.

## 6. Drawing Conclusions – 15 minutes

Show the remaining slides from 29 to 38 as conclusion of this module: “Changing Credit Union Leadership Competencies in Today’s Market Environment.”

Emphasize the following:

*Volunteer laypersons may no longer be sufficient to fulfill the Board’s responsibilities because of the changing environment. The credit union directors are responsible to provide direction to the credit union. How well you and your fellow board members succeed depends on many factors, including your willingness to learn, grow into the job, and remain flexible. A director must have the willingness to assume responsibility and accept challenges a willingness to think creatively and embrace change and personal ethics that are aligned with the credit union’s philosophy.*

Training and development of the Board is very important and the following are competencies that the Board needs in today’s environment:

- Articulate a tangible vision, values and strategy
- Empower others to do their best
- Be a catalyst or manager of change
- Get results and manage strategy to action
- Exhibit a strong customer (member) orientation
- Communicate effectively on a day-to-day basis
- Integrative thinking about the total business
- Be flexible and adaptive
- Have a global mindset

Show slide 39 as your concluding remarks of the PowerPoint presentation:

***“The Board’s job is not to see the credit union as it is,  
... but as it can become.”***

Conclude that this module is an input to the next module on Strategic Planning. Review the conclusion of Module 1:

### **Module 1-Credit Union in the Marketplace:**

- Provided directors with an intelligence and sense of responsiveness of the marketplace influenced by the changing environment.
- Directors also recognized the need for the safety and soundness of credit unions to respond to the changing market environment.
- Directors visualized that a “Safe and Sound Credit Union” is the road map for the future. This ultimate goal will keep the credit union responsive to evolving customer needs, competitive pressures, new technologies, new market opportunities and growing or shrinking opportunities.

Explain that the knowledge and skills acquired by the trainees from Module 1 are prerequisites in planning. The trainees have the skills and knowledge:



- to critically analyze the external and internal environment of credit unions
- on the ideal image of a credit union that can cope with the changing market environment. The broad understanding of the financial organization's behavior in the marketplace will help them visualize the future direction of their credit union and translate it to their Strategic Plan.

## **7. Credit Union Project 1 - 10 minutes**

Explain the Credit Union Project 1 on the Review of the Vision, Mission and Core Values of the Credit Union.

Following completion of the module on Credit Unions in the Marketplace, the Directors have gained broad awareness of the marketplace and developed a sense of Vision for the institutional stability, competitiveness and strategic positioning of Credit Unions. The Directors are ready to commence their first Credit Union Project to be submitted for assessment to the Registrar of the Credit Union Directors Competency Program.

The participants are also required to prepare a presentation kit including brief notes and a report to the Board of Directors.

**For the Facilitator:**

*The probable result of the Environment Scanning:*

**External Environment:**

<b>Concern</b>	<b>Opportunities</b>	<b>Threats</b>
Market (demography...)	Untapped market More professionals Urban migration More working mothers	More aggressive players More professionals are unemployed Urban migration Ageing population Fluctuating commodity prices
Political (legislation)	Tax exemption	Political instability Peace and Order situation Devaluation More inter-governmental conflicts Lack of enabling regulatory environment More government regulatory and complex laws Domination of capitalist economy
Economic	‘one stop shop’ emphasis on entrepreneurship and small business	Increasing disparity between rich and poor Loss of confidence of economic institutions Diverse products and services
Social Values/Lifestyles	“brand” syndrome flexible lifestyles “throw away” norms virtual entertainment	Nationalism and regionalism Eroded Asian values and culture Self centeredness and materialistic Changing attitudes towards authority Individualistic attitude of people “trend and brand syndrome” boundless service limits increasing trend of vices and its acceptability in the society
Technology	ATMs, tele-banking, internet banking Virtual learning institutes and schools Computer and communication technology Fast turn-over (fast changing)	Shortened life of many services and products “throw away” Virtual schools” low touch-no touch” Rampant diseases caused by techno radiation Techno viruses

## Pre-Course Work: Credit Union EnviScan

### What Opportunities and Threats the external environment posed to your credit union?

*Your answers to the following questions are the basis of identifying opportunities you can exploit and threats you need to overcome.*

Things you need to be concerned about your environment	Opportunities to be exploited	Threats to be avoided or responded																								
<p><b>1. What is your Market Profile?</b></p> <ul style="list-style-type: none"> <li>What is the total population of your area of operation:_____</li> <li>(This is your potential market)</li> <li>Is it Urban_____ Rural _____or Both_____</li> </ul> <p><b>Analysis of your Potential Market</b></p> <ul style="list-style-type: none"> <li>Age segment of the market:</li> </ul> <table border="0"> <thead> <tr> <th></th> <th>Potential Members</th> <th>Members</th> </tr> </thead> <tbody> <tr> <td>12 below</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>13-19</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>20-29</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>30-39</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>40-49</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>50-59</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>60 above</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table> <p><b>Gender</b></p> <ul style="list-style-type: none"> <li>% of female</li> <li>% of male</li> </ul> <p><b>Monthly Income Ranges</b></p> <ul style="list-style-type: none"> <li>Under Pesos 7,000</li> <li>8,000-15,000</li> <li>16,000-20,000</li> <li>21,000-30,000</li> <li>31,000-50,000</li> <li>51,000-70,000</li> <li>71,000-100,000</li> <li>Above 100,000</li> </ul>		Potential Members	Members	12 below	_____	_____	13-19	_____	_____	20-29	_____	_____	30-39	_____	_____	40-49	_____	_____	50-59	_____	_____	60 above	_____	_____		
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<p>2. What is your competitive position in the present market (within your area of operation)?</p> <ul style="list-style-type: none"> <li>How many financial institutions are operating in your area and are providing financial services to your potential members?</li> </ul> <table border="0"> <thead> <tr> <th></th> <th align="center">Number</th> <th align="center">Approx. No. of clients</th> <th align="center">Unique Characteristics of Of their products &amp; services Loans &amp; Savings</th> </tr> </thead> <tbody> <tr> <td>Banks</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>NGOs/MFIs</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Pawnshops</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Rotating Savings &amp; Credit Club</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Lending Inv.</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Others</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Number of members accessing the services of the above financial institutions? _____</li> <li>How would you assess the operation of the above financial institutions? <ul style="list-style-type: none"> <li>_____ Expanding operations</li> <li>_____ Will go village to village</li> <li>_____ Will capitalize on “services delivered to clients’ doorsteps”</li> <li>_____ Will innovate their services to reach more clients</li> </ul> </li> <li>Other opinion: _____</li> </ul>		Number	Approx. No. of clients	Unique Characteristics of Of their products & services Loans & Savings	Banks	_____	_____	_____	NGOs/MFIs	_____	_____	_____	Pawnshops	_____	_____	_____	Rotating Savings & Credit Club	_____	_____	_____	Lending Inv.	_____	_____	_____	Others	_____	_____	_____		
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<p><b>3. Political Situation</b></p> <ul style="list-style-type: none"> <li>Is there any development programs run in the area of operation with political agenda? Yes____ No____. If yes, how does it affect your credit union?</li> <li>Political instability in the country</li> </ul>														
<p><b>4. Economic Condition</b></p> <ul style="list-style-type: none"> <li>Is there a seeming vulnerability to recession or business cycle that might have a direct affect to your members and community? Yes____ No____. If yes, what are those (please check)</li> </ul> <table border="0"> <tr> <td><b>Economic Growth Indicators</b></td> <td><b>Economic Crisis Indicators</b></td> </tr> <tr> <td>____ Opening up new business enterprise</td> <td>____ Closing down of business enterprise</td> </tr> <tr> <td>____ High or constant economic growth</td> <td>____ no economic growth</td> </tr> <tr> <td>____ Stable interest rate</td> <td>____ Changing interest rate</td> </tr> <tr> <td>____ Increasing employment opportunities</td> <td>____ Increasing unemployment</td> </tr> <tr> <td>____ Stable cost of living</td> <td>____ Increasing cost of living</td> </tr> </table> <p>Others:</p> <p>_____</p> <p>_____</p> <p>_____</p>	<b>Economic Growth Indicators</b>	<b>Economic Crisis Indicators</b>	____ Opening up new business enterprise	____ Closing down of business enterprise	____ High or constant economic growth	____ no economic growth	____ Stable interest rate	____ Changing interest rate	____ Increasing employment opportunities	____ Increasing unemployment	____ Stable cost of living	____ Increasing cost of living		
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Things you need to be concerned about your environment	Opportunities to be exploited	Threats to be avoided or responded
<p><b>5. Understanding the Social Values of your market . . .</b></p> <ul style="list-style-type: none"> <li>▪ What are the changes in the social values of the people today compared to 20 years ago?</li> </ul> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <ul style="list-style-type: none"> <li>▪ Do you think people's priorities like cooperation and volunteerism are decreasing?</li> <li>▪ Yes ____ No ____ If yes, what are the priorities of people as influenced by the market economy?</li> </ul> <p>_____ Higher education          _____ Workplace</p> <p>_____ Sophisticated Services      _____ Higher standard of living</p> <p>Others:</p> <hr/> <hr/>		

