Towards sustainable credit union development

A Research Project

Undertaken by

Liverpool John Moores University

Association of British Credit Unions Limited

English Community Enterprise Partnership

The Co-operative Bank

Supported by

Local Government Management Board

Local Government Association

Towards sustainable credit union development

A Research Report

Written by:

Paul A Jones
School of Law and Applied Social Studies
Liverpool John Moores University

on behalf of the other members of the research team:

Ralph Swoboda
Association of British Credit Unions Limited

Chris Smith
The Co-operative Bank

Mark Donovan
English Community Enterprise Partnership

March 1999
 Published by ABCUL ISBN 0 9506281 6 6

Towards sustainable credit union development

Contents

Towards Sustainable Credit Union Development in Britain

Foreword by Mervyn Pedelty
Chief Executive, The Co-operative Bank

Credit unions are one of the fastest growing areas in the provision of financial services within the UK. Despite continuous growth they still fail to achieve the impact that many involved with the sector have been hoping for and predicting for years.

This informative and far-sighted research, which is the most extensive ever carried out amongst both community and work place credit unions, provides a unique insight.

The results from the thought provoking questionnaire, which was completed by nearly 50 per cent of credit unions in Britain, gives some clear indications as to the position of credit unions as we approach the 21st Century.

It examines the day to day issues which have an impact on operational matters, gives some measure to the difficulties encountered by credit union workers and volunteers, and outlines the expectations for the future.

A long-held, and popular, view is that credit unions can assist in the tackling of social exclusion. Perhaps they can, but this research highlights the lack of real penetration credit unions have so far made into disadvantaged communities, indicates which models of credit union development are working, and also highlights those that are not. I would commend it to all those who work with, or within, the sector and especially local government funders who should regard it as essential reading.

I would like to thank all those involved in producing this important document and especially Ralph Swoboba of ABCUL, Paul Jones from Liverpool John Moores University and Mark Donovan, Chair of English Community Enterprise Partnership.

Mervyn Pedelty
The Co-operative Bank

Preface to the Final Edition

This research report was initially presented at the *"Towards Sustainable Credit Union Development"* conference in London on the 8th December 1998. Since the conference, the research findings have also been widely circulated throughout the credit union movement. In doing this, the research team sought comments on the report before its final publication. This was not seen as embarking upon another consultation process. The research itself was the product of a widely-representative national consultation exercise, out of which came its findings and conclusions. Rather, this period was used to ensure that the report both accurately represented the views of those who had taken part in the research and that it did not contain any misrepresentations nor factual errors. Of course, the research report does put forward a particular hypothesis of credit union development in Britain and it is this hypothesis that the research team consider has been substantiated by its findings.

The research hypothesis concerned one only aspect of credit union development. It maintained that a certain set of assumptions about the purposes and workings of credit unions had grown up in Britain over the years. In many ways, these focused more on the personal, educational and social needs of volunteers and members than they did on establishing viable co-operative business enterprises able to offer quality financial services to a large number of people. The hypothesis maintained that these assumptions created a model of credit union development that has seriously held back the growth and the economic viability of credit unions in Britain. It has resulted in many credit unions struggling even to make ends meet. The overall conclusion of the research is that credit unions, if they are to fulfil their potential, will have to explore models of development that are more clearly based on an understanding of their being financial institutions and co-operative community businesses above all else.

In focusing on this one aspect of credit union development, the research team were aware that there were others. The team did not set out to tell the whole story. Indeed, restrictive legislation and weak and disunited national trade associations (cf. Section 1.2) were both acknowledged in the report as key reasons why credit unions in Britain have not grown more substantially. But the fact that there were examples of successful credit unions, both community and work based, having thousands of members and making a significant contribution to their communities, even with poor legislation and divided national trade associations, meant that these two factors alone could not explain the low growth rate of credit unions in Britain. In its hypothesis, the research team wanted to explore a deeper reality that it considered underpinned the development of many credit unions and, indeed, often the actions of legislators and trade association personnel as well. This was the reality that arose from the perceptions, assumptions and beliefs of people about credit unions. The hypothesis was that, if people believed credit unions to be small, entirely volunteer operated organisations, keyed into social to the exclusion of economic goals, then a movement such as we have in Britain today would be the outcome.

This report has generated a huge interest throughout the credit union movement and the wider financial world. The overwhelming response has been both positive and supportive of the research findings. Geoffrey Fitchew, Chief Registrar of Friendly Societies, for example, commenting on the research at the London conference, not only recommended it as *"essential reading for everyone in and around the credit union movement"*, but also identified, as a key message of the report, *"the need for credit union volunteers to recognise that they are running a co-operative financial business and to train and manage themselves accordingly"*[1]. This reflects the emphasis in the report on credit unions being clear about the purpose of the business they are in. What has been very heartening, more so than verbal messages of support, has been the positive actions many credit unions are currently taking to implement more visionary, business-like and professional models of development.

Some of the comments given to the research team have resulted in certain parts of the original document being amended. The whole section, *"The Welsh Experience"*, for example, has been totally re-researched and re-written to ensure that a much wider cross-section of the credit union movement in Wales had an input to these findings. Some gaps have been identified that the team have been unable to fill during this current research project. The two largest of these are the lack of research into local authority support for credit unions in Scotland and into the specific needs and circumstances of rural credit unions. However, specific future research into both these areas is being planned as a follow up to this document.

This research report recognises fully that all credit unions have both social and economic goals and have a distinct identity as mutual and co-operative enterprises. What concerned the research team was, however, that many credit unions, developed according to certain so-called social goals alone, were not only failing to grow and expand but were having negative social consequences as a result. A credit union with a hundred members is not, for example, doing anything for the social goals of the 19,900 people within its 20,000 common bond, most of whom may be facing exclusion from low-cost financial services. A credit union run by a group of tired and burnt-out volunteers, fearful of the consequences of not giving every ounce of their energy to the credit union, is not doing a great deal for the social goals of these volunteers either. The message of this report is that a large number of credit unions in Britain need to evolve new organisational models of development that enable them to achieve economic goals so that their wider social goals may be realised.

The report recognises, without hesitation, the commitment, energy and effort of thousands of credit union volunteers throughout the country. It tries to avoid any simplistic distinction between community and employee credit unions. Many of the report's examples are, in fact, drawn from successful, high growth community credit unions from which the research endeavours to discover elements of best practice. The aim of this report is to support and encourage all credit union volunteers and workers, in both community and work-based credit unions, to develop sustainable and economically viable co-operative enterprises that are able to offer high quality, low cost financial services to the large number of people in Britain who have need of them.

Paul A Jones - Research Co-ordinator and Author of this Report

[a] See Appendix III. Address by the Chief Registrar of Friendly Societies, Geoffrey Fitchew CMG. at the ABCUL Conference "Towards Sustainable Credit Union Development", London 8th December 1998

Preface to the Draft Edition

The credit union movement has the potential to offer low-cost, quality financial services to many more people in Britain. It is, in terms of its commitment and ethos, the sector best placed within the financial services industry to make a considerable contribution to the provision of financial services for those on low incomes or who experience financial exclusion.

However, this research project arose out of a concern that many, particularly community, credit unions are not growing significantly, and their potential to make a difference in their communities is often not being realised. Many are only recruiting a small number of members and remaining financially very weak. However, at the same time, many work-based, and some community, credit unions are sustaining substantial growth and making a significant impact among groups of workers or within their communities.

The research aimed to investigate the underlying reasons for this variable performance. Why, after years of development, are so many credit unions showing such limited growth? It is not because of a lack of commitment and effort by volunteers. The research began, therefore, with a hypothesis that there must something about the way credit unions are understood and developed that is holding them back. Throughout the world credit unions are regarded, first and foremost, as co-operative financial institutions that work and operate as businesses. In Britain, other assumptions and beliefs about credit unions have arisen. These have created a certain model of organisational development that regards credit unions, not so much as co-operative financial businesses but rather as small community projects that focus mainly on social rather than economic goals. The hypothesis of this research is that this understanding of credit unions has seriously hindered their development.

The research team arrived at this hypothesis through their own experience in the credit union movement. By involving as many credit union people as possible in the research, the team aimed to investigate if this was a valid explanation of the current situation. The focus groups, case studies, the two national surveys and consultation seminars have all indicated this to be the case. Moreover, and this is a key part of the research, they have thrown into relief those factors that contribute to successful and sustainable credit union development.

The results of the research, found in this report, call into question many assumptions about the way credit unions are understood and developed. The research shows that credit union development as typically undertaken has not created sustainable financial institutions that are able to serve large numbers of people, particularly in more socially disadvantaged areas. Indeed, much has been achieved and many people throughout Britain now know about credit unions. But to offer them a professional and sustainable service, the challenge is to change. The research indicates the movement wants to change. Clearly, central and local government, development agencies, banks, trade associations, credit unions and support organisations all have a role to play in supporting this change. This report is commended to everyone with a practical interest in the development of credit unions, with a view to ensuring that their present and future development is inclusive, sustainable, effective and economically viable.

The research team expresses its thanks to the 257 credit unions who replied to the survey and all the other participants who took part in focus groups, case studies and seminars. Particular thanks go to Tony Rich, of the Local Government Association, and Adrian Harvey, of the Local Government Management Board, for their support. Special thanks are due to Mark Lyonette and Stephanie Sturrock, both ABCUL staff members, who assiduously checked this document and arranged for its publication. Special thanks go also to The Co-operative Bank for funding the entire project and, in particular, to David Smith, Kim Crammant and Jacqui Williams of The Co-operative Bank Corporate Affairs team for their contribution to the survey and report.

This document is first being offered in draft format for the conference in London on 8 December 1998. The research team would welcome any comments before its final publication in the new year.

Paul A Jones - Research Co-ordinator and Author of this Report

Acknowledgements

The research team would like to thank the many credit union volunteers, workers and activists who participated in the research and contributed to this report. Special thanks go to The Co-operative Bank for funding the entire project and its Corporate Affairs Team for its contribution to the survey and report. Many thanks also to Q.C.L. Market Research, of Rossendale, Lancs, who organised the survey and to the 257 credit unions that returned the questionnaire[1]. Many thanks also to the following who took part in the focus groups, case studies, the London workshop or who contributed as individuals:-

1. Focus Group Participants

Merseyside and Greater Manchester
Dave Buttle - Credit Union Development Unit and Lodge Lane Credit Union Ltd, Liverpool
Lynn Dyer - Southport Credit Union Ltd
Eileen Halligan - Park Rd. Credit Union Ltd
Alex Somgaard - Earle Lawrence Credit Union Ltd
Tom Dalton - Westleigh Credit Union Ltd
Leon Perkins - Trafford United Credit Union Ltd
June Smith - Dukinfield Credit Union Ltd

Scotland
Ronnie Hobley - Glasgow City Council Employees Credit Union Ltd
Rose Dorman - Dalmuir Credit Union Ltd
Tom McVey - Credit Union Enterprise Services, Edinburgh
Dan Sweeney - Glasgow City Council Employees Credit Union Ltd
Marilyn Dickson - North Edinburgh Community Credit Union
Sally Anderson - Credit Union Development Worker, Dundee

Telford and Wrekin
Jo Havell - Broseley and Much Wenlock Credit Union Ltd
David Dean - Co-operative College Credit Union Ltd
Peter Kelly - Credit Union Development Unit, Telford and Wrekin Council and Broseley Credit Union Ltd
Judith Feeney - Dawley and District Credit Union Ltd
Wally Wright - MWS Credit Union Ltd
Janet Ford - MWS Credit Union Ltd
Shirley Reynolds - Oak Credit Union Ltd
Elaine Jones - Oak Credit Union Ltd
Jane Smith - Shrub Credit Union Ltd
Jan Wood - Wrekin Council Employees Credit Union Ltd

2. London Workshop Participants

Cliff Rosenthal - National Federation of Community Development Credit Unions, New York.
Nigel Fawcett - Registry of Friendly Societies
Jeremy Jones - H.M. Treasury
David Sparks - Chair, Local Government Association
Andrew Robinson, National Westminster Bank plc
Angela Pullman - Community Enterprise Wales
Gill Boland - Local Government Association

3. Case Study Participants

Greater Manchester Chapter
June Smith - Dukinfield Credit Union Ltd
Christine Moore - Hattersley Credit Union Ltd
Terry Cavanagh - Middleton Pride Study Group and Woodhouse Park Credit Union Ltd
Maureen Russell, Pat Faulkener, Ashton West End Credit Union Ltd
Christine Grace, Leon Perkins, Jim Cross and the directors of Trafford Park Credit Union Ltd

Dalmuir and East Kilbride
Rose Dorman, Maureen Tudor, Michael Arbuckle, Aidan Tyrell, Rosanne Downey - Dalmuir Credit Union Ltd
Moira Gordon, Mary Ferris, Mary McCann, Eileen Wilson, Pat Hunter, James Fitzpatrick - East Kilbride Credit Union Ltd

Credit Unions and Regeneration
Ken Wardale - St Helens MBC
Steve Little - former St Helens Credit Union Development Worker
Margaret Marren, Gerald McGovern, Charles Coates, Margaret Gavin, Mary Bullough, Tess Helsby, Jimmy Horsley - Sutton (St Helens) Credit Union Ltd
Bernard Wood, Derek Bond, Gordon Bellis, Mary Wood - Parr Credit Union Ltd
Marlene Quinn - Thatto Heath Credit Union Ltd
Michael Knight, Martin McClean - Speke Credit Union Ltd

The Welsh Experience
Jenny Jeffries - Rhydyfelin Credit Union Ltd
Angela Pullman - Community Enterprise Wales
Leslie Bird - Wales Co-operative Centre
Jenny Millard. Graham Brand, Rina Clarke - Robert Owen Credit Union Ltd
Arton Jones - Caia Park Credit Union Ltd, North Wales Police Credit Union Ltd

Other Contributors
Tony Rich - LGA
Adrian Harvey - LGMB
Horace Edwards, Lakshman Chandrasekera, Southwark & Kings Credit Union
Oliver Day - Beevers and Struthers, Accountants.
Participants in the seminar at the Credit Union Industrial Conference 1998
Participants at the London Conference December 1998

[1] *A list of all credit unions who participated in the survey is included in Appendix II.*

Chapter 1 - Introduction

1.1 The Problem

The credit union movement is rapidly establishing itself as the fastest growing co-operative sector in Britain today. With Government support, there are increasing opportunities for credit unions to play a significant role in providing low-cost financial services to many more people and, in particular, to those who experience exclusion from mainstream financial institutions. However, alongside this rapid expansion, a substantial number of credit unions are failing to grow in any significant respect. It is clear, from contact with credit union activists, that many, particularly community, credit unions are remaining very small and neither generating sufficient income nor surpluses to achieve financial self-sufficiency or viability. Many credit unions seem to struggle on with overworked and stressed volunteers, serving only a fraction of their potential membership within the common bond.[2]

If credit unions were once seen as the best-kept secret in Britain, the reality of this lack of growth among a significant sector of the credit union movement is fast becoming a *"new best-kept secret"*. It is this reality, the reasons for it and what to do about it, that forms the subject matter of this research project. Undoubtedly, in the literature, there are increasing references to issues around the low growth rate of community credit unions (Conaty and Mayo, 1997; Ferguson and McKillop 1997). However, for the most part, these references are either glossed over or submerged within an assumption that credit unions are going through some "passing phase". Conaty and Mayo report on the *"healthy growth levels of credit unions regionally"*[3] with reference to such regions as Birmingham, Swindon and Newcastle-upon-Tyne where, in September 1997, the average membership for all community credit unions in those regions was 180, 160 and 118 respectively. *"For a sizeable proportion of these credit unions"*, writes Ferguson and McKillop, *"their weakness stems from the fact that they are newly established; consequently, the passage of time is likely to rectify any present deficiencies"*[4]. But it is precisely the fact that many of these credit unions have been in operation for many years that has gives rise to the concerns which this research addresses.

Linked to the low growth rate of many community credit unions is yet another problem. Considerable amounts of public funding have been invested in the development and training of community credit unions with seemingly little effect in terms of their achieving sustainable growth and economic self-sufficiency. It is conservatively estimated that £9.6 million are spent on some 150 credit union development units and agencies each year[5]. Added to this is the £430,000 declared by credit unions as direct grant income on the 1997 AR20 returns (most of which will be from public sources). In addition, there is a large amount of unquantifiable investment through the Single Regeneration Budget, European Social Fund and other Government grants. Total public investment in credit unions per annum could, not unrealistically, be estimated at reaching £10 to £15 million. Such investment, by any indicator, should be making a considerable difference to the economic viability of the movement. This research project aimed to try to discover why this is just not happening.

[2]The "common bond" defines the unity between the members of the credit union.
[3]Conaty P and Mayo E, A Commitment to People and Place - the case for community development credit unions A report for the National Consumer Council. New Economics Foundation 1997 pg. 5
[4]Ferguson C. and McKillop D, The Strategic Development of Credit Unions. John Wiley 1997 pg. 110
[5]The National Association of Credit Union Workers has about 80 member credit union agencies and units which it estimates to be approximately half of all agencies and units in the country. These units employ a varying number of part-time and full-time workers. If only an average of 2 full-time workers per unit is assumed, it can be estimated that there are some 320 people employed in credit union development throughout the country. The estimated average cost of paying for a development worker is £30,000 (according to the Rotherham C.U.D.A., including costs, accommodation etc.). Total estimated expenditure nationally amounts to £9.6 million.

1.2 The Hypothesis

A range of factors have been identified to explain why the credit union movement in Britain has not grown as rapidly nor as widely as in many other countries around the world. These include restrictive national legislation and weak and disunited national trade associations (National Consumer Council 1994).

However, the hypothesis which this research attempts to explore is that there is another major factor at play in undermining growth and viability, particularly within the community credit union sector. This factor is identified as an inter-related network of assumptions, beliefs, and understandings about the nature and purpose of credit unions that has produced, in the minds of communities, local authorities and volunteers, a certain model of credit union organisation, structure and development.

This model typically assumes community credit unions to be small (maybe only a few hundred members) and entirely operationally organised by volunteers. These volunteers, irrespective of background and experience, are assumed to be able to develop the skills and knowledge to run the credit union without any particular difficulty so long as they are able to access a relevant training programme. It is further assumed that most of these credit unions will require grants or other external funding for some considerable time as they are not expected to generate significant income from making loans to members. In some places, they can also be seen as a panacea for local economic development and are linked directly to anti-poverty initiatives. This latter point is maintained even though there is little evidence of these credit unions ever being able to reach a significant proportion of the local population. In many ways, this model focuses more on community activity and on the personal, educational and social needs of the people recruited as volunteers than it does on establishing viable community businesses able to offer quality financial services to the majority of people within a common bond.

Most of the credit unions continuing to be developed following this model will make no significant impact upon, nor contribution to, the economic regeneration of communities. Many of them, in the medium or longer term, will not even be sustainable as community businesses. It is envisaged, in the current climate, that few of these credit unions will have the energy, entrepreneurship or skill to create a much larger membership base. They will continue to struggle on, offering a basic savings and small loans service, with an ageing and increasingly tired group of volunteers, until external factors and forces take over. These forces will come not only from the demands of the business environment but also, over the coming years, from the Financial Services Authority, and an increasingly rigorous system of regulation, and from share protection[6] monitoring and assessment programmes.

The conclusion is that for all credit unions to be effective, or even to survive, they will have to search out models of organisational development that afford the possibility of sustainable growth, of financial stability and of expanding services to members. It is envisaged that this will involve a redefinition of the concept of 'small' within the credit union context, a re-working of the roles of credit union volunteers, the development of an understanding of running a fully professional financial service, the utilisation of rigorous business development programmes and the increasing introduction of paid staff to carry out day-to-day activities. There will also be clear implications here around the size and nature of common bonds, around credit union mergers and, for some, around take-overs and closures.

Significantly for this research, it is true that a small number of community credit unions do exist that have developed organisational models that are sustainable and that contribute effectively to their economic viability. These have established a large enough membership base and have generated sufficient assets to achieve financial security and stability. These credit unions still depend on a high volunteer commitment and input but many of them employ full or part-time staff to carry out day-to-day administrative and managerial tasks. These credit unions will, for this research programme, serve as a benchmark for the sector as a whole. The aim will be to identify the elements that have contributed to their success and evaluate how these elements could be replicated elsewhere.

[6]It is likely a mandatory savings deposits (shares) protection scheme will soon be introduced for credit unions. This will involve more rigorous monitoring of financial and management systems.

1.3 Research Methodology

Credit union activists have increasingly become aware that the low growth of many small credit unions is a problem within the movement. The issue is, increasingly, the topic of conversation at credit union seminars, forums and chapters. Discussion is all about what works, and does not work, within credit union organisational management. The aim of the research project was to engage with as many credit union volunteers and workers as possible in order to learn from their experience. It aimed to stimulate a co-operative inquiry into the issues surrounding the development of the credit union movement so that collective sense could be made of the current situation. The research aimed to be very much *with* credit unions, not just on them or *about* them.

A range of methods was used to maximise the participation of credit union volunteers and workers in the project. However, completing the research within four months did place certain constraints on the scope of regional involvement in case studies and focus groups. Nevertheless, about 50% of the credit unions participated in the research. Its findings reflect the learning and experience of hundreds of credit union people.
The research methods were:

Focus groups

Three structured focus groups[7] were conducted on Merseyside, in the West Midlands and in Scotland. The Merseyside group, held at Liverpool John Moores University, also involved people from Greater Manchester. The Scottish group, held in Glasgow, also involved people from Edinburgh and Dundee. The West Midlands group was held in Telford and included people from Shropshire, Wrekin and the Co-operative College. The focus groups, as the first research exercise, set the context and direction for the remainder of the study.

The collection and analysis of the current statistical data

Statistical information was drawn from a compilation supplied by the Registry of Friendly Societies of the 1997, 1996 and 1995 data reported by credit unions in the annual returns (AR20) they are required by law to file with the Registry.

A national survey of all credit unions in Britain

A questionnaire[8] was circulated to all British credit unions based on issues that arose directly out of the focus groups. As it was essential for this survey to be carried out to the highest independent research standards, it was conducted by an independent market research company. The collated and statistically verified data was analysed by the research team.

A national survey of local authorities regarding their involvement in credit unions

Local authority support for the national credit union movement is wide and very significant. A survey was compiled and circulated by the Local Government Association to all local authorities in England and was collated by the Local Government Management Board.

Case studies

Case studies were chosen to reflect some of the key issues arising within the research. Dalmuir and East Kilbride were chosen in order to try to identify the factors that contribute to their growth and successful development. The Regeneration case study aims to look at how investment in credit unions does, or does not, enable sustainable

[7]*See Acknowledgments for list of focus group participants.*
[8]*See Appendix I for the survey and Appendix II for a list of the 257 respondents.*

development. The Greater Manchester Chapter case study aims to investigate how a local support organisation is changing direction in the way it sees the future development and training needs of credit unions. The Welsh case study equally investigates changing perspectives around sustainable development. The research team were particularly interested to learn from the experience of the Community Development Credit Union movement in the United States and this case study has been included as a chapter in its own right.

The London workshop

Preliminary research findings were shared at a workshop held at the Local Government Association offices in London in November 1998. Participants from the Local Government Association, HM Treasury, the Registry of Friendly Societies, Community Enterprise Wales, the National Association of Community Development Credit Unions (New York) and the National Westminster Bank plc., met with the research team to share ideas around the implications of these findings. The workshop discussion informed the final recommendations of the research.

The National Conference - London

These research findings were presented at the national conference, "Towards the sustainable development of credit unions", held at the New Connaught Rooms, London on December 8th 1998. The findings were presented in draft form in order that conference participants had the opportunity to contribute to the research, and its conclusions, before final publication of the report in March 1999.

1.4 Opportunities for Development and Growth

As the fastest growing mutual co-operative sector, the British credit union movement has been described as "young, vibrant and high growth"[9]. This growth is demonstrated in that, over the five years from 1992 to 1997[10], the number of credit unions has increased from 383 to 584, members have increased from 88,007 to 214,660[11], savings deposits[12] from £28.5 million to £105.8 million, funds out on loan from £26.8 to £97.6 million, and total assets from £32.4 million to £122.3 million.

Greater positive public awareness and a growing recognition by Government of the contribution credit unions make to the provision of financial services for those on low and moderate incomes are increasingly creating a favourable political and social environment for growth. This is strengthened by new opportunities in the marketplace, with the de-mutualisation of building societies and the closure of many bank branches, a progressive attitude at the Registry of Friendly Societies, the continued support of local government, employers, the churches and other large organisations, and the possibility of changing for the better the current very restrictive credit union legislation. Ferguson and McKillop are surely correct when they write, *"from the outset we must stress that it is our perception that the economic climate in the United Kingdom, coupled with recent changes in the composition of the financial services sector, make the present most advantageous for significant and pronounced expansion by UK credit unions"*[13].

[9] *Quoted by Ferguson C. and McKillop D., Summary Report for the National Consumer Council: Reforms to UK Credit Union Legislation May 1997 University of Ulster Website. pg. 1*
[10] *As of the end of September, the usual year end for credit union accounting.*
[11] *1997 figures quoted are less than the actual total figures for the movement as a whole. Data is limited to those 530 credit unions that had submitted a 1997 AR20 to the Registry by the end of November 1998. 54 credit unions failed to submit an AR20 and, therefore, no data is available.*
[12] *All members' savings in credit unions are share deposits.*

However, credit union growth is not uniform throughout the British movement. In the first instance, it is much more noticeable, and significant, within work-based credit unions[14]. As can be seen in the table below, work-based credit unions have only 15.6% of the number of credit unions, but they have 50% of the membership and 70.5% of the movement's total assets. This high growth rate of the work-based credit union sector has been consistent and increasing over recent years[15] Secondly, as Donnelly and Haggatt have pointed out, credit union growth is significantly higher in Scotland[16].

Type	Number	Members	Shares	Loans	Total Assets
Non-Work-based (Community)	447	107,647	£31 million	£24.7 million	£36 million
Work-Based	83	107,013	£74.8 million	£72.8 million	£86.3 million
Total	530	214,660	£105.8 million	£97.6 million	£122.3 million

447 community credit unions represent 84.3% of all credit unions, but only 29.43% of the total assets of the movement. The concern of this research is to foster the conditions in which those credit unions can flourish and respond to the new opportunities presented by the marketplace and by Government. The NCC noted that, *"though the rise in the number of credit unions in Britain has been impressive and welcome, they remain on the margins"*[17]. The greatest challenge for community credit unions, in particular, is to move away from the margins so that they can provide a much more accessible and quality service to the local people, and, above all, to those who find themselves excluded from main-stream financial institutions. Government sees an important role for credit unions, as does the whole movement. To ensure this role is effective, credit unions must reach a much wider membership and become self-sufficient and sustainable organisations.

[13]Ferguson C. and McKillop D., <u>The Strategic Development of Credit Unions</u> Wiley 1997 pg. 187
[14]For the purposes of this research, credit unions are divided into just two categories: work-based credit unions and non-work based credit unions. For a fuller explanation of this classification, see Chapter 2.
[15]Figures produced by ABCUL have shown employee credit unions to have been steadily increasing their percentage of the total assets of the movement over recent years. Figures available are 63% of the total assets in 1993, 65.7% in 1994, 66.5% in 1995 and 66.8% in 1996. These figures do not include associational credit unions that are work-based. If they did, these percentages would likely be higher.
[16]Donnelly R. and Haggett A., <u>Credit Unions in Britain, a decade of growth.</u> Plunkett Foundation 1997
[17]Waterhouse et al. (NCC Credit Union Working Party) <u>Saving for Credit</u> National Consumer Council 1994 pg. 1

Chapter 2 - Statistical Analysis

The statistics on which this research is based are taken from the credit union annual returns (AR20s) made to the Registry of Friendly Societies for the years 1997, 1996 and 1995[18]. The 1997 returns, on which a significantly larger part of the research is focused, are those that were available at the end of November 1998. At that date, 530 credit unions, out of a possible 584, had made a return. Of those 530 credit unions, 83 are work-based and 447 are either community credit unions or associational credit unions whose common bond was not based on employment or occupation. Of the work-based credit unions, 13 are from Scotland and 70 from England and Wales. Of the non work-based or community credit unions, 99 are from Scotland and 348 from England and Wales.

For the purposes of the research, credit unions are divided into just two categories; work-based and non work-based credit unions[19].

The Questions

In investigating the statistical data, the research has limited itself to just two questions.

How are credit unions growing over time?

Are credit unions achieving sustainability and economic viability?

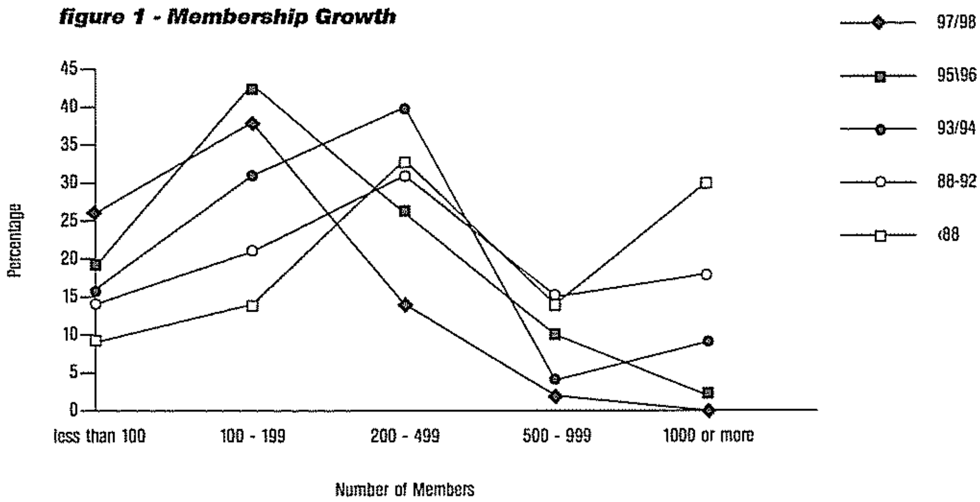
Growth Over Time

A common assumption within the credit union movement is that the problem of the present small size of credit unions is a function of time. Given enough years, it is maintained, credit unions will grow into the large, sustainable organisations that can be seen operating, for example, in Ireland. However, the statistical evidence does not confirm this assumption. Within the non-work based sector, the majority of credit unions are recruiting only a couple of hundred members, at which point they plateau, with further growth coming only with great difficulty.

This reality of reaching a plateau is illustrated in figure 1 on the following page. This graph is based on the credit unions that replied to the national survey[20]. It compares their membership with the number of years they have been in operation. Each line represents credit unions with the same starting date. It can be seen that the majority of credit unions, even those in operation for many years, reach a certain level and then go no further. For example, the line indicating credit unions registered in the years 1988 - 1992 reaches a level of 200 to 500 members and then tails off. Care needs to be exercised when looking at the ‹88 line; growth here is due to the significant number of larger work-based and Scottish community credit unions organised before 1988. Overall it is the growth of community credit unions, particularly in England and Wales, that peaks and tails off.

[18]This statistical information was supplied by the Registry of Friendly Societies.
[19]Credit unions are registered on the basis of having a common bond that defines the unity between the members. It can be based either on employment, residency in an area or membership of an association. These are normally referred to as employee, community and associational credit unions. However, within the associational category, there are credit unions that, even though not associated to a particular employer, are based on occupation or employment. One example is Voyager Credit Union Ltd. in Manchester whose members are all employed in the passenger transport industry. In practice, these credit unions are similar to employee credit unions. Also in the associational category are credit unions whose common bond is based on association with, for example, a church community or a particular organisation. These, for the most part, are close in operation to community credit unions. Employment or occupation based associational credit unions have been included in the work-based group. Associational credit unions, that are not based on employment or occupational, have been included in the community category.
[20]See Chapter 3
[21]Number of years is measured back from the end of September 1997, the data of the 1997 AR20 from which the data in these tables was taken.

figure 1 - Membership Growth



This graphical indication is better illustrated by looking at the statistical data drawn from the 1997 AR20s, tabulated in figure 2 below. Credit unions are grouped according to the number of years in operation[21]. Credit unions registered less than three years are omitted.

Figure 2 indicates that:

work-based credit unions are growing faster than community credit unions

community credit unions in Scotland are growing faster than community credit unions in England and Wales

community credit unions in England and Wales are, on average, only recruiting a couple of hundred members even after 9 - 12 years, of operation and, for the most part, not progressing beyond that figure after 12 years of operation.

figure 2 - Average Number of Members compared with years since registration

	England and Wales		Scotland	
Years since registration	Community	Work-Based	Community	Work-Based
3 - 6 years	146	968	356	1049
6 - 9 years	180	766	382	5656
9 - 12 years	199	1242	408	1065
over 12 years	370	1552	1294	2979
	*238**		*766**	

** In the credit union groups registered over 12 years, there are three credit unions in England and Wales and three in Scotland that have significantly outperformed the majority. The figures in italics are the averages of the credit unions in that group omitting these larger credit unions. In the tables below, in some cases, secondary figures have also been given for averages omitting one or two significantly larger unions.*

[21]Number of years is measured back from the end of September 1997, the data of the 1997 AR20 from which the data in these tables was taken.

Of course, whether or not speed of growth matters is a question of judgement and of philosophical belief. Following Berthoud and Hinton, Fuller[22] has described an "idealistic approach," current within some sections of the credit union movement, in which credit unions are purposely kept small so that everyone can fully participate in their operations. According to this approach, credit unions can best serve the needs of low income groups if they are kept very local and run by volunteers who know members personally. This approach may have some merit but does not result in many people, including those within low income groups, being served by credit unions. In fact, small credit unions are lending to very few people. Within the sample of 530 credit unions, there are 297 that have 200 members or less. 276 of these gave information in their 1997 AR20 about how many loans they had out at the end of the year. The average was only 36 loans per credit union.

The other important factor to take into account when assessing the validity of the "idealistic approach" is the sustainability, or economic viability, of these credit unions. Small credit unions struggle to make ends meet. They often cannot pay a dividend and so do not attract significant savings. They remain dependent on grants or fund-raising and on the services of unpaid volunteers. How many are in this situation will be examined in the second half of this chapter.

The following tables, on which figure 2 above is based, divide credit unions into those in operation between 3 to 6 years, 6 to 9 years, 9 to 12 years and over 12 years. Averages for each group are given at the end of each section. Credit unions registered for less than three years on the 30th September 1997 are not given.

