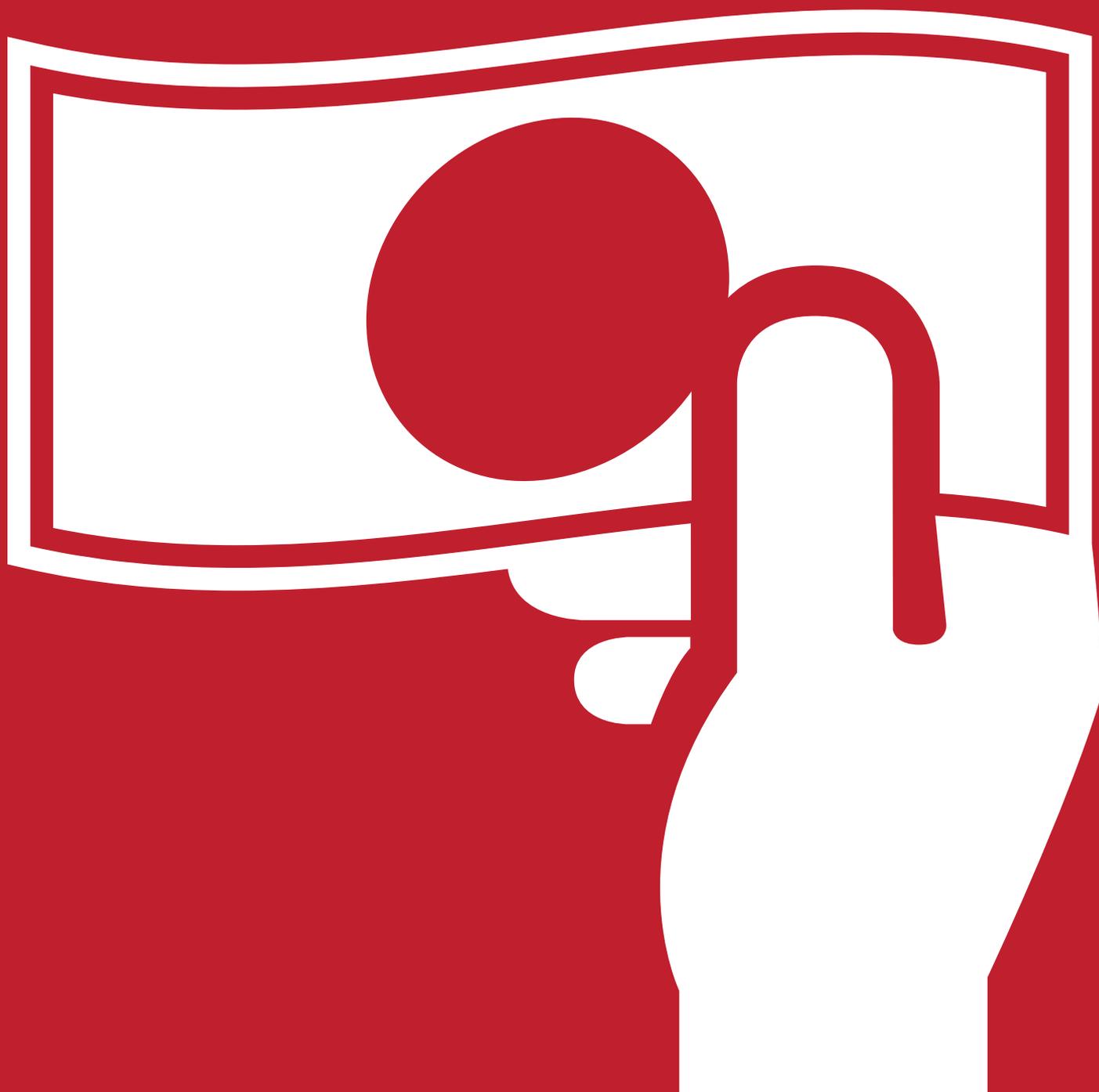


**CO-OPERATIVES BUILD A
BETTER WORLD THROUGH**



Finance



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About this eBook

Co-operative enterprises build a better world. To celebrate the International Year of Co-operatives, this series of eBooks will show how co-operatives provide an ethical alternative to business across the world in many different sectors from small shops to global organisations.

This second eBook looks at how co-operatives contribute to the world through finance. All topics covered by these eBooks will be discussed at one of the largest ethical business events this year at Co-operatives United in Manchester (29th October–2nd November, 2012). This conference will give you the chance to hear first hand accounts from the people who represent the billion members that make co-operatives happen.