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<p><b>6. Technology . . .</b></p> <ul style="list-style-type: none"> <li>What are the technologies used by competitors for efficient service delivery to clients/members?</li> </ul> <table border="0"> <thead> <tr> <th>Existing</th> <th>What your competitors have?</th> <th>What do you have?</th> </tr> </thead> <tbody> <tr><td>Telephone</td><td>_____</td><td>_____</td></tr> <tr><td>Fax Machine</td><td>_____</td><td>_____</td></tr> <tr><td>Internet/E-mail</td><td>_____</td><td>_____</td></tr> <tr><td>Video/Television</td><td>_____</td><td>_____</td></tr> <tr><td>Radios</td><td>_____</td><td>_____</td></tr> <tr><td>Computers</td><td>_____</td><td>_____</td></tr> <tr><td>ATMs</td><td>_____</td><td>_____</td></tr> <tr><td>Internet Banking</td><td>_____</td><td>_____</td></tr> <tr><td>Automatic Voice Response</td><td>_____</td><td>_____</td></tr> <tr><td>Others</td><td>_____</td><td>_____</td></tr> </tbody> </table> <ul style="list-style-type: none"> <li>What are the new technologies you need to adopt to enhance the delivery of financial services to your members?</li> </ul> <table border="0"> <thead> <tr> <th>New Technology</th> <th>What benefits you can bring to your credit union?</th> </tr> </thead> <tbody> <tr><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td></tr> <tr><td>_____</td><td>_____</td></tr> </tbody> </table> <ul style="list-style-type: none"> <li>Do you have resources to embrace the new technology? Yes: ____ No: ____</li> </ul>	Existing	What your competitors have?	What do you have?	Telephone	_____	_____	Fax Machine	_____	_____	Internet/E-mail	_____	_____	Video/Television	_____	_____	Radios	_____	_____	Computers	_____	_____	ATMs	_____	_____	Internet Banking	_____	_____	Automatic Voice Response	_____	_____	Others	_____	_____	New Technology	What benefits you can bring to your credit union?	_____	_____	_____	_____	_____	_____		
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**Summarize the Opportunities and Threats identified.**

*(Remember every Threat can be converted into an opportunity! “Winner sees green in every sand trap”*

<b>Areas</b>	<b>Opportunities to be exploited</b>	<b>Threats to be avoided or responded</b>
1. Market Profile of your credit union		
2. Political Situation		



<b>Areas</b>	<b>Opportunities to be exploited</b>	<b>Threats to be avoided or responded</b>
3. Economic Condition		
4. Social Values		
5. Technology		

## **Assess the Internal Strengths and Weaknesses of your Credit Union.**

# **How?**

### **By the use of COOP-PESOS**

- Financial data from the last two years financial statements i.e. Balance Sheet and Income Statement will be used for this purpose. The financial statements represent how well the Board of Directors of your credit union fulfills their role of adopting appropriate policies for the sustainability and viability of your organization. It is also the measurement of the management efficiency in running the credit union. The PESOS, in a quantitative expression, clearly demonstrates the problem areas. This would certainly make your planning a lot easier.

### **Instruction:**

In a separate sheet, prepare the COOP-PESOS or PEARLS rating of your credit union for the last two years and the latest financial statement. It is important to observe the trend and it would be necessary to have a two-year comparative rating.

**Summarize the Strengths & Weaknesses of your credit union using PEARLS & Assessment compared with the environment**

Areas	Strengths	Weaknesses
<b>1. Financial Performance (please refer to PEARLS)</b> <i>Examples:</i> <ul style="list-style-type: none"> <li>▪ Delinquency-high or low</li> <li>▪ Capitalization-savings, shares, institutional capital</li> <li>▪ Liquidity-is it a problem or not?</li> <li>▪ Non-earning Assets-is it ok with PESOS</li> <li>▪ Profitability</li> <li>▪ Growth in Assets-below the growth standards or not?</li> </ul>		
<b>2. Products and Services</b> <i>Examples:</i> <ul style="list-style-type: none"> <li>▪ Too small to compete in the market served</li> <li>▪ Not diversified to serve diverse members</li> <li>▪ Innovation applied or not</li> <li>▪ Reach out of the services of your credit union – economy of scale</li> <li>▪ Weak in areas where there are more market to be served?</li> <li>▪ Short of financial resources to serve members needs</li> <li>▪ Is your products and services meeting the needs of your members or designed for potential members too?</li> <li>▪ What is your position compared with the competitors?</li> </ul>		

<b>Areas</b>	<b>Strengths</b>	<b>Weaknesses</b>
<b>3. Market Presence</b>  <i>Examples:</i> <ul style="list-style-type: none"> <li>▪ Are you having at least 30% membership penetration in your area of operation?</li> <li>▪ Is membership to be served, too small for your credit union to become viable?</li> <li>▪ What is the image of your credit union in the community as compared with other financial institutions</li> <li>▪ What is the public image of your credit union?</li> </ul>		
<b>4. Human Resources</b>  <i>Examples:</i> <ul style="list-style-type: none"> <li>▪ Is the staff given adequate screening, training supervision and evaluation?</li> <li>▪ Does the manager have adequate authority, responsibility and managerial skills?</li> <li>▪ Does the Board of Directors and committees have the right skills to perform its functions?</li> <li>▪ Does your credit union provide suitable infrastructure to management to enable generation of more benefit for the organization?</li> </ul>		

## **Pre-Course Work: People Helping People Help Themselves**

To typical consumer, most financial institutions seem pretty much alike. When you look below the surface, though, credit unions stand out. We have a completely different purpose.

We're in business to help people improve their lives through realizing their financial goals. We're in the business to provide financial services to members at the lowest possible cost. The credit union provides the vehicle; the members use it to arrive at their financial destination. What we're not in business for is to make money for the organization or stockholders.

How do we help members? One obvious way is to offer financial services to our members, services that sometimes aren't available from any other source. We add a financial advantage to those services whenever we can, through lower costs and higher returns. We help members by offering education about thrift, credit, and related pocketbook issues. We listen to our members. We're involved with their financial lives, and we're in it for their long-term well-being.

### **How We're Different**

Credit unions are unique in the financial sector –not so much in what we do, but in how and why we do it. Understanding this how and why of credit union philosophy is the most important thing a credit union director needs to know.

Three characteristics distinguish your credit union from other organizations that offer similar services:

1. Your credit union is a cooperative, owned by its members who democratically control it.
2. Your credit union operates on a not-for-profit basis.
3. Your credit union relies heavily on volunteers for direction.

### **Ownership and Control**

When people say, "This is my credit union," they mean it. Unlike other financial institutions, a credit union is owned by the people it serves. Members control the organization primarily by electing members to serve on the board of directors. The board guides the credit union on their behalf. If membership disagrees with the board's actions, they can change the direction of the organization by electing new directors. They also direct the credit union through their actions, resolutions, and votes at the annual and special membership meetings.

Credit union elections are democratic. Whatever the issue, each member is entitled to vote. Furthermore, each member has just one vote-no matter how much or how little money that member has deposited or borrowed.

The ownership structure of the credit union is apparent in some of the special terms we use. Share accounts, for example, represent proportion of the credit union owned by the member. Dividends are the returns paid to owners (members) on their share accounts when the credit union is successful. They are almost always paid regularly, but if times are particularly good or bad, members may get bonus dividends-or no dividends at all. That's one of the risks of ownership.

## **Volunteer Involvement**

Most credit unions hire some professional staff. Members who serve on credit union boards and committees, however, are unique in the financial world in that they assume tremendous responsibilities and demanding workloads-in most cases without compensation. This tradition is based on the belief that members become involved because they believed in our philosophy: *People helping people help themselves.*

The amount and type of work done by volunteers generally varies according to a credit union's size. Smaller organizations tend to use more volunteers in more hands-on situations. At a larger credit union, the board focuses more on policies and planning.

The differences discussed here are some of the reasons why credit unions are an appealing alternative in the financial marketplace.

## **A Brief History of Credit Unions**

Credit unions go back to the middle of the 1800s in Europe. They were born out of miserable economic conditions and the realization that average people would have to take action themselves-at a new level-if their lives were to improve. The idea that they could do so was a radical concept at the time. People formed groups to do things individuals couldn't accomplish on their own. Cooperatives of all kinds were formed.

Lack of credit was a hardship, especially for individuals and small businesses. Banks served large commercial interests. Only money lenders were available to average people, and they often took devastating advantage of borrowers. In keeping with the times, the idea of people organizing their own source of credit took hold.

Two men led the way. Herman Schulze-Delitzsch was a representative to the German Parliament. Working in several German cities, he developed the first reliable model for self-sustaining, self-help financial services. Friedrich Wilhelm Raiffeisen, working in the German countryside, expanded the concept to include social improvement.

Credit unions grew slowly at first, then more rapidly. By the end of the 1800s, they were established in most European countries.

The first credit union in the western hemisphere opened in Canada in 1901. As in Germany a half-century earlier, people's desperate need for credit left them open to abuse by the few available lenders. Alphonse Desjardins, a reporter from Levis, Quebec, learned about the effects of usury from listening to a parliamentary debate. He wanted to help. The credit union, his "caisse populaire" (people's bank), allowed people to get the loans they need at fair terms and affordable interest rates.

The idea soon crossed the border into the US. With Desjardins' help, the parishioners of St. Mary's church in Manchester, New Hampshire, organized the first US credit union in 1909.

Credit unions were formed all over the country during the 1920s with the support of Boston merchant and philanthropist Edward Filene, Massachusetts attorney Roy Bergengren, and the network of volunteers they organized.