95 Community (non work-based) Credit Unions in England and Wales registered between 3 - 6 years

	Name of Credit Union	Assets	Shares	Loans	Members
391C	Brotherhood Of The Cross & Star C.U. Ltd.	4,157	4,082	0	60
339C	Chopwell And Blackhall Mill C.U. Ltd.	4,831	4,478	2575	40
350C	Beverley C.U. Ltd.	4,944	4,608	727	70
366C	Blakelaw C.U. Ltd.	4,957	4,152	3729	39
307C	Earlham C.U. Ltd.	5,063	5,436	3395	56
368C	Doxford Park & Hall Farm C.U. Ltd.	5,085	4,235	3716	29
334C	Glen C.U. Ltd.	6,564	5,601	3145	118
282C	St. George's (Scunthorpe) C.U. Ltd.	6,678	5,734	8604	4
364C	Pillgate C.U. Ltd.	7,232	7,053	3197	82
340C	Parndon Churches C.U. Ltd.	7,836	7,683	7120	43
378C	Mosborough C.U. Ltd.	8,319	6,876	4990	50
286C	Raffles Area C.U. Ltd.	8,537	6,263	4931	71
359C	Northern Cross C.U. Ltd.	8,877	7,019	5143	86
328C	St. Augustine's (Undercliffe) C.U. Ltd.	8,967	8,868	3492	99
386C	Peterlee C.U. Ltd.	9,088	8,750	5757	84
276C	S. Headingley & Burley Sav. & Co-Op. C.U. Ltd.	9,682	9,027	4415	46
269C	Redhouse And Witherwick C.U. Ltd.	10,424	9,907	3973	61
357C	Thornton & District C.U. Ltd.	11,026	10,142	4470	78
287C	Portsmouth Inner City Christian C.U. Ltd.	11,083	8,487	1909	117
298C	Gorton C.U. Ltd.	12,434	13,281	6634	43
278C	Chelmsley Savings And C.U. Ltd.	12,497	11,525	6452	64
375C	Kings Norton C.U. Ltd.	12,637	11,379	6269	57
283C	F.E.L. C.U. Ltd.	13,424	11,822	5720	79
384C	Houldsworth C.U. Ltd.	13,444	10,112	5099	132
302C	Blackburn South C.U. Ltd.	13,534	10,088	7063	127

[22] Fuller D., Credit Unions and Sustainable Development - the potential for credit unions to make progress towards sustainable development. A report for Friends of the Earth. Division of Geography and Environmental Management, University of Northumbria at Newcastle 1998

	Name of Credit Union	Assets	Shares	Loans	Members
332C	Caia Park (Wrexham) C.U. Ltd.	14,076	11,964	7274	145
289C	Redditch Newtown C.U. Ltd.	14,810	13,464	11907	89
273C	Warstock And Yardley Wood C.U. Ltd.	14,914	13,515	7139	65
395C	Glyncoch & District C.U. Ltd.	15,219	14,034	14091	90
293C	North Darlington C.U. Ltd.	15,896	15,301	1378	81
322C	Cathall Community C.U. Ltd.	17,011	15,569	5647	142
292C	Castle And Manor C.U. Ltd.	17,927	16,098	13631	112
311C	Park End C.U. Ltd.	18,076	12,672	10440	97
319C	Byker C.U. Ltd.	18,145	15,919	9272	123
387C	Saltley & District C.U. Ltd.	18,346	16,751	9054	97
385C	Central Middlesbrough C.U. Ltd.	18,621	13,404	15938	78
314C	5 Communities C.U. Ltd.	18,785	14,942	6577	101
318C	Shiney Row And District C.U. Ltd.	19,168	17,323	18472	113
361C	Pallister C.U. Ltd.	19,257	15,000	14393	124
341C	C.P.L. C.U. Ltd.	19,451	17,046	11720	93
376C	Beechdale & District (Walsall) C.U. Ltd.	20,200	15,492	8820	135
369C	Pembroke Borough C.U. Ltd.	21,141	20,251	4417	117
320C	Moor Nook C.U. Ltd.	22,552	18,492	14375	102
343C	Thornaby C.U. Ltd.	22,664	18,509	7493	175
313C	Ruabon Cefn & District C.U. Ltd.	23,276	21,460	20665	139
379C	South Sheffield C.U. Ltd.	23,358	21,863	8058	150
349C	Holywell And District C.U. Ltd.	24,017	22,460	8496	81
337C	Saltwell & Bensham C.U. Ltd.	25,283	25,258	21487	84
362C	South Central Middlesbrough C.U. Ltd.	25,288	22,392	6757	87
284C	Princess Drive C.U. Ltd.	25,299	23,744	8493	172
331C	Cockerton Churches C.U. Ltd.	25,585	23,149	4345	107
365C	Irlam And Cadishead Savings And C.U. Ltd.	25,728	22,466	14427	121
346C	Thatto Heath Area C.U. Ltd.	26,078	23,994	17316	337
390C	Blackbird Leys C.U. Ltd.	26,568	19,563	2206	108
326C	Hill Community C.U. Ltd.	26,774	25,305	19857	124
279C	Harlow Co-Operatives C.U. Ltd.	27,135	26,257	18612	97
285C	Halesowen C.U. Ltd.	29,914	26,360	11265	85
297C	Widnes Community C.U. Ltd.	30,418	26,431	12805	235
271C	Worsley Mesnes (North) C.U. Ltd.	30,624	27,161	23565	201
381C	Jarrow C.U. Ltd.	32,340	28,966	21657	272
352C	Haslingden And Helmshore C.U. Ltd.	32,531	28,278	10323	108
315C	Pemberton Area C.U. Ltd.	33,654	28,984	16980	286
348C	Oak C.U. Ltd.	33,738	28,103	17642	159
373C	Borough & Bermondsey C.U. Ltd.	35,216	27,255	16309	134
321C	Money Tree C.U. Ltd.	35,493	31,015	25657	233
294C	Wolverhampton South C.U. Ltd.	35,703	31,607	24598	142
393C	Birtley & Ouston C.U. Ltd.	36,834	34,571	26986	152
344C	Hemlington C.U. Ltd.	37,481	32,029	25623	230
310C	Ely (Cardiff) C.U. Ltd.	38,055	34,480	34464	290
316C	Holy Name (Great Barr) C.U. Ltd.	39,727	35,769	13757	126
305C	Edge Hill C.U. Ltd.	39,877	37,361	22455	272
347C	Shrub C.U. Ltd.	41,615	33,864	27807	317
306C	Earle Lawrence C.U. Ltd.	43,935	34,681	41325	146
388C	Bramley C.U. Ltd.	45,054	39,584	23998	160
274C	P.B.F.A. C.U. Ltd.	46,654	43,741	18436	63

	Name of Credit Union	Assets	Shares	Loans	Members
356C	Crosby C.U. Ltd.	47,096	44,824	29718	229
304C	Fair Goose C.U. Ltd.	47,409	41,848	19622	204
358C	Parks And Walcot C.U. Ltd.	49,647	44,728	32079	318
270C	Manchester Unity (No 1) C.U. Ltd.	51,686	49,777	29933	156
272C	Browside (Everton) C.U. Ltd.	52,200	49,287	30548	211
325C	Holdfast C.U. Ltd.	54,700	51,298	12215	116
299C	Dukinfield C.U. Ltd.	55,560	47,804	49298	191
396C	Rainbow Saver London C.U. Ltd.	55,674	55,303	36255	111
383C	Llynfi Valley C.U. Ltd.	59,816	22,444	12271	154
323C	Dawley And District C.U. Ltd.	61,565	53,246	37398	361
355C	Stainforth And District C.U. Ltd.	70,469	59,659	42372	333
277C	Sheldon C.U. Ltd.	75,020	66,651	62792	318
280C	Highfields Community C.U. Ltd.	76,267	66,114	63602	207
288C	Whitmore Reans C.U. Ltd.	78,226	63,762	47765	302
295C	Acts C.U. Ltd.	80,911	72,921	20894	185
329C	St Peter's (Gloucester) C.U. Ltd.	85,888	73,391	36017	190
312C	Radford (Coventry) C.U. Ltd.	97,593	86,821	65613	321
380C	Fallowfield C.U. Ltd.	99,105	90,141	48822	171
372C	St Bernadette's (Whitefield) C.U. Ltd.	134,470	108,798	73144	282
300C	Bargoed Aberbargoed And Gilfach C.U. Ltd.	147,000	134,468	66099	438
Averages for 3 - 6 year group		**32,117**	**28,040**	**17,680**	**146**

102 Community credit unions in England and Wales registered 6 - 9 years

	Name of Credit Union	Assets	Shares	Loans	Members
162C	Middleton Savings & Co-Operative C.U. Ltd.	119	63	0	29
194C	Blue Hall Ward C.U. Ltd.	448	239	0	22
249C	St John's (Stockton-On-Tees) Parish C.U. Ltd.	495	285	0	48
197C	Albert Park Savings And C.U. Ltd.	1,834	679	7	8
212C	Alnwick C.U. Ltd.	2,802	2,311	1,221	65
186C	Ashington C.U. Ltd.	4,664	3,849	1,160	78
242C	Fox Hill/Birley Carr C.U. Ltd.	5,281	4,859	5,176	42
160C	Owton Fens C.U. Ltd.	6,162	4,124	4,575	53
265C	Frankley C.U. Ltd.	7,189	6,536	4,371	51
254C	Guide Post And Scotland Gate C.U. Ltd.	7,455	5,127	2,914	35
171C	Shiremoor C.U. Ltd.	7,495	6,161	2,340	59
258C	Fordbridge Savings And C.U. Ltd.	7,511	6,682	3,445	42
211C	New Ferry Community C.U. Ltd.	7,615	6,839	3,780	38
183C	Dormanstown C.U. Ltd.	8,660	6,600	7,358	89
203C	Walker Communities C.U. Ltd.	8,759	7,244	3,918	75
221C	Edensor C.U. Ltd.	8,882	7,873	5,337	43
190C	Lingham (Moreton) Res. Assoc. C.U. Ltd.	9,445	8,009	6,163	69
266C	Balsall Heath C.U. Ltd.	9,529	8,586	4,751	43
227C	North Kenton C.U. Ltd.	10,543	10,786	7,050	68
172C	Kirkholt Area (Rochdale) C.U. Ltd.	10,642	9,473	5,567	112
181C	Blacon C.U. Ltd.	10,878	9,213	3,744	89
159C	St Thomas (Shildon) C.U. Ltd.	11,564	10,323	7,553	70

	Name of Credit Union	Assets	Shares	Loans	Members
139C	Pinehurst C.U. Ltd.	12,060	10,348	7,941	73
122C	Halton Moor Co-O. Savings And C.U. Ltd.	12,690	11,68	13,073	72
198C	St Francis (Eccleshill) C.U. Ltd.	12,797	12,099	1,592	49
179C	Seaton Burn C.U. Ltd.	12,953	9,490	8,987	64
243C	St Mary's (Maltby) C.U. Ltd.	14,131	10,509	3,333	43
141C	Hanky Park Savings And C.U. Ltd.	14,401	12,235	11,677	42
246C	Raby Road C.U. Ltd.	14,587	9,534	650	88
233C	Bacup (Lancashire) C.U. Ltd.	15,038	13,520	1,759	95
206C	Overtwo Savings And C.U. LTD.	15,190	11,707	5538	98
161C	Thurnscoe C.U. Ltd.	15,377	12,012	8,809	128
222C	Elswick And Cruddas Park C.U. Ltd.	16,110	12,486	7,621	60
153C	West End (Ashton) C.U. Ltd.	16,456	12,456	5,572	82
235C	Beswick And Openshaw C.U. Ltd.	19,042	16,807	13,692	86
158C	South Bank Savings And C.U. Ltd.	19,725	17,814	7,7811	57
245C	Benwell And District C.U. Ltd.	20,764	16,262	12,503	92
201C	Burnley West C.U. Ltd.	21,147	13,917	14,648	80
219C	St Domingo (Liverpool) C.U. Ltd.	22,101	21,174	15,132	197
152C	Fenham Community C.U. Ltd.	22,122	18,905	13,333	82
149C	Platt Bridge (Wigan) C.U. Ltd.	22,732	19,553	21,618	227
132C	L C W (Chester) C.U. Ltd.	23,117	19,241	13,594	118
251C	West Central Middlesborough C.U. Ltd.	24,146	18,194	14,908	130
123C	B A S E C.U. Ltd.	24,177	19,534	3,828	125
261C	Cobholm Island C.U. Ltd.	24,264	22,633	15,956	91
164C	Eastcott And Central C.U. Ltd.	24,789	23,498	9,719	89
124C	St Matthews (Allerton) C.U. Ltd.	25,002	22,828	14,444	91
224C	Firth Park Savings & Co-Operative C.U. Ltd.	25,173	21,434	21,703	116
267C	Nechells C.U. Ltd.	25,338	23,059	13,015	116
205C	Carmel C.U. Ltd.	25,637	21,923	4,634	67
250C	Netherton Community C.U. Ltd.	25,767	20,759	7,468	150
268C	Caribbean Parents Group C.U. Ltd.	26,365	24,573	10,218	67
134C	Halewood Community C.U. Ltd.	26,658	26,677	18,568	225
228C	South Darlington C.U. Ltd.	26,966	24,132	8,144	133
217C	Little Acorn C.U. Ltd.	26,980	25,061	16,223	174
204C	Johnson Fold (Bolton) C.U. Ltd.	27,004	25,393	20,204	99
202C	Newbiggin Hall C.U. Ltd.	28,370	27,146	23,206	107
192C	Castlefields C.U. Ltd.	31,203	31,080	21,280	244
225C	New Brighton Community C.U. Ltd.	31,665	27,536	30,399	173
165C	South Wallasey C.U. Ltd.	32,313	28,563	22,559	239
199C	Small Heath And District C.U. Ltd.	32,577	29,980	15,841	120
143C	E5 Tenants Association C.U. Ltd.	32,978	29,406	16,119	130
176C	T B N C.U. Ltd.	33,007	25,331	20,857	277
207C	Jubilee (Ancoats) C.U. Ltd.	33,468	25,593	11,950	65
226C	St Edmunds (Castleford) C.U. Ltd.	35,520	34,148	32,660	176
135C	Lee Bank/Highgate C.U. Ltd.	37,004	33,734	26,821	285
215C	Kingstanding C.U. Ltd.	40,515	37,964	27,116	211
168C	St Gilbert's (Eccles) C.U. Ltd.	41,035	36,392	10,777	130
209C	Hebburn C.U. Ltd.	41,066	34,827	28,958	288
144C	Woodhouse Park (Manchester) C.U. Ltd.	43,010	39,713	37,527	237
255C	Northwood C.U. Ltd.	44,490	39,304	31,765	154
150C	Three Bee's C.U. Ltd.	44,564	39,247	39,146	291

	Name of Credit Union	Assets	Shares	Loans	Members
113C	South Shields (Town Centre) C.U. Ltd.	22,472	20,714	9635	69
84C	East Y. & C. Assoc. (Sunderland) C.U. Ltd.	22,743	20,806	14294	161
111C	Southwick C.U. Ltd.	26,295	21,878	17545	73
97C	Sparkbrook (B'ham) C.U. Ltd.	27,048	25,367	19311	124
87C	St Clare's C.U. Ltd.	33,790	26,192	9560	93
118C	Handsworth Breakthrough C.U. Ltd.	38,937	33,991	15050	119
95C	Ladywood (Birmingham) C.U. Ltd.	49,273	37,402	30854	274
115C	Huyton C.U. Ltd.	49,566	44,460	39453	290
117C	All Saints Community C.U. Ltd.	50,852	42,838	29680	209
114C	Stanhope Street C.U. Ltd.	55,941	50,972	21723	136
94C	Newtown / South Aston C.U. Ltd.	76,706	70,084	43415	340
86C	Jubilee (Central Birkenhead) C.U. Ltd.	90,602	78,580	51795	282
99C	Hattersley (Hyde) C.U. Ltd.	90,865	76,131	77654	374
91C	West Vale (Kirkby) C.U. Ltd.	101,306	83,620	57728	333
85C	Sts Mary & Joseph (Newton Aycliffe) C.U. Ltd.	113,124	92,143	62010	314
81C	Southdene C.U. Ltd.	209,887	180,606	132915	572
101C	North London Adventist C.U. Ltd.	263,796	201,534	132024	510
Averages of credit unions for 9 - 12 year group		**57,623**	**48,429**	**33,555**	**199**

One credit union in this group with missing data on AR20

107C	St Walburga's (Shipley) C.U. Ltd.	n/a	n/a	n/a	n/a

36 Community (non work-based) Credit Unions in England and Wales registered for more than 12 years

	Name of Credit Union	Assets	Shares	Loans	Members
73C	Cowgate C. U. Ltd.	7,963	10,736	5726	40
9C	R H C C. U. Ltd.	12,037	9,795	9704	24
58C	Thurrock C. U. Ltd.	15,682	14,356	8567	102
77C	L27 (Liverpool) C. U. Ltd.	16,145	12,583	4933	101
46C	Harlow C. U. Ltd.	18,761	16,871	13850	124
75C	Stoke Aldermoor (Coventry) C. U. Ltd.	19,515	18,227	15789	130
31C	Tower Hamlets (Green Light) C. U. Ltd.	22,492	20,071	13734	82
48C	Thameswood C. U. Ltd.	24,010	21,242	2209	144
42C	Derby West Indian Association C. U. Ltd.	24,817	21,338	17186	108
14C	St Anthony Of Padua C. U. Ltd.	36,045	31,305	20036	89
69C	Scotswood Community C. U. Ltd.	43,385	36,646	23959	163
4C	South London Catholic Caribbean C. U. Ltd.	46,727	43,677	15171	245
50C	Wandsworth Community Centre C. U. Ltd.	47,625	44,217	25861	123
49C	Hornsey (F I A) Co-Operative C. U. Ltd.	58,544	11,862	3578	234
53C	West Midlands Punjabee Savings C. U. Ltd.	62,326	46,597	32386	62
56C	St Wilfred And Mother Of God C. U. Ltd.	67,163	55,458	39920	201
70C	Saint Anthony's (Clayton) C. U. Ltd.	74,687	63,282	23813	136
15C	St Brigid's Save And C. U. Ltd.	86,932	71,637	51035	155
40C	Credit Union (Wimbledon) Limited	99,642	83,849	72116	200
74C	Undeb Credyd Plaid Cymru C. U. Ltd.	102,425	87,815	78298	275
11C	Felix Credit Union (Bradford) Limited	108,668	91,852	72356	272

	Name of Credit Union	Assets	Shares	Loans	Members
13C	Pimlico C. U. Ltd.	123,318	110,067	87438	326
1C	Skelmersdale C. U. Ltd.	132,334	116,440	71944	272
29C	Forest Gate (E L W A) C. U. Ltd.	133,450	121,654	51458	480
59C	Chaplaincy Savings And C. U. Ltd.	140,933	124,874	67250	250
45C	St Patrick's (Huddersfield) C. U. Ltd.	143,372	120,918	72231	189
18C	Weston Favell And District C. U. Ltd.	164,089	151,244	88041	345
35C	St Catherine's (Didsbury) C. U. Ltd.	179,084	153,993	88265	335
76C	Rotton Park/Winson Green C. U. Ltd.	256,237	242,013	240964	775
38C	Croydon Caribbean C. U. Ltd.	277,011	232,582	102684	483
16C	Leicester Caribbean C. U. Ltd.	287,951	243,562	137980	362
17C	St.Therese's (Port Talbot) C. U. Ltd.	404,466	297,229	226288	342
62C	Nelson Community C. U. Ltd.	467,380	390,004	320370	771
26C	St Columba's (Bradford) Save And C. U. Ltd.	474,465	391,652	314619	1710
25C	Camberwell C. U. Ltd.	793,311	708,311	567865	2419
6C	Pentecostal C. U. Ltd.	2,720,596	2,195,287	192885	1352
Averages of credit unions in over 12 year group		**213,711**	**178,146**	**88,900**	**370**

Averages omitting St Columba's, Camberwell and Pentecostal, the three credit unions with over 1,000 members

	Assets	Shares	Loans	Members
Averages	**112,279**	**94,485**	**64,395**	**238**

24 Community (non work-based) credit unions in Scotland registered 3 - 6 years

	Name of Credit Union	Assets	Shares	Loans	Members
94CUS	Charleston C.U. Ltd.	6,009	5,710	693	80
70 CUS	Stevenston C.U. Ltd.	13,386	12,137	10,618	117
67 CUS	Cowie Community C.U. Ltd.	15,766	9,777	7,999	95
87 CUS	Alness C.U. Ltd.	18,919	17,174	7,583	115
95 CUS	Dalkeith & District C.U. Ltd.	21,130	17,355	7,761	115
92 CUS	Persevere C.U. Ltd.	21,181	18,810	7,339	109
90 CUS	Kilmarnock C.U. Ltd.	26,966	24,059	9,683	191
93 CUS	Bute C.U. Ltd.	32,679	31,086	14,086	194
69 CUS	Forward Centre Associates C.U. Ltd.	33,677	30,141	15,569	61
84 CUS	Royston Germiston (Glasgow) C.U. Ltd.	34,734	31,885	27,610	190
91 CUS	Gorgie/Dalry C.U. Ltd.	36,891	35,809	18,358	118
85 CUS	Pollok C.U. Ltd.	54,871	48,747	43,501	245
78 CUS	Abronhill C.U. Ltd.	55,703	49,873	44,464	206
80 CUS	Newmains C.U. Ltd.	67,899	60,485	66,841	286
88 CUS	Kirklands C.U. Ltd.	89,314	81,592	74,172	393
75 CUS	North Airdrie C.U. Ltd.	107,607	92,540	72,186	518
81 CUS	Barrhead C.U. Ltd.	108,607	88,344	99,297	381
76 CUS	Haghill, Dennistoun C.U. Ltd.	119,328	104,434	76,840	522
71 CUS	Northforge C.U. Ltd.	120,639	104,182	86,199	398
83 CUS	Rutherglen Co-Operative C.U. Ltd.	132,733	116,095	102,368	592
73 CUS	Knightscliffe Temple C.U. Ltd.	201,416	191,368	147,703	609
86 CUS	Maryhill C.U. Ltd.	221,582	189,020	183,030	752
77 CUS	Shettleston Tollcross C.U. Ltd.	378,147	371,256	333,656	1,169

	Name of Credit Union	Assets	Shares	Loans	Members
68 CUS	Blantyre C.U. Ltd.	414,401	357,818	281,050	1,085
Averages		**97,233**	**87,071**	**72,442**	**356**

Averages omitting Shettleston and Blantyre, the two credit unions with over 1,000 members

Averages of remaining credit unions in group	**70,047**	**61,846**	**51,086**	**286**

25 Community (non work-based) credit unions in Scotland registered 6 - 9 years

	Name of Credit Union	Assets	Shares	Loans	Members
40CUS	Bathgate C.U. Ltd.	13,013	13,410	12681	127
63CUS	Westquarter And Redding Community C.U. Ltd.	20,898	19,117	1.5547	61
57CUS	Menzieshill Community C.U. Ltd.	24,507	18,866	14670	92
36CUS	Ayr Co-Operative C.U. Ltd.	34,173	29,591	31013	158
52CUS	Finmill C.U. Ltd.	38,264	33,573	21703	489
33CUS	Glenburn C.U. Ltd.	40,961	36,644	30834	117
55CUS	Kilwinning C.U. Ltd.	46,304	42,786	39338	206
32CUS	Wester Hailes C.U. Ltd.	47,054	40,884	43633	240
66CUS	Renfrew C.U. Ltd.	49,208	43,623	46413	214
39CUS	Broomlands And Bourtreehill C.U. Ltd.	51,202	44,610	50216	294
50CUS	Raploch Community C.U. Ltd.	54,293	44,073	27467	146
45CUS	Galt C.U. Ltd.	54,837	33,591	29558	148
41CUS	Ruchill C.U. Ltd.	62,143	57,298	59663	233
48CUS	Ruchazie Garthamlock And Craigend C.U. Ltd.	70,338	63,519	49894	321
54CUS	Greater Springburn C.U. Ltd.	79,743	83,184	70039	457
31CUS	Chryston And District C.U. Ltd.	82,819	73,779	58361	262
38CUS	Benarty C.U. Ltd.	85,772	73,753	55180	227
60CUS	North Easterhouse C.U. Ltd.	107,601	96,206	81241	436
53CUS	Central Easterhouse C.U. Ltd.	109,182	94,898	78544	559
62CUS	Greater Milton C.U. Ltd.	126,341	114,462	85454	583
46CUS	Gorbals C.U. Ltd.	147,807	139,716	118530	383
56CUS	Port Glasgow C.U. Ltd.	154,017	133,525	141137	787
47CUS	Dumbarton C.U. Ltd.	269,135	245,315	233233	915
43CUS	Castlemilk C.U. Ltd.	295,081	254,425	185795	829
64CUS	B C D C.U. Ltd.	408,349	359,999	308820	1259
Averages of credit unions in 6 - 9 year group		**98,992**	**87,634**	**75,559**	**382**

Insufficient data available on this credit union

59CUS	Govanhill & Crosshill C.U. Ltd.	47,441	47,942	37547	n/a

Averages omitting B.C.D.C.U. Ltd., the one credit union with over 1,000 members

Averages of remaining credit unions in group	**86,029**	**76,285**	**65,839**	**345**

5 Community (non work-based) credit unions in Scotland registered 9 - 12 years

	Name of Credit Union	Assets	Shares	Loans	Members
28CUS	Irvine North C.U. Ltd.	103,622	90,297	83919	338
25CUS	Linwood (Renfrew) C.U. Ltd.	120,527	107,664	87983	463
21CUS	White Cart C.U. Ltd.	126,589	106,134	100572	300
24CUS	Hamilton C.U. Ltd.	172,249	144,969	121262	562
30CUS	Cumbernauld South C.U. Ltd.	176,547	159,517	129686	376
Averages		**139,907**	**121,716**	**104,684**	**408**

25 Community (non work-based) credit unions in Scotland registered over 12 years

	Name of Credit Union	Assets	Shares	Loans	Members
12CUS	Credit Union (Whitburn) Ltd.	35,182	30,18	28352	101
13CUS	Rhu And Shandon C.U. Ltd.	47,287	39,543	34429	90
19CUS	North Edinburgh C.U. Ltd.	71,699	59,970	68296	431
15CUS	Croy And Kilsyth C.U. Ltd.	100,575	84,739	70938	129
11CUS	Faifley C.U. Ltd.	103,375	82,081	69570	206
20CUS	Penilee C.U. Ltd.	207,290	186,598	165129	573
16CUS	East Clydebank C.U. Ltd.	314,437	280,056	201735	578
18CUS	Greenock East C.U. Ltd.	341,609	288,574	203718	1146
4CUS	Cranhill C.U. Ltd.	477,702	401,525	394406	828
10CUS	Vale Of Leven C.U. Ltd.	496,738	464,916	429141	1363
5CUS	Drumchapel Community C.U. Ltd.	620,176	520,968	352420	1304
6CUS	Johnstone C.U. Ltd.	773,016	692,009	643330	1551
1CUS	Mosshill C.U. Ltd.	784,577	690,325	638092	1659
17CUS	East Kilbride C.U. Ltd.	1,066,989	880,796	891715	2363
2CUS	Newarthill C.U. Ltd.	1,638,966	1,361,438	1318879	3138
3CUS	Dalmuir C.U. Ltd.	2,913,916	2,567,386	2704012	5240
Averages		**624,596**	**539,445**	**513,385**	**1,294**

Averages omitting Newarthill, Dalmuir and East Kilbride, the three credit unions with over £1 million in assets

	Assets	Shares	Loans	Members
Averages omitting the above three	**336,436**	**293,961**	**253,812**	**766**

Work-based Credit Unions - England and Wales

	Name of Credit Union	Assets	Shares	Loans	Members
Registered 3 - 6 years					
309C	Norwich City Council Employees' C. U. Ltd.	55,338	48,845	29,970	83
392C	Salford Unison C. U. Ltd.	69,031	63,600	58,544	126
382C	Open University Employees C. U. Ltd.	90,685	79,286	58,145	215
353C	Dudley Mbc Employees C. U. Ltd.	95,949	88,575	37,227	123
374C	North London Chamber And Enterprise C. U. Ltd.	127,477	58,113	54,483	142
370C	North Wales Police C. U. Ltd.	161,529	148970	147,069	332
394C	Telford & Wrekin Council Employees C. U. Ltd.	177,999	161,566	128,614	314

	Name of Credit Union	Assets	Shares	Loans	Members
338C	Staffordshire Fire & Rescue Service C. U. Ltd.	251,888	227,454	237,003	304
342C	Calderdale Mbc Employees C. U. Ltd.	266,366	244,628	245,347	392
360C	Cleveland Constabulary C. U. Ltd.	280,429	250,354	221,957	370
389C	City Of Bradford Met.Dist. Council Employees C.U. Ltd.	482,624	450,040	256,877	1,117
308C	West Midlands Fire Service Employees C. U. Ltd.	539,703	492,316	327,590	833
290C	Blues And Twos C. U. Ltd.	892,223	826,146	741,063	1,684
303C	Metropolitan Borough Of Wirral Employees C. U. Ltd.	1,109,783	1,044,820	1,001,800	1,789
354C	Liverpool City Council Employees C. U. Ltd.	1,727,527	1,584,605	1,609,452	3,465
345C	Plane Saver C. U. Ltd.	2,065,396	1,945,822	1,711,534	2,440
296C	Voyager C. U. Ltd.	2,152,063	2,001,174	2,036,369	2,720
Averages Of 17 Credit Unions 3 - 6 Yrs Old		**620,353**	**571,548**	**523,708**	**968**

	Name of Credit Union	Assets	Shares	Loans	Members
Registered 6 - 9 years					
182C	North Tyneside Employees C. U. Ltd.	178,392	155,442	107,419	427
138C	Leicester City Council Employees C. U. Ltd.	201,877	179,256	199,975	334
238C	London Borough Of Hillingdon Employees C. U. Ltd.	236,239	204,107	178,208	270
218C	Waltham Forest Council Employee C. U. Ltd.	266,950	230,066	210,629	342
148C	Hertfordshire Constabulary C. U. Ltd.	272,400	248,254	174,078	406
185C	Sefton Council Employees C. U. Ltd.	337,208	317,171	310,646	644
208C	Devon And Cornwall Constabulary C. U. Ltd.	368,481	3306,880	326,557	383
257C	Newcastle City Council Employees C. U. Ltd.	583,630	549,159	409,366	1,304
264C	East Midlands Postal Workers C. U. Ltd.	611,138	560,819	383,949	815
131C	Durham Constabulary C. U. Ltd.	736,365	626,155	532,422	686
213C	Metro Rochdale Employees C. U. Ltd.	743,992	647,272	729,607	985
180C	Great North Two Thousand (Transport) C. U. Ltd.	782,996	666,082	760,488	984
170C	News International C. U. Ltd.	1,015,027	873,240	960,497	815
129C	Merseyside Police C. U. Ltd.	1,341,325	1,127,731	1,127,993	2,324
Averages Of 14 Credit Unions 6 To 9 Years		**548,287**	**477,974**	**457,988**	**766**

	Name of Credit Union	Assets	Shares	Loans	Members
Registered 9 - 12 years					
116C	Co-Operative College C. U. Ltd.	20,302	17,163	8,928	43
83C	Commonwealth Secretariat Staff C. U. Ltd.	272,814	228,151	247,269	189
89C	Basildon Council Employees C. U. Ltd.	276,642	251,305	219,228	383
90C	Radio Taxicabs (London) C. U. Ltd.	289,804	246,422	224,198	385
108C	Harlow District Council C. U. Ltd.	559,582	455,333	473,312	540
110C	Northumbria Police C. U. Ltd.	633,249	531,922	593,167	615
100C	Dial-A-Cab C. U. Ltd.	742,183	666,715	611,033	577
98C	Birmingham City Council Employees C. U. Ltd.	1,579,512	1,480,321	1,180,781	3,267
88C	Leeds City C. U. Ltd.	4,045,658	,676,992	3,880,810	5,181
Averages Of 9 Credit Unions 9 To 12 Years Old		**935,527**	**839,369**	**826,525**	**1,242**

	Name of Credit Union	Assets	Shares	Loans	Members
Registered over 12 years					
41C	North West Newsagents C. U. Ltd.	36,059	29,724	30,120	84
68C	Coventry Local Government C. U. Ltd.	55,991	53,899	38,609	178
60C	Planemakers (Warton) Employees C. U. Ltd.	300,864	268,716	245,219	291
44C	A P L C. U. Ltd.	554,126	445,596	457,926	856
43C	Raychem C. U. Ltd.	683,204	575,707	615,786	636
8C	Pitney-Bowes Employees C. U. Ltd.	778,132	653,630	603,352	557
71C	Merseyside Passenger Transport Employees C. U. Ltd.	1,533,511	1,296,035	1,145,097	1,673
64C	Southwark And Kings Employees C. U. Ltd.	1,863,550	1,556,557	1,497,934	1,649
2CL	T D A C. U. Ltd.	2,446,721	2,060,253	1,998,070	2,421
79C	Mid West Police C. U. Ltd.	4,916,979	4,066,850	3,432,091	4,045
78C	Greater Manchester Police C. U. Ltd.	5,809,181	4,719,812	3,975,340	4,685
Averages of 11 Credit Unions Over 12 Years Old		**1,725,302**	**1,429,707**	**1,276,322**	**1,552**

Work-based Credit Unions - Scotland

	Name of Credit Union	Assets	Shares	Loans	Members
Registered 3 - 6 years					
114CUS	Edinburgh Hackney Cab Trade C. U. Ltd.	65,337	58,741	58026	123
101CUS	Tayside C. U. Ltd.	270,306	235,612	193299	558
79CUS	Grampian Regional Employees C. U. Ltd.	523,192	535,969	497154	887
72CUS	Glasgow District Postal Workers C. U. Ltd.	1,602,853	1,408,186	1412987	2626
Averages of credit unions in 3 - 6 year group		**615,422**	**559,627**	**540,367**	**1,049**

Registered 6- 9 years

	Name of Credit Union	Assets	Shares	Loans	Members
65CUS	First Scottish University C. U. Ltd.	106,910	94,256	80038	151
51CUS	First Shipbuilders C. U. Ltd.	247,347	191,670	155596	428
37CUS	Strathclyde Police (Federation) C. U. Ltd.	4,208,686	3,594,626	3372638	4244
35CUS	Capital C. U. Ltd.	4,513,696	3,934,156	3945424	6460
61CUS	Scotwest C. U. Ltd.	9,604,418	8,316,645	8476318	12711
34CUS	Glasgow Council C. U. Ltd.	10,846,080	9,132,899	10,220,850	9940
Averages of credit unions in 9 - 12 year group		**4,921,190**	**4,210,709**	**4,375,144**	**5,656**

Registered 9 - 12 years

	Name of Credit Union	Assets	Shares	Loans	Members
27CUS	Co-operative Wholesale Society (Scotland) C. U. Ltd.	1,213,183	1,020,998	1012782	1065

Name of Credit Union	Assets	Shares	Loans	Members
Registered over 12 years				
9CUSGlasgow Licensed Taxi Trade C. U. Ltd.	1,133,306	957,520	1089790	1205
14CUSScottish Passenger Transport C. U. Ltd.	3,129,858	2,752,573	2979276	4752
Averages of credit unions in over 12 year group	**2,131,582**	**1,855,047**	**2,034,533**	**2,979**

Economic Viability

The issue of the sustainability, or viability, of credit unions is at the heart of this research project. As Ferguson and McKillop point out, viability and, in particular, financial viability is *"subject to a myriad of definitions and interpretations"*[23]. On the one hand, to some credit unions, it might mean survival and just paying the bills, whilst to others it means self-sufficiency, adequate reserve levels and the ability to pay a dividend on members' shares. In order to avoid lengthy debate, and for the purposes of this analysis, the Birmingham Credit Union Development Agency classification of the levels of growth that lead to self-sufficiency has been adopted as a basis for the assessment of the economic viability of credit unions. This classification formula is now a number of years old and the figures quoted are, by any measure, very modest. However it does provide a benchmark that has been discussed and accepted within the wider credit union movement. This classification was quoted by Ferguson and McKillop (1997) and defined by them as follows[24]:

Level 1

This is the basic level and occurs when the credit union has approximately £20,000 in assets including at least £12,000 on loan to members. Taking account of some limited slow payment of loan interest, yearly income should, with deposit account interest, exceed £1,300. This should be sufficient to pay all the credit union's costs, provided accommodation is rent free. There will, however, be very little surplus.

Level 2

This level occurs when a credit union has assets of £40,000, including over £24,000 on loan. Deposit account and loan interest should generate an income of approximately £2,600 per year. This will enable the credit union to cover its expenditure, build up the financial reserves of the credit union or pay a small dividend.

Level 3

When a credit union has reached £160,000 in assets with over £96,000 on loan to members, income should exceed £10,400 a year. At this point, as well as covering the expenditure of Levels 1 and 2, the credit union should be in a position to pay a part-time worker. Further progress will also have been achieved in the build-up of reserves and in the payment of a dividend to shareholders.

Level 4

With £400,000 of assets and over £240,000 on loan to members, income should be approximately £26,000 per year. In addition to covering the expenditures detailed in Levels 1 and 2, the credit union should be able to employ either a full-time staff member of a number of part-time employees. At this juncture the credit union should have a reserve asset ratio in place which meets the requirements of the 1979 Credit Union Act, as well as providing an adequate dividend rate on members' shareholdings".

[23] *Ferguson and McKillop, The Strategic Development of Credit Unions. Wiley (1997) pg. 93*
[24] *ibid. pg. 99*

Ferguson and McKillop explain that only Level 4 credit unions *"are defined as self-sufficient and economically viable under the criteria utilised by the Birmingham Development Agency"*. Level 1 credit unions are operating at a basic level and just able to meet costs so long as they are receiving free accommodation.

The classification was applied to the 447 community and 83 work-based credit unions who had submitted an AR20 for 1997 by the end of September 1998. The figures for total income, total loans and total assets used in the classification were of that date. The results were as follows:.

England and Wales - 348 Community (non work-based) Credit Unions

	Asset Range	No. of Credit Unions attaining classification	No. of Credit Unions in the Asset Range
Level 4	over £400,000	4	5
Level 3	£160,000 - £400,000	11	16
Level 2	£40,000 - £160,000	67	89
Level 1	£20,000 - £40,000	65	98
Unclassified	0 - £20,000	140	140

NB. one credit union had insufficient data for classification

The credit unions, noted as being within the asset range but, failing to meet the criteria for classification at particular levels had, usually, either a lower total loans outstanding figure or had generated less total income than the classification requires.

The important result is that only 4 community credit unions in England and Wales are recognised as self-sufficient and economically viable under the criteria utilised by the Birmingham Development Agency. Only 11 reach level 3 classification.

Of the 140 credit unions (40% of the total) failing to even meet the basic level 1 classification, the breakdown of the number of years these credit unions have been registered is as follows:

Number of Credit Unions	Years Registered
6	over 12 years
8	9 - 12 years
36	6 - 9 years
40	3 - 6 years
50	under 3 years
Total 140	

64% of all the credit unions failing to meet Birmingham's basic level were in existence for more than three years.
Scotland - 99 community (non work-based) credit unions

Scotland - 99 Community (non work-based) Credit Unions

	Asset Range	No. of Credit Unions attaining classification	No. of Credit Unions in the Asset Range
Level 4	over £400,000	10	10
Level 3	£160,000 - £400,000	9	10
Level 2	£40,000 - £160,000	44	44
Level 1	£20,000 - £40,000	16	19
Unclassified	0 - £20,000	16	16

Significantly, in Scotland credit unions perform better than in England and Wales. All 10 credit unions in the level 4 asset range meet the criteria to be classified as level 4 credit unions. 63% of all community credit unions in Scotland meet the criteria for classification in levels 1 - 3 compared with only 23.5% of community credit unions in England and Wales.

