



CENTRAL BANK of SOLOMON ISLANDS

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What you should know about Credit Unions

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While you may have preferences on where to bank or save your money, you might want to take a look at what credit unions has to offer.

Being a member of the credit union is not always tied to employment. Although they might have membership requirements but these days it is much easier to become a member.

Credit unions are aimed at reaching people in the rural areas who are particularly vulnerable or disadvantaged in terms of access to financial services. These are:

- Small farmers, whose land is remote and whose main objective is subsistence farming, but who would like to invest in small projects in order to improve their cash income;
- Young farmers, whose access to loans may be hindered by the lack of assets, the unwillingness of family members to act as guarantors (for social as opposed to economic reasons) or the lack of a salary earner in the family;
- Rural women, who have viable investment opportunities, but for whom access to bank loans is not as easy as it is for men; and
- Members of credit unions who are seeking advice and knowledge about the monetary economy.

A credit union is a group of people who join together to save money and to make loans to each other at a fair rate of interest. Credit unions interest rates are generally better than any other financial institutions (FIs) they are high on savings and lower on loans compared to other financial institutions.

Credit union is organized by the people of a particular group who share a common bond such as members of the same employer, church or community group. They provide their members a secure place to save and a source of reasonably priced credit.

There are quite a number of active Credit unions in the country however according to the Central Bank of Solomon Islands, Financial Market Supervision Department only 10 credit unions are actively giving in their reports. The total assets of the 10 reporting active credit unions in the Country valued at about SBD 60 million which reflected the ownership of the members who are shareholders. The total members' savings is about SBD 45million, while loans extended to members are about SBD 40million. There is a total membership of 6089 members. By the end of year 2016, the Credit union sector made profit of SBD 2.3million.

Credit unions have a social mission- to teach members about the value of regular savings and the wise use of credit, both knowledge and money. Members help themselves and each other to achieve economic and social advancement. In other words, Credit unions assist people of modest means to take control of their financial destiny.

Credit unions are also part of an international financial system found in more than 80 nations around the world. Local, national and regional organizations support an international system of credit unions.

All members of a credit union are equal owners of the organization and have equal privileges, opportunities and responsibilities. Each member has one vote in the election for committee members and the board of directors. Basically Credit unions are economic democracy in action. A self-regulatory micro financial institutions that is managed by the 3 committees namely, the Board of Directors, Credit Committee and the Supervisory Committee and their role and responsibilities are stated in the Credit union Act, 1986 and the Standard By Laws 1987. Because of their member- owned status, credit unions maybe a bit more flexible in working with you through difficult times.

So is other FIs or a credit union a better choice for your needs? It all depends on you, however since credit unions are not for- profit institutions owned by their members and are not under investor pressure to produce profits as with other FIs, their financial services often have advantages over those provided by other FIs, why not try and join a credit union club and start saving for you and your family. You'll never know how helpful it is until you try.

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