## **Pre-Course Work: Changes in the Marketplace**

Credit unions in the 21<sup>st</sup> century will be facing a competitive environment. Yes, the future is not what it used to be! As quoted by Peter Drucker, a futurist, "Every generation will face the need to prepare in advance for the abandonment of everything it does." In developing nations in Asia, we see market economies gradually taking over the state-controlled ones, as government is opening the door to bigger private sector participation and entrepreneurial development. The market economy is challenging the old development concepts for radical revisions, and Credit Unions are one of the players in the marketplace, with increasing competition seen as a major threat to cooperatives.

Birgegaard and Genberg (1994) have pointed out: "Unless the cooperatives can meet this competition, they will end up in down-turn spirals of decreasing volumes of business, deteriorating profitability of their operations, reduced capacity to pay remunerative and competitive prices and provide useful services to their members, continued flight of members, still further decline in volumes of business..."

With the end of rivalries between the Western capitalist system and the Soviet collective one, the way now seems open for unfettered private enterprise, trade liberalization, and a hands-off role for governments. IMF and World Trade Organization statistics would demonstrate the economic success of such policies.

### **Liberalization and Deregulation**

Liberalization is not a "free-for-all". The weakest members of society - be it society-at-large or a cooperative society - have a perfect right to claim some form of protection in law from the stronger. Deregulation cannot excuse governments from their responsibility to ensure a minimum of equity. Withdrawal of support to cooperatives - almost invariably a positive factor for cooperative development - should be planned and announced well in advance. When it takes place suddenly in response to some foreign diktat, the economic and social consequences will usually be disastrous.

The shift to global market has created greater competition from all directions anywhere in the world because of the flow of foreign investments in the financial market. This means diverse investment portfolios in the financial institutions with low interest on credit. Deregulation and liberalization of major financial markets have opened new investment opportunities, which make competition very tough. The fundamental principle of liberalization is that the products and services offered by the host country will benefit directly from the more open trading regime, and bring about immediate expansion of global trade. Consequently, this policy has significantly reduced the cost thus encouraging short-term financial trading activities. Small and medium size enterprises with small capital base will face very tough competition and as a result, liberalization could wipe out small entrepreneurs in their own backyards. Sadly, the small entrepreneurs probably are members of credit unions as liberalization increases the presence of multi-national and transnational companies with huge capital base.

### **Privatization of the Public Sector**

To foster economic growth, governments in Asian countries have adopted privatization of public sector with less institutional protection for workers. The reforms reduce the involvement of the government and it is believed that Asian countries will continuously be taking privatization steps

to partially or fully transfer government owned enterprises to the private sector. There would be a greater flow of investments to these enterprises in order to maintain share of the market.

*This excerpts from ACCU's Strategic Plan 2004-2009 capsulated the external and internal challenges of credit unions:*

### **External Environment of Credit Unions**

ACCU takes advantage of the opportunities and analyzes threats posed by the external environment to member-organizations to respond to any possible challenges. The challenges to ACCU's member organizations from the East to the South are very diverse due to varying economic, environmental and cultural differences. It is therefore essential that this plan be strategically focused based on the most urgent needs of each movement.

The membership penetration of credit unions in Asia is still insignificant at 0.38% of the total working population. With the exception of Korea and Sri Lanka, all member organizations have less than 1% membership penetration and according to members' feedback on the questionnaire, the following are major threats to credit unions:

- Low public awareness of credit unions –this is true for the majority of ACCU's member organizations. The reality was revealed in the survey conducted by ACCU under the Project on Professionalization. “*Do not know credit union*” ranks the top answer and in second place “*No time for the pre-membership seminar.*” The question then arises. Do credit unions know the market pulse?
- Aggressive players in the financial market in Bangladesh are new players like Microfinance Institutions. However, in countries throughout East Asia it is the new financial services like pre-approved credit cards, charge cards, ATMs, % split payments offered to consumers who are also members of credit unions. For Southeast Asia, it is a combination of both. While banks are introducing sweeping innovation to their financial services, Microfinance institutions are encroaching aggressively into credit union territory. People are increasingly mobile today because of their changing lifestyle, standards and choices in the market.
- Rising unemployment in the country because of the financial crisis that started in 1997 is still affecting the lives of many ordinary Asians and consequently since then employment opportunities have been very limited.
- Technology is turning out to be a double-edge sword. In earlier times, sending a telegram to another province would take two days, but in today's technology, it is only a matter of seconds. Technology is an advantage to credit unions if used appropriately but it has a cost. The question arises, can credit unions afford it or are they planning for it? Big credit unions attempted to computerize their operations by developing their own programs, with the resulting exposure to high costs producing limited results. Again, technological applications in credit unions are another test of how credit unions are willing to work with each other...i.e. Cooperation.

Credit unions in Asia lack an enabling regulatory environment. They are given registration to operate but without guidelines on how the operation should run according to market conditions. Credit Unions should not be seen as social organizations alone, because they



are financial cooperative organizations and thus, should be viable and competitive. ACCU's member organizations have realized that the government should regulate credit unions. With the exception of Korea and Philippines, the Asian countries do not impose industry standards for credit unions. We recognize the value of self-regulation through the national federation; however, it is very difficult to impose because the national federation is still part of the structure. In imposing a standard, an independent institution should be responsible for supervision.

Further, members indicated in their feedback that they have established a relationship between the government and credit unions. The government has also a strong focus on poverty alleviation and therefore credit unions should strive to maintain close contact.

No doubt, a major market is still waiting for credit unions.... this is an opportunity. The question is how do we enter this market? Credit unions do not even have market information regarding their existing members, so how do they measure the needs of potential members? Ask what your potential market is; it would then be a guessing game. If we only knew our market, we would be all winners. The young generation (18-25) is a large market, but they are the people fascinated with technology, fast and efficient service and tend to be mobile.

### **Internal Environment of Credit Unions**

Credit unions have a number of weaknesses too. According to the survey, non- members of credit unions do not know us very well. We are perceived as less sophisticated and a less attractive choice for financial services. We lack connectivity, which disadvantages us in a highly mobile society, which is concentrated on the middle-income level population. However, in the low-income level sector of the population, we are even more inflexible with our financial services. Looking into the membership profile of an individual credit union, members with income below the poverty line is averaging to 2-5% of the total membership and in fact, Asia is the home for more than 800 million poor people.

Other important constraints are solely within the competence of the credit unions. Some examples are:

- **A troublesome age-gap among the membership:** The random survey results indicate the age demographics of membership in credit unions as less than 10% of membership aged 30 years and below. If we are not more successful in attracting and retaining younger members, our current membership base will erode over time and our growth prospects will diminish.
- **A misinterpretation of the practice of “democracy” is hampering the efficient business operations in many credit unions:** A practical example is the Board unknowingly interfering in the role of the General Manager of the credit union. This can be attributed to the absence of policies and guidelines for credit union operation.
- **A delayed and often fragmented decision-making process:** While the decision making process requires independent thinking and consideration of all points of view. The interest of the institution and its members must be the first consideration as opposed to any personal interest, which may arise.

- **A serious lack of information about members/owners:** Although credit unions know their members individually or even by name, they are, still lacking detailed knowledge regarding the demographics of their members and consequently the ability to use it to meet emerging needs. This ability is fundamental to effective relations marketing, and the gap between our capacity in this area and that of our competitors is growing.
- **Traditional product offerings:** This could be associated with the lack of market information. Credit unions loan and savings products are very general i.e. regular, special, and emergency loans. Credit unions should have a range of products and services that allow members to choose from according to their financial needs. Serious gaps lie along this line especially with wealth creation, which should be the main factor in cementing the relationship between members and their credit union. As a result, the vast majority of credit union members also have financial relationships with other competitors. A dangerous factor is that members tend to have only a credit relationship with credit unions because our rates are lower and the loan evaluation system is based on the amount of share capital the member holds.
- **Inability to offer inter-credit union connectivity:** This is indeed an urgent need. Technology is just within our reach but it is not working until now because many credit unions are hesitant to cooperate with the credit union next door. A single credit union cannot do this and it should be a collaborative effort of the movement catering for the mobility of our members. Many credit union members definitely have savings with the Banks because the ATM network enables access to savings possible anywhere (even outside the country) at anytime.
- **An equally serious lack of knowledge about sales culture:** Sales culture could turn around the operation of a credit union and while some credit unions have pioneered in this area, sales culture should be incorporated in the whole system not only in part. Branding is a way forward that needs to be explored to upgrade the image of credit unions. Moreover, a sales culture is not only advertising and branding, but it is also about the role of people in the credit union with their day-to-day dealings with the members.
- **Lack of systems, procedures and policy guidelines for the prudent management of credit unions:** This is the fundamental requirement of any organization. However, credit unions in Asia, except Korea have no such comprehensive system to follow. Thus, the credit union sometime has a dilemma regarding the succession of volunteers. The existence of such a system would put in place guidelines for the organization to follow and enable monitoring of policy implementation. There are many problems arising through this deficiency such as high delinquency ratio because of undisciplined credit management, a credit oriented membership, inefficiency, and many others.

It is very clear that drastic changes have to be made in the credit unions of Asia and that ACCU has a role to play.