Of the 16 credit unions (16% of the total) failing to meet the basic level 1 classification, the breakdown of the number of years these credit unions have been registered is as follows:

Number of Credit Unions	Years Registered
0	over 12 years
0	9 - 12 years
1	6 - 9 years
4	3 - 6 years
11	under 3 years
Total 16	

31% of all the community credit unions in Scotland failing to meet Birmingham's basic level, compared with 64% in England and Wales, were in existence for more than three years.

England and Wales - 70 work-based Credit Unions

	Asset Range	No. of Credit Unions attaining classification	No. of Credit Unions in the Asset Range
Level 4	over £400,000	29	29
Level 3	£160,000 - £400,000	13	19
Level 2	£40,000 - £160,000	10	12
Level 1	£20,000 - £40,000	3	4
Unclassified	0 - £20,000	6	6

As expected, a much larger percentage, 43%, of work-based credit unions make level 4. 60% make level 1 or level 2. All unclassified credit unions were newly registered in 1996 or 1997.

Scotland - 13 work-based Credit Unions

	Asset Range	No. of Credit Unions attaining classification	No. of Credit Unions in the Asset Range
Level 4	over £400,000	9	9
Level 3	£160,000 - £400,000	2	2
Level 2	£40,000 - £160,000	2	2
Level 1	£20,000 - £40,000	-	-
Unclassified	0 - £20,000	-	-

84% of all work-based credit unions in Scotland make either level 4 or 3.

In trying to identify why credit unions in Scotland outperform those in England and Wales, Donnelly and Haggatt[25] identify a stronger history of mutual activity and co-operative trading, the links between Scotland and Ireland, local authority support and the quality of volunteers. Certainly, something in the history of credit union development in Scotland has made a difference to the way many, but not all, credit unions perform. This issue is specifically tackled in the case study of Dalmuir and East Kilbride Credit Unions in Chapter 6.

[25] *Donnelly R. and Haggett A.* Credit Union in Britain, a decade of growth. *The Plunkett Foundation 1997 pg. 29*

Chapter 3 - National Credit Union Survey Findings

257 credit unions responded to the questionnaire. This significant sample represents approximately 48% of the 530 credit unions that submitted a 1997 AR20 by October 1998[26].

The 257 respondents reflected a wide range of credit unions both with regard to type, size, age and location. For the purposes of this research, as in the previous chapter, associational credit unions are divided between work-based credit unions (e.g. taxi drivers, passenger transport etc.) and non work-based credit unions (mostly those associated to churches or other forms of organisations). The grounds for this division are not only ease of analysis but an attempt to correlate associational credit unions with the type of credit union closest to them. Work-based associational credit unions have been included within the work-based category, all others have been included within the community category.

51 work-based credit unions and 206 community credit unions replied to the survey. 205 were from England and Wales and 52 from Scotland.

To assist in analysis, credit unions are also divided by assets following the asset levels in the four broad levels of growth identified by the Birmingham Credit Union Development Agency[27]. As might have been expected, 72% of credit unions having more than £400k in assets are work-based credit unions. However, it is important to note that 28% are community credit unions. Interestingly, in the asset range £160k - £400k, 55% are community credit unions and 45% work-based credit unions.

Asset Size	<£20k	<£40k	<£160k	<£400	£400 plus	New
Total	68	49	71	22	39	8
Community	68	47	63	12	11	5
Work-based	0	2	8	10	28	3

Credit unions are also considered by age:

Date Registered	97/98	95/96	93/94	88-92	Before 88
Credit Unions in group	42	42	45	71	57

Respondents are also analysed in terms of asset and member growth rate. Asset growth rate is calculated by dividing current assets by the number of years registered. Credit unions are then banded into three growth rate groups; slow (less than £10k increase per annum), medium (£10k - £50k increase per annum) and high (over £50k increase per annum). Newly registered credit unions are not, of course, given a growth rate. Overall 44.35% of credit unions are calculated at slow, 32.68% at medium and 17.5% at high growth rate. However, it stands out that 98% of all slow asset growth rate credit unions are community credit unions and 80% of all high growth rate credit unions are work-based credit unions.

[26]The Registry confirmed that there were 584 registered credit unions in England, Wales and Scotland at the end of September 1997. By the end of October 1998, 54 of these credit unions had not submitted an AR20 and therefore no statistical data wad available about them.
[27]See Chapter 2 - Birmingham Credit Union development Agency's analysis of the economic viability of credit unions. cf. Ferguson C. and McKillop D., The Strategic Development of Credit Unions. John Wiley 1997 pg. 99

Growth Rate - Assets	Slow	Medium	High	Newly Registered
All Credit Unions	114	84	45	14
Community	112	74	9	11
Work-based	2	10	36	3

Figures relate to the number of credit unions in each band

Member growth rate is calculated by dividing the current number of members by the number of years in operation and then grouping the credit unions into five bands (those with a per annum increase of 20 members, of 20 - 49 members, of 50 - 99 members, of 100 - 199 members and over 200 members). It is interesting to note that, here, there is a more even spread of community credit unions across the bands. Perhaps this indicates that community credit unions are better at attracting members than increased savings deposits. However, it should be noted that the bands are based on very modest per annum increases. Work-based credit unions represented 61% of all band 5 credit unions, community credit unions represented 68% of all band 4 credit unions. It is noticeable that 159 (81%) of the 195 banded community credit unions are within bands 1 - 3, whilst 33 (66%) of the 48 banded work-based credit unions are within bands 4 and 5. This indicates a much higher member growth rate among work-based credit unions.

Member Growth Rate	Band 1 up to 20	Band 2 20-49	Band 3 50-99	Band 4 100-199	Band 5 200 plus	Newly Registered
All credit unions	51	67	58	34	33	14
Community	48	62	49	23	13	11
Work-based	3	5	9	11	20	3

Figures relate to the number of credit unions in each band

For purposes of analysis, respondents were also divided between the 185 (72%) credit unions that were set up with the help of a credit union development worker and the 71 (28%) that were not. This indicates the role development workers play within the credit union movement.

Main Survey Findings

The findings of the survey are analysed below in the order of the numbering of the questionnaire[23]:

Q2 What was the main reason for setting up a Credit Union?

The responses, which accounted for over 10% of the total replies in each group, were:

[23]*See Appendix I*

Community Credit Unions divided as to asset growth[23]			Work-based Credit Unions divided as to asset growth		
slow	high		slow	high	
32%	11%	to help build or develop the local community	50%	82%	to provide a service to employees
16%	33%	the relief of poverty	50%	9%	to provide low interest loans
16%	22%	because of unemployment/low pay in the local community			
19%	33%	to provide a convenient local financial service to the community			
14%	0%	to provide low interest loans			

Community and work-based credit unions offer different reasons as to why they were founded. These betray differing understandings as to the purpose, and the nature, of credit unions. Work-based credit unions have a clear focus on providing a service, particularly a financial service, to their members whereas community credit unions have much broader perspectives around a range of social and economic goals. Overall, both high and low asset growth community credit unions have a similar range of perspectives. They both stress their commitment to low income groups. However, it is significant that 33% of high asset growth community credit unions state that they initially intended to provide a convenient local financial service to the community, compared with only 19% of the slow asset growth credit unions. High growth community credit unions gave more weight to offering a financial service rather than developing the community. Their commitment to low-income groups seems to be through offering this service. Like high growth work-based credit unions, their service is not described mainly in terms of providing low interest loans.

Q3 What were you or the original volunteers trying to achieve when your credit union was first established?

The overall responses to this open-ended question by each group were:

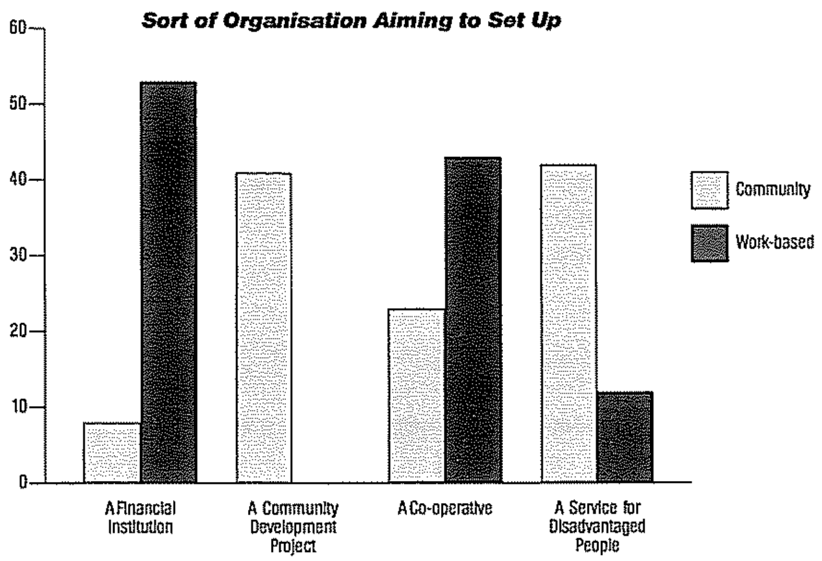
Community Credit Unions		Work-based Credit Unions	
34%	to help build/develop the local community/economy/community spirit	67%	to provide a service to employees
24%	to provide low interest loans	13%	to provide low interest loans
11%	the relief of poverty		
11%	to help people manage their money		
10%	to offer advice/support to local people		

[23]See explanation of slow, medium and high asset growth credit unions earlier in this chapter

As in question 2, a similar difference emerges between community and work-based credit unions. Community volunteers have a wider range of aims in setting up their credit unions than those in work-based credit unions.

Q4 When you first set up the credit union what sort of organisation were you aiming to set up?

The differing perspectives of community and work-based credit unions, with respect to their original aims, is again visible in the replies to this question. 96% of all work-based credit unions stated they were aiming to set up a financial institution or co-operative. 83% of all community credit unions replied they were aiming to set up either a community development project or service for disadvantaged people. Only 8% of community credit unions aimed originally to set themselves up as financial institutions. This percentage varies little with respect to the size, age or location of the credit union. It is interesting to compare this reply with that of question 7 in which 47% of all community credit unions and 59% of all community credit unions with over £160k in assets consider it to be very important today to understand the workings of a financial institution. This seems to indicate that the development of community credit unions in Britain has stressed social and community issues in a way that failed to link them clearly to financial and economic perspectives.



Q5 This question was about how realistic were peoples, expectations in setting up and running the credit union.

Setting-up

63% of all community credit unions stated that setting up their credit union was more difficult than expected. Nearly a third felt it was much more difficult than expected. This seems to confirm the research hypothesis that many community volunteers were originally under the impression that setting up a credit union was easier than it actually was in practice. Work-based credit unions did not experience the same problem. 50% said setting up the credit union was what they expected with only 15% saying it was much more difficult than they had expected.

Statistically interesting is the fact that 41% of community credit unions, registered in 97/98, said that setting up the credit union was much more difficult than expected compared with only 21% of credit unions registered before 1988. It is perhaps hasty to deduce that setting up a credit union is becoming more difficult but certainly 75% of people involved in the 41 credit unions registered in 97/98 found setting up the credit union either much more, or a bit more, difficult than expected, compared with 47% of credit unions registered before 1988.

Day-to-Day Running

64% of community credit unions said that the day to day running of the credit union was more difficult than expected. This compared with 57% of work-based credit unions. 27% of community credit unions said that the day to day running of the credit union was much more difficult than expected compared with just 15% of work-based credit unions. Both community and work-based credit unions are finding running credit unions more demanding than they had expected, with community volunteers finding them the most difficult.

Asked, in an open question, why they found running the credit union to be more difficult, the following responses were given:

Community Credit Unions		Work-based Credit Unions	
31%	the difficulty recruiting and keeping volunteers	24%	did not realise how much work and time would be involved
25%	did not realise how much work and time would be involved	17%	difficulties with registration/underestimated or did not understand legalities/red tape
17%	lack of business/administrative skills amongst volunteers and/or directors	17%	the difficulty recruiting and keeping volunteers
14%	difficulties with registration/underestimated or did not understand legalities/red tape	14%	lack of business/administrative skills amongst volunteers and/or directors
10%	difficulties in attracting members	10%	lack of support from ABCUL or other credit unions

Only those responses over 10% of the total replies in each group are given

The difficulty of recruiting and keeping volunteers is clearly the main concern of community credit unions as is the amount of work and time involved in running the credit union. The research hypothesis claimed that many volunteers were struggling to meet the demands of running the credit union and this seems to be supported by these replies. Employee credit unions are also finding running the enterprise demanding but they are not worrying as much about finding volunteers. Undoubtedly this arises from having greater paid staff support. One noteworthy response by 17% of both groups is about the lack of business and administrative skills amongst volunteers and directors.

Q6 and Q7 Credit unions were asked to indicate, from a given list, the factors they felt were important when they set up the credit union and those they felt are important today. The replies were as follows:-

Community Credit Unions

	Regarded as important when initially starting up		Regarded as important today	
	Very important	Quite important	Very important	Quite important
Business skills	20%	48%	48%	38%
Understanding the working of a financial institution	23%	38%	47%	35%
Having a formal business plan	38%	37%	51%	33%
Management and financial training	50%	38%	65%	28%
Volunteer support	92%	6%	94%	5%
Grant aid	48%	30%	38%	35%
Sponsorship	11%	33%	18%	36%
Permanent office premises	45%	21%	66%	20%
Paid staff	4%	12%	20%	22%
Shop front branch or collection point	35%	27%	53%	25%
Number of different collection points	34%	32%	45%	37%
Pre-registration pledge of membership	23%	28%	29%	31%
Being financially viable without the help of grants	32%	43%	52%	37%
Having clear social goals	47%	41%	55%	35%

The above table indicates volunteers' significant learning and changes of perspective since they began to manage and run their credit unions. Many more credit unions are now seeing how important it is to have business skills and to understand the workings of a financial institution. Both these factors, in terms of being regarded as "very important", have increased by over 100%. Significant changes in volunteers' understanding are also recorded for having a formal business plan, management and financial training, shop front premises and being financially viable without the help of grants. Interestingly 29% of community credit unions think it is important to have a pre-registration pledge of membership. This American practice gathers promise pledges of membership from potential members before registration. Typically, US community development credit unions would be advised not to register without 500 or 1000 pledges[30]. The significant rise in interest in this practice probably indicates the struggle to increase membership experienced by many credit unions.

Some differences with regard to more recently registered credit unions were noted. The mean scores[31] of credit unions registered after 1994, taking into account standard errors, indicated that they had a slightly greater appreciation, when starting up, of the importance of business plans, of management and financial training, volunteer support, shop front premises, sponsorship and also of grant aid. 49% of credit unions registered after 1994 considered having a business plan to be very important compared with just 29.5% of those registered before 1993. These differences probably arise from the Registry's greater stress on business and financial planning.

One conclusion to be drawn from the above data is that many credit union volunteers were not fully aware, despite any training or support they may have received, of the important factors to have in place before setting up a credit union. It is therefore interesting to see if there are any differences between slow and high asset and membership growth rate credit unions with regard to what they saw as very important, when they set up their credit unions, which may explain their greater success. The following table compares slow and high growth credit unions:

Community Credit Unions - very important when setting up the credit union

	Asset Growth		Membership Growth	
	Slow	High	Slow (band 1)	High (band 5)
Business skills	17%	38%	17%	46%
Understanding the working of a financial institution	25%	38%	27%	46%
Having a formal business plan	30%	44%	19%	75%
Management and financial training	41%	50%	40%	77%
Volunteer support	92%	100%	94%	100%
Grant aid	45%	63%	35%	77%
Sponsorship	9%	0%	9%	23%
Permanent office premises	44%	38%	33%	62%
Paid staff	3%	14%	2%	17%
Shop front branch or collection point	30%	33%	31%	42%
Number of different collection points	30%	50%	17%	54%
Pre-registration pledge of membership	23%	56%	20%	50%
Being financially viable without the help of grants	26%	50%	35%	46%
Having clear social goals	44%	67%	42%	62%

[30] See Chapter 6

[31] Mean score refers to the statistical figure given to a group of respondents replying to a particular question within the survey. It indicates the overall choice of the group between, for example, very important, quite important, not very important and not at all important. Scores would run from 1 (very important) to the score 4 (not very important). The average score of the group indicates direction of choice. Adjustments for standard errors are also made.

The table on the previous page indicates that high growth rate credit unions, whether in respect of assets or members, differ from slow growth rate credit unions in the importance they gave, when they set up their credit unions, to having business skills, business plans, management training and understanding the workings of a financial institution. The high importance given to having a pre-registration pledge of membership is also significant as it perhaps reflects the commitment demonstrated by these credit unions to growth and membership recruitment. Alongside a greater business development approach there is greater importance given to being financially viable without the help of grants. None of these differences, change the commitment of these higher growth credit unions to having clear social goals. Nevertheless, the conclusion to be drawn is that community credit unions that begin with a greater understanding of business and financial affairs succeed better than those that do not. There must be some further conclusion here to be drawn about the promotion and training programme for credit unions. Credit unions seem to have been put forward for registration, despite the efforts of the Registry, that have had insufficient grounding in business matters. Only 17% of slow asset growth community credit unions (which form the largest single group in Britain and of which 108 replied to the survey) considered business skills to be "very important" when setting up a credit union.

Significant findings, that indicate differences between slow and high growth rate community credit unions, relate to what is seen as important today. The most significant differences emerge in comparing slow and high membership growth credit unions:

Community Credit Unions - very important today

	Asset Growth		Membership Growth	
	Slow	High	Slow (band 1)	High (band 5)
Business skills	45%	38%	44%	75%
Understanding the working of a financial institution	47%	38%	46%	50%
Having a formal business plan	46%	63%	36%	91%
Management and financial training	59%	50%	55%	82%
Volunteer support	93%	89%	89%	100%
Grant aid	40%	50%	32%	73%
Sponsorship	16%	0%	13%	27%
Permanent office premises	62%	86%	45%	91%
Paid staff	13%	50%	9%	45%
Shop front branch or collection point	46%	63%	43%	64%
Number of different collection points	41%	44%	37%	70%
Pre-registration pledge of membership	30%	38%	27%	40%
Being financially viable without the help of grants	49%	44%	50%	73%
Having clear social goals	49%	78%	43%	82%

Increasing membership may be a more demanding business enterprise, in some circumstances, than increasing assets. This was a point made by Nigel Fawcett of the Registry of Friendly Societies, at the London research workshop. It may be one reason why high membership growth rate community credit unions indicate more significant differences to slow growth credit unions in respect to what they perceive to be important today than do high asset growth rate credit unions. 75% of high membership growth credit unions see business skills as very important and 91% see the same importance of having a current formal business plan. 82% regard management training as very important and 91% indicate the importance of premises. 73% state being autonomous and being financially viable without grants as being very important and a significant number, proportionally very noticeable, see paid staff to be very important. It is to be noted that none of these perspectives alter the way in which 82% of these high membership growth rate credit unions still see social goals to be very important.

Work-based Credit Unions

	Regarded as important when initially starting up		Regarded as important today	
	Very important	Quite important	Very important	Quite important
Business skills	27%	53%	59%	35%
Understanding the working of a financial institution	25%	54%	62%	28%
Having a formal business plan	45%	31%	62%	24%
Management and financial training	39%	49%	62%	34%
Volunteer support	67%	29%	60%	26%
Grant aid	23%	25%	32%	19%
Sponsorship	21%	26%	20%	27%
Permanent office premises	65%	21%	82%	12%
Paid staff	44%	21%	70%	12%
Shop front branch or collection point	21%	15%	31%	19%
Number of different collection points	6%	8%	13%	13%
Pre-registration pledge of membership	24%	28%	30%	28%
Being financially viable without the help of grants	38%	38%	60%	31%
Having clear social goals	16%	47%	33%	39%

A similar learning curve, which places much higher importance on business and management skills, as well as premises, paid staff and financial self-sufficiency, has also arisen within the practical experience of work-based credit unions. Differences in approach among work-based credit unions arise more particularly among low and high membership growth credit unions. 72% of all work-based credit unions displayed high asset growth but only 40% were in the highest membership growth band (band 5). It is interesting to compare credit unions in band 5 with those in the lower 1-3 membership growth rate bands. Often increasing membership, in work-based credit unions as in community credit unions, is a more demanding business development project than increasing assets.

Slow and high membership growth rate Work-based Credit Unions

	What is very important today	
	Slow (bands 1-3) 16 Credit Unions	High (band 5) 20 Credit Unions
Business skills	48%	70%
Understanding the working of a financial institution	50%	80%
Having a formal business plan	42%	60%
Management and financial training	46%	55%
Volunteer support	53%	40%
Grant aid	21%	22%
Sponsorship	5%	24%
Permanent office premises	66%	90%
Paid staff	42%	90%
Shop front branch or collection point	8%	42%
Number of different collection points	11%	11%
Pre-registration pledge of membership	46%	17%
Being financially viable without the help of grants	56%	72%
Having clear social goals	32%	20%

The above table indicates that high membership growth work-based credit unions have certain differing perspectives, or priorities, to slow membership growth credit unions. Over 70% of the group have a much firmer commitment to financial viability, permanent premises, paid staff, business skills and developing a financial institution. There is a much lower commitment overall to these factors within slow membership growth rate credit unions.

Research findings have clearly indicated differing overall perspectives between work-based and community credit unions. However, when high membership growth rate work-based and community credit unions are compared with respect to what they see to be very important today, there are some remarkable convergences. However, some noticeable differences remain.

High membership growth rate Work-based and Community Credit Unions

	What is very important today	
	High (band 5) 20 Community Credit Unions	High (band 5) 20 Work-based Credit Unions
Business skills	75%	70%
Understanding the working of a financial institution	50%	80%
Having a formal business plan	91%	60%
Management and financial training	82%	55%
Volunteer support	100%	40%
Grant aid	73%	22%
Sponsorship	27%	24%
Permanent office premises	91%	90%
Paid staff	45%	90%
Shop front branch or collection point	64%	42%
Number of different collection points	70%	11%
Pre-registration pledge of membership	40%	17%
Being financially viable without the help of grants	73%	72%
Having clear social goals	82%	20%

This table points to a finding that may be one of the most interesting within the survey-based research. There are noticeable convergences between high growth community and work-based credit unions, comparing replies of 50% of the group or over, with regard to the way they both see the high importance of financial viability, business skills, management and financial training, permanent office premises, business plans, and understanding the working of a financial institution. Differences remain insofar as the majority of community credit unions stress clear social goals, shop fronts, collection points, grant aid, and volunteer support. It is noticeable that, even though only 45% of the sample, a significant number of high growth rate community credit unions do see paid staff as very important. This was complemented by a further 27% who regarded paid staff as quite important[32].

[32]The 'quite important' tables are not listed for this question. The aim was rather to compare what various groups of credit unions felt to be 'very important'.

Q8 Grants

Percentage of credit unions that received one-off grants when setting up:

- 80% of community credit unions
- 59% of work-based credit union
- 100% of newly registered credit unions

Percentage of credit unions that receive regular funding:

- 15% of community credit unions
- 18% of work-based credit unions
- 8% of newly registered credit unions

Origin of one-off grants:

- 87% of community credit unions from the local authority
- 63% of newly registered credit unions from the local authority
- 61% of work-based credit unions from the local authority
- 39% of work-based credit unions from the employer

Origin of regular funding:

- 87% of community credit unions from the local authority
- 100% of newly registered credit unions from the local authority
- 56% of work-based credit unions from the local authority
- 33% of work-based credit unions from the employer

The significant level of local authority investment in credit union development is clear from these figures. The above figures undoubtedly refer to cash investment and do not take into account the additional local authority funding of development workers, agencies and other support services.

Q9 Other forms of support

74% of community credit unions receive other support mostly from the local authority (69%) or from the local church (20%).

- 88% receive free accommodation
- 34% receive office supplies
- 29% receive heating and lighting

78% of work-based credit unions receive other support mostly from the employer (56%) of from the local authority (41%)

- 95% receive free accommodation
- 59% receive heating and lighting
- 49% receive office supplies
- 43% receive a free telephone
- 35% receive free staff support

Q10 Dependency on external funding and/or support

	Community	Work-based
Could not survive without it	31%	16%
Could survive without it but with difficulty	40%	41%

A third of all community credit unions could not survive, or only with difficulty, without external funding or support. The support in terms of free accommodation and other services is undoubtedly the more significant factor. Clearly this issue must be linked to the way in which credit unions understand self-sufficiency and economic viability.

Q11 Development Workers

80% of community credit unions were set up with the help of a local authority or agency development worker compared with only 20% of work-based credit unions. 79% of community credit unions and 77% of work-based credit unions state that the development worker was very helpful.

51% of community credit unions and 47% of work-based credit unions said the development worker was very realistic in setting out what would be involved in setting up, and running, a credit union. 34% and 33% respectively felt the worker had been quite realistic. 12% of community credit unions felt the development worker was not very realistic and 13% of work-based credit unions felt s/he was not at all realistic.

94% of community and 83% of work-based credit unions said the development worker shared their philosophy on the aims and goals of a credit union.

50% of community credit unions and 30% of work-based credit unions still have a development worker currently involved. In community credit unions, development workers provide advice when needed (60%), train volunteers (32%) and work as a volunteer (29%). In work-based credit unions, they provide advice when needed (50%) and work as a volunteer (50%)

The above figures confirm the high involvement of local authority and agency development workers in credit unions. Surprisingly, training is not seen as a high activity (no work-based credit union has development workers who offer assistance in training). Support is mainly in the form of advice (unspecified) when needed. Only 3% of supported community credit unions, and no work-based credit unions, have a development worker who assists with IT support. Only 5% of community credit unions, and no work-based credit unions have help with internal auditing. Again surprisingly, only 8% of supported community credit unions, and no work-based credit unions, say the development worker assists with liaising with outside agencies.

Dependency on development workers

	Community	Work-based
Could not survive without them	13%	0%
Could survive but with difficulty	49%	11%
Survive without them quite easily	32%	67%
Survive without them very easily	7%	22%

Significantly, those community credit unions with less than £20k in assets (below Birmingham CUDA level 1 classification) indicated an even higher dependence on development workers. 18% of them could not survive without them and 54% could survive but with great difficulty. 1997 AR20 statistics show that there are 140 community credit unions with less than £20k in assets. It is realistic to conclude that a high proportion of these are remaining dependent on development workers.

Q13 What would you do differently now if you were setting up a new credit union today?

The following are the replies to this open question:

	Community	Work-based
Better training	20%	20%
Recruit more staff/volunteers	18%	5%
Do nothing differently	18%	15%
Be more professional/business like	14%	27%
Recruit staff/volunteers more carefully	12%	10%
Better assessment of size of common bond	8%	17%

Only those responses over 10% of the total replies in either group are given

Training features highly in both sectors. It is reasonable to conclude, from replies to earlier questions, that this arises from an increasing appreciation for the need for management and financial skills. The differences, with regard to being more professional and the recruitment of volunteers, reflect the concerns of the respective sectors. Surprisingly, only 8% of community credit unions mentioned the size of the common bond even though this featured as a high concern in other research exercises[33].

Q14 Overall satisfaction with the success of the credit union.

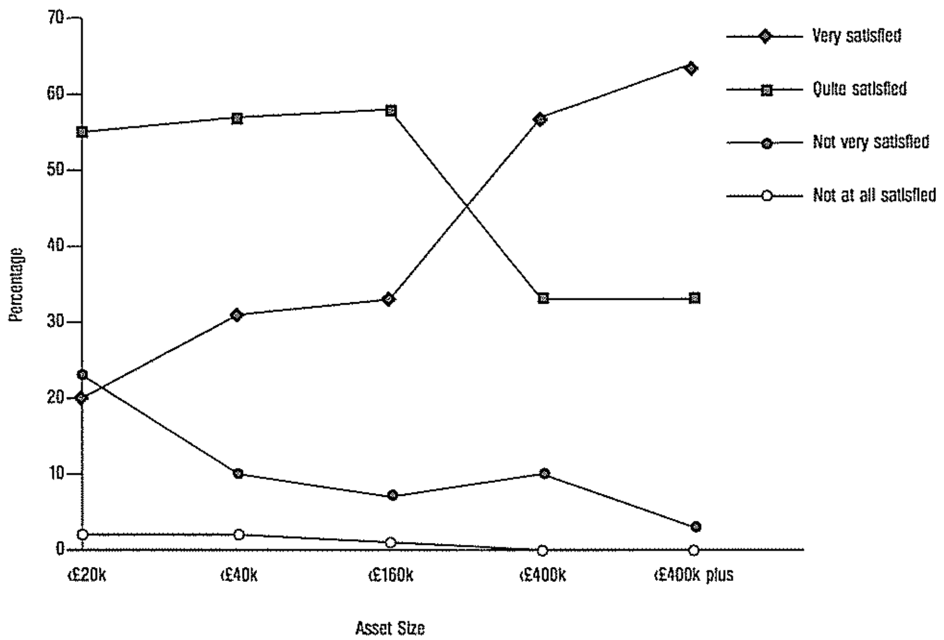
Credit unions were asked to rate their satisfaction levels with regard to their number of members, their quality of service, their financial viability, their achieving social goals, and their attracting sponsorship.

As the first chart below shows, credit unions have relatively high satisfaction levels with regard to their financial viability. Larger credit unions were, for the most part, very satisfied. Smaller credit unions were, overall, quite satisfied. 75% of credit unions under £20k in assets were either satisfied or very satisfied with their financial viability. This must raise serious questions for the movement about how these credit unions assess financial viability as none of them make the basic level 1 of the Birmingham CUDA's self-sufficiency and economic viability levels. It reflects the fact that there is no commonly agreed way of assessing credit union financial viability in the movement. In fact, the research has gathered no evidence that financial viability has been a key learning outcome in the majority of credit union training and development programmes.

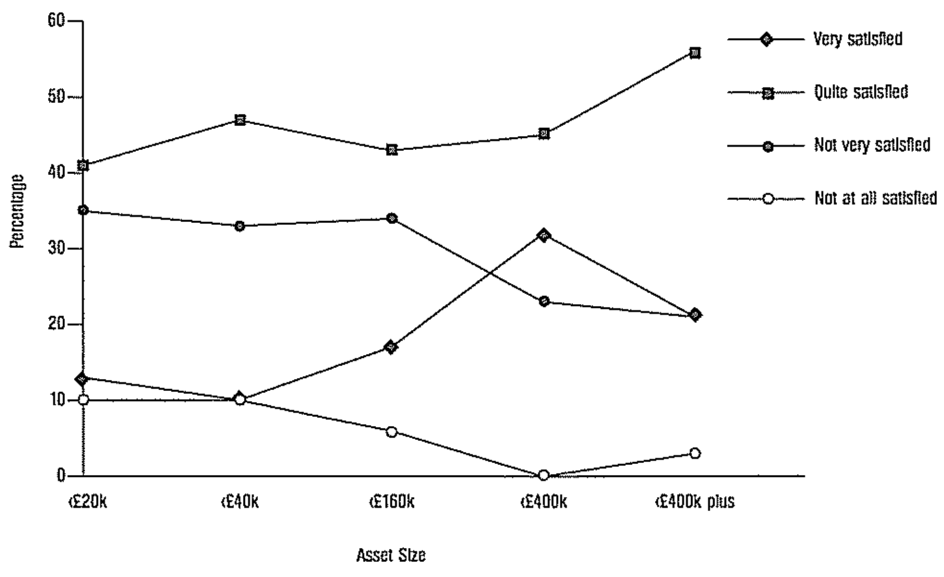
[33]cf the later chapters on the focus groups and the case studies

In the second chart below, moderate satisfaction levels with regard to the number of members were recorded. However, 45% of smaller community credit unions, less than £20k in assets, did state that they were either not very satisfied (35%) or nor at all satisfied (10%) with membership growth. This same percentage dissatisfaction level applied to all small credit unions less than £160k in assets. It is clear that credit unions can more readily assess performance in the recruitment of members than they can in their financial viability. Nevertheless, this leaves 55% of these small credit unions, many with only a few hundred members of less, satisfied with their membership levels.

Overall satisfaction - financial viability



Overall satisfaction - number of members

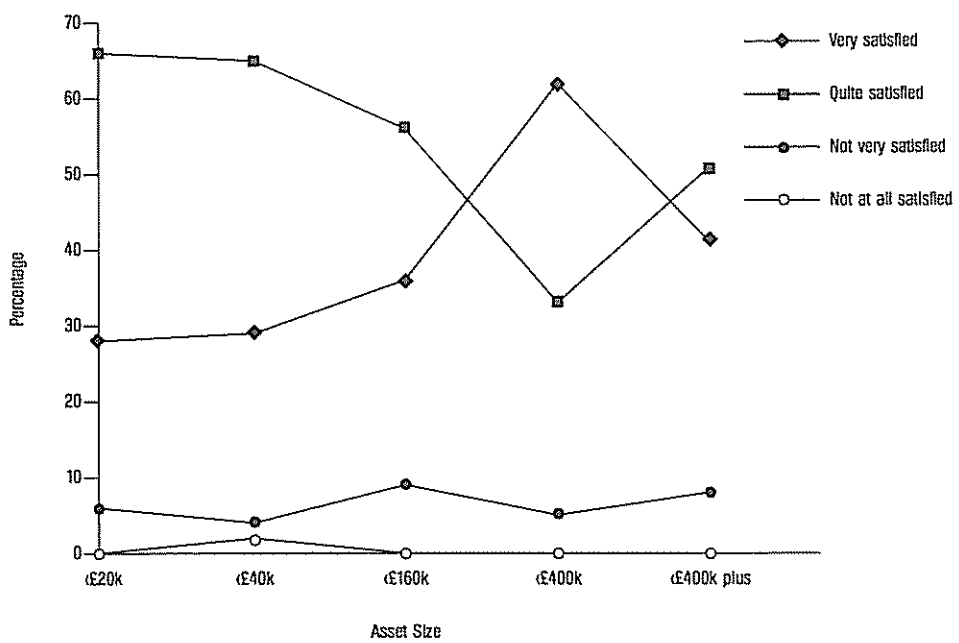


The following graphs indicate satisfaction levels with regard to quality of service, ability to attract sponsorship and achieving social goals.

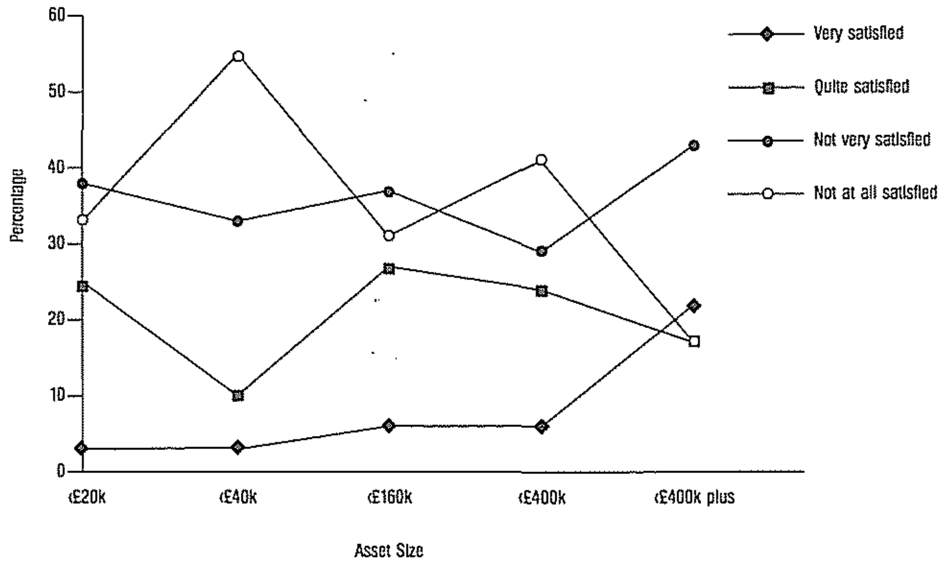
Overall high satisfaction rates were recorded with regard to the quality of service offered to members. 93% of community credit unions were very satisfied, or quite satisfied, with their quality of service compared with 94% of work-based credit unions. In some ways it is hard to interpret this high figure without asking questions about how credit union volunteers assess quality in the kind of service they give to members. Subsequent replies in this questionnaire indicate that the quality of service is seen in terms of the personal care of members rather than the access to and range of financial services.

The only factor credit unions were in full agreement about was their dissatisfaction with their lack of ability to attract sponsorship. 74% of community credit unions and 59% of work-based credit unions were not very satisfied, or not at all satisfied, in their efforts to attract sponsorship. Perhaps there was some misunderstanding as to what was meant by sponsorship in this question as it is difficult to square this high level of dissatisfaction with the high investment and support of outside funders, particularly local authorities.

