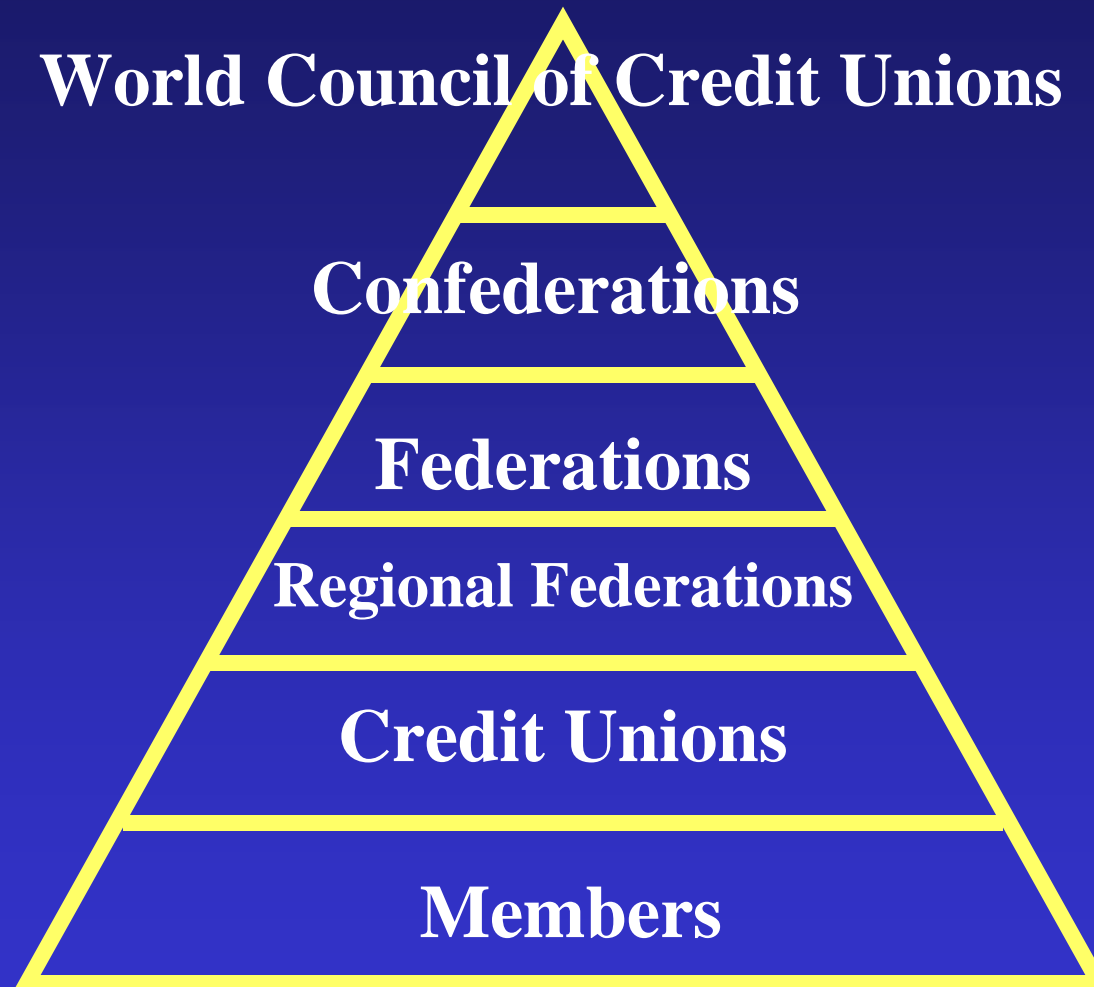


# Strengthening the Bond

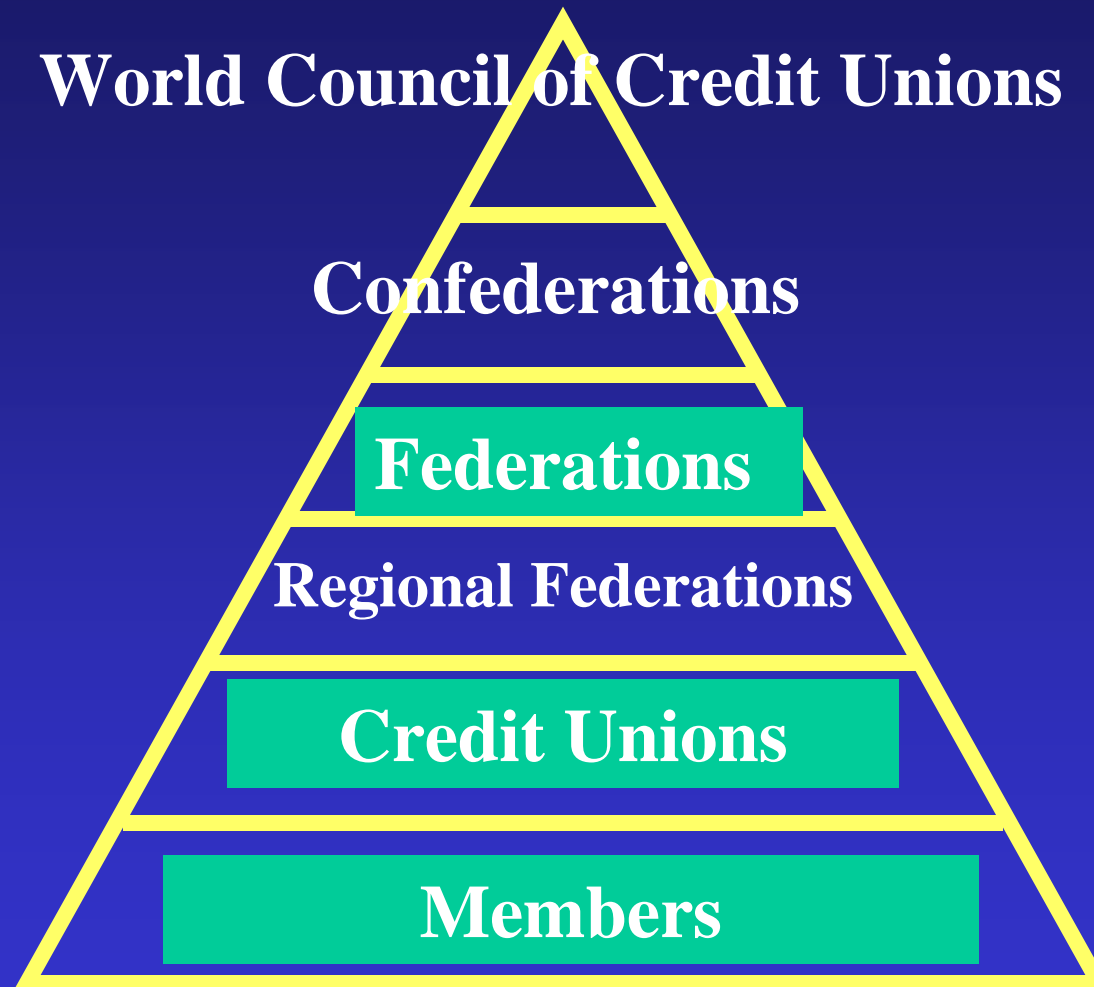


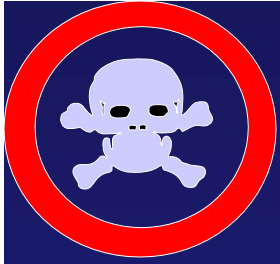
David C. Richardson  
World Council of Credit Unions  
Sri Lanka

# International Credit Union System

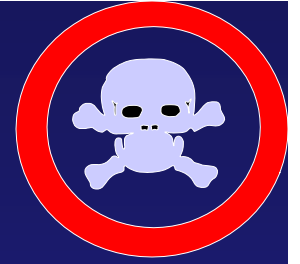


# International Credit Union System





# Fragmented Movements



## Latin America

- Costa Rica
- Nicaragua
- Panamá
- Colombia
- Ecuador
- Bolivia
- Uruguay
- Dominican Republic



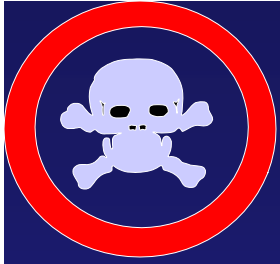
**Traditional Cooperative Visionary**



**Can You Discern the Signs of Failure?**

# Characteristics of Fragmented Credit Unions Movements



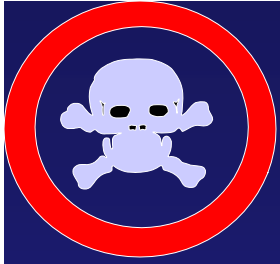


# Characteristics of Fragmented Movements

## Concentration of Power

- Super CEOs
- Insider Cliques
- Autocratic and Unilateral Decisions