## CREDIT UNION PROJECT CREDIT UNIONS IN THE MARKETPLACE

PROJECT DESCRIPTION:	
Conduct a 3-hour workshop for the Board members on Credit Unions in the Marketplace as discussed in the training. The workshop assesses your credit union's SWOT as a basis for revisiting your Vision, mission and Values.	
PROJECT ACTIVITY	EVIDENCE REQUIREMENTS (WHAT WE NEED TO SEE)
<ul style="list-style-type: none"> <li>Prepare a 3-hour workshop on Credit Union in the Marketplace attended by all Board members and Manager of your credit union</li> </ul>	<ul style="list-style-type: none"> <li>Schedule of the Workshop</li> <li>Directors Information Kit containing                             <ul style="list-style-type: none"> <li>Environmental Scan</li> <li>Positioning Credit Unions in the Marketplace</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>Carry out the workshop with full attendance of the Board and Manager</li> </ul>	Attendance Sheet of the Workshop
<ul style="list-style-type: none"> <li>Prepare a Report to be submitted to the Training Officer of the Federation</li> </ul>	Report on the Workshop with the following contents: <ul style="list-style-type: none"> <li>Proceedings of the Workshop</li> <li>Truthful assessment of the current SWOT of your credit union</li> <li>Conclusion: Overarching Vision, Mission and Values Statement of your credit union and an action plan (Putting Vision to Action) on how this would be shared and communicated to different stakeholders of your credit union</li> </ul>

**Credit Union Project 1- Review of the Vision, Mission and Core Values of the Credit Union**

**Review Guide**

Shared Organizational Ambition	Core Questions	Aspects
<b>MISSION</b>	<b>WHY DO WE EXIST?</b> <ul style="list-style-type: none"> <li>Who are we?</li> <li>What do we do?</li> <li>Where are we now?</li> <li>For what purpose and why does our organization exist?</li> <li>What is our identity?</li> <li>What is the reason for existing?</li> <li>What is our primary function?</li> <li>What is our ultimate primary goal?</li> <li>For whom do we exist?</li> <li>Who are our most important stakeholders?</li> <li>Why do we do what we do?</li> <li>Which fundamental need do we provide?</li> </ul>	<ul style="list-style-type: none"> <li>Ultimate primary goal</li> <li>Primary function</li> <li>Reasons for existence</li> <li>Stakeholders</li> </ul> <p>The mission is not linked to a time horizon.</p>
<b>VISION</b>	<b>WHERE ARE WE GOING TOGETHER?</b> <ul style="list-style-type: none"> <li>What is the ambitious dream of our organization?</li> <li>What is our vision of the future?</li> <li>Where do we go from here?</li> <li>What are our long-term ambitions?</li> <li>What do we want to achieve in the long run?</li> <li>What changes lie ahead in the business landscape?</li> <li>What is our mutual image of a desired and reachable prospective situation, and what is the route of change needed to reach this?</li> <li>What is decisive for our success?</li> <li>Which factors make us unique?</li> <li>What do we stand for?</li> <li>What connects us?</li> <li>Who do we want to be?</li> <li>What is essential in our attitude?</li> <li>What do we believe in?</li> </ul>	<ul style="list-style-type: none"> <li>Developments</li> <li>Ambitions</li> <li>Core values</li> <li>Critical success factors</li> <li>Core competencies</li> </ul> <p>Vision is linked to a time horizon, as well as to strategic objectives, performance measures, and targets.</p>

## **Review Guide: *Core Values***

XYZ Credit Union continues to maintain and practice the following cooperative values and their corresponding measurement, for which the Board and Management are accountable and should therefore be adhered:

<b>Our Values</b>	<b>How we will monitor and report?</b>
<b>Equity:</b> Consistency in delivery of products and services to members and the treatment of members. True awareness of and focus on members needs.	<ul style="list-style-type: none"> <li>a. Product pricing benefits reflect the product and service capacity to generate such benefits;</li> <li>b. Minimum of 15% per annum of members provide service and product feedback via surveys, web and other means;</li> <li>c. Detailed statistical member profile is monitored.</li> </ul>
<b>Integrity:</b> Demonstrating care, commitment and honesty including informed reporting and disclosure to members and stakeholders;	<ul style="list-style-type: none"> <li>a. Use of all available information and reporting methods;</li> <li>b. Stakeholders are aware of availability of reports;</li> <li>c. Range and presentation of information is useful to stakeholders;</li> <li>d. Member reporting includes measurable indicators of aggregated financial benefit distributed to members through product pricing.</li> </ul>
<b>Professionalism:</b> Efficient, timely and effective service at all times through well trained directors, management and staff supported by well organized communication and operating systems;	<ul style="list-style-type: none"> <li>a. Complaints due to staff knowledge procedures errors are less than 10 per annum;</li> <li>b. Service delivery standards are set by the Board and monitored by management and board using a range of survey and feedback techniques.</li> </ul>
<b>Responsibility:</b> prudent management and sound capital backing;	<ul style="list-style-type: none"> <li>a. All Key Financial Indicators are readily met and reflect industry standards. (Credit Union Operating Standards)</li> </ul>
<b>Cooperation:</b> Community and multi-stakeholder input and involvement providing benefits to individual members and their local community through collective endeavour. Creatively using the aggregated buying power of members.	<ul style="list-style-type: none"> <li>a. Number of community organizations using the credit union services;</li> <li>b. Number of value added or price benefits introduced annually;</li> </ul>

<b>Our Values</b>	<b>How we will monitor and report?</b>
<b>Celebration:</b> We seek a healthy organization, with high quality of life for employees, where enthusiasm and celebration are essential. We recognize the strengths, talents and potential of the people in our organization and those we deal with. We want to encourage confidence and competence. We also recognize human frailty, allow for mistakes and failures.	Using an agreed list of desired indicators, we will monitor and report against these using the following methods: <ol style="list-style-type: none"> <li>Staff and officers surveys re: recognition received</li> <li>Volume of events that celebrate individual and organizational milestones.</li> <li>Recognition for outstanding members</li> </ol>
<b>Respect:</b> Our work with the disadvantaged and marginalized in the community is characterized by mutual assistance and empowerment, and not by paternalism. Everyone must be treated with respect and dignity.	<ol style="list-style-type: none"> <li>Ongoing members feedback will be sought and documented.</li> <li>Complaints/comments/suggestions (verbal and written)</li> <li>Community and stakeholders survey</li> </ol>
<b>Accountability:</b> In our dealings with partners in community, government and business we are accountable for the quality of our work and seek to exceed their expectations. We want transparency in our organization, which reflects trust and awareness of joint responsibilities.	<p>Transparency will be achieved by documenting and reporting to all stakeholders:</p> <ul style="list-style-type: none"> <li>Our agreed targets and our outcomes</li> <li>The feedback we receive from staff, clients and partners</li> </ul> <p>Using an agreed list of desired employee attitude and characteristics we will monitor and report against these using the following methods:</p> <ul style="list-style-type: none"> <li>Staff surveys</li> <li>Employee exit interviews and feedback</li> <li>Complaints received from staff and members</li> <li>The level of delegated decision making</li> </ul>
<b>Integration:</b> Work is an important part of our lives. We want it be integrated with all other areas of life. We work with people holistically, respecting diversity and beliefs.	<ul style="list-style-type: none"> <li>Sample surveys staff and clients perceptions;</li> <li>Measure officers/volunteers in terms of diversity of culture, beliefs, etc.</li> <li>Use stakeholders imposed and other agreed equity targets.</li> </ul>
<b>Innovation:</b> We recognize that there are many ways to meet a need or to undertake a task. We actively seek to introduce new programs and procedures to improve the effectiveness and efficiency of our current activities through ongoing changes in both process and systems.	<p>Record and disclose (report) new program ideas and process ideas in terms of:</p> <ul style="list-style-type: none"> <li>Received (including source analysis)</li> <li>Evaluated</li> <li>Developed</li> <li>Implemented</li> <li>Outcomes</li> </ul>

## Credit Union Operating Principles

The following credit union operating principles approved by the Membership of WOCCU on August 24, 1984 are guidelines by which XYZ Credit Union put into practice:

### 1. *Democratic Structure*

- 1.1. **Open and Voluntary Membership:** Any person within the accepted common bond of XYZ Credit Union is able to join and make use of its services and corresponding responsibilities.
- 1.1. **Democratic Control:** All members enjoy equal rights to vote (one member, one vote) and join in making decisions for the XYZ Credit Union. XYZ Credit Union members elect committees who control the running of the Credit Union, according to its laws and regulations, on behalf of the members. These committees are: the Board of Directors, Credit Committee and the Supervisory Committee.
- 1.1. **Non-Discrimination:** Members are treated equally. There is no discrimination because of someone's race, nationality, sex, religion or politics.

### 2. *Service to Members*

- 1.1. **Service to Members:** All services provided by the XYZ Credit Union are directed to improve the financial (economic) and social well being of all members.
- 1.1. **Distribution of Services to Members:** A fair rate of interest is paid on savings and deposits to encourage wise use of money through savings. The XYZ Credit Union is then able to provide loans and other services to its members. Any surplus made by the XYZ Credit Union belongs to and must benefit all members with no member or groups of members benefiting alone. The surplus shall be distributed among members in relation to their shares in the XYZ Credit Union, or may be directed to improve or add services required by the members.
- 1.1. **Building Financial Stability:** The most important aim of the XYZ Credit Union is to build its financial strength including a strong reserve fund and internal controls that will ensure continued services to the membership.