Overall satisfaction - quality of service to members

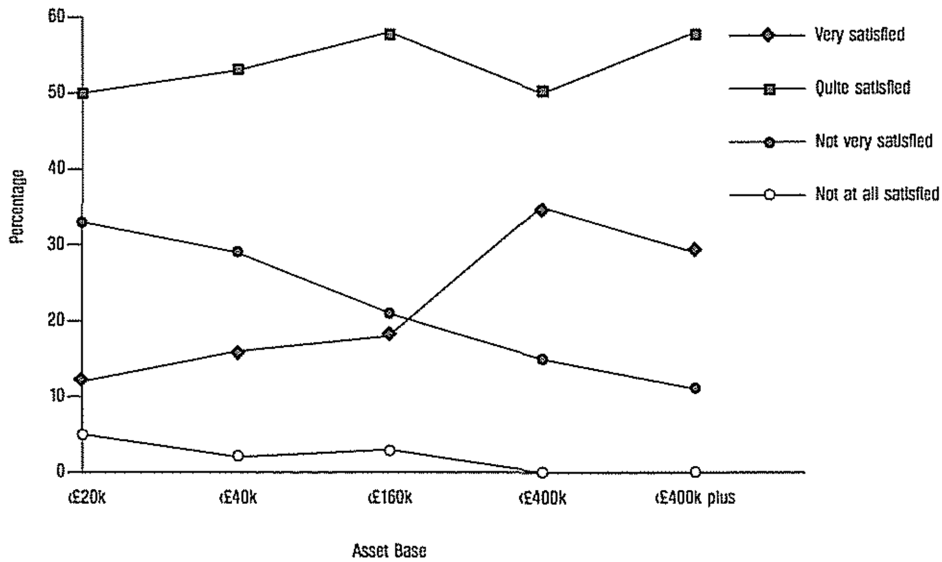


Overall satisfaction - attracting sponsorship



Relatively high satisfaction rates were recorded by credit unions in achieving social goals. Smaller credit unions tended, overall, to be less satisfied even though 50% of credit unions, with less than £20k in assets, stated that they were quite satisfied.

Overall satisfaction - achieving your social goals



Q15 Which goals have you achieved?

Asked to select which goals they had achieved from a given list, 84% of community credit unions and 82% of work-based credit unions prioritised the personal care and support of members. The second goal claimed as achieved, by 79% of community and by 64% of work-based credit unions, was the personal growth of volunteers. 66% of larger work-based credit unions and 79% of larger community credit unions, with over £400k in assets, stated they had created paid jobs. These replies tended to support the hypothesis that credit union achievement is assessed more in terms of the personal care of members and volunteers than it is in terms of financial and economic outcomes.

Other goals claimed, by over 40% of respondents, as attained by community credit unions, are achieving greater social cohesion (45%) and the support of community activities (42%). There were no other goals claimed by a significant sample of work-based credit unions. Only 10% of work-based and 15% of community credit unions claimed to have enabled community businesses.

Replying to a completely open question, community (57%) and work-based (50%) credit unions claimed they knew they had achieved these goals from feedback from members, volunteers and staff. 24% of community and 33% of work-based credit unions said they knew from the fact that volunteers were working more confidently and efficiently.

Q16 Volunteer Participation

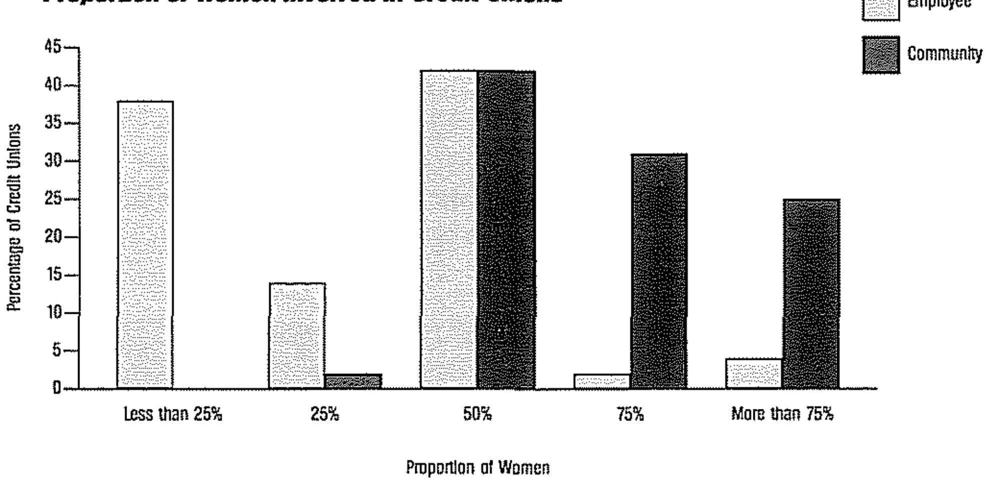
Credit unions were asked how many volunteers participated in board meetings and in the day to day running of the credit union. Smaller credit unions, all community, with less that £20k in assets, have somewhat fewer people participating in board meetings and involved in the day-to-day running of the credit union. 59% of these credit unions have 1-9 people involved in the day-to-day running of the credit union compared with 39% of community credit unions overall. Interestingly, about a fifth of larger credit unions, mostly work-based, have more than 20 volunteers involved in the day-to-day running of the credit union. This same high figure is also reflected in the £160 - £400k asset band (not indicated in the following tables).

	Participation In Board Meetings			
	Community	Work-based	<£20k In assets	£400 plus In assets
4 - 6	16%	8%	22%	8%
7 - 9	35%	35%	45%	32%
10 - 12	32%	31%	23%	32%
13 - 15	13%	23%	8%	26%
16 - 20	3%	2%	2%	0%
More than 20	0%	0%	0%	0%

	Volunteers involved in day-to-day running of the Credit Union			
	Community	Work-based	<£20k in assets	£400 plus in assets
None	0%	21%	0%	19%
1 - 3	3%	13%	3%	8%
4 - 6	19%	31%	34%	22%
7 - 9	17%	8%	22%	8%
10 - 12	17%	8%	15%	11%
13 - 15	15%	8%	12%	6%
16 - 20	17%	4%	9%	3%
More than 20	12%	6%	4%	22%

There is a marked difference between community and work-based credit unions in the proportional level of participation of men and women. In 52% of work-based credit unions, women make up only 25%, or less, of those involved. On the other hand, in 56% of community credit unions 75% or more of those involved are women. This difference undoubtedly impacts on the culture and operations of the two groups of credit unions. Interestingly, overall, Scotland has proportionately more women involved than England and Wales. In 72% of all credit unions in Scotland, at least 75% of those involved are women compared with 46% of credit unions in England and Wales.

Proportion of Women involved in Credit Unions



Q 17 Paid Staff

Percentages of Credit Unions having paid staff			
Community	Work-based	‹£20k in assets	£400 plus in assets
10%	78%	1%	92%

Work-based and larger credit unions employ paid staff and smaller credit unions rely on volunteer support. Paid staff clearly play a significant factor in enabling growth in credit unions.

Number of staff employed by Work-based Credit Unions		
One full time	Two or more full time	Part-time
35%	32%	33%

Of work-based credit unions employing part-time staff, 33% employ one or two part-time staff members for 20-30 hours per week. 30% employ one or two part-time staff members for 10-19 hours per week and 15% employ one or two part-time staff members for less than 10 hours per week.

Number of staff employed by Community Credit Unions		
One full time	Two or more full time	Part-time
19%	19%	62%

Of the small number of community credit unions employing staff, the majority employ part-time staff members. Of those employing part-time staff, 43% employ one or two part-time staff members for 20-30 hours per week. 38% employ one or two part-time staff members for 10-19 hours per week and 19% employ one or two part-time staff members for less than 10 hours per week.

Q18 How strongly do you agree or disagree with each of the following statements?

Credit unions were asked to state if they strongly agree, slightly agree, slightly disagree or strongly disagree with five statements (listed below). The replies were graded from 1, strongly agree, to 4, strongly disagree. Taking into account standard errors, the replies of the community and work-based credit unions, and those with less than £20k and more than £400k in assets, are listed as follows:-

	Community	Work-based	‹£20k in assets	£400 plus in assets
Our volunteers are spending too much time on credit union business	slightly agree	slightly disagree	slightly agree	slightly disagree
Our volunteers are becoming tired and losing interest	slightly disagree	slightly disagree	slightly disagree	slightly disagree
We are not attracting enough new volunteers	strongly agree	slightly agree	strongly agree	slightly agree
We are dependent on volunteers for the day to day running of the credit union	slightly agree	slightly disagree	slightly agree	slightly disagree
We would like to employ paid staff but can't afford it	slightly agree	slightly agree	slightly agree	slightly disagree

It is significant that 41% of all community credit unions strongly agree, and 24% slightly agree, that their credit unions are too dependent on volunteers.

Another important finding was that 48% of all community credit unions strongly agree, and 21% slightly agree, that they would like to employ paid staff. 69% of all community credit unions agree, to some extent, that they would like to employ paid staff.

68% of all community credit unions strongly agree, and 21% slightly agree, that they are not attracting enough new volunteers. This must be a very significant factor in planning the expansion of the community-sector movement.

33% of community credit unions strongly disagree that volunteers are losing interest. It is safe to conclude, despite the increasing work load, volunteers continue to be interested in and committed to the development of the credit union movement.

Q19 Computerised Accounts

94% of all work-based credit unions have computerised accounting systems compared with 58% of community credit unions. 95% of credit unions with more than £400k in assets have computerised accounts compared with 46% of credit unions with less than £20k in assets.

Community credit unions, on manual systems, were asked how important it is to computerise the accounts. 40% said it is very important and 31% said it is quite important. Computerisation is being seen increasingly, therefore, as an essential factor in the organisational development of community credit unions.

The largest factor preventing computerisation is identified to be the cost by 58% of community credit unions and 67% of work-based credit unions. Significantly, 27% of community credit unions stated that they are not sufficiently familiar with computers.

Q 20(a) Premises

53% of community credit unions operate from community centres or church halls. 26% operate from volunteers, homes. 12% stated they operated from local authority premises and 17% from their own premises.

63% of work-based credit unions operate from their employers' or work premises and 29% from their own premises.

Q20(b) Image

73% of community credit unions state their image is friendly, 69% that it is community and people-orientated and 27% that it is professional. 80% of work-based credit unions state their image is friendly, 67% that it is professional, and 18% that it is highly professional.

Q21 Collection Points

82% of work-based credit unions have only one collection point or main office.
30% of community credit unions have one collection point, 31% two, 19% three and the remainder more than three.

	Collection Point (main office) Opening Hours per week			
	Community	Work-based	‹£20k in assets	£400 plus in assets
1 - 3	32%	0%	50%	3%
4 - 6	32%	4%	24%	3%
7 - 10	18%	2%	19%	3%
11 - 15	5%	8%	3%	8%
16 - 20	1%	8%	0%	3%
20 - 30	5%	12%	1%	21%
30 - 40	4%	50%	0%	47%
More than 40	2%	16%	3%	13%

The differences are evident in the above tables. Community credit unions are open for much fewer hours than work-based and larger credit unions. 62% of all community credit unions are open for 6 hours or less per week. 50% of credit unions with less than £20k in assets are open for 3 hours a week or less (there are 140 credit unions of this size in Britain). Clearly, credit unions with mainly volunteer staff are not able to offer a more accessible service.

43% of employee credit unions stated that their main office was permanently staffed. This compared with just 15% of community credit unions.

Q23 Banks

45% of all work-based credit unions and 40% of all community credit unions bank with The Co-operative Bank.

The only other banks, having 10% or more of credit unions in the sample, are the Bank of Scotland (13% of community, 4% of work-based) and Unity Trust Bank (10% of community, 12% of work-based).

49% of all community credit unions were very satisfied with the service they received from their bank and 38% were quite satisfied. This compared with 41% of work-based credit unions that were very satisfied and 53% that were quite satisfied. The following tables indicates reasons for satisfaction or dissatisfaction with banking services:-

	Why satisfied with the service			
	Community	Work-based	‹£20k in assets	£400 plus in assets
Good working relationship	39%	39%	38%	37%
Provides a good service	32%	32%	27%	50%
Free banking/no charges	27%	20%	23%	17%

	Why not satisfied with the service			
	Community	Work-based	‹£20k in assets	£400 plus in assets
No communication/contact	23%	100%	10%	100%
Mistakes on account	23%	50%	30%	0%
Problems with members cashing cheques	23%	0%	20%	0%
No local branch	27%	0%	30%	0%

Q25 Scenarios over the next 5 years

Credit unions were asked, which of the following scenarios did they envisage happening over the next five years. Only one scenario could be selected. An overwhelming majority selected that membership will increase.

	Community	Work-based	<£20k in assets	£400 plus in assets
Membership will increase	88%	84%	85%	92%
Membership will stay the same	1%	0%	1%	0%
Membership will decline	0%	0%	0%	0%
Will go out of business	2%	2%	1%	0%
Amalgamate with another credit union	8%	6%	12%	0%
Absorb smaller credit unions	0%	8%	0%	8%

Given the statistical evidence that credit unions, particularly many community credit unions, are not significantly increasing their membership, credit unions were asked why they felt membership would increase.

- 42% of community credit unions stated membership had been increasing over time, as did 29% of work-based credit unions.

- 30% of community credit unions stated they were making an effort to increase membership, as did 37% of work-based credit unions.

The community and work-based credit unions who stated that they would go out of business attributed this to lack of volunteers (60% of credit unions) rather than lack of members (40% of credit unions).

47% of the credit unions, all community, considering amalgamation said that if they did not join together they would go out of business. The work-based credit unions absorbing smaller credit unions all stated the reason was that the small credit unions were either struggling or not successful.

Q26 Role for Credit Unions in the Future

An overwhelming 99% of community and 100% of work-based credit unions considered that there was a role for credit unions in the future.
In identifying this role, the following replies were given to an open question:

	Community	Work-based	<£20k in assets	£400 plus in assets
Expand the range of financial services available	23%	48%	16%	53%
Continue service to low status groups/low paid	22%	8%	28%	11%
Provide an alternative to the big financial institutions	17%	10%	17%	13%
Offer financial services to everyone	10%	13%	10%	11%
Small loans and savings company	11%	10%	14%	11%

Only those replies with 10% or more of the total are recorded

Significantly, the majority of replies concentrate on providing financial services. Only 2% of credit unions identified the relief of poverty in reply to this question.

Q27 Desirable factors contributing to the future growth and development of credit unions. How likely is it that they will be implemented within the next five years.

Credit unions were asked to rate a series of factors that could be understood as contributing to the development of credit unions. These ratings were on a four point scale that ranged from very desirable to not at all desirable, and from very likely to not at all likely. Credit unions were also asked to say if they had already achieved the factor in question. For simplicity, and ease or reading, only the figures for "very desirable" are quoted and these are compared with those for "very likely". The figures relate to the percentage of replying credit unions in the group. Credit unions are analysed according to membership growth band rates[34]. Band 1 represents slow membership growth rate credit unions and band 5 represents high membership growth rate credit unions.

Community Credit Unions - compared by membership growth rate

	Band 1	Band 2	Band 3	Band 4	Band 5
			Increasing Number of Members		
Very Desirable	70%	73%	77%	83%	92%
Very Likely	22%	35%	67%	61%	92%
			Having Computerised Accounts		
Very Desirable	36%	48%	53%	52%	83%
Very Likely	33%	32%	49%	43%	50%
Already Achieved	22%	27%	26%	26%	8%
			Having Paid Employees		
Very Desirable	24%	43%	34%	45%	50%
Very Likely	2%	12%	11%	22%	23%
Already Achieved	5%	0%	6%	5%	8%
			Increasing Number of Branches		
Very Desirable	32%	46%	47%	45%	33%
Very Likely	13%	20%	40%	20%	31%
Already Achieved	0%	0%	2%	0%	17%
			Having High Street Premises		
Very Desirable	26%	54%	52%	43%	69%
Very Likely	4%	12%	27%	9%	23%
Already Achieved	2%	2%	13%	17%	0%
			Increase Size of Common Bond		
Very Desirable	34%	46%	43%	30%	42%
Very Likely	13%	28%	34%	22%	23%
Already Achieved	9%	0%	0%	10%	17%
			Being Less Reliant on Volunteers		
Very Desirable	20%	36%	33%	14%	31%
Very Likely	2%	12%	7%	0%	15%
Already Achieved	0%	0%	2%	0%	15%
			Offering a more Professional Service		
Very Desirable	26%	44%	59%	43%	55%
Very Likely	13%	24%	25%	10%	17%
Already Achieved	7%	0%	4%	4%	9%
			Developing a Range of Other Services		
Very Desirable	24%	34%	33%	18%	46%
Very Likely	6%	18%	23%	10%	23%
Already Achieved	2%	0%	0%	0%	0%

Overall higher growth rate community credit unions place greater emphasis on a commitment to increasing members, computerisation, premises and offering a more professional service. Significantly, 50% of band 5 and 45% of band 4 credit unions regard having paid staff as very desirable. As with other categories, there was less confidence that this is very likely to happen.

Work-based Credit Unions - compared by membership growth rate

	Band 1	Band 2	Band 3	Band 4	Band 5
			Increasing Number of Members		
Very Desirable	67%	80%	78%	91%	70%
Very Likely	0%	40%	56%	64%	70%
			Having Computerised Accounts		
Very Desirable	33%	20%	22%	56%	15%
Very Likely	67%	40%	22%	70%	10%
Already Achieved	0%	60%	78%	33%	80%
			Having Paid Employees		
Very Desirable	0%	40%	33%	40%	30%
Very Likely	0%	20%	11%	33%	5%
Already Achieved	33%	20%	56%	20%	70%
			Increasing Number of Branches		
Very Desirable	0%	50%	25%	30%	22%
Very Likely	0%	0%	14%	10%	11%
Already Achieved	0%	25%	13%	10%	0%
			Having High Street Premises		
Very Desirable	0%	25%	25%	30%	15%
Very Likely	0%	0%	0%	20%	10%
Already Achieved	0%	0%	0%	10%	30%
			Increase Size of Common Bond		
Very Desirable	0%	75%	63%	60%	60%
Very Likely	0%	40%	38%	50%	37%
Already Achieved	0%	0%	0%	0%	100%
			Being Less Reliant on Volunteers		
Very Desirable	0%	40%	33%	50%	10%
Very Likely	0%	60%	25%	33%	5%
Already Achieved	0%	20%	22%	0%	35%
			Offering a more Professional Service		
Very Desirable	0%	80%	56%	80%	55%
Very Likely	0%	80%	38%	60%	40%
Already Achieved	0%	20%	22%	0%	50%
			Developing a Range of Other Services		
Very Desirable	0%	80%	56%	82%	60%
Very Likely	0%	40%	44%	27%	35%
Already Achieved	0%	0%	0%	0%	0%

"For an explanation of membership growth band rates see earlier in this chapter

Care needs to be exercised in interpreting the above table. There are very few band 1 work-based credit unions so percentage figures in this category may be unreliable. Also, figures seem to have become distorted insofar as many work-based credit unions already have achieved some of these factors for growth. However, it is noticeable that band 5 credit unions overwhelmingly prioritise the desirability of increasing the number of members. This reflects, what appears to be true in other areas of this research, that credit unions are most likely to grow into large, sustainable financial institutions when they have a vision for growth and a bias for action. Growth is seen in these credit union as an opportunity rather than as a threat. Interestingly, this is the only case where desirability matches likelihood.

The three other factors that appear to be related to growth in the replies of the work-based credit unions are a commitment to increasing the size of the common bond, being more professional and developing a range of other services.

It is significant that band 5 credit unions, whether community or work-based, stress increasing membership, professionalism and developing other services. This leads to the conclusion that high membership growth rate community and employee credit unions have some fundamental perspectives and priorities in common.

Q29 Factors which limit growth and development

Community Credit Unions

	Band 1	Band 2	Band 3	Band 4	Band 5
The common bond	slightly agree	slightly agree	slightly agree	slightly agree	slightly agree
Restrictive legislation	slightly agree	slightly agree	strongly agree	strongly agree	strongly agree
Volunteer burnout	slightly agree*	strongly agree	slightly agree*	slightly agree	slightly agree
Lack of new volunteers coming through	strongly agree	strongly agree	strongly agree	slightly agree*	slightly agree
Lack of external funding	slightly agree	slightly agree	slightly agree	slightly agree	slightly agree
Lack of business skills amongst volunteers	slightly agree	slightly agree	slightly agree	slightly agree	slightly agree
Increased legislation	slightly agree	slightly agree	slightly agree	slightly agree	slightly agree

** These Credit Unions were very near to strongly agreeing - only missing by a second decimal point*

The big issue, reflected in the above table, is that 50% of all community credit unions strongly agree, and 36% slightly agree, that volunteer burnout is restricting the growth of their credit union. This figure rises in credit unions with less than £40k in assets. Here a staggering 66% of credit unions strongly agree, and 26% slightly agree, that they are experiencing volunteer burnout.

Work-based Credit Unions

	Band 1	Band 2	Band 3	Band 4	Band 5
The common bond	slightly agree	strongly agree	slightly agree	strongly agree	slightly agree
Restrictive legislation	slightly disagree	slightly agree	strongly agree	strongly agree	strongly agree
Volunteer burnout	slightly agree	slightly agree	slightly agree	slightly agree	slightly agree
Lack of new volunteers coming through	slightly agree	strongly agree	slightly agree	slightly agree	slightly agree
Lack of external funding	strongly disagree	slightly agree	slightly agree	slightly disagree	slightly disagree
Lack of business skills amongst volunteers	slightly disagree	slightly agree	slightly agree	slightly disagree	slightly disagree
Increased legislation	slightly agree	slightly agree	slightly agree	strongly agree	slightly agree

It is very significant in the above table, as in the community credit union table, the more successful band 4 and band 5 credit unions strongly agree that credit union growth and development is being limited by restrictive legislation. This must be a real issue for the Government as it endeavours to promote the development of credit unions.

Q30 Amalgamations

When asked about amalgamating with other credit unions, both community and work-based credit unions were "quite interested" in the idea. This interest was stronger in smaller credit unions. For example, of the 124 credit unions replying to the survey that had less than £40k in assets, 30% were very interested and 30% were quite interested. 60% of such a large number of small credit unions showing interest in amalgamation is highly significant and, if anything, indicates a desire for change.

Q31 Take-overs

The notion of being taken over did not appeal to credit unions, whether community or work-based. 28% of community credit unions were not very interested and 45% were not at all interested. The figures for work-based credit unions were 20% and 57% respectively.

Q32 What would be needed to be able to expand in the future?

To this open question, the replies were:

	Community	Work-based	<£20k in assets	£400 plus in assets
More volunteers	37%	9%	46%	6%
Increase/employ paid staff	17%	7%	13%	11%
More members	20%	16%	25%	11%
Changes in legislation	6%	14%	4%	17%
Greater awareness among the public	21%	16%	13%	17%
Change/increase the common bond	11%	27%	9%	19%
Better training/improve skills	13%	9%	12%	14%
Better/permanent premises	25%	2%	19%	8%
More funding	16%	11%	15%	11%

Only those replies with 10% or more of the total are recorded

The particular concerns of community and smaller credit unions surface in the above table. Premises and the lack of volunteers are recurring themes for community credit unions. 46% of credit unions under £20k (and there are 140 credit unions in this category in Britain) are short of volunteers. Legislation and changes in the common bond are key factors for work-based and larger credit unions.

Q33 Vision for the future

The questionnaire concluded by presenting credit unions with a vision for the future. It was encapsulated in the following statement and credit unions were asked if they, strongly or slightly, agreed or disagreed with it.:

It is maintained that, in order to survive in the future, credit unions will need to change. It is considered that credit unions will retain a clear commitment to mutuality, community and social goals. However they will have to achieve greater financial viability and sustainable growth by:

- being operated more like a professional financial service
- redefining common bonds to create larger markets
- having (more) paid staff to carry out day-to-day activities
- redefining the role of volunteers (policy, promotion, direction etc. rather than day-to-day administration)
- offering a wider range of services and products (insurance, bill paying, credit cards)
- amalgamation with other credit unions

73% of work-based and 41% of community credit unions strongly agreed with this statement. 16% of work-based and 30% of community credit unions slightly agreed. Therefore, 76% of all credit unions agreed, to some extent, with this vision for the future. Of all credit unions, only 7% disagreed slightly and only 8% disagreed strongly. To use real numbers, out of the 197 community credit unions answering this question, only 20 disagreed in any kind of way. Of the 49 work-based credit unions answering the question, none disagreed. 11 credit unions, although completing the questionnaire, failed to answer this particular question. By agreeing with this vision, credit unions show themselves committed to meeting the challenge of becoming an important financial service for all people in Britain. By reaffirming their commitment to social goals in this statement, credit unions reaffirm their role in serving those who have been excluded by the mainstream financial sector.

Chapter 4 - The Focus Groups

1. Background

Three focus groups were held in Glasgow, Liverpool and Telford. Even though participation in the groups was necessarily limited, people were invited in order to reflect as wide a range of experience within the credit union movement as possible. Among the participants were volunteer officers, both in community and industrial credit unions, development workers, both from local authorities and agencies, and one credit union employee. Most participants had been activists in credit unions for more than five years and some for a considerably longer period. A list of all the 21 group participants is given at the beginning of the report.

In the groups, participants were invited to reflect upon their own experience and to identify factors that they considered contributed to credit union best practice and success. At the same time, the groups were asked to identify those barriers to success, both in the promotion and management of credit unions, that they had encountered over the years. Finally, participants were asked to suggest, out of their individual and collective learning, general thoughts and conclusions around the future sustainable development of the movement.

Each of the three groups followed the same pattern of inquiry and were facilitated by a member of the research team. The focus group discussion questions were as follows:

1) From your own experience, can you identify the key indicators that determine success, for you, in credit union development?

2) Can you now rank these indicators, as a group, in order of priority?

3) What barriers have you encountered in achieving success?

4) What are your reactions to the following statements (presented on overhead slides):-

- *a) Our Credit Union is the People's Bank*
- *b) We are here to get rid of loan sharks*
- *c) Credit Unions are here to combat poverty*
- *d) Banks are financial institutions*
- *e) Credit Unions are financial institutions*
- *f) The most important people in credit unions are the volunteers*
- *g) The most important people in credit unions are the members*

5) If you were launching your Credit Union tomorrow, what would you do differently and what would you do the same?

6) Where will your Credit Union be in 10 years time and what will have been the key factors that will have influenced its getting there?

2. Focus Group Findings - Key Indicators of Success

What counts as success in credit union development has neither been defined nor commonly agreed within the movement. Credit union activists seem to have a range of measures by which they assess the individual progress of credit unions. Some use rigorous indicators to measure financial and management performance and actively compare this performance against that of other credit unions within their peer group. Others may not be used to using financial and management indicators at all. Their sense of progress may be determined more by the level of satisfaction and camaraderie of the volunteers and the amount of involvement in the local community.

It was not surprising therefore that, when asked to identify the key factors that indicated, for them, success in credit union development, focus group participants came up with a wide range of replies. The indicators of success identified were:

- the number of members
- penetration rate
- continued growth
- reaching all the community
- community identity
- community awareness
- being aware of needs of community
- having members from all backgrounds
- not seen as poor people's bank
- level of awareness in the community
- having a vision
- having aspirations
- credit union volunteers having skills
- commitment of volunteers
- common ownership by members
- membership satisfaction
- volunteer satisfaction
- independence
- autonomy
- not being dependent on handouts, grants or external funding
- sustainability
- self-sufficiency
- solvency
- viability as a business
- having a business plan
- asset level
- loans ratio to assets
- number of loans
- the size of loans
- having regular savers
- business/financial viability
- using profit wisely
- turnover
- paying a dividend
- research prior to registration
- having operating systems
- effective committee structures
- rationale for being there
- good communications
- job creation
- ability to delegate powers
- sense of openness
- being accountable
- having human and financial resources
- self-education
- pride in what we do
- having clear and precise policies
- realistic loans policy
- accessibility of collection points
- having junior collection points
- volunteer training
- reduced activity of loan sharks
- co-operation between credit unions
- realistic development
- continuous analysis
- flexibility
- effective management
- enthusiastic board of directors
- effective credit control
- good supervisory committee
- membership pride in credit union
- membership confidence
- acceptance and support from non-members
- marketing strategy
- recruitment strategy
- level of professionalism

The above indicators reflect a diversity of approaches to credit union development and practice. They range widely in their application and in their ability to be measured and evidenced. Some were clearly quantitative and others very much more qualitative. Some identified indicators would themselves require their own criteria of success and yet further indicators to measure that success. How, for example, does a credit union know that it is "aware of the needs of the community" and, indeed, responding to those needs? However, what is, important to note is that, in the three focus groups, there was no readily agreed way of measuring credit union progress. There were no bench-marks, nor commonly held series of clear performance indicators, that all activists immediately, and unreservedly, recognised as evidencing success[35].

It is reasonable to conclude that differing approaches to evidencing credit union success arise out of somewhat different understandings of the purpose of credit unions. However, in the groups' attempts to prioritise indicators of success, it was possible to identify a number of theme areas around which participants ranged their thoughts. The themes were:

a) Business and Financial Viability

Participants had varying understandings of credit unions as businesses. Some admitted that they had not understood that they were entering into a business venture when they first became a volunteer in a credit union. *"We weren't told we were starting a business"*, explained one Greater Manchester volunteer. *"But, if it was a business, why did we go to the Local Authority for help, businesses wouldn't normally go there"*, added a participant from Merseyside. In Telford, a number of people felt that the stress on business development somehow undermined the community focus of the credit union. *"The credit union should be a strong resource in the community, not just in financial or business terms. It is about people meeting people, like we used to do at Church, people get to know one another and develop a community spirit. Credit unions should be doing something for the community"*, stressed one of the Telford volunteers.

Coming to a realisation that credit unions are businesses was an important learning curve identified by a significant number of participants. They explained that they had changed their views considerably about the business skills needed to run a credit union successfully. They admitted that it was not something that they had thought about when they first became involved and neither had it formed a central part of their training. They had felt they were becoming involved in a community project, or service, rather than a financial business. *"We were registered in 1990 and were a sleepy little credit union with a couple of hundred members, burning up lots of volunteers' time just to stand still, the catalyst to get the credit union off its butt was to realise that we were a business and to sit down and write a business plan"*, stated one determined volunteer from Manchester. *"It is just a fact"*, he added, *"that successful community businesses need to have an entrepreneurial spirit and get out there and make things happen"*.

Volunteers from larger community and employee credit unions were very clear that credit unions succeed, or fail, as businesses. They had no doubt that credit unions were subject to the same economic, managerial and organisational demands as any business, either within the private or community enterprise sector, and had to develop themselves accordingly. *"We are either a small business or we are not"*, stressed a volunteer from one of the Scottish industrial credit unions, *"and we certainly are, and should be, in the business sector"*.

[35] One credit union, replying to a recent ABCUL survey, for example, defined itself as "somewhat healthy" and "somewhat optimistic". It had been registered for five years, had 69 members, £7,050 in shares, £3,000 out on loan, and no reserves. It estimated its common bond as having 9,000 potential members. Clearly, this credit union saw itself as "somewhat successful". So long as this credit union makes the necessary returns to the registry, there appears to be no generally agreed way, in the movement, of assessing if this credit union is, as it believes itself to be, "somewhat healthy" or not.

The focus groups identified a number of indicators that they felt pointed to business and financial viability. In particular, these were:

• **Vision** - participants, particularly in the larger credit unions, stressed that credit unions were most likely to grow into successful organisations when they had volunteers, and staff members, who shared a vision of developing the credit union into a financial institution that is owned, controlled and financed by members themselves. Interestingly, other volunteers, albeit sharing the importance of having a vision, set this within a more social, community or wider economic context. One Liverpool volunteer, for example, regarded credit unions as *"a vehicle to change the social and economic environment that we lived in"*.

• **Entrepreneurship/Leadership** - most participants recognised that successful credit unions, at least in the early days, all had a leader, or leaders, who were able to put the credit union's vision into practice. Successful leaders were seen to be dynamic, active and to have good business sense. *"You need someone to provide the spark, to make it happen"* (Merseyside volunteer). *"Successful businesses need to have an entrepreneurial mind-set"* (Manchester volunteer)

• **Business Plan** - having a business plan, and using it as a working document, was seen as good business practice. Participants agreed that many credit unions do not have a working business plan. As one Manchester participant maintained, *"the most important thing is to know where you are going, to know what your aims and objectives are, and to have these written down and agreed in a business plan"*.

• **Growth** - all participants saw success as stemming from a commitment to growth in members and in assets, even though they recognised that many credit unions had failed to grow as they had hoped. *"In seven years, we have achieved very little"*, admitted a Greater Manchester participant, *"we have only a membership of a couple of hundred out of a potential of over 20,000. We expected the credit union to be there for our children, but, at this rate, it won't be."* This lack of growth was clearly causing stress amongst some volunteers. *"I feel beaten up"*, said one Manchester volunteer, *"I know where our credit union wants to go, but it is the getting there that's the problem. It's the "how" to go beyond 300 members to something bigger."* A Glasgow volunteer was more direct, *"there should be something within the regulations to the effect that credit unions not growing should not be allowed to continue. What's the point of sitting on 100 members in a common bond of thousands?"*

• **Service** - the Glasgow group stressed that the credit unions that succeed are there, above all, for their members. Member service was, for the Scottish group, a key priority indicator. Even though other groups did agree upon the importance of member service, a different emphasis was detected among some participants. As one Telford participant maintained, *"it should be realised that the demands of the volunteers always come first"*.

• **Financial Sustainability** - all participants saw independence, viability and autonomy as characteristics of successful credit unions. There was less clarity on how these should be measured and a range of financial indicators were put forward. These included solvency, savings mobilisation, loans to assets ratio, growth in assets, delinquency ratio, ability to meet costs and pay a dividend. It is noteworthy that there was no agreed standard method of assessing financial sustainability. Some participants were hesitant around the notion of "profitability", feeling that not-for-profit organisations should not be profit orientated. Glasgow volunteers felt otherwise and stressed *"we should not be ashamed of making a profit"*. Participants, in the main felt strongly about grant aid. Some participants came from credit unions that had had substantial grant aid. They recognised, as did others, that initial grant aid, if used productively, can be very beneficial. On the other hand, they felt that if grants led to sustained dependency, they were counter-productive. Some participants in the Glasgow group felt strongly that credit unions should not rely on external grants. One participant stressed, *"grant dependency on the local authority is not acceptable"*. Another stated, *"credit unions must not be dependent, the basic responsibility lies with volunteers, we should not seek charitable hand-outs"*.

• **Effective Governance** - there was substantial agreement among all participants that success depended on having effective management structures and processes in place. To be effective, this management had to be committed, democratic, open, accountable and competent. An important learning curve for many participants had been around the competencies and skill levels required of volunteer directors. Many had been initially led to believe, often by development workers, that everyone had the skills to manage a credit union. Most participants no longer believed this. As one Telford participant explained, *"if I am to be honest about it, there is a lack of expertise, a lack of ability, among the volunteers. There is a role for everyone in the credit union, but not running it!"*.

• **Organisational Development** - Both the Glasgow and Telford groups noted that best practice involves the ability to develop the organisational and administrative systems of the credit union. *"It involves having marketing and recruitment strategies in place"* (Telford) and having *"clear and precise written policies"* (Glasgow).

b) Community Development and Social Purpose

The question as to whether success meant being involved in community activity or development revealed the greatest differences in emphasis among the participants. All agreed that successful credit unions have both social and economic goals. However, some participants, primarily from larger credit unions, saw their social commitment as operating through the way they managed their credit unions as financial institutions. On the other hand, other volunteers, particularly in Telford, saw the credit unions' social goals being fulfilled through a much more direct involvement in community activities and initiatives. As one Telford activist put it, *"being involved in community activities is at the heart of the credit union ethos. We are there to support members of the community, including those not in a position to join the credit union"*. In Liverpool, the community development emphasis, whilst being just as strong, was somewhat different. Here, in the words of one of the participants, credit union success was seen as being *"the hub and catalyst of the social and economic regeneration of the community". "The vision is holistic", she continued, "it is to create a network of co-operative support systems, financed through a mutual guarantee fund, with its own local currency system; in fact, a mini-Mondragon on Merseyside. The credit union is not just about finance alone, it's much wider than that"*.

c) Rationale or Purpose

The Glasgow group stressed that, in order to be successful, credit unions have to be clear about their purpose or rationale. The group felt that many volunteers were unclear about the purpose of credit unions and, inevitably, that led to poor performance. The Glasgow group saw the purpose of credit unions very much in terms of becoming co-operative, financial institutions, established to serve the financial needs of a large number of ordinary people within a particular common bond. Evidently, measurement of success depends on the prior identification of the purpose of credit unions.

d) Premises

It was commonly held by everyone that having the appropriate, professional premises to operate from was a key factor in credit union success and best practice. This did not mean that all credit unions had to have shop fronts. Some operated relatively successfully from a variety of locations. But they did need to operate from premises that inspired the confidence and trust of members, and potential members. "When you have permanent premises", said one participant, "it appears that you are around to stay". It was noted that, *"in Liverpool, the fastest growing credit unions are those in shops with their name over the door"*.

e) Job Creation

Participants from larger credit unions considered that to be successful in credit union development, it was important to employ part-time or full-time paid staff. Clearly, there are some examples of successful credit unions operating without paid staff. Nevertheless, employing staff was regarded by some as *"inevitable in successful credit unions"* (Telford). Others, also in Telford, were more hesitant about employing staff. They were *"worried about the effect on volunteers, who had been working for nothing, if paid staff were brought in"*. They felt that *"a credit union could be sustainable without people being employed"*. However, all participants agreed that an indicator of success for a credit union was being in a financial position to employ staff if it so chose.

