

Principles of Credit Union

By CBSI Media

Every year the Central Bank of Solomon Islands (CBSI) hosts a Credit Union (CU) conference for all credit union executive members.

The theme of this year's conference is focused on ***"Building Resilience through Credit Unions Culture"*** this basically signifies the important role that credit unions continue to perform in the society.

CBSI would like to ensure that the managing authorities know the principles of credit union as well as any member in the general public.

What are the Operating Principles of Credit Union?

"Creating a foundation of cooperation, values, equality, equity and mutual self-help are core principles of credit union". The statement reflects how credit union establish the common good of human development working together to achieve better life for themselves and their community. Without the guiding principles and common goals, members may not able to achieve their goals and objectives. Credit Union Operating Principles are outline below;

A. Democratic Structure

"One Member, One Vote" Voluntarism is backbone of membership in a credit union. By virtue of willingness to accept the roles and responsibilities in a credit union ensembles you to be a volunteer; that shares the common bond of membership. Members of credit unions do enjoy equal rights ("One member, One vote"). All members 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. Credit unions are economic democracy in action. Discrimination is not entertained under the philosophy of the credit unions whether age, race, nationality, sex, religion and politics. Credit unions are present across cultures and languages, helping members creating new opportunities every day.

B. Service to Members

"No matter what you want today, tomorrow or years from now, Credit Union Can Help" Improving the economic condition and social well-being of all members is the priority of a credit union. With safe and secured access point, members are able to present themselves with opportunities to save and lend realising their dreams of building homes, starting micro business and education. Credit unions encourage thrift savings and provide financial support, fair rate of interest on savings. By building financial strength, adequate reserves and internal controls, credit unions provide financial stability that ensure service to members continues.

C. Social Goals

"Achieving Better Life" reflects how credit union serves as a catalyst to educate members the principles of credit union or promotion of thrift and wise use of credit and rights and

responsibilities of members. Promoting educational awareness to members is critical in terms of financial inclusion and financial education. **“Members helping Members”** reflects the shared opportunity of members educating each other in their financial planning and budgeting which brings difference experience, commitment and positive economic changes. Credit unions at its disposal share the same cooperation with other credit unions to best serve the interest of its members. Credit Unions seek to bring about human and social development.

These are the fundamental principles of Credit Unions that the members and the managers should all be aware of.

Details about Credit Unions.

Credit unions are example of niche financial institution that evolve to meet specific targets in response to commercial banks concentration on serving the need of business (commercial) rather than needs of *individuals* requiring borrowing funds. This *self-help* financial institution intended to alleviate widespread poverty. Credit unions are part of the international financial system found in more than 80 nations around the world. Local, national and regional organizations support an international system of credit unions.

Credit unions just like other financial institutions perform the essential function of channelling funds from those with surplus funds (suppliers of funds) to those shortage of funds (users of funds). They are also special in nature that they are different how they set up compared to commercial banks. Credit Unions are prohibited from serving the general public. Credit unions accept individual deposits and make loans only to their members. It prescribes what is required to be a credit union member – you must share **“common bond”** with other credit union members. The strength of credit union derives from this. **“Am more than Just a Customer. I am Owner”** reflects the ownership of your membership to the credit union. Credit Union belongs to you.

Credit unions are 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 (1987) and Credit Union Standard By Law (1986).

Credit unions are regulated by the Central Bank of Solomon Islands. The Governor of the Central Bank is the Registrar of Credit Union. Credit unions are camouflaged under the legal framework of Credit Union Act (1987) and Credit Union Standard Bylaws (1986). Currently the Credit Union Act is under review.