### 3. *Social Goals*

- 3.1. **On-going Education:** The XYZ Credit Union actively promotes education for its members, officials, employees and the general public in their financial (economic), social, democratic and mutual self-help principles. It also encourages wise use of money and savings as well as teaching members their rights and responsibilities.
- 3.2. **Co-operation Among Co-operatives:** In keeping with their ideas and practice of working together, XYZ Credit Unions actively work with other co-operatives and their associations at local, national, international levels to serve the interest of their members and community.

- 3.3. Social responsibilities:** XYZ Credit Union seeks to bring about human and social development. Social freedom extends both to individual members and to the larger community in which they work and live. XYZ Credit Union aims to extend services to all who need and can use them. Every person is either a member or a potential member.





CUDCC

Module 1

# **Module 1**

## **Credit Union Image in the Marketplace**



# After this module, you will

- Acquire a broader perspectives of the marketplace in the Asia region
- Develop heightened awareness and responsiveness regarding the challenges posed to credit unions in the marketplace
- Gain knowledge on the approaches to exploit competitive advantage in positioning credit unions in the marketplace
- Reinforce credit union operating principles as the core foundation and key differentiation of credit unions in the marketplace

CUDCC

Module 1



# Team exercise 1

- What is a financial market?
- Who are the players in the financial market?
- How will you differentiate SACCOS with other players in the market? – 10 minutes
- 39 NGOs Licensed by Rastra Bank





# Differentiation of SACCOS

- Business with members only
- Owned by member
- Education for members
- Community based organization
- Easy access
- Opportunity for leadership development
- Benefit to members
- Self-help concept
- Simple process on savings and loans
- Transparent organization
- Savings is first priority
- Competitive members need based p/s
- Guided by policies and procedures
- Good image
- Two way communication
- Gender responsive
- Low operational cost / limited area



# How will you differentiate SACCOS with other players in the market?

## Credit Union...

- Builds community
- Provide financial solutions to members financial problems/needs at every stage of life
- Helps members achieve financial independence
- Guides members to manage their money and build wealth
- Offers affordable financial services to everyone



# Team exercise 2

- Membership penetration of credit unions in your country

$$\frac{\text{Total individual Membership of CUs}}{\text{Total population/5 members per family}} \times 100$$





# Trends in the Marketplace

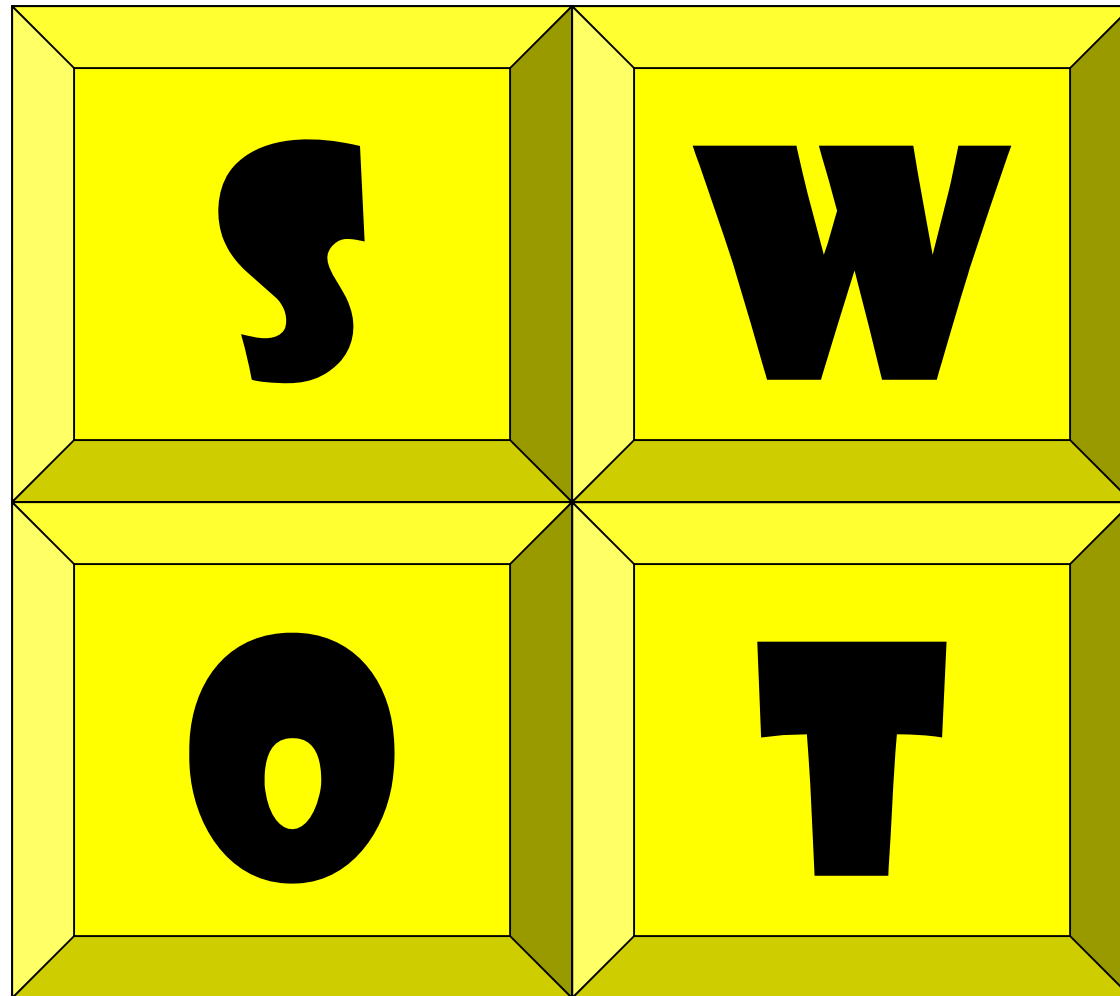
1. Political pressures
2. Economic conditions
3. Technology
4. Employee attitudes
5. Social values and lifestyles
6. Market demographics





# Team exercise 3

Do your SWOT ANALYSIS







# Team exercise 4

- How your credit union could respond to the SWOT?





# What are the issues in Credit Unions

## 1. Our Image in the marketplace

When compared with our competitors, where do we place our organization?





# According to Survey of non-members

**“People in the coop do not project professional attitude in the way they deal with members”**

**“I am not a member because I do not know what is a coop?”**

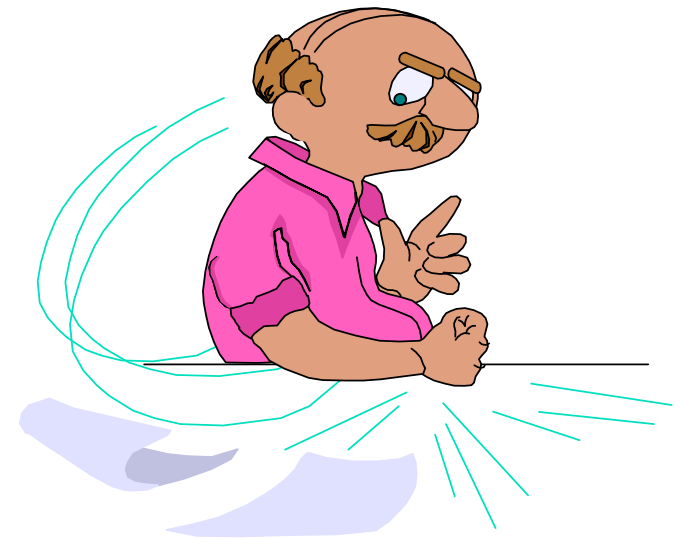
**“People in the coop office seemed confused or do not have a full understanding about the policies and operation”**



# What are the issues in Credit Unions

## 2. Prudent operating standards of cooperatives

....industry standards..are we complying?





# What are the issues in Credit Unions

## 3. Professional management

...it's not the people but how efficient and competent coops are delivering services to members