3 Focus Group Findings - Barriers to Success

a) Making a False Start

There was a strong feeling among a substantial number of participants that they had made a false start in setting up their credit unions. Some felt that they been sold a false image of what credit unions were about and what they could achieve. *"I got involved"*, explained one Manchester volunteer, *"in setting up a credit union on a very small estate. I never ever heard mention of it being a business. We really felt it was a social service for people in need. The estate was one of highest areas of disadvantage in the borough. The common bond was tiny. Not only was 95% of the estate unemployed, people suffered poverty in educational terms also. We were teaching credit union volunteers basic English and maths to run a credit union. They had so many problems, most were single parents struggling to make ends meet. It was a great community development experience, but, as a credit union, it should never have happened. I am frightened that, out there, there are people who still don't know the difference and are continuing to set up credit unions as part of anti-poverty strategies without any idea of what's needed to make them work"*. Other participants felt that they had been part of a development that had been forced by development workers eager to achieve their targets of setting up so many credit unions within a specific time period. Others felt that they had started out with inadequate resources and capital. *"We started from a standing start"*, said one Greater Manchester participant, *"if we'd been setting up a business, we certainly would have been much more careful about ensuring we had sufficient resources to make it work. Unfortunately, the development workers were as inexperienced as we were"*.

b) Size of Common Bond

It was a commonly held view amongst participants that small common bonds, often centred around areas of high social disadvantage, had proved a significant barrier to success for many credit unions. "We were just too small", said one Greater Manchester volunteer, "we drew the common bond around a small estate. We left out the centre of the town on purpose. It was ridiculous!".

c) Image of Being Poor People's Banks

All participants stressed that the image of credit unions as poor people's banks was harming the credit union movement. Participants were clear that credit unions can play a significant role in serving those on low incomes and those excluded from mainstream financial services. However, as one Manchester volunteer put it, *"the perception of local authorities, community workers, and churches that credit unions are poor people's banks, and only form part of anti-poverty strategies, is really unhelpful"*. A Merseyside participant put it in stronger terms, *"in Liverpool, we hate the poor people's tag, but still it's a common perception and a dangerous perception"*. A Lancashire volunteer added, *"not only is it patronising, it encourages people to exclude themselves from credit unions. Who wants to declare themselves as poor?"*.

d) Lack of Suitable Premises and Resources

Poor premises, or the lack of premises, were identified as a critical barrier to success. Participants spoke of shabby and inaccessible premises stifling people's confidence in credit unions. "What message does it give", said one Merseyside volunteer, "when you can't access the credit union outside of collection times?". *"We want people to put their savings into the credit union"*, stressed a volunteer from Greater Manchester, *"would you put your money into a shoe box?"*. However, volunteers were clear that good premises alone did not answer all problems. Managing those premises well was just as important. "What's the point of having a decent shop-front", said one volunteer, "when it's closed most of the week?".

e) Volunteer Difficulties

All three groups identified difficulties in the recruitment and retention of volunteers. The Telford group identified this area of concern to be the "fundamental issue". Participants spoke of problems that ranged from the *"lack of skill and ability on the board and among the volunteers generally"* (Telford) to there not being *"enough volunteers to do the amount of work"* (Manchester). It was evident, in the experience of the participants, that volunteers were really struggling to maintain momentum within the credit union movement. As one Telford participant declared, *"some volunteers end up doing most of the work, stress is very high, we're so busy we are going under"*. This was confirmed by a Manchester volunteer, *"the problem is not apathy, it's that volunteers just don't have the time to run the credit union properly"*. Volunteer attitudes were noted as posing problems too. *"There's a lot of confusion among volunteers", noted one Manchester participant, "volunteering is seen as just helping out, rather than being involved in a business"*. The range of other comments by volunteers included *"existing volunteers won't take on the ideas of new volunteers, they are very protective, growth is being stifled"* (Telford), *"the volunteer situation can change from month to month, it creates a lot of instability"* (Manchester), and *"another problem is the volunteers with liberal attitudes, the do-gooders, those who say the credit union is not for them but for the poor people"* (Glasgow).

Participants did recognise the amount of time, effort and commitment being put into the movement by volunteers. Indeed they were mostly volunteers themselves. But there were real concerns around volunteer burn-out and stress. There were worries too around the ability of volunteers to meet the demands of running growing credit unions efficiently and professionally. Participants noted a lot of fear amongst volunteers. There was fear around losing existing volunteers; *"you've got to get the volunteers"*, it was said in Telford, *"but if you start to pressurise them, they will go"*. There was also the fear volunteers experienced in being increasingly responsible for the credit union and members' savings. Some volunteers felt so trapped that it led them to having *"sleepless nights"* (Telford). It was clear that this fear was affecting the growth of the credit union movement. "Volunteers fear growth", it was stated in Glasgow, "they often lack the confidence to handle a growing business."

f) Inappropriate Training and Education

Participants noted that, even though many credit union volunteers had undertaken a great deal of training, there was still a great lack of business expertise and ability in the movement. As one Telford volunteer put it, *"you can have volunteer training for years and years but still sustainability can be questionable"*. Two factors were identified in this. First, volunteers had often been recruited without taking into account their personal aptitude and ability to undergo training. Secondly, training had often been delivered by development workers, or others, who came from a community orientated background and who themselves lacked expertise in business and finance.

g) Dependency and Lack of a Spirit of Self-Reliance

The Glasgow group identified a cluster of barriers to success arising from the credit union development process itself, where that process had been initiated by an external agency. The group noted that externally promoted groups, that is groups promoted by development agencies, local authorities, etc., tended to be less self-reliant than self-promoted groups. Also external agencies tended to target more disadvantaged and less skilled individuals to become volunteer officials. This created a certain prolonged dependency on the external promoters. External agencies can also engage in a range of other practices that foster dependency in credit unions. These include tying credit unions into certain sources of grant aid that have particular set criteria (European Social Fund funding was mentioned in this regard by Merseyside participants), retaining control over credit union premises and resources and taking overall responsibility for credit union strategies and plans in particular areas.

4 Focus Group Findings - Feelings and Reactions

The groups were asked to give their immediate feelings and reactions on seeing a number of statements projected on overhead slides. The aim of this exercise was to identify some of the participants' underlying assumptions and beliefs about credit unions. The main reactions are given after each statement.

A. Our Credit Union is the People's Bank

"not approaching it, we ain't got the people in"; "we use it, but we always have a problem, we're bigger and broader"; "yes, a bank with a social conscience"; "we are a bank": "credit union is our bank"; "to say that is to give a false message"; "a credit union is not a bank".

B. We are here to get rid of loan sharks

"I bristle at that"; "NO!"; "no credit union can get rid of loan sharks" "it's a myth used by the media"; "we'll never do it".

C. Credit Unions are here to combat poverty

"we are certainly not here to tackle poverty": "it restricts growth to say that, I'm not poor!"; "that should not be part of credit union literature": "we do happen to help people, but tackling poverty is not our primary aim"; "nice idea, but we do it very little, other organisations are much more effective".

D. Banks are financial institutions

"yes": "of course".

E. Credit Unions are financial institutions

"partly"; "banks are 100% financial, but you can't say that of credit unions"; "we are more than that, I'm afraid we'll lose our niche in the market if we say we are just part of the financial sector": "totally, all we are involved in is being a financial institution"; "we are purely financial, our core business is financial"; "some people fear the concept of financial institution, they fear the responsibility so they deny it".

F. The most important people in credit unions are the volunteers

"no, it's got to be the members, they are the most important"; "but if we don't have volunteers, we can't have members", "history in this country has shown that credit unions fail because of lack of volunteers, not lack of members, the volunteers are the most important".

G. The most important people in credit unions are the members

In general, participants from smaller community credit unions considered volunteers were the most important, whilst participants from industrial and larger community credit unions felt the members were the most important.

5 Focus Group Findings - Doing Things Differently

Significantly all participants had views about how, if they were setting up their credit union again, they would tackle things differently. In one sense, this might be expected within any human endeavour. People generally learn from their experience and consider that they could do things better if they had their time all over again. However, it was the strength of their conviction that things ought to have been done differently that came over the strongest. As one Manchester participant stated forcefully, *"we were sold an image in the past which was not reality"*. In other words, she felt that what she had been sold in the past was not, in reality, workable. It was, for her, causing stress and anxiety and needed to change.

Overall the groups identified the following as things they would do differently, they would:

- ensure that they had enough skilled and competent volunteers and be honest with them about the commitment involved. They would *"tell volunteers about the blood, sweat and tears"* (Liverpool volunteer).
- take responsibility and make decisions themselves rather than fit into local authority plans. They would aim to be much more self-reliant.
- research thoroughly the need for, and feasibility of, a credit union and understand the nature of the market and the common bond. They would avoid small community common bonds and would include "live and work".
- treat credit unions like businesses from the start and set realistic goals and targets within a three year business plan.
- ensure adequate start-up capital and funding
- ensure that having suitable premises was part of the business plan.
- have different expectations of development workers and require them to be more specific, more developmental, and much more business orientated. *"The problem with development workers, they look to get credit unions started, lots of dots on the map, but it's what happens afterwards that matters"* (Greater Manchester volunteer).
- ensure politicians had a different view of credit unions. They would ensure that credit unions were not seen solely as anti-poverty panaceas but rather as financial services that everybody can use.
- would aim to employ staff and write that into the business plan - *"we are a small business, yes we are in the community, but let's talk about how we can grow to employ people"* (Manchester volunteer)
- be more attractive to younger people - *"we've lost lots of volunteers through age"* (Greater Manchester participant)

Participants were also asked what they would do the same. In general, they replied:

- be enthusiastic and make being part of the group enjoyable and lots of fun
- would involve key people in the community and seek sponsorship
- get to know credit union people and get involved in the movement
- socialise and develop a strong team spirit and identity
- develop a training programme
- sell credit union within the community

6 Focus Group Findings - Thoughts about the Future

In general, participants were remarkably confident about the future. However, many did feel that the credit union movement was at a cross-roads. They recognised that many credit unions were either not growing, or struggling, in their present form. They felt change was not only imminent but to be welcomed. Two participants, one from Greater Manchester, the other from the Midlands, were particularly looking for positive ways forward. They considered that, without radical change, their credit unions would not exist in ten years time. *"We've no volunteers, they're just burnt out"*, explained one of these participants, *"We have no focus, no office, volunteers are having to work in the front room. I cannot see our credit union surviving"*.

Overall, the majority of participants were committed to developing their credit unions as sustainable and viable organisations. When asked where they thought their credit unions would be in ten years time, they envisioned their credit unions having:

- much larger memberships (at least two or three thousand members).
- multiple forms of common bond including "live and work".
- paid staff.
- professional and accessible premises.
- expanded IT facilities and resources.
- become much more focused and professional businesses.
- re-structured to achieve organisational effectiveness.
- retained a commitment to the community.
- developed partnerships with other agencies, employers and co-operatives.
- recruited younger people as volunteers.
- improved their image and profile nationally.
- developed the skills and competencies of volunteers.
- encouraged volunteers to become more professional and business-like.
- a wider range of services.
- funding opportunities linked to viable and sustainable development.
- appropriate training and development programmes.
- stronger links and co-operation within the credit union movement.

Finally, participants were asked what they considered would be the key factors that would get them to be where they envisioned themselves to be in ten years time. In fact, the replies to this overlapped with the previous question. However, additional factors noted were:

- a thorough review of the roles of volunteers.
- increased mergers, transfer of engagements, with other credit unions.
- appropriate training, education and business development.
- an effective trade association.
- the demands of the Financial Services Authority and a Share Protection Scheme.
- better self-regulation.
- better co-ordinated support through local Chapters.
- central services facilities.
- greater self-reliance and less dependency on external agencies and funding.

Chapter 5 - National Local Authority Survey Findings

As part of the research, the Local Government Association surveyed all local authorities in England and Wales about their involvement in credit union development. There were 111 responses. In many ways, the survey results must be taken with caution as a significant number of local authorities, known to be active in credit union development, did not participate.

However, the survey indicated that 58% of respondents supported credit unions and that the majority of this support is organised through economic development departments. Most of this support is either grant aid and premises. Significantly, only 29 local authorities out of the 64 supporting credit unions evaluated the performance of credit unions.

Numbers of Local Authorities supporting Credit Unions

	No. of Local Authorities	% of respondents*
Supporting Credit Unions	64	58%
Investigating support to Credit Unions	16	14%
Supporting Community Credit Unions	64	58%
Supporting Associational Credit Unions	9	8%
Supporting LA Employee Credit Unions	19	17%
Supporting other Employee Credit Unions	3	3%

** There were 111 responses in total*

Departmental Location of Local Authority Support

	No. of Local Authorities	%*
Chief Executive's Department	14	18%
Economic Development	32	40%
Community Development	17	21%
Community Regeneration	8	10%
Anti-poverty	8	10%
Planning	1	1%
Leisure Services	1	1%
Housing	2	3%
Social Services	2	3%
Other	3	4%

** 80 Local Authorities reported supporting Credit Unions or investigating such support.*
NB. 12 Local Authorities located their support with more than one portfolio

Type of Support offered

	No. of Local Authorities	%
Grant Aid	48	60%
Premises	23	29%
Training	27	34%
Development Workers*	27	34%
Other	30	38%

** These 27 Authorities employed 32 development workers*

External Funding Sources Used		
	No. of Local Authorities	%*
Any external funders	53	100%
Use SRB Challenge fund	22	45%
Use TECs	5	10%
Use ERDF	13	27%
Use ESF	15	31%
Use KONVER	1	2%
Use INTEGRA	1	2%
Use RECHAR	2	4%
Use LEADER	1	2%
Use other external funders*	19	39%

** Including Energy Saving Trust, Housing Corporation, Welsh Office, Welsh Development Agency, local housing associations, local charities, Rural Development Commission and the Church Urban Fund.*

Evaluation of Performance		
	No. of Local Authorities	%
Evaluating Performance	29	36%

Evaluation methods include:
Development Officer, Meetings, Reports to Committee, SRB Performance Indicators, Annual Accounts, Performance Against Business Plan, Annual Report, Service Level Agreement, Own Performance Indicators.

The replies to the survey indicate the significant level of support local authorities give credit unions through grants, training and premises. For example, 27 of the replying authorities collectively employ 32 credit union development workers. Local authority support for credit unions, predominantly community credit unions, originated for the most part in the mid 1980s and has increased considerably ever since. Local government became involved because it recognised the important contribution that credit unions can make to the economic regeneration of communities.

Nevertheless, the evidence[35] suggests that results have not always matched up to expectations. Involvement has been sometimes ad hoc in response to immediate local circumstances without greater reference to national examples of good practice. Sometimes credit unions have been promoted within a social rather than business context, often as an anti-poverty initiative. Even when support has been delivered from economic development departments, there has not been the same rigorous business dimension that is offered to other enterprise sectors. There is no particular indication that local authority supported credit unions have, on the whole, performed better than others. Many are yet to become sustainable and economically viable credit unions. In many cases, the approach employed has failed to promote self-reliance, and dependency on grant aid or continued external support has resulted. Importantly, only 45% of local authorities that support credit unions have evaluated their performance.

[35] *See section on St. Helens in Credit Unions and Regeneration. Chapter 6.2*

The report Enabling Community Enterprise[37] outlined changes that would enable local authorities to provide more effective assistance to community enterprises, including credit unions. These changes are based on adopting support mechanisms that promote the business competence and enterpreneurialism of community enterprise. The document suggested, for example, that local authorities *"could mesh conventional approaches to business support with support for community enterprises . . . and build links between community enterprises and conventional private sector businesses"*[38]. It also suggested that *"there should be greater recognition, by the TECs and Business Links in particular, of the importance of developing the leadership needed to support community-led and managed enterprises through the provision of training, advice and, where appropriate, funding"*. Apropos funding, the report noted that investment needs to be substantial and long term if it is to ultimately establish independent, sustainable businesses[39]. Equally important is that supported credit unions should meet specific evaluation criteria and operational requirements to be considered for longer term support.

Enabling Community Enterprise recommended that local authorities, individually and in partnership with others, should adopt strategic approaches to the development of community enterprise, including credit unions. It suggested, for example, that *"they should seek to develop a holistic and strategic approach to regeneration and, within their economic development and regeneration plans, recognise the role which community enterprises can play within the economy"*[40]. Importantly, it recognised the role the new Regional Development Agencies could play in setting a strategic framework for the support of community enterprise and in ensuring that networks and systems are in place to enable, in this case, credit unions to be established as sustainable organisations.

Finally, the survey showed that, of the replying local authorities, 64 supported credit unions but only 19 supported local authority employee credit unions. Local authority credit unions form one of the largest sectors within the credit union movement, both as to rate of growth and asset size. Indeed, the thirty credit unions serving local government employees account for about 25% of all credit union members in Britain. These credit unions offer a professional service to many local authority employees, many of whom are themselves on low incomes. Overall, local authorities could do more to support the setting up of credit unions among their own employees and among other groups of employees in their areas. In fact, this may be, in the long run, a more effective first step in enabling sustainable credit unions for local communities throughout a town or region[41].

Scotland

The research team were unable to research local authority support for credit unions in Scotland. This was solely due to time and logistical constraints. It is noted however that Donnelly and Haggatt[41a] identify the quality of local authority support as one element in the stronger performance of credit unions in Scotland. The research team are endeavouring to undertake research in this area as a follow up to this research project.

[37]Donovan M., Harvey A., and Thomas I., Enabling Community Enterprise Local Government Management Board Report 1998
[38]ibid. pg. 19
[39]ibid. pg. 16
[40]ibid. pg. 19
[41]See section on St. Helens Credit Unions and Regeneration. Chapter 6.2 and compare with developments in Telford, North Manchester and Soutwark mentioned in Chapter 8.10
[41a]Donnelly R. and Haggett A., Credit Unions in Britain, a decade of growth. The Plunkett Foundation. 1997 pg 29.

Chapter 6 - Case Studies

6.1 Dalmuir and East Kilbride Credit Unions.

Dalmuir and East Kilbride community credit unions are two of just four non work-based credit unions in Britain with assets in excess of £1 million. Since registration in 1977 (Dalmuir) and 1982 (East Kilbride), both credit unions have been able to recruit more members and to accrue substantially greater assets than most community credit unions in Britain. Dalmuir has 5240 Members, £2,567,386 in shares, £2,704,012 out on loan and £2,913,916 in assets. East Kilbride has 2363 members, £880,796 in shares, £891,715 out on loan and £1,066,989 in assets[42].

A common understanding in the credit union movement is that most credit unions, when they have been in operation as long as Dalmuir and East Kilbride, will show this same kind of growth and performance. In fact, the statistics show that this is not the case. There is no evidence that the majority of community credit unions in Britain are moving in the same direction as Dalmuir and East Kilbride.

Of the 48 non work-based credit unions in England and Wales, registered for more than 10 years (i.e. prior to end 1987), only three have more than a 1,000 members and only one has assets over a £1 million[43]. The 45 other community credit unions, have an average membership of 235 members, average shares of £83,743 and average loans of £57,384.

Among the 17 non work-based credit unions in Scotland, registered for more than 10 years, figures are significantly higher. Eight credit unions have more than 1,000 members. However, apart from Dalmuir, East Kilbride and Newarthill, the fourth non work-based credit union with over £1 million in assets, the remaining 14 community credit unions have, on average, 733 members, £242,866 in shares and £280,545 in loans. Despite their stronger performance compared with English and Welsh counterparts, overall, most non work-based Scottish credit unions have not matched the growth of either Dalmuir or East Kilbride.

The aim of this case study was not to carry out a full financial and management assessment of these two credit unions. Neither was it to explore whether these credit unions have, in their 21 and 16 years respectively, maximised their full potential for growth. As with all community businesses, each has its own strengths, challenges and weaknesses. Rather, the aim was to attempt to identify any core factors, or practices, that could be regarded as contributing to their overall growth and performance. The method of identification was through semi-structured interviews with individuals and groups within the two credit unions.

It is important to note that Dalmuir and East Kilbride differ significantly both with respect to their historical foundation and to the socio-economic context within which they operate. Dalmuir arose within an active Roman Catholic parish from which it was able to derive credibility, capable volunteers and strong community support. It serves, for the most part, a low income membership, with around 50% of its members being identified as unemployed or unwaged. East Kilbride, on the other hand, began without any Church or other identified sponsorship or support. It emerged out of the interest of local people who had been inspired by the activity of the Strathclyde Chapter. It was established with a large, diverse common bond covering the whole of the town of East Kilbride (77,000 population), an area often regarded as relatively affluent and stable. Operationally, also, there are differences. Dalmuir has had part-time paid staff for many years and has now a full-time general manager. East Kilbride, on the other hand, whilst actively considering engaging paid staff, is still entirely run by volunteers.

[42] Figures taken from AR20 1997

[43] This is, in fact, an associational credit union, Pentecostal Credit Union, which has members throughout the Pentecostal churches. The two other credit unions with more than 1000 members, both community credit unions, are Camberwell and St Columba's in Bradford.

Despite this diversity of background and operation, the study was able to identify a number of factors that either these credit unions held in common or their volunteers considered as a basis of best practice and success. Although the identification of these factors arose out their own particular experience, interviewees considered that they were of general significance within the development of any credit union.

The factors identified as contributing to best practice were as follows:-

- **support and credibility:** Dalmuir volunteers acknowledged how important the moral support of the local Catholic parish had been in its early days. From the parish, the emerging credit union had gained both credibility and access to skilled and committed volunteers. East Kilbride found that credibility somewhat harder to build. *"People were very suspicious of the credit union"*, stated one of its volunteers. Credibility had to be forged by the volunteers themselves, albeit they benefited from the rising profile of work-based credit union activity in the Strathclyde region.

- **self-promotion:** Both Dalmuir and East Kilbride volunteers were adamant that their credit unions were stronger because they were established, not by some external agency, but through their own efforts and determination. *"We were"*, as the Dalmuir's Chairperson pointed out, *"self-taught and self-driven"*. *"We had no grants to set us up"*, she continued, *"and we didn't need them. The Church supported us in the early days by not asking for money for rent, but after the first year, even though the Church didn't ask for it, we made a contribution for using the hall"*. East Kilbride volunteers agreed, *"We had some early support from the Council insofar as it let us use a District Hall, but we never had any grant funding. We did everything totally ourselves"*.

- **volunteer competence and commitment:** Both groups emphasised the necessity of volunteer competence and commitment. Commitment without the relevant skills and ability was recognised as insufficient. East Kilbride administrative volunteers, for example, had had previous experience in organisational and office management. The treasurer was, in her own words, *"head-hunted for her experience in administration"*. Both groups stressed that credit unions fail because of a lack of financial management skills.

- **leadership:** It was hard not to conclude from conversations and interviews with key volunteers in both Dalmuir and East Kilbride that their credit union success owed much to their dynamic and charismatic leadership. In both credit unions, there were a number of key entrepreneurs who are able to motivate others, promote a sense of commitment and mutual responsibility, spot organisational opportunities and progress the credit union effectively.

- **effective governance:** Both groups stressed the fundamental importance of the ability of the Board to democratically and effectively manage the credit union. One Dalmuir volunteer stressed, *"the reason many credit unions fail is that there are too many one man bands, there's often too much emphasis on power and status within the group and not enough on running a good financial service"*. Another Dalmuir officer emphasised the importance of a supportive culture within the credit union. *"It's vital to inculcate friendship"*, she said, *"and a sense of responsibility to the credit union and to each other"*.

- **clear business and professional focus:** Dalmuir volunteers were adamant they were running, first and foremost, a business. One of the volunteers, currently studying business development at college, was keen to stress that the credit union prioritised itself as a financial institution. Another volunteer, in trying to explain why some credit unions performed poorly, stated *"they don't have business awareness, they don't realise that credit unions have to make a profit to pay their way and give a dividend to members"*. Dalmuir saw any role they had in the community primarily in terms of *"providing financial services to members of the community"*. East Kilbride volunteers agreed, *"We don't really get involved in the community, we are first a co-operative business"*. This business focus was linked to a sense of professionalism. *"Dalmuir could not continue to exist or expand"*, explained one of its directors, *"without a high degree of professionalism by all volunteers and staff"*.

• **common bond:** East Kilbride volunteers attributed their success, at least in part, to their wide and diverse common bond. They had never had an anti-poverty focus and a large number of their members were employed. They very much saw themselves serving the financial needs of the whole town. It was significant that Dalmuir, already serving 5,600 low and middle income members[44], spoke of its goal to *"access people from higher income groups"*. This reflected the importance Dalmuir gave to inclusivity of membership.

• **commitment to growth:** Both groups were deeply committed to continued growth. They had both experienced times of stagnation. For them, it was the determination and tenacity of the volunteers to promote the credit union that had got them through. This was reflected in the words of one Dalmuir volunteer, *"The next five years will include some aggressive marketing with the major factor being more members and more members investing in shares and members obtaining loans. The important issue is planning"*.

• **organisational systems:** To the question, *"What is necessary for success?*, the immediate answer of East Kilbride volunteers was *"systems, policies and procedures"*. This was reinforced by Dalmuir's stress on business efficiency and appropriate management and administrative training for both staff and volunteers. Both groups felt that many credit unions fail because they lack the necessary management and administrative systems.

• **service to members:** Both groups prioritised member service. *"We are not about glossy leaflets and desk-top publishing"*, emphasised one Dalmuir volunteer, *"service to members is what matters. It's not saying to a woman with children going to school that she can't get a loan because she's not got £20 in savings. It's making sure everything is done to put her needs first"*.

• **computerisation:** Both groups identified the computerisation of accounts as essential once the credit union reached 400 members.

• **premises:** Even though it does not have a "shop front", Dalmuir operates from premises that give an air of professionalism and organisational control. The same is certainly true of East Kilbride. *"Premises are one of the biggest factors in achieving success"*, explained a Dalmuir director, *"credit unions don't all need high street shops but they do need decent places to operate from"*.

• **paid-staff:** Dalmuir volunteers felt that, to be successful, it was essential to employ part-time and/or full-time staff. They had strong views that employees needed not only to be competent administrators but also sharers in credit union philosophy and ideals. East Kilbride, despite some hesitation on the part of some volunteers, was also clear that, if it was going to grow, it had to employ staff. It was interesting that the hesitation on the part of some volunteers seemed to arise from a concern that introducing staff would dilute the volunteer role. It was for this reason that the changing role of volunteers was identified by some in East Kilbride as a forthcoming major training need.

Both Dalmuir and East Kilbride recognised the many challenges that they still face in establishing themselves as significant players within the financial services industry. *"Many people"*, said a leading director, *"still feel that their money is not safe in a credit union"*. East Kilbride volunteers stressed the task they have to ensure that the wider public perceives credit unions as offering a good financial service to everyone. Nevertheless, in trying to explain how they have achieved what they already have achieved, the above factors give some useful clues to credit union best practice and success.

[44] Membership as of end September 1998

6.2 Credit Unions and Regeneration

1. Background

Credit unions are increasingly regarded, by both central and local government, as important contributors to the social and economic regeneration of disadvantaged communities[45]. In many areas, through the Single Regeneration Budget, European or other funding initiatives, considerable public investment in credit union development has taken place. The aim of such investment has been to facilitate the sustainable, economic growth of credit unions in order that they achieve self-sufficiency and are able to strengthen the communities within which they operate.

The research team was interested to investigate the effectiveness of this financial assistance to credit unions and to identify best practice in this area. Three regeneration areas, St Helens, Speke and North Manchester, were chosen for the case study. In the first two areas, credit unions had been receiving SRB[46]. and ESF[47] funding since 1995 and 1996 respectively. In the latter, no credit union was yet established. However, in the summer of 1998, the North Manchester Regeneration Partnership had commissioned ABCUL to report on the feasibility of setting up credit unions in its area. The research methodology was based on a series of semi-structured interviews with credit union volunteers and local authority personnel involved in regeneration measures.

2. St.Helens

Research findings indicate that regeneration investment in credit unions in St Helens has been significantly less successful than either the local authority or the participating credit unions had anticipated. £186,000 of SRB, together with a further £124,000 of ESF funding, was invested in Sutton, Thatto Heath and Parr credit unions over a period commencing in 1995. In addition, the local authority employed a credit union development worker to support the three credit unions. All were relatively small and in need of organisational development. Sutton was the most established and had been operating since 1991. It has benefited the most from the regeneration investment. Parr and Thatto Heath had been registered since 1994 and 1993 respectively. Their growth has been much more modest.

The local authority supported the credit unions to come together to form an association both to manage the ESF and SRB funds and provide mutual support. This association, which had its own independent constitution, had the responsibility of drawing up and implementing plans to spend the money. A large part of the funding went into employing part-time trainers and shop managers. At the same time, shops were rented for two of the credit unions. Due to a difficulty in finding suitable premises, the third continued to operate from a community centre. A year or two into the funding, the decision was taken to purchase three shop premises from which the credit unions all now operate. However, no credit union has yet been able to generate sufficient income, post funding, to keep paid employees in post.

Ken Wardale is the local authority officer now responsible for overseeing credit union development within St. Helens. For Ken, regeneration investment in small credit unions has not resulted in the outcomes, in terms of growth and self-sufficiency, that the Council had envisaged. *"The Council will continue to support existing credit unions"*, explained Ken, *"but is not actively encouraging the development of any further small community based credit unions. It is currently examining the feasibility of a much larger, perhaps Borough wide, credit union operating locally"*. He continued, *"the funding rules determined that the Association spent funds in specific locations on specific works. That was not always the area where the Association or individual credit unions had a priority need. In addition, the training available did not always result in volunteers being equipped with the skills and competencies required to run a successful business"*.

[45] See "Community-Based Regeneration Initiatives" A Working Paper. Dept. of the Environment, Transport and the Regions. May 1998
[46] Single Regeneration Budget
[47] European Social Fund

Ken's views were, to a large extent, substantiated by the credit union volunteers. Parr volunteers, for example, felt that the restrictions of the SRB funding often held them back. Often, they felt a lack of control over the funding. *"We were told the money had to be spent by a certain date", they said, "but we never knew exactly how much funding we would have, we couldn't plan how to spend it".* Parr volunteers were particularly critical of the training programmes. *"The books were in a mess, and the training was no help". "We are competent at the books now", added the volunteers, "but we had to teach ourselves".* Sutton volunteers agreed, *"the trainers weren't qualified. The training wasn't appropriate. It just wasn't what we needed, it wasn't about financial management".*

It was perhaps, in one sense, surprising that all three credit unions spoke of the lack of planning around SRB investment and difficulties with training. For, in assisting the three credit unions to come together in an association, the local authority had the intention that the credit unions would collectively plan and make decisions about expenditure themselves, within, of course, the funding rules and in line with the association's own priorities. Somehow, this was not experienced by the volunteers in quite that way. They described a process marked by a great deal of rivalry and conflict. It was as if the group itself found it difficult to handle such large amounts of investment collectively. *"It was very difficult"*, claimed one Thatto Heath volunteer, *"there was no plan whatsoever. People who had no business experience were suddenly employed to run credit unions and train people. It just didn't work. We've still not made a profit or paid a dividend after three years".*

Sutton volunteers were more positive about the SRB investment. *"It certainly helped, without it we wouldn't have been able to purchase the shop".* It was this above all, they insisted, that had led to their rapid growth. *"Membership has just mushroomed"*, enthused the volunteers. However, they did recognise that, as many of their costs had been covered by external funding, they had been able to pay unusually high dividends throughout the period (6.5%(1996) and 6% (1997)). Certainly, this had assisted in attracting savings and members as well. In 1997, savings were greater than loans by 87%.

For Parr volunteers, the new premises have been a mixed blessing. The closure of outlying collection points resulted in a net loss of members since 1996. *"We have been treading water for 2 or 3 years"*, they explained. The closure of a nearby credit union had undoubtedly not helped. Nevertheless, Parr volunteers were determined to keep going, *"There is a strong feeling we are here to help people. We don't judge success on the number of members, people go out smiling, that's what counts".* Confident of success, they did admit it was a struggle both to pay expenses and to staff the shop with volunteers. They hoped for another grant to see them through but were ready to undertake fund-raising if necessary. One of the Thatto Heath volunteers was much more up-front about the demands of running the credit union. *"It nearly killed me last year"*, she exclaimed. She was realistic about the future of Thatto Heath. *"It all depends on the competence and calibre of the volunteers we can attract"*, she stressed, *"so many volunteers in credit unions just do not know what they are doing when it comes to professionally running a business. The Registry just seems to let people set up credit unions without any business ability at all".*

It was important to try to identify the reasons for the relative success of Sutton compared with Parr and Thatto Heath. All three credit unions have similar sized common bonds and are equally operating within low income areas. Yet, within two years, Sutton's membership has grown 553% and its assets a staggering 1056%. Sutton is now of a size that volunteers claimed, *"we are self-sufficient, we no longer need grants".* Clearly the new shop has been a significant and instrumental growth factor. But it has not been sufficient in itself. *"We put our growth down to being business-like and professional"*, explained the Sutton volunteers, *"we try to run the credit union like a bank, we are committed to service and flexibility and we are not afraid to take risks".* Further, they identified the importance they gave to organisational systems and to developing a culture that encouraged commitment and enthusiasm and a sense of purpose. Sutton volunteers spoke a business language and saw the demands of their future in business development terms. They were not unaware of the challenges they had to face. They recognised, for example, without external funding, it would be impossible to maintain the high level of dividend. Yet, they would still need strategies to attract savers. They recognised also the increasing demands on volunteers to make the business both viable and self-sufficient. *"Nobody would put in the hours I put in as treasurer"*, stressed one volunteer. To cope with this, they already were considering how, in the future, they could re-employ staff out of their own resources. They were also aware that they had not yet addressed the issue of computerisation. It had not featured in the SRB funding programme even though residual funds may be made available to correct this.

Steve Little, a former credit union development worker in St Helens, agreed that the relative strength of Sutton arose from its own ability to manage the new shop premises in a business-like manner. However, he felt strongly that the way in which the regeneration investment had been managed had failed the credit union movement in St Helens. *"The Council had seen credit unions as important in supporting low income communities but there were real difficulties in how to make them work. People were employed as trainers who were not competent in financial and management training. We've got to stop this mentality that anyone can be a trainer. There was so much training with so little effect. In general, there was no planning nor any real strategy. The enormous pot of money overwhelmed people and just caused conflict and difficulty"*. Steve went on to explain how he considered the credit union movement could have achieved sustainability in St. Helens. *"In January 1997, we organised a conference called Towards 2000 where we tried to engender a new vision. The idea was for all credit unions to come together in one common bond. This would include starting a Council employee credit union. The idea would be to have four local branches but employ staff, not as a substitute for volunteers but to ensure that the new credit union would be stable and managed well. Credit unions would pool resources and there would be economies of scale. If the regeneration funding had been put into that, we might have really achieved something. There needs to be a more professional approach to larger credit union development. Small community groups, on their own, are just going to struggle and have marginal impact"*.

Given the regeneration programme over again, Ken explained how he would have done things differently. *"The answer for St. Helens would have been to have one credit union, a Council employee credit union in partnership with the community, covering the whole of the town. It would have benefited from economies of scale and a pooling of able volunteers. One large credit union, with a live or work common bond, would have had a chance of generating sufficient income to employ paid staff. Credit unions should not always be so heavily reliant on volunteers"*. He continued to explain how his view of the expertise needed to run credit unions had changed. *"The skills needed of development workers, and volunteers, are business and management skills. The association were not sure of the type of people that should have been recruited as workers. It's important to look for professionalism, business ability and skills in new technology". He went on, " what drove us to support credit unions was we believed they were a service to low income groups; that idea is still relevant, but to use anti-poverty as the sole driving force is alienating too many people in our community"*. For credit unions to be sustainable, in Ken's view, they have to develop into businesses that anyone would be confident to use.