The writer of this eBook's introduction, Kristen Christian, who founded Bank Transfer Day in the US, will be among the keynote speakers at the conference. Dani Paffard and Marloes Nichols, the two organisers behind the UK's Move your Money campaign will also be speaking during the event.

Key sessions from Co-operatives United will also be streamed through the Global News Hub; and an interactive platform will connect you with delegates at the event and thousands of co-operators across the globe.

This eBook is written and designed by Co-operative News, the Global News Hub for co-operatives (www.thenews.coop), and supported by the International Co-operative Alliance.

To find out more about Co-operatives United, visit: www.manchester2012.coop



Introduction

Kristen Christian

Founder of Bank Transfer Day

Across the globe and in many different languages, credit unions have a mission to value people over profit. That mission is put into action by utilising profit to directly benefit communities in a way that no for-profit structure is able to. No matter one's religious beliefs or political affiliations, we can all agree that our family, friends and neighbours deserve our support. Becoming a credit union member offers the opportunity to take a direct and simple action to promote local economic growth.

As Mahatma Gandhi said: "Non-cooperation with evil is as much a duty as is co-operation with good." In the days before I created the Facebook event that would spawn the Bank Transfer Day movement, I'd grown tired of watching as the profits of my banking business were being used in ways I viewed ineffective and irresponsible. While I may have been unable to change the policies of the organization, I was only as powerless as I'd let myself become.

In a capitalist society, companies have a right, within the law, to choose how to operate, and consumers have a duty to support businesses whose values echo their own. Over the past several decades, consumers had become complacent. We accepted poor service at an exorbitant cost, paid by both our communities and ourselves. The solution was amazing, in its simplicity, that we have no obligation to support a financial institution whose values don't echo our own. Discovering the option of financial co-operatives was liberating for me, to say the very least. It's been inspiring to watch firsthand as this consumer reawakening unfolded, and humbling to have played a role in igniting this shift toward financial co-operatives.

My pride remains with the will of the consumers who have chosen the better option. I may have led them toward the option of credit unions, but they have decided to act. With each day that consumers continue to shift their banking business, my optimism for our future climbs higher and higher. There's no doubt in my mind that financial co-operatives will lead us down the path to prosperity and economic sustainability. For me, every day really is Bank Transfer Day!

Kristen Christian is the founder of Bank Transfer Day. While continuing to advocate for consumer empowerment and economic sustainability, she offers lectures and consultations to help credit unions reach the next generation of potential members. Read more about Kristen's work: veggefatale.com

Helping the unbanked through technology

Many people in developing countries have little access to credit or banking, they are known as the “unbanked” — rural poor, who have to travel hundreds of miles to get to their nearest financial institution.

A co-operative in Kenya is trying to change this by offering people the chance to do their banking at the touch of a button.

The Samburu Teachers Cooperative Savings and Credit Society (Samburu Teachers SACCO) with help from the microfinance co-operative Oikocredit is providing easy mobile banking for some of the most remote people in Kenya.

“To overcome these challenges and serve its clients well, Samburu Teachers SACCO needed to be innovative in the way it does its business,” said Oikocredit East Africa’s capacity building co-ordinator Elikanah Nganga.

The mobile banking technology can run on any mobile phone, and processes in real time using the phone network. People can make deposits, withdrawals, balance enquiries, and money transfers.

The programme has helped not only their clients, but benefitted the teachers’ co-operative as well. The ease of the mobile banking has increased the number of new members, cash flow has improved and it has reduced operational costs.

These savings allow the SACCO to put more back into its community, helping to improve food security, build new classrooms and offer community training.

The banking was only made possible through a link-up with the money transfer service of the local mobile phone provider Safaricom — M-PESA.

“The link to M-PESA was critical to ensure clients and members of the SACCO could access their funds and make deposits via M-PESA agents, who are located at kiosks in most villages in the region,” said Mr Nganga.

Oikocredit committed €20,000 from its capacity building funds to develop this mobile banking project over two years. The funding will be accompanied by on-going advice and support from Oikocredit Kenya’s country staff.

The Samburu Teachers SACCO is an important part of the Kenyan credit sector. Established in 1980 to provide savings and credit to teachers, it has now expanded to include other community members.

It has 700 members and offers help in the form of loans and credit to people in need. One member who benefited from this was Flora, who’s husband died in 2001 and also had her cattle stolen. She was left with four young children to support and needed help to rebuild her life.