# What are the issues in Credit Unions?

## 4. A highly competitive and rapidly evolving financial sector





**CUDCC**

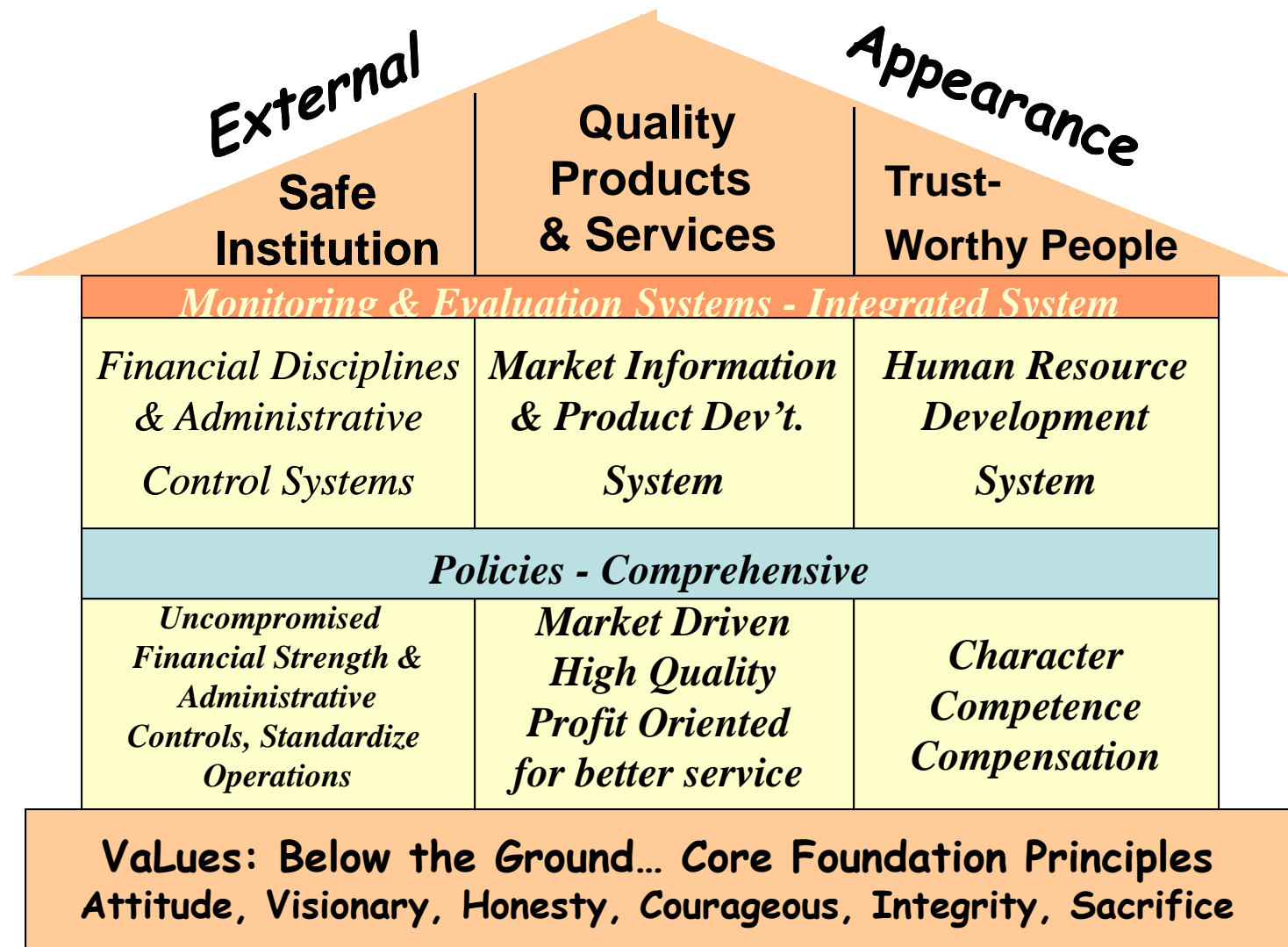
Module 1

# **Safe and Sound Credit Union**

**This is our IMAGE!**



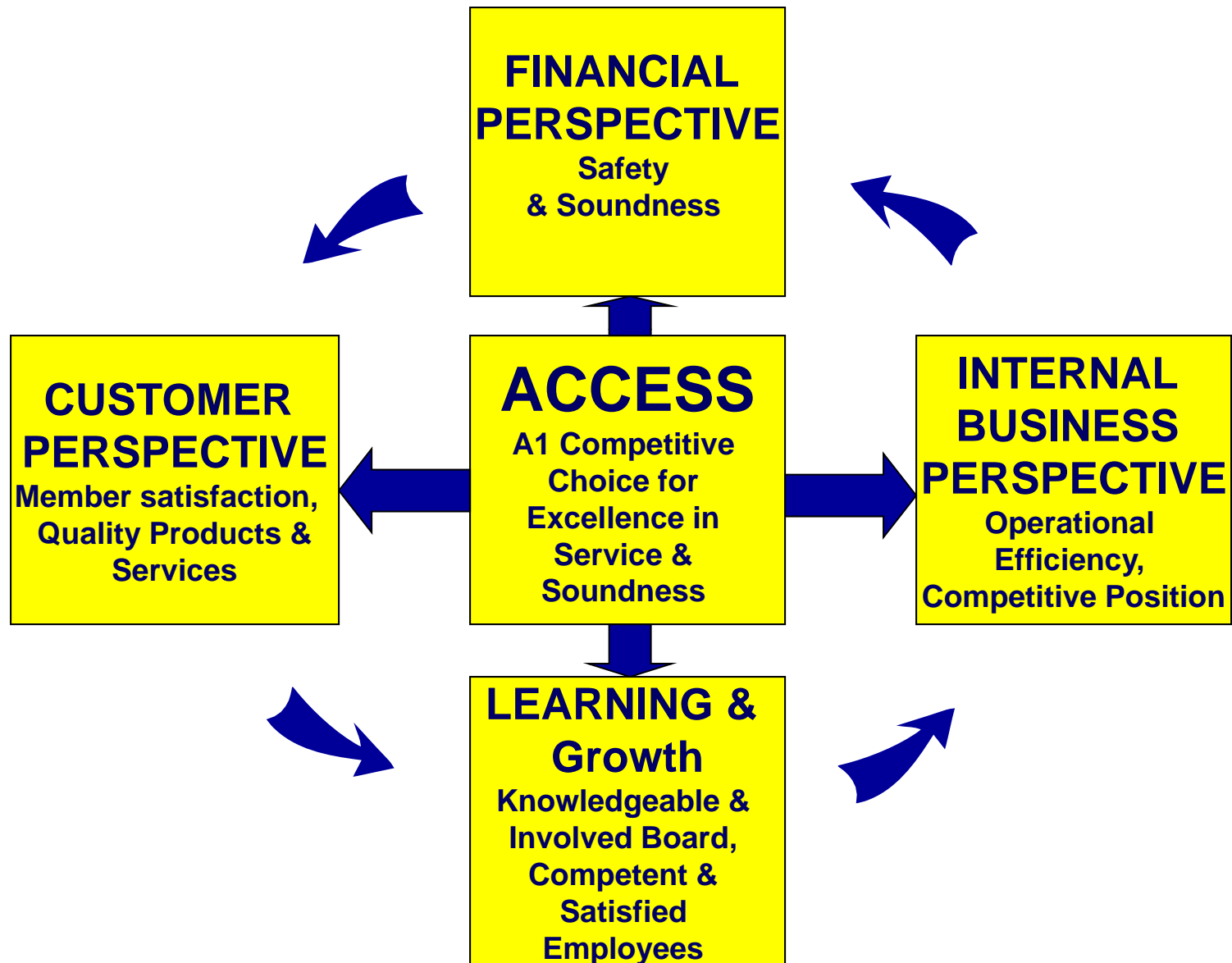
# Credit Union Image in the Marketplace







# The “HUB of the Wheel”

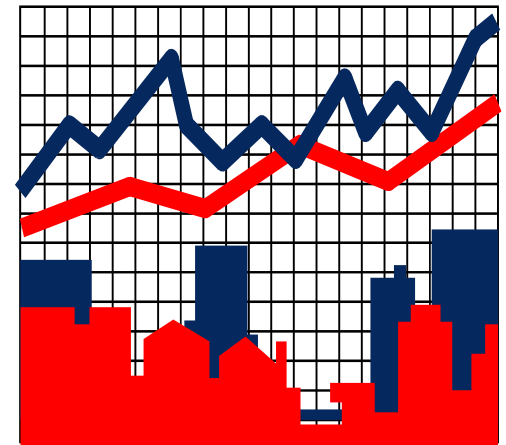




# What do we mean of sustainable Credit Union?

## Key Success Factors

- Financial viability
- Operational Efficiency
- Competitive position
- Member satisfaction
- Employee satisfaction





# What is financial viability?

**Benchmarks based  
on industry  
standards:**

**PEARLS / COOP-  
PESOS is the  
Philippine Standard  
for credit  
cooperatives'  
operation**

**no choice! We have to adhere  
to the standards**



***We will not settle  
for less!***



# What is operational efficiency?

**..measurement of the effectiveness of workflow or processes of service delivery**

**..the speed members are served**





# What is competitive position?

The degree of acceptance of credit union “brand” in the market.

“How are we compared with competitors?”



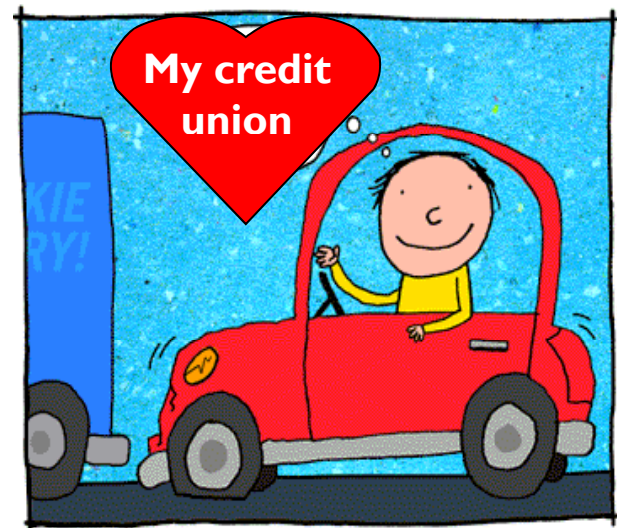
*are we 1st, 2nd, 3rd class  
or no class?.... On the  
eyes of members, public,  
government*



# What is member satisfaction?

at least 30% of the  
market are members  
and users of credit  
union services

“savers and good  
borrowers”