3 Speke

Developing a business strategy aimed at establishing the self-sufficiency of the credit union is the challenge currently being faced by directors at Speke Credit Union in Liverpool. Speke Credit Union was established in 1989 to serve the needs of people living in one of the areas of highest social and economic disadvantage on Merseyside. In the words of its current chairperson, "for many years, the credit union just struggled and limped along with burnt out volunteers". 1996 was the year of change. New volunteers were recruited and significant SRB and ESF funding, of around £90,000 per annum, was secured. This enabled the credit union to re-establish itself in a former bank premises in the main shopping centre and to benefit from the support of four staff employed, under ESF conditions, as credit union trainers. This much higher and more professional profile has resulted both in increase in membership and growth in assets. But SRB investment has not been able to match the business development needs of the credit union. As Speke's Chairperson explained, *"SRB outputs do not match the organisational needs of the credit union. Staff outputs linked to the number of training hours delivered and beneficiaries involved is not what's needed by credit union"*. He continued, *"what's needed is a much more business development approach. Grant aid needs to be reconfigured to meet the needs of the business"*.

Despite its current SRB funding, Speke Credit Union, in the words of its Chairperson, "*was nowhere near being sustainable or economically viable. Current income would not cover the costs of the rent, never mind the wages of the workers. We've got to get away from this image of being a 'poor man's bank', at the moment it's mostly the least economically active people in Speke who are members of the credit union and it just doesn't work. We are a community service, but what we need to be is a business*".

In order to achieve self-sufficiency, Speke Credit Union is endeavouring to develop a new strategic approach. Martin Maclean, one of the credit union workers, explained that the core factors of this strategy include:- changing the common bond to include live and work in order to attract members from a number of key industries in the area, marketing and promoting the credit union as a financial service for everyone in Speke, offering larger loans and a wider range of products and services, and establishing a much greater partnership with the banking sector.

In working to become a much more diverse and business orientated organisation, the credit union is having to face some key issues about its purpose and rationale. Martin writes, "*it is the financially dispossessed that are the credit union's primary reason for existing. To move too far away from this is to move too close to becoming something other than a credit union in the strictest sense. What we are faced with in Speke is a very delicate balancing act where we must endeavour to be all things to all people whilst retaining our historical roots in the community combined with a more astute business acumen*".

Undoubtedly, the credit union has a massive challenge to reach this target of self-sufficiency within the remaining 18 months of SRB support. Martin is not confident that this can be done. He writes, "*because we have received such a large amount of funding from Europe over a short space of time, we find ourselves in the position of being more dependent on this funding to continue at our present rate than would perhaps be desirable for an ostensibly autonomous organisation. The money has been injected to enable us to achieve sustainability but ,in order to acquire the necessary resources for this, we need continued funding until such time as we can support ourselves by both membership growth and also the provision of training services to a broader area than Speke/Garston*".

Credit Union Growth in St Helens - September 1995 - September 1997

	1995	1996	1997	% Growth 1995-1997
			Members	
Sutton Credit Union	150	285	553	267%
Thatto Health Credit Union	230	337	337	47%
Parr Credit Union	199	297	232	17%
			Shares	
Sutton Credit Union	18,965	63,690	219,308	1056%
Thatto Health Credit Union	7,265	13,591	23,994	230%
Parr Credit Union	5,522	15,579	28,979	240%
			Total Loans	
Sutton Credit Union	25,670	79,263	117,396	357%
Thatto Health Credit Union	4,356	13,117	17,316	298%
Parr Credit Union	4,885	13,988	21,424	339%

Speke Credit Union 1995 - 1997

	1995	1996	1997
Shares	76,036	90,297	107,072
Loans	67,219	79,392	82,541
Assets	79,602	95,356	116,803
Members	420	519	710

4 North Manchester

When ABCUL was approached by North Manchester Regeneration Ltd. to conduct a study on the feasibility of establishing credit unions in its area, ABCUL staff were conscious that this study needed to take into account the experience of credit unions within other regeneration programmes. Any new development in North Manchester would have to be based, from the outset, on a clear and viable strategy aimed at achieving self-sufficiency and effectiveness within an acceptable time period. The study was, therefore, based on the following assumption:

"Community credit unions have enormous potential to contribute substantially to solving the problems of financial and social exclusion if they are developed and promoted as professionally managed, volunteer directed, community-owned and controlled financial institutions. To achieve this potential, credit unions must be started with sufficient resources and funding to achieve a sufficient size to be economically sustainable"[43].

Setting up individual credit unions in small neighbourhoods within North Manchester was seen as unworkable. Moreover, the elements required to establish one economically sustainable credit union were identified in the study as:

- *"A solid business plan, which targets growth and success"*

  The study recommended a clear business strategy aimed at establishing a viable financial service. This depended on having a large and diverse common bond, including people who both live or work in the area and who have a variety of income levels. This was seen as vital to the growth of savings in the credit union.

- *"The effective leadership of a volunteer board and committee, consisting of individuals who are well regarded in the community and have the skills and vision to develop the credit union and make it grow"*

  Attracting competent and capable community and business leaders to participate in the management of the credit union was seen as essential. This is a clear departure from the tendency of external agencies to target the more disadvantaged, with lesser skills and abilities, to become volunteer directors. It was clear within the study that attracting community and business leaders, with the skills and abilities to manage the credit union, was conditional upon having paid staff, premises and the technology to operationally run the credit union.

- *"Support and sponsorship from respected local institutions, to promote the credit union and give it credibility"*

  The study highlighted the importance of support and sponsorship from community groups, local businesses, housing associations and religious groups. It saw the development of the credit union by a wide range of partners as contributing substantially to long-term economic viability.

[43] *Credit Union Feasibility Study. North Manchester Regeneration Ltd. Association of British Credit Unions Limited. September 1998 pg. 6*

- *"Initial funding or in-kind support to provide the credit union with attractive premises, conveniently located to people in its community, and trained professional staff to operate the credit union"*

  Regeneration investment was seen as best used as targeted, from the outset, towards premises and competent professional staff. Volunteers would remain essential to running and management of the credit union and would be enabled to obtain professional training through local colleges. However, paid staff were seen as an important factor in establishing stability and growth.

- *"An effective marketing and promotion programme capable of attracting at least 500 to 1000 members during the first few months of operation"*

  The business plan depends on the assurance of 500 members from the outset of the enterprise. If this figure could not be assured through prior written pledges of membership, the study suggests it would be unwise to proceed with the setting up of the credit union.

Overall, the recommendations for credit union development, reflected in the ABCUL feasibility study, mark a significant departure from the assumption that credit unions must remain small, volunteer operated enterprises. They state clearly, that if credit unions are to offer a socially inclusive and effective financial service, they must be established on secure business development principles and involve competent and entrepreneurial staff and volunteers from the very beginning.

6.3 Facing the Future in Greater Manchester

Local groupings of credit unions, or 'chapters' have emerged over the years and are set up within ABCUL to promote training and development as well as to provide a social forum for credit union activists. There are currently 13 chapters operating in England, Scotland and Wales and they provide varying levels of support and services to members. They are almost entirely run by dedicated volunteers from their constituent credit unions. Greater Manchester Chapter covers 41 credit unions, 8 of which are employment based.

Greater Manchester Chapter is taking seriously the new demands and challenges credit unions will have to face in the future. June Smith, chair of Greater Manchester Chapter, describes changes the Chapter is making to its approach to training and development. The Chapter is conscious of low growth in many of its small credit unions and these changes are to assist credit unions achieve greater financial stability and organisational strength.

"The first thing we did", explained June, *"was to inform volunteers about the situation and the implications of credit unions remaining small. We discussed the possible changes that might occur under the new Financial Services Authority, any new legislation and a share protection programme. We had some honest discussions about the importance of rising to these challenges, we had to recognise that, if we didn't, many credit unions risk facing decline or even closure".*

"Greater Manchester Chapter is committed to supporting local credit unions", June continued, *"for many years we have been organising quarterly training programmes to build the individual capacity of credit unions. These training events have gone very well and were apparently very successful. However, what began to emerge over time was that, even though the training events were well attended, actual learning and organisational change did not seem to take place. We were concerned about the value of repeating the same topics, again and again, when some credit unions, that attended on a regular basis, did not seem to be able to put theory into practice".* June went on to explain that the Chapter came to the conclusion that this lack of credit union development was due more to organisational and structural problems within credit unions themselves than to the type and quality of training provided. The Chapter decided it had to adopt a completely new approach. It began by suspending its regular training programme and by inviting Ralph Swoboda, of ABCUL, to an evaluation seminar.

June writes of what happened next:

"We began by organising a meeting, facilitated by Ralph, to help Credit unions to identify where they were going wrong. This event, called 'will your credit union survive the millennium', was very well supported and the need for change was understood. If we were to help Credit unions to survive we first needed the tools to make rapid change a possibility". The Chapter had already set up a working party in 1996 to address the need for a method of assessment for all credit unions. This work culminated in the " Credit Union Process of Assessment " paper. "The Chapter decided to set up two further working parties. The second to research the possibility of mergers, expansion and closures. This involved consultation and meetings with the Registry, The National Association of Credit Union Workers, Beevers and Struthers Accountants and ABCUL. It resulted in the "Options for Change " document which is now in the process of being finalised. The third working party was given the task of looking at the way we currently support credit unions and the need for us to change radically the way we deliver support and training. We found funding and employed Leon Perkins on a consultancy basis to write a 3 year strategic plan. This document is called CUPID, Credit Union Process of Integrated Development".

June continues to explain each of these three Chapter projects in turn:

"Credit Union Process of Assessment - CUPA

The group started from the premise that there are varying criteria across the country by which credit union progress is assessed, and that the approach to monitoring is piecemeal, if it happens at all. The only measure of the effectiveness of a credit union's operation is whether it complies with the legal requirements of the Registry of Friendly Societies i.e. the completion of, and submission on time, of the financial Quarterly Report and the Annual Return. We are constantly being approached by credit unions that are in need of radical help and we believe that if we could identify the problems at an earlier stage not only would it be easier to help but also we would have more time for development instead of trouble shooting.

The Credit Union Process of Assessment document written by Manchester Chapter was presented and accepted by the ABCUL AGM in March 1997 as a tool to measure the effectiveness and management of Credit Unions.

Strategies for Credit Union Survival - Options for Change

This working party began by identifying what is meant by a ' failing credit union'. Measures of failure can include financial weakness, very small membership or a reliance on grants and other external funds to cover operational costs and simply standing still for long periods. These failures are not necessarily a reflection of the work done by the volunteers of the credit union. Often volunteers in 'failing' credit unions are very committed and extremely hard working but are running to stand still. It appears from the research that there are three main routes that struggling Credit unions could take to enable them to move on and provide a better service to members and these are - 1.Merger or Take Over - 2.Expansion - 3. Closure.

Credit Union Process for Integrated Development

In the future, Manchester Chapter will concentrate on those credit unions wanting to grow, We are tired of being called into credit unions that are struggling with the basics and are constantly calling us in to sort out major problems. We accept that we will have to refuse support to those complacent or stagnant credit unions, until such time as they indicate by their actions that they want to grow.
We have now adopted CUPID, which is a 3 year strategic plan aiming to build a support programme and delivery mechanism to enable selected credit unions and study groups to accelerate their growth in terms of members and assets and, in a short period of time, to become financially and organisationally sustainable.

Its objectives are:-

Year 1

To secure the funding necessary to implement a high impact-training programme which will allow a maximum of 12 selected credit unions to increase their members and assets by 100% within the first 12 months of the programme.

To increase participation by industrial, associational, and community credit unions in Chapter activities to share knowledge, skills and experience for the benefit of all.

To encourage and secure the involvement of credit unions from other trade associations in Chapter activities and programmes to facilitate common growth.

Year 2

Within the 12-month period, the Chapter will secure a full time paid worker, permanent accommodation, staff and resources to physically and financially implement an income regeneration programme. Also Chapter will implement a programme to encourage the expansion or merger of credit unions and to bring benefits of credit union membership to areas not currently being served.

The Chapter will also aim to secure a three year assured funding programme to underwrite the Chapter's activities.

Year 3

Consolidate and implement the agreed plans"

A number of concrete results have emerged from the Chapter's new approach. June explains:

"Old Trafford Credit Union had approximately 200 members until they were encouraged by the Chapter to take on a neighbouring study group in Gorse Hill. The two groups worked together and wrote a business plan that involved putting in for external grants to purchase their own premises, employ staff and computerise their operation. This credit union is now called Trafford United and has 1 member of staff paid by Manchester TEC, a shop front on the high street and 763 members plus 211 junior members. The Directors feel strongly that these major changes would not have happened without the drive and vision of one Director who gave them the courage and knowledge to move on".

Also Middleton Pride study group has been meeting with Moneywise which is an industrial credit union for the employees of Rochdale Council. Instead of setting up a new credit union in Middleton, they are discussing the possibility of Moneywise changing their common bond to include the wider community. Things look really promising. In South Manchester, credit Unions in Woodhouse Park, Benchill and Sharston and Baguely Newall Green are meeting with a view to merging all three credit unions.".

"Things are really beginning to change in Greater Manchester", adds June, "credit unions that have been struggling to recruit members and grow are coming together to look at new ways of doing things. We see this as really important. Credit unions cannot continue as small little organisations. We need a much more business development approach to ensure the benefits of credit union membership reach a much wider population".

6.4 The Welsh Experience

The Welsh credit union movement is for, the most part, young and vibrant. Out of the 31 credit unions submitting returns to the Registry for the year ending September 1997, 18 were three years old or less. The first credit union in Wales was St Therese's in Port Talbot, which opened in 1976; the second, Undeb Credyd (Plaid Cymru) Credit Union Ltd, was established in 1986. Two credit unions, Rhydyfelin Credit Union and Penyrheol & Trecenydd Credit Union, were registered in 1989 and the remainder throughout the nineties.

The aim of this case study was to co-research with volunteers, from credit unions throughout Wales, their relative experiences of managing and growing their organisations. Through structured interviews, volunteers were encouraged to identify what they had learnt from being involved in their credit union and to define what they considered to be the major issues facing them now and in the future. Participating credit unions were Rhydyfelin Credit Union, in South Wales, the Robert Owen Credit Union in Newtown, Powys, and Caia Park Credit Union in Wrexham. In addition, the participant from Caia Park was also a director of the North Wales Police Credit Union and was able to reflect upon his experience both in the community and in the work-based sectors. Also involved in the research, both as participant and co-researcher, was Lesley Bird of the Wales Co-operative Centre, the organisation through whose activity the majority of the newer Welsh credit unions have been established. Angela Pulman, of Community Enterprise Wales, was consulted as representing an agency whose background in the management of community and co-operative enterprise has led it to develop an increasing interest in supporting the sustainable development of credit unions.

Rhydyfelin and Caia Park Credit Unions have been in operation for ten and six years respectively. In that time, growth has been, in both cases, modest. Rhydyfelin has currently around 300 members and Caia Park about 160. Both credit unions were set up with high social ideals to serve the needs of low-income communities living on disadvantaged estates in their areas. Neither organisation had difficulty in pointing to individual examples of good practice where people in their communities had been assisted by the credit union over the years. Helping people with problems, enabling people out of poverty traps, creating a sense of community spirit, supporting individuals learning new skills were common themes readily reported as elements of success within each credit union's development. However, in both cases, there was a real sense of dissatisfaction that credit union growth had neither been as large nor as significant as volunteers had originally hoped for. Even though participants could recognise all they had achieved, they felt they were in no sense fulfilling their potential.

Both groups spoke of the lack of volunteers and the consequent burn-out of those left to run the credit union. Difficulties in growing the credit union were attributed to a lack of credibility, an inability to provide a more accessible and professional service and an inevitable dependency on a small circle of volunteers. Jenny Jeffries, of Rhydyfelin Credit Union, felt that the lack of development had been also a result of the poor image of credit unions in the media. *"It kept the majority of good earners away"*, explained Jenny, *"and also at the same time stigmatised the poor, resulting in our not serving, as well as we could have, a large part of the population"*. Arfon Jones, of Caia Park Credit Union, considered that poor growth was due often to the attitudes of volunteers themselves. *"Volunteers don't always look upon running a credit union as a business"*, maintained Arfon, *"there is sometimes a dependency culture and people are happy to remain as they are. There is a fear of growth and people are not as interested in expanding the credit union as they should be"*.

Both Rhydyfelin and Caia Park recognised that their organisations needed to change if they were going to meet the challenge of building sustainable financial services that would have the potential and capacity to serve increasing numbers of members. With this in mind, in June 1998, Rhydyfelin merged with a neighbouring credit union, Glyncoch, both in order to expand the common bond and benefit from economies of scale. It has further decided to actively participate in a £500,000 European grant-funded programme in which the credit union will adopt a much more strategic and business like approach to its development, including taking on paid staff, developing a marketing plan and operating from more professional premises. Caia Park has also recognised that it will not be able to develop into an economically viable organisation if it continues to operate solely within its current small common bond. Arfon explained the Caia Park's development plan involved expanding the common bond to the whole of the town of Wrexham, attracting a much more diverse membership, recruiting skilled and competent directors and volunteers and eventually securing more appropriate premises from which to operate.

Talk of expansion and development both in Rhydyfelin and Caia Park was not met without anxiety and apprehension by some volunteers. *"If the credit union grows too big"*, said one volunteer in Rhydyfelin, *"we may lose our principles, identity and ethos"*. Arfon elaborated on how some Caia Park volunteers were afraid they would lose something of the social commitment on which they understood their credit union to be founded. It seemed, for a number of volunteers, that there was a contradiction between offering an economically viable financial service to increasing numbers of members and developing the community of which they were a part. The assumption seemed to be that credit unions could only be true to their principles if they remained small enough to have direct and personal contact with all their members on a regular basis. The way that some Rhydyfelin volunteers spoke of the credit union offering a "counselling service" to members reflected this same kind of assumption.

Arfon was clear that this view of credit union social commitment was both limiting and ultimately self-defeating. He was clear that the credit union had first to be a professional and effective financial service. As an economically successful business, he maintained, the credit union would then really be able to fulfil its social ideals. Arfon related his experiences as secretary of Caia Park Credit Union with those as director of the North Wales Police Credit Union. The Police Credit Union clearly aims to be a financial institution offering a range of low-cost financial services to its members. It attracts savers, pays a 7% dividend and has nearly 100% of shares out in loans. But with an eye to the benefits that come from economy of scale, North Wales Police is currently considering amalgamation with Greater Manchester Police Credit Union. *"The reason for this"*, explained Arfon, *"is that members are interested in having a good financial service above anything else. Joining Greater Manchester will not only ensure the service we offer to members continues but it will improve it". "It should be the same in community credit unions", explained Arfon, "ensuring a good quality financial service for the maximum number of members is what counts the most"*.

The reality of adopting a more-business like approach to turn around slow growth and development was, according to Jenny, essential. A similar theme was articulated by Arfon at Caia Park. *"There needs to be new guidelines around developing credit unions"* said Arfon, "and these need to come from the FSA". Arfon elaborated by explaining that there needs to be a much clearer business approach to the development of credit unions and the FSA needs to take a much greater role in this. He felt, for example, that the business plan of any new credit union must be based on firm written pledges from at least 200 people that they will join and save in the credit union. Not having these pledges should be grounds for the FSA turning down the credit union's application for registration.

This new business orientation was seen by the participants as demanding more than small one-off grants from the Council. If credit unions are to develop into larger financial organisations, serving larger numbers of people, they will need to be established with the kind investment that will assure their development as well-resourced professional credit unions from the outset. Arfon spoke of the importance of realistic development funds being made available, particularly with the support of the banks. He felt that the recommendation to set up a National Development Fund, as outlined in Conaty and Mayo's report *"A Commitment to People and Place"*, was the way forward. This fund would operate, according to Conaty and Mayo, a revolving loan fund for financing the acquisition of credit union premises, for supporting rural credit union development, for piloting new projects, for developing distance learning materials and for providing guarantee funds for emergency loans. Arfon considered that the development of this fund could profitably be linked to a US-style Community Reinvestment Act in which large financial institutions are obliged by their regulators to show that they are re-investing in the disadvantaged areas where they have depositors. But with investment comes accountability. Rhydyfelin participants were clear that credit unions, like themselves, receiving substantial public investment had to be trusted to be accountable for that investment. *"If credit unions are trusted to handle members' savings, they must be trusted to handle public investment as well"*, added Jenny.

The new and changing demands on volunteers, by adopting an approach to credit union development more geared to the needs of a financial institution, were recognised both at Rhydyfelin and Caia Park. Corporately governing and marketing a professional financial institution will mean that volunteers have to develop new skills and competencies in management and entrepreneurial leadership. However Rhydyfelin and Caia Park differed over one major point. Arfon felt that the *"employment of paid staff by community credit unions to ensure growth is not proven"*. *"The difference"*, he continued, *"between employee and community credit unions is the dividend that is paid (not that one group has paid staff and the other doesn't). Employee credit unions are successful because they attract savings because of the competitive dividend"*. Jenny took a different view. *"Rhydyfelin recognises the importance of paid staff"*, explained Jenny, *"and how they will free up volunteers to get on with the job of promoting the credit union. Indeed, it may encourage new volunteers to become involved without thinking they have to take on all the tasks of operationally managing the credit union"*. For those credit unions employing staff, certainly managing those staff is one of the new skills and competencies that volunteers will need to develop.

In some ways the volunteers at the Robert Owen Credit Union in Newtown, Powys, had benefited from their later entry into credit union development. As Lesley Bird of the Wales Co-operative Centre explained, *"More recent credit unions in Wales have not been set up as immediate answers to poverty on disadvantaged estates. They have tended to be more inclusive from the outset. Llandudno, Holywell and Newtown were registered for the whole town. They have had a much clearer understanding of credit unions as businesses from the beginning and have been developed as such"*. This was certainly the case with the participants at the Robert Owen Credit Union. In interview all three participants were clear that for them the credit union had always been seen, first and foremost, as a *"community financial organisation"*.

The Robert Owen Credit Union operates from small business premises close to the centre of Newtown. It has the look and the feel of a professional financial operation. It has about 300 members and estimates it needs at least 800 members to become anywhere near self-sufficient. To that end, it has a business plan with clear targets. *"On the map, we cover a large rural area"*, explained Rina Clarke, a director of the credit union, *"but we are not a rural credit union. We have very few members from rural villages. Like many credit unions most of our members are on low incomes and are drawn from the council estates around the town"*. In a sense that comment indicated a major hurdle still to be overcome by the Newtown group. "We still have the image of a poor person's bank", elaborated one volunteer, "we are not seen to be for everyone". Linked to this was the fact that participants identified that the credit union was not attracting savers as it did not yet pay a dividend. This was having a clear impact on growth. Like Rhydyfelin and Caia Park, it was much more successful at attracting borrowers.

The second major hurdle, articulated by volunteers, was the fact that the group was finding it very difficult to attract sufficient competent volunteers to staff the organisation. *"We are very ambitious"*, explained Graham Brand, the credit union's Chair, *"we are very growth oriented. We can get collectors but find it very hard to recruit volunteers to support taking the credit union forward"*. Again this issue was one that was replicated in both Rhydyfelin and Caia Park. It is evident that credit unions in Wales are finding it very difficult to maximise their potential whilst they rely entirely upon volunteer labour. Employing staff was something that the group felt to be desirable once they had reached their immediate membership targets and were paying a dividend.

The Robert Owen participants were very clear, however, of the direction they felt their credit union had to take if it were to become a sustainable financial organisation. As a group, they felt they had to have a manifest business orientation, a commitment to professionalism and member service and a team of competent volunteers able to put their collective vision into practice. But the reality, for them, was not always concomitant with their vision. *"We still have a lot of work to"*, proffered one of the participants, *"after four years, still a lot of people in Newtown have* *not heard of us. We are still concerned that our image is not professional enough, collection points sometimes leave a lot to be desired".*

The Robert Owen Credit Union has received local authority support and operates from subsidised premises. It has had the support too of the Wales Co-operative Centre who share the building. The challenge the group is ready to face is to become fully self-sufficient and economically independent within a reasonable time period. This is the same challenge being faced by many of the credit unions in Wales. In a sense, once credit unions like Robert Owen have the vision about where they want to go, the challenge becomes about identifying real workable strategies of how to get there.

Angela Pulman, of Community Enterprise Wales, suggested that the credit union movement could learn from the experience of those involved in Welsh community enterprise development. *"Community enterprise boards of management"*, she wrote, *"have expertise in business and finance which could be used as a good basis to form and support credit union development. CEW are interested in the quality of services and the real benefits credit unions can bring to communities. We see sustainability, quality and service provision as paramount".* Angela goes on to suggest a joint co-operative strategic approach to the development of credit unions in Wales. *"We would like to see a joint partnership board set up"*, she adds, *"comprising of all interested parties in credit union development in Wales. We feel partnership working, openness and integrated working models would see growth within what we feel is a vital element of third sector community economic development".* Now credit unions in Wales are increasingly having the vision of becoming larger, more inclusive, financial institutions, the identification of new, collaborative approaches to their organisational development is certainly the next step.

Thinking about this next step is on the agenda at the Wales Cooperative Centre. The Centre's current strategic approach, as explained Lesley Bird, includes much more emphasis on high profile, town centre premises, the recruitment of skilled and credible community leaders, the development of coordinated marketing strategies, developing pioneering business loans through credit unions and establishing formal links with local employers. Local authorities, for example, are now encouraged by the Cooperative Centre not to set up credit unions for their own employees alone but to link into wider community based organisations that serve everyone who live and work in a town or locality. It is perhaps these sorts of ideas that will further the development of a sustainable and economically viable credit union movement in Wales.

Community (including associational) credit unions in Wales

	Name of Credit Union	Total Assets	Shares	Loans	Members
494C	Heart of Wales	5,078	4,234	343	57
482C	Central Cardiff	6,989	6,004	860	56
401C	Splott & Tremorfa	7,603	7,051	5,238	91
442C	Canton & Riverside	8,902	7,240	5,092	38
484C	Pontypool & District	9,695	7,586	999	107
519C	Clwyd Coast	10,204	5,752	n/a	153
474C	Penarth & Dinas Powys	10,678	9,838	2,707	100
332C	Caia Park (Wrexham)	14,076	11,964	7,274	145
395C	Glyncoch & District	15,219	14,034	14,091	90
470C	Llanharan & District	16,900	14,463	2,109	82
341C	C.P.L.	19,451	17,046	11,720	93
369C	Pembroke Borough	21,141	20,251	4,417	117
432C	Builth & Llanwrtyd	22,196	20,858	8,036	141
313C	Ruabon, Cefn & District	23,276	21,460	20,665	139
434C	Mold & District	23,386	21,584	9,233	129

419C	St Mellons	23,533	19,571	21,817	140
349C	Holywell & District	24,017	22,460	8,496	81
326C	Hill Community	26,774	25,305	19,857	124
428C	Brecon & District	28,464	26,267	11,664	108
310C	Ely (Cardiff)	38,055	34,480	34,464	290
163C	Penyrheol & Trecenydd	48,724	40,141	42,991	151
452C	Llandudno & District	57,430	51,048	45,441	168
413C	Robert Owen (Newton)	58,624	46,981	38,344	270
383C	Llynfi Valley	59,816	22,444	12,271	154
	Name of Credit Union	**Total Assets**	**Shares**	**Loans**	**Members**
128C	Rhydyfelin	76,169	63,249	46,933	272
74C	Undeb Credyd (Plaid Cymru)	102,425	87,815	78,298	275
300	CBargoed, Aberbargoed & Gilfach	147,000	134,468	66,099	438
17C	St Therese's, Cardiff	404,466	297,229	226,288	342
Averages of above		**46,796**	**37,887**	**27,620**	**155**

Work-based credit unions in Wales

	Name of Credit Union	Total Assets	Shares	Loans	Members
438C	Bridgend NHS Employees	98,455	90,079	51,003	225
370C	North Wales Police	161,529	148,970	147,069	332
400C	Cardiff County & Vale	340,295	325,628	314,887	760

Credit union statistics taken from the 1997 annual return made to the registry.

48a Conaty P and Mayo E, A Commitment to People and Place - the case for community development credit unions A report for the National Consumer Council. New Economics Foundation 1997

Chapter 7 - Credit Unions and Low Income Communities in the United States

In the United States, over 12,000 credit unions, with $316 billion in assets, serve 70 million members. Each year, the US National Credit Union Administration records an increase in credit union membership. This growth is attributed, above all, to the quality of financial services offered by credit unions. For the past 10 years, credit unions have come first in the American Banker Newspaper's annual financial institution survey of customer satisfaction.

Not too well known in Britain are the significant number of credit unions in the US that are designated community development credit unions. These serve predominantly low-income communities. In recent years, the National Credit Union Administration has emphasised the benefits these credit unions bring to the many people who are often excluded from traditional financial institutions. There are an estimated 400 community development credit unions, of which about 150 are members of the National Federation of Community Development Credit Unions based in New York. On average, NFCDCU credit unions, as of December 1995, have 1,300 members, more that $2.4 million in assets, nearly $1.5 million in loans outstanding, and a reserve to asset ratio of 9%.

Cliff Rosenthal, the executive director of the NFCDCU stresses that community development credit unions are primarily established as financial institutions which aim, like all credit unions, to offer quality financial services to their members. He writes, *"the best reason - and perhaps the only compelling reason - to organise a new credit union is to provide reasonably priced financial services to those who would otherwise not have access"* (Rosenthal and Levy 1996). In order to offer these service to low-income communities, community development credit unions operate as businesses within the financial services sector. Cliff elaborated in the research workshop[49], *"community development in the US perhaps does not mean quite the same as here in Britain. For us, it is very much about structural regeneration, about housing projects as well as credit unions. It has less emphasis on the kind of individual or social educational aspect it seems to have here"*.

Lessons of the Office of Economic Opportunity-Related Credit Union Programme

The US credit union movement learnt some hard lessons from a large national anti-poverty credit union programme which ran from 1964 to 1973. The US Office of Economic Opportunity, in collaboration with the Credit Union National Association, the US trade association, implemented a major project to establish credit unions in disadvantaged areas. By 1969 almost 400 OEO-related credit unions had been set up, but by 1975 only 200 remained. In an important study of this period, Robinson and Gilson[50] estimate that only between 35 and 56 of these credit unions remain today. The rest have either been merged or liquidated.

The story of the OEO-related credit union programme is one of a top-down approach to credit union development. CUNA and the OEO engaged Community Action Agencies, which were primarily social service or welfare agencies, to hire credit union workers to establish credit unions in the poorest of areas. The idea was that these workers would set up credit unions which would then be run, after a couple of years, entirely by volunteers. The programme just did not work. The credit unions could not keep the staff on after the grants had run out and they found it very difficult to recruit sufficient skilled volunteers to take over. Robinson and Gilson stress, *"the critical factor of this history is the fact that the idea for these early credit unions...did not stem from grassroots organisations. (They) were the brain child of a trade association and later the federal government ...(who) took elaborate measures to sell the idea of credit unions to the agencies who would operate them and to the population of low-income people who were not in the financial mainstream. This history proved fatal to the success of many credit unions started during this period"*.

[49] *Held in the Local Government Association Offices, London, November 4th 1998.*

[50] *Robinson C. F. and Gilson A., Credit and the War on Poverty: an analysis of the Credit Union Programs of the Office of Economic Opportunity Woodstock Institute, Chicago 1993*

Robinson and Gilson point out that the OEO provided financial subsidies to community credit unions with the best of intentions. They maintain that *"the high rate of failure was not inherent in the nature of limited income credit unions nor, indeed, in the fact of government assistance for such credit unions but in the characteristics of the actual program established by the OEO"*. This programme aimed to jump-start credit unions so that they would become self-sufficient within three to four years. But there was no real understanding of what was needed to establish this sustainability. Credit union workers were appointed by the Community Action Agencies without any real involvement of local people. They had, for the most part, a social welfare background and sought to assist people in immediate need. They did not have, according to Robinson and Gilson, an understanding of credit unions as businesses and could not distinguish the provision of credit from the making of grants to people in difficulty. They did not appreciate, to quote Robinson and Gilson, *"the purpose and needs of the credit union as a financial institution"*.

During this period, Robinson and Gilson claim, credit unions were neither monitored closely nor assisted to develop formal plans for achieving self-sufficiency. *"Many in the community"*, wrote Robinson and Gilson, *"accused the agency of creating dependency"*. This led to a situation where *"members of the boards of directors did not fully understand their responsibilities nor how a credit union operated. It was difficult to find volunteers to staff offices. Volunteers were not willing to commit the necessary time to learn how to operate the credit union adequately"*. Consequently, when the government funding ended, so did many of the credit unions. Robinson and Gilson did not regard the reduction of this funding as entirely a bad thing. It enabled those credit unions with the potential to succeed to identify the key factors that would contribute to success and work at it. *"Community credit unions worked", they argue, "when key community residents were committed to the survival of the credit union and demonstrated that commitment through intensive and long-term support. The successful organisations had access to training and appropriate subsidies. They developed realistic loan policies, and added to their low-income membership base moderate and middle-income members who allowed the credit union to develop adequate assets. Their boards insisted on a formal planning process, and they took community education and marketing seriously"*.

The community credit unions that survived the OEO investment period offer, according to Robinson and Gilson, some important lessons in the sustainability of limited income credit unions. The following are identified as some of the key learning experiences of the period:

- Community Action Agencies were the wrong vehicles for starting credit unions. They were primarily social service and welfare advocacy groups with little or no understanding of business and economic development. They *"typically exercised a great deal of control over the credit unions although they lacked an understanding of the credit union movement"* (Robinson and Gilson)

- Credit unions only worked if they were regarded as financial institutions and operated on sound business principles. *"If managers saw the credit union's role as that of a financial institution, they were all right. If, however, they saw its principal role as community service, or were proud of giving away money, they were in trouble"*, Peter Livingston, former head of CUNA's research and development division, quoted by Robinson and Gilson.

- Narrowly drawn common bonds did not work. *"Of the six OEO-related credit unions started in the New Orleans area, three merged with other credit unions and two were ultimately liquidated. Both liquidated credit unions served only residents of public housing developments who had too little income to save"* (Robinson and Gilson). The credit unions that succeeded converted to more expansive and diverse common bonds which allowed them to recruit members with a range of incomes. This gave the credit unions the opportunity to establish a much larger asset base.

- Self-sufficiency depended on high quality planning. CUNA and the OEO did not require credit unions to develop formal plans or projections for self-sufficiency and OEO made no systematic checks on the progress of credit unions nor provided the training and technical assistance to achieve sustainability. *"High quality planning and management are critical to the effectiveness of credit unions. Most successful credit unions incorporate some form of strategic planning to forge new visions and to keep the credit union focused on its goals and mission".* (Robinson and Gilson).

• Funding alone did not achieve self-sufficiency. The OEO, claimed Robinson and Gilson, misdirected funding to credit unions without realistically thinking through the conditions necessary for long-term viability. These were identified as having *"a dedicated staff,....training; a board of directors that assumes fiscal responsibility for the operations of the credit union, the establishment of policies that are fair, consistent, and uniformly enforced; and active outreach, marketing and community education"* (Robinson and Gilson).

* The competence of the board of directors in the management and governance of the credit union was identified as a key success factor. OEO-related credit unions rarely had boards of directors that included members with marketing or management skills. Robinson and Gilson stress that *"local leadership must be in place for a credit union to be successful".* Alongside competence, volunteer boards of directors need commitment. Often in the successful OEO-related credit unions, there was a single person or persons *"who believed so fervently in the credit union that they worked in whatever way necessary to ensure its survival".* Robinson and Gilson highlight the importance of enlisting *"based on talent, commitment and shared vision".*

Community Development Credit Unions

The OEO-related credit union programme was only one influence on the organisation of credit unions in low income communities. From 1972 onwards, legislative changes, and a much more competitive environment, favoured the development of larger, mostly employee-based, professional credit unions, predominantly through expansions and mergers. The registration of all credit unions, including CDCUs, declined dramatically through the 1980s. Also, from the early 1970s, the National Credit Union Share Insurance Fund, the US share protection scheme, began to be implemented. To qualify for entry into the scheme, credit unions had to meet certain minimum financial and management standards. Those that were not able to meet them were given temporary insurance certificates that covered them for two years. Many credit unions, who were not able to satisfied the required standards, found that they had to merge with another credit union or to go out of business. The credit union closure rate rose from an annual rate of 300 to around 700 in both 1972 and 1973[51].

Social and political changes in the early 90s have seen a renewed interest and opportunity to develop credit unions within low-income communities. Of the 33 new credit unions registered in 1993, 12 were chartered to serve predominantly low income communities. The NCUA has adopted a new approach to smaller[52] credit unions and has in place a range of programmes aimed at enabling them to survive "within the context of safe and sound operations"[53]. Mergers and liquidations are now seen as the last resort. However, they do have to operate, as businesses, within a much more rigorous regulatory and share insurance framework than is known in the UK. Recent new legislation[54] will impose even stricter mandatory capital standards (reserve/asset ratios) on the credit union industry and "prompt corrective action"[55] will be enforced by the NCUA on those credit unions that fall short of certain benchmarks. Before any new credit union can be registered, it has to demonstrate "economic feasibility" and "economic viability in such a way *"to show that the credit union would never, even during the first few months, show losses sufficient to produce negative net worth"*[56].

