

# CARIBBEAN CREDIT UNIONS: SOME RESEARCH QUESTIONS

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## Introduction

**I**t is generally believed that Jamaica gave birth to the first Caribbean credit union. From there the movement spread far and wide, and today there is a presence in perhaps every territory. In the context of the international credit union system, the regional umbrella body for Caribbean credit unions is the Caribbean Confederation of Credit Unions (CCCU). This grouping comprises countries from the Anglophone Caribbean, excluding Guyana, and includes countries such as the Dominican Republic, Haiti, The Netherland Antilles, the Cayman Islands and Bermuda. CARICOM members, Guyana, Suriname and Belize are grouped within the Latin American region. For the purposes of this short paper the CCCU countries are the subject of investigation.

I was prompted to inquire into the affairs of Caribbean CUs when I observed statistics which indicated that between 2007 and 2009, the number of CUs increased from 274 to 484, a sixty-nine percent increase in just two years. By way of comparison, the increases in other areas are as follows: Africa-18.1%; Asia-6.5%;

Latin America - 14.8% and North America-10.7%.<sup>1</sup>

Interestingly between 2001 and 2007 the number of credit unions reported by CCCU declined from 307 to 274 and this fact alone made the increases in 2008 and 2009 seem rather curious. I therefore decided to examine the economic performances of the countries in the grouping to determine if there was evidence of any boom conditions. But there was no evidence of any significant growth, rather the Eastern Caribbean Currency Union (ECCU) countries collectively declined by 7% in 2009, and in the remaining countries growth was moderate. I then examined the individual countries data to determine where the increases were in fact occurring. However, in most cases the total CUs either declined marginally or remained stable. The only reasonable conclusion therefore is that the figures reported on total credit unions are unreliable and therefore cannot be relied upon for any serious analysis. Still, from table 1 it is possible to draw the conclusion that Caribbean credit unions have been very successful in their activities. Between 2001 and 2009 their total membership increased by 109% while savings and assets increased by 149% and 152% respectively.

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<sup>1</sup>These percentages were computed from member statistics derived from regional data in the Statistical Report 2009.

**TABLE 1: Caribbean Credit Unions – Selected Statistics (US\$)**

Year	Countries	Credit Unions	Members	Savings	Assets
2009	16	484	2,804,966	3,283,162,203	4,128,756,979
2008	16	439	2,456,127	2,970,420,886	3,545,476,808
2007	16	274	1,973,446	2,734,478,935	3,278,613,250
2006	16	277	1,953,804	2,535,180,769	3,174,739,589
2005	14	286	1,718,576	2,203,381,938	2,580,112,571
2004	13	253	1,640,176	1,863,023,760	2,322,144,051
2003	16	300	1,524,429	1,487,285,987	1,833,609,354
2002	16	304	1,438,160	11,423,833,937	1,764,611,483
2001	16	307	1,342,512	1,318,632,940	1,640,029,030

**Source:** International Credit Union System, Member Statistics, 2009, date accessed May 19, 2011, <http://www.woccu.org/memberserv/intlcusystem?region=CAR>

The increase in membership and the level of savings mobilized over the period 2001 to 2009, (see table 1) are sufficient evidence that credit unions have been an unqualified success over the years. In every country in the region their effect has been tremendous. For many persons throughout the region a credit union is the only financial institution at which they transact business. From my personal experience of traveling throughout the region interviewing members, many of them refer to their credit union as “my bank.” To them there is no distinction. It is easy to accept that the initial successes of credit unions resulted in their proliferation throughout the islands but that cannot be the only explanation. In Trinidad and Tobago, for instance, the entry requirements were very unchallenging, and this situation possibly existed in the other territories also.

### **Preliminary Analysis**

Using data from the international credit union system I propose to conduct some analysis and to pose some research questions which I hope can be followed up by an enterprising student. All raw data have been utilized from the International Credit Union System (WOCCU) and relate to the year 2009, except where specifically mentioned.

Based on the World Bank classification of the sixteen CCCU countries submitting data on CUs, nine countries are considered to be high income (per capita GDP >US\$12,196.00), four countries to be upper middle income (between US\$3,946 and 12,195) and, two countries to be lower middle income (US\$996 to 3,945). There is no data on per capita income for the Dominican Republic.

Six of the sixteen countries each has a population of less than 100,000 persons, with the lowest figure of 40,131 being recorded in St. Kitts & Nevis and the highest figure of 90,739 recorded in Grenada. Interestingly, out of these six countries those with the higher per capita incomes have the fewest number of credit unions (table 2).

**TABLE 2: Selected Caribbean Countries**

Country	Popula- tion	Per Capita Income	Total Credit Unions
Antigua & Barbuda	85,632	19,600.00	5
Bermuda	67,837	69,000.00	1
Cayman Islands	49,035	43,800.00	2
ST. Kitts & Nevis	40,131	19,500.00	3
Dominica	72,660	9,900.00	15
Grenada	90,739	12,900.00	13

Source: International Credit Union System, National Credit Union Data 2009, date accessed 19 May 2011, [http://www.woccu.org/memberserv/intlcusystem/icus\\_country?region=CAR&c](http://www.woccu.org/memberserv/intlcusystem/icus_country?region=CAR&c)

In four of the countries represented in table 2 above there are eleven credit unions with 58,116 members from a total population of 242,635 persons. In the two remaining countries there are 28 credit unions with 100,255 members from a total population of 163,399 persons. One of these two countries, Dominica, has more credit unions (15) and more members (60,803) [see table 3] than the combined totals of the four countries mentioned above. Why for instance, do the countries with higher per capita incomes have fewer CUs and fewer credit union

members? Is it because those countries have more formally developed financial systems, or are the people less inclined to CUs? The obvious answer to these questions is no. These countries share similar experiences to the rest of the group and are in some cases at lower levels of development.

