

Do Competition and Technology Threaten Credit Union Identity?

Do Competition and Technology Threaten Credit Union Identity?

Opportunities Presented to Credit Unions



Andrew So



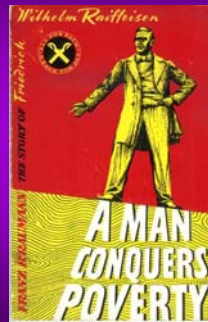
27 September 2008
Dhaka, Bangladesh

“Identity is all the qualities, values, beliefs and ideas which make you feel that you are different from everyone else.”

Credit Union Identity

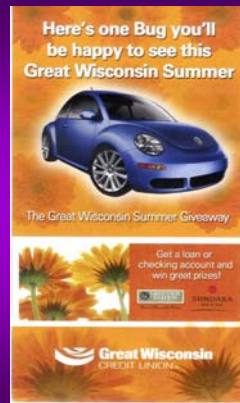
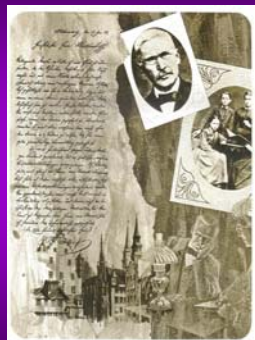
The heart of credit union values from its beginning has been its unique concept of human service in the economic field.

Frederick Wilhelm Raiffeisen



- “A Man Conquers Poverty”
- ‘Each for all – all for each’

Raiffesen urges his correspondent to give all possible assistance in forming a new credit union.



Technology may be something we need to survive and competition is something we have to live with.



Are Credit Unions still a Movement or an Industry?

The environment of
credit unions is
forcing many to
adopt new services
and technology.

Bob Ingram, the then General Manager of the National Association of Canadian Credit Unions noted that the services and taxation in no way altered Canadian credit unions' essential identity as cooperative credit institutions.

“Go over the
old lore to
learn about
the new.”

(溫故而知新.....論語)



To Be or not To Be

It is only right and natural for credit union leaders to seek the best legislation under which credit unions are to be registered as long as purposes are kept constant.

Commercial Bank

- A Profit-making corporate entity owned by stockholders who contribute capital.
- Earnings accrue to stockholders in form of dividends.
- Each share of stock carries one vote. Can be voted in person or by proxy. Stockholders elect board of directors.
- Board appoints bank president and other executive officers. Can delegate broad authority to other persons or optional committees.
- Accepts deposits from general public, who are preferred creditors.
- Officers are paid. Directors paid fees which may be nominal.
- If bank is subsidiary of a holding company, the stock is owned by the holding company. Former stockholders of bank become stockholders of holding company.

Credit Union

- A cooperative or mutual form of corporation owned by its members who are limited to a common bond group. They contribute capital through the purchase of shares, which are savings.
- Each shareholder entitled to one vote regardless of number of shares he owns. Shareholders elect board of directors.
- Board elects officers and directs affairs of credit union. Authority to delegate generally limited by law. Credit and supervisory committee required by law.
- Nonprofit entity. All earnings after reserves and expenses returned to member shareholders.
- Compensation prohibited to directors and committee members, except for treasurer.

**Today's Financial System –
What went wrong?**

The financial industry has defied gravity by using debt, securitization and proprietary trading to boost fee income and profits. Investors hungry for yield have willingly gone along.

**“The stones of another
hill may be good for
polishing your jade”**

(他山之石可以攻玉……詩經)

“The changing financial - industry climate was affecting credit unions as much as other types of institutions, forcing them to shed their homespun image and seek a new breed of management, credit union executives and industry observers say.”



- *“Another new factor facing credit union managers is the legislative and regulatory pressure growing out of the savings and loan crisis, the consultant added. He foresees a need for board members and chief executive technicalities.*
- *Detailed knowledge of capital standards, liquidity levels, and investment regulations will be essential. And as credit unions seek to meet the new standards, they may no longer be able to differ the cheapest loans or the highest-yielding deposits that formerly set them apart from banks and thrifts.”*

There are concerns about clashing cultures

“We get the banking background but we also get the banking philosophy. I am worried that we will not have anyone around to push the philosophy of our not-for-profit organizations with a member orientation.”

“Many of the boards, like management, are composed of an older generation that may not be up to snuff on the latest regulatory and technological changes that preoccupy chief executives.”

Do Competition and Technology Threaten Credit Union Identity?

Microfinance Innovation

- “The provision of financial services has become a key element for any poverty alleviation programme of Third World countries. In looking at the financial services being offered to address poverty alleviation, the programmes, it seems, are not geared for sustainable development. Most financial services only focused on the short term goal of targeting a number of the have less people.
- Meanwhile, an important institution, the cooperative, with its financial services, has been in existence since 1854 or more than 150 years.”

Access leaflet

“To succeed in today’s increasingly competitive environment, credit unions need superior brand intelligence. ACCESS – A1 Competitive Choice for Excellence in Service and Soundness will arm credit unions with the critical insight needed to build the optimal organization with quality assurance strategy. It will show how returns from a well-managed credit union can be greater than those of any other business activity.”

Here are some of the things financial power can do:

- Make larger loans
- Use more equipment / technology
- Have better quarters
- Lower the expense ratio
- Dividends – reserves – refunds
- Create new, appropriate and needed service

The credit union movement, with its principle of self-help, mutual aid, democratic ownership and control, values competition as a cornerstone of success!