- Stagnant Leadership
- No Checks and Balances

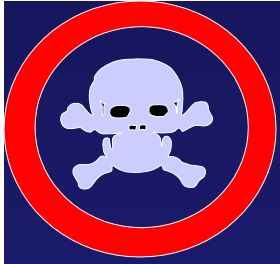




# Characteristics of Fragmented Movements

## Affiliation of Weak and Uneconomical Credit Unions

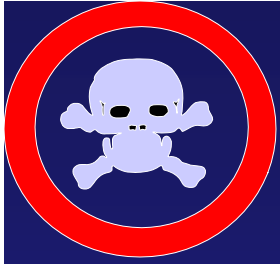
- Poor Image
- Outdated Products & Services
- Small Membership
- Small Volume of Transactions
- “Free Lunch” Mentality



# Characteristics of Fragmented Movements

## External Dependence

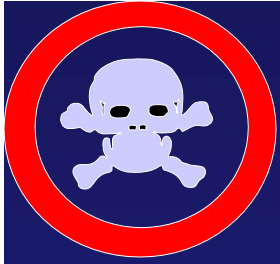
- Little Savings Mobilization
- Focus on External Credit and Donations
- Irregular Growth
- Lack of Liquidity to Lend and Withdraw Resources



# Characteristics of Fragmented Movements

Low Quality Products and Services  
that are Subsidized or Free

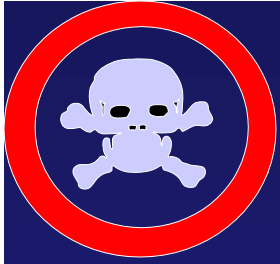
- Technical Assistance
- Seminars & Workshops
- Technology



