Credit Union Cooperative: Role on Poverty Reduction and Strengthen Community Networks

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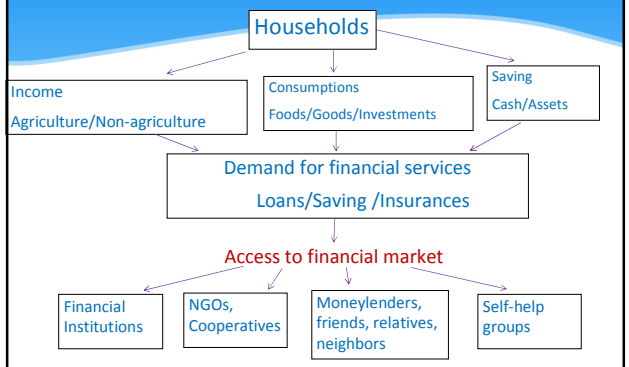
Introduction

- **Majority of Thai people (68%) are living in rural area .They are suffering from lack of land for cultivation and the lack of stable occupation.**
- **Financial services to the rural poor could not serve by commercial banks because of the high risks and high transaction costs.**
- **Thousands of cooperatives including credit union cooperatives appeared to provide low interest rate loan and agriculture aids to borrowers.**
- **Saving mobilization and other related services such as insurance and marketing are scaling up due to rising of household economy.**

Introduction



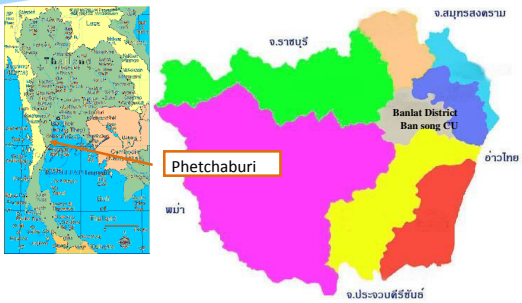
Objectives

- To investigate people's well-beings in social and economic aspects towards participation in credit union financial services
- To access the financial requirement of rural people
- To find out the satisfaction of Credit Union League of Thailand's members through their services.

Methodology and analysis

-First case study in local level was conducted during 2007 by interview 77 respondents of Bansong Credit Union Cooperative.
-The other case study was conducted in 2010 by collecting data of 423 Credit Union Cooperative in whole country.
-Primary data was obtained through interviewing local people and manager of each Credit Union Cooperative by using structured questionnaire and group discussion
-Secondary data were also collected from financial report of credit union cooperative in the case study.
-Data analysis was done by descriptive and statistical methods

Study area



Case of "Ban Song Credit Union Coop.

-The Ban Song credit union (village bank) is the biggest CU in Banlat district.
- Before the credit union was established, the villagers had long suffered from high cost and low price of agricultural products.
- They established a credit union in order to mobilize the villagers' financial resources in both agricultural and non-agricultural activity.
-Source of income normally comes from constant accumulated member shares, operating profit, paybacks and interests from loans.

Case of "Ban Song Credit Union Coop.

Financial services

1. Loans are divided into 3 types
- Emergency loan
- Ordinary loan
-Long term loan

2. Savings have two types
-compulsory saving (share capital)
-voluntary savings (saving account)

3. Welfares are consisted of 8 types
-Loan protection
-Saving accumulation
-Fund for funeral
-Health care
-Funeral ceremony aid
-Wedding gift
-Old age pension
-New born gift

People's household status

household status		(%)
Main occupation	Agricultural / Non Agricultural	49.5/50.5
Household income	Less than 5,000 THB	62.0
Household consumption	Less than 5,000THB	51.9
All debt	50,001-100,000 THB	24.7
All saving	Less than 10,000	42.9

Membership, loan and saving's participation

Participation		(%)
Membership	1-5 Years	58.4
Loan	Less than 10,000	59.7
Purpose of borrowing	Agricultural	40.0
Spend the loan with the purpose	Yes	87.0
Loan repayment on time	Yes	74.0
Loan from other sources	Yes	66.3
Saving	Less than 5,000	58.4

People's attitudes and economy status

Changes in household status	Direction	CU (%)
Income per month	**Increased**	**53.2**
Household consumption	**Increased**	**59.7**
Sub-occupation income	**Increased**	**38.6**
Saving	**Increased**	**59.7**
Loan	**Increased**	**42.9**
Assets	**Increased**	**53.2**

People's attitudes and economy status (cont.)

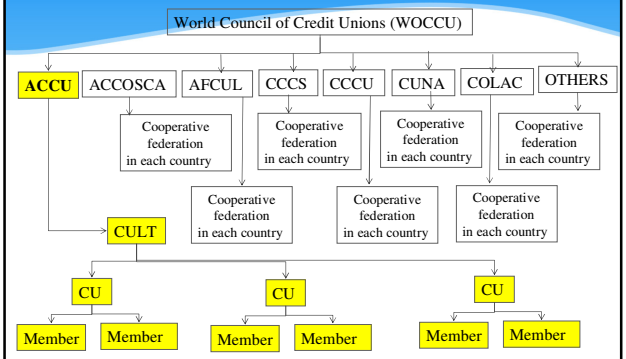
Changes in household status	Direction	CU (%)
Training/acknowledge in occupation	**Increased**	**49.3**
Engaged in community activity	**Increased**	**90.7**
Membership in other financial sources	**Increased**	**74.7**

Credit Union League of Thailand (CULT)