Samburu Teachers was able to give her the new start she needed. By applying for a small loan from the SACCO she was able to open her own grocery store. Over time she has built a sustainable future for herself and her children.

Flora now offers credit in her shop to people who need it, and not only feeds and clothes her family; she also pays school fees for her two brothers and plans to send her own children to college.

Through this small loan, Flora has now become an inspiration to other single women in the village.

Securing a better life for war veterans

A local savings and credit co-operative in Central America is supporting thousands of war veterans from the unemployed to the disabled.

The small co-operative, COODIMAS (Asociación Cooperativa Dimas Rodriguez de R.L.), works towards establishing an economic opportunity for over 3,000 veterans, most of them living in rural areas.

Twenty-one wounded and disabled men and women created the co-operative 17 years ago as a result of armed conflicts in El Salvador, which led to the death or disappearance of 75,000 people. COODIMAS aims to contribute to social and productive reintegration of the disabled and their families, promoting their economic and social development.

“Our COODIMAS must be large and well-known, because we are doing what normally isn’t done; everyone feels sorry for the disabled but they don’t see we can be so much more, they don’t see our capabilities, they don’t see that we should be inserted into society as any other ordinary person,” said José Dilio Rosales Osorio, COODIMAS’s President.

“Consequently, here we are making history, because in the end we are removing this myth that a disabled person can’t work, or that they can’t relate normally with others. Here we even have micro, small and medium enterprises working with or being led by war injured professionals.”

Mr Rosales also saluted the initiative of President Funes’ government to pay back \$19 million to war veterans and to extend the delivery of the Universal Basic Pension to veterans older than 70 years.

Oikocredit, one of the world’s largest sources of private funding to the microfinance (MFI) sector, is the co-operative’s main project partner. According to a report published by Oikocredit in 2010, “one of the MFI’s greatest strengths is the fact that they know the immediate necessities of their associates, which allows them to authorise loans faster”.

The amounts offered are calculated based on the Fund for the Protection of Disabled Civil War Veterans. An interview is performed in order to determine the associate’s payment capacity according to his/her pension fund level.

COODIMAS places a strong emphasis on transparency, by delivering vouchers with the payments of each instalment, indicating clearly the amount paid to the principal and interests.

The Management Board is formed entirely by former combatants. “Only our pain can understand someone else’s pain, we don’t want professionals to come and take advantage of our institution,” added Mr José Dilio Rosales Osorio.

It is up to each individual and their skills to choose how to make the most of the loans. For example, Mrs. Maria Teresa Mejía de Najó, began with a loan 16 years ago and bought a sewing machine. She later took on other loans, sold her small company and began a new one in the building industry with her brother. The business became more and more successful. “No one believed in me,” she said, “only COODIMAS.”

The co-op ensures social responsibility towards its clients by an interest rate policy indicated in its statutes, which establishes that rates cannot go beyond the ones used by national banking institutions. It also has limits to the amount one person can borrow to prevent over indebtedness and in order to have credit available for more veterans or their families.

Through its work, the small local savings and credit co-operative manages to change the lives of 3,000 war veterans, while securing the sustainable development of the local community.

Teaching young people about credit unions

One of the most innovative projects in the credit union movement is aiming to reach out to the majority of young people who do not know about financial co-operatives.

Young & Free is based in the US and Canada, with the sole aim of teaching those aged between 18-25 about the pros of banking with credit unions.

Many banks in the US charge an additional fee for chequing accounts, a problem for many young people, however many credit unions offer free accounts with no fees or charges.

Despite this a 2012 survey from the Credit Union National Association revealed that 69 per cent of people aged between 18-24 are “not at all familiar” with credit unions.

Young & Free is trying to change this.

Back in 2006, Tim McAlpine, the creator of Young & Free, was working with Common Wealth Credit Union in Alberta, Canada. They were trying to think of a way to involve the youth market, when they came up with the idea of giving young people a voice through the Spokester role.

Spokesters are young adults who blog, create video content and use social media to inform people about the benefits of credit unions. Their peers vote them in and the winner takes on the job for a year.

It was in 2008, when they realised this project could go beyond just Alberta.

Tim said: “We began to realise the magnitude of the age problem with credit unions. According to Credit Union National Association (CUNA), the average age of a U.S. credit union member is 47 and according to Credit Union Central of Canada, the average age of a Canadian credit union member is 54, while census data reveals that the average age of a North American is 35.”

Now there are currently 10 Spokesters, and over 90 credit unions have their products associated with Young & Free.