# Characteristics of Fragmented Movements

## Non-Transparent Financial Information

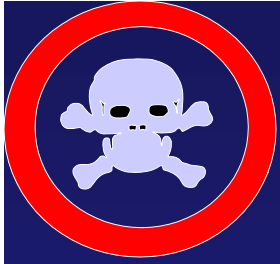
- Deficient Accounting Nomenclature
- Limited Financial Reporting
- Out-of-Balance and Unreliable Data
- Hidden Negative Information



# Characteristics of Fragmented Movements

## Lack of Financial Discipline

- Out-of-Control Delinquency
- Insufficient Loan Loss Reserves
- Weak Institutional Capital
- Inadequate Liquidity
- Excessive Non-Earning Assets
- Inefficient Operating Expenses



# Characteristics of Fragmented Movements

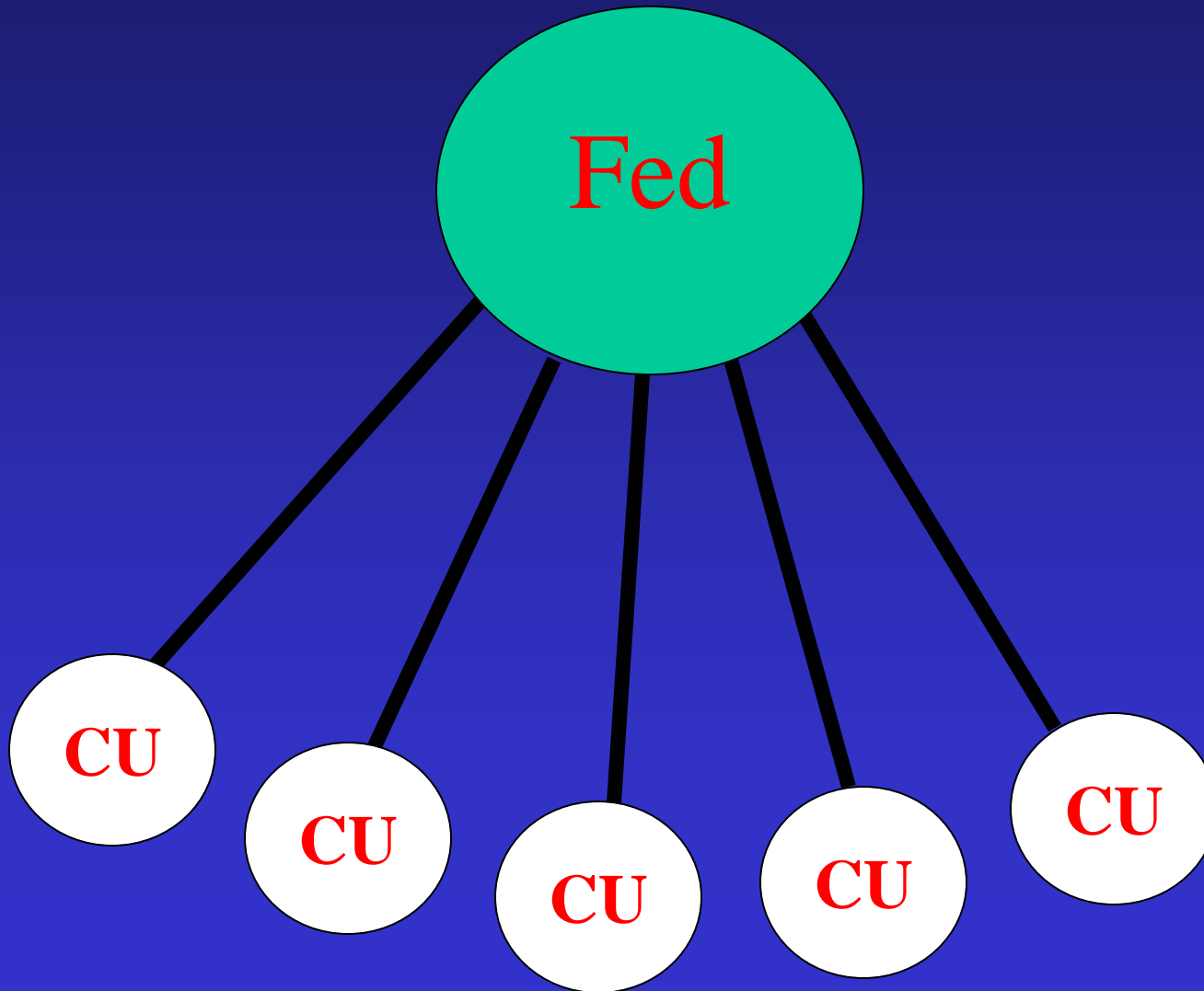
## Violation of Cooperative Principles

- Individualism (No desire to Cooperate)
- Autocratic Decisions (Absence of Democracy)
- Doing Business with Non-Members (No differentiation)
- Profit Seeking (Paying High Dividends and Profit Sharing Schemes)