[51] cf. Ferguson C. and McKillop D., The Strategic Development of Credit Unions. John Wiley 1997 pg. 169
[52] It is important to note that "small" in the US is often understood to having assets of $2 million or less. Cliff Rosenthal writes "no one here would quarrel that £2 million is a small credit union; some people in the industry would define the term upwards, quite a bit". The average sized credit union has £22.5 million in assets.
[53] D'Amours N. Letter to Credit Unions - #153. National Credit Union Administration 1994
[54] New rules and procedures accepted as part of the Credit Union membership Access Act (H.R.1151) August 1998
[55] NCUA reported speech quoted in CDCU Report, NFCDCU, Summer 1998
[56] Rosenthal C.N. and Levy L. Organising Credit Unions: A Manual. National Federation of Community Development Credit Unions. Version 1.1 New York 1995 pg. 1-5

The NFCDCU promotes the development of credit unions in low-income communities in a way that reflects a fundamental commitment to economic viability from the outset. It has learnt, from the US story of credit union development since the 1970s, some clear lessons about the conditions that must be in place to ensure the sustainability of community development credit unions. From the NFCDCU manual "Organising Credit Unions" and from Cliff Rosenthal's contribution to the London Workshop, the following points can be made:

- The NFCDCU never sells the idea of setting up credit union to communities. In fact, its first response to a group that makes an approach to start a credit union is to encourage them to explore the possibility of persuading an existing credit union to include them within its common bond. Only if the group is determined to proceed, for reasons related solely to developing a financial institution, will the NFCDCU assist them to set up a new credit union. The new group must demonstrate that it has commitment and drive to surmount all the hurdles it will encounter within the development process.

- New credit union development depends on a rigorous process of the assessment of need. This concentrates, first, on the need for financial products and services within a particular community and, secondly, on the availability of resources, funding and premises to establish an economically viable credit union. The Manual reads, *"if your preliminary work has suggested strongly that it is best not to pursue a credit union, you should congratulate yourself on a job well done"*[57].

- Planning forecasts must be based on the recruitment of potential members before the credit union considers registration. The Manual states, *"An organising campaign must recruit at least 500 to 1,000 people willing to complete a non-binding pledge form that indicates their willingness to join the credit union"*[58].

- Community development credit unions usually have a low-income designation which gives them certain additional powers under US legislation. However, not all of the members of the credit union have to be "low-income", a simple majority, or 51%, is enough. The NFCDCU stresses that "low-income" does not mean poverty level, rather it is assessed as 80% of the national median household income. In other words, credit unions must be established with a field of membership able to generate the share deposits necessary for economic viability.

- NFCDCU recommends that all new credit unions have a sponsoring organisation that is willing to lend its good name, make premises available, provide cash or in-kind contributions (such as seconding a member of staff).

All new credit unions must produce a business plan which addresses the "economic advisability" of proceeding to registration. This must show the economic viability of the credit union from day one and address issues such as the quality of management, the nature of services, the budget, and loans policies.

Within the business plan, resources, staffing and premises are key issues that must be addressed. It is technically possible in the US to start a credit union entirely with volunteers but NFCDCU would not advise any group to proceed without having a paid manager from the outset. NFCDCU regards the quality of premises and their location as "critical to success".[59] NFCDCU advises facilities (premises) that offer "member comfort", "visibility" and "security".

- It would be very rare that a new credit union was established without having a fully computerised accounting system from day one.

[57] *ibid. pg. 11-15*
[58] *ibid. pg. 11-7*
[59] *ibid. pg. IV-21*

• NFCDCU stresses community development credit unions succeed because of the commitment, skills and qualifications of the volunteers and staff members. The Manual advises that it is *"helpful to have a wide range of skills and experience on the Board and the Committees. Personnel specialists, lawyers, people who have worked in collections, marketing specialists, teachers, and even banks may have a lot to contribute"*.

Community development credit unions exist to ensure that low-income members have access to a wide range of financial services, including savings accounts, check accounts, loans and other financial products and services. Achieving this goal is seen as depending entirely on having a sound business background. No new or existing credit union can continue in business without meeting the financial and management standards necessary to ensure economic viability. This is demanded both by having a care to protect members' savings and, increasingly, by the US regulator.

Chapter 8 - Key Findings

1. Sustainability and a Vision for Growth

Credit unions can offer quality and low-cost financial services, particularly to those on low incomes or who find themselves excluded from mainstream financial institutions. They can play an important part in the social regeneration and economic development of communities. But to do this, they must, first of all, be sustainable and financially viable. Research findings indicate that a significant sector of the credit union movement is financially weak and in need of development to achieve stability and sustainable growth. The fact that 40% of community credit unions are not, even after many years of operation, at a basic level[60] of economic viability must be a cause for concern.

Of course, much depends on what is meant by sustainability. Like the linked notion of viability, it can be interpreted in many different ways. Small credit unions, that offer a limited service to a small number of people, may judge sustainability in terms of paying the bills and surviving from one year to the next. They may be happy to remain dependent on volunteers and to continue to measure success by the personal growth and development of the small group of people involved. This research does not come to the conclusion that there is no role for such groups. But it needs to be recognised that they are not yet playing a significant part in the economic regeneration of communities.

Assessing sustainability depends very much on an understanding of the purpose, and rationale, of credit unions. It is linked to the reply given to the question, *"what business are credit unions in, and why?"* If the business is about offering an effective and efficient financial service to a large number of people then sustainability must be understood in terms greater than survival. It must be understood as maximising members and savings, developing a diversified loan portfolio, offering a range of financial services, paying a dividend, building up reserves, and generating sufficient income to achieve self-sufficiency.

Research findings indicate that credit unions are likely to grow into sustainable and economically viable organisations when the directors share a vision of developing them into financial institutions that serve the majority of the population within a large and diverse common bond. The research demonstrated that, for the most part, there is a divide in the British credit union movement between regarding credit unions, on the one hand, as community development projects and services for disadvantaged people, and, on the other, as co-operative financial institutions. Evidence points, however, to the fact that not only do higher growth credit unions, both community and work-based, regard themselves primarily as financial institutions but that, increasingly, volunteers and workers throughout the movement, are recognising that developing the skills needed to manage and run a financial institution is a prerequisite of success.

If sustainability depends on having a vision for growth, it also depends on the ability to turn that vision into reality. It means, as was seen in Dalmuir and East Kilbride, having a bias for action that prioritises the increase of members and the generation of savings. Donnelly and Haggett[61] describe a "virtuous circle" which they believe credit unions have to embrace if they are to achieve success. Simply put, this means that credit unions have to attract more savings which lead to bigger loans, to higher income, to bigger reserves, to bigger dividends, to more members, to more savings and so on. The success of work-based credit unions is due to their being able to keep this cycle in motion. Clearly, most work-based credit unions are assisted in this by having paid staff, support from the employer and the vast majority of their members in paid employment. But this research has shown that, insofar as community credit unions share the same vision, in understanding and in practice, they can grow into the kind of large, sustainable organisations that can make a substantial contribution to the economic development of communities.

[60] *See the section on Economic Viability in Chapter 2*

[61] *Donnelly and Haggett, Credit Unions in Britain, a decade of growth. The Plunkett Foundation 1997 pg. 20*

2. Values and Philosophy

The research findings confirm that the British credit union movement is value-driven and committed to both social and economic goals.

However, the research has also confirmed that higher growth credit unions, both work-based and community, attend first to their economic goals as financial institutions. Then, as a consequence of achieving these, they are enabled to achieve their social and community objectives. In other words, successful credit unions see themselves, and operate, primarily as financial co-operative businesses.

Credit unions are not, in fact, an effective way to build community where it does not already exist. Hannon, West and Barron describe the original forms of credit unions at the turn of the last century in New York as a "form of organisation that is built on existing social bonds"[52]. Credit unions require mutual trust, which will be lacking if community is weak or non-existent. Community needs to be built first, to provide sponsoring groups and local leadership, before credit unions can be effective. Credit unions are better viewed as second-wave community development vehicles, to be used to *strengthen* community rather than to try to create it where none exists.

The approach that urges credit unions to remain small is often supported by the argument that small credit unions enable everyone to participate and develop new skills in a supportive and friendly atmosphere. Often, as much as community development, the personal and social development of individuals is stressed as a priority goal of credit unions. Yet, would these goals be better served by larger, more inclusive organisations that could truly strengthen local communities by offering quality financial services and by creating local jobs? Sometimes too people are sold a vision that says it is easy to start a credit union anywhere with anyone as volunteers. Often the only result is stress for a small number of volunteers. The international co-operative vision is that credit unions are accessible and open to all. Small credit unions can only make marginal impact either in terms of developing the skills of individuals or of contributing to the regeneration of communities.

Community development and the personal development of individuals do represent worthy social and governmental goals. Established credit unions can indeed play a large role in developing people and communities. But if credit unions are started with the primary goals of the personal development of volunteers (who lack knowledge and leadership skills) and the development of the community then there is a loss all around. The community will not receive the financial services it needs, and the opportunities for community and personal development by an effective, sustainable credit union will not occur either. A few volunteers may benefit, but with the unacceptable loss of a greater opportunity for doing good. If it is to be successful, a credit union's primary goal must be to provide reasonably priced financial services to those who otherwise would not have access to them.

3. Autonomy and Leadership

Research findings indicate that successful credit unions grow out of competent, entrepreneurial leadership and clear commitments to autonomy and independence. Significantly, some of the most successful credit unions in the country have been established and led by groups, often of women, who have been able to provide direction and a sense of purpose and who have prioritised self-reliance above all. This ties in with the fact that self-promoted credit unions tend to be much stronger than those promoted by external agencies.

There is a need to develop champions of the credit union movement and to recruit competent and able community entrepreneurs. The credit union movement needs leaders who are both able to develop an empowering vision and generate and sustain a bias to action. There is an equal need to move away from a tendency, often done with the best of intentions, to recruit the most disadvantaged with fewer skills within

[52]Hannan M.E., and West E., and Baron D., Dynamics of Populations of Credit Unions Filene Research Institute, Madison 1994 pg.13

communities as credit union leaders. Clearly the desire to develop the skills of more disadvantaged people is an important social goal, but it is leaving too many credit unions bereft of people skilled and equipped to manage and run effective financial community businesses.

Leaders, as Bennis claims, need to be purveyors of hope, optimism and a psychological resilience that expects success.[63] Perhaps the beginnings of this hope and expectation is already detectable in the research findings. There is clearly emerging an increasing desire, by more and more credit unions, to be less dependent on grants and to grow into a mature, sustainable movement.

4. Effective Governance

The effective governance, as distinct from the day-to-day management, of credit unions is a core element of success. Often groups of volunteers, able and competent in the day-to-day tasks of the credit union, are less sure when it comes to thinking strategically about the direction and growth of their credit unions. Even though there has been a significant rise in the consideration of its importance since initially setting up, still only 51% of all community credit unions think it to be very important today to have a formal business plan. This compares with 91% of high membership growth community credit unions.

Credit unions are successful when they have been able to develop the effective leadership of volunteer boards and committees. For the most part, this involves recruiting individuals who are well regarded in the community and, at the same time, have the skills and vision to collectively promote the credit union and make it grow. The research indicates that the British movement is becoming clearer about the abilities and skills required to be an effective credit union director. The challenge will be to ensure that this changing perspective influences the quality and calibre of credit unions boards and committees.

Credit unions are more successful when boards of directors direct credit unions to adopt policies that maximise savings in the credit union. Credit unions that overwhelmingly attract borrowers rather than savers tend to remain small and less effective.

The research findings indicate that the competence, commitment and care of the board of directors have to be complemented by clear structures, systems and processes, characterised by democratic and open decision making.

5. Business Focus, Professionalism and Member Service

One of the clearest findings to emerge from the research is that credit unions, whether work-based or community, are successful when they have a firm business orientation, are professional and prioritise the quality of service to their members. Successful credit unions are good at developing market opportunities, committed to working at what they know best and getting on with developing the business.

Research findings show many credit unions are facing real difficulties in running effective and efficient financial businesses. Staffing difficulties predominate. Volunteers do not always have the time and energy to run such demanding businesses in a way that is able to promote and sustain significant growth. It is indeed a mark of the commitment of so many volunteers that they are able to provide the service they do. Yet, significantly, 86% of community credit unions do agree that volunteer burn-out is restricting the growth of their credit unions. This burn-out limits access to credit union services. 62% of all community credit unions, for example, are only open for six hours a week or less, a third for only three hours or less.

[63] *Bennis W. and Goldsmith J. Organizing Genius. London: Nicholas Brealy 1997*

Donnelly and Haggett make a crucial point when they write, *"residential credit unions do more work for less return* (as they process many more smaller loans which generate less income). *When it is remembered that in almost all cases the work is done by volunteers, there is the danger that the volunteers will get "fed up" and withdraw. Coupled with the difficulty of attracting new volunteers, this represents a danger to the continued existence of some residential credit unions. This danger of "director walkaway" has been a concern to many for some time"*[54]

Significantly, community volunteers are increasingly interested in engaging the support of paid staff. 50% of high membership growth credit unions now consider having paid staff to be very desirable. But, even amongst this group, only 23% think it very likely that they will have paid employees in the credit union. Smaller credit unions consider having paid staff to be less desirable and even less likely. The issue of paid staff, and of managing those staff, is going to become more and more pressing as volunteers suffer increasing pressure of work. Having paid staff may also encourage more people with existing skills, financial, legal marketing etc., who are working full time and who cannot give time to credit union operations, to become involved in credit unions.

In endeavouring to develop a professional financial service, credit unions continue to face difficulties with premises. Often credit unions are in premises that continue to promote the image of a "poor persons' bank". Many certainly do not attract new members. They are often neither visible, comfortable, friendly nor safe. 26% of community credit unions, replying to the survey, are still run from volunteers' homes. Clearly, if community credit unions are to be sustainable in the longer term, and make a significant impact in their communities, they are going to have to operate from suitable premises that promote an open, inclusive and accessible image.

6. Business Development and Training

Research findings indicate that credit union volunteers are significantly changing their perspectives on what is important within training and development programmes. They are clearly indicating that they are seeking improved business development services.

The change, from what credit unions considered very important when they started, to what they see as very important now is remarkable. 48% of community credit unions now think business skills to be very important compared with only 20% when they set up, and so on. High growth work-based and community credit unions increasingly stress the central importance of business skills, formal business plans, management and financial training and an understanding of the working of financial institutions.

There evidently needs to be an improved business focus within credit union training and development. Whether this training is undertaken by development agencies, local authorities or credit union support groups, more competent assistance needs to be given in marketing, business management, information technology, technical information and in leadership and entrepreneurial development.

In the shorter term, given the current situation of so many smaller community credit unions there needs to be an immediate focus on current organisational development. Undoubtedly, there is a role here for larger credit unions to act as mentors in bringing smaller credit unions up to more effective operational standards. Possibly, it may be in the business interests of some credit unions to consider amalgamating with other credit unions.

7. Sponsorship

Credit unions that have a sponsoring organisation behind them tend to have a greater chance of success. A sponsor is an organisation, such as a company, a local authority, a church or community organisation, that is willing to lend its good name to the credit union. Sponsors can assist by making facilities available, by providing in-kind contributions (such as staff support) or by finding funding to assist in the development of the credit union.

[54] *ibid. pg. 21*

But what they give most to credit unions is credibility. This is equally true for community and work-based credit unions. Sponsors have no legal or financial liabilities for the credit union but, by lending their name and good will to the credit union, are perceived by members and potential members as having a certain moral or public relations responsibility for its success.

8. Assessing Performance

The research has highlighted that the credit union movement lacks a commonly understood and accepted way of assessing performance and success. For example, the high satisfaction rates reported by credit unions as to their economic viability give rise to questions about the kinds of criteria by which this viability is being assessed. The same questions could be asked of the way in which membership growth or quality of service are assessed. Financial and management standards, although available, do not seem to be widely used nor promoted within the movement. It is interesting that the development of the Credit Union Process of Assessment, in Greater Manchester, was one attempt to remedy this situation. Along with developing indicators of success, there is a clear need to identify best practice within credit union development and to create benchmarks by which credit unions can assess their own performance.

9. Employment Based Credit Unions - Learning from Success

Research findings confirm that work-based credit unions are performing better than community credit unions. It is important that community credit unions have the opportunity to learn from the success of larger, work-based credit unions and, in particular, how they can replicate three of their evident success factors: business purpose, sponsorship, premises and staff.

It is important to recognise that, in some areas, the best way of developing a credit union for the community may be by first developing a work-based credit union. With the support of a local employer, a credit union can create the solid foundations on which sustainable organisation can be built. Once firmly established, this credit union could then recruit members from the wider community. It may be, in the first instance, better for local authorities, for example, to support credit unions for their own employees as the first step in a strategy to create a sustainable local credit union for all those who live and work in the area[65].

10. Investment and Public Subsidy

The credit union survey indicated that 80% of all community credit unions were established with grants or subsidies, mainly from local authorities or other public funds. However, in the local authority survey, out of the 64 local authorities who stated they supported credit unions, financially or otherwise, only 29 stated they evaluated credit union performance.

In the United States[66], credit unions seeking special Government assistance must meet specific evaluation criteria and operational requirements to be considered for approval. For the most part, this is not the case in Britain. Even where evaluation criteria are in place, public funding is often not linked to the kinds of objectives and performance targets that relate immediately to the development of sustainable credit unions. Under criteria set by funding regimes, performance targets are often set to the kinds of outputs, for example, number of training hours, that fail to indicate the progress in credit union effectiveness and economic viability.

The research did indicate a certain dependency on external funding and/or support. 32% of community credit unions could not survive without external support and 40% could only survive with difficulty. In fact, this support is more likely to be, in the majority of cases, in the form of free accommodation than actual grant aid. However a

[65] *cf sustainable credit union development in St. Helens. Chapter 6.2*
[66] *Policy Statement on Special Assistance and Special Actions. The National Credit Union Administration, April 1997*
[67] *Berthoud and Hinton quoted by Donnelly and Haggett (1997)*
[68] *Donovan M., and Harvey A., and Thomas L, Enabling Community Enterprise, Local Government Management Board Report. 1998 pg 34*

note of care needs to be sounded in regard to the relation between funding and dependency. Berthoud and Hinton, for example, stressed that *"in the long run, a community credit union depends on the loyalty of its members, and on the willingness of some of them to work for the common good. It is feared that too much support might allow credit unions to develop amongst groups of people lacking the necessary commitment, even worse, that if life is too easy at the start, then commitment will actually be discouraged"*[57].

By linking funding to evaluation criteria and operational requirements, dangers of long-term dependency on external support could be reduced. This point was made in the report, Enabling Community Enterprise, *"Where grants are given, performance should be monitored and tied to service- or activity-level agreements. It should be made clear to community businesses that the receipt of assistance brings with it responsibilities"*[58].

11. Evolution and Organisational Change

The final question of the research survey was, in many ways, the most important of all. The reply was even more important and significant for the future of the movement. 89% of work-based and 71% of community respondents agreed that credit unions need to change. They agreed that credit union need to become more like a professional financial service, to offer a wider range of services and products, to create larger and more diverse common bonds, to employ (more) paid staff to carry out day-to-day activities and to redefine the role of volunteers in terms of policy and direction and free them from the weight of day-to-day administration.

The British movement can learn from the US that credit unions do change over time, some even disappear, in response to changing social and economic conditions. The trick is to create new organisational forms of credit union that bring both stability to the movement and enable many more people to access the benefits of credit union membership. The way things are done now are never the way they will always be done in the future.

What was interesting in the research was not just the commitment to change but the experimentation and research into new ways of doing things that are currently taking place. Greater Manchester Chapter has been exploring amalgamations and mergers with other credit unions. Southwark Council Employees have been investigating amalgamating with a community credit union to create a new organisation for the whole of the borough. In Telford, a progressive, strategic plan is being put together to merge community credit unions in order to develop one large economically viable credit union, with an expanded common bond to cover the whole Telford and Wrekin area. At the same time, the Council Employees' Credit Union is seeking to expand by including in its common bond other groups of public and private sector employees in Telford. In the long term, based on one live and work common bond, it is planned to unite the work-based and community credit unions into one large, sustainable credit union for the whole town and surrounding area.

Evolution demands uncovering and challenging assumptions and mindsets. The North Manchester model[59] brings local businesses, churches and community organisations together in a plan to develop just one credit union for an area, where in the past, there would certainly have been ideas for four or five. The model depends on creating a large and diverse common bond and establishing the credit union with sufficient resources, paid staff and funding to achieve a sufficient size to be economically sustainable from the outset. It is this kind of change the overwhelming majority of the credit union movement has agreed will characterise the future of the movement.

12. Needed: A Credit Union Controlled Support Structure

The research throws up yet another question. Should the goal of future development be not only sustainable credit unions, but also a sustainable **movement**? The significant characteristic of successful movements, notably lacking in Britain, is a single, strong credit union owned and controlled support structure. Throughout the world it has proved to be the vital element of a self-sustaining credit union movement.

[59]*See Chapter 6.2*

Examples of self-sustaining movements include:

- The Irish League of Credit Unions, to which nearly all credit unions belong and which provides a full range of training, monitoring, services and support.

- The National Association of Savings and Credit Unions (Poland), the single national body started only about six years ago with funding from the US, is now entirely self-supporting from the Polish movement. It has taken on the job of starting new credit unions, at no cost to government. The Polish movement now has more members than Britain (in a country with a population one quarter as large, and at a total cost over four years of less than a third of what is spent in Britain in one year.)
- In the US, Canada, and Australia it is the same story with strong, integrated systems of credit union owned and controlled support organisations. These organisations became self-sufficient supporters of credit unions early in their histories.

In Britain support for credit unions has been fragmented. There is duplication of effort resulting in inefficiency and lack of scale economy. Most support is provided by bodies which credit unions do not own and control, all of which have their own separate agendas. This lack of a strong support organisation is a major cause of the movement's failure to grow.

Credit unions in Britain need a single national system which they own and control which gives them the following (as such systems do in other countries):

- Political and public representation
- Training for volunteers and staff
- Technical advice and consultation
- Marketing and promotion
- Research and development
- Standards for best practice
- Business systems
- Back office support
- Group purchasing
- Insurance
- Central finance

The Association of British Credit Unions Limited (ABCUL) is the only credit union-controlled organisation with the potential to develop into such a system. The credit unions affiliated with ABCUL currently represent over 80% of all individual credit union members in Britain, with about 85% of the movement's assets.

Chapter 9 - Conclusion

This research project arose out of the concern that many small, mainly community, credit unions are not growing. Moreover many are struggling to operate effectively and are remaining financially very weak. The result is that, in many areas, credit unions are only reaching a limited number of people and many, particularly those on low incomes who need affordable and accessible financial services the most, are missing out. Research findings, both quantitative and qualitative, have confirmed that this problem not only exists but is more widespread than may have first been thought.

A question of purpose

The project also began with the hypothesis that one of the reasons for this lack of growth is a set of understandings about the nature and purpose of credit unions. This has produced, in the mind of many, a certain model of organisation that assumes credit unions to be small, grant-dependent, entirely volunteer run and relatively easy to manage. The focus of this model is more on local community activity, and responding to the personal, educational and social needs of volunteers, than it is on establishing viable community businesses able to offer quality financial services to the people that need those services.

The research confirmed this hypothesis insofar as credit unions are understood by many as primarily community development projects and services for disadvantaged people rather than co-operative financial institutions. This has most certainly led to many credit unions being established without a full appreciation of the business, management and financial skills required to run successful community businesses. Only 20% of community volunteers, for example, replying to the survey, considered business skills to be very important when they set up their credit union. This has impacted on the economic viability and sustainability of these credit unions.

Success and Good Practice

If the research hypothesis was confirmed, so too was the fact that there are examples of larger community and work-based credit unions that are growing as sustainable community enterprises offering quality financial services to those that need them the most. The research findings have, by no means, indicated a cause for gloom within the movement. On the contrary, the credit union movement is, overall, vibrant and very successful. But the movement does need to learn from these successful credit unions which see themselves, predominantly, as co-operative financial institutions. All credit unions not only need the resources, staffing and premises to make them work but need to develop an entrepreneurial and business-like culture which prioritises offering a quality service to members.

Change and the Way Forward

The research has indicated a growing desire for change within the British credit union movement. The vision of a more professional and business-orientated movement, accessible to all but serving those on low incomes the most, is now shared by over 70% of the credit union movement. The critical "how" to bring this about is, of course, now the key question. It starts with how to think, getting away from models of development that result in credit unions remaining small and financially weak. It then focuses on how to achieve. The movement needs to develop new imaginative models of development that create sustainable organisations able to offer quality financial services to people without burning out volunteers in the process. The commitment of volunteers is the primary strength of the credit union movement, it needs to be supported in a way that maximises, rather than diminishes, its impact. Central and local government, trade associations, development agencies, credit unions, local chapters and support groups all have a major role to play in implementing this new vision for the movement. Credit unions must change, not only to survive, but to grow into the kind of sustainable financial institutions that can bring significant economic benefits to individuals and communities.

Chapter 10 - Recommendations

The present state of the credit union movement in Britain reflects the efforts and influence to date of a number of entities, both public and private. The results of this research project suggest a number of specific steps which interested parties should take in the future so as to enable the credit union movement to achieve its full potential.

Central Government

1. National Government, through HM Treasury, should ensure that the legal framework is amended to allow credit unions to attract savings, make more loans, have greater flexibility and serve their members better.

2. Government should ensure that the forthcoming FSA results in appropriate regulation and supervision for the movement.

3. The Department of the Environment, Transport and the Regions (DETR) should establish clear criteria for sustainability in community credit union development.

4. The DETR should publish guidance on how credit unions can combat social exclusion and how sustainable community credit unions can contribute to an effective community regeneration strategy.

5. The DETR should consider supporting action research on a small number of pilot examples of sustainable community credit union development using SRB or European money. This will establish a framework for others to use.

6. The DETR should support the development of a good practice unit which provides advice and guidance to new and existing credit unions on all areas of policy and business development.

7. Government should direct a portion of its financial support for credit unions toward assuring the development of a strong credit union-owned and controlled support system.

Registry of Friendly Societies

1. Ensure that they provide appropriate regulation that recognises credit unions are financial institutions.

2. Register only those new credit unions that can show proper management and self-sustainability within a reasonable period and proper application of public funds.

Regional Development Agencies

1. Ensure that their strategic plans recognise the role that sustainable credit unions can play within the economy.

Local Authorities

1. Local government should recognise the huge potential of sustainable community credit unions to impact on social exclusion. These credit unions are community-owned and controlled financial institutions based on a traditional voluntary sector business model of volunteer direction and professional management.

2. They should develop strategies for community economic development that have clear success criteria for credit unions in terms of sustainability, independence and impact on their community.

3. Local government should evaluate their present credit union development strategies and assess the extent to which they have achieved Best Value in enabling communities to access the services of credit unions.

4. Local authorities should promote and support the development of credit unions, helping them to start with sufficient resources and funding to achieve a sufficient size to be economically sustainable within three or four years.
5. Local authorities should encourage their employees to establish credit unions.

6. Local authorities should enable employee credit unions to assist and support community credit unions in their area.

7. Local authorities should recognise that, to succeed, credit unions must begin operation with the following elements in place:

- *A solid business plan, which targets growth and is able to demonstrate sustainability without external support after three years.*

- *The effective leadership of a volunteer board and committees, consisting of individuals who are well regarded in the community and have the skills and vision to develop the credit union and make it grow.*

- *Support and sponsorship from respected local institutions, to promote the credit union and give it credibility.*

- *Initial funding or in-kind support to provide the credit union with:*

    - *Attractive premises, conveniently located to people in its community, and*
    - *Trained professional staff to operate the credit union*

- *An effective marketing and promotion programme capable of attracting at least 500 to 1000 members during the first few months of operation.*

8. Local authorities should consider undertaking a feasibility study in an area as a way to assess need and enthusiasm for a credit union before employing a full time worker. The feasibility should assess and report on the possibilities for achieving all the elements listed above. Only once a feasibility study has suggested the potential for a credit union should local authorities put their resources and support behind the development.

9. Local authorities should measure success of credit union development in terms of sustainability, number of members in the locality with access to a range of credit union services etc. rather than by numbers of credit unions.

Development agencies

1. Should promote an image of credit unions which moves away from the "poor-man's bank" and sees them as community-owned financial institutions capable of providing low cost, ethical financial services for a wide range of ordinary people.

2. Should develop business planning tools to help credit unions develop and "own" business plans which are based on sustainability over a three or four year period.

3. Provide ongoing assistance to credit unions with effective marketing strategies and training for volunteers and staff
4. Provide or second initial project staff/managers, with business skills, to a credit union who are therefore motivated to achieve the projected business plan growth.

5. Provide advice and support to credit unions in procuring/setting up safe, secure premises that achieve an image of stability for the credit union and help attract savings.
6. Should actively recruit local leaders and sufficient 'pump prime' resources before proceeding to start up.

Funding agencies

1. Recognise that their funding can "kick-start" a sustainable community business that can after 3 or 4 years genuinely survive and flourish without further grant funding.

2. Provide grants towards premises costs, equipment and funding for initial staff based on evidence of a sound business plan presented by a credible leadership.

Sponsors

1. Recognise that their funding can "kick-start" a sustainable community business that after 3 or 4 years can genuinely survive and flourish without further grant funding.

2. Provide grants towards premises costs, equipment and funding for initial staff based on evidence of a sound business plan presented by a credible leadership.

3. Second initial project staff and provide assistance with marketing expertise from within the sponsoring organisation.

Banks and Building societies

1. Recognise that credit unions are community-owned and controlled financial institutions based on a traditional voluntary sector business model of volunteer direction and professional management.

2. Recognise that these credit unions can complement their own customer base.

3. Provide help with business plan development and marketing strategies for credit unions in development.

4. Provide/second initial staff for credit unions, and/or provide funding for these staff.

5. Provide advice on procurement/setup of premises, grant funding for premises or provision of premises and/or equipment for use by a credit union.

6. Provide basic forms, model operating procedures and IT systems for credit unions.

7. Provide training and/or premises for credit union staff training.

8. Provide vacated premises for credit union use.

Credit Unions

1. Adopt practices and procedures that foster the social goals of the credit union by ensuring it is firmly, and firstly, established as a community financial institution, owned and controlled by its members and led by volunteers.
2. Develop a solid business plan, which targets growth and success.

3. Adopt clear management and financial standards by which progress can be measured and assessed.

4. Develop the effective leadership of a volunteer board and committees, consisting of individuals who are well regarded and have the skills and vision to develop the credit union and make it grow.

5. Seek support and sponsorship from respected local institutions, to promote the credit union and give it credibility.

6. Seek and use funding or in-kind support to provide the credit union with:

- attractive, accessible and visible premises
- trained professional staff to operate the credit union

7. Develop an effective marketing and promotion programme capable of attracting at least 1000 members in order to ensure the stability and viability of the credit union.

8. Larger credit unions consider ways in which they can help and support smaller credit unions.

9. Work together toward the development of a single credit union controlled support system.

ABCUL

1. Represent the credit union movement with Government to obtain changes to credit union legislation.

2. Provide a system of appropriate training which credit unions can access.

3. Work with credit unions to provide the following services and build a cohesive credit union movement:

- Political and public representation
- Training for volunteers and staff
- Technical advice and consultation
- Marketing and promotion
- Research and development
- Standards for best practice
- Business systems
- Back office support
- Group purchasing
- Insurance
- Central finance

4. Establish a Good Practice service and database

5. Conduct action research within credit unions on how community credit unions can contribute to effective community regeneration.

6. Establish assessment and performance criteria and communicate these to credit unions.

Bibliography

Association of British Credit Unions Ltd. Credit Union Feasibility Study (North Manchester Regeneration Ltd.) ABCUL 1998

Berthoud R. and Hinton T., Credit Unions in the United Kingdom: Policy Studies Institute. 1989.

Brown J., Mckay A., Memery C., and Murray I. A bond in common: people and their credit unions Community Enterprise in Strathclyde CEIS, Glasgow 1997

Conaty P and Mayo E., A Commitment to People and Place - the case for community development credit unions A report for the National Consumer Council. New Economics Foundation 1997

D'Amours N. Letter to Credit Unions - .153. National Credit Union Administration (National Credit Union Share Insurance Fund) 1994

Department of the Environment, Community-Based Regeneration Initiatives. A Working Paper. May 1998

Donnelly R. and Haggett A., Credit Unions in Britain, a decade of growth. The Plunkett Foundation. 1997

Donovan M., Harvey A., and Thomas I., Enabling Community Enterprise Local Government Management Board Report. 1998

Ferguson C. and McKillop D., The Strategic Development of Credit Unions. John Wiley 1997

Ferguson C. and McKillop D., Summary Report for the National Consumer Council: Reforms to UK Credit Union Legislation. May 1997. University of Ulster Website.

Fitchew Geoffrey, Address to the WOCCU Conference in Glasgow, May 1998. Registry of Friendly Societies

Fuller D., Credit Unions and Sustainable Development - the potential for credit unions to make progress towards sustainable development. A report for Friends of the Earth. Division of Geography and Environmental Management, University of Northumbria at Newcastle. 1998

Hannan M.E., West E., and Barron D., Dynamics of Populations of Credit Unions Filene Research Institute, Madison,.1994

National Federation of Community Development Credit Unions, CDCU Report, Summer 1998

Robinson C.F. and Gilson A., Credit and the War on Poverty: an analysis of the Credit Union Programs of the Office of Economic Opportunity Woodstock Institute, Chicago. 1993

Rosenthal C.N. and Levy L., Organising Credit Unions: A Manual. National Federation of Community Development Credit Unions. Version 1.1 New York 1995

Waterhouse et al. (N.C.C. Credit Union Working Party) Saving for Credit National Consumer Council. 1994

Appendix I

CREDIT UNION SURVEY

Credit Unions are requested to identify themselves by name. The reason for this is that, if any important issues do arise in the survey, it will allow the possibility of your being contacted for further information. All information given and views expressed in the questionnaire will be treated with complete confidentiality.

Credit Union : ____________________

Reg. No. : ____________________

Survey completed by : ____________________ **Role in Credit Union :** ____________________

Year Credit Union registered : ______________

Q1a) What type of common bond do you have?

Community ☐1(1)
Associational ☐2
Employee/Industrial ☐3
Other (please write in) ☐4

____

b) *If community or employee,* does your common bond include live and work?

Yes ☐1(2) No ☐2

Q2 What was the main reason for setting up a Credit Union? – please explain below.

____

____

____________________(3/4/5/6)

Q3 What were you or the original volunteers, trying to achieve when your Credit Union was first established? – please explain below.

____

____

____________________(7/8/9/10)

Q4 When you first set up the Credit Union which one of the following best describes the sort of organisation you were aiming to set up?

A financial institution ☐1(11)
A community development project ☐2
A co-operative ☐3
A service for disadvantaged people ☐4
Other (please write in) ☐5

____

Q5a) How realistic were your expectations of what was involved when setting up your Credit Union initially?

b) ... **and how realistic were your expectations in terms of the day to day running of a Credit Union ?**

	(a) Setting up	*(b) Running*
It was much more difficult than expected	☐1(12)	☐1(13)
It was a bit more difficult than expected	☐2	☐2
It was what we expected	☐3	☐3
It was a bit easier than expected	☐4	☐4
It was much easier than expected	☐5	☐5

please continue over ....

***If you found it more difficult than expected,* why was that?**

____

____(14/15)

Q6 Listed below are a number of factors which could be regarded as important when starting up a Credit Union. For each one, please indicate the level of importance attached to it *when initially setting up your Credit Union.*

	Very Important	*Quite important*	*Not Very important*	*Not at all important*
Business skills	☐1(16)	☐2	☐3	☐4
Understanding of the workings of a financial institution	☐	☐	☐	☐
Having a formal business plan	☐	☐	☐	☐
Management and Financial Training	☐	☐	☐	☐
Volunteer Support	☐	☐	☐	☐
Grant Aid	☐	☐	☐	☐
Sponsorship	☐	☐	☐	☐
Permanent office premises	☐	☐	☐	☐
Paid staff	☐	☐	☐	☐
A shop front branch or collection point	☐	☐	☐	☐
A number of different collection points	☐	☐	☐	☐
Having a high proportion of the common bond make a pre-registration pledge to join	☐	☐	☐	☐
Being financially viable without the help of grants	☐	☐	☐	☐
Having clear social goals	☐1(29)	☐2	☐3	☐4

Q7 How important would you regard each of these factors today (based on your experience of setting up and running a Credit Union)?

	Very Important	*Quite important*	*Not Very important*	*Not at all important*
Business skills	☐1(30)	☐2	☐3	☐4
Understanding of the workings of a financial institution	☐	☐	☐	☐
Having a formal business plan	☐	☐	☐	☐
Management and Financial Training	☐	☐	☐	☐
Volunteer Support	☐	☐	☐	☐
Grant Aid	☐	☐	☐	☐
Sponsorship	☐	☐	☐	☐
Permanent office premises	☐	☐	☐	☐
Paid staff	☐	☐	☐	☐
A shop front branch or collection point	☐	☐	☐	☐
A number of different collection points	☐	☐	☐	☐
Having a high proportion of the common bond make a pre-registration pledge to join	☐	☐	☐	☐
Being financially viable without the help of grants	☐	☐	☐	☐

Having clear social goals	☐1(43)	☐2	☐3	☐4

Q8a) Did your Credit Union receive any one off grants when setting up?
b) Do you receive any regular external funding?