He said: “Young & Free helps lower average age. All of the credit unions in Maine, US, are participating in Young & Free Maine through the Maine Credit Union League.

“After one year, the credit unions of Maine have seen a four per cent membership growth in the 18-25 age group from April 2011 to April 2012 versus general member growth of 0.2% in same time period. The average age of a credit union member has moved down to 45 from 47 in just one year.”

The Spokesters are key to the success of the project. Coming from many different backgrounds, some with very little knowledge and others who have been members of CUs all their lives.

Tim said it is this that makes the program work: “People related to people, not companies — Young & Free is not artificial advertising, it’s actual young people discovering that credit unions are good and then relaying that back to their peers in their own voices.”

Kylie Keene from Young & Free Maine, was already a member of a credit union, but she has learned a lot more since becoming a Spokester.

She said: “Like many people my age, I’m fresh out of college and I don’t have a lot of money. The financial world can be intimidating. It’s tough to figure out what’s best for our money and our future. Credit unions just simplify things.”

Darryl LaPlante the South Carolina Spokester, has had his contract renewed twice, making it three terms longer than the average Spokester. His CU does not just work in South Carolina, but also raises money for Water Missions International and helped give a village in Musubi, Uganda access to safe and clean water.

He explained why young people should use CUs: “One of the biggest reasons a young person should want to join a CU is for their free accounts. At a bank, the board of directors are all paid employees, so typically they’re making decisions that will most benefit them and that’s lame.”

What is the future for Young & Free? Tim adds: “Our bigger goals is to expand beyond North America and help credit unions attract 1,000,000 new young members. There is a worldwide need to attract younger members and we see Young & Free as one very effective way to do this. Europe, Australia, Asia?

“Who knows what’s next!”

Co-operatives are an important part of New Zealand

Following the dark days of the 1920s depression, the New Zealand Public Service Association decided to protect its members from “being ensnared in the usurious toils of money lenders”.

In 1928, the Public Service Investment Society (PSIS) was born. Moving forward to 1995, PSIS opened its doors to everyone in New Zealand and six years later it became a registered bank and changed its name to the Co-operative Bank.

The newly registered bank has paved the way for co-operation in the country. It was one of the first institutions to give loans to single women, and they have jumped from 214 members in 1928 to 126,553 members in 2012.

The institution has gone from strength to strength.

Girol Karacaoglu, the former Chief Executive who stepped down in April 2012, said: “At a time when investors’ faith has been shaken throughout the world, co-operatives have not only survived but thrived. People have been attracted and remained loyal to the conservative governance and risk management that’s part of the co-operative ethos.”

2011 has been a crucial year, as well as getting the bank accreditation the co-operative was also named the inaugural winner of the 2011 CANSTAR Blue Customer Satisfaction Banking award, obtaining the maximum 5-star rating in every category.

If that wasn’t enough, its loan portfolio increased by \$43 million in 2011 and deposits have risen by \$51 million.

Due to its co-operative model, individual members vote for the bank’s board directors. Chairman Steve Fyfe stated: “We need to understand the history and tradition — the essence — of the Co-operative Bank. It’s important to know what we stand for, and what really matters to our members. The fact that we are a co-operative will continue to define us as different, and I believe the opportunity for us, and our members, is huge.”

Other board members share their passion for the co-operative model.

“I have a real passion for co-operatives — they are demonstrably an important part of the New Zealand economy,” said Sam Robinson, a board member.

“I enjoy being part of a family of like-minded people, striving to support an organisation that can deliver real value to its members,” said another board member, Peter Ellis.

In 2012, the bank has made a commitment to small business banking and even invited members to celebrate its new bank status by coming in to branches for a piece of cake and to sign the foundation member board.

Konrad Jankowitz, a member of the bank from Gisborne, New Zealand said: “I am really excited to be with a bank that moves with the times and in fact leads the way. What other bank will not only provide you with excellent service but also help market your business with a dedicated website for free.”

The bank also works within the community, most recently helping with to restore the chaos caused by the Christchurch earthquake in February 2011.

The bank is also aiming to raise awareness of co-operative banking to their members as part of its activity for the International Year of Co-operatives.

Co-op insurer looks to create an ethical world

NTUC Insurance Co-operative is at the forefront of not only Singapore's co-op movement, but also the country's insurance sector as a whole.

Beginning its life in 1970, it was the first co-operative set up by the Labour Movement and it is now one of the leading insurers in Singapore.

The co-operative has around two million customers who use their products, which is more than a third of Singapore's five million population.