# What is employee satisfaction?

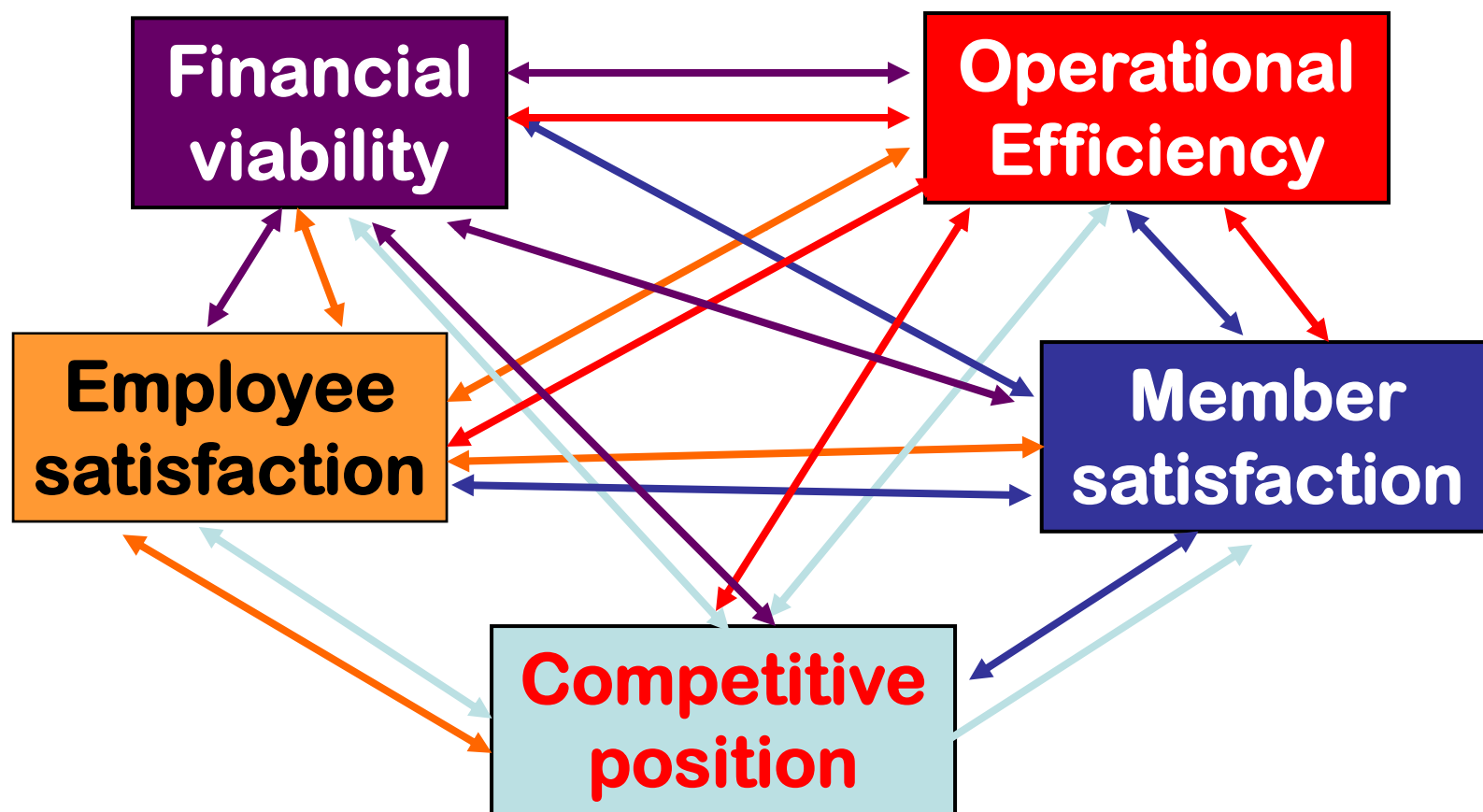
## Indicators.....

- less staff turn-over
- no labor dispute
- high degree of sense of ownership
- high level of innovation
- teamwork
- Value based management





# Mapping the Credit Union's future

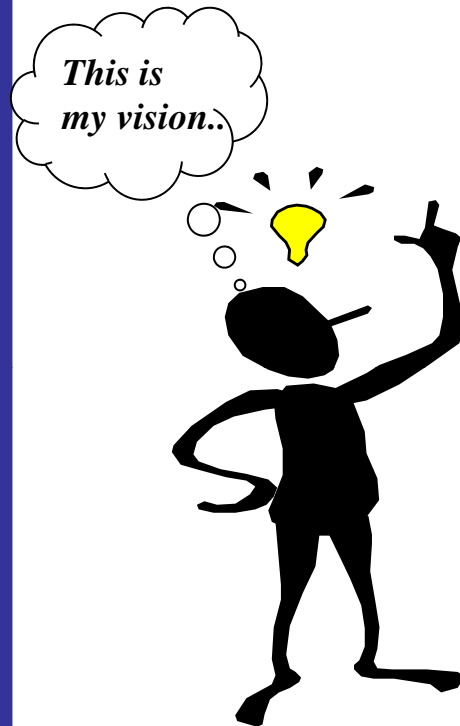






*This is all we've got to do!!!*

**TODAY....**



*This is my vision..*

**“PERSONALIZATION”**  
President, Board of Directors are important.....

**TRANSITION...to Professionalize Coops**



*This is painful but necessary!*

**By-Laws Changes**  
Policy dev't. & review  
Product Development  
Standardization  
Integration

**FUTURE..YEAR 2002 & beyond**



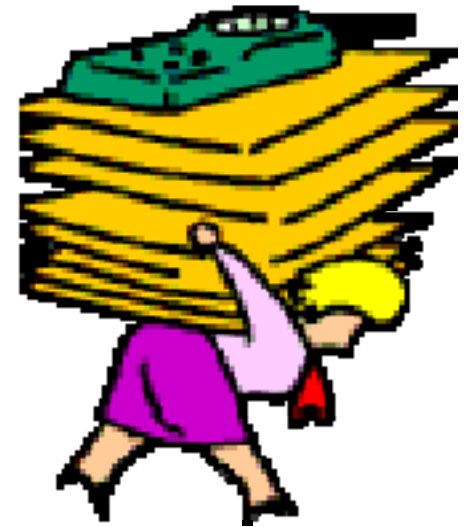
*Our CU is smart & strong!*

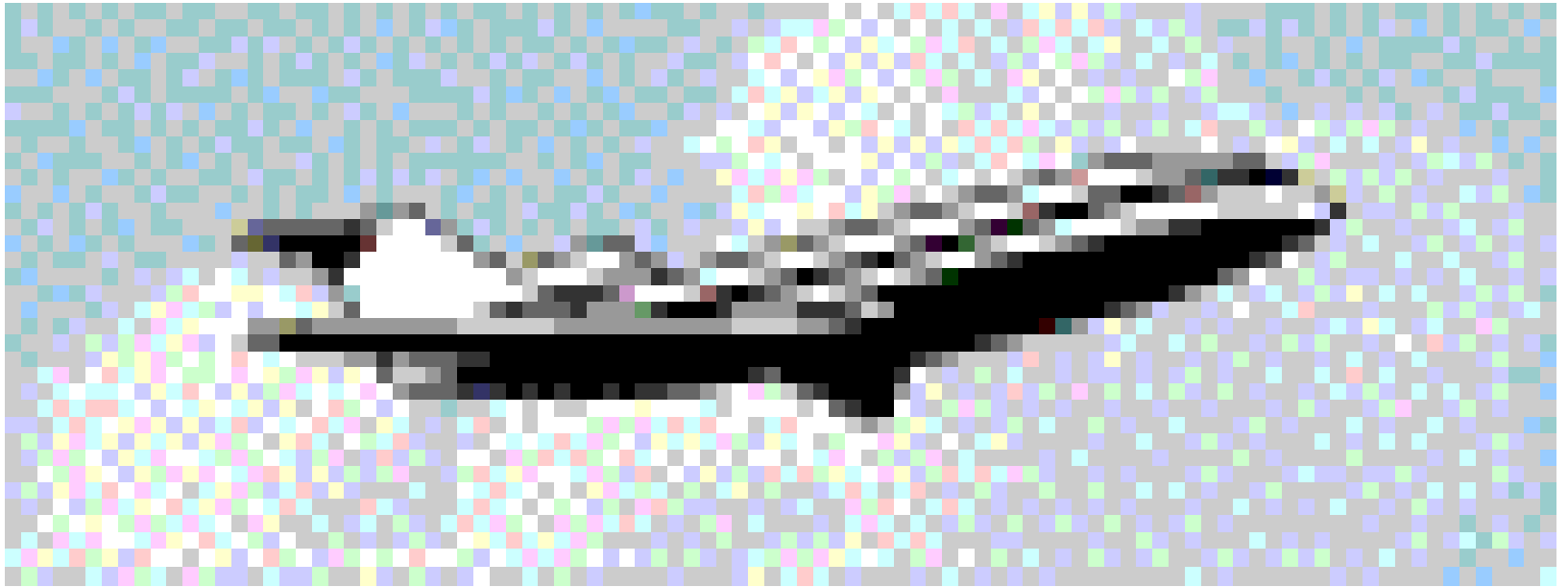
**“INSTITUTIONALIZATION”**  
Institution is important  
the framework for the system to work is installed ...



## To institutionalize standards....

- Policies
- Systems
- Procedures





# Auto Pilot organization

even people change..it will run in the  
same standard, systems and quality...