Perhaps a less surprising observation is the finding that the countries with the larger populations have the majority of credit unions and the larger memberships. Five countries: Barbados, Dominican Republic, Haiti, Jamaica, and Trinidad and Tobago together, account for 400 credit unions and total membership of 2,472, 580, that is, 82.6% of all CUs in the CCCU region and 88.0% of all members. However, they account for only 71.2% of total savings. Comparatively, two countries, Bermuda and The Cayman Islands, which together have three credit unions and total membership of 17, 287, (0.6%) and (0.61%) respectively, account for 5.6% of total savings. What therefore explains the high savings ratio of these two countries with a relatively small credit union sector and a small population of members?

If we take Barbados out of the above analysis the savings picture changes drastically. The remaining four countries now account for 75.4% of all CUs, 83.5% of all members, but only 55.6% of total savings. What explains why Barbados with only thirty-five or 7.2% of CUs and 4.6% of total membership of the CCCU region accounts for 15.7% of all savings? Do Barbadians have a different savings ethos than peoples in the rest of the region? Here are some preliminary statistics: the average savings per member in Barbados is US\$3,937.70 while the figure for Haiti is US\$97.98. Jamaica and Trinidad and Tobago, though higher than Haiti, are still significantly lower than Barbados, with US\$525.05, and US\$1,551.80 respectively,

while the figure for the DR is US\$1,156.30 (see table 3).

If we examine the group comprising all sixteen Credit unions with respect to savings patterns, we observe that in The Cayman Islands with per capita income of US\$43,800, average savings per member is highest at US\$14,708, and Haiti with per capita income of US\$1,300 is the lowest at US\$97.98 (table 3). These figures seem reasonable given the relative levels of poverty in the respective countries. But how does one explain why countries like Grenada and St. Vincent & the Grenadines whose per capita incomes are about half that of Trinidad

and Tobago have average savings per member that are US\$2,332.80 and \$1,684.50 respectively? The reason that comes easily to mind is that in those countries the people have better saving habits. This is especially troublesome when one takes into account that the Government of T&T has for a number of years provided incentives to save in CUS. That situation is no longer extant. A very relevant piece of research would be dissecting the savings habits of Caribbean peoples. What seems to be a preliminary conclusion is that in the smaller Caribbean islands the people have a higher propensity to save than in the larger territories.

TABLE 3: Selected Credit Union Statistics, 2009 – (US\$)

Country	Popula- tion	No. CUs	Member- ship	Average Members	Avg. Savings (Members)	Avg. Savings (Credit Unions)
Antigua & Barbuda	85,632	5	25,532	5,106	1,716.4	8,764,479
The Bahamas	309,156	10	34,170	3,417	5,756.3	19,669,280
Bermuda	69,900	1	5,155	—	1,333.5	—
Cayman Islands	49,035	2	12,132	6,066	14,708.4	89,221,409
Barbados	284,589	35	129,476	3,699	3,939.7	14,592,998
Dominica	72,660	15	60,803	4,053	2,534.2	10,272,537
Dominican Republic	10,000,000	14	329,676	23,548	1,156.3	27,229,585
Grenada	90,739	13	39,452	3,034	2,332.8	7,079,532
Haiti	9,035,536	175	469,870	2,685	97.98	263,074
Jamaica	2,825,928	47	968,558	20,607	525.1	10,820,071
Montserrat	5,097	1	4,223	—	3,683.0	—
Netherland Antilles	227,049	13	18,360	1,412	1,944.0	2,746,153
St. Vincent	160,267	9	51,381	5,709	1,684.8	9,618,240
St. Lucia	104,574	12	65,881	5,490	1,342.5	7,370,869
St. Kitts & Nevis	40,131	3	15,297	5,099	3,013.0	15,365,219
Trinidad & Tobago	1,229,953	129	575,000	9,534	1,551.8	6,917,030

Source: International Credit Union System, National Credit Union Data, 2009.

Interestingly, Jamaica with a total population of 2.8 million has fewer credit unions (47) than Trinidad and Tobago (129) whose population is less than half of the former (1.2 million) but more members 968,558 compared to 575,000. Jamaica therefore has one credit union for every 60,126 persons while the corresponding figure for T&T is one credit union for every 9,534 persons. A reasonable question to pose is, are there too many credit unions in T&T? Clearly, there is a high degree of penetration by CUs but the relevant question is whether member satisfaction is high among all CUs? If it is not then there will be serious difficulties facing some of the institutions within the next decade. A point to note is that in Trinidad and Tobago, an individual is free to join as many credit unions as he chooses and many people belong to several CUs. I would like to end this short discourse by highlighting what I think will be useful areas for research:

1. What do the statistics on the number of Caribbean credit unions tell us about their continuing relevance as financial institutions of the “grass roots” in our society?
2. Why are Caribbean countries with higher levels of per capita incomes less inclined to credit unions?
3. What explains the relatively high savings ratio of two countries (Bermuda and the Cayman Islands) with small populations and a small credit union sector?
4. Why do credit union members in the smaller Caribbean countries appear to have a higher propensity to save than their counterparts in the larger territories?
5. When compared to the Caribbean countries, and their relative population sizes, are there too many credit unions in Trinidad and Tobago?

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