NTUC Income is one the top three insurers for life insurance, and is the only insurance co-operative in Singapore.

Since it was established 40 years ago, the co-operative has always strived to be ahead of the market. It was the first insurer to install a mainframe computer in 1980 and the first to have a website in 1995.

The co-operative recently had a new awakening in 2007, when it appointed new CEO Tan Suee Chieh. Though the company was a household name across Singapore, overseas companies entering the insurance market were threatening it.

Mr Suee Chieh was an important driving force behind the co-op, when he took up the position he said: "We have a great responsibility. A responsibility to do what is right for our customers, first time and every time.

"A responsibility that we all must welcome — because this is how we ensure our relevance, and more importantly, this is the right thing to do. And all of us have a great opportunity to grow with Income's success."

He implemented the Cultural Revolution that linked traditional co-operative values with business attributes — it looked at improving how the business was run.

In a statement released for the Cultural revolution, Mr Suee Chieh said: "It is a revolution which calls for neither fear nor blood, it calls for courage and for commitment, it is not a revolution which pits one against another, it unites our people to be the best people they can be."

In 2011, its newest innovative project called 'the Orange Revolution' was launched. It carried on from where the Cultural Revolution left off.

The revolution, which runs until 2015, focuses on "doing things differently," explained Mr Suee Chieh. It will set NTUC Income apart from other insurers by providing honest insurance and value.

The Orange Revolution focuses on social enterprise, showing how their co-operative model makes them different.

NTUC Income "aims to become the most ethical insurer in Singapore, possibly the world", said Mr Suee Chieh: "I believe we can change the world we see today, we have the power, as long as we have something new — and we have something new."

Surviving an economic crisis: co-operative banking

The German co-operative movement, as with the Rochdale Pioneers in the UK, was born out of the poverty and ill health of the industrial revolution in the mid 19th century.

Friedrich Wilhelm Raiffeisen and Hermann Schulze-Delitzsch were the two most influential figures and helped to create modern co-operative banking as we know it today.

From 1846 to 1848 Raiffeisen was working as the major of Weyerbusch during the severe economic crisis and famine.

Many farmers were often stuck in the grip of loan sharks and were unable to pull themselves out of severe poverty. Raiffeisen decided to do something about it.

He first set up an association that helped farmers acquire cows with help from the wealthy classes. Soon after it began to offer credit so the farmers could buy the cows.

The first rural credit union was born in 1862 when an association that Raiffeisen had set up in Heddesdorf began using members' deposits to provide loans for other members.

Dirk Lehnhoff, member of the Board on DGRV (German Co-operative and Raiffeisen Confederation) and a leading expert in the co-operative sector explained: "The principles are similar to the co-op movement in England, it is rooted in the distress of the workers. The German movement was influenced by craftsmen, farmers and traders."

Prior to Raiffeisen, German economist Schulze-Delitzsch set up the first urban credit unions who adhere to three values — self help — to give economic support to the members, self governance — have its own rules and management and self responsibility — be financially and mutually reliable.

The work of Raiffeisen and Schulze-Delitzsch has stretched far beyond the poverty of post industrial revolution era.

Banks across the world have taken their principles and worked to become major players in the financial market. They now take on a new challenge as they try to survive the murky waters of the current economic crisis.

Dirk explained that it was the co-operative model that left these banks unscathed: "We came out of the financial crisis without any aid from the state, not one euro. Co-operatives have emerged strengthened from the economic crisis."

The Rabobank Group is one of the most successful co-operative banks in the world. It is the market leader in its home country, the Netherlands, and ranked as the eighth safest banks globally, from Global Finance magazine.

It shares its roots in agriculture, starting as two separate banks the Coöperatieve Centrale Raiffeisen-Bank in Utrecht and the Coöperatieve Centrale Boerenleenbank in Eindhoven, who traded separately for three quarters of a century.

"When more than one hundred years ago the first co-operative banks were established, which later became the Rabobank, it was not because a few notables wanted to do something good for the farmers in their area; the formation of co-operatives was an economic need," said Elise van Driel, the International Year of Co-operatives Project Manager at Rabobank.

Acknowledgements

With thanks to Kristen Christian for writing the introduction, as well as Co-operatives United and the International Co-operative Alliance for supporting this project.

Writing/Editing: Emily Barker, Anca Voinea and Anthony Murray. Translation: Anca Voinea
Cover image: Øystein W. Arbo from The Noun Project (www.thenounproject.com)

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