# What is the true Common Bond of Credit Unions?



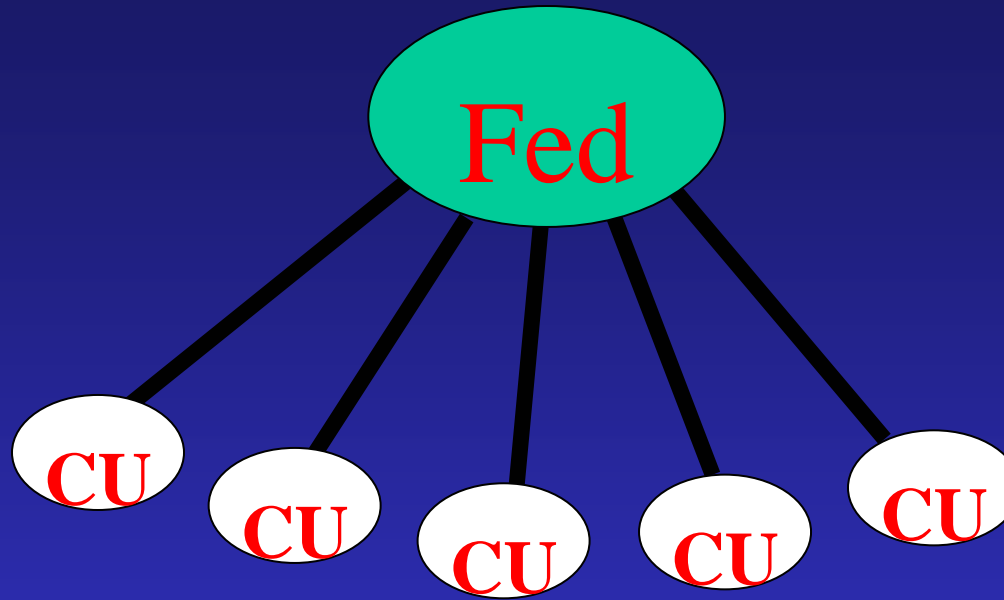
# Traditional Structure (Top Down)