	(a) *One off*	*(b)* *Regular*
Yes	☐1(44)	☐1(45)
No	☐2	☐2

If Yes to either:
Please detail from whom you received your one off grants or regular funding?

Funding From	*One off/Regular amount*
____________________(46/47)	____________________(48/49)
____________________	____________________
____________________	____________________

Q9 Do you receive any other form of support (e.g. free accommodation, heat, light, telephone, postage, stationery, photocopying or printing etc.) from any other external source?

Yes ☐1(50) No ☐2

If Yes
From whom do you receive support, and what form does it take?

Support From	*Type of support*
____________________(51/52)	____________________(53/54)
____________________	____________________

Q10 How dependent would you say your Credit Union is on the external funding and /or support you receive?

Could not survive without it	☐1(55)
Could survive without it but with difficulty	☐2
Could survive without it quite easily	☐3
Could survive without it very easily	☐4
No funding/support received	☐5

Q11a) Did you have the help of a development worker from a local authority or development agency when you set up your Credit Union?

Yes ☐1(56) No ☐2 - ***Go To Q13***

If Yes
b) How helpful would you say the development worker was in helping you to set up your Credit Union?

Very helpful	☐1(57)	Not very helpful	☐3
Quite helpful	☐2	Not at all helpful	☐4

b) How realistic was your development worker in setting out what would be involved in setting up and running a Credit Union?

Very realistic	☐1(58)	Not very realistic	☐3
Quite realistic	☐2	Not at all realistic	☐4

d) Would you say that the development worker shared your philosophy on the aims and goals of a Credit Union?

Yes ☐1(59) No ☐2

If no, in what way did you differ?

____

____

____(60/61)

Q12 Is a development worker currently involved with your Credit Union?

Yes ☐1(62) No ☐2 - ***Go to Q13***

If Yes, **what role do they play?**

____

____

____(63/64)

... and how dependent would you say you are on your development worker?

Could not survive without them ☐1(65)
Could survive without them but with difficulty ☐2
Could survive without them quite easily ☐3
Could survive without them very easily ☐4

please continue over ....

Q13 Taking into consideration all your experience of setting up and running a Credit Union, what, if anything would you do differently if you were starting up a new Credit Union today?

____

____

____(66/67)

Q14 Overall, how satisfied would you say you are with the success of your Credit Union today in terms of:-

	Very satisfied	*Quite Satisfied*	*Not very satisfied*	*Not at all Satisfied*
Numbers of members	☐1	☐2	☐3	☐4(68)
The quality of service to members	☐1	☐2	☐3	☐4
Financial viability	☐1	☐2	☐3	☐4
Achieving your social goals	☐1	☐2	☐3	☐4
Attracting sponsorship	☐1	☐2	☐3	☐4(72)

Q15a) Which, if any, of the following goals has your Credit Union achieved? (Tick as many as apply)

Create paid jobs ☐1(73)
Greater social cohesion ☐2
Personal growth of volunteers ☐3
Personal care and support of members ☐4
Support of community activities ☐5
Enabled community businesses ☐6
Other (Please write in)
____________________ ☐7(74)

b) How do you know you have achieved them?

____

____

____(75)

Q16a) How many volunteers do you have that regularly participate in Board Meetings?

_______________________________ (76)

b) How many volunteers in total do you have that take part in the day to day running of the Credit Union?

_______________________________ (77)

c) What are the proportions of men and women amongst your volunteers?

Less than a quarter women	☐1(78)	About 75% women, 25% men	☐4
About 25% women, 75% men	☐2	More than three quarters women	☐5
About half men and half women	☐3		

Q17 Do you have any *paid* staff?

Yes ☐1(79) No ☐2

If Yes

Please indicate how many paid staff you have in each of the following categories?

Full time - at least 30 hrs per week	____________(80)
Part time - working 20 to 30 hours per week	____________(81)
Part time - working 10 to 19 hours per week	____________(82)
Part time - working less than 10 hours per week	____________(83)

Q18 How strongly would you agree or disagree with each of the following statements?

	Strongly agree	*Slightly agree*	*Slightly Disagree*	*Strongly Disagree*
Our volunteers are spending too much time on Credit Union business	☐1	☐2	☐3	☐4(84)
Our volunteers are becoming tired and losing interest	☐1	☐2	☐3	☐4
We are not attracting enough new volunteers	☐1	☐2	☐3	☐4
We are too dependent on volunteers for the day to day running of the Credit Union	☐1	☐2	☐3	☐4
We would like to employ paid staff/more paid staff but can't afford it	☐1	☐2	☐3	☐4(88)

Q19 Are your accounts handled manually or by computer?

Manually ☐1(89)
By Computer ☐2 - ***Go To Q20***

If manually

a) How important is it to your Credit Union to computerise it's accounts?

Very important	☐1(90)	Not very important	☐3
Quite important	☐2	Not at all important	☐4

b) What prevents you from computerising your accounts?

Cost – can't afford it	☐1(91)
Not sufficiently familiar with computers	☐2
Prefer a manual system	☐3
Other (Please write in) ____________________	☐4

Q20a) From what type of premises is the administration of your Credit Union mainly carried out?

Volunteers home	☐1(92)
Church Hall/Community Centre etc	☐2
Employers/Work premises	☐3
Credit Union's own premises	☐4

Other (please write in) ☐5

______________________ ☐6

b) **If open to members, which of the following images do your premises convey to the membership?**

Highly professional ☐1(93)
Professional ☐2
Friendly ☐3
Community/people orientated ☐4
Poor ☐5
Shabby ☐6
Amateurish ☐7

Q21a) How many collection points or office premises open to members does your Credit Union have?

______________(94)

b) **In total, how many hours per week are these collection points or offices open? (If more than one collection point or office, add all hours together)**

______________(95)

Q22 Are any of these collection points permanently staffed high street premises (staffed either by paid or volunteer workers)?

Yes ☐1(96) No ☐2

Q23 Which bank does your Credit Union bank with?

Bank of Scotland	☐1(97)	Midland	☐6
Barclays	☐2	Nat West	☐7
Clydesdale Bank	☐3	Royal Bank of Scotland	☐8
The Co-operative Bank	☐4	Other (Please write in)	
Lloyds	☐5	______________	☐1(98)

Q24 How satisfied are you with the service you receive?

Very satisfied ☐1(99)
Quite satisfied ☐2
Not very satisfied ☐3
Not at all satisfied ☐4

Why do you say that?

____

____

____

____(100/101/102/103)

Q25 Over the next five years, which of these scenarios do you envisage for your Credit Union? (Tick one box only)

Its membership will increase ☐1(104)
Its membership will stay the same ☐2

Its membership will decline	☐3
It will go out of business	☐4
It will amalgamate with another Credit Union	☐5
It will absorb smaller Credit Unions	☐6

Why do you say that?

____

____

____

____(105)

Q26 Given the wide range of financial services available today, do you see a role for Credit Unions in the future?

Yes	☐1(106)
No	☐2

If Yes
What role do you think Credit Unions should play in the future?

____

____

____

____(107/108)

Q27 Listed below are a number of factors which could contribute to the future growth and development of Credit Unions. How desirable would you say each of these aims would be for your Credit Union?

	Very Desirable	*Quite desirable*	*Not very desirable*	*Not at all desirable*	*Already achieved*
Substantially increasing the number of Members	☐1(109)	☐2	☐3	☐4	☐5
Having computerised accounting	☐	☐	☐	☐	☐
Having paid employees	☐	☐	☐	☐	☐
Increasing the number of branches or collection points	☐	☐	☐	☐	☐
Having High Street premises	☐	☐	☐	☐	☐
Increase the size of the common bond	☐	☐	☐	☐	☐
Being less reliant on volunteers for daily tasks	☐	☐	☐	☐	☐
Offering a more professional financial service	☐	☐	☐	☐	☐
Developing a range of other services (e.g. insurance, bill paying, credit cards etc)	☐1(117)	☐2	☐3	☐4	☐5

Q28 How likely is that in the next five years your Credit Union will:-

	Very Likely	*Quite Likely*	*Not very likely*	*Not at all likely*	*Already Achieved*
Substantially increase the number of Members	☐1(118)	☐2	☐3	☐4	☐5
Have computerised accounting	☐	☐	☐	☐	☐
Have paid employees	☐	☐	☐	☐	☐
Increase the number of branches or collection points	☐	☐	☐	☐	☐
Have High Street premises	☐	☐	☐	☐	☐
Increase the size of the common bond	☐	☐	☐	☐	☐
Be less reliant on volunteers for daily tasks	☐	☐	☐	☐	☐
Offer a more professional financial service	☐	☐	☐	☐	☐
Develop a range of other services (eg insurance, bill paying, credit cards etc)	☐1(126)	☐2	☐3	☐4	☐5

Q29 Listed below are a number of factors which have been said to be restricting the growth and development of Credit Unions. How strongly would you agree or disagree that each of these is a factor in limiting the future growth and development of your Credit Union?

	Strongly Agree	*Slightly agree*	*Slightly disagree*	*Strongly Disagree*
The common bond	☐1(127)	☐2	☐3	☐4
Restrictive legislation	☐	☐	☐	☐
Volunteer burnout	☐	☐	☐	☐
Lack of new volunteers coming through	☐	☐	☐	☐
Lack of external funding	☐	☐	☐	☐
Lack of business skills amongst volunteers	☐	☐	☐	☐
Increased regulation	☐1(133)	☐2	☐3	☐4

Q30 Focus Groups around the country considered ways in which Credit Unions could grow and develop in the future. One method being considered is the possibility of Credit Unions amalgamating to form larger Credit Unions. How interested would you be in the idea of amalgamating with another Credit Union (assuming that this would be allowed within future legislation)?

Very interested	☐1(134)	Not very interested	☐3
Quite interested	☐2	Not at all interested	☐4

Q31 ...and how interested would you be in the idea of your Credit Union being taken over by another Credit Union (assuming that this would be allowed)?

Very interested	☐1(135)	Not very interested	☐3
Quite interested	☐2	Not at all interested	☐4

Q32 What would you say would be needed for your Credit Union to be able to expand in the future?

____

____

____(136/137)

Q33 It is maintained that, in order to survive in the future, Credit Unions will need to change. It is considered that credit unions will retain a clear commitment to mutuality, community and social goals. However they will have to achieve greater financial viability and sustainable growth by :-

- Being operated more like a professional financial service
- Redefining common bonds to create larger markets
- Having (more) paid staff to carry out day-to-day activities

- Redefining the role of volunteers (policy, promotion, direction etc rather than day to day administration
- Offering a wider range of services and products (insurance, bill paying , credit cards)
- Amalgamation with other Credit Unions

How strongly do you agree or disagree with this vision for the future?

Agree strongly	☐1(138)	Disagree slightly	☐4
Agree slightly	☐2	Disagree strongly	☐5
Neither agree nor disagree	☐3		

Q34 Are there any other comments you would like to make about the current or future operation of your Credit Union or the Credit Union movement in general?

____

____

____

BACKGROUND DATA

In order to help us analyse the results of this survey, please complete the following information about your Credit Union as of 30th June 1998 (the date of your last quarterly return). All information will be treated in the strictest confidence, with no individual Credit Union being identified.

Total size of common bond	________________(139)
Total number of adult members	________________(140)
Total assets	________________(141)
Total shares	________________(142)
Total loans outstanding	________________(143)
Total reserves	________________(144)
Total number of junior members	________________(145)
Total value of junior savings	________________(146)

THANK YOU FOR HELPING WITH THIS SURVEY
PLEASE RETURN YOUR COMPLETED QUESTIONNAIRE TO QCL MARKET RESEARCH IN THE PRE-PAID ENVELOPE PROVIDED

Appendix II

Participants in the National Survey

The research team would particularly like to thank the following 257 credit unions that participated in the national survey by responding to the questionnaire.

A P L Credit Union Ltd.
A19 Middlesbrough Credit Union Ltd.
Abronhill Credit Union Ltd.
Acts Credit Union Ltd.
All Saints Community Credit Union Ltd.
Alness Credit Union Ltd.
Alnwick Credit Union Ltd.
Angle (Sheffield) Credit Union Ltd.
Aquarius (North West Water Employees) C. U. Ltd.
Ayr Co-operative Credit Union Ltd.
B C D Credit Union Ltd.
Baguley & Newall Green Community Credit Union Ltd.
Bargoed Aberbargoed and Gilfach Credit Union Ltd.
Barry Credit Union Ltd.
Bedford Credit Union Ltd.
Bedworth and Bulkington Credit Union Ltd.
Benarty Credit Union Ltd.
Beswick and Openshaw Credit Union Ltd.
Beverley Credit Union Ltd.
Birmingham City Council Employees Credit Union Ltd.
Blackburn South Credit Union Ltd.
Blakenall and District (Walsall) Credit Union Ltd.
Blantyre Credit Union Ltd.
Blues and Twos Credit Union Ltd.
Borough & Bermondsey Credit Union Ltd.
Brecon & District Credit Union Ltd.
Brinnington Credit Union Ltd.
Broadfield and Bewbush Credit Union Ltd.
Broseley, Much Wenlock and District Credit Union Ltd.
Browside (Everton) Credit Union Ltd.
Brunlea Community Credit Union Ltd.
Builth and LLanwrtyd Credit Union Ltd.
Bulwell Credit Union Ltd.
Burnley Lane Credit Union Ltd.
Bute Credit Union Ltd.
Calder Valley Credit Union Ltd.
Camberwell Credit Union Ltd.
Canton and Riverside Credit Union Ltd.
Capital Credit Union Ltd.
Caribbean Parents Group Credit Union Ltd.
Carmyle Credit Union Ltd.
Carntyre and Riddrie Credit Union Ltd.
Castle and Minster Credit Union Ltd.
Castlefields Credit Union Ltd.
Cathall Community Credit Union Ltd.
Central Stockton Credit Union Ltd.
Charleston Credit Union Ltd.
Chevington and Togston Credit Union Ltd.
City of Bradford Metropolitan District Council Employees Credit Union Ltd.
Cleator Moor & Cleator Credit Union Ltd.
Cockerton Churches Credit Union Ltd.
Colne Valley Savers Credit Union Ltd.
Conisbrough & Denaby Credit Union Ltd.
Co-operative College Credit Union Ltd.
Co-operative Family Credit Union
C. W. S. (Scotland) Credit Union Ltd.
CopperPot Credit Union Ltd.
Cornton Community Credit Union Ltd.
Craigmillar Credit Union Ltd.
Craigneuk & Wishawhill Credit Union Ltd.
Cranhill Credit Union Ltd.
Credit Union (Wimbledon) Ltd.
Credit Union For Tameside Employees Ltd.
Crosby Credit Union Ltd.
Croydon Caribbean Credit Union Ltd.
Dalmuir Credit Union Ltd.
Darwen Tower Credit Union Ltd.
Dawberry & District Credit Union Ltd.
Dawley and District Credit Union Ltd.
Denton and District Credit Union Ltd.
Deptford And New Cross Credit Union Ltd.
Dial-A-Cab Credit Union Ltd.
Doxford Park & Hall Farm Credit Union Ltd.
Drumchapel Community Credit Union Ltd.
Dukinfield Credit Union Ltd.
Dumbarton Credit Union Ltd.
East Clydebank Credit Union Ltd.
East Kilbride Credit Union Ltd.
East Youth & Community Association (Sunderland) Credit Union Ltd.
Edinburgh Hackney Cab Trade Credit Union Ltd.
Ely (Cardiff) Credit Union Ltd.
Exeter Credit Union Ltd.
F.E.L.Credit Union Ltd.
Fair Goose Credit Union Ltd.
Falkirk District Taxi Trade Credit Union Ltd.
Fallowfield Credit Union Ltd.
First Welsh Business Credit Union Ltd.
Firth Park Savings & Co-operative Credit Union Ltd.
Fordbridge Savings and Credit Union Ltd.
Forres Area Credit Union Ltd.
Forward Centre Associates Credit Union Ltd.
Galt Credit Union Ltd.
Glasgow Council Credit Union Ltd.
Glasgow Licensed Taxi Trade Credit Union Ltd.
Gorgie/Dalry Credit Union Ltd.
Grampian Regional Employees Credit Union Ltd.
Grangemouth Credit Union Ltd.
Greater Govan Credit Union Ltd.
Greater Manchester Police Credit Union Ltd.
Halewood Community Credit Union Ltd.
Hamilton Credit Union Ltd.
Handsworth Breakthrough Credit Union Ltd.
Harlow District Council Credit Union Ltd.
Harrogate Credit Union Ltd.
Haslingden and Helmshore Credit Union Ltd.
Hattersley (Hyde) Credit Union Ltd.
Heart of Wales Credit Union Ltd.
Highfields Community Credit Union Ltd.
Hill Community Credit Union Ltd.
Holdfast Credit Union Ltd.
Holts Credit Union Ltd.
Holy Name (Great Barr) Credit Union Ltd.
Hull Northern Credit Union Ltd.
Hyde Credit Union Ltd.
Irlam and Cadishead Savings and Credit Union Ltd.
Isle of Wight Credit Union Ltd.
Islington Council Employees Credit Union Ltd.
Jarrow Credit Union Ltd.

Johnson Fold (Bolton) Credit Union Ltd.
Johnstone Credit Union Ltd.
Jubilee (Central Birkenhead) Credit Union Ltd.
Kilmarnock Credit Union Ltd.
Kings Norton Credit Union Ltd.
L T D A Credit Union Ltd.
L27 (Liverpool) Credit Union Ltd.
Leeds City Credit Union Ltd.
Leicester Caribbean Credit Union Ltd.
Leominster Money Box Credit Union Ltd.
Levern Credit Union Ltd.
Linwood (Renfrew) Credit Union Ltd.
Llandudno and District Credit Union Ltd.
Lodge Lane and District (Liverpool) Credit Union Ltd.
Mainline Employees Credit Union Ltd.
Malago Valley Credit Union Ltd.
Maryhill Credit Union Ltd.
Maypole and District (B'Ham) Credit Union Ltd.
Menzieshill Community Credit Union Ltd.
Mercat Cross Credit Union Ltd.
Merseyside Police Credit Union Ltd.
Metro Rochdale Employees Credit Union Ltd.
Metro. Borough of Wirral Employees Credit Union Ltd.
Mold and Buckley District Credit Union Ltd.
Moss Bank District Credit Union Ltd.
Moss-Side & Hulme, Savings Co-op. Credit Union Ltd.
Nelson Community Credit Union Ltd.
New Testament Church of God (Wolverhampton) Credit Union Ltd.
Newcastle City Council Employees Credit Union Ltd.
Newmains Credit Union Ltd.
News International Credit Union Ltd.
Nook Credit Union Ltd.
North Airdrie Credit Union Ltd.
North East Worcester Credit Union Ltd.
North London Chamber and Enterprise C. U. Ltd.
North Newcastle Credit Union Ltd.
North Paddington Credit Union Ltd.
North Shields Credit Union Ltd.
North Wales Police Credit Union Ltd.
North West Wigan Credit Union Ltd.
North Yorkshire Police Credit Union Ltd.
Northforge Credit Union Ltd.
Northumbria Police Credit Union Ltd.
Northwood Credit Union Ltd.
Norwich Community Co-operative Credit Union Ltd.
Oak Credit Union Ltd.
Offerton Credit Union Ltd.
Old Trafford Credit Union Ltd.
Oxton and Noctorum Credit Union Ltd.
Credit Union Ltd.
Park Heath Credit Union Ltd.
Parkhead Credit Union Ltd.
Parks and Walcot Credit Union Ltd.
Parndon Churches Credit Union Ltd.
Parr Credit Union Ltd.
Paysaver (Cardiff & the Vale) Credit Union Ltd.
Pemberton Area Credit Union Ltd.
Penarth and Dinas Powys Credit Union Ltd.
Penilee Credit Union Ltd.
Penyrheol & Trecenydd Credit Union Ltd.
Pilch Lane and District Credit Union Ltd.
Pimlico Credit Union Ltd.
Pinehurst Credit Union Ltd.
Pitney-Bowes Employees Credit Union Ltd.
PlaneMakers (Warton) Employees Credit Union Ltd.
Platt Bridge (Wigan) Credit Union Ltd.
Poplars Credit Union Ltd.
Poulton North Credit Union Ltd.
Princess Drive Credit Union Ltd.
Priory Credit Union Ltd.
Radford (Coventry) Credit Union Ltd.
Radio Taxicabs (London) Credit Union Ltd.
Redditch Newtown Credit Union Ltd.
Redhouse and Witherwick Credit Union Ltd.
Rhydyfelin Credit Union Ltd.
Robert Owen (Newtown) Credit Union Ltd.
Rothersave Credit Union Ltd.
Rotton Park/Winson Green Credit Union Ltd.
Rowley Mutual Savings Credit Union Ltd.
Royston Germiston (Glasgow) Credit Union Ltd.
Ruchazie Garthamlock and Craigend Credit Union Ltd.
Rutherglen Co-operative Credit Union Ltd.
Ryton Credit Union Ltd.
Sale West Credit Union Ltd.
Saltwell & Bensham Credit Union Ltd.
Scotswood Community Credit Union Ltd.
Scottish Passenger Transport Credit Union Ltd.
Scotwest Credit Union Ltd.
Sefton Council Employees Credit Union Ltd.
Shephall, Bandley Hill & Poplars Credit Union Ltd.
Shrub Credit Union Ltd.
South Central Middlesbrough Credit Union Ltd.
South Kyntyre Credit Union Ltd.
South Shields (Town Centre) Credit Union Ltd.
South Wigston Community Credit Union Ltd.
Southampton Co-operators Credit Union Ltd.
Southport Credit Union Ltd.
Southwark and Kings Employees Credit Union Ltd.
Southwick Credit Union Ltd.
Speke (Liverpool) Community Credit Union Ltd.
St Anthony of Padua Credit Union Ltd.
St Bernadette's (Whitefield) Credit Union Ltd.
St Catherine's (Didsbury) Credit Union Ltd.
St Matthews (Allerton) Credit Union Ltd.
St Mellons, Trowbridge & Rumney Comm. C. U. Ltd.
St Patrick's (Huddersfield) Save and Credit Union Ltd.
St Peter's (Gloucester) Credit Union Ltd.
St Thomas (Shildon) Credit Union Ltd.
St.Augustine's (Undercliffe) Credit Union Ltd.
St.Therese's (Port Talbot) Credit Union Ltd.
Staffordshire Fire & Rescue Service Credit Union Ltd.
Sutton (St Helens) Credit Union Ltd.
Tayside Credit Union Ltd.
Telford & Wrekin Council Employees Credit Union Ltd.
Tendring Dial Credit Union Ltd.
Thatto Heath Area Credit Union Ltd.
Thornton & District Credit Union Ltd.
Thurnscoe Credit Union Ltd.
Thurrock Credit Union Ltd.
Todmorden Credit Union Ltd.
Tullibody Credit Union Ltd.
Voyager Credit Union Ltd.
Walker Communities Credit Union Ltd.
Walney Credit Union Ltd.
Walsall Metro. Borough Council Empl. C. U. Ltd.
West Central Middlesborough Credit Union Ltd.
West Derwentside Community Credit Union Ltd.
West End (Ashton) Credit Union Ltd.
West Midlands Fire Service Empl. Credit Union Ltd.
West Plymouth Credit Union Ltd.
West Vale (Kirkby) Credit Union Ltd.
Westleigh Credit Union Ltd.
White Cart Credit Union Ltd.
White Rose Credit Union Ltd.
Whitmore Reans Credit Union Ltd.
Widnes Community Credit Union Ltd.
Wishaw Credit Union Ltd.
Wolverhampton South Credit Union Ltd.
Woodhouse Park (Manchester) Credit Union Ltd.
Yardley and District Credit Union Ltd.

Appendix III

ADDRESS BY THE CHIEF REGISTRAR OF FRIENDLY SOCIETIES GEOFFREY FITCHEW CMG

ABCUL CONFERENCE "TOWARDS SUSTAINABLE CREDIT UNION DEVELOPMENT"

LONDON 8 DECEMBER 1998

SECTION 1: INTRODUCTION

1. Good afternoon, ladies and gentlemen. I am delighted to take part in a Conference which - to judge by the audience numbers and the lively questions this morning - has aroused such strong interest in the sector. Your interest and enthusiasm is matched equally in Westminster and Whitehall where there is an unprecedented level of activity and thought being given to the future of the sector.

2. It is particularly apt that this Conference to discuss Paul Jones' research paper coincides so closely with the publication of the Government's consultation document. Because both the research paper and the consultation document each recognise that the credit union movement is at a cross-roads. And both documents in essence are looking to credit unions and those of you who run them for answers to the same questions about the movement's future and are offering you the same choices:

- should credit unions continue mainly as very small entirely volunteer-run social organisations, focussed mainly or even exclusively on the poor?;

- or should they aim to develop into broader-based financial institutions, still owned and controlled by their members, rooted in and serving their communities, but professionally managed and properly regulated and providing quality financial services to all, including the socially excluded?

3. The Government has not made any recommendations in its consultation document, because it genuinely wants to hear your views and the views of everyone involved in the credit union movement before it decides on the future regulatory regime. But all of those involved within the Government in thinking about credit unions - in the Registry, in the Treasury, in local government and elsewhere will recognise that this research project and the report it has produced present us, as well as you, with a major challenge to think about the best way of encouraging the development of the credit union movement. One of the key lessons of this report is that the future success of the credit union sector will depend in the end on the efforts and choices of the people who start up credit unions and run them. The key responsibility upon Government is to establish the right legal and regulatory environment and to provide advice, help and the right kind of financial support. These are necessary conditions for success, but they won't guarantee it. That depends on you.

4. Before I comment on some of the key themes in the report, I have one other preliminary comment. Superficially, this can be read as a rather critical report, perhaps even harsh in places. Because it appears to say that many of those involved in developing credit unions (including the Registry and central Government and the local authorities) have in a number of respects gone down a wrong path which has turned out to be a dead-end; we have made mistakes both as regards objectives and methods. We in the Registry have certainly fallen into the trap on occasions of confusing the growth in the number of credit unions with the health of the sector.

5. But, while we should certainly take the messages in the report to heart, I agree with the authors that there is no reason at all for those involved with credit unions - as most of you in the audience are - to feel bad about yourselves or what you have achieved in the last twenty years. I say that for two reasons. First, setting-up credit unions has required courage, commitment and a genuine sense of public-spiritedness; and keeping a small credit union going has required even more courage and per severance. Second, what is striking about the report is that all the criticism, but also all the proposed remedies, have come from within the sector itself; from those of you involved in running individual credit unions. As Chapter 9 says "the research findings" are not "a cause for gloom within the movement. On the contrary the credit union movement is overall, vibrant and very successful." But it needs to build on its successes.

SECTION 2: RESEARCH PAPER

6. The Research Paper is a really excellent piece of work for which ABCUL and its other sponsors deserve great praise. Also to Paul Jones for the clear and accessible style in which he presents his conclusions. It will be essential reading for everyone in and around the credit unions movement - not least within the Registry. The answers to the questionnaire summarised in Chapter 3 were revealing - particularly those dealing with the reasons people had for setting up a credit union and what sort of organisation they thought they were aiming to set up. Equally significant are the shifts shown in the factors people felt were important when they were setting up a credit union and what factors they now feel, with hindsight, to be important.

7. Like the authors of the Research paper and others present at this conference, the Registry is becoming increasingly concerned with the question of why so many community credit unions stagnate and remain very small and financially weak. We worry about this first of all because we think there is a genuine gap in the market for delivering good and competitive financial services to middle to low income groups (including the socially excluded) which credit unions could fill, but which they certainly do not have the capacity to deliver while they remain so small. But second, as your financial regulator, we worry that those credit unions which remain tiny and stagnate will eventually fail and put their members' savings at risk. It's true that the Registry has on its books some credit unions which have carried on for 10 years or more without any significant growth and in some cases without building up worthwhile reserves. And one can take the view that there is no reason why they should not continue like that. But there has to be a risk that at some point volunteer-fatigue or "burn-out" will set in; that arrears start to build up and the existing Committee of Management disperses. Like other social institutions, credit unions are organic. If they grow and respond to change, they will thrive. If they stagnate, they are vulnerable.

8. It is a particular problem for the Registry because under the current legislation when a society gets into difficulties we, unlike other financial regulators, do not have the powers to place conditions on its continued authorisation allowing a period of remedial convalescence in which the institution may be nursed back to health. We only have the unsatisfactory options of doing nothing or arranging a voluntary suspension of operation or the big stick of a Section 19 Closure Order.

9. The research findings largely confirm previous impressions as to why a significant and worrying number of credit unions stagnate and why others - including both community-based and employment-based unions succeed. But it is very important to have this hard evidence laid out in the Research Paper as a detailed source of reference.

10. The three key messages in the report I want to focus on are:

- the need for credit union volunteers to recognise that they are running a co-operative financial business and to train and manage themselves accordingly;

- the need for credit unions to have clear objectives and a formal business plan;

- the question of "critical mass" - should there be a minimum starting size for a credit union?

11. The Registry fully shares the vision of the report that credit unions and those running them need to recognise that they are running a proper financial business. There is absolutely no contradiction between the ideal of serving the local community and being professional in your approach. On the contrary, if you are asking ordinary people, including poor people, to entrust their savings to you, you have to convince them that their money will be safe with you. They deserve a professional approach from you. That is why in our pre-registration discussions and meetings with groups wishing to form a credit union, Nigel Fawcett and his colleagues in the RFS have for some years looked for an assurance that all the proposed members of the Committee of Management have undertaken appropriate training and that they have the right Committee structure and adequate systems of control in place. We now need to make this more systematic and rigorous. That is why we have been working with ABCUL and the National Association of Credit Union Workers on a training standard.

12. Two aspects of a more business-like approach which the Report highlights are the use of professional employed staff and the need for credit unions to have appropriate business premises, whether on the high street or with a shop front or not. We certainly agree that these are issues which credit unions need to address in their planning at a reasonably early stage. I agree entirely with the report that there is no contradiction between a member-controlled co-operative organisation with a board largely or wholly consisting of volunteers and the employment of full-time staff. Again it's simply part of offering your members the level of service you need to give them to win and keep their trust. The one note of caution I would sound - both in relation to staff and even more so to premises - is "do not taken on financial commitments until you are sure you can sustain them". The Registry has come across one or two cases of credit unions which have got into difficulty because they have taken on long-term leases on property which they could only afford while the local authority grants lasted.

13. The second point shown on the screen is the need for credit unions to have clear objectives and a business plan for achieving them. Again, this is not something new. RFS staff always ask for a 3 year business plan from any group wanting to register a new credit union. What should the business plan contain? Among other things:

- a clear understanding - of your main objectives - perhaps a "mission statement";

- identification of the kind of services you want to provide and to whom;

- your target for how many members you aim to recruit and what your recruiting and advertising methods will be over the 3 years;

- financial projections and targets for assets, loans and reserves over the 3 year period. Your targets should be ambitious, but realistic;

- some form of SWOT analysis or equivalent.

14. And you should review your performance against plan at least every quarter and review the plan itself every year. As you know I also chair the Building Societies Commission and we make it a requirement that every building society goes through exactly this process.

15. My third point is that of "critical mass" or size. I know that there has been and still is a debate within the credit union sector and indeed within Government on the question of how large credit unions should be; and there is an understandable concern among credit union activists that do not want to lose their community focus.

16. We in the registry share that concern. I am in favour of small credit unions. I only wish we had more of them. Because you have to distinguish between small and microscopic. At present we have ten or twenty small credit unions. The rest are below the level of the "critical mass" needed for success. No one - certainly not the Registry - is urging credit unions to become financial giants. Look at the figures quoted in Chapter 7 of this Report for American credit unions. The average size is $20 million (£12 million at current exchange rates) in assets and about 6,000 members. That is still pretty small by any standard. Take the UK's 71 remaining building societies as a measure of comparison. The average asset size is over £2 billion and the average number of members is 300,000. The smallest building society based in Londonderry, has some £8 million in assets; the largest building society, the Nationwide, has around £50 billion assets. The Building Societies Commission has traditionally regarded a small building society as one with less than £100 million in assets; (out of the 71, 21 have less than that figure) and all these 21 are certainly locally based and largely community focused). No one is suggesting that at this stage credit unions should be aiming to get to that sort of size. Most credit unions will, in any case, be limited in size by their common bond.

17. In fact the US experience suggests that credit unions probably don't need to grow to be anywhere like as big as our larger building societies - subject to one important proviso. Namely that there needs to be a framework of support available from one or more larger financial institutions which can help individual credit unions to get the economies of scale they need for investing their liquid assets, tapping wholesale funding and getting technical support. Whether that support should come from inside the sector - in the form of a Central Credit Union or from friends outside like the Co-operative Bank and the Unity Trust Bank is a matter for debate. But that too should be an important priority, which I am glad is identified in Paul Jones' report.

18. So we agree with the general message in the report that the critical mass needed for a credit union to succeed is larger than the current typical size of around 200 of most community credit unions. We are already finding that the majority of new applications to register are under the "living or working in" common bond. Whether we should impose a figure of 500-1,000 commitments from would-be members before a credit union is allowed to register, as the report suggests, is more debatable. We do not want to set a threshold which in practice no one can ever reach.

SECTION 3: THE REGISTRY VIEWPOINT

19. What lessons should the Registry draw from the Research Paper findings about its own methods of operation? One recommendation to the Government on the need for a more flexible legal framework has already been anticipated. The Treasury has published a draft Deregulation Order to give credit unions wider powers; and ABCUL is already in dialogue with Treasury and ourselves about its contents. There are two recommendations specifically relating to the Registry on which I would like to comment. The first calls on us to register only those new societies that can show proper management and self-sustainability within a reasonable period and with proper application of public funds. That is of course what we all would like to see. But we are up against the limitations of the Credit Unions Act 1979 and its lack of a proper authorisation process. If an applicant credit union meets a common bond qualification and has the requisite fraud insurance, strictly speaking the Chief Registrar has no option but to accept and register the application. In fact our system of non-statutory pre-registration supervisory visits try to remedy this gap in the legislation. We do try to evaluate the financial projections and potential viability of the proposed union and the strengths and weaknesses of the committee of management. We do try to ensure that the Management Committee has undertaken appropriate training and understands that it is managing a financial business. And if we identify problems, our recommendation that these be sorted out before an application to register is made is normally successful. But in the short term, under the current legislation, we depend on the co-operation and goodwill of those applying and, of course, on their promoting bodies to hold back from pressing for their registration until they are ready. In the longer term, if you in the sector opt to be fully regulated by the FSA under the Financial Services and Markets Bill, then a properly defined authorisation requirement can be considered. So the choice is yours.

20. The second recommendation is that we provide appropriate regulation that recognises that credit unions are financial institutions. Really there should be no doubt about this. The objects of a credit union as set out in the Credit Unions Act, are clearly those of a financial institution in the business of taking deposits. Although the Act gives us only limited supervisory powers, the informal system of supervision and guidance to credit unions which we have developed in recent years does operate with the aim of securing as far as possible financial viability on a basis of further growth. Again the future supervisory regime depends on your response to the consultation paper.

21. As you know, the staff in the Registry Credit Unions Branch are transferring to the FSA in January, but constitutional responsibility for registration and "informal supervision" of credit unions remains with the Chief Registrar and the staff joining the FSA will deliver the service to me, as they do now, but under a Service Level Agreement currently being negotiated. This situation will remain until enactment and implementation of the Financial Services and Markets Bill - a date known in FSA jargon as N2. So the same service will continue to be delivered to credit unions by basically the same people, subject to normal staff turnover, until N2 which will probably be sometime in 2000. What happens thereafter depends very much on the outcome of the consultation exercise on future options set out in the Consultation Document and Government decisions flowing from this - which is why it is so important that credit unions and others involved with the sector get their views in to the Treasury by the closure date of 12 February.

SECTION 4: CONCLUSION

22. Perhaps the most important research finding is that more than 70% of those sampled in the credit union movement now share the vision of a more professional and business-orientated movement. Certainly, the credit unions branch team in their visits to credit unions, promoting bodies and other organisations have detected evidence of a willingness to listen, learn and change and are beginning to see an improvement in the management of credit unions since the introduction of pre-registration meetings. The Research Paper itself will, I am sure, act as a significant catalyst and we in the Registry will do all we can to help change to come about in a beneficial way.

Towards sustainable credit union development

A Research Project

Further details contact

ABCUL
Holyoake House
Hanover Street
Manchester
M60 OAS

tel: 0161 832 3694
fax: 0161 832 3706

Published by ABCUL
ISBN 0 9506281 6 6