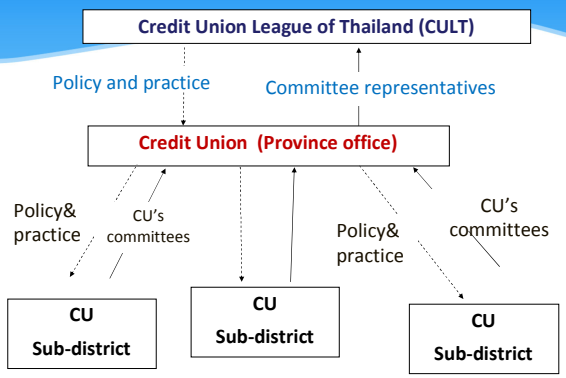
VISION

CULT is the national organization responsible for organizing and developing all credit unions as financial institution of the community. CULT is center for education, protection of members interest and welfare through insurance provision. This is carried out for human socio-economic development through the practice of cooperative principles.

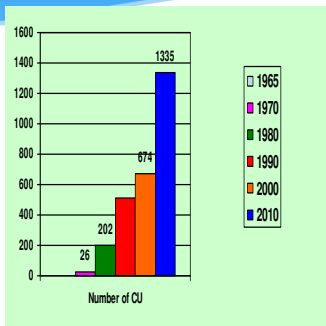
Global networks and CULT

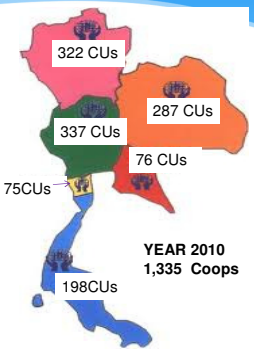


Relationship between CU and CULT



Thailand Credit Union Information





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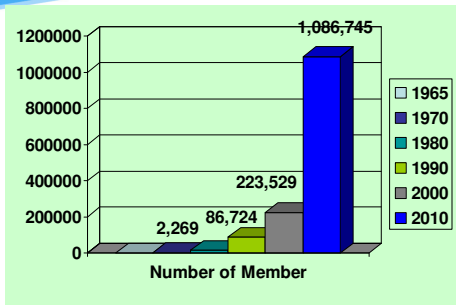

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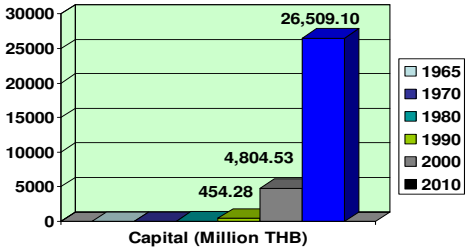

2010 Credit Union in Number

Region	Province	ordinary	Associate Member		Group	Total
			Credit	Others		
North	11	109	157	3	53	322
North east	20	130	109	12	36	287
Central	26	116	136	22	103	377
East	4	35	19	11	11	76
Phetchaburi	1	38	19	12	6	75
South	15	75	75	4	44	198
Total	**77**	**503**	**515**	**64**	**253**	**1,335**

2010 Credit Union in Number of Member

Region	Individual Member				Total Member
	Odinary	Associate	Others	Group	
North	146,586	38,800	197	4,123	189,706
North east	180,997	23,449	8,498	3,842	216,786
Central	181,927	26,563	13,458	8,808	230,756
East	56,121	2,544	14,594	773	74,032
Phetchaburi	183,161	7,683	1,347	1,180	193,371
South	158,286	18,065	2,902	2,841	182,094
Total	**907,078**	**117,104**	**40,996**	**21,567**	**1,086,745**

2010 Credit Union on Financial status

Region	Asset	loan	Deposit	Common stock
North	4,916.84	4,522.66	1,699.03	2,264.37
North east	2,971.12	2,001.85	997.14	1,160.60
Central	26,215.64	12,793.53	15,057.79	6,302.38
East	2,803.36	1,815.64	1,197.55	1,063.12
Phetchaburi	4,328.30	2,692.98	2,391.21	1,470.28
South	4,873.60	3,067.96	2,183.50	1,829.98
Total	**46,108.87**	**26,894.61**	**23,526.23**	**14,090.74**

CU member's satisfaction on CULT's servics

Financial services	%	Welfare services	%
1. good interest rate	13.40	1. Support CULTs members	16.69
2. support cooperative movement	23.40	2. Security in welfare status	22.46
3. Security in financial status	13.93	3. Increased well-being of individual members	24.52
4. No comments	49.25	4. No comments	36.33
Total	100	Total	100

Conlusion

Ban Song Credit Union Cooperative

-Case of Ban Song Credit Union cooperative appeared an important role in reducing poverty and strengthens people's participation in social activity.

-Credit Union Cooperative took place in a sub-districts level that was convenient for members to access to their service.

Credit Union League of Thailand

-CULT has more facilitated financial services, and welfare support to credit union cooperatives and/or credit union groups. At present, credit unions with participation of member and support from CULT have increased their numbers, network activity, and financial status.

-The survey of credit union cooperatives and/or credit union groups showed that they satisfied both financial and welfare services from CULT.

Recommendation

-Cooperative members increased income after join the CU's service, also the expenditure increased. The cooperative should have the appropriate policy to control loan objective to avoid the problems of repayment

-Provide training on managing capital planning, operation, and maintenance of community infrastructure and equipment between local communities and the rural development agencies may be established to support well being of local people

-Support occupation for member and marketing channels through domestic and international outlets with a good network.

Thank you