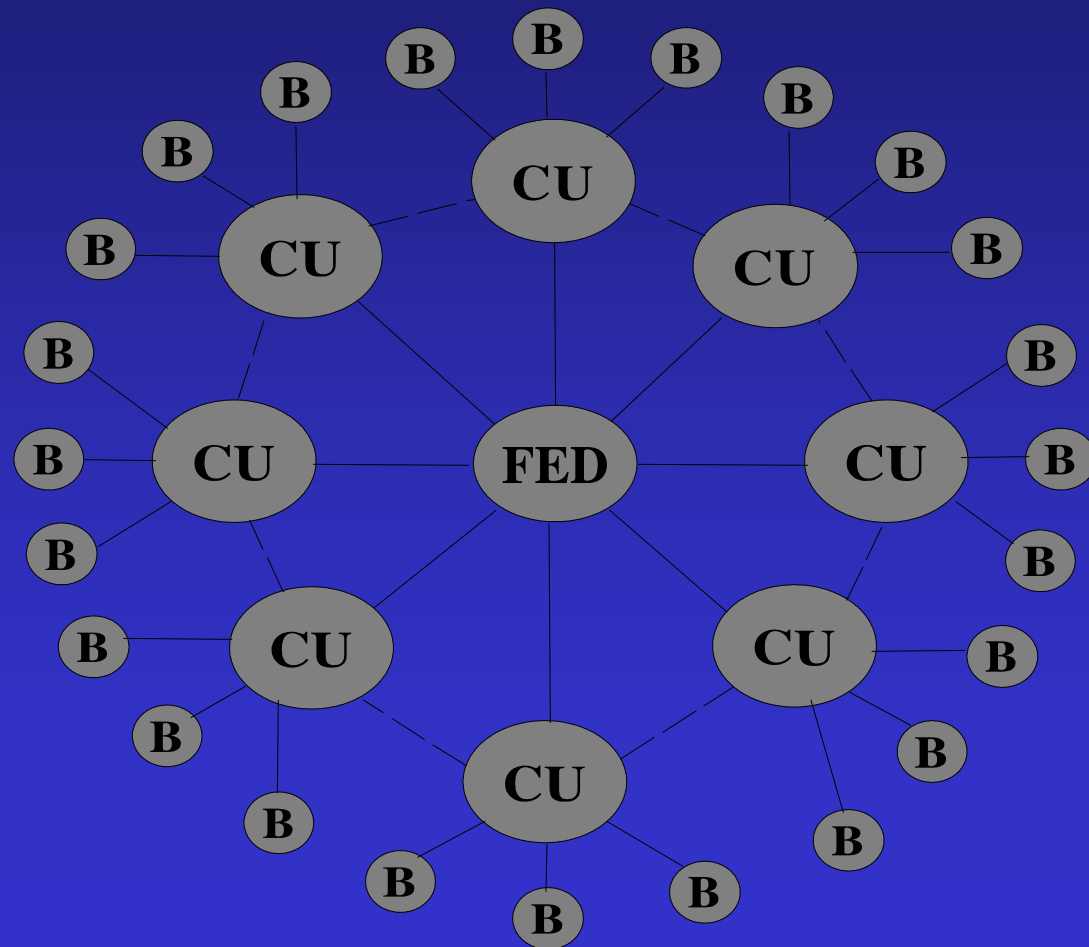
# Traditional Glue



- Integration
- Solidarity
- Loyalty

# The New Strategy of Integration

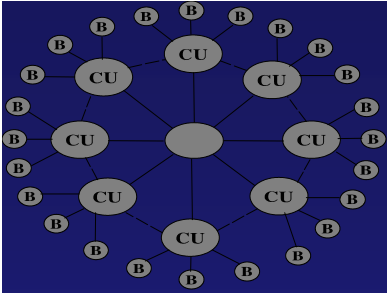
## Network Services



# What is the true Common Bond of Credit Unions?

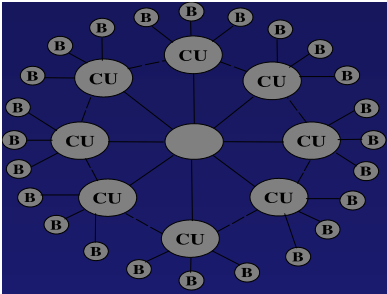


## Money Management Services



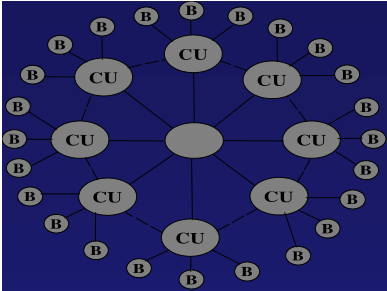
# Key Network Services

- **Liquidity Management (CFF)**
- **Point of Sale Deposits/Payments and Transfers**
- **Debit/Credit Cards**
- **International Remittances**
- **Savings Guarantee Fund**



# The Benefits of Working in a Network

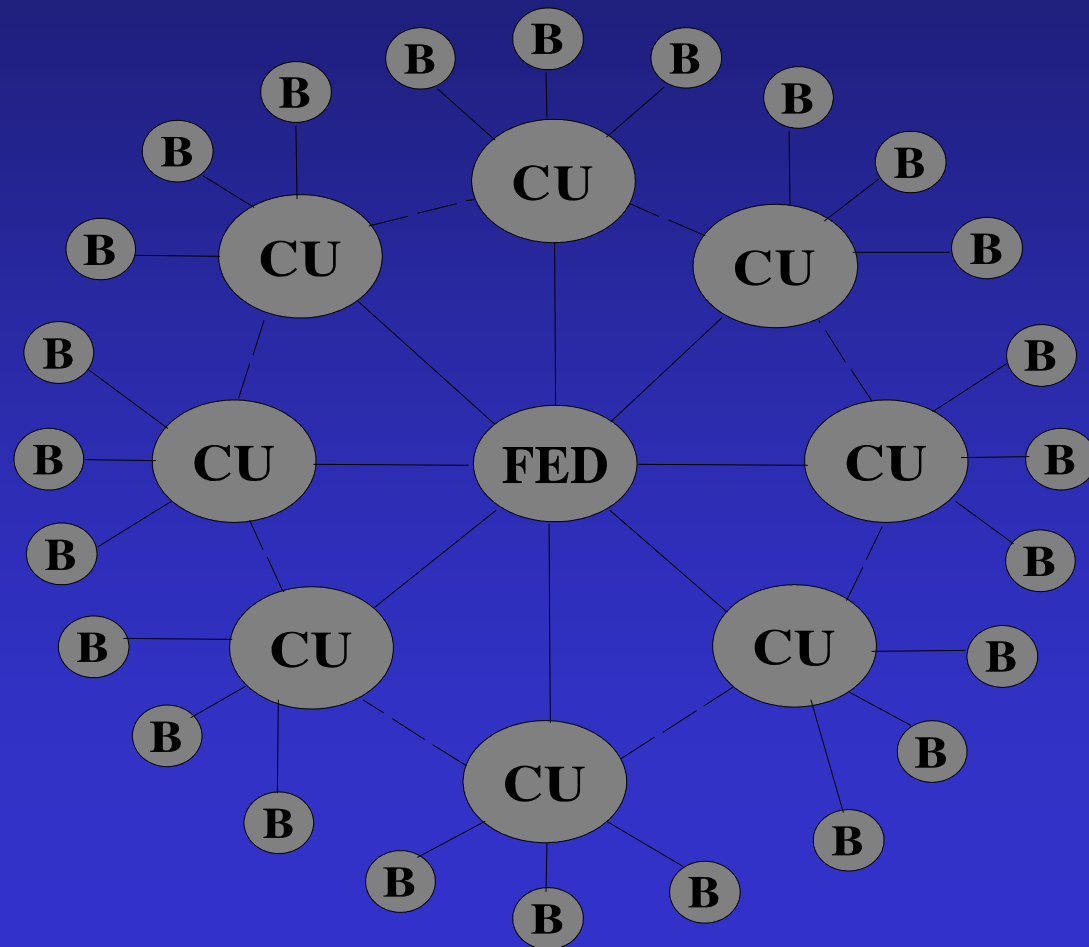
- Position the Cooperative Movement to offer new services available only through the network
- Improve operating efficiency through improved communications and connectivity
- Improve service to the Membership through more points of service