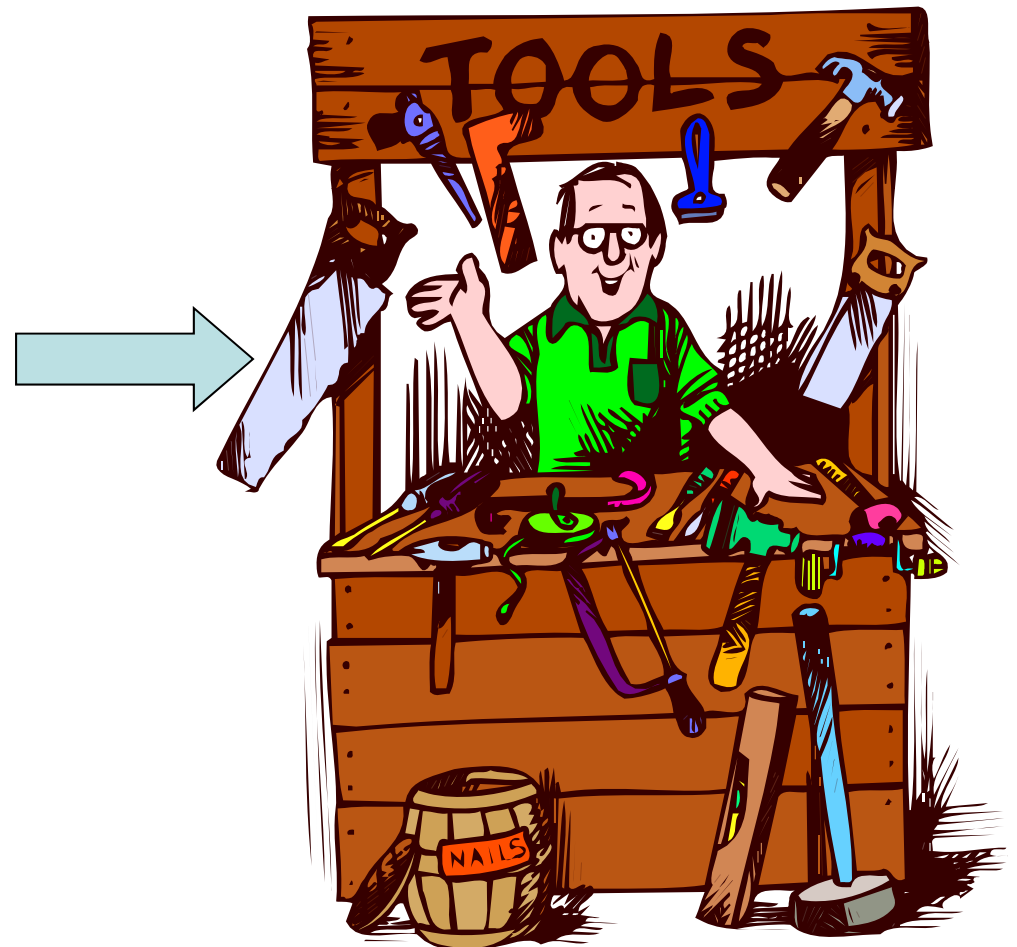


**How do we ensure that  
the KEY INDICATORS  
are translated into our  
operations?**

**...this is not an overnight job!**

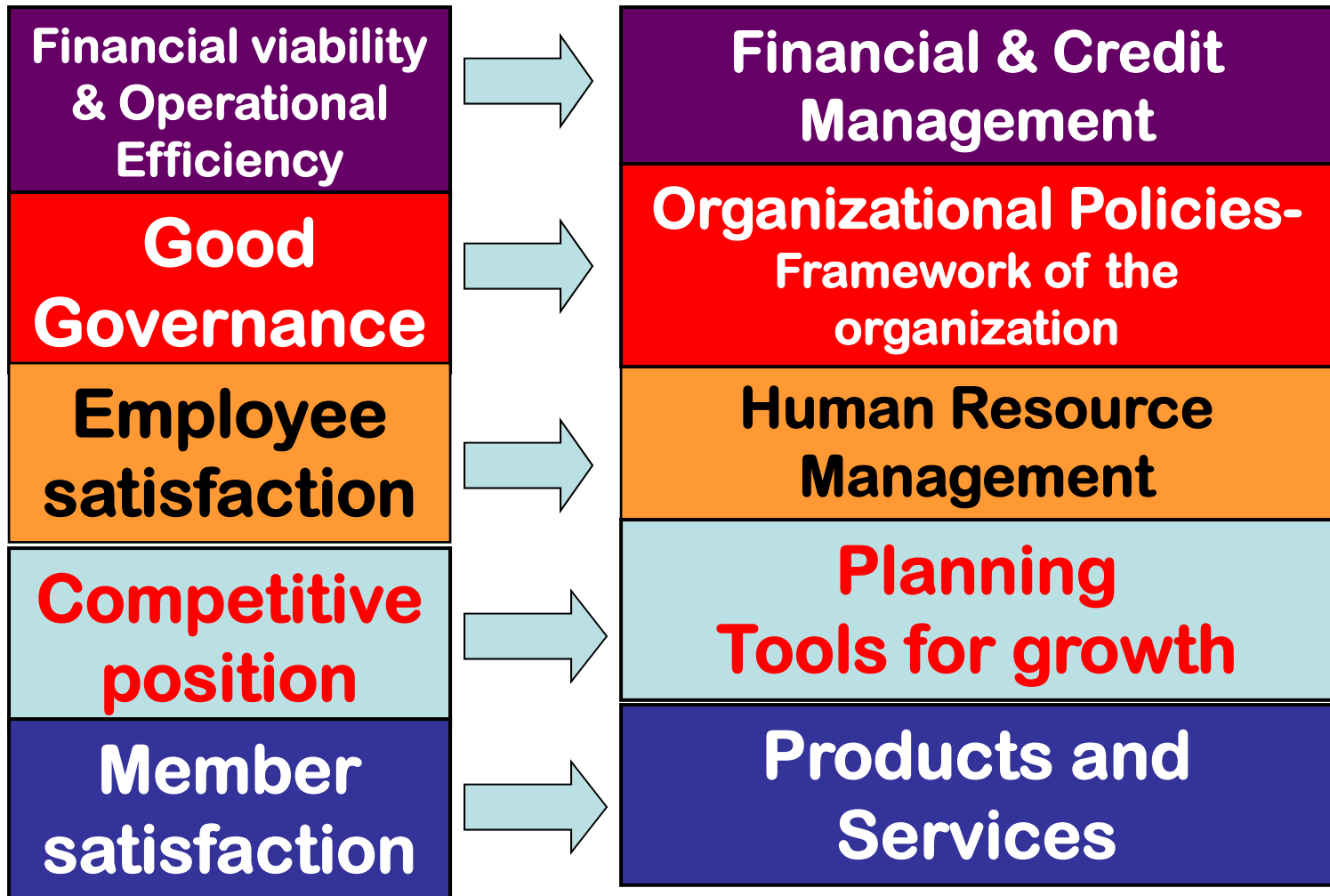


# How do we Achieve?





# What are the Tools





# Core Foundation of a Sound & Safe CU





# Changing Credit Union Leadership Competencies in Today's Market Environment



CUDCC

Module 1





# Changing Leadership Competency

**Articulate a  
tangible vision,  
values and  
strategy**





# Changing Leadership Competency

**Empower  
others to do  
their best**



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# Changing Leadership Competency

**Be a catalyst or  
manager of  
strategic change**



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# Changing Leadership Competency

**Get results and  
manage  
strategy to  
action**



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# Changing Leadership Competency

**Exhibit a strong  
customer  
(member)  
orientation**





# Changing Leadership Competency

**Communicate  
effectively on a  
day-to-day basis**



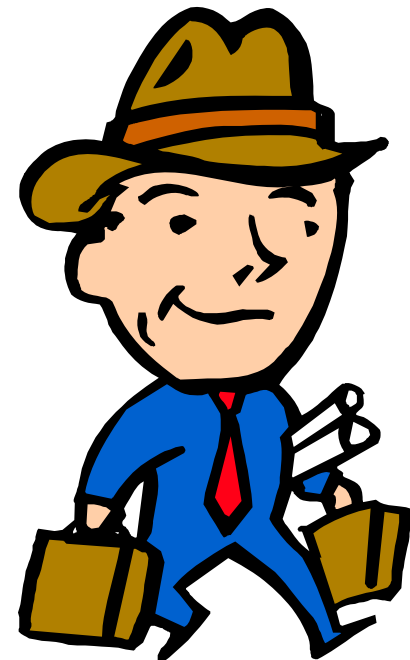
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# Changing Leadership Competency

**Integrative  
thinking about the  
total business**



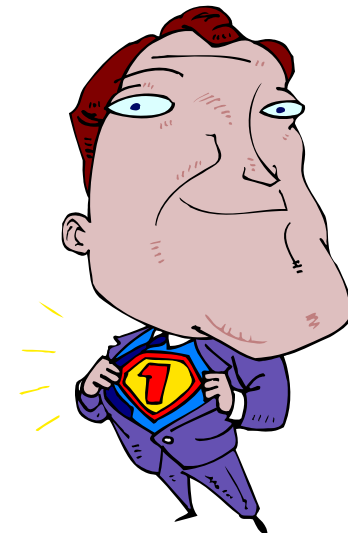
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# Changing Leadership Competency

Be flexible and  
adaptive



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# Changing Leadership Competency

Have a global  
mindset





***“The Board’s job is not to see the credit union as it is . . . but as it can become.”***





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**Thank you!**