World Council of Credit Unions

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I. Introduction

Credit unions are a form of mutual body or financial cooperative, which conduct their business for the benefit of their members. The principal purpose of a credit union is to receive deposits from and to make loans to members. They do not serve the general public because their membership is restricted by a qualification referred to as either a common bond or field of membership. The World Council of Credit Unions, or WOCCU, is the international trade association for credit unions. It is represented by national credit union trade associations in 73 countries and has 35 members. It is engaged in a number of technical projects in 15 developing countries which aim to encourage and strengthen the development of credit unions. Under the guidance of WOCCU, the growth of credit unions has been remarkable. In 2006, there were 46,000 credit unions and 172 million members in 97 countries (WOCCU 2006a). The primary objective of WOCCU is to achieve “Quality Credit Unions for Everyone”, which it aims to achieve by promoting credit unions as financial instruments for the economic and social development of people.

II. Origins and Development

The first cooperatives, from which credit unions emerged, were established in the 1840s to combat the social and economic problems arising from the Industrial Revolution (MacPherson 1999). Robert Owen, who influenced the creation of two famous co-operative experiments, principally led the cooperative movement (ABCUL 2002). The most prominent co-operative influenced by Robert Owens ideas, the Rochdale Society of Equitable Pioneers, (Rochdale Society), opened their famous cooperative shop on Toad Lane in 1844 (Fairbairn 1994). The members of the association subscribed to shares and paid small amounts to raise sufficient funds in order to purchase goods below the market value and then resell them to the members at a saving
The Rochdale Society was primarily concerned with providing good-quality consumer goods at fair prices to its members. By 1848 the cooperative had 140 members and the society’s membership increased to 390 and by 1880 the national membership of consumer societies had reached more than 500,000 people and by the turn of the century 1,500,000. Importantly, the Rochdale Society developed a number of principles – open membership, the democratic control of the organization, a limited interest on share capital, and the return on member’s interests being proportional to the member’s patronage (Moody and Fite 1971). These principles remain an important part of the movement, and illustrate why credit unions are a unique financial cooperative (Birchall 1997). The 1995 International Cooperative Alliance (ICA) statement on cooperative identity states that all cooperatives are based on the following values – self help, self-responsibility, democracy, equality, equity, and solidarity (ICA 1995). The Rochdale Society influenced the development of credit unions in many other countries. For example, it was within the specific context of that economic crisis, as well as the unrest associated with economic hardship, that the German cooperative banking movement took place (MacPherson 1999). The German movement was assisted by several pioneers, who included Herman Schulze-Delitzsch, Friedrich Wilhelm Raiffeisen, and Victor Aime Huber. Just as economic hardship contributed to the development of co-operatives in Germany, so in the United States of America the role of economic hardship cannot be overestimated. The early cooperatives in the US were also influenced by Robert Owen (Harrison 1969).

The origins of WOCCU can be traced to 1934, when the Credit Union National Association (CUNA) became the national association for US credit unions. In 1954, the President of CUNA and its then Chief Executive Office (CEO), Roy Bergengren asked its members to “approve an overseas credit union assistance program that would expand the organization’s existing outreach to countries outside of North America” (WOCCU 2007). As a result, “CUNA’s World Extension Department came to life” (ibid.). The work of this department, in partnership with the international co-operative movement, led to the establishment of credit unions in many parts of the world. The US government assisted the growth of credit unions and the establishment of WOCCU by virtue of the Foreign Assistance Act of 1961. The aim of this legislation was to provide financial assistance to encourage the growth of credit unions. WOCCU noted that “the move was particularly important because of the formation of a new agency, the United States Agency for International Development (USAID)” (WOCCU 2007). WOCCU came into existence as a corporation in the US state of Wisconsin on 1 January 1971 (MacPherson 1999), and it has proved to be “a benchmark in history for the interna-