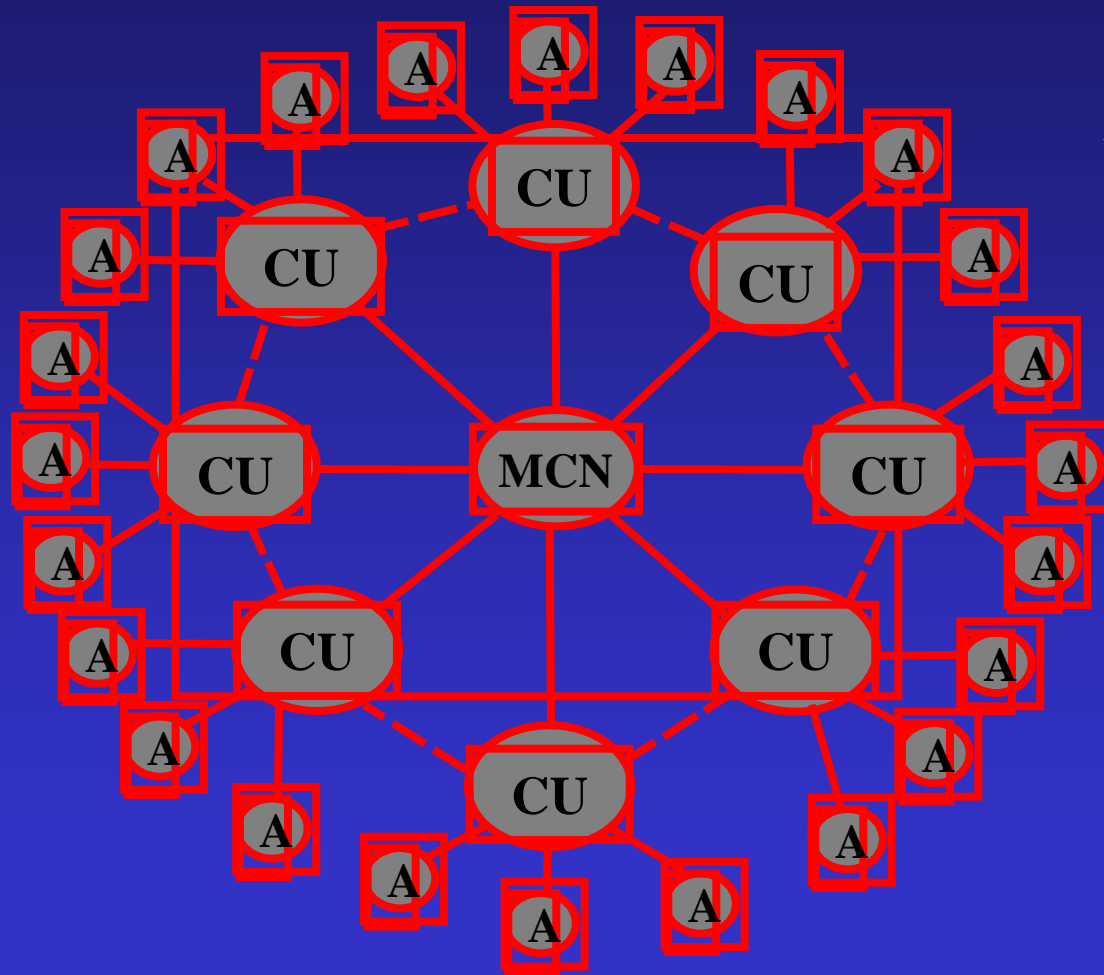
# The Benefits of Working in a Network

- Expansion of Points of Service on a National Basis (Shared Points of Service)
- Reduction in Transaction Costs (Economies of Scale)
- Transaction Fees that are earned through the Network remain in the Credit Union

# Where is the weakest Link?



# How to Protect the Network?





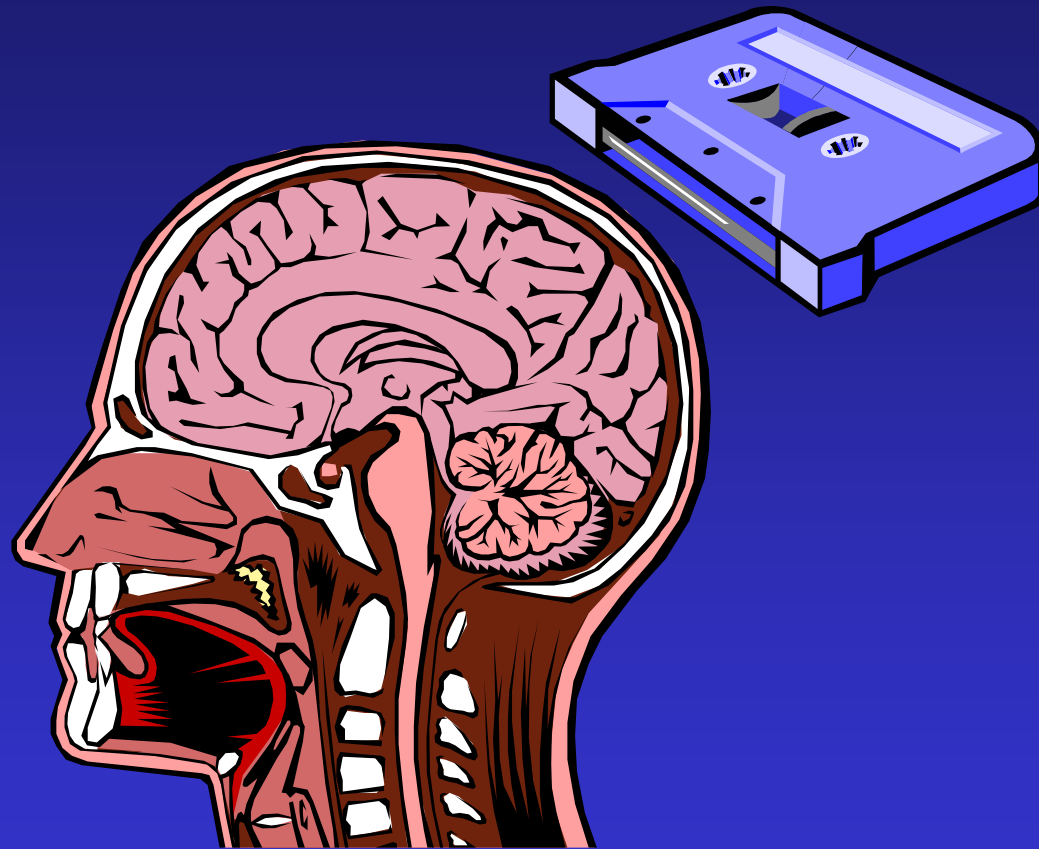


## Regulation & Supervision



# Human Resource Management

# Change of Mentality





# Traditional Mentality



- Short-Term View
- Penny-Pinchers
- Uncompromising
- Individualistic
- Susceptible
- Unreliable



# Progressive Mentality



- Long-term View
- Investment – not Cost
- Collaborative
- Interdependent
- Mature & Wise
- Reliable

# Human Resource Management



**Key Objective:**

**Hire employees who understand the concept of  
Stewardship**



# What is the Concept of Stewardship?

The Faithful Administration of  
Community Assets held in trust that  
achieve the following objectives:

## 1. Protection



## 2. Patronage



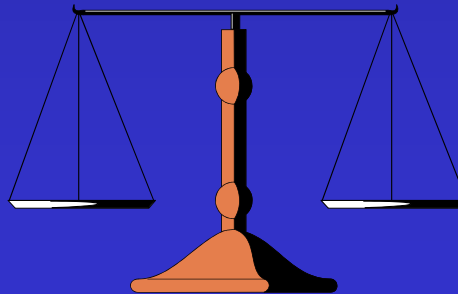
## 3. Prosperity





# What is the Role of a good Steward?

**Balance the interests of all members so that everyone will patronize the Credit Union's products and services.**







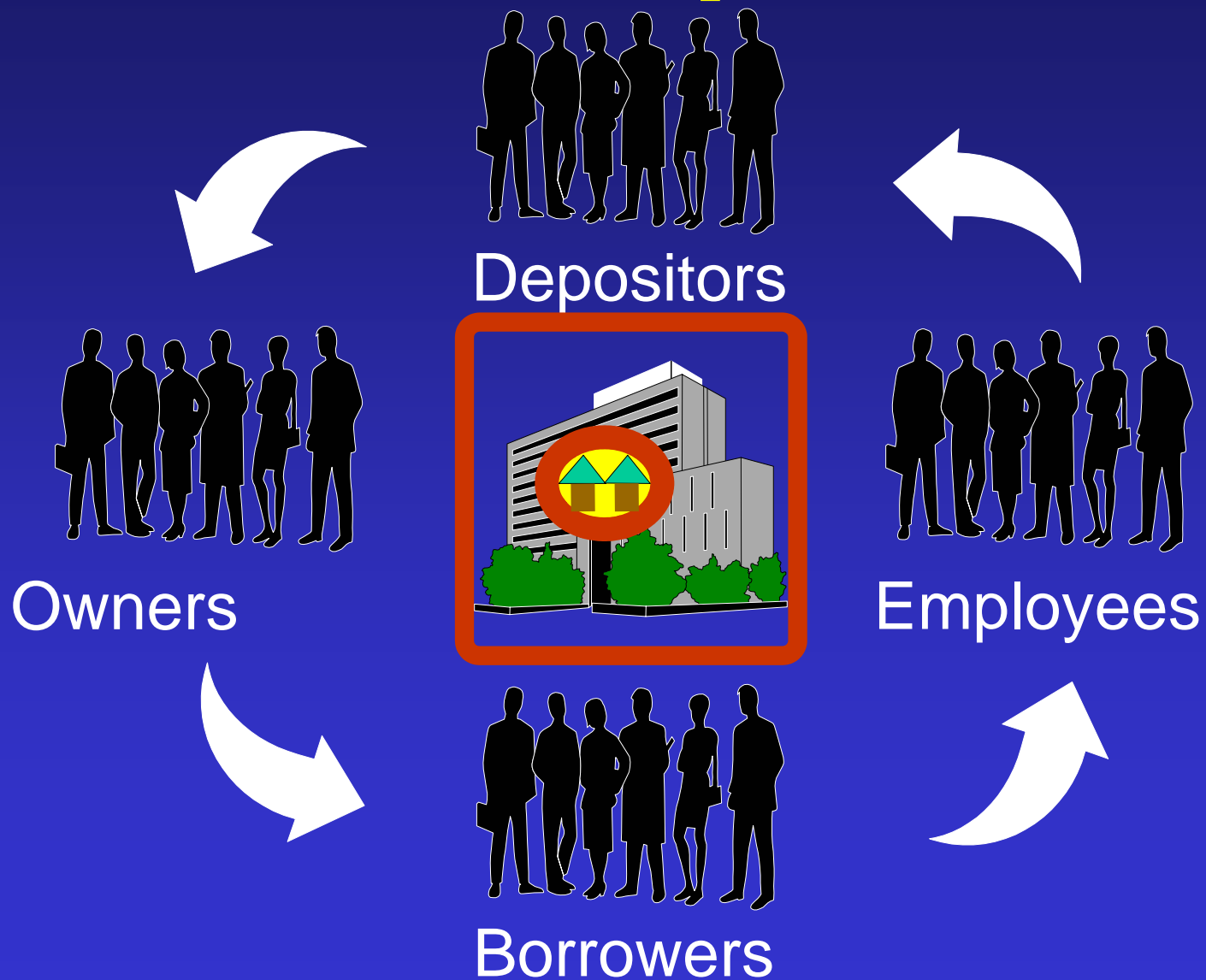
# What is the Role of a good Steward?



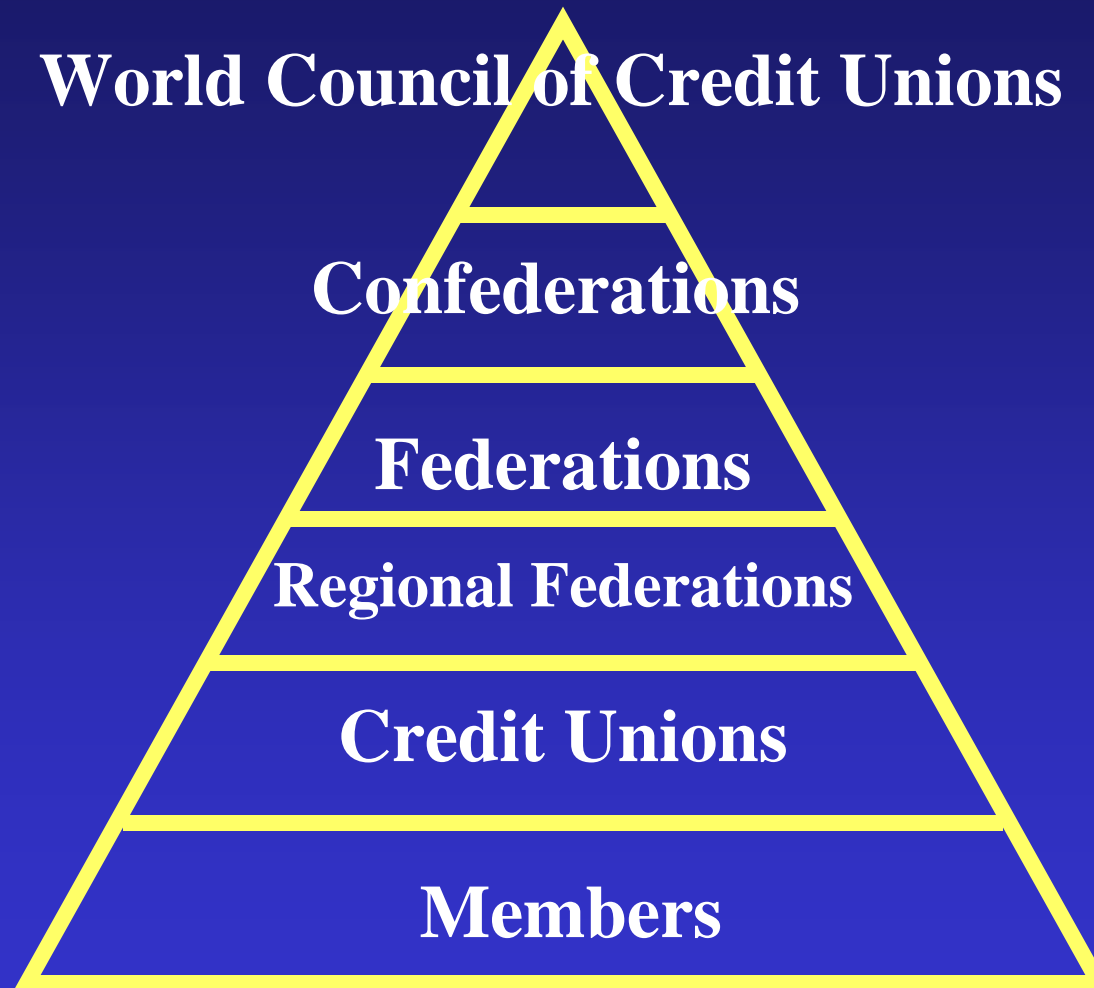
**Invest the collective wealth of the Credit Union in productive activities which satisfy the basic needs of the membership and help them to prosper.**

# Credit Union

## Stakeholder Equilibrium



# International Credit Union System





**Quality Credit Unions for  
EVERYONE**